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***ABSTRACT BOOK***

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Ramiro Eugenio Álvarez (Università di Siena)

*Price, Distribution and Accumulation in a three sectors-peripheral economy through the lens of the Classical-Keynesian Approach: A formal representation of the O'Donnell's Argentine Pendulum (1956-1976)*

The article presents both conceptually and in formal terms some contributions made by the political theorist Guillermo O'Donnell, which revolve around the notions of *Argentine Pendulum* and *Bureaucratic-Authoritarian State*, and their implications on income distribution and output dynamics in Argentine economy. Based on Latin American Structuralist attempts to explain the *Stop & Go* cycles, in "*State and Alliances in Argentina, 1956-1976*", O'Donnell highlights the political determinants of such dynamics, by presenting its history as the history of the pendular alternation of class alliances concerning the determination of economic policies. By applying Sraffa's representation of productive process (in which commodities are produced by means of commodities) and the Keynesian Principle of *Effective Demand* in formalizing O'Donnell's *Pendulum*, the present contribution identifies compatibilities among theoretical elements rooted in the Latin American Structuralist tradition and the *Classical-Keynesian Approach*. Nevertheless, unlike recent attempts in revisiting *Structuralist* tradition through the lenses of the classical revival, the novelty of the article refers to the abandonment of the traditional dichotomy between agricultural and industrial sectors to account the effects of the international capital irruption in the industrialization process. Thus, in addition to the agrarian sector and the rural *bourgeoisie*, the suggested model distinguishes the productive process of manufactured goods for final consumption, ruled by national-urban capitalists, from the sector that provides capital goods, controlled by transnational corporations. Under the basis of a tripartite productive structure, O'Donnell's interpretation of the *Stop & Go* dynamic is formally reconstructed as the ambivalent behavior of the international *bourgeoisie* with respect to its alliance strategies for the definition of the economic policies. In sum, by introducing class heterogeneity, the tensions among capitalist fractions and working class are stressed to provide an explanation for the changes in the economic policies that induced the cyclical dynamic from 1956 to 1976. The resulting image of the Argentine import substituting industrialization corresponds to the *Gramscian* definition of crisis, that is, a *state in which the old is dying and the new cannot be born*.

Angela Ambrosino (Università di Torino), Mario Cedrini (Università di Torino), and John B. Davis (Marquette University and University of Amsterdam)

*Unity of Science and Disunity of Economics*

Unity of science has been a very popular topic in history. The twentieth century saw the development of a radical version of this vision, the project of unified science advanced by logical positivists of the Vienna circle, and a series of attempts to build unity on a model of theory-reduction. Critics of this strategy, however, have opposed such efforts – and successfully illustrated the somehow mythical nature of the underlying logic – by emphasizing the irreducible plurality of sciences and the resulting, fundamental disunity of science. The significant difficulties associated with defending convincingly any “unity-of-science” project on traditional bases (ontological, theoretical, or methodological reduction unifications) directed the attention of both supporters and critics towards more flexible versions of unity (such as the proposal of unification as a “regulative ideal”) and to the theoretical and practical foundations of interdisciplinarity – unity being seen in terms of integration between different disciplinary approaches.

Some recent proposals for unifying the social sciences have originated within the economics profession. Our aim is to investigate the reasons why economists are increasingly debating this issue, and the (theoretical) feasibility of such projects, in the light of the current state of the relationships between economics and contiguous disciplines. The paper proposes a general theoretical framework in order to distinguish a set of possible options for integration between social sciences. As pointed out by various philosophers of science, interdisciplinarity (in its general meaning) is old news, and even the most integrative forms of disciplinary interaction seem to emerge from established disciplines. We therefore use disciplines as unit of analysis, and adopt the so-called “nation” metaphor in order to investigate, using the analogy with Dani Rodrik’s “world political trilemma” (whereby democracy, national sovereignty and global economic integration are mutually incompatible; it is possible to combine any two of the three, but never have all three simultaneously and in full), three ideal types of disciplinary integration, or three different roads to the realization of the unity of social science (which we here call, respectively, “reductionism”; “federalism”, and “complexity”).

The framework is then applied to three main “integration” projects, with a view to throwing light on their theoretical underpinnings and expected outcomes: 1. David Colander’s (and others’) idea of a ‘transdisciplinary’ social science, based on cross-fertilization of methods and approaches; 2. arguments advanced by influential philosophers of social sciences and economics (like Don Ross, Harold Kincaid) that regard disciplinary adaptation (of economics to sociology and psychology, and vice versa) as a possible solution to the unsolved problem economics has with the “social” dimension; 3. Gintis’ proposal for a new theoretical framework using the evolutionary perspective and game theory as bridges for unifying otherwise incompatible disciplinary approaches to human behavior.

While throwing light on the features of disciplinary relations as conceived in each of these projects, we speculate about their “implicit” origins, which we generally identify in the disunity characterizing the current fragmented state of economics. We then discuss the potential impact of these integration projects by focusing on the issue of pluralism in both the social sciences – which some proposals explicitly want to counteract – and in particular within economics, at a time of pervasive specialization, continuous creation of scientific research niches and declining cross-science research programs.

Angela Ambrosino (Università di Torino), Mario Cedrini (Università di Torino), John B. Davis (Marquette University and University of Amsterdam) Stefano Fiori (Università di Torino), Marco Guerzoni (Università di Torino and ICRIS, Università Bocconi, Milano) and Massimiliano Nuccio (University of Birmingham)

*The Problem of Knowledge Classification in Economics: The Potentialities of Automated Information Retrieval Systems*

The paper is a first, preliminary attempt to illustrate the potentialities of topic modeling as information retrieval system helping to reduce problems of overload information in the sciences, and economics in particular. Noting that some motives for the use of automated tools as information retrieval systems in economics have to do with the changing structure of the discipline itself, we argue that the standard classification system in economics developed over a hundred years ago by the American Economics Association, the Journal of Economic Literature (JEL) codes, can easily assist in detecting the major faults of unsupervised techniques and possibly provide suggestions about how to correct them. With this aim in mind, we apply to the corpus of (some 1500) “exemplary” documents for each classification of the Journal of Economics Literature Codes indicated by the American



Economics Association in the “JEL codes guide” (<https://www.aeaweb.org/jel/guide/jel.php>) the topic-modeling technique known as Latent Dirichlet Allocation (LDA), which serves to discover the hidden (latent) thematic structure in large archives of documents, by detecting probabilistic regularities, that is trends in language text and recurring themes in the form of co-occurring words. The ambition is to propose and interpret measures of (dis)similarity between JEL codes and the LDA topics resulting from the analysis.

[Fabrizio Antenucci \(Università Roma Tre\)](#)

*Back to the roots of human capital: A tale of two alternative approaches*

The study has as its field of investigation the theory of human capital, developed around 1960 by the Chicago school (Becker, 1962; Mincer, 1958; Schultz, 1961). This framework is based on an analysis of individual rational choices and should provide an explanation of the distribution of income between workers. The aim of this paper is to discuss these aspects, through a reconstruction of the evolutionary path of the concept of human capital starting from Petty's (1609) pioneering work. The micro-economic analysis based on the rational choices of the individual will be criticized, by considering the role played by the family in the decisions of an individual's educational career (Marshall, 1890). It will be also discussed the possibility of considering knowledge as a capital good which, among other things, must be able to guarantee a profit rate to its owner (Smith, 1776; J.S. Mill, 1848; Marx, 1867; Marshall, 1890; Fisher, 1906). According to this perspective, in equilibrium the rate of profit of human capital should be equal to the one realised on the physical capital. In the neoclassical framework, critical is the idea that the individual can reach adulthood without incurring in costs as in the case of a natural resources. It is precisely this assumption which allows modern theory of human capital to consider the level of education as the result of the rational choice of an individual.

Following a different approach, in a classical framework there is the idea that an improvement in the knowledge and skills of workers produces a greater wealth for society (Smith, 1776; Marx 1867). However, there is not a mechanical relationship between the contribution to production and the relative remuneration of knowledge and skills. In the spirit of classical authors, Engel (1883) proposes a model for calculating the cost of production of men based on the division of the population into three classes according to their relative wealth. Furthermore, there is no idea of a distribution of wealth among individuals that depends on private investment in knowledge and skills. The causal link is reversed, as Engel believes that only the richest class can achieve the highest level of education. In this perspective, it could be said that the production cost of the working class is a component of the subsistence wage, as the latter serves for the maintenance and reproduction of workers. In other words, workers can do their job with average efficiency and at the same time raise children that will replace them. Therefore, the adult individual is not considered a natural resource but has a production cost as if it were a "particular commodity".

[Alberto Baccini \(Università di Siena\)](#), [Lucio Barabesi \(Università di Siena\)](#), [Yves Gingras \(Université du Québec à Montréal\)](#), and [Mahdi Kelfaoui \(Université du Québec à Montréal\)](#)

*Intellectual and Social Similarity among Scholarly Journals. An Exploratory Comparison of the Networks of Editors, Authors and Co-citations*

In this paper we consider the Interlocking editorship (IE), Interlocking Authorship (IA), an Co-Citation (CC) networks of journals of statistics, information and library science and economics. The degree of similarity among journals in the three networks is explored. The



first intuitive question is whether these three network are similar. The basic idea is to explore whether the social proximity among journals observed in the network of the editorial boards is similar to the social/intellectual proximity observed in the IA network and in the intellectual proximity of the co-citation network.

[Murat Bakeev \(National Research University Higher School of Economics, Moscow\)](#)

*Institutions and culture as sources of economic development: A comparative analysis of modern approaches*

In this paper, we address a specific methodological problem associated with understanding how the institutional and cultural approaches in historical development economics relate to each other. The studies by North, Wallis and Weingast, Acemoglu and Robinson, Lal, Mokyr, McCloskey, De Vries are examined. We reveal the contextual meaning of concepts of institutions and culture in different theories and conduct a comparative study of the examined theories to identify their methodological and ontological foundations. We find that troubles with the understanding of institutions and culture in historical development economics are mainly associated with so-called “agency-structure problem”. In our opinion, the studies by North, Wallis and Weingast, Acemoglu and Robinson, Lal offer a “constraint” interpretation of culture, while the studies by Mokyr, McCloskey and De Vries are based on a model with the free active agent, affecting culture. The paper consists of an introduction, five chapters, and a conclusion. The first chapter is devoted to the empirical facts of historical economic development, the second is devoted to various mechanisms of economic development discussed in the literature, the third is devoted to institutional approaches, the fourth is devoted to cultural approaches and the fifth is devoted to comparative analysis.

