Welfare of the Individual and the Group: Malthus and Externalities

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ROBERT MALTHUS is exemplary in presenting a basic pessimism in his assessment of the prospects of the labouring poor—a pessimism about the long-term growth possibilities of an essentially organic, agrarian economy that he shares with his fellow classical economists writing in the second half of the eighteenth, and the early nineteenth, centuries. He is, of course, well known for identifying what he regarded as the principal obstacle to the enhancement of their well-being. In so doing he used an intriguing metaphor to identify the salient characteristics of that ever-present threat:

In an endeavour to raise the proportion of the quantity of provisions to the number of consumers in any country, our attention would naturally be first directed to the increasing of the absolute quantity of provisions; but finding that, as fast as we did this, the number of consumers more than kept pace with it, and that with all exertions we were still as far as ever behind, we should be convinced, that our efforts directed in this way would never succeed. It would be setting the tortoise to catch the hare. Finding, therefore that from the laws of nature we could not proportion the food to the population, our next attempt should naturally be, to proportion the population to the food. If we can persuade the hare to go to sleep, the tortoise may have some chance of overtaking her.

In recent years, from differing perspectives and intellectual starting points, the corpus of Malthus’s writings has been subjected to a scrutiny

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1 Read 26 April 2001.


that has resulted in its receiving far more empathetic assessment than had been characteristic of critical scholarly opinion for a good deal of the middle and late twentieth century—a critical emphasis and preference that, of course, had a long tradition, extending back to Malthus’s own lifetime and his skirmishes with the likes of Godwin and Southey, to name but a few of his especially vehement literary adversaries.

Two distinctive recent approaches by scholars in Britain are worthy of note, since they endorse the more optimistic tone that is implicit in this metaphorical use of the hare and the tortoise in Malthus’s writing. One approach is associated with E. A. Wrigley, who has been especially active both as co-editor of the whole of the Malthusian corpus and as its interpreter, with specific reference to implications for the economic and demographic history of what he has termed an “organic” pre-industrial economy. In particular, he has focused on the effectiveness of Malthus’s ideas as a basis for interpreting the relationship between demographic behaviour, processes, and the economy before the nineteenth century. From the perspective of classical political economy, Wrigley argues that it might justifiably be claimed that Robert Malthus was less pessimistic than either Adam Smith or Ricardo about the necessary implications for living standards of the interplay between economic and demographic forces. In particular, Wrigley draws attention to Malthus’s identification of the distinct advantages accruing to Western European societies in possession of low-intensity and economically responsive marriage regimes. Indeed, Wrigley might be supposed to have identified this marriage regime as the principal means by which Malthus’s hare is forced to sleep, to the distinct advantage of the agrarian tortoise. In addition, Wrigley has focused on Malthus’s appreciation of the presence in such societies of long, slow oscillations in the economic-demographic balance, which offered real opportunities to evade the disadvantages flowing from negative feedback and the “Iron Law of Wages.”

The other important recent contribution comes from Donald Winch, one of Britain’s leading historians of economic thought, who very recently in his exceedingly important study, Riches and Poverty: An intellectual history of political economy in Britain, 1750–1834 (1996), contextualised and re-evaluated Malthus in a manner that is decidedly more nuanced than any comparable treatment at the hands of a historian of economic thought, revealing aspects of his thinking that have been misunderstood or ignored (sometimes wilfully). In par-

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ticular, Winch has provided the most compelling refutation of the frequently encountered position that Malthus should be regarded as particularly culpable as an arch-exponent in the “de-moralisation” of political economy, and thereby divorced from moral considerations and made subordinate to impersonal economic forces.\(^5\)

