

Lecture 7: John Stuart Mill

We finish the treatment of von Thünen which we just started up Friday. He is often placed as a “forerunner of marginalism” since the localization of crops involves some implicit considerations of marginal productivity, but it seems better to consider him as an important economic thinker in his own right, without connecting him to other schools, contemporary or later. We outline the localization theory once more and consider the square-root formula for the natural wage.

After this we mention briefly the German Historical School, which had its origin in the 1840s. As noticed in a contemporary article¹, the German Historical School was not particularly ‘historical’, it was not confined to Germany, and it was not a ‘school’. In textbooks (including ours) it is mentioned only in connection with the marginalists and the “Metodenstreit” (to which we shall return in due course), but it seems unfair not to mention it in its own right.

After this, we turn to John Stuart Mill. Our text places him as a very early marginalist, other texts would see him as the representing the final word of the classical period, to some extent marking the limit of what could be achieved following the traditions of Smith, Malthus and Ricardo. I have collected some comments on Mill in Lecture Note 7. It is not easy to find hints of the marginalist approach in Mill’s work, and as we shall see, the real precursors should be found not in England but on the continent (France and Germany).

If we have time, I proceed to Marx, who at least with respect to his theory of value, can be considered as the last theorist of the English classical school.

We read: S, chapter 18.

¹Pearson, H. (1999), Was there really a German historical school of economics, *History of Political Economy* 31, 548–562.