[Maria Cristina Barbieri Góes \(Università Roma Tre\)](#)

*Personal income distribution and progressive taxation in a neo-Kaleckian model: Insights from the Italian case*

This paper develops a stylized short-run neo-Kaleckian model incorporating personal income inequality and income taxes based on You and Dutt (1996), targeting an existing gap in the post-Keynesian literature. Accordingly, the main goal here is to investigate how changes in income taxes and personal income distribution affect output growth in the stylized model. In this regard, the first assumption is that the result is primarily dependent on the propensities to consume out of each income quintile, which should be heterogeneous and a decreasing function of the income level (following the Keynesian tradition based on *The General Theory*) for progressive shifts to be positive (and vice versa). Secondly, this outcome is assumed to be conditioned to the type of relation between overall inequality and aggregate consumption. In this sense, the stylized model attaches the strictly negative trade-off between aggregate consumption and inequality to the dominance of absolute income effects, confirming the empirical feature of the issue.

The theoretical discussion of the stylized model is then empirically assessed based on data retrieved from the Survey of Household Income and Wealth published by the Bank of Italy. The empirical analysis confirms both the heterogeneity of the propensities to consume of Italian households, as well as validates the dominance of absolute income effects in the Italian consumer behaviour that assures the negative trade-off between inequality and aggregate demand. More specifically, it is shown that, overall, Italians are still income-budget constrained, preventing from a compensation of demand-depressing effects of raising inequality via debt and wealth-based consumption mainly related to financial institutions and norms. Likewise, it is argued that decreasing personal income inequality via

progressive income tax reforms and through an institutional shift benefiting wage-earners would have positive effects on aggregate demand, utilization and growth, further boosting the effect of government expenditure (through its impact on the multiplier).

**Enrico Bellino (Università Cattolica del Sacro Cuore)**

*Capital mobility and absolute advantages in international trade theory*

The theory of international trade has been shaped on the notion of comparative costs (or of comparative advantages) since the times of Ricardo. According to this principle, when two countries open to trade, for the system as a whole there will always be the convenience that each country specializes in the production of at least one good: that (or those) good where it has an advantage comparatively to the other country. As Ricardo's example showed, a situation where one country has an advantage in the production of all goods, i.e. a situation where the country has an absolute advantage, is not relevant in determining the international allocation of production. The reason was that Ricardo explicitly excluded the possibility that capital could move between countries. This assumption reflects the historical and institutional environment where he developed his analysis. But when this assumption is relaxed and we allow for capital mobility, it is reasonable to expect that if one country has an absolute advantage then all productions tend to concentrate in that country only. This possibility has been investigated in formal terms within the modern classical approach. The pioneering work was presented by Antony Brewer (1985) in a model where goods were produced by labour only, and capital was constituted just by advanced wages. More recently Sergio Parrinello (2010) presented a framework where one consumption good is produced by labour and one capital good. After a brief review of these works a generalization to the case with any number of commodities is proposed in this paper.

**Giancarlo Bertocco (Università dell'Insubria) and Andrea Kalajzić (Università dell'Insubria)**

*On the monetary nature of the principle of effective demand*

The critique of Say's Law and the principle of effective demand are at the core of Keynes's General Theory, which represents "primarily a study of the forces which determine changes in the scale of output and employment as a whole" (Keynes 1936, p. XVI). Keynes then immediately adds "that money enters into the economic scheme in an essential and peculiar manner" (Keynes 1936, p. XVI).

Since the publication of *The General Theory*, the relationship between money and the principle of effective demand has been the subject of ongoing studies. Keynesian economists have identified at least three different ways to explain this relationship. The first explanation refers to the liquidity preference theory. The second explanation is based on the idea that aggregate demand can fall below the level needed to grant full employment due to the accumulation of a kind of money that is not produced by labor. Finally, post-Keynesian scholars explain the monetary nature of the principle of effective demand through the endogenous money theory.

The first aim of the paper, to which the first part is devoted, is to highlight the limits of these three explanations of the relationship between money and the principle of effective demand. The second aim is to present a more meaningful explanation of the relationship between money and the principle of effective demand. In the second part of the paper it will be shown that Schumpeter's analysis of the role of bank money in a capitalist economy allows the elaboration of a meaningful explanation of the monetary nature of the principle of effective demand.

Marina Bianchi (Università di Cassino e del Lazio Meridionale), Roberta Patalano (Università di Napoli Parthenope)

*Storytelling and choice*

Stories happen at the bifurcations of possible routes to take, when choices with their dilemmas and uncertainties confront us. A story provides the framework that embeds choices in actions that have a past, a present and a future. With their requirements of presuppositions and interpretations stories represent a sort of filing cabinet of choices, a cognitive template thereof.

But if stories are mental structures for dealing with, understanding and creating change, then they are also exercises in creativity, in coping with, and generating, the new, the complex and the unexpected.

It is in this creative dimension that the specificity of stories lies; in the fact that at every step the reader/listener/author is forced to make a choice, to understand and anticipate the possible courses of action, just like being in a wood where the paths bifurcate. But this creative specificity tells us also something else, namely, that stories have an emotional dimension. No matter how important the role of cognition is for decision and action, we know that when we tell, or listen to, or read a story there is a “plus” that goes beyond cognition, one that elicits emotional connections.

Through an excursus that crosses history of economic thought, economics and psychoanalysis, in the paper we explore the roles of narratives for sense-making. From this interdisciplinary perspective we suggest how storytelling can inform decision-making especially when disruptions of the ordinary and departures from the expected take place. Storytelling doesn't replace analytical thinking, but it supplements it, enabling us to imagine new perspectives and new worlds.

Jack Birner (Università di Trento)

*The quiet revolution in Dutch politics. How economics changed the norms for Dutch electoral programmes*

In 1977 two Dutch journalists with the help of an expert in public finance published a series of interviews with leaders of political parties. They asked them to explain to what extent their electoral programmes were economically and financially coherent and feasible. Before the next elections, four years later, they repeated their critical interviews. In the meantime some political parties started to invoke the help of econometricians to calculate the feasibility of their electoral programmes. By 1986 the econometric model of the Centraal Plan Bureau, the government's official econometric modelling agency, had started examining the electoral programmes of the four major parties. In 2012 ten political parties on their own initiative submitted their programmes to an econometric check. Within a couple of decades the collaboration between economists and econometricians on the one hand and political parties on the other had been revolutionized from being an exception to becoming the norm. The paper tells the history of this quiet revolution in The Netherlands and discusses some aspects of the use of economic models for policy analysis. The question is addressed whether it is possible to introduce the habit of having electoral programmes disciplined by econometric checks in Italy.

Monica Bozzano (Università di Pavia), and Gabriele Cappelli (Università di Siena)

*The legacy of history or the outcome of reforms? Primary education and literacy in Liberal Italy (1871-1911)*

This paper shows how historical institutions, inherited from pre-unification regional states,

cast a long shadow on the evolution of literacy across the provinces of Liberal Italy (1871-1911). Although increasing local inputs into public primary schooling were associated with higher literacy, pre-unification schooling is found to be a crucial predictor of literacy in the period under study. New provincial estimates of school efficiency based on Data Envelopment Analysis suggest that pre-unification education and parental literacy were also important determinants of the success in converting schooling into literacy.

#### Tommaso Brollo (Università di Siena)

«*Commanere facit civitatem*»: *Money as a social institution in the commentaries of Albert the Great and Thomas Aquinas to Aristotle's "Ethica Nicomachea"*

«*Talis fluxus et refluxus gratiarum commanere facit civitatem*», notices Albert the Great in his comment to the locus of Aristotle's *Ethica Nicomachea* devoted to the nature and the role of money in the exchange. In Albert, the very fabric of a tightly-knit society appears to be an institution that guarantees this flow of mutual reciprocation. Many a contemporary study maintains that mediaeval thinkers regarded money as a commodity, a metal valuable only according to its intrinsic value; however, a thorough textual examination reveals that they were first and foremost concerned with its institutional and social dimension as a nomothetic moment of community building.

This contribution aims at clarifying the late mediaeval conceptualisation of the nature and role of money, as it emerges from the commentaries of Albert the Great and Thomas Aquinas to *Ethica* V.8. The peculiarities of the language adopted to render the Aristotelian terminology by Robert Grosseteste and William of Moerbeke will be highlighted as well. The question of usury will also be briefly addressed, focusing on the rationale of this canonical prohibition within an economy organised along such theoretical lines.

Money was then seen as a measure that brought together the *superabundantiam* and the *defectum* of the two parties to the exchange with respect to the *justum medium*. This reference point in Albert is expressed in terms of the just remuneration, *labor et expensae*, plus the eventual fluctuations according to the temporary relative lack of a good. For Thomas Aquinas the *meson* is *indigentia hominum*: on the one hand, need is the necessary cause of the exchange, for it brings together two non-coincident needs; on the other, it is the measure that determines how much a thing is worth. Value is not defined according to the current interpretation of lack or need that, in a utilitarian framework, yields an individual set of preferences, but it rather answers to a communitarian evaluation of what is just and unjust in an all-encompassing political body as late mediaeval Christianity. Money is thus the guarantee of the possibility to bring together the different parts of the productive community, with the aim to preserve the Arts and to guarantee a just remuneration to all the parties involved. The perpetuation of the *communitas* is thus ensured via the right government of the monetary system, allowing for balance among the diverging interests of debtors and creditors, producers and rentiers, merchants and workers.

#### Katia Caldari (Università di Padova)

*Between neo-corporatism and planning: A French version of the European project*

Wall Street crash and the Great Depression of the '30s raised serious doubts on the goodness of market capitalism and the effectiveness of liberal recipes. In Great Britain J.M.Keynes developed his *General Theory*, which underlined the shortcomings of neoclassical analysis and the limits of *laissez faire* and proposed State intervention as the only possible way to overcome the crisis. In the meantime, the economic central planning implemented by Stalin from 1927, after the brief experience of the New Economic Policy and a form of market

socialism, proposed itself as an alternative to capitalism which was showing its limits and troubles.

