

## Paolo Sylos Labini, 1920-2005 \*

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“Economists around the world, from Cambridge to Cambridge and Osaka to Omaha, admire you for a lifetime of Schumpeterian innovation, Keynesian brilliance, Ricardian rigor, and Smithian realism”. With these words, in a message opening a collection of essays presented to Paolo Sylos Labini on his seventieth birthday,<sup>1</sup> Paul Samuelson gave cogent expression to the profound esteem kindled far and wide among his academic colleagues by the great Italian economist who died on 7 December 2005. In Italy Sylos Labini was not only the recognised master of generation after generation of economists, but also a public figure universally respected – and feared – for his moral rigour and the compellingly concrete contributions he made in political debate.

Hailing from Puglia, in Southern Italy (although he was born in Rome, on 30 October 1920), Sylos Labini graduated in law in Rome in July 1942 with a thesis on the economic consequences of innovations. The subject, entirely of his own choosing, with the approval of his supervisor, Guglielmo Masci,<sup>2</sup> was untypical of Italy economic culture in the 1940s; when Masci died, at a relatively young age, his role as supervisor was taken over by Giuseppe Ugo Papi, an advocate of the fascist

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<sup>1</sup> Vito Laterza, a great friend of Sylos Labini and publisher of many of his books, managed to bring the volume out (Biasco, Roncaglia and Salvati 1990) on the very day of his birthday, to be distributed at the conference in which Italian students and friends commented on the essays collected therein (by Baumol, Bharadwaj, Eckhaus, Godley, Kindleberger, Minsky, Modigliani, Rosenberg, Rothschild, Sachs and Steindl).

<sup>2</sup> In his fond reminiscences of Sylos Labini, (like the physicist Giorgio Careri) a school and university fellow of his, Luciano Barca recalls Masci (1889-1941) thus: “[...] liberal enlightened, antifascist and, in 1940, a frank critic – in the name of Smith and Ricardo – of autarchy and fascist corporative economics, but also of capitalism when extolled like an immutable pagan god rather than studied as a continuous process of creation and destruction” (Barca 2006, p. 27).

corporative system, who looked down on the would-be economist as an ugly duckling and was to oppose him throughout his career, even when he had proved a swan. So it was that, with one of the first Fulbright scholarships, Sylos Labini set out for the United States, first to Chicago and then to Harvard University, to study with Schumpeter, who was in fact famous for his theory of innovations. Together with a handful of American students (6-7 for the first course, about thirty for the second), he followed his lessons in the history of economic thought and advanced economic theory. He studied Schumpeter's works and discussed with him, among other things, a note he had written with critical observations on cycle theory (Sylos Labini boasted of being one of the six people in the world who had read from cover to cover the two massive volumes of *Business Cycles*, Schumpeter 1939).<sup>3</sup>

It was in that period that Sylos Labini also met Gaetano Salvemini, the great historian who had emigrated to America during the fascist regime, befriending him in the long walks they took together and while assisting him during an illness. Sylos Labini had introduced himself to Salvemini as a relative of Giustino Fortunato, a distinguished expert in the social and economic problems of Southern Italy. Through Salvemini he went on to make the acquaintance of Ernesto Rossi, another master of politics and, indeed, of life.<sup>4</sup>

Some years later Sylos Labini spent another period of study in Cambridge (UK), then at the peak of activity. Here, once again against the tendencies prevailing in that environment, the choice of supervisor fell on Dennis Robertson, a friend of Keynes and Sraffa but faithful to the original teaching of Marshall, and contested by the group of economists who had studied under Keynes, including Richard Kahn and Joan Robinson. By then, however, Sylos Labini had already formed his own ideas looking to the major classical economists (in order of importance: Marx, Ricardo and Smith; over the following decades the order gradually reversed) and to a Schumpeter purged of all neoclassical vestiges. Complementary to these theoretical fundamentals was the deter-

<sup>3</sup> Sylos Labini himself recounted these events in an interview (Roncaglia 1987, pp. 135-39), recalling among other things the help given by Gaetano Salvemini to revise the English of his text.