Notwithstanding the care taken by both Wrigley and Winch to assess Malthus’s thinking in as comprehensive and contextualised a fashion as can be fairly contemplated (as well as their efforts to give fuller recognition to the paths along which it developed), there remains an area of Malthus’s thinking that proved particularly durable from the 1790s to the early 1830s, which has continued to provoke critical assessment. In this respect, we have in mind Malthus’s negative attitude towards collectivist institutions and their impact on the behaviour of individuals, which forms a recurrent theme in the development of his principles of population. Chief among these institutions was the English Poor Law, which attempted to guarantee a minimum level of subsistence to all those whose incomes fell short of what was necessary to support them and their families. Malthus’s negative position derives from his belief that the English Poor Law extended to the labouring poor an offer of a right to subsistence that it could not fulfil. The income redistribution that it attempted through the parish rates (or local property taxes) had the effect of raising prices, and particularly in conditions of dearth just swelled the number of dependent poor whose income was insufficient to purchase food for themselves and their families. In the medium to long term, such transfer-incomes facilitated demographic growth, but did not stimulate increases in food supply. His view, formulated as a result of observing the system of poor relief at work during the Napoleonic Wars in the two decades after the publication of the first edition of the *Essay*, was that the Poor Law, which had originated with the original Elizabethan statutes, should be abolished.

In Malthus’s opinion, the poor were injured by the English poor law system more materially than the rich. Given the difficulties associated with securing a steady expansion in almost all forms of output, it was especially rash to bring into being additional population whose continued existence would be dependent upon economic growth achievable only with severe penalties. Nothing, therefore, was more certain to prejudice the well-being of that part of the population largely or solely dependent for a living upon the sale of its labour than to increase

its numbers improvidently. The Poor Laws, Malthus believed, represented a constant temptation to do this; they were a standing invitation to sacrifice long-term interests to short-term relief.

Malthus's views had an apparent clarity as presented in the first Essay, where he wrote, “If men are induced to marry from a prospect of parish provision with little or no chance of maintaining their families in independence, they are not only unjustly tempted to bring unhappiness and dependence upon themselves and children, but they are tempted without knowing it, to injure all the same class with themselves. A labourer who marries without being able to support a family may in some respects be considered as an enemy to all his fellow labourers.”

In such arguments, Malthus reveals an awareness of individual fertility as having social consequences that extended beyond the confines of the immediate reproductive unit—the conjugal family. Indeed, he is in the above passage stressing how the reproductive behaviour of individuals in one way or another affects the well-being of other persons sharing the same social status. It is possible to detect consistency in this element in Malthus’s thinking, since a quarter of a century later, in the article on population that he wrote for the 1824 supplement to the Encyclopaedia Britannica (issued separately in 1830 as A Summary View on the Principle of Population), he was unwavering in arguing that

if it be generally considered as so discreditable to receive parochial relief, that great exertions are made to avoid it, and few or none marry with a certain prospect of being obliged to have recourse to it, there is no doubt that those who were really in distress might be adequately assisted, with little danger of a constantly increasing proportion of paupers; and in that case a great good would be attained without any proportionate evil to counterbalance it. But if, from the numbers of the dependent poor, the discredit of receiving relief is so diminished as to be practically disregarded, so that many marry with the almost certain prospect of becoming paupers, and the proportion of their numbers to the whole population is in consequence continually increasing, it is certain that the partial good attained must be much more than counterbalanced by the general deterioration in the condition of the great mass of the society.

Where Malthus does differ from many who wrote within the traditional perspective on welfare, was in the way he identified what he

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7 Malthus, Supplement to the 4th, 5th and 6th editions of the Encyclopaedia Britannica, 6 (Edinburgh, 1824), 331.
thought was a threat to the whole welfare system from an “inappropriate” response by the recipients of welfare. That is, the form welfare assumed must not destroy the very possibility of welfare for all.

