

## **Lecture 7: Johann Heinrich von Thünen and John Stuart Mill**

We begin with von Thünen (see Lecture Note 6). Bastiat is interesting as an opposite of Mill at around the same time. The work of von Thünen points forward to the marginalists and what came afterwards. 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 (the model in the lecture note is unnecessarily complicated, so don’t go into details) and consider the square-root formula for the natural wage.

After this, we turn to John Stuart Mill. Some texts place him as a very early marginalist, other texts (including ours) sees him as 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. They are also divided regarding the importance of his contributions, here our text goes rather far in digging up instances where it could be argued that Mill has innovative contributions. This rather lengthy section (“Mill’s theoretical advances”) can be read leisurely. The main things come later, where E&H discusses the wage fund theory and Mill’s treatment of Say’s law. I have collected some other comments in Lecture Note 7.

If time permits, we look quickly at Mill’s views upon taxation. Our book is very found of Chadwick who was less important as atheoretician than as a policy-maker, all this is in E&H chapter 10 which you may read or skip at will (which means that it will not be referred to at exam).

**We read:** E&H, chapter 8 (and possibly 10).