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### Sen, Sraffa and the revival of classical political economy

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## Sen, Sraffa and the revival of classical political economy

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In his new book *The Idea of Justice*, Amartya Sen argues that political theory should not consist only in the characterisation of ideal situations of perfect justice. In so doing, Sen is making, within the context of political theory, a similar argument to another he also made in economic theory, when criticising what he called the ‘rational fool’ of mainstream economics. Sen criticised the ideal and fictitious agent of mainstream economics, while advocating for a return to an integrated view of ethics and economics, which characterised many classical political economists who inspired Sen’s theory of justice, from Adam Smith to Karl Marx. I will examine Sen’s revival of classical political economy, and argue that a revival of classical political economy, which was undertaken earlier by Piero Sraffa, has much potential for bringing a more plural and realist perspective to economics.

**Keywords:** Sen; Sraffa; classical political economy; mainstream economics; multidimensionality

### Introduction

In his new book *The Idea of Justice*, Sen (2009) provides a critique of what he calls ‘transcendental’ theories of justice, which consist in a characterisation of an ideal situation achieved through a social contract, leading to a perfect arrangement which cannot be further improved. This approach, Sen argues, characterises the work of authors like Thomas Hobbes, John Locke, Jean-Jacques Rousseau and Immanuel Kant, and is still present in the work of John Rawls, who in his theory of justice describes what would be a perfectly just society. Sen instead recommends a ‘comparative’ approach to justice, focusing on the comparison between different real outcomes and realisations, and not on ‘transcendental’ ideal arrangements:

There is, obviously, a radical contrast between an arrangement-focused conception of justice and a realization-focused understanding: the latter must, for example, concentrate on the actual behaviour of people, rather than presuming compliance by all with ideal behaviour. In contrast with transcendental institutionalism, a number of other Enlightenment theorists took a variety of comparative approaches that were concerned with social realizations (resulting from actual institutions, actual behaviour and other influences). Different versions of such comparative approaches can be found, for example, in the works of Adam Smith, the Marquis of Condorcet, Jeremy Bentham, Mary Wollstonecraft, Karl Marx, John Stuart Mill, among a number of other leaders of innovative thought in the eighteenth and nineteenth centuries (Sen 2009, p. 7).

By advancing this perspective on justice, Sen is making a parallel argument to another one he had already made within economic theory. Contemporary mainstream economic theory typically consists in the construction of economic models which characterise ideal

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situations, while positing assumptions about the behaviour of human agents that have little connection with reality. Sen (1977, 1997, 2002) criticised the fictitious conception of the human agent adopted in mainstream economics, where several fictitious assumptions are made. Walsh (2000, 2003, 2008) and Putnam (2002) argue that in so doing Sen has contributed to a return of classical political economy, a perspective which includes many of the authors who inspired Sen's approach to justice, such as Adam Smith, John Stuart Mill and Karl Marx. Walsh and Putnam argue that Sen's project continues a revival of political economy that had taken place earlier in the work of Piero Sraffa. In this paper, I will argue for a continuation of this revival of classical political economy, while suggesting that such a revival helps us address many contemporary problems. It is not just in political theory that we need a theory focused on realisations and actual behaviour, as opposed to a transcendental theory presupposing ideal behaviour, but also in economics where economic models have also been developed based on a fictitious conception of rationality and behaviour, as Sen argued long ago.

### **The two stages of the revival of classical political economy**

According to Walsh (2000) and Putnam (2002), the revival of classical political economy in the twentieth century has occurred in two stages. The first stage was led by Piero Sraffa who criticised the marginalist framework, and recovered the analytical structure of classical political economy in a 'minimalist' framework concerned with only prices and quantities. The second stage is Amartya Sen's return to the integrated analysis of human behaviour and well-being that characterised classical political economy.

The distinction that Walsh and Putnam make between a minimalist analytical framework and a rich description of human behaviour and well-being is to some extent parallel to other distinctions made in the literature on Sraffa by such authors as Garegnani (1998, 2005) and Pasinetti (1993). Garegnani (1998, p. 419) suggests a distinction between the 'core' of an economy with the 'competitive price equations' and a wider field of analysis which must resort to 'what Marshall used to call "specific experience"' (1920, p. 637). Despite differences in some respects, a similar distinction is made by Pasinetti (1993, 2005) who distinguishes between the 'pure theory' outlined in Sraffa's (1960) system and 'institutional analysis', which cannot be undertaken only through quantitative analysis. While the study of prices and quantities leads to a 'pure theory' of the 'core' economic relationships, the study of the concrete social arrangements through which social activity takes place consists in an 'institutional analysis' which must resort to 'specific experience' to guide our knowledge of human behaviour.

What Walsh (2000, 2003, 2008) and Putnam (2002) argue is that while Sraffa in his published writings was essentially concerned with the 'pure theory' of the 'core' equations of prices and quantities, Sen's contribution is at the level of the 'institutional analysis' of actual behaviour. This does not mean that Sraffa did not develop a conception of institutions and human behaviour. As Davis (1988, 2002) and Sen (2003) argue, Sraffa had indeed a very sophisticated conception at that level too, one which was significantly influenced by Antonio Gramsci. But Sraffa's main published work, the *Production of Commodities*, addressed essentially a 'core' or 'pure theory' constituted by the economy's competitive price equations.