In most Western countries a vivid debate developed over a possible alternative between the rising socialist experience in Soviet Union and liberal capitalism: if the awareness of the need to find a “third way” between the two was largely shared, the suggestions on what shape should take this alternative were highly different and often conflicting. Main issues of discrepancy were the role to be given to State and the scope to be left to market.

In France, far more than in other countries, the debate on the third way was particularly intense and, especially from 1932 when the effects of the economic crisis started to be felt in the country, the efforts to practically develop an alternative to liberal capitalism and socialism involved two main different solutions: planning and corporatism. Some form of planning – according to different versions – was especially suggested by neo-liberals and socialist unionists; whereas corporatism – in its possible variants – was supported by catholic conservatives, anti-communist unionists, academics, royalists and employers (Kuisel 1981: 98-104). Although corporatism had much less influence and support than planning in the interwar period, it became one of the pillars of the Vichy regime during the war.

Corporatism and planning perspectives often overlapped (see Pirou 1933) and both were since the beginning imbued with some elements of neo-liberalism: such a combination of corporatism-planning-neoliberalism is the backbone of the French design developed for the European construction soon after WWII. Such a design, as originally conceived never succeeded and it was instead replaced by an ordoliberal architecture.

[Nicola Campigotto \(Università di Siena\)](#)

*Pairwise imitation and the evolution of conventions*

We study the evolution of conventions in a well-mixed population engaged in a Stag Hunt game. Results for two pairwise imitative rules of behaviour are contrasted with each other and with those from a third, non-imitative rule, namely best response to the current population state. These rules differ both in terms of their cognitive and information requirements and in terms of the extent to which they allow agents to learn from successful cooperators. Depending on payoffs and on how interactions take place, best response learning can make either the rewarding All Stag equilibrium or the inefficient All Hare equilibrium emerge as the long-run convention. Conversely, pairwise imitation favours the Pareto inferior equilibrium. This finding is robust to the introduction of assortment and to allowing for some heterogeneity in behavioural rules.

[Caludio Cantaro \(Università Roma Tre\)](#)

*From the social dimension of the subsistence to the social role of consumption*

The irreversibility of consumer spending, namely the tendency – in the presence of an income reduction – of individuals and the community not to reduce the consumption standards acquired over time, is a well-known property in the economic literature and accepted by different theoretical paradigms.

One of the strongest explanations derives from the contributions of Thorstein Veblen, who introduced the concept of conspicuous consumption, and the institutional school, in which the irreducibility is traced back to the social determination of consumption spending and in the resulting acquisition of peculiar habits.

The analysis expounds on the research of the genesis of the social role of consumption in the history of economic thought. As it regards, it will be first shown that both in classical



economists and in Marx it can be found a social dimension between the determinants of subsistences.

Especially the works of J. Steuart, A. Smith, D. Ricardo show the centrality of historical and social factors in the determination of the subsistences and, more generally, of the minimum level of real wages in the surplus theories. Due to the social structure in which classical political economy developed, we argue that it is not possible to find any explicit reference to the social role of consumption. This role, however, can be singled out, as different textual passages confirm, in the theoretical development made by K. Marx.

Throughout the Marxian analysis takes shape the conception of the social role of consumption spending, deriving essentially by the progressive advancement of the capitalist production system and by the change in the relations of production.

In the central part of the work it will be shown the plausible overlapping between the Veblenian analysis of conspicuous consumption and the Marx's line of reasoning upon the social role of consumption.

The study ends with some notes on the implications that the irreducibility of consumption spending may have on the accumulation process and on economic growth.

[Julio César Chamorro F. \(Central University, Bogotá, Colombia\)](#)

*Financialisation and Inequality in Developing and Emerging Economies: A Data Panel Analysis*

The main idea of this paper is to identify the relationship between the financialisation channels and inequality in the Developing and Emerging Economies (DEE's). Financialisation affects income distribution and the wage and profit shares in developed economies through three channels: (i) the sectoral composition of the economy; (ii) the Shareholder Value Orientation; and (iii) the decreasing bargaining power of the workers and trade unions. However, in DEE's these channels had been imposed through institutional reforms subscribed after 1990s in the context of the financial liberalisation and globalisation. Using a Data Panel Model, I study these channels for 16 Latin American, East Asian and Eastern European economies, which featured institutional and structural changes during the 1990s. In order to identify the relationship, I correlate the Palma Ratio with the financialisation channels, and the hypotheses is that there is a positive relationship between the financialisation channels and inequality; and it is a result of the institutional and structural reforms.

[Sergio Cesaratto \(Università di Siena\)](#)

*Heterodox economics and economic anthropology: Reflections prompted by a recent book*

J. Diamond's *Guns, Germs, and Steel* (1997) introduced the general public to the mysteries of the Neolithic revolution, when the human being went from a state of hunters-gatherers to residential agriculture. Later, an important discussion took place between Diamond and Acemoglu & Robinson over the respective diverging interpretations of the dawn of civilization – material circumstances versus institutions. However, the extensive use that Diamond does in his work of the notion of economic surplus has so far received little consideration.

Diamond was not the first successful popular book in (economic) anthropology to endorse the concept of social surplus, indeed. The Marxist Vere Gordon Childe (1892-1957), that most consider the greatest archaeologist of the past century, also pivot on this concept. Childe coined the terms “Neolithic revolution” and “Urban revolution”. The latter precisely refers to the role of the agricultural surplus in the development the earlier civilizations. The



use of the notion of economic surplus in anthropology has a long tradition that goes back to the Eighteenth century, and continues through Morgan (1818-1881), Herksovits (1895-1963), until Diamond and many current anthropologists and archaeologists. In economic analysis, the classical economists' concept of economic surplus has been recovered by Piero Sraffa (1951). Heterodox economists should therefore be naturally intrigued by the diffusion of the notion in economic anthropology. However, with few exceptions, the concept of economic surplus has remained rather in the shadow in the debate, when not openly ostracised not only by the marginalists, but also devotees of Karl Polanyi.

A recent book by two heterodox economists, Cedrini and Marchionatti (M&C 2017), enters in this debate, but unfortunately fails to re-address the terms of the discussion returning the concept of economic surplus the centrality it deserves. They rightly context the neoclassical "imperialist" attempt to occupy the territory of economic anthropology. They do that, however, relying upon the frail institutionalist background provided by Karl Polanyi and his school. In short, this debate risks to end up in a controversy over human nature, selfish or altruistic, or, in economic terms, over exchange versus gift. The book prompts, therefore, a reflection if the neoclassical colonialism should precisely be held-back by lining up behind the notion of economic surplus. This notion can provide a robust economic basis to institutional change, by firmly anchoring it around the changing modes of generating and distribution of the economic surplus.

[Gabriele Ciampini \(Universidad Francisco Marroquín, Guatemala\)](#)

*Madisonian Constitutionalism and European Union in James M. Buchanan's Thought*

This paper aims to illustrate the constitutional vision of James M. Buchanan, showing the importance of small communities and the shared moral values in his thought. It may appear that Buchanan, as a defender of contractarianism, has little to do with moral considerations. According to him, however, there is a close relationship between social customs, the constitutional framework and economic policy. He thus advocates the existence of a 'moral framework' as an important element in the implementation of a non-expansionary economic policy. He considers that only in small, culturally homogeneous social groups, is it very likely that at least some decisions meet everybody's approval. He therefore defends a kind of 'micro-contracting' (Reisman 1990, 116). By micro-contracting, Buchanan means a social agreement between members of small groups that have substratum of clear cultural homogeneity, able to avert the excessive power of pressure groups: "In the United States of the 1980s there is little moral community that extends to the limits of the inclusive national unit, the nation-state, as such, and which embodies the central instrument of the policy-making authority, the federal government in all of its arms and agencies. There is a relatively little sense of shared purpose among the 230 million persons in the nation. Individuals tend instead to relate to and to identify with communities larger than themselves and their immediate families, but these communities tend to be of subnational size of membership, both geographically and numerically" (Buchanan 1981: 1986, p. 117). Starting from the need of a shared ethical structure and the need to build a political unity heeding of the various national communities and faithful to the liberal principles, what is Buchanan's view on the process of European integration? In "Europe's Constitutional Opportunity" (1992), he states that European unification must start from the same 'Madisonian' view of the American constitutional structure. Not only is it necessary to take heed of the division of the powers of the rule of law, but facing such a large political entity and such a fragmented linguistic variety, European Union must be founded on the principle that every state can withdraw from that union. Buchanan is very attentive to the preservation of small local and national

realities that should not be suffocated by a too centralized bureaucratic entity, as it is the case with the United States.

[Michela Ciccotosto \(Rethinking Economics Torino\)](#) and [Oleksandra Sokolenko \(Rethinking Economics Torino\)](#)

*A survey of economics teaching at Italian universities*

The survey I would present has been carried out in 31 different Bachelors and 23 Masters in 32 Italian Universities. These courses were selected because their programs are composed at least by 30% by subjects that fall into the two Macro-sectors 13A 'Economics' and 13C 'Economic History' as identified by the latest dispositions by the Ministry of Education, University and Research in 2015. The disciplines and related codes with which they're identified are: SECS-P01 political economics, SECS-P 02 economic politics, SECS-P 03 science of finance, SECS-P 06 applied economics, SECS-P 05 econometrics, SECS-P12 economic history, SECS-P 04 history of economic thought.

The analysis of these courses was threefold: first we looked at the courses' web pages and the presentation of the single teachings and gathered information and data on the coverage of different and various schools of thought, other than the neoclassical economics. A deeper analysis was conducted then on the teachings, especially on the courses' material (books, articles, videos...), lecture style (frontal, presentations by students, debates...) and type of exam (written, oral, exercise questions...). Lastly, a survey was shared among the students of these courses to tackle matters as how they see the economics courses, what they think of the matters discussed in the classrooms, how they feel about the teaching and what is their general perception of the received education.