<sup>4</sup> Years later, Sylos Labini was among the moving spirits of the Movimento Salvemini (I remember helping him and Ferruccio Parri, then chairman of the Movimento, to organise a conference in memory of Ernesto Rossi on the tenth anniversary of his death, in 1977), and edited the reprint of *Abolire la miseria* by Rossi (1946), taking extraordinary pains to safeguard and disseminate their intellectual heritage.

mination to bring a realistic approach to the concrete problems of the times, from economic dualism (the *Mezzogiorno*, i.e. the problem of Southern Italy) to unemployment, an exceptionally complex phenomenon in the years of post-war reconstruction, not attributable solely to the paucity of effective demand which was a major object of attention for the school of Keynes. With the extrovert spirit and intellectual honesty that always marked him out, Sylos Labini thus found himself pleurably drawn into discussion with all those around him, entering into friendships that would prove life-long. Particularly evident was his intellectual affinity with Sraffa, whose influence we shall see: it was not the classical master-student relationship, however, but rather one of reciprocal high regard. In 1973 it was to be Sylos Labini who would edit a collection of essays to celebrate Sraffa's seventy-fifth birthday, although, out of respect for the elderly economist's proverbial reserve, no explicit mention was made of this purpose.<sup>5</sup> But he would also be maintaining constant contact with Nicholas Kaldor, Richard Kahn and Joan Robinson (not to mention John Hicks from Oxford and, from America, Kenneth Galbraith, Franco Modigliani, Paul Sweezy and many others). Particularly close, despite the difference in their theoretical positions, was to prove his friendship with Modigliani, consolidated in recent years with Sylos Labini's contribution to the drafting of the "Manifesto" promoted by Modigliani himself (1998), and common opposition to the centre-right alliance led by Berlusconi.

In Italy, Sylos Labini took an active part in the post-war economic debate, contributing to the trade-union backed "Piano del lavoro" ("National employment plan") for economic reconstruction, and addressing such issues as economic dualism and the *Mezzogiorno*, which was to remain a major preoccupation for the rest of his life (see, for example, the great research project carried out together with his pupils in Catania – Sylos Labini 1966 –, the studies collected in Sylos Labini 2003a, including concrete evidence on the farm labour market and a cogent interpretation of the origins of the mafia).<sup>6</sup>

<sup>5</sup> On that occasion, being then in Cambridge I acted as intermediary in the negotiations, among other things reading and discussing with Sraffa in full detail Sylos Labini's introduction to the book.

<sup>6</sup> In an article in *Il Mondo* (28 July 1953), Gaetano Salvemini had denounced as a "slave market" the annual rite held in Benevento every 15 August in the context of the local fair: the sons of the poorest peasants were offered to the landlords and *métayers* to watch over their cattle for the duration of a year. The article that Sylos Labini pub-

His first theoretical contribution, on “Saggio dell’interesse e reddito sociale” (‘Interest rate and social income’), taking a decidedly classical approach, came out in 1948; Alberto Breglia, who took him on as voluntary assistant and whom he succeeded as librarian at the Ministry of Agriculture, had it published in the Proceedings of the Accademia dei Lincei. The second, “The Keynesians”, published in the *Banca Nazionale del Lavoro Quarterly Review* in 1949, is a critique of Keynesianism (and in particular of what we might call, using later terminology, Keynes’s assumption of the exogenousness of money; Sylos Labini favoured an endogenous conception of money, stressing the role of the banks).<sup>7</sup>

Other writings deal with monopoly and the economic cycle. On the latter topic in particular, in 1954 he published a lengthy text comparing the theories of Marx and Schumpeter, which was reprinted more than once. It constituted an important contribution in the history of economic thought, the notion of equilibrium – so central to neoclassical theory – disappearing from the scene to make way for analysis of the evolution of the economy over time. At the same time, we see cycle and development, technological change and growth, and employment and income distribution brought together as an integral whole. Like a later and equally important work on the difference between the classical

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lished after observing these market operations (“La tratta degli alani” – ‘The *alani* trade’ – *Il Mondo*, 21 September 1954, pp. 3-4; reprinted in Sylos Labini 2003a, pp. 41-51; actually the correct term was ‘gualani’ (cattlemen), as Sylos explained to me a couple of years ago) drew the attention of the then Italian president Luigi Einaudi, who wrote about it in private to Mario Pannunzio, editor of *Il Mondo*, and commented on it in his papers of the time, published when his presidency came to an end (Einaudi 1956, pp. 590-96).

The pages on the mafia originated as testimony (21 June 1965) to the Parliamentary Committee of enquiry into the Sicilian mafia; with some friends we xeroxed and distributed it during the student occupations of the University of Rome in 1966-68; they were subsequently reprinted in Sylos Labini (1970 and 2003a, pp. 245-57). I count these among his finest pages for the fine balance between economics and politics, historical considerations and civil commitment that characterised his analysis of Italy’s social issues. If I attempt to summarise them in a short formula (e.g., the mafia has its roots mainly in western Sicily, where the vestiges of feudalism had lingered longest, and had to do with the control of irrigation water resources), I realise that such simplification serves to refresh the memory of people acquainted with the text, but certainly does no justice to the amplitude and complexity of Sylos Labini’s vision.

