

political economy Studies in the Surplus Approach

volume 5, number 2, 1989

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A Reappraisal of Classical Political Economy*

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I

The cultural project to which Piero Sraffa gave such a powerful contribution — to shunt the car of economic science from the marginalist to the Classical path — implies four distinct lines of research: (i) the analytical critique of traditional marginalist theories of production and distribution, pointing out their internal logical inconsistencies; (ii) the analytical development of the Classical approach, through the solution of problems which Classical economists had left open, such as the relationship between relative prices and income distribution or the Ricardian ‘invariant’ standard of value; (iii) the reconstruction of the methodological, conceptual and analytical foundations that characterize the Classical approach and distinguish it from the marginalist one; (iv) the application of the ‘Classical-Sraffian’ view of the economic system to specific policy issues.

Often, thanks to the advantages of the division of labour, economists who share the reconstruction of Classical political economy as a common cultural goal, specialize in one of these four lines of research (and in certain specific areas within them). There is nothing wrong in this, provided that the unity of the cultural project, and the relevance for it of all four lines of research, are recognized. (E.g. — something which is occasionally forgotten — what would be the use of resurrecting the Classical theoretical framework, if this approach is not then shown to be helpful in the analysis of practical policy issues?).

One of the main distinguishing characteristics of Professor Bharadwaj’s writings is precisely that each specific piece of research is directly and

* A review of K. BHARADWAJ, *Themes in Value and Distribution - Classical Theory Reappraised*, Unwin Hyman, London 1989. Thanks are due to I. Steedman, P. Sylos Labini and M. Tonveronachi for useful comments and suggestions, and to the Italian Ministry for Universities and Research for financial support (research project on “Forme di mercato istituzioni strutture e sviluppo economico”).

explicitly related to the unifying cultural project mentioned above. Though there are no essays on policy issues in her book, the other three lines of research mentioned above are all represented; and her work in agriculture and development issues¹ is a notable example of the fourth line of research mentioned. What is more, in the twelve essays collected in this book, the theoretical debate is clearly not conceived as an end in itself, but as the means for intelligent policy-making.

The main stress, however, is on the third line of research mentioned, namely the reconstruction of the characteristics of Classical political economy that distinguish it — in method, conceptual framework, and analytical structure — from the marginalist approach (which Bharadwaj aptly characterizes as “demand-and-supply-based equilibrium theories”, or DSE for short). Thus, broadly but not precisely following the order of the chapters in the book, after a ten-page introduction outlining the Sraffian cultural project, there are three essays on the interpretation of the Classical approach: one on Smith’s political economy, one criticizing S. Hollander’s interpretation and one illustrating Sraffa’s interpretation of Ricardo. We then have three essays on the decline of Ricardianism and the rise of Marginalism: an essay on Ricardo’s ‘disciples’, one on the young Marshall, and one on the old Marshall’s comments on some aspects of the neoclassical ‘vulgate’, represented by Pigou’s *Wealth and Welfare*. Two essays discuss Maurice Dobb’s and Ronald Meek’s contributions to the revival of Classical political economy: while very well disposed towards these two Marxist scholars, and appreciative of their intellectual honesty and their specific contributions, these two essays also stress the limits of their endeavour compared to Sraffa’s. Two essays tackle specific aspects of the modern reproposal of the Classical approach: one, “*On the Maximum Number of Switches between Two Production Systems*”, provides an original analytical contribution to the debates in capital theory following Sraffa’s 1960 book; the other one, “*On Effective Demand*”, discusses different interpretations of Keynes’s theory of employment, and in particular its relationship to the Classical approach. Finally, two essays outline Sraffa’s contributions: one, “*Sraffa’s Return to Classical Theory*”, provides a broad presentation of Sraffa’s analysis and the debate connected to it; the other is a lively biobibliographical portrait of Sraffa, where intellectual respect and warm personal affection combine to provide a fascinating “*Tribute*”, a most apt conclusion to this collection of essays.