When describing the 'core' or 'pure theory' in terms of the economy's competitive price equations, Sraffa (1960) developed a multidimensional perspective on production which summarises the key tenets of the classical analytical framework. As Sraffa

(D3/12/13/1(3)) notes in one of his unpublished manuscripts, we should not look at partial changes (assuming everything else constant, as Marshall did), but rather at the *conditions for the permanent repetition of the process in its totality* (while also looking only at observable entities). For this reason, in the *Production of Commodities*, Sraffa focuses on an ‘instantaneous photograph’ of the overall economic process, while taking into account whether this ‘instantaneous photograph’ describes the conditions for a continuous repetition of the process in its totality.

A focus on the reproduction of the economic process in its totality was central to the classical political economists from Smith to Marx, and it is this notion of the reproduction of the conditions for the permanent repetition of the process in its totality that Sraffa recovers. But it is not just the conditions of reproduction of the economic system that the classical political economists analysed, but also the conditions for the reproduction of society – for example, of the social classes and social structures in general.

In his recent book *The Idea of Justice*, then, Sen (2009, p. 245) notes that we must ‘distinguish adequately between the individual characteristics that are used in the capability approach and the social influences that operate on them’. Sen clarified this distinction when answering questions from the audience in a seminar on ‘Justice, Human Values and Political Economy’ at the University of Coimbra (14 March 2011), when he argued that ‘the individual and society are two distinct objects’. For Sen, society, like the individual, is an object of analysis. The use of the term ‘object’ may generate some confusion, since it seems to denote a static entity. But as John Searle argues:

Social objects are always (...) constituted by social acts; and, in a sense, *the object is just the continuous possibility of the activity*. A twenty dollar bill, for example, is a standing possibility of paying for something (Searle 1995, p. 36, emphasis in original).

One cannot help noting the analogy between Searle’s idea of a social object as a continuous possibility of (or, using Sen’s terms, capability for) an activity, and Sraffa’s idea of the continuous reproduction of a process. Sen’s reference to society and individuals as different objects should not be taken to denote two static entities, but rather two continuing processes, the individual and the society in which the individual is placed.

But as Sen stressed in his Coimbra presentation, although the individual and society are ‘different objects’ and both are needed for social analysis, they are not ‘independent objects’. We cannot have individuals without society and social relations in our social theory, and we also cannot make the converse mistake of having society without individuals:

When someone thinks and chooses and does something, it is, for sure, that person – and not someone else – who is doing these things. But it would be hard to understand why and how he or she undertakes these activities without some comprehension of his or her societal relations.

The basic issue was put with admirably clarity by Karl Marx [1959: 104] more than a century and a half ago: ‘What is to be avoided above all is the re-establishing of “Society” as an abstraction vis-à-vis the individual’. The presence of individuals who think, choose and act – a manifest reality in the world – does not make an approach methodologically individualist. It is the illegitimate invoking of any presumption of independence of the thoughts and actions of persons from the society around them that would bring the feared beast into the living room (Sen 2009, p. 245).

Society is thus a condition for the permanent repetition of individual activity, though in the sense of a continuous process, rather than a static abstraction.

Although Sen stresses that Marx is an author who explained the relationship between individual and social structures especially clearly, Sen also draws on Smith’s account of

general rules of conduct to explain the influence of society and social structure, including social rules, on the individual:

acceptance of rules of conduct toward others with whom one has some sense of identity is part of a more general behavioral phenomenon of acting according to fixed rules, without following the dictates of goal maximization. Adam Smith had emphasized the importance of such 'rules of conduct' in social achievement: 'Those general rules of conduct, when they have been fixed in our mind by habitual reflection, are of great use in correcting misrepresentations of self-love concerning what is fit and proper to be done in our particular situation ([1790]:160)' (Sen 2002, pp. 216–217).

For Sen, the role of social structures is fundamental not only for human activity in general, but also for the development of our conceptions of the world:

as Antonio Gramsci, perhaps the most innovative Marxist philosopher of the twentieth century, put it, nearly eighty years ago, in his *Letters from Prison*, while incarcerated in a fascist jail in Turi: 'in acquiring one's conception of the world one always belongs to a particular grouping which is that of all the social elements which share the same mode of thinking and acting. We are all conformists of some conformism or other, always man-in-the-mass or collective man' [Gramsci 1975: 324] (Sen 2009, p. 119).

The influence of social structures on the individual as described by Sen is similar to the perspective of many authors who argue for a different economics, noting not only the influence of social structures on the individual (for example, Lawson 2003), but also the role that identity plays in this context (see Davis 2010). Lawson (2003, p. 40), for example, writes that in his view, 'social reality is recognised as being continuously reproduced and transformed', where 'social structure is the (often unacknowledged) condition of our actions, and its reproduction/transformation the (often unintended) outcome'.