Such concerns may be detectable in many other instances of Malthus’s thinking. For example, they loom large in the debate he held with Samuel Whitbread over the consequences that would flow from reforms the latter had suggested in his (unsuccessful) parliamentary bill of 1807 for the amendment of the Poor Laws.\(^8\) Malthus’s apprehensions were focused on Whitbread’s proposal to empower English parishes to build cottages to house their poorer inhabitants, and on the other reform in the proposed legislation that would extend the liability to pay parish rates to every type of property, not just land. In the 1806 edition of the _Essay_, Malthus had noted that as “each parish is obliged to maintain its own poor . . . every landholder is in consequence more inclined to pull down than to build cottages. . . . This deficiency of cottages operates necessarily as a strong check to marriage; and this check is probably the principal reason why we have been able to continue the system of the poor-laws so long.”\(^9\) In reacting to Wilberforce’s bill, Malthus had very little doubt that if parish cottage building were to proliferate there would be “such a quantity of labour in time thrown into the markets, as to render the condition of the independent labourer absolutely hopeless, and to make the common wages of the day labourer insufficient to support a single child without parish assistance.” While acknowledging that both landlords and parishes would display a strong interest not to build fresh tenements unless called upon by the increasing demand for labour, Malthus felt that the proposed reform, which would make every kind of productive capital rate-able, would create intensified demands to increase the size of the labour force and diminish its level of remuneration. This would arise because owners of capital, if they became liable to pay rates, would, he believed, have an increasing influence on the level of poor relief offered through membership of the parish vestry, and would endeavour to use relief as a way of both holding down wages and promoting population growth. Malthus suggests both that the capitalist would supply the market with labour by means of the rates, and that “he would receive a very large subscription towards this supply from persons not directly using this commodity when produced.” In other words, the owner of

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capital would both move “to extend the operation of the poor laws,” and, by doing so, be able to subsidise his work force at the expense of those who were land owners but had only limited use for increased labour supplies.\footnote{Malthus, \textit{A Letter to Samuel Whitbread Esq. M.P. on His Proposed Bill for The Amendment of the Poor Laws} (London, 1807), 17–22. Whitbread attempted to counter one element of Malthus’s case by arguing that “all capital is rendered productive by the Operation of Labour. Such capital therefore creates a Population, and should be taxed for the relief of the Exigencies of that Population, in the same degree as the Land is taxed . . .” (letter from Samuel Whitbread to Malthus, 5 April 1807, printed in \textit{T.R. Malthus: The Unpublished Papers in the Collection of Kanto Gakuen University}, ed. J. Pullen and T. Hughes Parry, vol. 1 [Cambridge: Cambridge University Press, 1997], 82).}

A second instance of Malthus’s concern for actions by individuals who in the short term gained benefits contrary to the long-term interests of the group of which they were a part, is to be found in the second edition of the \textit{Essay}. Malthus is at pains to remind Arthur Young of his observations, made in the course of his travels through France, concerning the behaviour of populations with ready access to common wastes.

In districts which contain immense quantities of waste land of a certain degree of fertility, as in the roots of the Pyrenees, belonging to communities ready to sell them, economy and industry, animated with the views of settling and marrying, flourish greatly: in such neighbourhoods something like an American increase takes place and, if the land be cheap, little distress is found. But as procreation goes on rapidly under such circumstances, the least check to subsistence is attended with great misery; as waste becomes dearer, or the best portions being sold, or difficulties arising in the acquisition; all which circumstances I met in those mountains.

Malthus uses such developments to remind Young of the folly he felt was embodied in Young’s own proposals to insulate the labouring poor from rising wheat prices by granting them access to common land on which they might graze cows and grow potatoes. Malthus asked, “would not this plan operate in the most direct manner, as an encouragement to marriage and a bounty on children . . . ?” He subsequently insists that

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[t]he specific cause of the poverty and misery of the lower classes of people in France and Ireland is that, from the extreme subdivision of property in the one country, and the facility of obtaining a potato ground in the other, a population is brought into existence, which is not demanded of the quantity of capital and employment in the country; and the consequence of which must therefore necessarily be . . . to lower the general price of labour by too great competition; from
which must result complete indigence to those who cannot find employment, and an incomplete subsistence even to those who can.\textsuperscript{11}

In the two instances discussed above, to which many more could be appended if space allowed, Malthus would appear to have been addressing issues that have been reintroduced into the core of contemporary demographic discussions through the writings of that relatively small band of demographers—especially economic demographers—who now interest themselves in the so-called “institutional determinants” of fertility, and who are particularly focused upon “externalities.” The view that rapid population growth has negative “pecuniary” externalities, namely, that it reduces the incomes of some groups, particularly the poor, compared with other groups, and therefore exacerbates the problem of poverty and income inequality in developing countries, has a lifeline that clearly tracks back to Malthus. Indeed, in a more extensive dissection of Malthus’s writings, it might be claimed that much of his \textit{Essay} grapples with issues to do with externalities. Population externalities classically occur when couples in deciding to marry in a non-contracepting society, or when parents in deciding to have an extra child, do not take into account the impact on others of their decision. Such decisions are taken, for instance, when a couple’s choice to marry or to have an additional child is taken with reference solely to its impact on the couple, and not to its overall impact on society.\textsuperscript{12}