This is not an easy book. The near-absence of mathematical analysis is more than counterbalanced by the subtleties of philological analysis;

¹ See, e.g., K. BHARADWAJ, *Production Conditions in Indian Agriculture*, Cambridge, CUP, 1974; K. BHARADWAJ, “A View on Commercialization in Indian Agriculture and the Development of Capitalism”, *The Journal of Peasant Studies*, vol. XII n. 4, July 1985, pp. 7-25; K. BHARADWAJ, “Analytics of Agriculture-Industry Relations”, *Economic and Political Weekly*, vol. XXII, nn. 19-20-21, Annual number, May 1987, pp. 15-20.

moreover, clarity of exposition and a certain amount of repetition (unavoidable in a collection of essays) may mislead the reader into passing too quickly over important specifications of concepts and of conceptual differences.

It is impossible, here, to discuss even briefly all aspects of the theoretical debate on the reconstruction of Classical political economy which Bharadwaj deals with in her book. Besides, it would be pointless to concentrate our attention on the main characteristics of the Classical-Sraffian approach which is at the centre of her analysis, since these aspects have been repeatedly discussed. Thus, rather than attempting to summarize many interesting arguments, which would be impossible without misrepresenting their depth and subtlety, we will briefly consider two specific issues which have been the subject of some debate within the Classical-Sraffian approach: the role of Marxian and Smithian ideas about human societies in the modern reconstruction of the Classical approach, and the notion of 'long period positions'. While it would be difficult to overrate the basic common framework characterizing the different contributions to the Classical-Sraffian approach, the two aspects considered below should also exemplify the 'openness' of this approach to different views and different developments, and the wealth of stimuli which Bharadwaj's book provides for the reader.

II

Elsewhere² I have suggested a tripartition of research lines stemming from Sraffa's contribution, and aiming at the reconstruction of the Classical approach: 'Marxian', 'Ricardian', and 'Smithian', respectively exemplified by Garegnani, Pasinetti and Sylos Labini. A classification of this kind is largely arbitrary, as one immediately realizes when one tries to apply it outside of the specific examples on which it was originally built.

It might seem at first sight that, in Bharadwaj's book pride of place is given to Ricardo; but at the same time the reader cannot escape the impression that it is Marx who dominates the stage, though somehow from behind the scene. A number of references to Marx in fact seem to point to his theoretical position as constituting the point of arrival of the 'true' Classical tradition, recently revived by Sraffa. Unfortunately, no chapter in this book is dedicated directly to Marx. Thus the reader misses a direct presentation of Professor Bharadwaj's specific views on the inner connection between economic and political aspects of society, which was important in Classical political economy, and which is still a relevant feature of the modern revival of that approach. As a consequence, we can only guess

² A. RONCAGLIA, "Le scuole sraffiane", in G. BECATTINI (ed.), *Il pensiero economico: temi, problemi e scuole*, Biblioteca dell'economista, ottava serie, Torino, UTET, 1990, pp. 233-74.

whether to consider Marx as the point of arrival of the Classical tradition implies acceptance of his views as providing the 'political closure' of the Classical-Sraffian approach.

In this respect, it should be noted that eminent representatives of this approach have criticized some specific Marxian propositions on the tendencies of the capitalistic mode of production (the law of increasing misery, proletarianization, the tendency towards a falling rate of profits) or, more generally, the traditional Marxist vision of a progressive deterioration of capitalism down to the inevitable breakdown and the inevitable revolutionary outcome.³ These criticisms do not deny the presence of a theoretical background common to Marx and previous Classical economists, as well as the Sraffian reproposal of the Classical approach: a common background which is recalled, e.g., in the "Presentation" to the first issue of the present journal, where Marx is said to mark "the highest point of development of the approach". But these criticisms point to a field of research which has been sidestepped, so to say, by the debates in value theory over the past three decades; and this field of research — concerning, in short, the nature of economic development — is both a crucial one for the reconstruction of a Classical-Sraffian approach, and one where conflicting views were, and still are, present within a common analytical framework.

In fact, Marx's vision of economic development is rather different from Smith's. The latter is characterized by the recognition of both positive and negative aspects of the development process, with the positive ones given pride of place. As is well-known, Smith considers the process of increasing division of labour as a source both of increasing material wealth (Book I of *The Wealth of Nations*) and of negative aspects recalling what a later terminology designates as alienation (Book V).⁴ Smith, like so many others,

³ I. STEEDMAN, *Marx after Sraffa*, London, New Left Books, 1977; P. SYLOS LABINI, *Saggio sulle classi sociali*, Roma-Bari, Laterza 1974; P. SYLOS LABINI, *Le classi sociali negli anni '80*, Roma-Bari, Laterza 1986.

