Marco Gonzalez

Professor Gray

ECON 140 – Quiz 3

September 29, 2017

2.

To Malthus, Gluts was basically a recession. He believed that the general glut of commodities was the periodic insufficiency of effectual demand. To prevent a glut or recession, in a given period, the total costs, making up the aggregate natural value of all commodities produced, had to equal the aggregate income of the three classes—that is they had to be willing to spend all of their collective income on the commodities produced in each production. According to Malthus, sitting on money did not help gluts. In this case, he critiqued the Capitalist class because he believed they did not do anything beneficial with their money. Investing money is what was a better alternative then putting it under a mattress. Malthus sided with the landlord class when it came to gluts because he believed that they were the ones who spent all of their money on consumer goods and personal servants. Malthus’s solution entailed the creation of an army of unproductive workers who were the servants of the landlord class. He defended his solution by arguing that these servants would consume material wealth without producing it and thereby eliminate the problem of inadequate aggregate demand. Ricardo mocked Malthus’ solution and suggested to burn down capitalist’s warehouses. Set fire to product, so that there wouldn’t be insufficient demand. Pointing out that increase rents cut into profits, just as much as increased wages do.