“Production of commodities by means of commodities”
by P. Sraffa in Russia

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In the times of significant changes in economic life always grows a great interest to the economic theory. Globalization of world economy and acceleration of scientific and technical progress require creation of the new scientific concept, in which analysis of the technical conditions of production should be reflected. The replacement of Marxism as a leading concept in Russia with the neoclassical one didn’t soften, but only increased dissatisfaction with economic thought. Direct continuation of classical tradition is neoricardianism. Emerging of this concept is associated with the name of Piero Sraffa (1898-1983).

Sraffa’s ideas were known in the Russian academic circle in 1960s, but his book “Production of commodities by means of commodities” (1960) was not available in Russian. Russia Soros Foundation launched a project of publishing of the 100 best books of the 20th century on Economics in 1998, that haven’t been translated in Russian. P. Sraffa’s book was included on that list. Professor John Vint (Manchester University) gave Sraffa’s book (Cambridge University Press, 1979) to us as a present. So, finally, we got a chance to introduce Russian readers P. Sraffa’s ideas. The Publishing House “UNITI” (Moscow) received a grant from Soros Foundation to carry out a publication which was translated into Russian by V. Bykov and carefully reviewed by S. Afontsev (Institute of World Economy and International Relationship, RAS). The copyright of the book was kindly given by Professor P. Garegniani.

Russian edition (1999) includes not only the book “Production of commodities by means of commodities” but also Russian translation of the fundamental article “The Laws of Returns under Competitive Conditions” (Sraffa, 1926). The copyright was given by Economic Journal. This book was the beginning of the wide distribution of Sraffas ideas in Russia.

In the present conditions vulnerability of neoclassical concept was revealed, for example, just because in marginal theory the process of producing of good itself is not analyzed, and only its consequences are considered – costs of production. Production is only presented as one-way movement from factors to the goods. Economic systems based on this principle are impractical because without a feedback the condition for reproducing the process can’t be formulated. The concept of replacement of factors of production also should be modernized, meanwhile it was maybe appropriate in the conditions of manufacture, but lost all of its sense in the modern economy. Interaction of demand and supply doesn’t quite accurate describes the process of price-making. Additional explanations of demand and supply curves are required. Moreover, it can be claimed that these curves could not exist, and we can only talk about tendencies of price changing while changing the amount of goods on the market. The theory of capital and distribution in marginal theory also has to be more convincing.

Significantly narrows the outlook of Russian scientists noncritical perception of neoclassical doctrine. If it recently started to dominate in Russia, than in the West, especially in European countries it almost lost its influence. In the XX century two opposite development tendencies can be remarked. On one hand, further development of marginal theory was continued; on the other hand – opposed to the obsolete mechanical picture of economy, new tendencies were developed based on classical economics. One of them was universal model “input – output” by W. Leontief, based on the
ideas classical approach to the theory of production, and even essentially new Keynesian concept has a lot more in common with classical theory compare to the neoclassical, and so called postkeynesians substantially share the views of English classical economists. It can be claimed that revival of classical political economy plays huge role in the development of modern economic science and contribution of scientists working in this direction is more significant than achievements of XX century marginalists’ followers. Direct continuation of classical tradition is neocardinianism. Emerging of this concept is associated with the name of Italian economist Piero Sraffa (1898-1983).

Publication of the book “Production of commodities by means of commodities” (1960) by P.Sraffa is considered to be the beginning of Neo-Ricardian school. However, this movement is closely connected with other scientific school developed in XX century. The tendency of rejection of classical paradigm has already started to emerge in the 30s of last century and found its reflection as appearance of Keynesian school and as “Cambridge controversies” in capital theory. English scholars, first of all Joan Robinson and Nicholas Kaldor who made a great contribution into the development of these new concepts. Publication of Sraffa’s work, thanks to its theoretical content, opened new opportunities for development of economic science in the variety of directions. First of all Keynesian concept exuded for the long-term period due to combination of classical and Keynesian methodologies. Bright example of such direction is the theory of stationary state by L. Pasinetti and “Cambridge equation” (Pasinetti, 1974).

The greatest popularity was brought to the Sraffa’s followers by the discussion on the basis of the capital theory in 1960s. As a result neocardinianism representatives have managed to prove the possibility of reswitching of production methods. This means that change of distribution can’t be used to explicitly range methods of production by its profitability. This crashed the major part of Austrian capital theory. The most significant works on this topic were published in Quarterly Journal of Economics in 1966.

However, Neo-Ricardian school can’t be called widely spread theory, although it’s well-known and respected in the international society. Possibly, the main reason for this was pointed out by Mark Blaug in his work “Cambridge Revolution: Success or Failure” (Blaug, 1974). He noted fair critic towards neoclassical theory from Cambridge economists, who claimed that neoclassical school is “measurement without theory”. Blaug accurately identified the main disadvantage of Cambridge movement and defined it as “theory without measurement”. Indeed many results achieved by Cambridge school and Neo-Ricardian School in such spheres as capital theory, value, general equilibrium, economic growth and distribution, have great theoretical meaning and are not doubted. On the other side, their practical meaning is still not proven, and until all of them are practically tested, neoclassical school won’t lose its leading position.