⁴ "In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become..." (A. SMITH, *The Wealth of Nations*, V.i.f.51, ed. by R. H. CAMPBELL and A. S. SKINNER, Oxford, OUP, 1976, vol. 2, pp. 781-82).

N. ROSENBERG ("Adam Smith on the Division of Labour: Two Views or One?", *Economica*, May 1965), interprets Smith's passage quoted above as foreshadowing the Marxian notion of alienation. E. G. West instead ("Adam Smith and Alienation", in A. S. SKINNER and T. WILSON, *Essays on Adam Smith*, Oxford, Clarendon Press, 1975, pp. 540-67) points out that Smith's notion is much less far-reaching than Marx's, and that Smith laid much less stress on it, maintaining that "in the end capitalism itself could provide the answer" (West, *op. cit.*, p. 540). West brings sufficient textual evidence in support of his first point; however, he greatly underplays the role of Smith's critical remarks when maintaining (*ibid.*, pp. 550-51) that they only refer to the division

attributes a basic role, possibly as a precondition for the general progress of human societies,⁵ to the increase of material wealth. Thus the first implication of the process of increasing division of labour, namely an increase of material wealth, is considered as dominating the second implication, namely the increasing repetitiveness in the work process and the risk of workers' intellectual stultification. Hence, Smith's overall judgment is that increasing division of labour should be fostered; at the same time, its negative elements should be countered by specific interventions: e.g., by State support of primary education.⁶ Thus we might say that, according to Smith, much in the progress of human civilization depends on how economic development is fostered and accompanied by policy interventions.

Analogously, there is no contradiction, but rather integration, between the two different aspects of human behaviour — self-interest, which motivates economic agents; and 'sympathy', which constitutes the basic criterion for moral judgement — at the centre of Smith's analysis respectively in *The Wealth of Nations* and in *The Theory of Moral Sentiments*. "Every man is, no doubt, by nature, first and principally recommended to his own care; and as he is fitter to take care of himself than of any other person, it is fit and right that it should be so". This short sentence provides the clue to Smith's liberalism; we should stress, however, that at the same time according to Smith "the chief part of human happiness arises from the

of labour within the factory and to factory workers: Smith explicitly refers, in the passage quoted above, to "the far greater part of those who live by labour". It should also be stressed that "the answer" which, according to West, "capitalism itself could provide" to the negative aspects of the division of labour appears to be, in Smith's opinion, neither an automatic outcome of market forces independent of political choices, nor a complete and definitive solution: see below, footnote 12.

⁵ "Opulence and Commerce commonly precede the improvement of arts and refinement of every sort. I do not mean that the improvement of arts and refinement of manners are the necessary consequence of commerce... only that it is a necessary requisite" (A. SMITH, *Lectures on Rhetoric and Belles Lettres*, ed. by J. C. Bryce, Oxford, OUP, 1983, p. 137; quoted by West, *op. cit.*, p. 543). In *The Theory of Moral Sentiments* (ed. by D. D. Raphael and A. L. Macfie, Oxford, OUP, 1976, p. 210), Smith refers to "the extreme indigence of a savage" in the "rudest and lowest state of society" as explaining the custom of infanticide, adding: "When custom can give sanction to so dreadful a violation of humanity, we may well imagine that there is scarce any particular practice so gross which it cannot authorise"; and similar remarks appear here and there in his work. (A recent assessment of the relationship between economic growth and social well-being is provided, e.g., by the World Bank, *World Development Report 1990: Poverty*, Oxford, OUP, 1990).

Smith however cannot certainly be accused of 'growthmania' or of exalting the accumulation of material wealth. E.g.: "What can be added to the happiness of the man who is in health, who is out of debt, and has a clear conscience? To one in this situation, all accessions of fortune may properly be said to be superfluous; and if he is much elevated upon account of them, it must be the effect of the most frivolous levity" (A. SMITH, *Theory of Moral Sentiments*, *op. cit.*, p. 45).

The much too common identification of Smithian economic agents with the later notion of a greedy, maximizer, 'homo oeconomicus', is also to be rejected, as one can realize from the passages quoted above; but a fuller discussion of this point is best left for a separate treatment.

