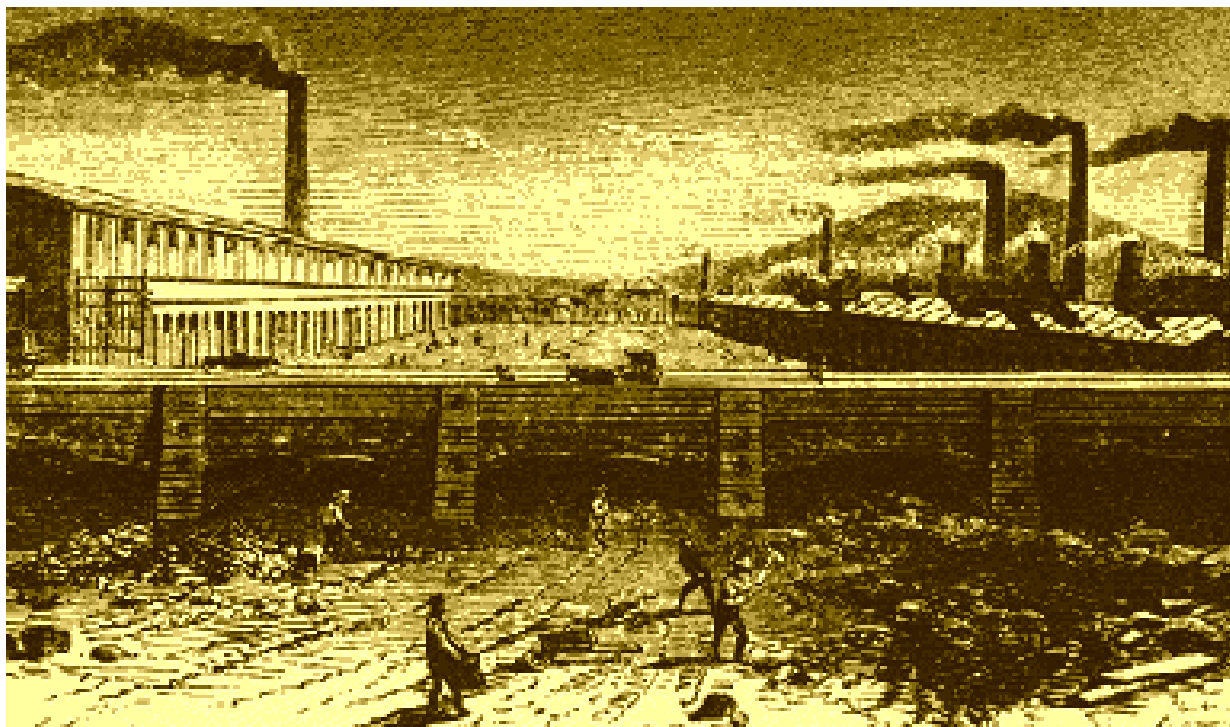


# Classical Political Economy: Outline

- Classical Political Economy: Review of the troops
- Unity of the School?
- David Ricardo (1772-1823)
  - On Value
  - On Distribution & Growth
  - On Stationary State & Role of the State
- Thomas Robert Malthus (1776-1834)
  - Principle of Population: Necessity of Misery
  - Is overproduction possible?

# Classical Political Economy: Heirs of Adam Smith and Jacques Turgot

- David Ricardo
- Thomas Robert Malthus
- James Mill and John Stuart Mill
- Jean-Baptiste Say
- Jean-Charles Léonard Simonde de Sismondi
- Karl Marx



# David Ricardo (1772-1823)



ON  
THE PRINCIPLES  
OF  
POLITICAL ECONOMY,  
AND  
TAXATION.

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By DAVID RICARDO, Esq.

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LONDON :

JOHN MURRAY, ALBEMARLE-STREET.