Concern about population growth in the present-day debate on this subject, is often based, implicitly or explicitly, on the idea that there are negative externalities to child-bearing. Such arguments are most commonly encountered in approaches to the impact of population growth on public goods (e.g., state-owned land, forests, or mineral deposits), when the birth of a new citizen dilutes everyone’s claim on this jointly owned property. Similarly, if there are non-privatizable, congestible common property resources, such as fisheries and aquifers,

\textsuperscript{11} Malthus, \textit{An Essay on the Principle of Population}, 204–05.

an additional birth reduces per-capita consumption of the resource. If the resource is not properly managed, as in the classic “tragedy of the commons” scenario, in which access to the resource is unlimited, then population growth exacerbates the losses due to mismanagement. The latter problem is at the heart of the contemporary concern about the effects of population growth on the environment.13

A formally similar situation occurs when citizens are entitled to public-transfer payments (social security) or subsidized services (education, health) and are obliged to pay taxes.14 In such a situation, the birth of an additional citizen adds to both public revenue and expenditure, resulting in positive and negative externalities to other taxpayers. In societies with high rates of fertility the assumption is that externalities are for the most part negative.

A pecuniary externality to child-bearing can occur in the labour market. As population, especially rural population, increases, the wages of labour go down, and rents increase. For individual landless or land-poor labourers, in the absence of public pension provision, it may be rational to have many children as a strategy for maximizing old-age income. When all pursue this strategy, however, the wages are depressed, and both the parents’ living standards and those of their children are reduced below their expectations. Hence, one poor family’s decision to have children imposes costs on its peers; if all joined in a labour-supply cartel and agreed to have fewer children, the group’s income would increase. This latter case is not an authentic “externality,” because it operates through the market. Nevertheless, such an outcome is not entirely irrelevant to the England of Malthus’s day. Although in general it might be supposed that in conditions where wages were depressed by population growth, rents were boosted; high fertility was potentially Pareto-superior to low fertility, assuming that landlords redistribute some of their rents. In most circumstances, particularly where owners of land or capital have limited obligation to render taxes and are therefore unlikely to redistribute their rents income, inequality and absolute poverty are intensified, and population growth might be assumed to compound these problems. However, in the late eighteenth century population growth (about 1.5 percent per annum), booming farm rents, and soaring welfare expenditure funded by the rent-receivers, who were the major landlords and farmers benefitting from inflating agricultural prices and an abundance of relatively

cheap labour, created conditions in England where positive feedbacks were detectable, as the component parts of the social and economic system to which we have alluded moved upwards together.\textsuperscript{15}

Economic demographers whose energies are directed to dissecting the means by which people might move to change their reproductive behaviour now identify policies and institutional changes that they believe “internalise” those externalities that might be pro-natalist in their effects. Efforts have been made to identify the characteristics of local organizational forms likely to induce social incentives and sanctions that would work to encourage demographic restraint.\textsuperscript{16} McNicoll, for instance, has suggested that when communities are modest in size, are able to monitor and influence their relations with the outside world, and have considerable autonomy in controlling their own affairs, and when their inhabitants can at least partially identify their own interests with those of other co-residents, they present characteristics likely to reduce the need for high fertility.\textsuperscript{17} Communities able to regulate in-migration, for example, can benefit from restrained fertility without fear that their success will be offset by an influx of new entrants. Likewise, a community that can transfer unemployment problems to other parts of the society through out-migration will have little incentive to invest in local fertility control. The aforementioned concerns also preoccupied Malthus.

