

Sraffa and Keynes on commodity-rates of interest

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Surprisingly, two letters sent by Keynes to Sraffa in December 1931 point to the fact that the definitions of commodity-rates of interest given by Sraffa in his 1932 review of Hayek’s *Prices and Production* and by Keynes in Chapter 17 of his *General Theory* were not the same.

In order to illuminate the peculiarities of Sraffa’s definition, we put forward two conjectures.

First, we suggest that, if Sraffa refrained from a full specification of the algorithm of the commodity-rate of interest, he might have done so because neither the algorithm nor its result, both relating to a monetary economy, could be directly applied to the non-monetary economy which was the focus of his interest.

Secondly, we address the fact that Sraffa seems to have favoured a definition of the concept of commodity-rate of interest in a monetary economy in terms of “spot quantities”, rather than (as Keynes did) in terms of “forward quantities”. We suggest that the reason for this choice was that in a monetary economy only the former could be regarded as a proper rate of interest, while the latter would be the result of an inappropriate transposition of a concept conceived in the context of a non-monetary economy.

The paper also examines the definition of commodity-rates of interest in Chapter 17 of *The General Theory* and compares Sraffa’s and Keynes’s approaches to the relationship between rates of interest expressed in terms of two different standards developed by Fisher in 1896.