<sup>7</sup> Luigi Ceriani, founder and editor of the journal (and its Italian sister, *Moneta e Credito*) had a sharp eye for budding talents; in the two journals Sylos Labini published a great many articles over the years, and from 1984 to his death belonged to the editorial Committee, always playing an active part in its meetings.

(Smithian) and neoclassical notions of competition (Sylos Labini 1976), these contributions offer eloquent evidence not only of the interest he took in the direct study of original sources but also of the relevant role he attributed to the history of economic thought in debate on contemporary economic theory.<sup>8</sup> Unlike others (Napoleoni, Garegnani) who followed in the footsteps of Sraffa, concentrating on the theory of value, Sylos Labini – while also taking an interest in the topic – went back to the classics, and in particular to Smith and Marx, for the dynamic approach combining historical analysis and economic theory.<sup>9</sup>

In 1955, subsequent to fervent debate on oil concessions in the Po Valley (which the United States ambassador, Clara Booth Luce, wanted to be awarded to a US company), the then prime minister Antonio Segni took the advice of Ernesto Rossi and appointed Sylos Labini, together with the jurist Giuseppe Guarino, to carry out an enquiry into the state of the oil industry in Canada, Mexico and the United States. The field survey was conducted from August to October 1955, resulting in a report (published as Guarino and Sylos Labini 1956) whose indications served as guidelines for the new Italian oil law, overriding the opposition of the major US oil companies.<sup>10</sup> For Sylos Labini this was

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<sup>8</sup> When I proposed to him the topic for my graduate thesis on fixed capital in Sraffa (he encouraged students to choose their own subjects for research), instead of the extremely succinct post-1960 bibliography I had been expecting, he told me to begin with Smith's *Wealth of Nations*, Ricardo's *Principles* and the second book of *Capital*. All his students, even those furthest from his ideas, bear the hallmark of a lively interest in the history of economic thought. The spirit of the age doubtless had something to do with this, but I can say that together with a few others (in particular Claudio Napoleoni, whose academic career Sylos Labini himself and Fuà supported) he gave a decisive contribution to the formation and development of this climate with his writings, research and workshops organised at his university institute. Together with Fuà, and still earlier together with Siro Lombardini (who, despite the fact that he was also a competitor, supported Sylos Labini in his first unsuccessful bid for a university chair) and a few others, he played a leading role in modernising Italy's academia, favouring openness to the world after prolonged autarchic closure and attacking the barriers raised against even the best exponents of unorthodox lines of research, without necessarily sharing their ideas.

<sup>9</sup> Thus, for example, in Book III of the *Wealth of Nations* he found the cue for his work on underdevelopment with the distinction between the Spanish and Portuguese colonies on the one hand, and the British ones on the other; the chapter on machinery in Ricardo's *Principles* gave him important hints for his work on technological change; the writings of Marx prompted the idea of a trade-off between wage growth rate and unemployment (and it would be his university assistants Mauro Ridolfi and Michele Salvati to point out to him that he had rediscovered the 'Phillips curve'; the relationship is the same, but Sylos Labini's interpretation differs in terms of relative bargaining power rather than in terms of equilibrium between demand and supply).

<sup>10</sup> The story is recounted in Sylos Labini (2006, pp. 32-35).

also valuable experience for his work on the theory of oligopoly – his original contribution which brought him worldwide recognition.

*Oligopolio e progresso tecnico (Oligopoly and Technical Progress)* came out in a provisional edition in 1956; it was reprinted in 1957, and a second edition brought out in 1964, with a third following in 1967. It was translated into English (on recommendation of Galbraith) by Harvard University Press in 1962 (with a second edition in 1969), and in the following years into Polish, Japanese, Spanish, Czech and Portuguese. The same year also saw the publication of a book by Joe Bain (1956), *Barriers to New Competition*, which, together with Sylos Labini's volume, constituted the reference point for an article by Modigliani (1958), "New developments on the oligopoly front". It was in fact in Modigliani's version, emerging as a model of static equilibrium between demand and supply of the oligopolistic enterprise, that the new theory of oligopoly was accepted and incorporated into mainstream theory of non-competitive market forms. This, however, amounted to prising Sylos Labini's ideas out of their mould and classical context and working them into a 'neoclassical synthesis' much as Modigliani himself had done with Keynesian theory with his articles of 1944 and 1963, while the dynamic aspects of Sylos Labini's original analysis developed in the second part of the book were put aside.