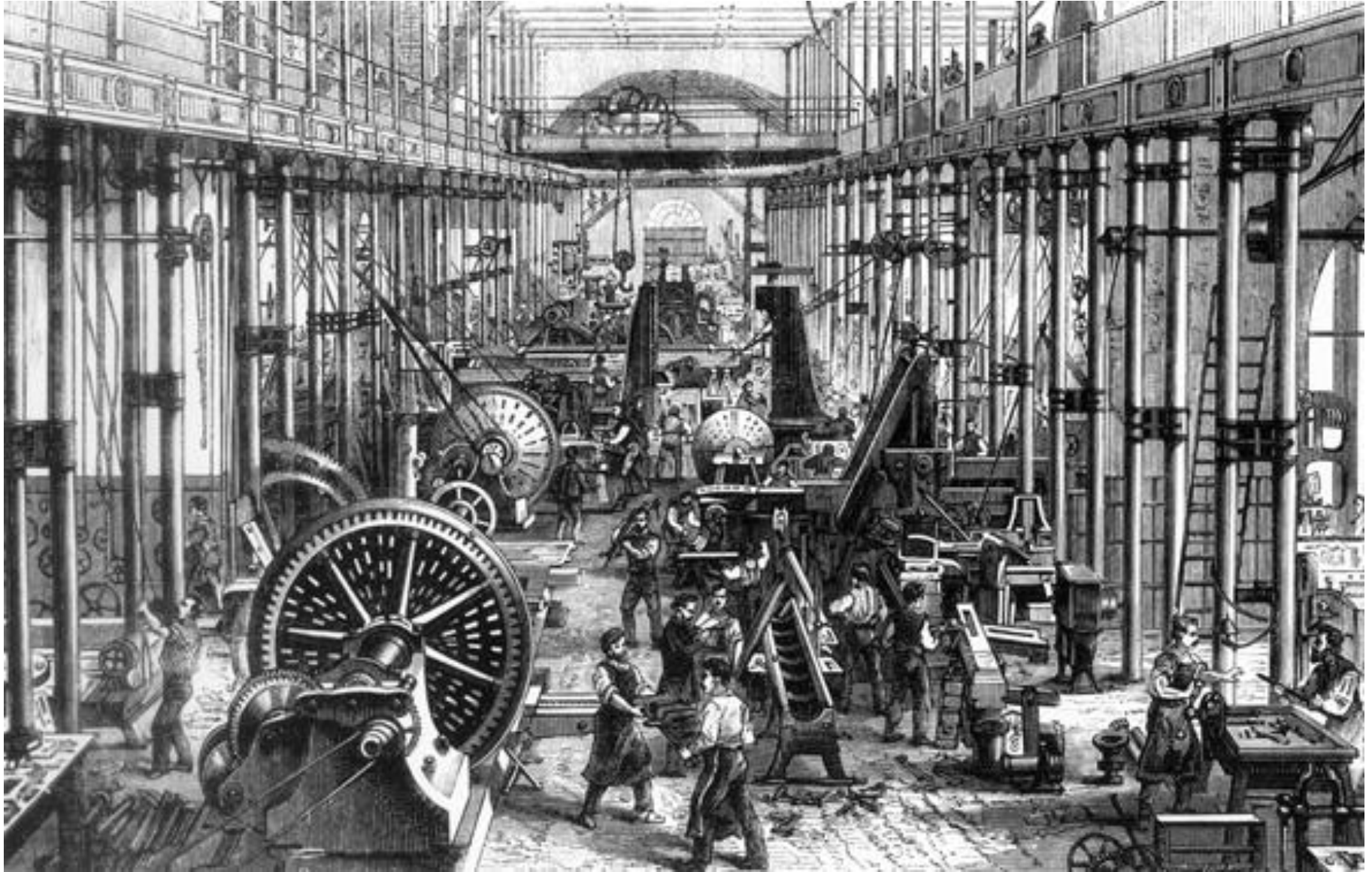
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1817.

-Value  
-Distribution  
-Growth

# Ricardo vs Smith

## Which Labour Theory of Value?



# *Principles of Political Economy and Taxation* (1817) Preface:

“The produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated.

But in different stages of society, the proportions of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profit, and wages, will be essentially different; depending mainly on the actual fertility of the soil, on the accumulation of capital and population, and on the skill, ingenuity, and instruments employed in agriculture.

To determine the laws which regulate this distribution, is the principal problem in Political Economy.”

# DISTRIBUTION

Workers



Wage

Capitalists



Profit

Landlords



Rent

# WAGE: SUBSISTENCE MINIMUM

“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”



