

## Malthus vs the Market

### Perspectives on Colonization & the Economic Development of the Colonies

Readings: McCusker & Menard, Introduction & Chap 1 in [The Economy of British America](#)

#### I. What Are We Asking?

- What drove Europeans (especially the English) to colonize North America?
- How did the colonies develop? Why did they develop the way they did?

#### II. The Staples View – Export led colonization & growth

##### A. Overview

1. The colonies are **not** mini Englands
2. Trade with other regions, usually the mother country, is what matters most, not internal trade

##### B. Why colonize?

0. In sum: To do things the home country **can't** do well:
  1. different climate
    - Try growing sugar, indigo, tobacco, rice in Europe, let alone England
  2. low land/worker
    - Land is scarce and therefore expensive in England. England can produce primary agricultural products, but not as cheaply as in the new world.
    - Lumber can potentially grow in Europe, but not when it's all been cut down
3. It's a long, long, long and expensive way from the old world
  - If I want to produce a product to sell in old world markets, it has to sell for a high price per pound (or other shipping unit)
4. Dude, there's like nobody here.

- Few, if any, local markets for my products. The colonies “face” the old world.

#### C. Colonies and their Staples

Colony	Staple	Shipped to	
Brazil (Portuguese)	Sugar	Europe	
Spanish & French Caribbean	Sugar	Europe	
Spanish Mexico & Peru	Silver & Gold	Spain	
British S & W Caribbean (Jamaica, Barbados)	Sugar	England (Europe)	
Brit N & W Caribbean (Turks & Caicos)	Salt	nearby colonies	<i>colony of a colony?</i>
South Carolina <i>in the early years</i>	Indian slaves, timber, hogs, etc.	the Caribbean	<i>colony of a colony</i>
South Carolina & Georgia	Rice and Indigo	England and S. Europe	
The Chesapeake	Tobacco	England (Europe)	
The Middle Colonies in the early years	Not much		
The Middle Colonies	Wheat, hogs, barrels, etc.	the Caribbean	<i>colony of a colony</i>
New England	Cod fish, timber	England (Europe)	
New England in the later colonial years	Wheat, corn, hogs, barrels, etc.	The Caribbean	<i>colony of a colony</i>
Lower Canada	Furs and timber	England (Europe)	
Upper Canada (Hudson Bay)	Furs	England (Europe)	

#### C. How do colonies develop – Harold Innis' Staples Thesis

0. The **Staples Thesis** is a specific thesis that falls under the **Staples View** of colonization. The staples view covers more than the staples thesis. One can also generally accept the staples view of colonization without accepting the staples thesis.
1. Path Dependency: The initial (natural) choice of staple is key in determining a colony's development

Staple ⇒ “linkages” ⇒ development path

2. Two types of linkages

0. actually, there are many classification schemes for linkages, this is just one of them

i. Production linkages

- Spin-offs: Processes required for production, packaging, and transport of the good to the final market
- Building a Skill Set: Skills and technology required to make and ship the staple that can be used for other goods

ii. final demand linkages

- Do income distribution and settlement patterns that follow from the staple lead to a strong domestic demand for other products?

3. Example: The Chesapeake ... A Staples Trap?

a. 1<sup>st</sup> Staple: Tobacco

b. few production linkages ⇒ limited development (Pictures!!!)

- low tech farming
- little mechanization  
planting, weeding, gathering, drying not mechanized  
limited mechanization of packaging
- high \$/wt product ⇒ rel. little transportation development needed

c. What about final demand linkages?

- Land intensive farming ⇒ low population densities  
i.e. few cities and the activities they support
- Plantation organization ⇒ no large consumer class  
Limited demand for (largely luxury goods) can easily be met by imports

d. In sum:

While tobacco & later cotton were the best choice for each generation (of free whites), they may have hindered southern economic development. ?????

4. Example: New England ... A Staples Success

a. Poorer than the southern colonies (for free whites), but ultimately more successful

b. 1<sup>st</sup> Staple: Cod Fish

c. many production linkages ⇒ extensive development

- Curing cod
- ships repair ⇒ ships stores (rope, planking, tar, barrels, etc)
- good timber
- ship construction
- shipping services, including financial services
- Many of these activities are large scale, high tech-enterprises.  
New England is ripe for future development.

c. What about final demand linkages?

- Labor is concentrated in small areas ⇒ high population densities  
i.e. many cities and the activities they support
- Free labor organization ⇒ a large consumer class
- There is a lot of internal demand for products

d. In sum:

Although it started out poorer than the southern colonies (for free whites), New England eventually developed beyond its staple into a mature, England-like (Malthusian?) colony.