Some germs of Sylos Labini's theory of oligopoly are to be found in his analysis of the oil sector, characterised by a high ratio between fixed and variable costs (Frankel 1946), and in an observation made by Sraffa in conclusion of his 1926 article that the theory of monopolistic competition contained in his text did not take into consideration an aspect central to the classical conception of competition, and that was the free flow of capital between the various sectors of the economy.<sup>11</sup> In his theoretical deliberations on concentrated oligopoly Sylos Labini developed a theory of entry barriers (and thus of the difficulty of capital inflow into a sector of the economy) based on the daunting cost of initial investment in sectors characterised by an appreciable optimal

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<sup>11</sup> "In the foregoing the disturbing influence exercised by the competition of new firms attracted to an industry the conditions of which permit of high monopolist profits has been neglected. [...] These are mainly aspects of the process of diffusion of profits throughout the various stages of production and of the process of forming a normal level of profits throughout all the industries of a country; [...] their consideration is [...] beyond the scope of this article." (Sraffa 1926, pp. 83-84).



scale of plant and high ratio between fixed and variable costs. Sylos Labini was thus able to demonstrate that obstacles to competition can derive from factors other than those determining market segmentation, which had been at the centre of the attention of the theoreticians of imperfect competition.

The idea of oligopoly based on barriers to entry is a *general* theory of market forms. Actually, both competition and monopoly turn out to be peculiar cases – the two extreme cases in which the barriers to entry are either non-existent or insuperable – of the more general situation in which barriers to entry are indeed present but can be overcome, albeit at some cost. The proper study for the theory of oligopoly – or, more generally speaking, of market forms – is therefore the nature and dimensions (or, better, the factors determining the dimensions) of the barriers to entry. Bain, who was closer to the tradition of the monopolistic competition theory of the 1930s, brought the focus of his book to bear essentially on the case of differentiated oligopoly in which the barriers to entry are constituted by the consumers' brand loyalty, and the height of the barriers depends – among other things – on the costs undertaken for advertising. On the other hand, the specific case that Sylos Labini analysed in his 1956 book is what is known as concentrated oligopoly. In this case the barriers do not depend on product differentiation but rather on the presence of technological discontinuities and increasing returns to scale, or in other words on the fact that the optimal scale of plant be such as to constitute a significant proportion of the overall scale of the market. Thus, for a new competitor, entry will entail an appreciable increase in production which the market will be able to absorb only with a by no means negligible reduction in price. This means that the profit that the existing firms can rely on normally exceeds competitive profit, since potential competitors are aware that no such extra profits would be forthcoming after their entry.

In the course of time the extra profits made by oligopolistic firms behind their protective entry barriers tend to find their way into wages and salaries – including the managers' emoluments – topping pay in the competitive sectors (and thus showing a correlation between interindustry wage differentials and the degree of oligopoly – or in other words the height of the entry barriers – in the various sectors). They will also be channelled into more lavish entertainment expenses.

In concentrated oligopoly the height of the barriers depends on the optimal scale of plant in relation to the size of the market, the elas-

ticity of demand in relation to price and the foreseeable rate of market growth, which determines how long it will take for the increase in production to be absorbed by the market at the old price. The latter variable endows the theory with a dynamic dimension, which Sylos Labini further develops in the second half of the book, where he deals with technological change. Moreover, the so-called full cost principle is also given dynamic interpretation as a 'rule of thumb' followed by firms to adjust prices to variations in the variable costs, while retaining a steady proportional margin – the mark-up – serving to cover fixed costs and ensure a reasonable unit profit margin. Thus the full cost principle cannot apply as a price determination theory in the case of non-competitive markets, the proportional margin being taken as a given element, assumed to remain constant over time in the initial stage of generalisation. For this theory we must look, rather, to analysis of the entry barriers, which can tell us much about the profit margin and thus the level of mark-up.

In conditions of competition the reduction in costs and temporary increase in profits generated by technological advance lead to increased production, and so to a decrease in the price of the product. This in turn means lower costs for the sectors using the product as means of production, with an increase in production and reduction in prices. So it is that technological advance in one sector generates expansive effects rippling out through the entire economy. In oligopoly, on the other hand, technological advance leads more in the direction of higher wages and salaries than of lower prices; thus its effects remain confined to the original sector alone, and the expansive effect for the economy amounts to no more than an increase in purchasing power for those engaged in the sector. In contrast with competitive economies, therefore, oligopolistic economies tend towards stagnation.<sup>12</sup> We also have a change in the characteristics of the economic cycle, competitive economies showing sharper drops in prices than in production in times of crisis, while the oligopolistic economies respond with appreciable cuts in production and relatively stable prices in times of crisis in oligopolistic economies.<sup>13</sup> At the same time, the terms of

<sup>12</sup> Sylos Labini's theory is in this respect similar in diagnosis to Steindl (1952), although the mechanisms considered are not the same.