⁶ A. SMITH, *The Wealth of Nations*, *op. cit.*, V.i.f, pp. 785-88.

consciousness of being beloved”; and ‘sympathy’, i.e. the capability of sharing other people’s feelings, pushes us into judging our actions on the basis of their effects on others as well as on ourselves. Thus man “must... humble the arrogance of his self-love, and bring it down to something which other men can go along with... In the race for wealth, and honours, and preferments, he may run as hard as he can... in order to outstrip all his competitors. But if he should jostle, or throw down, any of them, the indulgence of the spectators is entirely at an end. It is a violation of fair play, which they cannot admit of”. This is a prerequisite for the very survival of human societies: “Society ... cannot subsist among those who are at all times ready to hurt and injure one another”.⁷

Bharadwaj correctly notes that “Smith was aware that the course of accumulation would have to be guided by an evolution of a consistent morality and the creation of supporting institutions”. At the same time, she attributes to Smith an “idealized and optimistic vision” of “a ‘natural order’ that manifests itself through the operation of material forces, as well as individual psychology”: “Smith adopted a method ...[which] rested on the belief that there is a ‘rational plan’ or ‘natural order’ that binds phenomena in terms of interdependent cause/effect relations”.⁸ To this, Bharadwaj opposes Marx’s pessimism as to the possibilities of keeping the process of economic and social development on course, and his quest for a ‘change of regime’. In this context, she quotes Marx approvingly on “how he differed from his predecessors: ‘... What I did that was new was to prove: (i) that the existence of classes is only bound up with particular historical phases in the development of production, (ii) that the class struggle necessarily leads to the dictatorship of the proletariat, (iii) that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society’”.⁹

Now, it is true that “Smith... appears to have relied *at times* on the optimistic theism current in Scottish philosophy, where ultimate governance is perceived to be exercised by the ‘Author of Nature’, ‘Providence’, the ‘Invisible Hand’, ‘the final cause’, the ‘Divine Being’, or some such proxy for ‘beneficent Nature’”.¹⁰ But it is less certain that Smith consistently adhered to the “belief that there is a rational plan”; though in a different context (while discussing Newton’s system), Smith stresses that it is the theoretician who ‘rationalizes’ reality, and that this is how his writings should be interpreted even when he seems to imply the existence of ‘real chains’

⁷ A. SMITH, *Theory of Moral Sentiments*, *op. cit.*, pp. 82, 41, 83, 86. On the relationship between self-interest and sympathy, see D. D. RAPHAEL and A. L. MACFIE, “Introduction” to *The Theory of Moral Sentiments*, *op. cit.* They stress that “it is this [self-interest], not ‘selfishness’, that comes to the fore in WN” (*ivi*, p. 22).

⁸ K. BHARADWAJ, *Themes in Value and Distribution*, *op. cit.*, pp. 21, 15-6, 15.

⁹ *Ibidem*, p. 37.

¹⁰ *Ivi*; our italics.

of cause and effect: "Even we, while we have been endeavouring to represent all philosophical systems as mere inventions of the imagination, to connect together the otherwise disjointed and discordant phaenomena of nature, have insensibly been drawn in, to make use of language expressing the connecting principles of this one, as if they were the real chains which Nature makes use of to bind together her several operations".¹¹

My main point of disagreement, though, concerns the comparison between Smith's generally optimistic attitude and Marx's quest for a 'change of regime': the latter position, which seems to be favoured by Bharadwaj, implies in my view a much greater optimism than the former. Smith may in fact be fairly optimistic about the possibility of progress within the set-up of market economies — provided a sound moral attitude, and certain 'reformist' interventions, were ensured. However, Marx on the other hand, declares his faith in the possible and necessary transformation of market economies into something new and hitherto unknown, a communist classless society which, in a sense, would also represent the complete fulfillment of Smith's ideal. But the possibility of reaching a complete freedom from the boundaries of 'compulsory labour' should be considered as Utopian. Thus we may consider as misdirected Marx's main criticisms of Smith and other Classical authors — that "there will be no longer history" —: there is no reason to believe that Smith considered capitalist institutions as the final point of arrival of human history; rather, he seems to imply that institutional change is unlikely to affect human nature in a significant way within the foreseeable future, so that in the analysis of human nature one can abstract from institutional changes. The 'communist man' and the 'communist society', which Marx considers the ultimate end in the progress of human societies, are beyond of Smith's horizon: is this to be considered a crucial defect of his analysis?¹²

Thus, a number of interesting aspects can be found in Smith's method and in his views of society, sounder and richer than some views which later prevailed within the Classical School: e.g. the utilitarian interpretation of the 'rational economic man', or Marx's Utopian views of the directions

¹¹ A. SMITH, "The History of Astronomy", in *Essays on Philosophical Subjects*, ed. by W. P. D. Wightman, Oxford, OUP, 1980, p. 105. On this point, see also D. D. RAPHAEL and A. S. SKINNER, "General Introduction", *ivi*, pp. 1-21.

