

# THOMAS MALTHUS

AN INQUIRY INTO THE  
NATURE AND PROGRESS  
OF RENT, AND THE  
PRINCIPLES BY WHICH IT  
IS REGULATED

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**An Inquiry into the Nature  
and Progress of Rent, and the  
Principles by Which It is Regulated**

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**T. R. Malthus**  
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**Principles by Which It is Regulated**

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The following tract contains the substance of some notes on rent, which, with others on different subjects relating to political economy, I have collected in the course of my professional duties at the East India College. It has been my intention, at some time or other, to put them in a form for publication; and the very near connection of the subject of the present inquiry, with the topics immediately under discussion, has induced me to hasten its appearance at the present moment. It is the duty of those who have any means of contributing to the public stock of knowledge, not only to do so, but to do it at the time when it is most likely to be useful. If the nature of the disquisition should appear to the reader hardly to suit the form of a pamphlet, my apology must be, that it was not originally intended for so ephemeral a shape.

## RENT &c

The rent of land is a portion of the national revenue, which has always been considered as of very high importance.

According to Adam Smith, it is one of the three original sources of wealth, on which the three great divisions of society are supported.

By the Economists it is so pre-eminently distinguished, that it is considered as exclusively entitled to the name of riches, and the sole fund which is capable of supporting the taxes of the state, and on which they ultimately fall.

And it has, perhaps, a particular claim to our attention at the present moment, on account of the discussions which are going on respecting the corn laws, and the effects of rent on the price of raw produce, and the progress of agricultural improvement.

The rent of land may be defined to be that portion of the value of the whole produce which remains to the owner of the land, after all the outgoings belonging to its cultivation, of whatever kind, have been paid, including the profits of the capital employed, estimated according to the usual and ordinary rate of the profits of agricultural stock at the time being.

It sometimes happens, that from accidental and temporary circumstances, the farmer pays more, or less, than this; but this is the point towards which the actual rents paid are constantly gravitating, and which is therefore always referred to when the term is used in a general sense.

The immediate cause of rent is obviously the excess of price above the cost of production at which raw produce sells in the market.

The first object therefore which presents itself for inquiry, is the cause or causes of the high price of raw produce.

After very careful and repeated revisions of the subject, I do not find myself able to agree entirely in the view taken of it, either by Adam Smith, or the Economists; and still less, by some more modern writers.

Almost all these writers appear to me to consider rent as too nearly resembling in its nature, and the laws by which it is governed, the excess of price above the cost of production, which is the characteristic of a monopoly.

Adam Smith, though in some parts of the eleventh chapter of his first book he contemplates rent quite in its true light,<sup>1</sup> and has interspersed through his work more just observations on the subject than any other writer, has not explained the most essential cause of the high price of raw produce with sufficient distinctness, though he often touches on it; and by applying occasionally the term monopoly to the rent of land, without stopping to mark its more radical peculiarities, he leaves the reader without a definite impression of the real difference between the cause of the high price of the necessaries of life, and of monopolized commodities.

Some of the views which the Economists have taken of the nature of rent appear to me, in like manner, to be quite just; but they have mixed them with so much error, and have drawn such preposterous and contradictory conclusions from them, that what is true in their doctrines, has been obscured and lost in the mass of superincumbent error, and has in consequence produced little effect. Their great practical conclusion, namely, the propriety of taxing exclusively the net rents of the landlords, evidently depends upon their considering these rents as completely disposable, like that excess of price above the cost of production which distinguishes a common monopoly.

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<sup>1</sup> I cannot, however, agree with him in thinking that all land which yields food must necessarily yield rent. The land which is successively taken into cultivation in improving countries, may only pay profits and labour. A fair profit on the stock employed, including, of course, the payment of labour, will always be a sufficient inducement to cultivate.

M. Say, in his valuable treatise on political economy, in which he has explained with great clearness many points which have not been sufficiently developed by Adam Smith, has not treated the subject of rent in a manner entirely satisfactory. In speaking of the different natural agents which, as well as the land, co-operate with the labours of man, he observes, 'Heureusement personne n'a pu dire le vent et le soleil m'appartiennent, et le service qu'ils rendent doit m'être payé.'<sup>2</sup> And, though he acknowledges that, for obvious reasons, property in land is necessary, yet he evidently considers rent as almost exclusively owing to such appropriation, and to external demand.