The book “Theory of production” by H.Kurz and N.Salvadori – Sraffa followers, contributes to the determination of Neo-Ricardian school in the system of economic theory. Many researchers, M.Blaug in particular, consider neocardinianism (or sraffianism, by the name of its founder) as a part of Cambridge school. However, such opinion seems not quite justified. Although there are similarities between these two concepts, since both of them are based on classical economists’ works, but the analysis methodology is totally different. Neo-Ricardian school is a direct continuation of classical tradition and uses Ricardian model approach to analyze economy, emphasizing properties of the system in a long-term prospective. Cambridge school uses Keynesian tool of analysis of economic system in long-term period and the leading role belongs to issues of dynamics of economy. This allows to speak about Keynesian school as a synthesis of Keynesianism and classical school. So both of these approaches complete one another.

Kurz and Salvadori book was not the first attempt of theoretical analysis of production by the Sraffa followers. Along with that, earlier works are characterized with separation of simple and joint production. The most common example is L.Pasinetti and his works “Lectures on the Theory of Production” and “Essays on the of Theory of Joint Production”. In past years economists’ attention was drawn mainly to the problems of joint production. Distinguishing feature of suggested Kurz and Salvadori book is reviewing all problems on the theory of production (Kurz, Salvadori, 2004). Based on the two cases of dual-good model – “corn-silk” and “corn-iron” - the conditions for survival of
economic system are shown, and the analysis of the problem of growth and redistribution is given, also the difference between basic and non-basic goods and their role in economic system is revised. If basic goods participate in the production of all goods, including themselves, then non-basic goods are not used in the production of other goods. Basic goods play key role in determining prices and characteristics of distribution. The solving system of equations under conditions of simple and joint production is shown according to P.Sraffa. Basic goods in economy form a standard good, which represents constant measure of value (numeraire) and is able to invariate depending on the changes in distribution.

Undoubtedly, the theory of production itself represents a great interest for researchers, but authors go beyond it analyzing the issue of choosing technologies, problem of capital and land. Traditionally discussing these problems great part of work is devoted to joint production. And this is explained with the fact that producing several goods in one field or using one way of production, which has a lot of examples in history, causes situations that are impossible in the conditions of simple production. Range of arising problems due to this fact was analyzed by P.Sraffa (change of determination of basic and ubasic goods, complications with building standard system). Later other problems of joint production were revised, for instance, existence of negative surplus value with positive profit rate, inability (in some cases) to build standard system, absence of inverse relation between wages and profit rate. Changes in production models are so significant that we can agree with professor Bidard (Bidard, 1997) and state that none of the patterns of one-good fields are not followed in the system of joint production. H. Kurz and N. Salvadori traditionally analyze only formal side of the problem.

In the book is made the analysis of distribution problem, which has a key meaning to the price theory. In classical school natural price is treated like the sum of wage, profit and rent. Consequently, price dynamics is tightly connected to the changes in distribution. In this work Cambridge and classical schools’ two-class models of income distribution are analyzed and the similarities are shown. Along with that it’s important to remember that the first model of distribution was F. Quesnay model, where the community was divided into three classes. Later three-class model was used by other economists. In our view, it’s necessary to study conditions of using two- and three-class models, and the most important one is general view over capitalistic system. If take it as harmonious and self-regulating, it will be enough just to separate classes of wage labourers and capitalists. If take it as capitalism is not stable, then it will be necessary to exude third class, which is supposed to balance the system. But even introduction of the third class won’t affect main conclusions of Ricardian and Cambridge models of distribution. Besides, it’s important to consider that the theory of distribution itself was made to explain wages and profits. Nowadays it’s not able to perform this function, because wages all over the world are set through the tariff agreements. Consequently, income distribution isn’t determined and depends only on alignment of class forces in society. Because of that distribution can only be considered as the reason of changes of relative prices in economy. In our opinion, revising this problem Ricardian two-class model should be used. This is explained with inability to find third class who would have its own kind of income. In these conditions it’s impossible to build distribution model without crashing its main principle – correspondence of each class to his own kind of income.

