

Sraffa and the revival of the classical approach

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Piero Sraffa (1898-1983)

An Italian economist in Cambridge

Influence on Gramsci, Wittgenstein, Keynes

The Sraffian revolution:

- Critique of neoclassical theory (Marshallian theory of the firm)
- Conceptual reconstruction of the classical approach (Ricardo's edition)
- Critique of the marginalist theory of value and distribution (capital reversal, reswitching)
- Analytical reformulation of the classical approach

Bibliography:

- P. Sraffa, Introduction, in David Ricardo, Works and correspondence, vol.1 (10 vols, CUP, 1951-11; Indexes, 1973)
- P. Sraffa, Production of commodities by means of commodities, CUP 1960
- A. Roncaglia, Piero Sraffa, Palgrave Macmillan 2009
- A. Roncaglia, The wealth of ideas, CUP 2005 (Russian translation, 2018)

Classical approach vs. Marginalist approach

View of the economy: circular flow vs. one-way avenue

Market: flow of repetitive exchanges vs. point in time and space

Value: difficulty of production vs. relative scarcity

(Data: technology and a distributive rule vs. resources and preferences)

Prices: indicators of difficulty of production vs. relative scarcity

Equilibrium: reproduction vs. demand=supply

(separate determination of prices and quantities vs. joint determination)

[marginalist theory as statical mechanics, equilibrium as composition of forces]

Income and employment: accumulation vs. full employment equilibrium

Scarcity: secondary complication (rent of land) vs. basic element

Preferences: flexible element (institutions, habits, history, society) vs. primitive subjective individual datum

Production: basic element (division of labour) vs. second step (after consumer's equilibrium)

Income distribution: social classes vs. prices of factors of production

Marginalists and Keynesians

Employment: full employment vs persistent under-employment

Uncertainty: risk vs. Keynesian uncertainty

Policies: supply policies vs. demand policies (political economy as an art)

Political view: neo-liberism (laissez-faire) vs. liberism (social sustainability of the market)

Money: a veil vs. basic influence on the real economy (first step in the chain)

Inflation: money supply vs. distributive conflict

Production: shocks due to policy mistakes, a cycle vs. instability, tendency to stagnation

Crisis: a stage in the cycle or due to shocks vs. systemic crises (Hyman Minsky)

Other elements

The myth of the invisible hand

Selfishness vs. enlightened personal interest

Endogenous technical progress: Babbage's two laws

Ergodic world vs. path dependence

Minsky's theory of crises