In the excellent work of M. de Sismondi, *De la richesse commerciale*, he says in a note on the subject of rent, 'Cette partie de la rente foncière est celle que les Economistes ont décorée du nom du produit net comme étant le seul fruit du travail qui ajoute quelque chose à la richesse nationale. On pourrait au contraire soutenir contre eux, que c'est la seule partie du produit du travail, dont la valeur soit purement nominale, et n'ait rien de réelle: c'est en effet le résultat de l'augmentation de prix qu'obtient un vendeur en vertu de son privilège, sans que la chose vendue en vaille réellement d'avantage.'<sup>3</sup> The prevailing opinions among the more modern writers in our own country, have appeared to me to incline towards a similar view of the subject; and, not to multiply citations, I shall only add, that in a very respectable edition of the *Wealth of Nations*, lately published by Mr Buchanan, of Edinburgh, the idea of monopoly is pushed still further. And while former writers, though they considered rent as governed by the laws of monopoly, were still of opinion that this monopoly in the case of land was necessary and useful, Mr Buchanan sometimes speaks of it even as prejudicial, and as depriving the consumer of what it gives to the landlord.

In treating of productive and unproductive labour in the last volume, he observes,<sup>4</sup> that, 'The net surplus by which the Economists estimate the utility of agriculture, plainly arises from the high price of its produce, which, however advantageous to the landlord who receives it, is surely no advantage to the consumer who pays it. Were the produce of agriculture to be sold for a lower price, the same net surplus would not remain, after defraying the expenses of cultivation; but agriculture would be still equally productive to the general stock; and the only difference would be, that as the landlord was formerly enriched by the high price, at the expense of the community, the community would now profit by the low price at the expense of the landlord. The high price in which the rent or net surplus originates, while it enriches the landlord who has the produce of agriculture to sell, diminishes in the same proportion the wealth of those who are its purchasers; and on this account it is quite inaccurate to consider the landlord's rent as a clear addition to the national wealth.' In other parts of his work he uses the same, or even stronger language, and in a note on the subject of taxes, he speaks of the high price of the produce of land as advantageous to those who receive it, it but proportionably injurious to those who pay it. 'In this view,' he adds, 'it can form no general addition to the stock of the community, as the net surplus in question is nothing more than a revenue transferred from one class to another, and from the mere circumstance of its thus changing hands, it is clear that no fund can arise out of which to pay taxes. The revenue which pays for the produce of land exists already in the hands of those who purchase that produce; and, if the price of subsistence were lower, it would still remain in their hands, where it would be just as available for taxation, as when by a higher price it is transferred to the landed proprietor.'<sup>5</sup>

That there are some circumstances connected with rent, which have an affinity to a natural monopoly, will be readily allowed. The extent of the earth itself is limited, and cannot be enlarged by human demand. And the inequality of soils occasions, even at an early period of society a comparative scarcity of the best lands; and so far is undoubtedly one of the causes of rent properly so called. On

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<sup>2</sup> Vol II. p. 124. Of this work a new and much improved edition has lately been published, which is highly worthy the attention of all those who take an interest in these subjects.

<sup>3</sup> Vol. I. p. 49.

<sup>4</sup> Vol IV. p. 134.

<sup>5</sup> Vol. III. p. 272.

this account, perhaps, the term partial monopoly might be fairly applicable. But the scarcity of land, thus implied, is by no means alone sufficient to produce the effects observed. And a more accurate investigation of the subject will show us how essentially different the high price of raw produce is, both in its nature and origin, and the laws by which it is governed, from the high price of a common monopoly.

The causes of the high price of raw produce may be stated to be three.

First, and mainly, that quality of the earth, by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land.

Secondly, that quality peculiar to the necessaries of life of being able to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced.

And, thirdly, the comparative scarcity of the most fertile land.

The qualities of the soil and of its products, here noticed as the primary causes of the high price of raw produce, are the gifts of nature to man. They are quite unconnected with monopoly, and yet are so absolutely essential to the existence of rent, that without them, no degree of scarcity or monopoly could have occasioned that excess of the price of raw produce, above the cost of production, which shows itself in this form.