### **Multidimensionality and the critique of mainstream economics**

There are many economic traditions, often designated 'heterodox' (see, for example, Lawson 2003; Davis 2010), which criticise the methodological individualism of mainstream economics and adopt instead a similar perspective on the reproduction of society to the one adopted by Sen (2009). Thus, Lawson (2003) notes that Marxian Economics, Post Keynesianism, Social Economics, Feminist Economics and Institutional Economics, amongst others, also focus on the reproduction of society, rather than starting from a methodological individualist perspective. Davis (2010) addresses these heterodox traditions and Sen's own approach to the individual, applying Sen's capability approach in order to understand how the individual is embedded in a social structure. These interrelations between competing approaches are certainly worth investigating, since they return us to a conception of the reproduction of society which was, like the reproduction of the economy explained by Sraffa (1960), a central issue in classical political economy, and thus very important for a revival of classical political economy.<sup>1</sup>

While Marx focuses essentially on *social* structure, then, Smith's analysis is essentially concerned with the *psychological* structure of the individual and the effects that general rules of conduct have on this structure. But Smith's perspective, like Mill and Marx's perspective, was a multidimensional one. Mill goes beyond (while Marx harshly criticises) Bentham's adoption of a unidimensional approach to well-being, where all pleasures can be reduced to a common unit. Mill and Marx adopt instead a richer (multidimensional) conception of well-being, which Sen seeks to recover. When seeking a richer analysis of well-being, Sen argues, paraphrasing Wildon Carr, '[i]n social investigation and measurement, it is undoubtedly more important to be vaguely right than to be precisely

wrong' (1989, p. 45).<sup>2</sup> But Sen's statement must be interpreted carefully. In fact, Sen and also Sraffa are not amongst the economists who operate within a framework in which one can never be 'precisely wrong'. It was Sraffa's concern with precision that led him to criticise the neoclassical marginalist theory of production and to formulate an alternative economic theory which takes into account the multidimensionality of the production process and its implications.

Analogously, Sen's concern with mathematical precision also led him to formulate axiomatically many of his ideas regarding the multidimensional nature of rational choice and social choice. For example, it was a concern with precision that led Sen to note how Arrow's 'impossibility' theorem also applies to the Bergson–Samuelson framework, contrary to what Little (1952) and Samuelson (in a foreword to Graaf 1967) argued (see Sen 1982, pp. 251–256, 336–337). In fact, I would argue that while Sraffa's framework undermines the methodological grounds for the neoclassical aggregate *production* function, as shown in the Cambridge Capital Theory Controversies (see Harcourt 1972; Sen 1974), which started in the public domain with Robinson (1953), Sen's work on social choice theory shows inconsistencies of the neoclassical aggregate *utility* function, as developed from the contributions of Bergson (1938) and Samuelson (1947). That is, using a multidimensional perspective, Sraffa and Sen together identify two aggregation problems in key neoclassical frameworks.

Moreover, the use of a multidimensional perspective has implications not only for the neoclassical aggregate utility function, but also for *any* utility function. For all utility functions used in mainstream microeconomics presuppose a complete preference ordering, but Sen (1977, 1997, 2002) argues that complete orderings may not exist even at the level of individual preferences too. For example, Sen argues that incompleteness of individual preferences may arise from value conflicts, as in the case Sen (1997) designates as 'assertive incompleteness'. Here ethical values are found to undermine the methodological presuppositions of mainstream economics. But incompleteness may also arise because of the need to act before the judgemental process has been completed, a circumstance that Sen (1997) calls 'tentative incompleteness' where time constraints are one of the factors generating incompleteness.

Consequently, Sen proposes a multidimensional framework in which behaviour is understood in terms of the multiple motivations that influence the human agent, and human well-being also depends on multiple dimensions, as explained in his 'capability approach' (Sen 1985). Sen's method, in moving from one complete ordering to multiple orderings, where these orderings may be incomplete, forecloses constructing a utility function, since the latter presupposes the existence of a complete preference ordering. Sen's work on rationality and preferences consequently undermines the axiomatic basis of mainstream microeconomics, since the use of utility functions requires the existence of complete orderings. Hence, it is not just the neoclassical production function, widely used in mainstream macroeconomics, that has weak foundations, as Sraffa has shown, but also the neoclassical utility function widely used in mainstream microeconomics, as has Sen shown.

What both Sraffa and Sen thus recommend as an alternative to the unidimensional perspective of mainstream (macro and micro) economics is a multidimensional perspective on production (developed by Sraffa) and on behaviour and well-being (developed by Sen). As the titles of key books of Sraffa and Sen show, while Sraffa (1960) focuses on the 'production of commodities', Sen (1985) focuses on going from 'commodities' to 'capabilities', where in both cases a multidimensional perspective is advanced.

