

## Book reviews

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Mauro L Baranzini and Amalia Mirante, *Luigi Pasinetti: An Intellectual Biography*, Palgrave Macmillan; Springer International Company AG: Cham, 2018; 390 pp., ISBN 9783319710723, €117.69 (ebook).

**Reviewed by:** Joseph Halevi, *International University College of Turin, Italy*

The late Angelo Reati in reviewing Luigi Pasinetti's *Structural Economic Dynamics*, introduced the reader to Pasinetti's work on structural change in the following terms:

In this book Professor Pasinetti (1993) presents a simplified version of his multi-sectoral model of structural change already elaborated in Pasinetti (1981b). Had not the Nobel prize for economics become *de facto* the prerogative of neoclassicals, preferably with American citizenship, Pasinetti would undoubtedly have obtained it. (Reati, 1994: 118)

This reflects the importance of Luigi Pasinetti in 20th and 21st century economic theory. Baranzini and Mirante (BM) have brought this out in their intellectual biography. In the Introduction, the authors outline the salient conceptual and methodological aspects of the relevance of Pasinetti who, along with GC Harcourt, is credited with being the heir of the Cambridge tradition in economics. Pasinetti himself greatly enriched this tradition through his concern with the dynamics of structural change in a way that was not captured by Leontief- and Sraffa-type models. At the same time, he enhanced the role that Italian economic thought has played in the development of new non-marginalist theoretical approaches, including the contributions of Paolo Sylos-Labini (1969), Augusto Graziani (2003) and Pierangelo Garegnani (1960). The book's introduction also highlights the significance of Pasinetti's methodological choice of thinking in terms of a natural system whose fundamental dynamic properties can be analysed independently of the institutional set up.

The first part of the *Intellectual Biography* deals with Pasinetti's life from his youth at Zanica, near Bergamo, to his studies at the Catholic University of Milan and to his post-graduate work in Cambridge as well as in Oxford. The authors then present Pasinetti's academic activities in Cambridge after receiving his Doctorate, completed under the supervision of the late Richard Goodwin, until his return to the Catholic University of Milan in 1976, with the narration continuing until the recent years. These four chapters of the first part of the book, with the Introduction, make up 112 pages, slightly less than a third of the whole volume. Much of interest emerges, such as the atmosphere reigning in Milan and later in Cambridge; the very intense intellectual activity of Pasinetti both in Cambridge and in Oxford, stretching quickly across the Atlantic

to Harvard University. Yet some of the problems besieging the Baranzini-Mirante book appear already in the Introduction and in the first part. The authors overload the narrative by including too much detail, particularly with the inclusion of many lists that should have been rearranged into a more readable and comprehensible discourse. The insertion in first part of the book of rather pointed analytical segments taken from Pasinetti's exchanges with eminent economists like Nicholas Kaldor, would have found a better place and treatment in the discussion of Pasinetti's analytical contributions.

The second part of the volume is devoted to the content and substance of Luigi Pasinetti's research into economic theory which covers his most important contributions, with however, an important omission discussed below. The presentation and discussion of the contributions is organised as follows. The section opens with Chapter 5 devoted to Pasinetti's early contribution to productivity dynamics and technical change expressed in his 1959 *Review of Economics and Statistics* paper where it is shown that Neoclassical economics cannot deal with the phenomenon (Pasinetti, 1959). The same chapter deals also with Pasinetti's reformulation of Ricardo's growth and distribution theory. Those two papers are among the clearest first salvos of Pasinetti's lines of attack. Chapters 6 and 7 treat Pasinetti's construction of the *Post-Keynesian Cambridge Theory of Distribution and Growth*. In fact, what Nicholas Kaldor broached with his acumen and intuition, became a full theoretical construction with Pasinetti, whose version and development of it is what defines the Cambridge theory of distribution. These are the major chapters of the book. The issue is turned inside out several times over, with all the lines of research that have emanated from it given scope and latitude. Indeed, one of the authors, Mauro Baranzini, had contributed substantially to the Kaldor and Pasinetti approaches, as shown in the bibliography appended to each chapter of his own eminent writings. Hence, this part of Pasinetti's research has been handled by an expert mind. It gives to Pasinetti's contribution in the field a privileged position which surfaces also in the first part of the book. Looking at Chapters 5–7 as a whole, a reader familiar with Pasinetti's work cannot fail to see that they cover a significant part of his 1974 book of essays on *Growth and Income Distribution* published by Cambridge University Press. That volume is, however, more than just a collection of essays; it rather displays a remarkable unity and gives a clear picture of the historical transformations underlying the transition from classical to Keynesian and post-Keynesian dynamics. In this context, the last chapter of the *Essays*, written specifically for that volume, contains a definitive refutation of the Modigliani-Samuelson line of defence. It highlights the extreme assumptions that Modigliani and Samuelson had to make in order to coerce the original Kaldor model to fit a neoclassical framework. It then shows that when saving out of wages are properly accounted for, by including the interest received by wage earners, the validity of the Cambridge equation comes out even stronger.