On the question of the political units within which people reside and the extent to which their members are able to control their own affairs in ways that may prove inimical to high fertility, we can detect much that might be consistent with the internalization of externalities in Malthus’s writing. For instance, Malthus expressed the view that the encouragement of colonial emigration was likely to be a stimulus to fertility unless it was accompanied by the demolition of the emigrants’ houses, so that they were not available to be occupied by those left behind, who might be encouraged to marry earlier and set up residence in them.\textsuperscript{18} Although he can be found to assert that the settlement laws

\textsuperscript{15} This subject has generated a large and constantly expanding literature, but a valuable and very comprehensive analysis is to be found in G. R. Boyer, An Economic History of the English Poor Law, 1750–1850 (Cambridge University Press, 1990).


\textsuperscript{18} Parliamentary Papers 1826–1827: Select Committee on Emigration, qq. 3252–53.
of the Poor Law inhibited the freedom of movement of individuals who might migrate in their search for economic self-sufficiency, Malthus thought that by discouraging indiscriminate migration the Settlement Laws acted overall to limit the incidence of marriage in society. There is much here that is reminiscent of those present-day commentators who stress the incentives to high fertility stemming from the freedom to transfer unemployments to other parts of the economy. Malthus anticipated further sentiments detected in the writings of those who have focused on reproductive externalities when he suggested that the Poor Laws appeared “to counteract with one what they encouraged with the other,” noting that as “each parish is obliged to maintain its own poor it is naturally fearful of increasing its number” (emphasis added).19 Of course, much of this concern for controls over labour mobility and the creation or removal of residential facilities and their preventive check to population growth stemmed from local tax-raising procedures, which gave to local rate-payers the right to be vigilant in administering the system and interfering in the lives of the poor. Such was the vigilance, that Malthus saw the limited scale of the relief to “the peasantry of England” and the begrudging manner of its distribution by the overseers of the poor as a means of deterring “the more thinking and virtuous part of them from entering on marriage without some better prospect of maintaining their families than mere parish assistance.”20 Notwithstanding his long-term desire to abolish poor relief, he also, as Winch has rightly stressed, viewed such remedies as public works and the Poor Law as worthy of defending for their short-term benefits.21

It is necessary to stress this latter point, since it is not difficult to find instances in Malthus’s corpus of writings that suggest a complexity and ambiguity in his position on what in the language of contemporary social science would be termed negative and positive externalities. One example may suffice to identify this point. In the Essay we are given an analysis of the immediate effects of a distribution of money from the rich to the poor.22 Malthus reveals himself as ardently committed to the view that no such distribution could increase consumption in response to a decline in the supply of food. In fact it might be viewed as merely one of the obvious “lessons of scarcity.”23 Malthus did in

20 Ibid., 105–06.
22 Ibid., 89–94.
23 Poynter, Society and Pauperism, 154.
fact acknowledge that the increased money demand for food could produce positive results, when he wrote that, as a result of subsidizing the incomes of labourers, “the increased number of purchasers in every article would give a spur to productive industry, and . . . the whole produce of the island would be increased.” Yet he was quick to counteract this observation when he claimed that “the spur that these fancied riches would give to population would more than counterbalance it; and the increased produce would be divided among a more than proportionally increased number of people.”24 In fact Malthus in the *Essay* in its various editions appears very disinclined to accept the possibility that the allocation of money to potential purchasers and its redistributional consequences might have positive implications for the quantity of food produced. The argument against the Poor Law was therefore premised upon the disincentive it created for industriousness among free labourers, by making them less productive than they would otherwise have been, and simultaneously seducing them into marriage as they displayed little concern for their futures.

Such a stance was retained by Malthus in all subsequent editions of the *Essay*, notwithstanding a powerful counter-case that he made in 1800 in the aftermath of a particularly difficult period when harvests were deficient and bread prices reached exceedingly high levels in England. In fact, Tony Wrigley has recently drawn attention to this episode as it is reflected in Malthus’s relatively neglected essay, *An Investigation of the Cause of the Present High Price of Provisions*, published in 1800.25 The essay is an analysis of the scarcity in that year and the preceding year, 1799, and the consequences that flowed from a run of harvests that were significantly below average. The essay is introduced by Malthus’s reflections on the severity of conditions he observed when visiting the Swedish province of Värmland in the summer of 1799, when he noted that scarcity and the demographic problems arising from it had been significantly greater there than in England in 1800. Malthus noted that the price of rye in Värmland had not risen above twice the average, in contrast to what had happened to prices in England, which had proved to be far more volatile, notwithstanding the smaller English harvest shortfall. Wrigley drew attention to Malthus’s diagnosis of the interesting outcome: notwithstanding a far greater price rise, the English poor suffered relatively little in comparison with