There are other important differences between mainstream economics and classical political economy brought out by Sraffa and Sen: while mainstream economics presupposes



closed systems (Lawson 2003), the contributions of Sraffa and Sen presuppose ultimately an open system. Sraffa's economic system is an open system, where prices and the distribution of income are not automatically determined, since the setting of either wages, profits or of the price of a given commodity is determined outside the system. The mathematics of Sraffa's system is not meant to deliver an exact prediction, but is used instead to show the internal inconsistencies of the marginalist framework, while at the same time defending the classical perspective that prices tend to the cost of production [which must not be interpreted in terms of Marshall's (1920) 'real cost', as Sraffa (1960) notes].

In fact, Sraffa is very aware of the dangers of using a given mathematical technique uncritically, as Marcuzzo and Roselli (2011, p. 219) note, Sraffa (D3/12/4/15) writes that 'Our metaphysics is in fact embodied in our technique; the danger lies in this, that when we have succeeded in thoroughly mastering a technique, we are very liable to be mastered by her.' This is precisely what has occurred within mainstream economics, which has become defined in terms of the use of mathematical techniques, on the assumption that this is the only way to become scientific, but leading to the neglect, for example, of the moral dimension of classical political economy since ethics is not taken to be a 'scientific' topic. This has led mainstream economics to attempt predicting exactly (in a 'scientific' way) human behaviour, but as Sen argues: 'the use of "rational choice" in economics and related disciplines is very often indirect, particularly as a predicting device for actual behavior, and this can often overshadow the direct use of rationality' (2002, p. 42).

Sen (2002, p. 4) recommends instead, then, seeing rationality not as the exercise in following a preference ordering, but rather as the ability to scrutinise and revise preference orderings. For Sen, preferences may not be complete, and thus we do not have a deterministic approach to behaviour, but rather a situation where we cannot predict human behaviour in an exact way. For both Sraffa and Sen we have a multidimensional perspective which presupposes open systems, which contrasts with the unidimensional perspective of mainstream economics which presupposes closed systems. Furthermore, although Sraffa and Sen engage in a critique of the unidimensional approach of mainstream economics, their own contributions are not finished projects. In fact, both require further elaboration. Thus Sraffa writes, in the preface to *Production of Commodities*:

It is . . . a peculiar feature of the set of propositions now published that, although they do not enter into any discussion of the marginal theory of value and distribution, they have nevertheless been designed to serve as the basis for a critique of that theory (Sraffa 1960, p. vi).

Sraffa's work is thus a basis for a critique of marginalism, or 'marginism', as he used to call it (see Marcuzzo and Roselli 2011), and for the development of an alternative conception of the economy, but it is not a fully specified theory. The same is true of Sen's work. Sen refers to the classical political economists from Smith to Marx when explaining his conception of the individual and society, but he does not fully elaborate a theory of the individual and of the society, or a theory of the way in which they continuously reproduce themselves.

There have been many efforts to develop Sraffa's approach. Walsh mentions one of these, namely that of Luigi Pasinetti, which also could be fruitfully linked with Sen's writings:

'It is, I believe, very significant that a theorist who played one of the key roles in the *first* phase of the classical revival, and began to publish work some considerable time ago that had deeply 'second stage' characteristics – namely Luigi Pasinetti – has been exploring the concept of needs in a way that links up with Sen's writings (Walsh 2000, p. 22).

Walsh argues that the interaction between Pasinetti's approach and Sen's thinking can be mutually enriching: 'I think Pasinetti needs Sen's capability approach. But I also think that Sen needs Pasinetti's approach to growth theory' (Walsh 2008, p. 229). This is an argument endorsed not only by Walsh, but also by Putnam, for Walsh cites Putnam as saying that 'capability theory needs to be cashed out by supplementing it with the kind of socially responsible growth theory provided by Pasinetti' (Walsh 2008, p. 230). The precise way in which Pasinetti's approach may complement Sen's is then explained in Walsh (2003, pp. 372–373). Pasinetti himself writes, when commenting on Sen's work: 'it is interesting that, starting from the realization that the traditional approach simply comes down, in many circumstances, to analyzing the behaviour of "rational fools", his proposal is essentially that of widening the conceptual framework (see Sen 1977, 1985)' (Pasinetti 1993, p. 110). Here Pasinetti seems to expect something more from Sen than simply widening the conceptual framework. The issue at stake is a deep one. Sen's work can be seen to be part of what we may term as the Cambridge 'welfare' tradition that began with Sidgwick, Marshall and Pigou (see Martins 2009b, 2011a). Pasinetti's contribution, on the other hand, is part of the Cambridge Keynesian tradition, which begins with John Maynard Keynes' critique of the Marshallian and Pigovian framework (see Harcourt 2003).

The Cambridge 'welfare' tradition emphasises consensus, as in Marshall's attempt to reconcile marginalism with classical political economy in his *neoclassical* approach, as Veblen (1900) termed it. The Cambridge Keynesian tradition, on the other hand, emphasises vigorous critique of mainstream economics. This may explain why Pasinetti seems to expect something more from Sen than simply widening the conceptual framework. I will not address here the questions concerning which of the particular developments of Sraffa's revival of classical political economy would be more appropriate to combine with Sen's revival of classical political economy. There are various ways in which Sraffa's framework has been developed by several authors, and the issue is too complicated to address here. I will simply note that Sraffa and Sen's frameworks are complementary, and there is much substantive work to be done to develop not only Sraffa's framework (as Pasinetti does), but also Sen's own perspective, as will be argued now.

