Contents

Notes — V

Table of Symbols — VII

Abbreviations — XIII

Notations — XV

Preface — XVII

1 Introduction — 1
1.1 Preliminary comments — **1**
1.2 Summaries of the chapters — **2**

2 Elements of Input-Output Analysis — 5
2.1 Classification of products, production processes, matrices — **5**
2.1.1 Notations for transactions in monetary terms — **6**
2.1.2 Notations for transactions in physical terms — **13**
2.2 Economic assumptions on matrices and vectors, viability — **17**
2.3 Positive matrices and non-negative matrices — **20**
2.4 The Leontief quantity model — **22**
2.4.1 The Leontief quantity model in monetary terms — **23**
2.4.2 The Leontief quantity model in physical terms — **30**
2.5 The Leontief cost-push input-output price models* — **36**
2.5.1 The Leontief cost-push input-output price model in monetary terms — **36**
2.5.2 The Leontief cost-push input-output price model in physical terms — **46**
2.6 The interindustrial and the final consumption markets — **56**
2.7 The Input-Output framework and National Accounting — **58**
2.8 Measuring value: the numéraire — **61**

3 Sraffa's first examples of single- product industries — 65
3.1 Production for subsistence and production with surplus — **65**
3.1.1 Sraffa's first example: conditions of production — **67**
3.1.2 Sraffa's second example — **75**
3.1.3 Sraffa's third example and productiveness — **79**
3.2 Symbolic representation of the production scheme — **83**
3.3 A generalization of Sraffa's first example* — **83**

3.3.1 A global economy — 84
3.3.2 Variables replace numbers in the commodity flow matrix — 85
3.3.3 Fixing rules to construct the commodity flow matrix — 87
3.3.4 Numerical examples — 90
3.4 A generalization of Sraffa's second example* — 91
3.5 A generalization of Sraffa's third example* — 92
3.5.1 Variation of the wheat surplus — 93
3.5.2 Variation of the iron surplus — 96
3.5.3 Simultaneous variation of the wheat and iron surplus — 99
3.6 Subsistence wages and wages as a part of the surplus — 103

4 Sraffa's single-product industries with wages and profits — 109
4.1 The surplus as the sum of profits and wages — 109
4.1.1 Economies delivering only subsistence wages — 109
4.1.2 Economies with wages paid in numéraire — 118
4.1.3 The complete single-product Sraffa system — 122
4.1.4 Variables of national accounting in Sraffa's price model — 132
4.2 From a productive Sraffa model to a productive Leontief model — 140
4.3 The complete single-product Sraffa system and national accounting — 143
4.4 Basic commodities and non-basic commodities — 146
4.5 Representation of production processes by bipartite directed graphs — 157
4.6 The Sraffa Network: a bipartite directed graph — 160
4.7 The adjacency matrix in the case of single-product industries — 163
4.8 Distinction between basic and non-basic commodities — 170
4.9 Recapitulation of Sraffa's price calculations, the labour value — 175
4.10 A digression on growth, constant rate of growth — 182
4.11 The ancestor: Quesnay and the economy as a circular process — 187

5 Sraffa's Standard system and the Standard commodity — 195
5.1 Sraffa's Standard system and the Standard commodity — 196
5.1.1 The general idea and the definitions — 196
5.1.2 The notion of the non-Standard actual economic system — 200
5.2 Application of an orthogonal Euler map to a non-Standard system* — 201
5.2.1 Setting the problem and preliminaries — 202
5.2.2 Calculation of the standard multipliers — 206
5.2.3 Classes of Standard systems and their Standard commodities — 210
5.3 Constitution of a Standard net product* — 217
5.4 Construction of a Standard system with prices* — 222
5.4.1 From a non-Standard system to a Standard system — 222

5.4.2 Sraffa's price equations expressed in commodity units — **226**
5.4.3 Complete calculation of a Standard system with prices and wages based on Sraffa's elementary example (PCMC, Par. 5, 11) — **228**
5.5 Price fluctuations and the Standard systems* — **236**

6 A new look at joint production analysis — 245
6.1 The production scheme, assumptions and the production space — **246**
6.2 The price model for joint production* — **254**
6.3 Basics and non-basics in joint production* — **264**
6.4 Joint production, Sraffa Networks and adjacency matrices — **281**
6.5 National accounting and joint production — **287**
6.6 Conditions for positive price vectors in viable economies — **301**
6.7 Accounting for land and natural resources — **311**