[Emanuele Cittera \(The New School for Social Research\)](#) and [Lino Sau \(Università di Torino\)](#)

*Conventions, complexity and instability: The role of monetary policy*

According to Crotty (1994), the existence of social conventions generates 'conditional stability' in the system. Indeed, even in presence of fundamental uncertainty which undermines the decision-making process at the individual level, the macro-state of the system does not exhibit chaotic behavior as much as some degrees of 'order and continuity' (ibidem: 14). From a Post-Keynesian perspective, conventions can be thought of as a 'structure of interdependent beliefs' which results from interactions among agents and between the latter and the system itself. This calls for of the complexity-reflexivity framework, which can provide sound methodological foundations for Keynes' analysis of 'beauty contest' (see Davis 2017) and thus the emergence of a social convention which supports in guiding their behavior. Shaikh' formalization (2010) of the theory of reflexivity (Soros 2013) shows how a specific structure of market fundamentals could act as path-dependent gravitational center for actual and expected prices, thus conferring to the system a degree of conditional stability.

In the light of this premises, the aim of our paper is twofold. Firstly, we provide a theoretical and methodological investigation of the role of conventions as emergent phenomenon from a Post-Keynesian perspective. Drawing upon the notion of 'general' and 'dynamic' complexity (Simon 1962; Rosser 1999), we analyze Keynes' (1936, Ch. 12) view of financial markets to show how social conventions generate a dialectical tension between the stability of individual expectations at the individual level and the potential instability of the macroeconomic structure. This calls for an interpretation of financial markets as dynamically complex systems (Sau 2013). Then, we adopt this framework to investigate the implications of monetary policy to stabilize the system. Tymoigne (2008) shows how the

adoption of a 'convention approach' to policy making allows the central bank to intervene, and thus shape, a convention. Modenesi et al. (2013) strengthen this argument by appealing to the conventional nature of the long-term interest rate, that the monetary authority can affect through a credible monetary policy carried out by gradually altering the short-term rate of interest. The features of this theoretical framework could contribute to build a Keynesian macrotheory that envisages complex dynamics as a foundational element to understand the contemporary financial system.

[Orsola Costantini \(Institute for New Economic Thinking\)](#) and [Carlo D'Ippoliti \(Università di Roma La Sapienza\)](#)

*The Functions and Distribution of Household Debt – A Study on US Data*

From the 1980s to the 2008 crisis, household debt in the US has been persistent and rising phenomenon. Less than a decade after the crash, it resumed to positive growth rates.

This paper looks at household credit as a structural feature of the US economy. Given the assumption about this deeply financialized context, it observes the co-distribution of different types of debt, income and wealth, in order to explore whether household finances could be a useful indicator for the definition of social classes.

In addition, we define and explore the different degrees of fragility and riskiness to which households are exposed while recognizing that household debt "historical" sustainability depends crucially on the type and amount of outstanding debt as well as on its class distribution and on the macroeconomic conditions, including public policies.

[Carlo D'Ippoliti \(Università di Roma La Sapienza\)](#)

*Gustav von Schmoller on the evolutionary economic origins of gender roles*

Dynamics and changing structures of firms and industries are usually the focus of evolutionary economics, while the household and sexual division of labour are often overlooked within this approach. This work investigates the evolutionary economic dynamics of the latter by analysing the little known theory described in Gustav von Schmoller's main economic work.

The leader of the German Historical School, Schmoller is one of the most influential economists of the XIX century, though has later been largely forgotten. He considered the sexual division of labour within households as complementary to and prerequisite of the division of labour within the market and between the market and the public sector.

His analysis of cumulative causation between evolution of the market and of the family economy highlights interesting features of his evolutionary economic method more in general.

[Muriel Dal Pont Legrand \(UCA CNRS GREDEG\)](#)

*Is cross-fertilization possible in macroeconomics? DSGE confronted to MABM models*

Since the 2008 crisis, Dynamic Stochastic General Equilibrium (DSGE) models have been facing criticisms.<sup>[1]</sup> The use of the representative agent assumption, the difficulty to account for the financial aspects of the business cycle, and the exogenous explanation of downturns were all put to blame. This resulted in transformations of DSGE models and in a growing interest for alternative approaches to macroeconomics, particularly for Macro-Agents Based Models (MABM). Did MABM influence the research agenda in DSGE macroeconomics? What is the nature of the differences between the macro agent-based and the DSGE approach to macroeconomics? How do MABM and DSGE models confront with empirical

evidence? What sort of expertise do they offer? Our session intends to explore these questions.

This paper proposes to examine the nature of the influence MABM may have on macroeconomics research agenda. First, we propose to identify the different topics investigated by both approaches and then to determine whether there is a convergence in their respective research agenda. This (potential) influence may nevertheless tend towards the superficial, we then propose at a second stage to examine to what extent more precise ideas, or concepts, initially developed by MABM have been in fine absorbed (and how) by the DSGE models. We can show that the DSGE approach is less monolithic than it used to be at the time of the New Synthesis: one can indeed identify a growing literature which developed at the margin of DSGE approach, including elements of heterogeneous agent modelling and social interactions, bounded rationality, macroeconomics experiments, expectation formation and learning etc. Beyond this specific debate, the paper questions the capacity of the current dominant approach to benefit from cross-fertilization and to define more precisely the nature of that process.

[1] Cf. the recent special issue published at *Oxford Review of Economic Policy*, March 2018 for a synthesis of the critics addressed to DSGE models and the special issue at the *Journal of Economic Perspectives* published in July 2018 for a synthesis of DSGE models' answers.

[Raúl de Arriba \(Universidad de Valencia\)](#) and [María Vidagañ \(Universidades de Zaragoza\)](#)

*The banquet of (cultural) commons*

Our contribution is a short documentary about cultural commons recorded past July in Umbria (Italy).

“... the absence of the motive of gain; the absence of the principle of laboring for remuneration; the absence of the principle of least effort. But how, then, is order in production and distribution ensured?” K. Polanyi (1944) tried to answer this question in *The Great Transformation*.

Cultural Commons are cultural resources shared by a community that, like other situations of collective action, also reproduce social dilemmas. In these cases, as indicated by Olson, rational, self-interested individuals could not act to achieve their common or group interests. In that sense, the tragedy of Cultural Commons would mean its disappearance due to free riding behavior.

However, many cultural commons are maintained over time because reciprocity, reputation, and trust can overcome self-interested behavior. The inhabitants of Villastrada (Italy) have achieved it for decades. Every summer, they work voluntarily to organize the festivities of this small village.

[Matteo Deleidi \(University College London and Università Roma Tre\)](#), [Fabrizio Antenucci \(Università Roma Tre\)](#), and [Walter Paternesi Meloni \(Università Roma Tre\)](#)

*Demand- and supply-side drivers of labour productivity growth: An empirical assessment for G7 countries*

The recent slowdown in labour productivity growth experienced in advanced economies is generally considered one of the main causes of the current phase of economic stagnation. This has led scholars to carry out a number of theoretical and empirical studies to identify the long-run determinants of productivity growth. The present work aims to fall within this debate, with a peculiar focus on the relevance of the Kaldor-Verdoorn law. To this purpose, we empirically investigate on the determinants of labour productivity growth both for the total economy and for the manufacturing sector, comparing the role played by demand- and

supply-side factors. A Structural Vector Autoregressive (SVAR) model is estimated for G7 countries from 1970 to 2017. Although the analyses confirm the positive role of supply-side factors in fostering productivity growth, our findings generally validate also the relevance of demand-side factors. Additionally, the positive effect generated by demand factors on labour productivity growth suggests that supply-side measures would be not sufficient to enhance productivity. Our findings suggest that demand-side policies are likely to foster productivity by also stimulating supply-side factors, particularly in the manufacturing sector of the economy.

[Matteo Deleidi \(University College London and Università Roma Tre\)](#), [Enrico Sergio Levrero \(Università Roma Tre\)](#), and [Maria Chiara Cucciniello \(Università Roma Tre\)](#)

*The price puzzle for the US economy: An empirical assessment of the cost channel*

In the light of the literature on the ‘price puzzle’ (see among others, Sims, 1992; Eichenbaum, 1992; Barth and Ramey, 2001; Tillmann, 2008; Castelnuovo and Surico, 2010), this paper shows that a positive effect of a monetary policy tightening on the level of prices is to be considered as a normal phenomenon rather than an ‘anomaly’ (Castelnuovo and Surico, 2010). Since interest on the advanced capital is part of the monetary costs of production, a change in the interest rate produces a direct effect on the level of prices by means of a mechanism which is typically defined as ‘cost channel’ (Barth and Ramey, 2001; Dedola and Lippi, 2005; Gaiotti and Secchi, 2006). This channel may overcome the uncertain demand channel which is the one usually considered when discussing the mechanisms of monetary policy transmission. As it will be shown, this “cost channel” cannot be regarded as a ‘regime specific phenomenon’, namely as dependent on the passive (active) behaviour of the central bank in response to a change in the inflation rate (Castelnuovo and Surico, 2010), so that the price puzzle is supposed to disappear if the central bank reacts strongly to inflation as in the post-1979 period when Paul Volcker was appointed as Chairman of the Federal Reserve Board.

In order to contribute to this debate, the paper estimates the effect of an increase in the interest rate on the level of prices by means of structural vector autoregression (SVAR) models (Kilian and Lütkepohl, 2017). To do this, we carry out an empirical analysis for the US economy for the 1959-2018 period. Specifically, we use aggregate monthly data provided by the Organisation for Economic Co-operation and Development and the Federal Reserve. In order to detect the relationship among interest rates and the level of price, the following variables are used: (i) the Effective Federal Funds Rate; (ii) the Consumer Price Index; the industrial production index; and the level of monetary hourly earnings. Furthermore, in order to avoid feasible spurious correlation in the VAR generated by the omission of relevant variables which is supposed to capture price expectations, several and alternative measures of price and inflation expectations are taken into consideration. Particularly, we make use of: (i) Future Prices Paid released from the Federal Reserve Bank of Philadelphia; (ii) Inflation Expectations provided by University of Michigan; (iii) ‘Greenbook’ Inflation Expectations released by the Federal Reserve staff before each meeting of the FOMC (Romer and Romer, 2004). Besides, to consider different monetary policy regimes, we estimate the abovementioned models along different timespans which range from: (i) 1959:01 to 1979:09; (ii) 1979:10 to 2018:08; (iii) 1982:10 to 2018:08; (iv) 1987:02 to 2018:08.

In order to detect the relationship between the interest rate and the level of prices, two main models will be estimated.