<sup>13</sup> Sylos Labini compares the business cycles preceding and following upon the First World War: cf. e.g. Sylos Labini (1984, pp. 148-52).



trade will tend to be worse for the competitive sectors than for the oligopolistic ones (and for the developing countries producing raw materials, which operate in prevalently competitive conditions while the industrialised countries sell their products in oligopolistic markets).

The full cost principle represents a simple and widely recognised standard of behaviour – a sort of implicit collusion – by means of which competitive pressures can be held in check when prices have to be adjusted to changes in the variable costs in an oligopolistic sector: the price-leaders adjust their prices to the new level of variable costs applying the prevalent mark-up, and by so doing keep the rate of profit fairly steady, while the other firms follow suit. Another generally adopted practice is to adjust production to demand, in the short period, adapting the degree of utilisation of productive capacity in such a way that short-period variations in demand do not lead to price instability. This is not, however, to say that competitive tendencies are totally absent. When they do emerge, and price wars develop, the effects can be devastating; the analysis Sylos Labini provides of price wars, based on the notions of ‘exclusion price’ and ‘elimination price’, helps us to understand many occurrences in the real world (one example among many being the ‘oil counter-crisis’ of 1985-86: cf. Roncaglia 2006).

In the ‘neoclassical synthesis’ version proposed by Modigliani the dynamic aspects disappear leaving the centre stage to what is known as the ‘Sylos Labini postulate’, according to which the firms already present on the market do not take an ‘accommodating’ attitude to the entry of new competitors, reducing the quantity produced to make room for the production of the new entrants and so avoiding a drop in prices. This ‘postulate’ has given rise to debate in terms of the new theory of industrial organisation, which applies game theory to study the strategic behaviour of firms. In fact, in the case of a one-shot game it proves advisable to take an accommodating approach; this can also apply to a series of repeated games if the firms present in the market have advance knowledge of the number of repetitions. However, Sylos Labini never thought of this as an abstract postulate, but simply a stylisation of the behaviour usually adopted by entrepreneurs, to be seen by observing what actually happens in the oligopolistic sectors. The fact is that in general the oligopolistic firms are faced with an indefinite number (unknown *a priori*) of game repetitions; thus, having no chance of applying the backward reasoning of game theory, they prefer to be known for their toughness in the competitive clash.

Analysis of the dynamic behaviour of oligopolistic markets following the full cost principle in setting prices is then taken to serve as a basis for analysis of both inflation and income distribution. Actually, the latter two elements are viewed as linked aspects of one single process. This conception was illustrated in the econometric model of the Italian economy which Sylos Labini published in this journal in 1967. It was the first of its kind in Italy, preceding the model formulated by the Bank of Italy in the same period under the guidance of Modigliani. The MoSyl (as it came to be called by Carlo Del Monte, a pupil of his who had worked on a revised version and application to the *Mezzogiorno*),<sup>14</sup> takes the economy as consisting of three sectors – agriculture, industries and services – characterised by different forms of market (respectively: competition, oligopoly, monopolistic competition) and so by different rationales of behaviour. The manufacturing industry is taken to be the driving sector of the economy; industrial investments are determined by the degree of utilisation of productive capacity and the liquidity conditions of the economy; in turn, together with exports and consumption (and thus with a variant of the Keynesian principle of aggregate demand), they determine the product and employment trends.

In this model we see a precise interpretative scheme applied to the Italian economy, theoretical formulation and exploration of applied economics finding a common thread of great didactic utility (Sylos Labini 1969 and 1992), and providing a reference point for further analyses of particular aspects, especially in relation to the trend in wages and inflation. For example, income distribution can be associated with variations in mark-up (the multiplicative coefficient which the price-leaders apply to adjust their product prices to changes in variable unit cost), whether in the various phases of the economic cycle or in the face of trade union strategies waxing more or less combative,<sup>15</sup> or

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<sup>14</sup> Del Monte (1973); this study was subsequently utilised and developed in the research of Svimez, the Association for the Development of Industry in the Mezzogiorno, with which Sylos Labini long collaborated. Cf. also Damiani, Del Monte and Ditta (1987).