### The nature of Sen's capability approach

Sen's capability approach is not a fully specified theory. In fact, neither is it a fully specified *social* theory, nor a fully specified *ethical* theory. Sen addresses the individual and society as distinct but not independent objects which influence each other. He emphasises this when responding to the claim that his capability approach is an individualist theory. But Sen does not elaborate on this, and does not develop a concrete *social* theory. Neither does he develop a fully specified *ethical* theory. In his capability approach, Sen (1985, 1999) argues that human well-being consists in the expansion of human capabilities. However, he also notes that the capability approach does not provide a complete theory of justice. The capability approach identifies human capabilities as the space in which well-being is assessed. But Sen (1999) argued, when proposing the capability approach, that a complete theory of justice would have to provide not only a space for assessing well-being, but also a criterion which would allow comparison of different social states – I discuss this issue in more detail in Martins (2007a).

In his new book *The Idea of Justice*, Sen (2009) provides an answer to the problem of the decision criterion for a theory of justice. The answer is that any decision criterion must not be imposed, but should rather be found through a democratic process. Here Sen is again following Smith's perspective, where it is through our confrontation with others that



we develop less partial views of virtue and justice. For Smith, our assessment of an action depends on our ability to provide impartial assessments. But our own perspective (or sympathetic fellow-feeling) may be too much influenced by our own position, and hence the need of debating with others. Smith writes:

In solitude, we are apt to feel too strongly whatever relates to ourselves; we are apt to over-rate the good offices we may have done, and the injuries we may have suffered: we are apt to be too much elated by our own good, and too much dejected by our own bad fortune. The conversation of a friend brings us to a better, that of a stranger to a still better temper (Smith 2002, p. 178).

That is, the confrontation of our perspective with those of others is essential to our ability to make impartial assessments, and if others are not available to do so, we must imagine an impartial spectator who will do so. This enables us to assess a given situation from various positions in order to achieve what Sen calls ‘positional objectivity’. For Sen (2009, p. 157) “positional objectivity” is about the objectivity of what can be observed from a specified position’. Sen’s (2009, pp. 124–154) notion of ‘open impartiality’ then concerns exactly this confrontation of our perspective with that of others who can belong to many different positions and groups within a given society, or even outside that society, in order to achieve positional objectivity and avoid what Sen calls ‘parochialism’.

So Sen’s solution to the problem of finding a criterion for justice is that such a criterion must not be imposed, but rather found through democratic procedures. Rather than providing a prescriptive criterion, Sen’s capability approach is centred on the description of the *objects* of ethical valuation. Sen then identifies functionings and capabilities as the relevant objects for ethical valuation, leaving their valuation itself for public debate. But if Sen’s capability approach is not a fully specified social theory, nor a fully specified theory of justice, then what is it? I argue that Sen’s capability approach is an *ontological* theory, where by ontology I mean a study of the nature of reality, including what types of *objects* exist. Thus, an approach which is centred on the characterisation of *objects* for ethical valuation, such as ‘functionings’ and ‘capabilities’, is essentially an *ontological* approach, which provides the objects that we may then use when engaging in democratic ethical valuation.

Ontology is an enquiry into the nature of being. While science seeks to uncover causal mechanisms (for example, how the supply of money influence prices and value), ontology enquires into the nature of the entities posited in science: it would address questions like ‘what is money?’ or ‘what is value?’ rather than the specific mechanisms through which money influences prices and value. The capability approach is an answer to a specific ontological question, namely ‘what is human well-being’, which is defined by Sen in terms of human functionings (what a human being is or does) and human capabilities (the set of potential functionings). As Lawson (2003, p. 304) notes: ‘In the case of ethics, [ontology] can serve to constrain what is possible and to encourage research into specific substantive, including anthropological, issues.’ This is precisely what happens with Sen’s capability approach, which provides the grounds for the development of more specific approaches within human development, while bringing back the rich philosophical anthropology of the classical political economists, as Walsh (2000, 2003, 2008) argues.

As Sen explained in his presentation at Coimbra, the use of ontology in ethics should not be taken to mean that the ethical values we attribute to a given object are themselves *another* object. Sen (2009, p. 41) criticises the ascription of ontological existence to our ethical *values*, which would then be ‘mysterious’ ethical objects. But although Sen criticises a certain type of ontology (which posits ethical values as ethical objects), his capability approach consists nevertheless in the characterisation of the space or objects for ethical valuation to be undertaken (not only by the researcher, but through public debate).

