Sraffa's 1920s critique and its relevance for the assessment of mainstream microeconomics

Andrés Lazzarini & Gabriel Brondino

Abstract

The present essay re-examines the scope of Sraffa's critique of Marshall's supply curves that the former developed in his 1925 and 1926 articles showing that neoclassical supply curves derived from non-proportional returns are not robust both in the short and in the long run. After examining what a short-run and a long-run equilibrium means both for the original Sraffa's articles and for Marshall's pioneer contribution, the chapter discusses the common procedure in conventional economics to introduce the limitations to the growth of the firm. The argument of the chapter will be based on the 1920s articles as well as on the 'Lectures on Advanced Theory of Value' delivered in 1928-1931 by Sraffa at Cambridge University, now publicly available online by the Wren library, Trinity College, Cambridge. For short-run analysis, it must be assumed that the number of firms is fixed. This assumption entails serious problems with regards to the notions of competition and competitive behaviour. For long-run analysis, the sources of increasing costs are problems of management and control. However, this idea is untenable both on logical and empirical grounds. We argue that contemporary mainstream microeconomic treatment of costs and supply in the context of perfect competition still presents several problems. These problems, rather than being superficial, lie at the root of the supply and demand approach of value and distribution.