

OBITUARY

Luigi Lodovico Pasinetti

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On the 31 January 2023, Professor Luigi Lodovico Pasinetti died in the age of 92 years in Varese, a city northwest of Milan near the Italian border with Switzerland. He is survived by his wife Carmela Colombo and his son Giovanni to whom the heartfelt condolences of the Editors go.

Luigi Pasinetti was born on 12 September 1930 in Zanica, a small town to the east of Milan in the province whose capital is Bergamo. As told in the biography written by Baranzini and Mirante (2018), the untimely loss in 1949 of his mother, who worked as the official obstetrician of the town and provided an important source of income since his father's construction firm suffered from the war, compelled young Luigi to work full time after secondary school. He then enrolled in the evening courses of the Faculty of Economics and Commerce at the Catholic University of Milan from which he graduated in 1955 with a thesis in Italian titled *Econometric models and their application to the trade cycle analysis*. The supervisor was Professor Siro Lombardini (1923–2013) whose ideas were similar to those of Paolo Sylos Labini (1920–2005), both being among the first post-war innovators of Italian economic thought. In 1956, Pasinetti obtained a British Council scholarship for the University of Cambridge and later he also benefited from a US scholarship for Harvard in 1957, and a third from the Bank Italy with which he returned to Cambridge for the years 1958–1959. These scholarships were essential since his father's small construction firm earned a limited amount of money, working in rural areas doing repairs in the surrounding farms. From 1960 to 1962, Pasinetti obtained a *Research Fellowship* at Nuffield College, Oxford, returning to Cambridge where, in 1963, he was awarded his PhD. Pasinetti's academic career as a teacher began 2 years earlier when he was offered an *assistant lectureship* at the University becoming in the process a *Fellow* at King's College. Pasinetti stayed at the University of Cambridge until 1976, when he resigned with the rank of Reader in order to take up the Chair of Econometrics at the Catholic University of Milan, which in 1981 became the Chair in Economic Analysis. He had won Italy's national competitive examination for chairs (*concorso a cattedra*) in 1964. By the time he returned to his *Alma mater*, he was very well known internationally and extremely highly appreciated for his pristine lucidity and ability to home on to the essential issues at hand. Geoff Harcourt (1931–2021), his lifetime colleague and very close friend with whom he shared common profound intellectual and moral affinities, captured very well the crux of Luigi Pasinetti's method:

There are few economists writing today with Pasinetti's clarity of vision and expression. He is able to absorb large literatures and impose on them crystal-clear

précis of their essential characteristics. In this way contrasts in approaches and methods, often inevitably obscured in the originals, emerge beautifully and succinctly. (Harcourt, 2016, 304).

The intellectual features mentioned by Harcourt were apparent already in Pasinetti's very first essay in English, published well before the debates over the theory of capital of the mid-1960s. The essay is a critique of Robert Solow's view of technical progress grafted onto the neoclassical production function, where, with extreme simplicity, including an empirically constructed example, Pasinetti showed that the approach collapses because it cannot take into account the reproduction of physical capital (Pasinetti, 1959). Pasinetti's interest in technical change and structural dynamics stemmed from the impact of the economic and social processes taking place in Europe, particularly in Italy, in the first 10 to 15 years after the end of the Second World War. This historical context is explicitly referred to in the introduction to his magnum opus *Structural Change and Economic Growth* in which it is stated that the factual element at the roots of his doctoral research in Cambridge 'was provided by the extremely uneven development – from sector to sector, from region to region – of the environment in which I lived (post-war Europe) at the time I began my training in economics' (Pasinetti, 1981, xi). During the 1950s in Italy – initiated by the British economist Vera Lutz, who was a frequent contributor to the *Banca Nazionale del Lavoro Quarterly Review* – there developed on the pages of that journal a lively discussion – with the participation of the US Ambassador to Italy, the well-known economist Gardner Ackley – regarding the problem of the economic dualism between the more industrialised North and the significantly less developed South of the country. The debate encompassed structural issues albeit dealt with awkwardly in aggregate terms. A joint paper written with Luigi Spaventa (1960), while Pasinetti was still formally a doctoral researcher in the United Kingdom, raised the need to go beyond aggregate analysis, especially in matters of economic development in which sectors cannot possibly expand in a balanced manner. The episode provides evidence that Pasinetti had quite early on a clear idea about the direction he deemed economic analysis would have to take for it to function as a meaningful discipline. Indeed, he provided with the 1981 volume, a novel contribution towards that goal, publishing one of the most significant studies on economic dynamics for the whole of the 20th century. The fact that during the 1960s and part of the 1970s Pasinetti dealt with the deep theoretical issues related to the foundations of capital and value theory, both in the context of Marginalist economics and in the framework of Leontief and Sraffa systems – culminating in a gem titled, in its English 1977 translation from Italian, *Lectures in the Theory of Production*/ Although it delayed the publication of his Opus, this turned out to be a good thing. It enabled Pasinetti – being well known for the many times in which he drafted and redrafted his papers – to ascertain with meticulous accuracy how his theoretical approach stood vis à vis Classical, Keynesian, and Neoclassical economic theories.