¹² On this, see R. VILLETTI, "Lavoro diviso e lavoro costringito", in *Socialismo e divisione del lavoro*, ed. by R. Villetti, Roma, Mondo Operaio, 1978, pp. IX-XLIX. 'Strong' reformist attitudes are compatible with the acceptance of 'compulsory labour' as an ineliminable feature of human societies. E.g., one could recall E. Rossi's proposal of a "civil army" for sharing out compulsory labour, or at least the most degrading kinds of compulsory labour, among the whole of society: see E. ROSSI, *Abolire la miseria*, II ed., Roma-Bari, Laterza 1977, and the writings by Fuà, Visalberghi, Sylos Labini and others quoted by Villetti, p. XLVIII.

We might add that, in this context, J. S. Mill's reformism, and the 'cooperative' stream within the Classical approach, deserve more attention than they receive in Bharadwaj's book (which, it should be recognized, is mainly concerned with theories of value and distribution), and, more generally, in the modern reconstruction of the Classical approach.

of development of human societies. Smith is often depicted as a rather imprecise forerunner of a line of thought which acquires full strength with Ricardo, and finally with Marx; and Professor Bharadwaj seems to share this reconstruction of the history of the Classical school. While this view certainly has good foundations as far as the analytics of the theory of value are concerned, we should recognize that progress in this aspect does not necessarily imply progress in the general 'vision' of human societies: the 'reformist' elements which can be found in Smith, and his complex views on human passions and motivations, compare favourably with later Classical and Marxian views, and, though certainly not acceptable today in their entirety, provide some useful elements for a modern reconstruction of Classical political economy. This, we might add, is especially true if, as Bharadwaj correctly indicates, stress is laid on the importance of the formation of the conceptual framework relative to the specification of the analytical structure; the two aspects are certainly connected, but the second does not entirely subsume the first one.

III

The second theme in Bharadwaj's book which we shall take up for discussion is the notion of 'long period positions' of the economy. This notion, as introduced by Garegnani in the debate on the interpretation of the Classical-Sraffian theory of prices and outputs, is connected to the idea of 'gravitation of market prices toward\around natural prices', while also implying the notion of 'normal' output around which current output oscillates.¹³ Bharadwaj refers approvingly to this notion, which she specifies thus:

"The 'natural price'... is not an empirical or purely statistical average; it is a 'theoretical price' to the extent that it requires a natural position (the long-run position) of the economy to be postulated so that the 'natural prices' are the set of exchange values that render viable reproduction of the 'natural state'. The basic elements defining the 'natural state' and hence the 'natural prices' compatible with its reproduction are: *a*) the 'effectual demand', or the level and composition of social output; *b*) the methods of production, and *c*) the wages. Given these 'quantities', the 'natural prices' are calculated so as to make reproduction of the outputs and the distribution of surplus compatible with the competitive norms of the uniformity of the

¹³ See, e.g., P. GAREGNANI, "Surplus approach to value and distribution", *The New Palgrave Dictionary of Economics*, London, Macmillan 1987, vol. 4, pp. 560-73; P. GAREGNANI, "Actual and Normal Magnitudes: A Comment on Asimakopulos", *Political Economy - Studies in the Surplus Approach*, vol. 4 n. 2, 1988, pp. 251-58; P. GAREGNANI, "Sraffa: Classical versus Marginalist Analysis", and "Reply", in *Essays on Piero Sraffa*, ed. by K. BHARADWAJ and B. SCHEFOLD, London, Unwin and Hyman, 1990, pp. 112-41 and pp. 148-58.

rates of wages and profits. Since the 'quantities' — 'effectual demand', methods of production and wages — were derived as 'average characteristics' of the economy, on the basis of observations, the 'natural prices' are rooted in historical experience and are not entirely 'abstract'.¹⁴

Terms like 'natural' or 'normal' prices (or wages, or rents...) were widely used by Classical economists; and Bharadwaj rightly stresses that they did not designate "an empirical or purely statistical average", but the theoretical variables under consideration. It is also interesting to note that Bharadwaj, differently from Garegnani, does not interpret the 'natural position' as a centre of gravitation for actual prices *and outputs*.