That is, the capability approach provides the description of (ontological) elements or *materials* to be used for ethical evaluation, which is to proceed through public debate. In this sense, it is an ontological approach, but one where the relevant objects are not ethical *values*, but rather *functionings* and *capabilities*.<sup>3</sup>

A central consideration to take into account in the process of developing a new economic theory, or a theory of justice, is that in both cases (economics and political theory) in Sen's view such a theory should not be formulated in terms of ideal situations which presuppose ideal behaviour (such as in the mainstream approaches to both economics and political theory), but rather in terms of actual behaviour and actual realisations. Like the classical political economists Smith, Mill, Marx and also others of the Cambridge tradition like Marshall, Pigou and Keynes (who belongs, however, to different branch of the Cambridge tradition, initiated with his critique of Marshall and Pigou), Sen aims at a realist analysis, rather than at the formulation of ideal theories. This means that the discussion of justice has to proceed by drawing upon a description of actual reality and not on ideal situations. Thus, for the evaluation of justice one needs a theory that provides a description of actual outcomes and realisations. This is the point where Sraffa's pure theory, the contributions of heterodox economics (including the Cambridge Keynesian tradition) and Sen's own institutional analysis can be most helpful.

### Classical political economy and vulgar political economy

Although there is much to be gained from a revival of classical political economy, this project is certainly not an easy one. There is not only much substantive work to be done, but also many difficult issues in the interpretation of classical political economy which are relevant to its revival. In fact, even Sen and Sraffa's own interpretations of classical political economy are not congruent in many respects. A central issue is that while Sen draws upon Smith, Mill and Marx, Sraffa does not see these authors as engaged in the same project.

Sraffa (D3/12/4/10) distinguishes between the 'classical' political economists who had a 'right conception' and the 'vulgar' political economists who were already heading towards what would become Marshall's economics:

A. Smith [and] Ricardo [and] Marx indeed began to corrupt the old idea of cost – from food to labour. But their notion was still near enough to be in many cases equivalent. The decomposition went on at a terrible speed from 1820 to 1870: Senior's abstinence and Mill's mess of the whole thing. Cairnes brought it to the final stage «sacrifice» (Sraffa D3/12/4/2).

Sraffa (D3/12/4/3) notes that 'Petty, on the other hand, in *Political Arithmetick*, expresses himself in terms of *Number, Weight or Measure*', and does not go into an abstract notion of labour. Sraffa also (D3/12/11/36) asserts that it was an error for Smith, Ricardo, Marx to regard labour as a quantity, commensurated with value, saying that the term 'labour' should rather be used to designate 'the whole process of production'.

This conception of 'labour' is similar to an idea that Sen (1982, 2005) advocates, following Maurice Dobb, namely that the labour theory of value is important not only as a prescriptive or predictive theory, but also essentially as a *description of the labour process*. Walsh (2003) notes, and Sen (2005) agrees, that Sen's conception of a 'rich description' is similar to that of Dobb, but on this particular topic of the labour theory of value, we find important similarities with an approach that Sraffa also entertained at least in some periods (as explained in his unpublished writings). Furthermore, for Sraffa, this 'error' of regarding labour as a quantity commensurated with value did not prevent Smith, Ricardo and Marx,

who for Sraffa are 'classical' political economists, from achieving correct results. In fact, after developing his approach in *Production of Commodities*, Sraffa came to see how value could be reduced to dated quantities of labour by finding a direct proportion between value and labour in the particular case when all the surplus goes to wages, leading to what he saw as a 'Value Theory of Labour,' rather than an 'Labour Theory of Value,' as Kurz and Salvadori (2005, p. 80) explain.

So for Sraffa, Smith, Ricardo and Marx were not far from achieving nearly correct results, which they were prevented from fully achieving only because they did not possess a mathematics that allowed them to determine the surplus simultaneously with prices. But in what concerns authors like Malthus, Stuart Mill, Senior and Cairnes, who Sraffa characterises as the 'vulgar' political economists, Sraffa has a different view. Sraffa (D3/12/4/10) argues that the latter are '[a]ll wrong', since 'they have the wrong conceptions of modern economics and the rudimentary techniques of the classical'.

Sraffa (D3/12/4/10) thus regards 'classical political economy' as the period 'From Petty to Ricardo,' while 'vulgar political economy' is the period 'From Malthus to Stuart Mill.' Concerning 'vulgar political economy', Sraffa writes it is a 'Period dominated by Mill,' and that 'Marx stands here towering as the last of the classical amongst the vulgar, just as Smith stood isolated among the classical, being the first of the vulgars' (Sraffa D3/12/4/10). Sraffa (D3/12/4/10) then defines 'economics' as the stage that came after 'vulgar political economy', and as being 'the age of Marshall'. But he sees all three stages of 'classical political economy', 'vulgar political economy' and 'economics', as being influenced by Smith. Sraffa (D3/12/4/10) writes that 'A. Smith had stronger «vulgar» tendencies,' and so is '[t]ruly the father of modern economics'.

