

Lecture 10: Marginalists – the English school

We now begin our treatment of *marginalism*, which will run over several lectures. As we have seen, there were many precursors, so that the year 1870 usually appearing as its initial year must be taken with a grain of salt. Many textbooks speak of a first, second and third generation of marginalism, but this appears as somewhat artificial. E&H have organized the treatment countrywise, so that we follow the development over several 'generations' but in the same country. This again is artificial, perhaps even more so, in particular since we include John Bates Clark in the English tradition even though he was inspired largely by researchers on the continent, but it fits with the organizing principles of most textbooks, including ours.

Jevons is the most interesting of the English marginalists, apart from being the first one. He was a polymath, interested in many different sciences and competent in chemistry and logics, publishing an innovative textbook in logics. His scientific project in economics was to give value theory a firm foundation in utility analysis, so that he appears as a consistent follower of Bentham.

Some of the minor problems considered by Jevons are worth mentioning, and they are to some extent still alive today. The so-called *Jevons paradox* is discussed today as the *rebound effect* in connection with the green transition, and even the *sunspot hypothesis* keeps reappearing in the literature. See the Lecture Note 10 for some comments on this.

Edgeworth can be considered as the most immediate follower of Jevons, and many of his ideas reappeared in the 1970s in connection with the more refined treatments of general equilibria in competitive markets. His treatment of exchanges was surprisingly modern and was not appreciated before much later.

His analysis of *cyclical movements of prices* has been reconsidered in later years as *Edgeworth cycles*, see the Lecture Note.

Marshall has had a profound influence on the development of economic thought from the end of the 19th century to the middle of the 20th, and his approach to economic analysis is to some extent still the predominant one. If most of the ideas and notions in his textbook were not altogether new, it should be noticed that this holds also for earlier authors (in particular Adam Smith), and Marshall saw himself as carrying on the tradition in English political economy.

E&H have a very high opinion of Marshall, something which is shared by other, but not all, writers of textbooks in the History of Economic Thought. One of the

consequences is that the chapter is very long, and much effort is taken to discuss the notions of short and long run analysis and its implications. It is true that the Marshallian long/short run stuff can be found also in 1st year textbooks today, but nevertheless this approach is outdated, and you should not waste too much time it.

John Bates Clark represents the introduction of marginalism in American economic thought, and with him 'marginalism' turns into *neoclassical* economics. He is particular known for connecting wages to marginal productivity.

Philip Wicksteed (1844 – 1927) is chronologically after Marshall but with regard to method and approach he is closer to Jevons and Edgeworth. He is usually considered as giving the most refined comprehensive treatment of economic theory according to the marginalists. Our textbook mentions him only in occasionally, which is somewhat unjust. He is known as being the first who gave a precise treatment of income distribution based on marginal productivity.

We read: E&G, chapters 15 and 26.