A great deal of caution is necessary before reading even minor differences in interpretation where there may simply be differences in exposition. But the point is important, and deserves to be raised. In fact, behind the idea of gravitation, or of 'normal outputs' as some sort of long-run average of actual outputs, there seems to be the idea of a certain stability (the term used by Garegnani is "persistence") of the specific values assumed by the independent variables directly entering the determination of the system of relative prices and the residual distributive variable. It is precisely this idea of stability, or persistence, which seems to create difficulties for the research programme which aims at integrating Sraffian and Keynesian lines of research, since the assumption of 'persistence' of output levels appears to contradict the views on the instability of capitalist economies which are dominant within the post-Keynesian approach.¹⁵

The references to 'long run' or 'long period' also stress the counterposition of Classical-Sraffian analysis to the 'short period' Keynesian analytical framework. While this counterposition is in many respects a legitimate one, we should also recall that the dichotomy between short and long period did not belong to the Classical tradition, which rather drew a distinction between theoretical and actual ('market') variables. Especially, the distinction between long and short period was not utilized within the Classical tradition in the way in which it was more and more commonly utilized, following Marshall, within the marginalist tradition, where the dichotomy is between two different levels of analysis. Certain features — such as available productive capacity, plant and machinery, or the number

¹⁴ K. BHARADWAJ, *Themes in Value and Distribution*, *op. cit.*, pp. 24-25.

¹⁵ See e.g. A. ASIMAKOPOULOS, "Keynes and Sraffa: Visions and Perspectives", *Political Economy - Studies in the Surplus Approach*, vol. 1 n. 2, pp. 33-50; and the ensuing debate: P. GAREGNANI, "Actual and Normal Magnitudes", *op. cit.*; A. ASIMAKOPOULOS, "Reply to Garegnani's Comment", *ibid.*, pp. 259-62. The instability of capitalism is at the centre of the interpretations of Keynes (and of the way of functioning of market economies) developed, e.g., by H. MINSKY (*John Maynard Keynes*, New York, Columbia University Press, 1975) and F. VICARELLI (*Keynes*, Milano, Etas libri, 1977). It should be added here that K. BHARADWAJ, "Reply", in *Essays on Piero Sraffa*, *op. cit.*, pp. 91-98, stresses the differences between the Marshallian (short/long period) dichotomy, and the Classical (market/natural prices) dichotomy, as well as tracing the derivation of the first from the second.

of firms — were assumed to be given in the short period, and allowed to vary in the long run (so that a more precise characterization of this dichotomy refers to partial and complete adjustment). Some echo of this interpretation seems implicit in the following passages, especially in the first:

“The long-period position is a conceptual device for separating the more ‘permanent’ characteristics of the system from the more transient variations”.

“The ‘long period position’ in the surplus approach, as stated above, does not connote full employment, nor does it imply balanced growth conditions. It only implies that certain observed features of the system (output levels and the methods of production) are taken to be provisionally given as representing the dominant characteristics and upon which the rules of surplus distribution are applied to yield the distributive revenues — profits and wages”.¹⁶

However, these passages — especially the second — can also be interpreted as stressing not the relatively greater stability or persistence of the specific values assumed by the independent variables in Sraffian analysis (output levels and technology, the exogenous distributive variable), but as referring to the systematicity and persistence of the influence which these variables exert over the system of relative prices and the residual distributive variable. Indeed, this is the reason for our choice of the set of dependent and independent variables.