Chapter 8 of the Baranzini-Mirante book is a nicely self-contained piece discussing Pasinetti's crucial contributions to the debate on the Neoclassical theory of capital. The historical sequences of the controversies are well laid out and the chapter extends the discussion into the aftermath, that is into what (did not) happen after Samuelson conceded that the non-substitution theorem put forward by David Levhari was false as a result of Pasinetti's refutation. Here, I should mention that – as recounted by Pasinetti in his INET interview with Dr Nadia Garbellini (2018) – it was Geoff Harcourt who alerted

Sraffa to the Levhari piece urging that a reply be written. Yet no-one felt confident enough to undertake the dismantling of the mathematical constructions and proofs put forward by Levhari. No-one except Luigi Pasinetti, who then took upon himself the task which he accomplished admirably. The chapter stretches into Thomas Piketty's recent rather cavalier and dismissive treatment of the capital controversy by bringing in the 2018 Garbellini criticism of the French economist's approach to capital. Baranzini and Mirante's extension of the debates over the Neoclassical theory of the production function into the evaluation of Piketty's (2017) book *Capital* is very apposite as it shows how ideas proven to be invalid still linger on and create a persistent fog of ignorance despite the fact that the air has actually cleared up long ago.

The ninth chapter deals with Pasinetti's own theory of structural growth and vertically integrated processes. It should have required at least two chapters. The authors appropriately refer to Geoff Harcourt's comment according to which Pasinetti's theory is one of the most important products of Cambridge economics. Equally appropriately they mention the fact that Paolo Leon (1967), an Italian economist who died in 2016, has been arguing since the early 1960s about non-uniform growth and a demand driven price system. The chapter also highlights the Conference and the special issue of the journal *Structural Change and Economic Dynamics* devoted to the discussion of Pasinetti's innovative theory. The authors go into great detail in listing and presenting the contributors to the discussions about vertical integration. The last section of Chapter 9 deals with the pure labour theory of value that emerges from the system of vertically integrated processes. Baranzini and Mirante demonstrate how in Pasinetti, in a rather simple understandable manner, labour emerges as the ultimate source of wealth. Yet the chapter itself is far too crowded by all sorts of people clouding the vista of the pristine clarity of Pasinetti's theoretical construction. Chapter 9 should have concentrated on the crucial methodological issue in Luigi Pasinetti's theory of vertical integration: namely, the question of a natural economic system of production, so basic as to be independent of particular institutional relations. It would have been more accessible if the crowd, the Conference and the special issue of *SCED* had been put in a longer Chapter 10, which contains a presentation of two conferences in honour of Pasinetti, one held at Lincei Academy in Rome in November 2008, centred on Pasinetti's (2007) book *Keynes and the Cambridge Keynesians* and one at Gonville and Caius College in Cambridge in September 2012 focused on the issues of structural change. The last chapter deals with Pasinetti's legacy which – in the light of the worldwide growing deep illiberal nature of today's higher education in general and in economics in particular – it is to be hoped will not be confined to the libraries and electronic databanks.