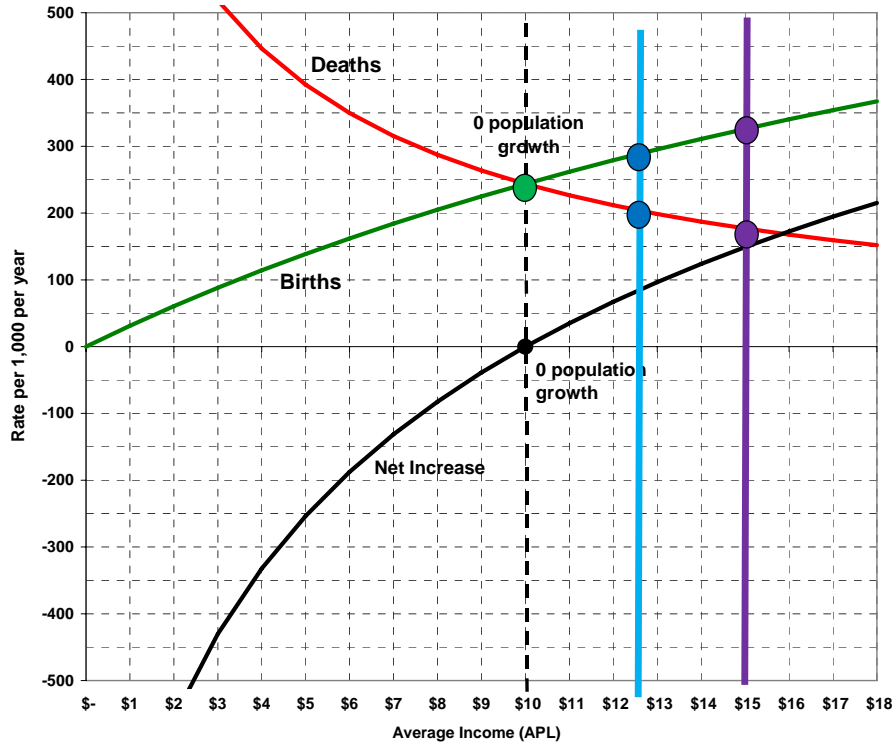
### III. The Malthusian (demographic, inward facing) View

#### A. The classic Malthusian model

##### 1. Assumptions

- Average Living Standards fall when the land gets crowded.  
(due to diminishing returns) **Ceteris Paribus**
- The natural rate of increase is a positive function of the living standard (deaths are a decreasing function, births an increasing function ... **(still true for squirrels, rabbits, rats, moths, not true for humans anymore)** Start Fri

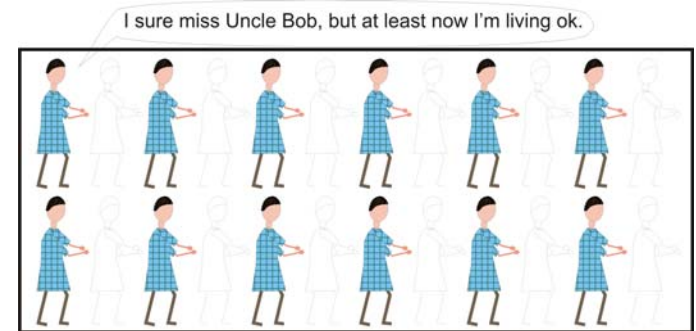
Average Income and Population Change in a Malthusian World



- If population density is high



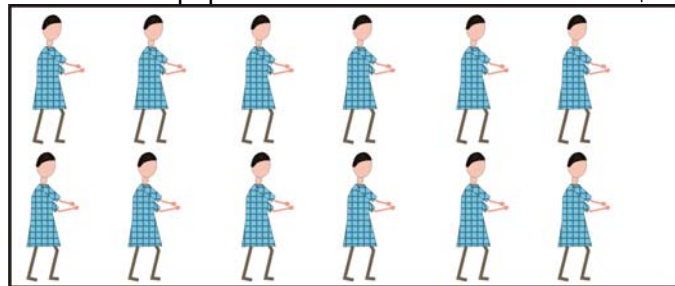
- ⇒ the land is crowded and not producing a lot per person
- ⇒ average income is low < \$10, ex. \$6
- ⇒ more deaths, later marriage, etc.
- ⇒ ↓ pop
- ⇒ ↑ Land/worker
- ⇒ ↑ production and income per worker
- ⇒ population decreases until a incomes return to \$10 (say, 10 bushels)



- If population density is low ... Black Death rolls through town

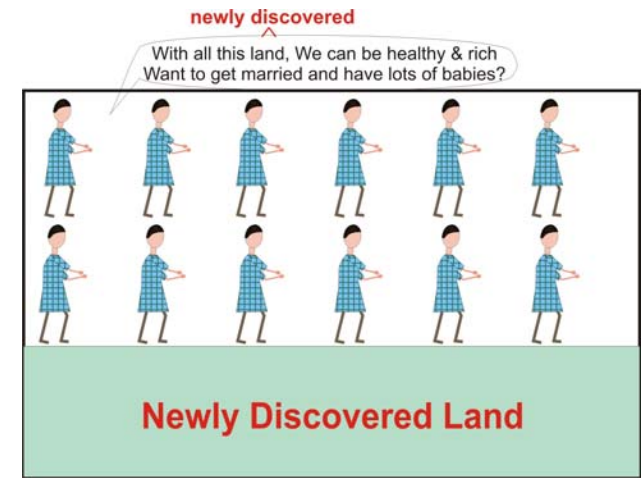


- ⇒ lots of land per person &, therefore, production per person
- ⇒ average income is high > \$10, ex. \$14
- ⇒ fewer deaths, earlier marriage, etc.
- ⇒ ↑ pop
- ⇒ ↓ Land/worker
- ⇒ ↓ production and income per worker
- ⇒ pop increases until incomes return to \$10

