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## Prices, Reproduction, Scarcity

In this exhaustive and definitive study, Christian Bidard develops a theory of prices of production. This theory, of classical inspiration, breaks down the symmetry between producers and consumers and gives more importance to reproduction than scarcity. In his analysis of multiple-product systems, Bidard focuses on the notion of an all-engaging system which elucidates the link with von Neumann's theory; examines the notions of sector and vertical integration which make possible an elegant treatment of fixed capital; clarifies the status of the internal rate of return (IRR); and proposes a general theory of rent. In the discussion of capital theory and marginal equalities – or, more specifically, the treatment of exhaustible resources – Bidard compares and contrasts different readings of Sraffa's work and revisits the question of the relationships between classical theory (Smith, Ricardo and Marx) and the general equilibrium theory (Walras, Arrow and Debreu).

CHRISTIAN BIDARD is Professor of Economics at the University of Paris X-Nanterre. He is the editor or author of several books on Sraffa's theory – *Prix, reproduction, rareté* (1991), *La rente* (1987), *La production jointe* (1984) and its relationship with Keynesian theory. He is the author of over sixty papers in economic journals and books largely devoted to the theory of long-term competitive prices.

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## Preface

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In 1968, when we undertook the study of political economy by reading *Capital* and *Theory of Value*, two books each inspiring in their own way, the ambition was to gain an understanding of the ways in which society works. We thus began with the essential issues. The present work is rooted in a profound perplexity in the face of the incompatibility between these constructs. The impossibility of linking labour value with capitalist competition, as opposed to the formal rigour of the general equilibrium theory, should have led us to abandon our quest, but the reading of *Production of Commodities by Means of Commodities* encouraged us to continue. In this book, a theory of prices of production is developed: the symmetry between producers and consumers is broken and more importance is given to reproduction than to scarcity, thereby reviving the accents of classical theory. Sraffa's construct must be situated in the context of a radical programme that aims to establish the primacy of the classical way of thought. To reflect on this ambition seriously is to measure the scope of the critique and the long road still ahead. The project explains the structural analysis developed here in both its analytical and methodological aspects.

Our discourse keeps a varying, yet calculated distance from Sraffa's. Part I, Single production, deals with familiar matters. Its innovations concern the study of relative prices and the interpretation of Ricardo's theory of value. The economic properties referred to here are used as landmarks, but their real understanding requires the possibility of eluding them. This is the main interest of part II, Joint production. The study is centred on a few concepts: the notion of an all-engaging system elucidates the link with von Neumann's theory; the notions of sector and vertical integration make possible an elegant treatment of fixed capital; and the theoretical status of the internal rate of return (IRR) is specified. Finally, a general theory of rent is proposed. The permanent principle is that of identification of the frame where such a property is true and its association with either a central concept or a small core of irreducible hypotheses.

Capital theory and marginal equalities are analysed in part III, Questions of method. The issue of the choice of technique illustrates our methodological and analytical effort. Two approaches to Sraffa's work are contrasted. Either it outlines an original theory which we develop in a resolutely 'fundamentalist' perspective and which endeavours to define principles while considering their limits, or it constitutes a variant of the general equilibrium model, which has to be explicitly recognized. Implicitly orienting itself in the second direction without acknowledging the change of theoretical status or accepting its consequences, the post-Sraffian analytical literature, whose contributions are remarkable in other respects, has rendered the identification of fundamental problems more difficult. If this interpretation were to be retained, the critique of economic theory would be significantly different from the one initially contemplated. To become conscious of this discordance is an intellectual prerequisite for economists interested in classical thought and in the pursuit of an ambitious programme: 'We should regret that the truth only progresses slowly, but it shall surely triumph at last' (Ricardo, letter to *Morning Chronicle*, 4 November 1810).

The book is an updated version of *Prix, reproduction, rareté* (Editions Dunod, 1991), which has been simplified and extended. It is our choice not to attempt to drown the reader in calculations. The most significant changes result from a stimulating and friendly cooperation with Guido Erreygers. I have shared the joys and the torments of research with many colleagues, but disclaiming their responsibility in the views and the opinions defended here is by no means conventional. My nearest and dearest have had the patience to bear a consuming intellectual passion – sustained thanks to Piero Sraffa.

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