Structural Change and Economic Growth is, indeed, completely impervious to Neoclassical colonisation and, therefore, manipulation. It may be recalled how Paul Samuelson (1957, 1962) used to claim that a Neoclassical model could explain Marx's theories, encompass, and overcome odd situations while retaining its original validity, something that had been proved wrong precisely by Luigi Pasinetti and Pierangelo Garegnani (Pasinetti, 1966, Garegnani, 1966). However, Frank Hahn kept arguing, both in lectures and in writing (1982), that the Sraffa system is just a special, 'fixed coefficient,' case of the supposedly more general Neoclassical theory of substitution among factors of production. Pasinetti has built a system of thought in which labour has priority over all the other elements of the economy (Pasinetti, 1981, 1993). Human labour through learning generates knowledge and technical progress, thereby creating the dynamics of productivity. Labour incomes, that is, real wages, emerge as a macroeconomic variable since they distribute purchasing

power throughout the whole array of consumption goods sectors, provided that they expand in line with average labour productivity enabling the growth of per capita demand. In this way, labour acquires a priority over capital as it gives rise to productive life. Should capital equipment be obliterated, he points out, people will incur great hardships but in the course of time the knowledge embodied in labour will enable society to rebuild its means of production; should, instead, labour disappear, life would end. The loop between human learning, labour productivity, and real wages is what makes economic advancement possible. Yet there is no presumption that the process will spontaneously converge to full employment, so that ‘if full employment is to be kept through time, a central institutional organisation – let us call it, the Government, for simplicity – must be entrusted with the specific task of maintaining full employment’ (Pasinetti, 1981, 91). In Pasinetti’s framework, the role of capital is purely social in that it has to constitute the equipment needed to develop and grow towards full employment and, once reached, to stay on that path over time. This means that the function ascribed to enterprise capital through savings is, in the Classical sense, that of protecting and expanding the means of production rather than becoming a source of financial gains through the stock exchange. It was on the basis of these considerations that in the wake of the last financial crisis, he took a strong critical stance vis à vis the financial theory known as the Modigliani–Miller theorem that extols the efficiency of the stock market. Pasinetti (2012a) viewed this approach as obfuscating the issue of savings, thus intellectually contributing to the financial catastrophes.

The moral philosophy of Luigi Pasinetti is part and parcel of the analytical framework of his theory. In a workshop held in his memory on the 14 February at the Catholic University’s Piacenza campus – a city 70 kms south of Milan towards Bologna – the Dean of the Faculty of Law and Economics, Professor Annamaria Fellegara, in her formal opening speech concisely listed a number of points that Pasinetti deemed incompatible with Neoclassical economics. The headings were taken from a slim book he published in Italy in 2012b and donated to her. Here, they are as follows:

- 1) Preference to the needy in the distribution of goods
- 2) Outrage regarding the scandalous levels of inequality
- 3) Priority of labour over capital
- 4) Social function of capital
- 5) Means of production never to be pitted against labour
- 6) Principle of solidarity
- 7) Principle of subsidiarity
- 8) Principle of the common good
- 9) Essential role of non-coercive gifts/donations

Luigi Pasinetti: a great scholar, a magnificent human being.

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