7 Sraffa's theory of joint production as a tool in ecological economics — 323
7.1 Introduction — **323**
7.2 From Sraffa to ecological economics: technical preliminaries — **323**
7.3 Two commodities and two industries — **327**
7.4 Three commodities and three industries — **332**
7.5 The impact of taxation and technological innovations — **336**
7.6 A model with recycling of iron scrap — **339**
7.7 An alternative CO_2-emissions trading scheme — **341**
7.8 Prelude for the Sraffian approach in ecological economics — **344**

8 Sraffa and extensions — 347
8.1 Sraffa and the open economy — **347**
8.2 Extension of the Sraffa system to services — **351**
8.3 Beyond the uniform rates of profits and wages — **353**
8.4 The mark-up *k* and the Weintraub representation — **360**
8.5 Where does Sraffa fit in the strain of economic theories? — **368**
8.5.1 Sraffa in context — **368**
8.5.2 Leontief and Sraffa: basic aspects compared — **370**
8.6 Sraffa and neoclassical theory — **373**
8.7 Sraffa versus the Cobb–Douglas production function — **374**
8.8 Sraffa and Walras — **378**
8.9 PCMC and cost management — **380**

9 The algebraic structure behind the "Leontief–Sraffa" interindustrial economy* — 383
9.1 The input-output matrix **Z** of an interindustrial economy — **383**
9.2 The interindustrial production matrices **Z**, **S** and **D** — **385**
9.2.1 The "Sraffa" commodity flow matrix **S**, no surplus — **385**

9.2.2 The stochastic production matrix **D** of the interindustrial economy — **388**
9.3 The value and environmental cycles of "Sraffa" interindustrial economies — **389**
9.3.1 The Environmental Cycle of Sraffa's Production of Commodities by Means of Commodities (PCMC) — **389**
9.3.2 Production recursions of Sraffa interindustrial economies — **390**
9.3.3 The input-output matrix $\mathbf{Z}_6$ and the stochastic production matrix $\mathbf{D}_6$ — **391**
9.4 Main result: the stochastic similarity table of an interindustrial economy (GDP-Table) — **393**
9.4.1 The right and the left eigenvectors of the matrices A and Z — **394**
9.4.2 The stochastic product family (**Z, T, S, D**) — **395**
9.4.3 The stochastic similarity family (**A, B, C, D**) — **396**
9.4.4 Relationships between the (**Z, T, S, D**)- and the (**A, B, C, D**)-families — **398**
9.4.5 The stochastic similarity table of an interindustrial economy (GDP-Table) — **398**
9.5 Productivity and interindustrial production* — **399**
9.6 Computational examples — **403**

10 Exploration of Input-Output Tables — 409
10.1 The Swiss Input-Output Tables and the productiveness — **409**
10.2 Analysis of an aggregated SWISS IOT 2014 — **417**
10.3 Exploration of interindustrial economies — **421**
10.3.1 The monthly operating capital K^* (λ_F-units): USA, GBR, DE, Euro-Zone 1995 to 2011 — **422**
10.3.2 The monthly operating capital K^* (λ_F-units) for Switzerland 1995–2011 — **424**
10.3.3 Switzerland 2008: the six largest sectors of the interindustrial production — **425**

11 Conclusions and outlook — 431

A Mathematical tools — 439
A.1 A short guide to algebraic concepts and techniques — **439**
A.2 Some elementary matrix algebra — **440**
A.3 Determinant of a matrix — **445**
A.4 Inverse matrices and further elementary matrix algebra — **446**
A.5 Eigenvalues and eigenvectors of matrices — **451**
A.6 Coefficients matrices with identical eigenvalues — **453**
A.7 The orthogonal Euler affinity and dilatation — **455**

A.8 The theory of non-negative matrices — **456**
A.9 The Perron–Frobenius Theorems — **463**
A.10 Theorems on non-negative matrices — **471**
A.11 Stochastic matrices — **476**
A.12 The productive Leontief model — **477**
A.13 Power iteration algorithm of Mises–Geiringer — **482**
A.14 Directed graphs or digraphs — **482**
A.15 Algebraic criteria determining the presence of basic products — **491**

B Bertram Schefold's mathematical explanations to PCMC* — **495**
B.1 Schefold's presentation — **495**
B.2 Determination of the standard net product according to Schefold — **500**

C Glossary of terms as they are used in this book — **505**

Bibliography — **521**

Index — **527**