<sup>15</sup> In this connection it is worth mentioning the ingenious way Sylos Labini measured union combativeness: not by the number of hours on strike, which has a pro-cyclical bias and thus proves correlated with the income growth rate or, inversely, with the unemployment rate, but by the difference between the effective and potential hours of strike obtained on the basis of a regression with respect to the rate of unemployment. The technique can be applied to a variety of such cases.

indeed as an underlying trend in response to extremely long-period variations in market forms. As examples of this line of research we may mention a volume published in 1972, *Sindacati, inflazione e produttività* (the English edition, *Trade Unions, Inflation and Productivity*, came out in 1974) and an article of 1979, which went through a number of reprints, "Prices and income distribution in manufacturing industries", where empirical analysis extends to take in the United States. When wages and prices are determined in non-competitive markets, the use that oligopolistic firms make of the full price principle may entail variations in mark-up, as for example when the increases in money wages in one country exceed those of the competing countries or, on the other hand, when devaluation gives a country's firms an advantage over the other countries' firms. In this way the change in prices interacts with the money wage bargaining conducted between trade unions and entrepreneurs' associations, determining, together with the course of technological change, the evolution both of real wages and of the distributive shares in the economy.

With his realistic conception of the links between distribution, economic growth and employment Sylos Labini had scant sympathy with the schematic contrivances of mainstream economic theory centring upon trade-off between wages and employment; rather, he sought to identify the margins for manoeuvre and concrete solutions by virtue of which development of the economy might go hand in hand with increase in the workers' purchasing power. Thus he was continually drawn into the debate on economic policy. His contributions also took the form of articles in the major newspapers, offering original proposals and, often, taking unpopular positions that earned him respect and resentment from right and left alike.

For example, Sylos Labini advocated a policy of agreement between the social parts (see, for example, Baratta *et al.* 1978), as was indeed later implemented in 1992-93 by the then Minister of the Treasury and subsequently Prime Minister Ciampi, while opposing corporative policies (as in his unflinching campaign against government legislation granting *ope legis* promotions in university careers). He blazed a then solitary trail in arguing for greater flexibility in labour contracts<sup>16</sup>

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<sup>16</sup> What counted for Sylos Labini was flexibility favouring technological change (thus, in particular, mobility among the various work roles within the firm), and not flexibility as a means to reduce the bargaining power of the unions and thus real

(together with his criticism of the equal absolute amount escalator clause for the adjustment of all wages and salaries to cost of living increases, which he reiterated from its introduction in 1973 to abolition with the 1985 referendum, that earned him the unlooked for interest of the Red Brigades) while firmly opposing generalised liberalisation of the labour market when it became the watchword in more recent years. He believed in public support for the economy but not in public ownership as an end in itself, nor in rescue operations conducted by the state.

In short, with his rejection of abstract or generic watchwords and steady focus on concrete problems, Sylos Labini represented the critical conscience of the left, secular and reformist in the sense understood by Riccardo Lombardi and Antonio Giolitti. Indeed, he entered into active collaboration with them in the days of nationalisation of the electrical industry and economic programs (cf. Fuà and Sylos Labini 1963: a concrete study that remains relevant both as an example of how to set about economic policy issues and for its examination of certain specific aspects such as the prospects for reform in urban planning).

The reformist approach implies consideration of the effects of economic policy measures not only on employment and distribution, but also on the allocation of powers (in the broadest sense of the term) within society. From the reformist viewpoint, spreading out the distribution of power is a goal that can in many cases take priority over more equal distribution of income. Separating the technical aspects from the more strictly political implications of choices in economic policy is seen as an error: Sylos Labini always treated the idea of the pure technician for all seasons with diffidence, if not indeed disdain, as an alibi for turncoats set on pursuing their personal ambitions.

His *Saggio sulle classi sociali* ('Essay on the social classes', 1974, translated into many languages, but not into English) also represents a contribution to the political debate in the broad sense. Bridging economics, politics and sociology, this is the best known of Sylos Labini's books among the lay public. Here, following on an extensive series of contributions on the subject, Sylos Labini criticises the Marxist theses based on the dichotomy between capitalists and proletarians, and the progressive growth of the proletariat, which would eventually see the

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wages (reduction of which is a requisite to achieve increases in employment according to marginalist theory).

