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Sraffa's Critique of Atomism

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Sraffa's critique of atomism

Sraffa's critical perspective

Piero Sraffa's *Production of Commodities by Means of Commodities* (1960) is subtitled *Prelude to a Critique of Economic Theory*. One important aspect of the book is the demonstration that knowledge of consumer preferences is not necessary to the derivation of relative prices. Given knowledge of (1) the technical alternatives of production, (2) the size and composition of the social product, and (3) the real wage rate, one can determine a system

of relative prices and the rate of profit (see PRICE THEORY, SRAFFIAN).

Since Marshall, neoclassical economists have explained prices in supply and demand terms, utilizing consumer preferences to explain the demand side of markets. Indeed, Marshall coined the idea that supply and demand are like the blades of a pair of scissors, both being necessary to the determination of prices. The critical thrust of Sraffa's book, then, was aimed at Marshall's general view of prices as supply and demand determined, as well as NEOCLASSICAL ECONOMICS subsequently based upon it.

Earlier, however, SRAFFA (1926) developed a related but somewhat different critique of Marshall's partial equilibrium analysis. Marshall assumed that the conditions of production and the demand for any commodity could be considered essentially independent both of one another and of the conditions of production and demand for other commodities. Ruling out constant costs, which would have eliminated a role for demand in determining prices, Marshall supposed that the effects on costs of diminishing and increasing returns in any industry were confined to the industry under examination.

Sraffa showed that this involved a misrepresentation of the nature of diminishing and increasing returns. He also showed that a variation in the quantity produced in an industry generally creates forces which act not only on costs in that industry but also on the costs of other industries. Industries, then, are generally interdependent in relation to costs. Although the subject was complex, it was necessary to forgo partial equilibrium analysis, and "examine the conditions of simultaneous equilibrium in numerous industries" (Sraffa 1926: 541).

Sraffa thus rejected Marshall's view that the laws of supply and demand could be explained in terms of symmetrically opposed, atomistically independent forces. Indeed, not only did the different forces acting on costs operate across industries, but these also interacted with demand factors. For Sraffa, the theory of competitive valuation departed from the actual

state of things in two important respects. The first is in supposing that producers could not affect market prices; and the second is in supposing that they normally produce in circumstances of individually increasing costs. Everyday experience, rather, showed that most producers experienced diminishing costs, and that they found it necessary to reduce prices if they were to sell larger quantities of their products. This created conditions for the emergence of monopoly, and further showed that Marshall's model of many autonomous undertakings was inconsistent with an interdependence of supply and demand forces both within and across industries.

Association with Wittgenstein

Sraffa's critical perspective on atomistic independence was also indirectly exhibited in connection with his interaction with Ludwig Wittgenstein after 1929. Wittgenstein's early logical atomist philosophy (1921) assumed that elementary statements "pictured" facts about the world, and that the logical form of true statements mirrored the actual configuration of objects. According to Norman Malcolm's memoir of Wittgenstein (1958: 69), Sraffa shook Wittgenstein's confidence in this view when he asked Wittgenstein to explain the logical form of a gesture.

That gestures take on meaning according to context suggested that meaning could not be explained simply as a correspondence between individual statements and sets of objects. On the model of a gesture, the meaning of a statement involved lateral relationships with the meaning of other statements, which together were understood in terms of the context or practice in which they were used. Wittgenstein developed this latter conception in his influential *Philosophical Investigations* (1953), where he explained meaning in terms of use rather than correspondence. In the book's preface he credited Sraffa for criticism "for many years unceasingly practiced on my thoughts" and "for the most consequential ideas of this book" (Wittgenstein 1953: x).

Thus, just as Sraffa rejected Marshall's view

that prices could be explained market-by-market in partial equilibrium terms to reflect underlying configurations of autonomous supply and demand forces, so he also rejected Wittgenstein's early view that language meanings could be explained statement-by-statement in logical atomist terms to reflect underlying configurations of objects in the world. In a word, the world in both domains, meaning and price determination, exhibited interdependence. This did not imply that everything affected everything equally, or that the world is organic. Wittgenstein (1953) went on to explain interdependent meaning in terms of overlapping but relatively distinct social practices, such as how the language associated with working with stone overlapped with a language involved in different types of building practices.

Basic and non-basic goods

Sraffa, in *Production of Commodities*, distinguished for a surplus economy between BASIC AND NON-BASIC COMMODITIES, with the former being used in the production of the latter but not the reverse. The prices of both types of goods depended on the prices of basic goods – a manifestation of interdependence – but the ultimate destination of non-basic goods, as luxury consumption, reflected discrete relationships between distinct economic classes contesting the distribution of the economy's surplus. Sraffa, then, reasoned in terms of systems of interdependence that internally generated qualitative distinctions significant for the explanation of the respective social practices investigated.

Interdependency and relative autonomy

The origins of Sraffa's philosophical thinking date back to his contact with Antonio Gramsci. Gramsci, as other turn-of-the-century revolutionary Marxists, rejected inevitable historical materialism framed in terms of the dominant forces of production, and gave superstructural politics and IDEOLOGY causal effectiveness in a process of historical change. This substituted a system of interdependent

effects for the monocausal logic of the Third International, yet reserved relative autonomy to spheres of practice in which revolutionary activity was pursued by CLASS agents (communist and fascist). In outline, it was essentially this vision of the nature and dynamic of society that Sraffa brought to his critiques of Marshallian economics. Marshall, in a mixture of nineteenth-century physics metaphors and eighteenth-century NATURAL RIGHTS politics, saw society as constituting collections of atomistic individuals. Sraffa's critiques of atomism presupposed a more subtle philosophical grasp of historical socioeconomic processes.

See also:

determinism and overdetermination; dialectical method; holistic method; individual and society; methodological individualism and collectivism; Sraffian political economy

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