Sam de Muijnck (University of Amsterdam)

*Broadening the history of economic thought: Stretching across disciplines*

The history of economic thought is generally limited to the history of the economic discipline. As such, it too often ignores valuable contributions to economic thinking developed in the other social sciences. I do not argue that historians of economic thought are blind for developments in other disciplines or that they never engage with them. Rather, I propose to evaluate the notion that the history of economic thought is only concerned with the ideas of economists. This paper is a plea to broaden the boundaries of the history of economic thought with a multidisciplinary approach. More specifically, I advocate for including the following subdisciplines: economic history, economic sociology, economic anthropology, economic geography, and political economy.

Historians of economic thought should not confine themselves to the current institutional categorization of ideas. I propose that the boundaries of the history of economic thought should be defined by the subject matter of the thinking, whether certain ideas are about economic matters or not. As such, the institutional location of an idea should be irrelevant as to whether to include it in the history of economic thought. This is similar to how theoretical and methodological approaches are disregarded as criteria for excluding ideas, which is evidenced by the fact that the history of economic thought focusses both on mainstream and heterodox approaches. This is not to say that the history of economic thought should pay no attention to institutional structures. Just as theoretical and methodological approaches are the material of the history of economic thought, institutional developments should have a place, without functioning as exclusion mechanism.

First, the normal demarcation of the field of the history of economic thought is shortly examined. Second, a short overview of the histories of the subdisciplines of economic history, sociology, geography, anthropology and political economy, are given. Third, brief outlines of the following approaches are given: social network analysis, world system theory, the cultural approach and field theory.

Alexandra de Pleijt (Utrecht University), Leonardo Ridolfi (Sant'Anna School of Advanced Studies), and Jacob Weisdorf (University of Southern Denmark, CAGE, and CEPR)

*The causes and consequences of general-purpose technological progress: Evidence from the adoption of steam engines in 19th-century France*

Inspired by contemporary fears that *robotics* will make workers redundant, we test the well-known hypothesis that early industrial technologies (in this case steam engines) were introduced because they were labour-*cheapening*. The common understanding is that mechanisation historically allowed firms to replace skilled with unskilled male workers – that is, new technology was *deskilling* – and moreover involved that male workers could be substituted with less-expensive female and child labourers. To test this idea, we use propensity score matching on two all-inclusive, industry-level censuses from 19th-century France to determine the labour-market conditions that led to the adopting of steam engines, as well as the subsequent effects of adopting them on the demand for male, female and child labour as well as their wage rates. We find that the present worries that *automation* will be labour- and skill-saving are not supported by the historical evidence. General-purpose technological progress during early stages of industrialisation, captured by the introduction of steam technology in historical France, was ultimately both labour-*augmenting* and skill-*demanding*, thus contrasting the labour-*cheapening* hypothesis.

More specifically, we use the earliest-recorded industrial census in France, from the 1840s, to



identify locations with industries that did not employ steam engines at this point in time. Then, we move forward to the second industrial census, recorded in the 1860s, to compare labour-market conditions among the sampled locations that *had* and *had not* adopted steam technology twenty years hence, matching them on the probability of receiving *treatment*; that is, implementing steam engines. Consistent with the idea that steam technology emerged for labour-cheapening purposes, our (preliminary) analyses show that the likelihood of receiving treatment was significantly higher in districts (*arrondissements*), where (i) industrial labour productivity was relatively low, so that capital-deepening could serve to improve output per worker; (ii) the gender pay gap was relatively large, making it profitable to substitute high-cost males for low-cost females; (iii) the share of male employees was relatively high, so the potential for cutting labour-costs by shifting to women and children was relatively large; and where (iv) steam engines had already been installed in other local industries, thus lowering steam-installation costs.

Using a diff-in-diff approach, we also observe, however, that the adoption of steam technology was neither labour-saving nor skill-saving *following* treatment. Treated (steam-powered) industries did use higher shares of (cheaper) female and child labour than non-steam-powered industries. But because steam-industries also employed *more* workers on average, steam-run industries actually used *more* male workers altogether, thus increasing the demand for male workers *as well as* females and children. That is, steam technology was labour-*augmenting* on average. We also find that steam-powered industries paid significantly higher wages on average, both to male and female workers (although not to children). We interpret this as steam technology being skill-*demanding* averagely, contradicting the traditional narrative that early industrial technologies were *deskilling*. Lastly, the average wage rate paid per worker went up in the treated industries, contesting the argument that steam technology was ultimately labour-cheapening. Our findings highlight the multisided effects of general-purpose technological progress. On the positive side, steam technology meant rising average firm value; higher male and female wages; and a growing demand for both male and female workers. On the negative side, steam-powered industries also relied more heavily on child labour, and technological progress moreover intensified gender-wage inequality.

Alfonso Díaz Vera (Airef, Autoridad Independiente De Responsabilidad Fiscal, Spain), and Pablo Sanz Bayón (Comillas Pontifical University, Spain)

*A critical review on the contemporary epistemic status in economics and law: Towards a rediscovery of both disciplines as part of the humanities*

Contemporary research in economic and legal disciplines shows conceptual and methodological frameworks that often emphasize a strong empiricism and utilitarianism based on a pretended objectivity and neutrality that are mostly justified in data, numbers, mathematical models, probability and statistics. In social sciences, the classic method of dialectical interpretation, typical of Humanities, has been replaced for those of the natural sciences.

This work argues that this reductionist perspective on the use of empirical and quantitative tools has been a key cause behind the sterility of many of the epistemological and methodological stands and the way of setting up and validating current economic and legal theories.

This work challenges the mathematical system that underlies the current behavioral analysis in law and economics and argues that many of the core insights of their approaches are irremediably flawed because they do not provide a useful epistemic tool for analyzing

individual decision-making. Numerical methods provide plausibility, because of their formalism and their scientific appeal, but not necessarily objectivity. On the other hand, dialectical interpretation of social phenomena is not always subjective or speculative.

From a perspective of Law and Economics as human sciences, that is, which material object is the one of Humanities (therefore as true social and moral sciences), it is necessary to resituate the ends and objects of both disciplines.

This rediscovery basically consists of conceiving Economics and Law as ethical disciplines whose axis must revolve around the human person and his responsibility as a social being. For this purpose, it will be of great help the humanistic and holistic contributions that the Spanish Late Scholastics usually grouped under the label School of Salamanca were able, starting from Aristotle and Classic philosophy, to develop at a time of major global transformations in social and market structures.

This work aims to trace the basis of a philosophical alternative that goals to improve the epistemology of Economics and Law, to make them more human and realistic, ie, closer to the dilemmas and personal choices in the economic and legal contexts. This epistemological vision is founded in an open reasoning compatible with the causal structure of people's physical, social, market and legal environments. An epistemological approach in which the analysis based on mathematical methods does not blur or omit the complexity of human ends and behavior in society and the intrinsic ethical dimension of actions in the market.

[Stefano Di Bucchianico \(Università Roma Tre\)](#)

*The impact of financialization on the rate of profit: A discussion*

The present work, by making use of the 'integrated wage-goods sector' methodology proposed by Garegnani, investigates some channels through which financialization may impact the normal rate of profit. We analyze the effect of a higher profit share in the financial sector, the technical innovations in the financial sector and rising household indebtedness. We find that none of them influences normal profitability, with the exception of one type of technical innovation. We subsequently critically discuss some Marxian strands of analysis that describe financialization as a temporary countertendency to supposed falling general profitability. We argue in favor of a separate analysis between growth caused by private borrowing and the study of a normal distribution. Finally, a recent attempt to read the 'sixth' countertendency to the falling rate of profit listed by Marx as an anticipation of the phenomenon of financialization is criticized, proposing an alternative interpretation.

[Viviana Di Giovinazzo \(Università di Milano Bicocca\)](#)

*A butterfly passion. The aesthetic and cultural roots of Tibor Scitovsky's economics*

Standard accounts of the evolution of Tibor Scitovsky's ideas and his writing of *The Joyless Economy* (1976) emphasize the influence of the theory proposed by the motivational psychologists of the 1950s and 1960s. There is no doubt that this was important for the development of his innovative monograph, but it must be understood in the context of Scitovsky's critical perspective on 20th century mass society. Drawing on his memoirs and archival material, this paper shows how this critical social attitude was shaped by an aesthetic sensibility developed during an adolescence in interwar Europe and his subsequent engagement with the significant writings of some of the past century's most influential cultural commentators. These include the members of the Frankfurt School, Bertrand de Jouvenel, Raymond Aron, Lewis Mumford, Sigfried Giedion and Bernard Rudofsky. Seeing

Scitosvky thus, as an original critic of 20th century modernity, allows for an alternative reading of *The Joyless Economy*.

Fabio D'Orlando (Università di Cassino e del Lazio Meridionale)

*Social interaction, envy, and the basic income: Do remedies to technological unemployment reduce well-being?*

The primary aim of this paper is to discuss the possible consequences exerted on well-being by one among the suggested remedies to technological unemployment, namely the payment of an unconditional basic income. The impact of twenty-first century technological progress on employment has just started and will only be fully realized in the future, but its main novelty is already well known and concerns robots (and artificial intelligence) entering the production process. According to many recent (albeit controversial) contributions such a phenomenon is radically different from past technological revolutions and might generate mass unemployment which will require innovative redistributive public policies. These policies have been deeply scrutinized, but (almost) no contribution has discussed their impact on well-being. This paper, building on Keynes' 1930 short essay ("Economic Possibilities for our Grandchildren") and referring to behavioral and happiness economics principles and models, focuses on the most famous among these policies, namely the payment of an unconditional basic income. It is argued that due to social interaction in the form of social envy and to the consequences of loss aversion, implementing this policy may exert a negative impact on well-being. In particular, hedonic adaptation and loss aversion can be used to show that the payment of a basic income can hardly compensate people for the psychological costs of unemployment, that all empirical studies consider as one of the worst experiences in a life. Furthermore, unemployed earners of the basic income will be unable to generate active envy over other people, whereas they will suffer passive envy towards the employed. Finally, they will also be unable to escalate to higher level consumption behaviors, another circumstance which reduces well-being. And raising the money value of the basic income can compensate for the effects of hedonic adaptation and loss aversion, not for the effects of the other forces. On the contrary the employed will enjoy an increase in well-being due to the possibility of both generating envy and escalating to higher level consumption behaviors. In the case in which the system will reach a condition of (close to) full unemployment all citizens will suffer the psychological costs of unemployment, will be unable to generate envy and will be unable to escalate, with the result of a general reduction in well-being only partially compensated by the payment of the basic income. A number of other possible solutions to technological unemployment appear hence preferable to contrast the phenomenon.