party representing its needs coming into power. In his *Saggio*, by contrast, he points to the growing weight and importance, both political and economic, of the middle classes – a complex and variegated cluster of subclasses and groups internally differentiated in terms of interests and culture, but decisive for the conquest of power (in that without a strategy of alliances involving a fair cross-section of the middle classes together with the remains of the working class no progressive policy can be implemented). Based on sound statistical foundations, Sylos Labini's thesis gave rise to wide, heated debate, and contributed to the change in strategy embarked upon by the parties of the left. Subsequently, in *Le classi sociali negli anni '80* ('Social classes in the '80s' – 1986), he fleshed out his 1974 thesis with international comparisons; moreover, perusing Soviet Union statistics, and in particular the increase in infant mortality, Sylos Labini descried an ill omen for political and economic sustainability in the USSR which was to find spectacular confirmation a few years later. His opposition to Marx's political ideas and what in his theoretical construction was directly or indirectly marked by political aims was illustrated in a series of articles that generated keen controversy and fostered greater caution about uncritical acceptance of Marxism among the Italian left (see, for example, Sylos Labini 1994).

The topics addressed in his early works on economics reappeared in a great many later works. An idea of the range and depth of Sylos Labini's analytic labours can be had from *Le forze dello sviluppo e del declino* (*The Forces of Economic Growth and Decline* – 1984), an astutely assembled selection of his contributions published contemporaneously in English and Italian; together with his 1956 text, this remains the major reference point for those interested in studying the thought of this Italian economist.

One topic addressed as from his earliest writings but developed mainly in the '80s and '90s was technological progress and its effects on employment (see in particular Sylos Labini 1987, 1989, 1993, 2005). Productivity growth (considered exogenous in the 1967 model) depends on investments (with a two-three year lag, while current investments have a negative effect due to the organisational problems they raise initially and the time necessary for learning-by-doing), production ('Smith effect') and mechanisation ('Ricardo effect'), which in turn depends on the relative movements in machinery prices and wages. About this specific contribution there revolved stimulating analyses of

the historical and institutional context, the relative roles of inventions and innovations, the various effects of technological progress and the characteristics of the economic cycle varying with changes in the dominant market forms.

Another important line of analysis has to do with the problem of underdevelopment. Here the major works are a book of 1983, *Il sottosviluppo e l'economia contemporanea* ('Underdevelopment and contemporary economy'), and one of 2000, *Sottosviluppo. Una strategia di riforme* ('Underdevelopment. A reform strategy'). These works bring out in increasing evidence a classical approach harking back to Adam Smith, offering an original combination of analyses of institutions, history and economy. Thus, making reference to the various models of colonisation, the author traced out the different paths of development taken by the colonies of North and South America. He also formulated an institutional reform strategy apt to favour development. In particular, he recommended a strategy of organisational reforms for Africa including a programme to eradicate illiteracy and foster rural development and the formation of industrial districts.

In support of his rejection of the neoclassical equilibrium approach in all its variants and in favour of the classical approach, characterised by the central importance of dynamic analysis and integration between economics and the other social sciences, Sylos Labini offered a number of contributions criticising the traditional approach, and in particular the aggregate production function. Indeed, for the latter he proposed an original interpretation (Sylos Labini 1995), stressing the roles of increasing returns to scale and of what is known as dynamic substitution (in which, among other things, the price of machinery substitutes the rate of interest as explicative variable).

Sraffa (1960, p. 121) had characterised the difference between the two approaches – classical and marginalist – as contraposition between a “circular process” and “one-way course”, while Sylos Labini (1985) saw it in terms of contrast between “spiral” and “arc”. In the classical conception, the ‘production of commodities by means of commodities’ generates a surplus used, at least in part, for accumulation and growth, also generated by technological progress; thus we have a ‘spiral’ path along which the process of production and consumption does not lead back to the starting point but rather – period after period – to ever higher income levels. To the marginalists, by contrast, price and quantity equilibrium appears as a spark generated by an electric arc

whose poles consist of endowment of resources, on the one hand, and the needs and desires of the economic agents on the other.

The importance of this distinction was also stressed at the didactic level. A point Sylos Labini always insisted upon was the principle that students, from their very first encounters with the discipline, should be taught that economics is open to various approaches and not the one 'truth' imposed by the dominant conformism of the moment. "First he corrupts them, then he redeems them", Sraffa<sup>17</sup> remarked on the didactic strategy followed by Sylos Labini and incorporated in his university textbook (1969). Here he begins by setting out the neoclassical theory, goes on to illustrate classical and Keynesian theory and concludes with a simplified version of his econometric model. This model gave apprentice economists a concrete idea of how to apply economic theories to the analysis of economic realities while at the same time incorporating the essentials of various theoretical contributions – Sraffa's theory of price, for example, as well as Sylos Labini's own theory of oligopoly and Keynesian theory of effective demand – already at hand to construct a modern, non-neoclassical conception of the economy.