This review will now be brought to its conclusion by airing profound disappointment regarding what is missing in the Baranzini-Mirante volume on the intellectual history of Luigi Pasinetti. In their book, there is no treatment of, and no reference to, Luigi Pasinetti's fundamental monograph *Lectures on the Theory of Production*, first published in Italian in 1975 by Il Mulino in Bologna as *Lezioni di teoria della produzione*, and in English in 1977 by Columbia University Press in New York. The *Lectures* constitute the clearest exposition to date of production systems starting with Leontiev's and then proceeding to Sraffa's. It opens with an exemplary introductory chapter in the form of a magnificent historical excursus. In a nutshell through the *Lectures* Pasinetti provides a

precise answer to the Marxian transformation problem after a deep analysis of the Sraffa system undertaken in Chapter 5 of the *Lectures*. Then in Chapter 6 he addresses the issue of the choice of techniques where at the end it is shown that it makes no sense to talk about scarce resources and about the corresponding prices as scarcity indexes.

A further limitation of the Baranzini-Mirante book consists in the authors' omitting discussion of Pasinetti's contributions to policy analysis. Although these are not a large proportion of the voluminous literature produced by this exceptional scholar, they are conceptually significant. Pasinetti (1981a) wrote one of the most interesting papers on inflation where he used his own theory of vertically integrated processes to show that prices must vary naturally as productivity changes are not uniform across sectors. More than a decade later, during the process of the formation of the European Monetary System, when the European Union was already tied to the Maastricht criteria ratified in the Amsterdam Treaty of 1997, Pasinetti (1998) published a seminal paper highlighting the incongruity of those criteria and suggesting a more effective and better sustainable objective based on the stabilisation of the debt/gross domestic product (GDP) ratio rather than on a forced convergence towards the mythical figure of 60%. Indeed, by finding the appropriate macroeconomic criteria regarding debt stabilisation and the identification of the burden of debt (1997), Pasinetti has provided invaluable analytical and policy tools as to the conduct of macroeconomic policies in the messy set up of the European Monetary Union. The book does not carry a separate full listing of Pasinetti's publications.

Despite the problems identified, the book provides a good introduction to the works of an extremely important economist.

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Andrew Cumbers, *The Case for Economic Democracy*, Polity Press: Cambridge, 2020; Viii + 140pp. ISBN (hbk) 9781509533848, AUD 73.95. ISBN (pbk) 9781509533855, AUD 20.95. ISBN (ebook) 9781509533862, AUD 16.99.

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Andrew Cumbers begins this vigorously argued and highly convincing book by pointing to one major case of the ongoing retreat from democratic control over the economy – the decision in the neoliberal age to make central banks 'independent' (of parliamentary control, not of the financial markets that they are supposed to regulate). In his brief 14-page introduction, he sets out his 'three pillars' of economic democracy. The first, and also the most neglected of these, is the centrality of individual rights:

The individual is largely missing from earlier conceptions of economic democracy, particularly workplace-based forms, which have tended to see it as a collective project on behalf of workers as a whole. This has been an error and a gift to those on the right who have been able to equate the individual, freedom and capitalism – around notions of private property rights – at the expense of the common good. (p. 12)

The second pillar is democratic and collective ownership of firms, resources and property rights in a 'mixed (markets and planning) economy', and the third is 'the need to widen and deepen public engagement and participation in decision making to cultivate a more democratic and deliberative political economy' (p. 13). Such a truly democratic economy would thus require the transcending of capitalism.

Before returning to these arguments in chapter 2, Cumbers devotes the 23-page chapter 1 to a brief history of 'economic democracy as industrial democracy' (the chapter's title). He emphasises the 19th-century struggles for cooperative ownership and management that found their late-20th century equivalent in the Meidner plan, which would have transferred ownership of all large corporations in Sweden to their workers within 35 years. But there was an important defect: in the Meidner plan, the corporation 'was to be controlled by the unions rather than by the workers themselves. As such, it lacked a deeper commitment to grassroots economic democracy' (p. 28). Cumbers extends this criticism to the many and varied achievements of what Thomas Piketty has called the '*trente glorieuses*' (the 30 glorious years of social democracy, 1945–c.1975):