Khalid Hassan Elbeely (Sudan University of Science and Technology-College of Business Studies)

*The impact of culture and tradition on the participation of Sudanese women in labour force (1990-2018)*

The aim of this paper is to investigate the factors behind the low participation of Sudanese women in labour force. The paper's problem can be summed up in the following question: what are the main factors that contribute to the low participation of Sudanese women in labour force? The paper examined critically the main factors behind this phenomenon, as well as proposing certain policies in order to eradicate this problem. The methodology adopted in this paper is a combination of comparative, descriptive, and analytical in nature depending on secondary sources of data mainly. The main findings of the paper identified

the prevailing cultural biases against female education, especially in rural areas, as well as the existing traditional values such as early marriage for girls, in addition to the age of children women have, and their own wage comparing to their husband's wage, as the major factors that contributed to the low participation of Sudanese women in labour force. The paper most important recommendations call for increasing investment in women's education, anticipating that it would lead to an expansion of women's involvement in market activities, as education affects directly their decision to join the labour market.

[Guido Erreygers \(University of Antwerp\)](#)

*On the origins of econometrics in Australia. The contributions of Maurice Belz and Robert W. James*

In the second half of the 1930s Maurice Belz, a Senior Lecturer in Mathematics at the University of Melbourne, and Robert W. James, a master student in economics at the same university, accomplished a remarkable achievement: they published three articles in *Econometrica*. These publications were the result of their explorations into the study of economic questions by means of statistical and mathematical methods. Both Belz and James travelled to Europe to get acquainted with leading econometricians and to present their work at the meetings of the Econometric Society.

In this paper I focus on the contributions to econometrics of these largely forgotten pioneers. Using archival documents from the University of Melbourne and from other sources, I reconstruct how Belz and James became interested in econometric research and wrote their first papers on econometrics. I also provide evidence on their contacts in Europe, with Ragnar Frisch as a pivotal figure.

The Second World War put an end to their collaboration and to their econometric research. Belz pursued his academic career at the University of Melbourne, where he was promoted to Foundation Professor of Statistics in 1955. James completely abandoned economics and turned to meteorology. During the war he served in the British army. After the war he returned to Australia, where he worked for some time in the meteorological division of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in Melbourne.

[Lorenzo Esposito \(Banca d'Italia e Università Cattolica del Sacro Cuore\)](#)

*Are we heading for neurotransmitters of monetary policy? On the continuous need of economics for an exogenous foundation and a possible monetary alternative*

The 2008 crisis has forced a long awaited rethinking of the economics theoretical foundations. Given the preeminence of rational behavior as a basis for economic thinking, its critiques mushroomed. This is especially true in the theory of finance, where behavioral economics has emerged as a supposed alternative to conventional paradigm. We analyze the long history of the attempts to ground economics on psychological bases from Bentham on, exposing the theoretical and ideological motivations of this curious relationship. Then we analyze the connections with the present incarnation of the relationship and we explain why it is a further attempt to save the homo economicus framework with no possibilities to explain the basic dynamics of modern capitalism. We deepen its limitations in terms of general economic trends, and its inevitable development towards a more entrenched reductionism (neuronomics). Having objected to the need of economic theory for a psychological anchor point, we propose to start the economic discourse from a Bentham intuition: utility and pleasure can be reduced (or better regarded as) to money. Instead of building an entire use-value paradigm as the GEE does, where money has no role, we propose to put money at the root of every economic discussion avoiding psychological

residuals. Money can be seen as the endogenous structure around which the analysis of the theory of value, economic cycles and the dynamics of the system can be organized. It allows to overcome the dead end of micro-founded paradigms but also the contradictions of the classical theory of value. It also allows to understand the link between the “discoveries” of psychology (such as cognitive biases) and how financial markets work. A money-based economic theory allows for a deep understanding of modern finance and for an assessment of 2008 crisis as its most genuine offspring.

[Luca Ferrari \(Università di Modena e Reggio Emilia\)](#)

*Divided majorities: Public information and persuasion*

I study a majority voting problem in which public information is strategically designed in favor of one of two alternatives. I show that the extent of persuasion depends on the social costs arising from divided majorities. Rational voters use the available information to balance the presence of disobedient voters who negatively respond to public information. When the costs of divided majorities are modest, the smaller the presence of disobedient voters the more information is required to obtain large margin of victory. When the costs of divided majorities are sizable, the lack of disobedient voters fuel persuasion and extensive margin of victories can be achieved through biased information. I also provide a new rationale for strategic voting which challenges the information aggregation approach to political institutions.

[Luca Fiorito \(Università di Palermo\)](#) & [Massimiliano Vatterio \(Università di Trento & Università della Svizzera italiana\)](#)

*Positional goods and social welfare: A note on George Pendleton Watkins' neglected contribution*

Watkins's analysis of adventitious utility contains many aspects that are connected to the contemporary debate on positional goods. First, Watkins adventitious utility emerges from a process of social exclusion and can create negative externalities, in the sense that positive consumption of one individual implies negative consumption by another individual. Not only it creates negative externalities on other individuals, but it can initiate a race-to-the bottom, where individuals waste an increasing amount of money on goods which do not possess any real utility.

[Tiziana Foresti \(Università di Pisa\)](#), [Nadia Garbellini \(Università Cattolica di Piacenza\)](#), and [Ariel Luis Wirkierman \(Goldsmiths, University of London\)](#)

*The value of political connections in fascist Italy — Stock market returns and corporate networks*

Recent years have witnessed the flourishing of a body of economic literature concerned with the search for empirical evidence of a positive relation between political connections, economic rent and the value of firms. The present paper contributes to the strand of this literature that deals with the quantitative measurement of the value of the political connections of firms. Our work proposes a quantitative measurement of the value of political connections between Italian firms and the Fascist regime in the years of Benito Mussolini's rise to power (1921-1925). Specifically, the present paper offers a quantitative answer to the question: how much was it worth to have close, early connections with the National Fascist Party (hereafter, PNF)? Following in the tracks of Ferguson and Voth (2008), in order to assess the value of political connections we perform an event study, which consists of an estimation of the impact of unexpected events on stock market returns



(MacKinlay, 1997; Campbell et al., 1997). In particular, the present paper analyzes the reaction of Italian stock market investors to the March on Rome, the Fascist military expedition of 28th October 1922 with which the first Mussolini government unexpectedly began. Our innovative analysis not only unveils the clustering configuration in terms of political connections with PNF of Italian industry during the interwar period, but also shows that the firms in the connected cluster outperformed the rest of the economy in terms of stock market returns. Conclusive evidence of the sizeable impact of political connectedness on stock market performance suggests the significant involvement of big business in political developments during a key period of modern history. Moreover, such a finding signals the need to perform a more careful reading of business history. Specifically, the existence of a measurable advantage for connected firms suggests that key players behind the widening of Italy's industrial structure were not only driven by effective demand for their output, but also by the differential returns to be obtained from political support of Fascism. Indeed, the possibility for the firms in the connected cluster to outperform the rest of the economy in terms of stock market returns calls into question studies in firm dynamics that exclude the role of power and politics in the capitalist competition process.

[Saverio Maria Fratini \(Università Roma Tre\)](#)

*Capital mobility and unequal exchange in international trade*

Ricardo's analysis of the international trade theory led to two main findings: i) comparative advantages only are relevant for the international specialization; ii) international trade is mutually beneficial. In the well-known classical case with two countries and two commodities, each country has a benefit from specialization in the production of the commodity in which it has a comparative advantage and from the import of the other commodity.

The validity of this claim is closely related to the assumption that capital cannot freely move between countries. In particular, in Ricardo's example, English capitalists would do better to invest in Portugal, which has an absolute cost advantage for both the productions, but institutional constraints prevent this from happening. Nevertheless, when capital mobility is allowed for, different results may arise.

A first contribution along this direction was provided by Emmanuel (1972). In Emmanuel's argument, there are two countries, "centre" and "periphery", and two commodities. International specialization is exogenously given, and the central country employs capital with a greater organic composition than that of the peripheral country. Besides, the real wage rate of the central country is higher than the one of the peripheral country. In consequence of these circumstances, if the rate of profit must be uniform because of the capital mobility, then, according to Emmanuel, a certain amount of the surplus-value produced in the periphery must be moved to the centre.

Emmanuel argument was, at least initially, grounded on Marx's mechanism of transformation of values into prices of production. Few years later, Gibson (1980) tried to put it on more solid bases, by adopting a Sraffian theory of prices. In doing so, he also included an endogenous determination of international specialization. Gibson, in turn, did not perceive that, in his analysis, the most profitable solution could be the production of both the commodity in the same country. This possibility was then grasped in later studies by Brewer (1985) and Parrinello (2010).



Santiago José Gahn (Università Roma Tre), and Pedro Siqueira Machado (The Open University, London)

*Piero Sraffa and the revaluation of the lira in Italy: Some early thoughts on the open economy?*

Although many contributions have been done since the opening of the Sraffa Archive, few of those were related to Piero Sraffa's thought on the open economy. The main aim of this paper is to fill this gap systematizing some of Sraffa's early reflections on the open economy. After introducing the Italian case during the 1920s, we will analyze his articles on Italian banking, some public discussions with Angelo Tasca, some writings on the fascist government and, finally, his speeches at the Emmanuel Economic Society and Keynes Club. After that we will place those contributions relative to his turning-point, based on some recent research. Finally, we will develop a small open economy model in line with Sraffa's PCMC and demonstrate that his preliminary thoughts on open economies were consistent with his magnum opus published many years later.

