

Ricardo on Poverty: His Vision of a Market Society

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Abstract:

Ricardo's main theme was the distribution of the national product through the process of economic development, but he did not neglect the problem of poverty. He accepted Malthus's conclusions on the effects of the Poor Laws to increase poverty by stimulating population growth, and on the necessity of their repeal. In *Principles*, he expressed fear that the poor rates might absorb the whole surplus of the economy, because he thought the poor rates would fall on profits, which would depress the rate of real wages by retarding capital accumulation, causing more poverty. He wished to repeal the Poor Laws to establish 'fair and free competition' in the labour market which would improve living conditions for labourers. At the same time he recognised the need of gradual and cautious steps for their repeal, for people had formed habits of life under their influence. He showed his view on poverty in more detail in his correspondence with Huches Trower on savings banks. He saw savings banks as an important means to inculcate in the mind of the labourers prudence and spirit of independence, which he thought were essential for the repeal of the Poor Laws. For Ricardo, private charity must provide for the poverty remaining after their abolition, thus contributing to self-reliance of labourers. Transparency was important for all public activities. He did not regard combinations among labourers as interference in 'fair and free competition.' I will try to form an idea of his vision of the market society which he sought to establish, taking into consideration his proposal for parliamentary reform of extending franchise to all substantial householders including labourers, his conviction on sacredness of private property, his plan of a national bank to stabilise the value of money, in addition to his thoughts on poverty and its relief.

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I Introduction

In England, from the 16th century there existed the Poor Laws by which the society

provided relief for the poor. The poor rates and the public expenditures for poor relief increased extremely rapidly from the late 18th century to the 1810s (in 1818 the pub-