If, for instance, the soil of the earth had been such, that, however well directed might have been the industry of man, he could not have produced from it more than was barely sufficient to maintain those, whose labour and attention were necessary to its products; though, in this case, food and raw materials would have been evidently scarcer than at present, and the land might have been, in the same manner, monopolized by particular owners; yet it is quite clear, that neither rent, nor any essential surplus produce of the land in the form of high profits, could have existed.

It is equally clear, that if the necessaries of life the most important products of land—had not the property of creating an increase of demand proportioned to their increased quantity, such increased quantity would occasion a fall in their exchangeable value. However abundant might be the produce of a country, its population might remain stationary. And this abundance, without a proportionate demand, and with a very high corn price of labour, which would naturally take place under these circumstances, might reduce the price of raw produce, like the price of manufactures, to the cost of production.

It has been sometimes argued, that it is mistaking the principle of population, to imagine, that the increase of food, or of raw produce alone, can occasion a proportionate increase of population. This is no doubt true; but it must be allowed, as has been justly observed by Adam Smith, that 'when food is provided, it is comparatively easy to find the necessary clothing and lodging. And it should always be recollected, that land does not produce one commodity alone, but in addition to that most indispensable of all commodities—food—it produces also the materials for the other necessaries of life; and the labour required to work up these materials is of course never excluded from the consideration.'<sup>6</sup>

It is, therefore, strictly true, that land produces the necessaries of life, produces food, materials, and labour, produces the means by which, and by which alone, an increase of people may be brought into being, and supported. In this respect it is fundamentally different from every other kind of machine known to man; and it is natural to suppose, that it should be attended with some peculiar effects.

If the cotton machinery, in this country, were to go on increasing at its present rate, or even much faster; but instead of producing one particular sort of substance which may be used for some

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<sup>6</sup> It is, however, certain, that if either these materials be wanting, or the skill and capital necessary to work them up be prevented from forming, owing to the insecurity of property, to any other cause, the cultivators will soon slacken in their exertions, and the motives to accumulate and to increase their produce, will greatly diminish. But in this case there will be a very slack demand for labour; and, whatever may be the nominal cheapness of provisions, the labourer will not really be able to command such a portion of the necessaries of life, including, of course, clothing, lodging, etc. as will occasion an increase of population.

parts of dress and furniture, etc. had the qualities of land, and could yield what, with the assistance of a little labour, economy, and skill, could furnish food, clothing, and lodging, in such proportions as to create an increase of population equal to the increased supply of these necessaries; the demand for the products of such improved machinery would continue in excess above the cost of production, and this excess would no longer exclusively belong to the machinery of the land.<sup>7</sup>

There is a radical difference in the cause of a demand for those objects which are strictly necessary to the support of human life, and a demand for all other commodities. In all other commodities the demand is exterior to, and independent of, the production itself; and in the case of a monopoly, whether natural or artificial, the excess of price is in proportion to the smallness of the supply compared with the demand, while this demand is comparatively unlimited. In the case of strict necessaries, the existence and increase of the demand, or of the number of demanders, must depend upon the existence and increase of these necessaries themselves; and the excess of their price above the cost of their production must depend upon, and is permanently limited by, the excess of their quantity above the quantity necessary to maintain the labour required to produce them; without which excess of quantity no demand could have existed, according to the laws of nature, for more than was necessary to support the producers.

It has been stated, in the new edition of the *Wealth of Nations*, that the cause of the high price of raw produce is, that such price is required to proportion the consumption to the supply.<sup>8</sup> This is also true, but it affords no solution of the point in question. We still want to know why the consumption and supply are such as to make the price so greatly exceed the cost of production, and the main cause is evidently the fertility of the earth in producing the necessaries of life. Diminish this plenty, diminish the fertility of the soil, and the excess will diminish; diminish it still further, and it will disappear. The cause of the high price of the necessaries of life above the cost of production, is to be found in their abundance, rather than their scarcity; and is not only essentially different from the high price occasioned by artificial monopolies, but from the high price of those peculiar products of the earth, not connected with food, which may be called natural and necessary monopolies.

