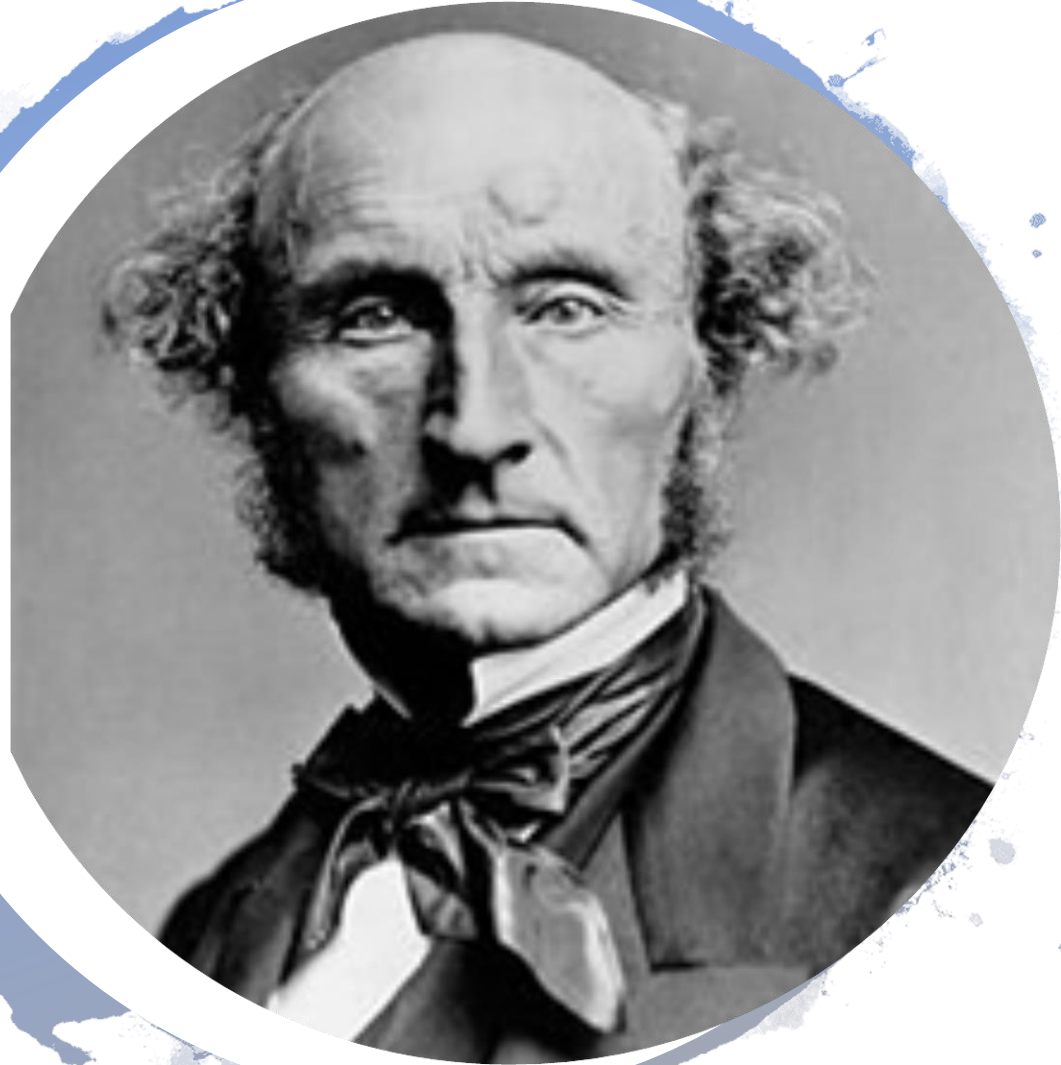




Post-Ricardian Developments in Economic Thought

- Sumanasiri Liyanage



J S Mill (1806- 1873)

- **Economist, Political Scientist and Philosopher;**
- **Receptive to humanistic socialist views;**
- **Eclectic approach;**
- ***Principles of Political Economy* (1848)**

Main Ideas

- **He accepts the principal tenets of Ricardian theory;**
- **Distinction between laws of production and laws of distribution;**
- **The laws of production are laws of nature (like the law of gravity) that cannot be changed by human will or institutional arrangement. But the laws of distribution are not fixed; they result chiefly from particular social and institutional arrangements.**

Ricardian theory's predictions of the stationary state in which wages would be at a subsistence level were countered by Mill's more optimistic conviction that over time, society would act in a wise and humane way, so that a more equal and equitable distribution of income would result.

He therefore favored high rates of taxation on inheritances but opposed progressive taxation because he feared its disincentive effects.

He also advocated the formation of producer cooperatives and believed that as workers received not only wages but also profits and interest from these cooperatives, they would have greater incentives to increase their productivity.

Jean Baptiste Say (1767- 1832)

- **Popularizer of Smith's theory in Europe;**
- **Idea of General Equilibrium;**
- **"supply creates its own demand";**

Nassau Senior (1790- 1864)

- *Political Economy* (1836);
- Agrees with J B Say there are three factors, land, labor and capital;
- However, his theory proposes capital as a result of abstinence.
- Justification of profit on capital.