Thus, Sraffa is quite uncertain as to where to place Smith. He is less uncertain on Mill, who is for Sraffa quintessentially the 'vulgar' economist. As Garegnani (1998, p. 426) argues, Stuart Mill was 'the key figure in the post-classical transition to modern supply and demand analysis'. Mill was a fundamental influence on Sidgwick and then Marshall's thinking, leading to what Sraffa calls 'economics'. However, it is also true that Mill came to change his mind about many of his earlier doctrines which would make him a 'vulgar' political economist, such as the theory of the wages fund (in Mill's famous recantation) and the idea that economic action is solely driven by narrow self-interest. Also, if 'vulgar political economy' is typically seen as an uncritical apologetic for the capitalist system, it is true that Mill came to criticise the capitalist system of his time and entertained various perspectives on socialism.

A critique of many of the features of capitalism identified by Marx is indeed something we find not just in Mill, but already in Smith. As Emma Rothschild argued in her presentation at Coimbra (14 March 2011) titled 'Values and Classical Political Economy,' the critics of Smith have paid little attention to his criticism of masters and merchants and the politics of money. Central issues to be addressed in this connection have to do with the political conditions of free exchange, the morality of long distance relationships (which were central in colonialism), the uses of money in politics and the values of commercial societies. Many of the issues above are typically seen as being part of Marx's concerns but not necessarily part of Smith's concerns. But as Rothschild shows, the use of money to influence ideas and values or the political influence on free trade was very central to Smith too who saw these as important problems in the commercial system he defended. For Rothschild, the most serious of these problems is the conflict between the values of the commercial society and other virtues which are necessary for the commercial society to function. This leads to a basic insecurity in the capitalist system, and in a coalition between 'Laissez-Faire' and conservative values.

As Rothschild points out, the problem here is that the values that support the commercial system are ‘uncommercial’ values, and the expansion of the commercial system and its values conflicts with these very values. This tendency for the uncommercial values which support capitalism to be destroyed by commercial values [which Schumpeter (1992) also addressed much after Smith] undermines not just the basis of the reproduction of the economic system, but also the basis for the reproduction of society, since it undermines justice which for Smith is its main pillar. As Smith argues:

Beneficence [...] is less essential to the existence of society than justice. Society may subsist, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it... [Beneficence] is the ornament which embellishes, not the foundation which supports the building, and which is, therefore, sufficient to recommend, but by no means necessary to impose. Justice, on the contrary, is the main pillar that upholds the whole edifice (Smith 2002, p. 101).

Following a famous passage from the *Wealth of Nations*, mainstream economists often interpret Smith as the author who argues that society improves if every human agent follows her or his self-interest – an example, discussed by Sen (1987), is George Stigler. This is an interpretation of Smith which makes him conform to ‘vulgar political economy’. Others tend to resort to the *Theory of Moral Sentiments* to show how sympathy, and benevolence are also essential to Smith, and to show how Smith goes beyond the approach commonly attributed to ‘vulgar political economy’.

However, for Smith (2002, p. 101) justice was the key virtue. Beneficence was also important, though ‘less essential to the existence of society than justice’. Although Smith was significantly influenced by Francis Hutcheson and his system, where virtue consists in benevolence, Smith took virtue to depend not on benevolence but on propriety, which in turn requires the proper *degree* amongst *multiple* affections. Part of the reason, then, why Sraffa and Sen have different assessments of different authors like Smith and Mill is that while Sraffa focuses on the theory of value, Sen advances a multidimensional perspective of well-being. Smith, Mill and Marx, the authors mentioned by Sen, certainly had a multidimensional conception of human well-being. At the same time, it is true that the writings of Smith and Mill contain many aspects which seem to anticipate modern economics, while Marx surely made it very clear where and how he stood against those aspects in Smith and Mill.<sup>4</sup>

In fact, for Sraffa, ‘economics’ (the age of Marshall which arises with the marginalist revolution) emerged because ‘[a]t the end of the vulgar period came Marx and *caused* economics’, which would mean for Sraffa (D3/12/4/10) that the marginalist revolution was a reaction to Marx’s critique of the apologetic ‘vulgar political economy’. It is certainly true that the marginalist revolution, and the Cartesian mathematics that became dominant in the twentieth century, led mainstream economics to neglect many of the important issues Marx raised. I would add that just as ‘political economy’ may be divided into a ‘classical’ and a ‘vulgar’ period, as Sraffa argues, so can ‘economics’ be divided into a ‘neoclassical’ period and a ‘vulgar’ period. On the one hand, we have the Marshallian, neoclassical beginnings of ‘economics’, underpinned by a multidimensional approach to human well-being, and on the other hand, we have mainstream microeconomics and its unidimensional conception of well-being and rationality. Thus, if Marshall’s theory of value is a ‘vulgar’ theory according to Sraffa (since it follows the supply and demand analysis of Say, Malthus and Stuart Mill), then Marshall’s realist methodology was certainly in line with the classical methodology. Later in the twentieth century, we see the rise of the contemporary mainstream approach, which is characterised by a Cartesian mathematics divorced from reality, and engages also in a ‘vulgarisation’ of Marshall’s

neoclassical economics (while adopting the designation of ‘neoclassical economics’ but not Marshall’s methodology).<sup>5</sup>

In fact, even if we agree with Sraffa’s critique of Marshall’s partial equilibrium analysis, we can also acknowledge that Marshall’s overall perspective was, at a more general level, a rich and multidimensional conception of well-being. Marshall (1920) shows how the source of well-being is human activity, and how subjective utility, or our wants, are created by our activities, and are thus not a stable ground for economic analysis, contrary to what Jevons and the marginalists argue. Thus Marshall concludes, criticising Banfield and Jevons:

It is not true therefore that ‘the Theory of Consumption is the scientific basis of economics’. For much that is of chief interest in the science of wants, is borrowed from the science of efforts and activities. These two supplement one another; either is incomplete without the other. But if either, more than the other, may claim to be the interpreter of the history of man, whether on the economic side or any other, it is the science of activities and not that of wants (Marshall 1920, p. 76).