Andrea Galeotti (Università di Siena)

*The economics of Sallustio Bandini: A model on the velocity of circulation of money*

The work focuses on Bandini's *Discorso sopra la Maremma di Siena*. It is divided into three parts. The first section aims to illustrate the historical panorama of the Gran Duchy of Tuscany and, especially, of Maremma of the XVIII century. This is a necessary step to properly understand Bandini's *Discorso* and, more generally, the whole heritage of his thought. Secondly, the work moves to the core of the research. We want, in fact, to address Bandini's thought from a theoretical perspective: to our knowledge, this has never been done before. In this work, we try to develop a proper economic model starting from a concept that Bandini, in an enlightening and simple way, repetitively stresses in his *Discorso* and which is at the core of his political economy: the velocity of circulation of money. The work, thus, principally attempts to (re)interpret Bandini's *Discorso* by proposing an "Economics of Sallustio Bandini" and it hopefully helps to rethink the whole Bandini's thought more consistently than what has been done so far: the same inscription in today Via Bandini (in Siena) is, in fact, partly misleading and does not capture Bandini's legacy in its completeness.

Ettore Gallo (The New School for Social Research)

*Investment, autonomous demand and long run capacity utilization: An empirical test for the Euro Area*

In recent years, the role attached to the autonomous components of aggregate demand has attracted rising attention, as testified by the development of the Sraffian Supermultiplier model (SSM) and the attempts to include autonomous demand in the Neo-Kaleckian model. This paper reviews and empirically tests the validity and the policy conclusions of the two models in the Euro Area. First, we theoretically assess whether the SSM may constitute a complex variant of the Neo-Kaleckian model. In this sense, it is shown that results compatible with the SSM can be obtained by implementing a set of mechanisms in a modified Neo-Kaleckian model, leading to the convergence towards a desired rate of utilization. Furthermore, the chief difference between the models is recognized to be the role attached to the rate of capacity utilization in the long run. Second, the paper empirically tests the main implications of the models in the Euro Area, based on Eurostat data. In particular, the discussion outlines the short and long-run relation between autonomous demand and output, by testing both the cointegration and the direction of causality between the two with a VECM model. Moreover, the role accounted by both

theories to the actual rate of capacity utilization and its discrepancies from the normal rate is empirically assessed, through a time-series estimation of the Sraffian and Neo-Kaleckian investment functions. While confirming the theoretical relation between autonomous demand and output in the long run, the results show that the dynamics of the rate of capacity utilization still plays a key role in the short-run adjustment mechanism – despite its stationary behaviour in the long term. Therefore, admitting that Keynesian results may hold even after the traverse, our work suggests to be Kaleckian in the short run and Sraffian in the long run.

**Nadia Garbellini (Università Cattolica di Piacenza)**

*International division of labour, Industry 4.0 and countries' competitiveness. The case of Italy and Germany*

The development of Global Value Chains (GVCs) led by companies in core countries and branched out into peripheral countries through supply relations with local companies or subsidiaries, while responding to a profit maximizing strategy of the former, generates strong competition between the latter. In order to remain competitive and maintain these supply relationships, these must find a way to reduce costs while maintaining profit margins.

New technologies and models of labour organization provide an extremely effective tool to achieve the goal, through a greater extraction of relative surplus value and thus an increase in the rate of exploitation.

The aim of the present paper is twofold. First of all, it aims at investigating what happened to productivity, both in Italy and Germany, over the last two decades. The analysis is carried out in terms of vertically integrated sectors—see (Pasinetti, 1973, 1981, 1988; Sraffa, 1960).

The second purpose of this article is to investigate the above mentioned issues by means of workers' enquiry, a methodology widely developed in the Italian tradition, in particular from the experience of *Quaderni Rossi*.

**Eleonora Gentilucci (Université Paris 3 La Sorbonne Nouvelle – Iéseg School of Management)**

*Smith versus Pivetti. Un'analisi di uno storico dibattito sul ruolo delle spese militari nel sistema economico capitalista.*

La letteratura economica sulle spese militari è estremamente complessa e variegata. In questo paper si vuol ritornare e dar conto di un dibattito, storicamente molto importante nella letteratura sulle spese militari, riguardante la loro funzione nell'economia.

Scopo di questo contributo è di mostrare, attraverso un'analisi comparativa, gli elementi fondamentali, gli apporti e i limiti di due punti di vista che tendono a contrapporsi nella storia del pensiero economico sul ruolo delle spese militari: da un lato quello secondo cui queste ultime costituiscono complessivamente un carico per l'economia e dall'altro, quello secondo cui, invece, le spese militari rappresentano una parte integrante e fondamentale per la sopravvivenza e il perpetuarsi del sistema capitalistico (e per l'accumulazione del capitale).

A tal fine verrà dunque analizzato e ricostruito il dibattito che prese il via dall'articolo "Military Expenditure and Capitalism" di Ron Smith, pubblicato sul *Cambridge Journal of Economics* nel 1977. A partire da questo contributo si svilupparono numerosi studi empirici che postulano, per costruzione, un impatto negativo del carico militare sulla domanda. I protagonisti principali di questa discussione furono da un canto Ron Smith e Paul Dunne e dall'altro Massimo Pivetti (1992), che, in risposta a quanto sostenuto da Dunne (1990),

ritiene che la sua contribuzione del 1989 non debba essere definita sottoconsumistica, ma un “approccio di domanda effettiva all’economia della spesa militare” (p. 381). Gli elementi fondamentali dell’analisi comparativa sono costituiti principalmente dai contributi di Smith (1977), Dunne (1990) e Dunne e Smith (1994) da una parte, e Pivetti (1989, 1992, 1994) dall’altra.

[Giulio Guarini \(Università della Tuscia\)](#)

*Sustainability and environmental policies in a post-Keynesian growth model*

The aim of the paper is to propose a Post-Keynesian analysis of Porter Hypothesis (PH). PH affirms that regulation policies can generate environmental innovations making ecological conversion a new economic opportunity. The PH is an important theoretical and policy concept used within the evolutionary analyses, mainly at micro and meso level. In this article, PH is included within PostKeynesian approach to analyze its macroeconomic impact by taking into account the linkages between aggregate demand and technological dynamics. Recently, are increasing PostKeyensian contributions on environmental sustainability (Rezai et al. 2013; Fontana and Sawyer, 2015; Guarini and Porcile, 2016), but there is still room for developing macroeconomic studies on PH. The challenges of climate change are increasing, and they entail a more active role of institutions in the achievement environmental goals, without leaving out social instances and technological goals. Indeed, due to the economic crisis the unemployment remains a serious problem, as well as, globalization and international competition require continuous technological progress. Thus, environmental policies cannot be interpreted only as interventions to compensate negative externalities caused by an increase of ecological imprint, but they should be considered as instruments to spur ecological conversion of production system through structural changes and innovations. The article intends to lay the foundation for a PostKeynesian analysis of the role of environmental regulation policies in macroeconomic dynamic. Firstly, are illustrated the main features of PH. Secondly, a PostKeynesian growth model is developed by focusing on the macroeconomic impact of PH; to this end is modified the Hein (2012) model by inserting factors linked to environmental sustainability. Finally, are estimated two equations of the model: investment function and green productivity function, by applying the GMM for panel data to the European countries, in the period 1999-2012, according to the availability of data. The paper is organized as follows. Section 2 develops theoretical framework. Section 3 contains empirical analysis. The last Section contains our concluding remarks.

[Léon Guillot \(Université Paris 1 – PHARE\)](#)

*A study of the nature of the Wicksellian rate of interest on capital from technical to social issues*

Even though political economy used to emphasize the significance of the role played by the interest rate in the accumulation of capital, Knut Wicksell (1851-1926) claims that the exact formulation of the natural rate of interest on capital is practically and theoretically one of the most difficult tasks. He depicts the natural rate as an expected rate of return on real capital “not fixed or unalterable in magnitude” (Wicksell 1898). To address this constant variability, I argue that both understanding the fundamental nature of “capital” and of the social relations is essential.

Since the works of Woodford (2003), DSGE models use an interest rate close to Wicksell’s natural rate. Those models aim to determine the rate’s level while adopting a very narrow conception of what is “capital” and evacuating social issues.

In section 1, I show the issues raised by the temporal nature of capital and the technical determination of the natural rate. Then, in section 2, I stress that time as a determining effect on investments expectations and decisions. Expectations take place for several years and in an uncertain world where classes act on conflictual interest and exacerbate the variability of the rate. Finally, section 3 deals with Wicksell special case of the stationary state. This case is usually retained by commentators and transformed into a general case where the interest rate level would be determined by marginal productivity. More broadly speaking, I stress in this section the limit of taking a part of a theory and generalizing it.

[Erkan Gurpinar \(University of Ankara\)](#), and [Eyup Ozveren \(Independent researcher\)](#)

*Incomplete contracts, cooperation and knowledge as a commons*

The analysis of information as a public good rests on two assumptions: contractual incompleteness and self-interest. In this setting, self-interested agents compare transaction costs of alternative institutional arrangements and alleviate problems related to the limited appropriability of information by either public support (in science), or intellectual property (in commercial applications). The limitations of such an analysis are evident in the debates over the commodification of scientific knowledge. Rather than facing this problem head on, some writers have opted for a halfway solution. They add knowledge as the fourth fictitious commodity into Karl Polanyi's framework, indeed, without much elaboration. These limitations are much better addressed by a tripartite framework which is found in the works of Karl Polanyi and Elinor Ostrom. This framework not only overcomes the dichotomy between states and markets, but also shows how and why other-regarding and social preferences matter in coordinating economic interactions. In the paper, we extend Ostrom's Institutional Analysis and Development framework on knowledge commons by analysing how co-evolutionary dynamics applies to knowledge production. Economic agents determine the characteristics of knowledge when producing it, yet, at the same time, these characteristics affect actions of these agents, e.g. intellectual property could affect individuals' decision about sharing knowledge. Moreover, co-evolutionary processes are sensitive to initial conditions. If there exist complementarities between the actions of agents and the characteristics of the resource, e.g. between self-interest and private intellectual property, or other-regarding preferences and sharing, this raises the possibility of multiple institutional equilibria favouring certain institutional arrangements at the expense of others only because of specific initial conditions. In such an environment, there is a role to be played by entrepreneur as well as public authorities since their actions directly define the characteristics of the resource. The ongoing debate in knowledge commons as well as concerns over the commodification of knowledge may help avoid lock-in to a certain institutional arrangement (e.g. private intellectual property), hence the over-privatization of knowledge. Both public policy and entrepreneurial activity may help keep institutional diversity alive in knowledge sharing and production, and thereby contribute to the sustainability of the resource as well as restraining the marginalization of other-regarding and social preferences that are at the centerpiece of knowledge commons.