The produce of certain vineyards in France, which, from the peculiarity of their soil and situation, exclusively yield wine of a certain flavour, is sold of course at a price very far exceeding the cost of production. And this is owing to the greatness of the competition for such wine, compared with the scantiness of its supply; which confines the use of it to so small a number of persons, that they are able, and rather than go without it, willing, to give an excessively high price. But if the fertility of these lands were increased, so as very considerably to increase the produce, this produce might so fall in value as to diminish most essentially the excess of its price above the cost of production. While, on the other hand, if the vineyards were to become less productive, this excess might increase to almost any extent.

The obvious cause of these effects is, that in all monopolies, properly so called, whether natural or artificial, the demand is exterior to, and independent of, the production itself. The number of persons who might have a taste for scarce wines, and would be desirous of entering into a competition for the purchase of them, might increase almost indefinitely, while the produce itself was decreasing; and its price, therefore, would have no other limit than the numbers, powers, and caprices, of the competitors for it.

In the production of the necessaries of life, on the contrary, the demand is dependent upon the produce itself; and the effects are, in consequence, widely different. In this case, it is physically impossible that the number of demanders should increase, while the quantity of produce diminishes, as the demanders only exist by means of this produce. The fertility of soil, and consequent abundance

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<sup>7</sup> I have supposed some check to the supply of the cotton machinery in this case. If there was no check whatever, the effects would show themselves in excessive profits and excessive wages, without an excess above the cost of production.

<sup>8</sup> Vol. iv. p. 35.

of produce from a certain quantity of land, which, in the former case, diminished the excess of price above the cost of production, is, in the present case, the specific cause of such excess; and the diminished fertility, which in the former case might increase the price to almost any excess above the cost of production, may be safely asserted to be the sole cause which could permanently maintain the necessaries of life at a price not exceeding the cost of production.

Is it, then, possible to consider the price of the necessaries of life as regulated upon the principle of a common monopoly? Is it possible, with M. de Sismondi, to regard rent as the sole produce of labour, which has a value purely nominal, and the mere result of that augmentation of price which a seller obtains in consequence of a peculiar privilege; or, with Mr Buchanan, to consider it as no addition to the national wealth, but merely as a transfer of value, advantageous only to the landlords, and proportionately injurious to the consumers?

Is it not, on the contrary, a clear indication of a most inestimable quality in the soil, which God has bestowed on man—the quality of being able to maintain more persons than are necessary to work it? Is it not a part, and we shall see further on that it is an absolutely necessary part, of that surplus produce from the land,<sup>9</sup> which has been justly stated to be the source of all power and enjoyment; and without which, in fact, there would be no cities, no military or naval force, no arts, no learning, none of the finer manufactures, none of the conveniences and luxuries of foreign countries, and none of that cultivated and polished society, which not only elevates and dignifies individuals, but which extends its beneficial influence through the whole mass of the people?

In the early periods of society, or more remarkably perhaps, when the knowledge and capital of an old society are employed upon fresh and fertile land, this surplus produce, this bountiful gift of providence, shows itself chiefly in extraordinary high profits, and extraordinary high wages, and appears but little in the shape of rent. While fertile land is in abundance, and may be had by whoever asks for it, nobody of course will pay a rent to a landlord. But it is not consistent with the laws of nature, and the limits and quality of the earth, that this state of things should continue. Diversities of soil and situation must necessarily exist in all countries. All land cannot be the most fertile: all situations cannot be the nearest to navigable rivers and markets. But the accumulation of capital beyond the means of employing it on land of the greatest natural fertility, and the greatest advantage of situation, must necessarily lower profits; while the tendency of population to increase beyond the means of subsistence must, after a certain time, lower the wages of labour.

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<sup>9</sup> The more general surplus here alluded to is meant to include the profits of the farmer, as well as the rents of the landlord; and, therefore, includes the whole fund for the support of those who are not directly employed upon the land. Profits are, in reality, a surplus, as they are in no respect proportioned (as intimated by the Economists) to the wants and necessities of the owners of capital. But they take a different course in the progress of society from rents, and it is necessary, in general, to keep them quite separate.

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