It’s important to revise demand influence on price determination in economy. P. Garegnani in his work “The classical theory of wage and the role of demand schedules in the determination of relative prices” (Garegrani, 1983) showed inability to build demand curve in classical school. Besides, there is special case in neoclassical theory, know as theorem of non-substitution, which proposes independency of prices from demand in the conditions of constant returns of scale, one primary factor of production (homogenous labor) and absence of joint production and fixed capital. Based on this theorem it can be concluded that level of employment doesn’t depend on wages. L. Pasinetti (Pasinetti L.L. 1997) suggested to divide theorem of non-substitution into two parts – “Theorem PAS” and additional theorem of substitution. First one claims that with constant input coefficients, one-product branches and reproduction of all resources, except labour ones there is a method of production that minimizes all prices determined through the waging rate. This way all
prices are determined independently from demand structure. Second theorem: in all linear production models change of relative prices causes the replacement in cost components. If theorem “PAS” is fair then additional theorem of substitution can’t be proven. This leads to conclusion that level of employment is determined not with waging rate but with technical conditions of production.

Especially interesting are historical and reviewing chapters of the book, which represent authors’ great creative achievements. The authors introduced ideas of greatest economists of the past who used long-term analysis. Especially important that authors didn’t limit themselves with only classical economists, but also showed connection between classical and largest representatives of neoclassical schools. This illustration of tight connection between economic science in the past and in the present makes this book obtainable even for the readers who are not familiar with the works of classical economists. They analyze evolution of classical approach toward the theory of production and development of the theory of surplus value are shown. Authors point out close connection between classical theory and “input-output” model by W. Leontief, between Sraffa and von Neumann theories.

Great interest represents the review of capital theory given in “Theory of production” (H. Kurz, N. Salvadori, 2004). Capital theory, undoubtedly, is one of the most important element of economic theory. Main issues of economic theory are combined in the problem of capital. The discussion over capital theory in 30-70s in XX century have brought popularity to P. Sraffa and his main followers - P. Garegnani and L. Pasinetti. As a result of these discussions main statements of neoclassical Austrian school about capital theory were reviewed. Unfortunately, many classical works on the problem of capital are not familiar for Russian readers. First of all, this goes to the works of K. Wicksell. Review of neoclassical approach to capital theory suggested by H. Kurz and N. Salvadori partially completes this gap.

On the ideas of Sraffa whole net of problems raised and developed by classical political economy is embraced. Combination of presentation of classical ideas with the references of modern authors lets us witness and understand the evolution of classical paradigm. Many modern theories are based on the classical political economy ideas. For example, theory of human capital.

This special feature of the book of Sraffa’s followers can be referred to the formal aspect more than to the content one because first of all it shows on the structure of material presentation. More significant is that this work continues traditions of classical political economy, which is quite rare considering all the neoclassical followers. The authors of the book follow the development of classical theory and its interactions with other schools and give credit for revival of classical paradigm to J. von Neumann and especially to P. Sraffa. “Sraffianism” or “neoricardianism” are already familiar to Russian audience thanks to the translations of fundamental monograph by P. Sraffa “Production of commodities by the means of commodities” (M.: UNITI, 1999), and also monograph by H. Kurz “Capital, distribution, effective demand” (M.: UNITI, 1997). In historical records through the whole book authors give high evaluation to Russian economists (literally V.K. Dmitriev, and formally B.I. Bortkiewicz, who graduated from Petersburg University and worked for a long time in the Central office of Nikolaevskaya railway and Alexander lyceum). G. Kharazof who was mentioned in the book also has Russian origin, he is an alumni of Petersburg University and later published “Political economy” in Tiflis in 1920 before his emigration.

Thanks to the book by H. Kurz and N. Salvadori as Neo-Ricardian followers the ideas of this school became more widely familiar in Russia, such as I. Steedman, L. Pasinetti and especially Sraffa’s successor – P. Garegnani.

Belonging to the classical school in its modern form determines peculiarities of terminology used by the authors. Although in Russian edition “surplus” is usually translated as “overage”, authors imply “surplus product”. This is the exact meaning that this term is carrying. Abundance of their work quotations that were translated and not translated in Russian lead us to the conclusion: not to give references from works translated in Russia and the ones that were not and only use original European publication, which served as the source for the authors. Besides it’s necessary to note that translation of A. Smith’s “The wealth of nations” (Smith 1962) published in the period of monopoly
of Marxism didn’t contain all spectrum of ideas which were implied by the author. In the process of the translation we tried to keep as close as possible to the original text.

Introduction of such significant number of publications quoted by H. Kurz and N. Salvadori (more than 500 references), undoubtedly will enrich Russian audience and will improve the level of teaching “History of economic thought” and “Economic theory” in Russian universities. We are glad to note that this direction of economic thought is developed by political economy department in M.V. Lomonosov Moscow State University, which is partially reflected in the book of group of authors under the editorship of S.S. Dzarasov “Theory of capital and economic growth” (M.: MSU, 2004). We should note that Sraffian’s economic thought is developed in St. Petersburg State University of Economics and Finance (V. Bykov “Theory of Production and Prices: Analysis and Development of Classical Approach”. Thesis, Saint-Petersburg, 2000).

References

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