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the large-scale fatalities occurring in Värmland. Malthus, in writing about the English situation, stated that, as scarcity forced up food prices, the justices “humanely, and I am far from saying improperly, ordered parish relief to make up the difference between wages and the cost of subsistence.” Of course, no relief in money could provide them with their usual quantity of food. Prices rose, and “like the water from the mouth of Tantalus, the corn still slipped from the grasp of the poor.” There seems nothing here at odds with the argument as presented in the very first edition of the Essay in 1798, but what was to follow might surprise, as there were no comments on the impact such assistance might have on the industriousness of labour or the propensity of the poor to enter marriage with no thought for their futures. Instead, Malthus comments favourably on the impact that high prices had, not only on encouraging economy and parsimony, but on stimulating both importation and new cultivation, thereby increasing the availability of food supplies to the population at large. Moreover, the distribution of relief did in fact improve the condition of those who received it. Admittedly, this was done at the expense of the classes above them, but Malthus defended this as just. He even called the procedure “the best” method for the relief of scarcity: “I do not . . . by any means intend to infer . . . that the parish allowances have been prejudicial to the state; or that, as far as the system has been hitherto pursued, or is likely to be pursued, that it is not one of the best modes of relief that the circumstances of the case will admit.” He warns against any attempt to link wages exactly to the price of corn, since to do so, he claimed, would lead to an outcome in which “all the people would starve together.”

The strength of Malthus’s argument is further intensified by the favourable comparison he makes between famine management in England and in Värmland. Such a positive, indeed enthusiastic, endorsement of poor relief is not conventionally associated with Malthus. Malthus’s analysis shows how the operation of the allowance system under the Poor Law was transferring purchasing power into the pock-

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27 Ibid., 10.
28 Ibid., 18–19.
29 Ibid., 19.
30 It is noteworthy that Amartya Sen, in Poverty and Famines: An Essay on Entitlement and Deprivation, Appendix B (Oxford: Oxford University Press, 1981), subjected the Essay on the High Price of Provisions to a formal evaluation from the perspective of economic theory, and offered rather more negative assessments of Malthus’s interpretation of “famine management” than those of Wrigley. Indeed, Wrigley is inclined to see Malthus in this pamphlet anticipating some of Sen’s highly influential ideas about the importance of protecting the purchasing power or exchange entitlements of the poor in periods of serious food shortage.
ets of those most in need and was spreading more uniformly through an increased proportion of the population the deficit that would otherwise have been visited almost exclusively on those who were most vulnerable. In contrast, in Värmland the very fact that prices had risen more modestly, though the degree of harvest failure and the consequent shortage of supply were more acute, was testimony to the inability of the poor to make any effective claim upon the stocks available. A desperate need for food would produce a matching surge in price only where those most exposed could translate their plight into effective demand. Indeed, here we have an analysis of poor relief that appears to emphasise the positive rather than negative externalities that flowed from it. In the English case, merchants and farmers may have held back grain supplies in anticipation of rising prices over the course of the harvest year, a development that would ensure an adequacy of supply, given that demand was sustained by supplements to labourers’ incomes.

In this highly perceptive essay, Malthus saw large-scale expenditures on poor relief in the late 1790s in England as highly advantageous. He wrote, “most happily for society, individual interest is in these cases, so closely and intimately interwoven with the public interest, that one cannot gain or lose without a gain or loss to the other.” In this we have another instance of Malthus’s preoccupation with the internalization of externalities and the equalization of public and private costs and benefits. In espousing such points of view, although hesitantly and not always consistently, Malthus’s thinking reveals, somewhat intriguingly, views that have become more widely voiced by those economic historians who are currently inclined to give the English Poor Law a catalytic role in stimulating both agricultural and industrial revolutions in advance of most of her European neighbours.31

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