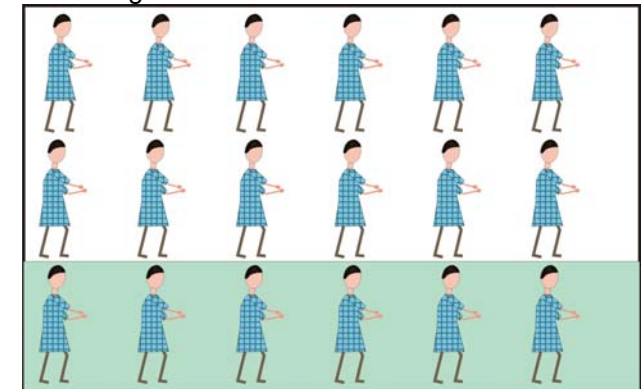


(I guess the answer was "Yes")

- What if New land is Discovered (or recovered)? **Or new technology?** - One time
  - Temporary increase in average income



- But as long as the birth and death curves remain unchanged, population just increases until you are at the same living standard as before



(I guess the answer was "Yes")

- What if technology changes, etc.?
  - Temporary increase in average income
  - But as long as the birth and death curves remain unchanged, population just increases
  - Until you are at the same average living standards as before

So ... ii) deaths and birth are what adjust

- ii) living standard hovers around (for ex) \$10 or 10 bushels per person if no  $\Delta$  birth or death curves
- iii) More land/capita means higher wages ... until people simply fully populate the land

## B. Back to this course ... So why colonize?

- Desire for more land to do the same thing as before.
- In Europe
  - High pop density  $\Rightarrow$  low land/labor
  - $\Rightarrow$  low worker productivity
  - $\Rightarrow$  low average wage and low living standards
  - $\Rightarrow$  incentive for labor to acquire new lands

## C. How did colonies develop and why?

Ex. Assume people don't like to move, but will for higher living standards.

- pop growth  $\Rightarrow$   $\downarrow$  land/labor
  - $\Rightarrow$   $\downarrow$  worker productivity
  - $\Rightarrow$   $\downarrow$  average wage and  $\downarrow$  living standards
  - $\Rightarrow$  People move (west) to settle new lands
  - $\Rightarrow$  per capita income can stay a bit above 10 bushels as long as there's always new open land out west
- &
- the same type of settlement just spreads (west)

## D. summarizing the Malthusian View of Colonial Settlement

1. The colonies are basically doing the same thing as in the mother land.
2. The only real difference between the colonies and the mother land is that there is always more land in the colonies.
  - Colonists always have a frontier to which they can move. They never face Malthusian constraints.

- Colonists generally have higher (living standards) incomes than folks in the mother land.

3. Other than the expanding frontier, colonial economic development mirrors the mother land.
4. Factors **internal** to the colony drive development

## Study problems ... Info for the exams, but not essay questions that will show up on the exams.

- a. Oftentimes economic historians will refer to “*inward facing*” models of economic development, and “*outward facing*” models. Of the two models discussed by McCusker and Menard, which one is (more) “*inward facing*”? Why (i.e. explain your answer)? Which of McCusker and Menard’s models are more “*outward facing*”? Why?
- b. Canada’s main export staples were furs and timbers. How might the choice of these staples affected Canada’s economic development?
- c. The British Caribbean’s export staple was sugar. How might the choice of these staples affected the British Caribbean’s economic development?
- d. The strict Malthusian model assumes no change in the available land area or technology. How does having available land on the frontier change the results of the Malthusian model?

*A minor note: You can assume that it takes more than just an infinitesimal change in living standards to get people to move, or it takes some work to open up new land. If it takes an infinitesimal change to get people to move, the land, and all the land is available from the get go, all land is settled all at once. The initial population densities are just very low. Instead of a steadily expanding frontier, one gets instant settlement over the entire area, followed by rising population densities.*

## Study problems ... that would make lovely exam essay questions

1. How do the two models of economic development, described by McCusker and Menard, differ when it comes to explaining why Europeans desired to go to the new world?
2. Describe the development process, for a colony, according to the “staples thesis”. What types of linkages are there and how they lead to (or fail to lead to) further development?

3. Illustrate the staples thesis using two of the regions in Britain's American colonies.