Actually, this made Sylos Labini's teaching far tougher to get to grips with than courses obsequiously geared to the dominant tradition with the assumption that well established truths exist to be passed on to students, who should only be exposed to the bewildering multiplicity of theories once they have grown up, if at all – hardly the way to inculcate critical method. But the positive passion Sylos Labini put into his teaching as into his research work (indeed, given his approach the two ultimately boiled down to the same thing), his human capacity to create a sense of involvement (there are no end of anecdotes on this aspect) and his moral commitment – an authentic oddity in the world of university 'barons' – all made of him a true master for generations of students as – unlike so many other professors – he endowed them with a lasting hallmark.

Research and teaching constitute a task of moral import in society's endeavour towards civil advancement, together with – and even before – efforts to tackle the economic problems of poverty and unemployment in a country that was – as Sylos Labini never tired of re-

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<sup>17</sup> In a conversation with myself, in August 1970: despite the playful irony, this was certainly not meant as criticism, and Sylos Labini, to whom I reported Sraffa's remark, would often quote it.

peating – “of limited civilisation”. Hence his active involvement at another level – that of political commitment – particularly intense in more recent years,<sup>18</sup> but never in fact lacking:<sup>19</sup> for a follower of Gaetano Salvemini and Ernesto Rossi it did not constitute a profession but a way of being and a duty for all citizens. Fierce in his condemnation of certain national vices – a proclivity to moral compromise, making do and failing to respond to illegality and injustice – with his criticism of the government and, often enough, of the opposition, he sought above all to foster the civic values of his fellow citizens. His criticism of the Machiavellian or, even worse, Guicciardinian spirit rampant in

<sup>18</sup> Cf. in particular Sylos Labini (2003b and 2006). His political activity subsequent to Berlusconi's entry in the political arena merits attention in its own right. To put it very briefly, the keystones were: the interconnection between politics and morality (and the consequent refusal to justify recourse to underhand methods with the excuse of higher aims); the liberal, progressive idea of democracy as a system based on the greatest possible spread of power in society – not only political power, through free elections, but also economic and media power – based on a complex system of counterweights (including the autonomy of the legal system) and respect of the rules. For a scholar whose focus was on oligopolies, but also on the middle classes and the importance of culture – in the broad sense – in shaping alliances, it was natural to conclude that someone who had achieved a massive concentration of power in the field of information inevitably found himself in a gigantic conflict of interests on taking a direct part in managing the state in government roles, and all the more so in a country like Italy, with an insufficient supply of the ‘antibodies’ produced by widespread civic sense.

<sup>19</sup> There are a great many ‘battles for civilisation’ I might recount. Here let us confine our attention to just a few. The first is the battle to defend the expropriation of the land on which the Tor Vergata University was to rise in Rome in 1966-69: to avoid expropriation certain land-owners with the help of influential politicians had pleaded a law in defence of typical wines; having consulted the land registry, Sylos Labini went to make on-the-spot investigation and found not a trace of vineyards; moreover, examining the law he discovered that, even had there been any vineyards, the law did not rule out expropriation. The second was the pressure exerted on the Polish Embassy in 1969-70 to have an expatriation visa granted to the economist Michal Kalecki, who had been relieved of his university appointments and moved to the Ministry of Agriculture; success seemed within reach when Kalecki died, before the formalities could be concluded. It was a student of his and friend of Sylos Labini, Włodzimirz Brus, who eventually emigrated to the west and would later become professor at the University of Oxford. The third battle, for the founding of the University of Calabria, which saw the collaboration of Beniamino Andreatta, involved clashes with the local potentates (in particular Giacomo Mancini), who wanted to dictate the choices for the university-to-be. Among other things this earned Sylos Labini an indictment and an incredible committal for trial for having failed to assign a professorship to a local lawyer (who lacked the basic qualifications, as it was later recognised). The fourth – perhaps the one that created the greatest stir, although costing him far less in terms of time and energy – was his resignation from the Technical-Scientific Committee for Economic Programs in 1974, in protest against the appointment of Salvo Lima as undersecretary at the Ministry of Budget.



the country's customs, separating morality not only from politics but also from research and teaching, combined with his reformist fervour and sympathy (in the Smithian sense of the word) for the more vulnerable to form a constructive life model, rich in humanity and hope in the persuasive power of reason – the goddess Suadela invoked in the last of his writings.

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