# PROFIT

$$r = \frac{\textit{Income} - \textit{Outlays}}{\textit{Outlays}}$$

r = Rate of profit

N = Income

w = wage

k = capital

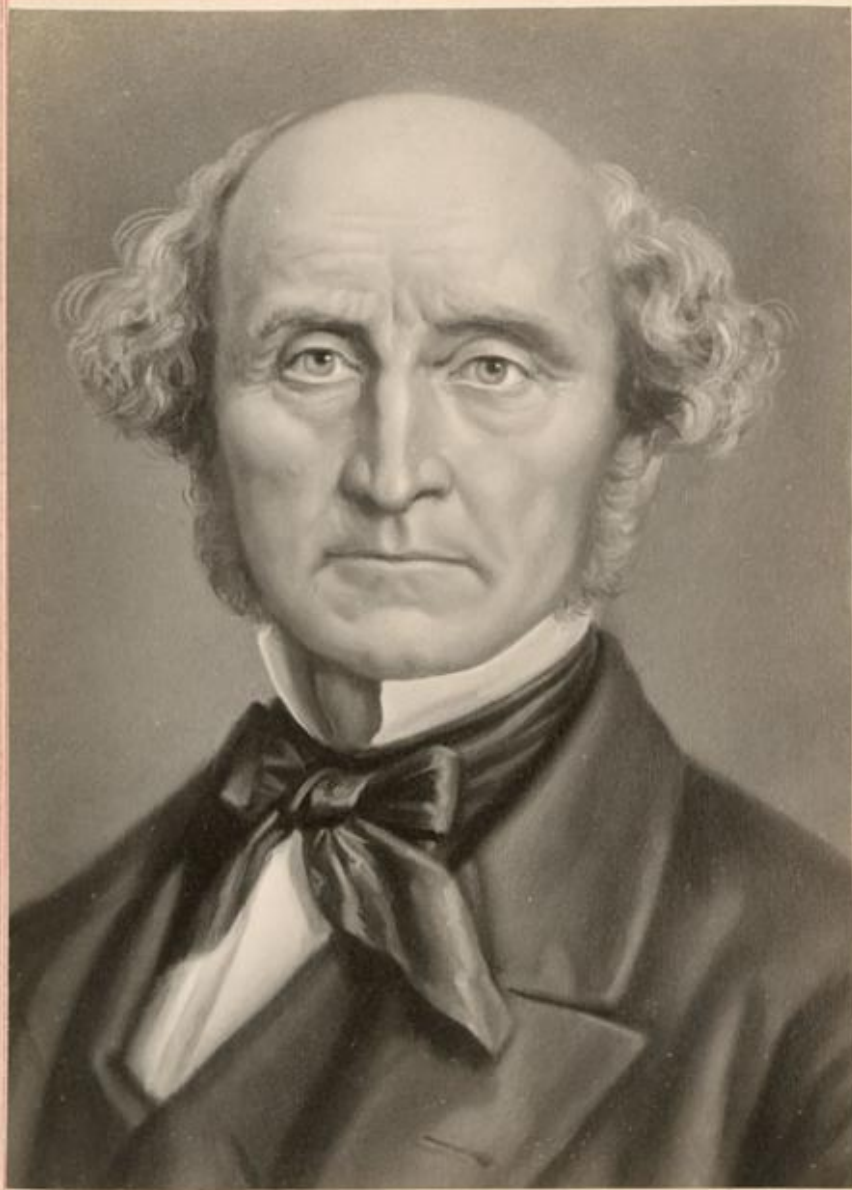
$$r = \frac{N - (w + k)}{(w + k)}$$



# DIFFERENTIAL RENT

Price of corn based on difficulty of production to produce the last bushel.  
Differential advantage of other lands = Rent





John Stuart Mill  
(1806-1873)

Principles of  
Political Economy  
(1848)

On the Stationary  
State

E. HADER pinxit. 1884. Gesetzlich geschützt.

*J. Stuart Mill*

Photographie und Verlag von Sophus Williams, Berlin W.

# Thomas Robert Malthus (1776-1834)



AN  
ESSAY  
ON THE  
*PRINCIPLE OF POPULATION,*  
AS IT AFFECTS  
THE FUTURE IMPROVEMENT OF SOCIETY  
WITH REMARKS  
ON THE SPECULATIONS OF MR. GODWIN,  
M. CONDORCET,  
AND OTHER WRITERS.

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LONDON:

PRINTED FOR J. JOHNSON, IN ST. PAUL'S  
CHURCH-YARD.

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1798.



William Godwin

AN  
ENQUIRY  
CONCERNING  
POLITICAL JUSTICE,  
AND  
ITS INFLUENCE  
ON  
GENERAL VIRTUE AND HAPPINESS.  
BY  
WILLIAM GODWIN.

IN TWO VOLUMES

VOL. II.

LONDON:



PRINTED FOR C. C. J. AND J. ROBINSON, PATERNOSTER-ROW.

MDCCLXIII.

# Essay on the Principle of Population

-Population limited by means of subsistence

-Population grows faster than means of subsistence

-2 types of obstacle:

-Preventive (moral restraint)

-Destructive (Vice/Misery)





Say's Law; or  
Law of markets

**SUPPLY CREATES ITS  
OWN DEMAND**

X  
HB  
161  
M30  
1820

PRINCIPLES  
OF  
CONTENTS  
POLITICAL ECONOMY

CONSIDERED

WITH A VIEW TO THEIR PRACTICAL  
APPLICATION.

BY THE REV. T. R. MALTHUS, M.A. F.R.S.

PROFESSOR OF HISTORY AND POLITICAL ECONOMY IN THE  
EAST INDIA COLLEGE, HERTFORDSHIRE.

LONDON:

JOHN MURRAY, ALBEMARLE-STREET.

1820.

Gluts in the market:

Too much profit leads to too much investment while no increase in wages (effective demand).

More investment means more supply while no increase in demand.

We need more non-productive consumption.

# Questions

- Explain Distribution of wealth between classes according to Ricardo.
- Why can't we improve the human condition according to Malthus?
- Why (and how) should the State favour Capitalists according to Ricardo?
- Why (and how) should the State favour the landlords according to Malthus?