Indeed, Marshall (1920, pp. 76–77) criticises Jevons for regarding consumption and subjective utility as the basis of economic analysis. But mainstream economics, following Jevons and Walras, and contrary to Marshall, adopted a subjectivist conception of well-being. It is this subjective conception of well-being, which now underpins the mainstream economics that Sen criticises, adopting a conception of well-being centred on the human capability to engage in valuable activities. In this sense, Sen’s approach to well-being has many similarities with Marshall’s (and the Cambridge ‘welfare’ tradition continued by Pigou), who was also deeply concerned with human well-being.

Nonetheless, Marshall’s deep concern with human well-being, which characterises the Cambridge economic tradition from Sidgwick, Marshall and Pigou to Sen, may not be clear in his writings because, as Sraffa suggests in his unpublished writings, the way in which Marshall expressed his theory was essentially strategic:

Marshall wrote to be read by business man, because he wanted to have influence on economic life – conscious class bias. His true intuitions were in the footnotes to be hidden, and understandable only to experts (Sraffa D3/12/11/31).

But a proper assessment of the place of Marshall and his approach, continued by Pigou (1946), which generated the Cambridge economic tradition, is beyond the scope of this article, which addresses the topic of the revival of classical political economy as advanced by Sraffa and Sen.

### Concluding remarks

Amartya Sen has convincingly argued for a change in economic theory and political theory. In both fields, Sen argues for a perspective focused on actual economic and political reality and not on ideal and fictitious situations of perfect knowledge or perfect justice. Thus, Sen (1977) argued against the conception of a ‘rational fool’ who engages in optimisation given complete preferences, noting not only that preferences may be incomplete but also that rationality consists in the ability to scrutinise one’s goals, values and preferences, not in following a particular (complete) preference ordering.

Sen also criticised the understanding of human well-being undertaken in mainstream economics in its reliance upon utilitarian philosophy. As an alternative, he proposes his capability approach to the assessment of human (actual and potential) well-being. Sen’s book *The Theory of Justice* marks an important development of Sen’s analysis of human well-being. Grounded in his previous work on the capability approach, he moves towards a conception of justice that goes beyond the characterisation of ideal situations. However, the



significance of Sen's contribution springs not only from its providing an approach to economic theory and political theory that goes beyond the mainstream characterisation of ideal situations, but also from its providing an integrated approach to both fields: economic theory and political theory. As Vivian Walsh and Hilary Putnam argue, Sen's thinking constitutes a revival of the philosophical anthropology of classical political economy, complementing Sraffa's revival of the analytical framework of classical political economy. And analogously to Sraffa, who proposes a multidimensional perspective of production, grounded on the work of classical political economists, Sen proposes a multidimensional perspective of behaviour and well-being which recovers the approach of Smith, Mill and Marx.<sup>6</sup>

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### Notes

1. I address the relationship between Sraffa's revival of classical political economy, Sen's approach and heterodox economics in Martins (forthcoming).
2. I am indebted to Geoffrey Harcourt for the reference to Wildon Carr.
3. A study of the ontological nature of the capability approach also helps us see how the capability approach can be developed within social theory (Martins 2006, 2009a; Smith and Seward 2009), ethical theory (Martins 2007a, 2007b; Pellé 2009), technology studies (Oosterlaken 2011) or environmental studies (Martins 2011b). For a discussion of Sen's (2009, p. 41) critique of the ascription of ontological status to ethical values, see Martins (2012).
4. For example, in Marx's distinction between the 'esoteric' aspects of Smith's writings, which contain fundamental scientific insights of classical political economy, and the 'exoteric' aspects of Smith's writings, which anticipate the vulgarisation of political economy.
5. Of course, some mainstream *macroeconomics* became instead a 'vulgarisation' of the work of Marshall's most famous student and critic, John Maynard Keynes, leading mainstream *macroeconomics* into what Robinson (1962) calls 'bastard Keynesianism'. We may add that much mainstream *microeconomics* is, in a similar sense, a 'bastard' neoclassicism, grounded in Jevons' subjectivist perspective, or Walrasian formalism, having lost sight of the Marshallian broad, and multidimensional, approach.
6. In Martins (2011a), I develop in more detail the relation between Sraffa's multidimensional perspective and Sen's multidimensional perspective and also Sen's critique of the mainstream approach to rationality.

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