

Sraffa and the Reconstruction of Economic Theory:
Volume Two

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SRAFFA AND THE RECONSTRUCTION OF ECONOMIC THEORY

Volume One: Theories of Value and Distribution

Volume Three: Sraffa's Legacy – Interpretation and Historical Perspectives

Sraffa and the Reconstruction of Economic Theory: Volume Two

**Aggregate Demand, Policy Analysis and
Growth**

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Preface

This book brings together a selection of papers presented at the international conference ‘Sraffa’s *Production of Commodities by Means of Commodities*. Critique and Reconstruction of Economic Theory’ held in Rome in 2010 under the High Patronage of the President of the Italian Republic on the occasion of the 50th anniversary of the publication of Piero Sraffa’s masterpiece.

The main objective of the conference was to account for the work that has followed on from Piero Sraffa’s contribution to economic analysis on both the central aspects of his scientific activity, namely the criticism of the neoclassical (or marginalist) approach to value and distribution and the reconstruction of economic theory along the classical lines of Smith, Ricardo and Marx. There were, however, two other related aims which are worth mentioning here. The first was to stimulate debate among scholars who shared the essential elements of Sraffa’s approach but differed (to various extents) about the most fruitful routes to be followed to further advance economic theory on alternative grounds to those of the still dominant neoclassical approach. As always happens when prospects of this kind are under discussion, aspects of the history of economic thought were involved, together with an assessment of Sraffa’s overall contribution, including his unpublished manuscripts, which are soon to find a more comprehensive appraisal with publication by Cambridge University Press.

The other aim was to further elucidate the implications for applied and policy analysis of the revival of the classical approach. The primary need to focus on the analytical structure and shortcomings of neoclassical theory, and, on the other side, on the properties and meaning of Sraffa’s price system, has sometimes obscured the fact that an explanation of distribution in terms other than factor supply-and-demand equilibria could not but lead to a different view on almost any aspect of the workings of a market economy. This is exemplified by the abandonment of the neoclassical principle of scarcity and of the notion of Pareto optimality which necessarily arises from the absence, in classical theory, of any necessary tendency towards the full utilisation of labour, as well as from the conflicting nature of the determination of income distribution as viewed in the classical approach. Another example is the possibility – in the absence of any neoclassical principle of substitution

between factors of production or goods – of extending to the long run the Keynesian principle of effective demand, which of course further strengthens criticism of that principle of scarcity. The editors of this book, indeed, believe that further advances in these fields and in the ability of the classical approach to deal with policy matters may play a crucial role in consistently turning economic theory away from the neoclassical route. They also deem that on these issues a fruitful debate may develop among schools of thought that refute the principle of scarcity as a basis for explaining income distribution and guiding economic policy.

The organisation of the book reflects the underlying aims of the conference. The contributions in the first volume, *Theories of Value and Distribution*, include both criticisms of neoclassical theory and reappraisals and developments of the classical approach in connection with the title subject. Here theoretical research is carried out with constant attention to the analysis of facts, policies and institutions, given the fundamental role that such an analysis plays in theoretical elaboration along classical lines. The second volume, subtitled *Aggregate Demand, Policy Analysis and Growth*, mainly focuses on the extension to the long run of the Keynesian principle of effective demand and on the determinants of growth. It also concentrates on the implications of that extension for policy analysis, as well as on classical interpretation of the evolution of the international economic order during the last few decades. The third volume, *Sraffa's Legacy: Interpretations and Historical Perspectives*, deals with Sraffa's place in the contemporary streams of economic analysis and in the history of economic thought. Together with some contributions on his unpublished manuscripts, different interpretations and developments of Sraffa's thought are discussed.

The choice of the contributions which form the three volumes of this book has been supported by a peer-review process. Some of the papers delivered at the 2010 conference, however, do not appear in the book only because they have already been published elsewhere or else were not revised in time for publication. We think, nevertheless, that they should be considered as part of the overall results of the 2010 Sraffa conference.

At this point we should mention the central contribution to the organisation of the 2010 conference of the late Pierangelo Garegnani, who passed away in October 2011. There are many references in the three volumes of this book to his ideas, both on the criticism of neoclassical theory and on the revival and development of the classical approach. We are all greatly indebted to him for what he taught us about economic theory and the workings of market economies.

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