

political economy Studies in the Surplus Approach

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Presentation

1. *Political Economy - Studies in the Surplus Approach* is being launched with the aim of advancing the task of theoretical reconstruction in political economy, at a time when economic theory appears to be in a situation of unease and uncertainty. Some basic propositions of the dominant marginalist theory have been found faulty on logical grounds while, at the same time, increasing dissatisfaction has been expressed with its sterility and failure to tackle real economic issues. The two criticisms are not unrelated, for the attempt to cope with logical criticism of its basic propositions has led the theory into increasing formalism and inability to cope with substantive problems.

A comprehensive, sufficiently articulated, theoretical alternative has, however, yet to emerge. In the meanwhile, mainstream theory has continued to exert a strong influence, though its response to criticism has been far from satisfactory. The task of constructing an alternative — which is bound to be difficult and slow — must draw together, into a coherent framework, results attained by various critical streams. *Political Economy* will aim to stimulate reconstruction by providing a forum where these results can be expounded, constructively and critically discussed, supplemented and extended.

2. The dominant theory first came under major attack following Keynes' criticism of the principle according to which a competitive economic system tends towards "full employment". (A similar attack which drew less attention at the time but showed its importance later came from Kalecki). As is now well realized, the persistence in the *General Theory* of some traditional premises aided the subsequent "neoclassical synthesis" and the attempt to confine Keynes' analysis to

the explanation of short-term fluctuations, leaving long-period analysis to orthodox theory.

Another major attack on the marginalist theory was spearheaded by Piero Sraffa. After the early discussions prompted by Joan Robinson's spirited criticism, the impact of the publication of *Production of Commodities by Means of Commodities* was far-reaching. Sraffa concisely showed that it is impossible to conceive of capital as a quantity which can be measured independently of income distribution, and rigorously set out the propositions concerning the so-called "reswitching" of methods of production. The implications of this phenomenon and of the analogous one of "reverse capital deepening" were that the inverse relation between the rate of interest and the capital which can be profitably employed in the economy (or between the real wage and the labour so employable) represented an incorrect deduction from the existence of alternative methods of production and from the possibility of individual choice between alternative consumption goods. But this inverse relation had been the foundation of the dominant explanation of distribution, and the failure of that deduction deprived it of its basis, casting doubt on both the explanation of distribution in terms of demand for and supply of factors of production and the connected theory of relative prices and quantities. The full implications of the critique now need to be developed and extended with regard to the reformulations of the dominant theory which purport to render it independent of its former reliance on the notion of a "quantity of capital" and of the associated inverse relation.

3. Equally important, or even more so, is the reconstructive work initiated by Sraffa, namely, to revive the earlier "classical" approach to distribution of François Quesnay, Adam Smith and David Ricardo.

Adam Smith and subsequently Marx illustrated the potential of this analysis, which is based on the notion of social surplus, to provide a coherent logical framework for dealing with the problems of distribution, production, accumulation and money in all the wealth of their social and historical aspects — Marx, in our view, marking the highest point of development of the approach. Sraffa has provided a solution to the difficulties inherent in the theory of value that were left unresolved by Ricardo and Marx. There remains the considerable task of deciphering and reviving the essential elements of the surplus approach — elements which do not seem to include Say's Law (present in Ricardo, but not in Marx or Sismondi or Malthus) — and of incorporating new insights such as the effective demand principle of Keynes. These we take to be the promising guidelines along which to proceed towards reconstruction. Scattered efforts in this direction are,

at present, being made in the context of a variety of economic problems. It will be the endeavour of the Journal to coordinate the task of clarification, elaboration and extension of these contributions.

4. We hold that theoretical work should both stimulate and be stimulated by the study of concrete economic realities, and that the unprejudiced observation of facts should be restored to the role it deserves in any true scientific construction. The flexible analytical structure of the surplus-based classical analysis of the economy typically increases the weight of inductive over deductive reasoning. Its "short chains of deductive reasoning" appear particularly well suited for dealing with the complexity and variability of economic phenomena¹. *Political Economy* will therefore endeavour to promote applied work and will greatly welcome contributions interpreting economic experience and examining basic policy issues relating to capitalist and socialist, developed and less developed countries.

These contributions as well as the theoretical ones may come from various quarters, and heterogeneity of approach may mark these endeavours. Hopefully the resulting debates and critical exchanges will help to further our constructive tasks.

The Editorial Committee.

¹ Cf. A. MARSHALL, *Principles*, Appendix C, 3.