In other words, we may consider Sraffa’s analysis of the relationship between relative prices and distributive variables as referring to a moment in time.¹⁷ Of course, at any moment in time everything is given. We isolate certain variables which we want to submit to analysis in their mutual relationships, and we keep the rest constant. That is, we abstract a specific set of relations from all the rest. In doing this, we also transform the nature of the chosen variables, which become theoretical variables within a specific analytical context; for example, we speak of ‘the’ price of a certain commodity, leaving aside the price differences which might exist between the same commodity in different places or under different exchange relations. But this purely mental operation of abstraction does not imply the assumption that the elements from which we abstract (i.e. the elements which we keep constant in our reasoning, so as not to worry about them) remain constant *over time*; in fact in most cases this would be a most implausible assumption. Nor does it imply the assumption that our chosen independent variables should be stable over time, but simply that the *mode of operation* of the independent over the dependent variables should be stable, not only in general (that is, in the sense in which we might say that

¹⁶ K. BHARADWAJ, *op. cit.*, pp. 291, 295.

¹⁷ For this interpretation, cf. A. RONCAGLIA, *Sraffa and the Theory of Prices*, New York, Wiley 1978.

an increase in demand tends to provoke an increase in prices), but also in the specific functional form in which the relationship is expressed (consider, e.g., the change in relative prices brought about by a change in the technique used in a certain sector).

Of course, there is a very important respect in which reference to 'normal' conditions has to be kept well in mind. This has to do with the circumstance, mentioned above, that our chosen independent variables are no longer 'empirical' variables when inserted in the context of our analysis (while retaining an empirical correlate, they no longer coincide with 'market' — i.e. actual — variables). Thus in the Sraffian analysis of production prices, for example, we should not consider the technology as directly given by the statistical data describing the actual set of inputs and outputs in any specific time interval, since this set is generally influenced by occasional events, such as meteorological conditions in agriculture, an influenza epidemic causing labour force absenteeism, and the like. Our 'theoretical' technology is given by the set of inputs and outputs corresponding to 'normal' operating conditions, given the state of technical knowledge incorporated in existing capital equipment. 'Normal' here may well mean 'average' conditions: e.g., average meteorological conditions. But this should not be confused with the idea of a 'normal' technology as given by an average of inputs and outputs over time: technology changes continuously over time, even in relatively brief periods of time, due to the continuous flow of new productive equipment coming into use (often because of investment decisions taken in the relatively distant past). Something similar can be said for output levels: they are not necessarily those prevailing in a given time interval, but rather those corresponding, at a given moment in time, to the 'normal' degree of capacity utilization of the productive capacity existing at that moment.¹⁸ Once this interpretation is adopted, the opposition between the assumption of given outputs in Sraffa's analysis of the relationship between relative prices and distribution, on the one hand, and the stress on the instability of capitalism in the Keynesian approach, on the other hand — an opposition which appears to be irreconcilable when outputs are interpreted as 'normal' outputs, as centres of gravity or averages for actual outputs over time — will appear as mainly due to the difference in the

¹⁸ Garegnani rejects this distinction: "To say that the current percentage degree of capacity utilization oscillates around a 'normal' degree of utilization appears to me not to differ from saying that current output oscillates around a 'normal' output" (P. GAREGNANI, "Reply", *op. cit.*, p. 158). But this is only true if productive capacity does not change over time, which is a very implausible assumption (especially since we refer to sectoral productive capacity), even for a short time interval, because of the continuous flow of new plant and machinery coming into use as a consequence of investment decisions taken in the past. A 'normal' degree of capacity utilization equal to 80% implies, e.g., a daily 'normal' output of 800 cars when available productive capacity is equal to 1000 cars daily; but it implies a 'normal' output of 880 cars when available productive capacity has increased to 1100 cars.

problems under consideration, and not as necessarily due to irreconcilable differences in the underlying methodological, conceptual and analytical frameworks.

IV

In the two preceding sections we have concentrated our attention on two specific issues among the many substantive points raised in Professor Bharadwaj's book. For the sake of discussion, we choose two issues where differences of opinion might exist even among economists sharing the common cultural project of reconstructing the Classical approach and repositing it as fruitful for our understanding of economic reality. The reader should not be misled by our discussion of these two specific issues into underrating the basic common framework shared by economists pursuing Sraffa's cultural project. As already stated, Professor Bharadwaj's book, built up by hard research work over a number of years, represents a very important contribution to such a far-reaching project. One of the most interesting aspects of this book consists precisely in its 'openings' to the broader views of human societies which underly economic analysis, and in its subtle and careful analyses of concepts and of shifts in their meaning. Thus the two issues taken up for discussion in the preceding sections — the Smithian versus the Marxian vision of human progress, and the meaning of the notion of 'normal positions of the economy' — are good examples of how much food for thought this book provides.

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