[Anna Horodecka \(Warsaw School of Economics\)](#)

*A framework model structure of the relationship between values, individual and social norms, and current global trends*

Recent research in the field of economics has proven that individual rationality is limited in the sense that the individual is not able to make optimal choices [Kahneman, Tversky, 1981] but is s/he able to make rational choices in the sense of long-term goals? The question is if

the economic actor is able to choose such goals which make him/her happy? Maybe a person needs orientation on society, choosing its goals and values to achieve satisfaction with life or happiness. Loneliness and consumerism are defined as the main causes of illness and disaster. And vice versa, some studies show that individuals who have good relationships with others are much happier and live longer and healthier (Haller & Hadler, 2006).

Economists are increasingly talking about a new model of an individual who is embedded in society, and the influence of society on individual choices is made through the institutions (Hodgson, 2004). Some authors focus on the roles of social identities (J. B. Davis, 2006; Kirman & Teschl, 2004; Kranton, 2016), which enable the individuals to adapt to society and are channels for imposing social norms on individuals. Finally, we refer to the role of culture (Alesina & Giuliano, 2015) as a mediator between society and the individual. However, acceptance of some of these standards, such as tolerance, is only possible through legal provisions that may trigger or support certain norms. Is it enough, however, to embed in society and adapt or take into account social norms? Do all existing social values respond sufficiently to current challenges in the form of global trends (climate change, migrations, cybernation) and allow for social sustainability? It seems that not all social norms meet the needs of existing trends, as in the case of climate or migration policy. We must therefore perceive social values and norms not as a final solution but look at them as a successful or failed adaptation to current global challenges. In relation to such a defined range of social values and norms (social sustainability in current challenges) may seem rational or not.

Although these three issues are often discussed separately, it may be necessary to consider together a single model depicting the relationship between individual and social values and standards on the one hand, and the current global challenges on the other hand. Therefore, the purpose of the article is to introduce a framework model that facilitates understanding of the relationship between global trends and social values and norms on the one hand, and individual values on the other in human choice. Therefore, it will contain the reference as well to the rationality which can't be reduced only to its individual aspect.

Such a model can be helpful not only in understanding the theoretical and empirical relationship between these concepts, but also in designing future economic policy whose effectiveness depends on the context. In this context, individual and social values and norms play a key role, but also create the current changing environment. It is based on the author's earlier research - concepts of human nature [Horodecka, 2018], contextual understanding of evolving goals of economic policy [Horodecka, 2008] and ongoing project with Ramazzotti on the role of different identities in policy choices. Relations between segments of such a meta-model will be discussed on the basis of existing theories and empirical evidence between various components of this model and descriptive analysis of various discussed phenomena. In the last step, I will focus on the role of this model in understanding currently discussed problems. In addition, I will show the chances of applying this model in current debates on economic policy, such as sustainable development, migration policy and economic inequality, with the focus on the first problem.

Francesca Iafrate (Università Roma Tre), Matteo Deleidi (University College London and Università Roma Tre), and Enrico Sergio Levrero (Università Roma Tre)

*Public investment fiscal multipliers: An empirical assessment for European countries*

This paper implements the Local Projections methodology on a panel dataset and aims to estimate the macroeconomic effects of public investment shocks on the level of GDP in selected euro area countries. We apply two different models. The first is a linear model



which assumes that the effect of fiscal policy shocks is symmetric; the second investigates whether the magnitude of the investment fiscal multiplier depends on the sign of public investment shocks. Additionally, we explore whether our findings are robust by omitting the years of recent recession. This allows us to investigate whether the Great Recession has had an impact on the magnitude assumed by fiscal multipliers. Our findings suggest that an increase in government investment generates a ‘Keynesian effect’ on the level of GDP. Fiscal multipliers are close to one on impact and increase in the years that follow. Additionally, we find that the investment fiscal multiplier is asymmetric to positive and negative shocks. Specifically, a larger magnitude is experienced when public investment increases than when it decreases.

[Guido Ianni \(Centre for Economic Studies on Development, CEED-IDAES-UNSAM\)](#)  
[National Council of Scientific and Technical Research, CONICET, Università Roma Tre\)](#)

*Determination of the pattern of specialization as a cost-minimizing system. A note on the importance of distributive closures in models of value and distribution for small and open economies*

Based on the surplus approach, the present paper aims to develop an extension to value and distribution theory to the open economy. Following Metcalfe & Steedman (1981), our contribution focus on the interaction between income distribution and real exchange rate while allowing for international interindustry linkages. Under this formalization, the small and open economy assumption imply that it produces only non-basics or commodities under differential land rent. The determination of the pattern of specialization is also considered. Properly reformulated, it can be tackled as a choice of techniques problem. Also, it can be reduced to be formally identical to the one for a closed economy.

We then show the greater importance of the distributive closure in the open economy, which arise due to an additional degree of freedom vis-à-vis a closed-economy price system, arising because the transformation of dominant technique may be sensitive to which is the endogenous distributive variable. Sorting techniques by its «factor-intensity» might not be possible (even in the absence of reverse capital deepening and reswitching!). Additionally, any ordering of industries by means of a criterion of «competitiveness» may change with the distributive closure. Hence, comparative advantages cannot be defined in general.

[Alexander Kovalenkov \(University of Glasgow\), Hikojiro Fujiwara \(University of Glasgow\), and Arjunan Subramanian \(University of Glasgow\)](#)

*Is cultural diversity a curse or a boon for economic performance?*

We examine the effect of cultural diversity on economic performance. We develop a tractable and straightforward measure of diversity in human values using World Value Surveys. We find that cultural diversity in human values promote efficient institutions which in turn strengthens economic performance.

[Pierre Lacour \(NYU-SPS\)](#)

*Does ethical behavior fade over time? Explorations in repeated trust games*

This paper presents the results of an experiment with three repeated trust games aiming at assessing the robustness of ethical behavior observed in an initial one-shot game experiment (Lacour, 2012). We find evidence that participants behave ethically, that is do what their want their partner to do in the same situation. We also find that participants and partners’ behavior are alike across these trust games, as participants’ own intentions match their partners’. However, contrary to our hypotheses, participants did not consider the



experiment as a sequence of three games over which a trust relation develops, but they do revisit their relation as a new game starts.

Alberto Héctor Landro (Universidad de Buenos Aires), and Mirta Lidia Gonzalez (Universidad de Buenos Aires y Banco Central de la República Argentina)

*On the economic interpretation of the concepts of mathematical expectation and moral expectation and their counterexamples: The classical solutions*

The historical analysis of the scope of the mathematical expectation definition, as the fair bet that should be risked to participate in a game, allowed to conclude, on the one hand, that the assumed paradoxes mentioned in literature are generated when their idealized interpretation is left aside and the factual aspects of their execution are considered and, on the other hand, that, although none of the solutions proposed in the classical probability field is completely satisfactory, they gave rise to an in-depth revision of the fundamentals of the theory of probability.

Agnes Le Tollec (Ecole Normale Supérieure Paris Saclay)

*Home economics: Raising family welfare through education to rational consumption, 1923-1945*

At the beginning of the twentieth century, women were often portrayed as compulsive and irrational consumers easily manipulated by emotional appeals. This article focuses on home economists' efforts to educate women to rational consumption from the 1920 to the end of World War II. Using the archives of the Journal of Home Economics, as well as publications and archives of key home economists who were active in the field of consumer and family economics – namely Elizabeth Hoyt and Margaret Reid at Iowa State College, and Hazel Kyrk at the University of Chicago – I argue that home economists' interest in rationalizing consumption emerged as an effort to counterbalance the negative influence of business on consumption. Home economists proposed to direct consumer's spending – like advertisers did – but from a welfare standpoint. Then I analyze home economists' institutional and intellectual influence in federal government, consumer organizations as well as in education from the early 1930s to 1945. I argue that home economists were instrumental in building a new image of the woman consumer as an individual who could be rational thanks to scientific and technical information.

Silvia Leoni (Università di Macerata)

*A historical review on the role of education: from human capital to human capabilities*

When reading about human capital theory, literature is extremely abundant. It is widely recognised that the theory of human capital, in the strict sense, spread out around 1960, resulting in that branch of economics known as the economics of education. In the same way, it is undeniable that the theory of human capital is deeply rooted in at least two centuries before, starting with Adam Smith's work. The debate on the concept of human capital covering the time span that from Smith reaches the well known Jacob Mincer's doctoral thesis has been particularly intense over the Sixties when indeed human capital became a concept integrated within the economic science. The outcome of this debate has been a pluralism of perspectives, sometimes even in conflict with each other. According to its classical formalisation, we can define human capital as a set of skills and characteristics that increase a worker's productivity and that have sources in e.g. innate ability, schooling and training. This definition only captures some of the concepts related to education and training; some other concepts, in particular, a multidimensional approach

that we can find already in Smith's thought, have lost consideration and retrieved only with the formalisation of another theory: the human capability developed by Amartya Sen. Even though these aspects have been rediscovered, the empirical analyses populating research in the field of education still rely on the key concepts of the theory of human capital: education can be assimilated to an investment, whose rate of return can be compared with other types of investment. The rate of returns to education is usually computed on the basis of the returns estimated through the Mincerian wage equation, which is based on the assumption that schooling decisions will maximise the net present discounted value of the individual.

This work provides a historical review on the role of education, from the point of view of some major economists, from Adam Smith to Amartya Sen, touching Mill, Marshall and the founding fathers of the Economics of Education: Schultz, Mincer and Becker. The aim is to highlight that a multidimensional approach to education was present even in the first contributions on the topic; yet, precious concepts on education have been left behind in the process of formalisation of a unitary theory such as the human capital theory and, as a consequence, they do not find a corresponding application in empirical research.

Pierre Leviaux (Université Lumière Lyon 2)

*"Scientific norms" as epistemological obstacles? Re-reading the Cahuc and Zylberberg's controversy in good company (with Bachelard, Canguilhem, Kuhn and Gaston-Granger)*

During fall 2016 appeared a hardly academic work of two well-known French economists, Pierre Cahuc et André Zylberberg, entitled "Economic Negationism, and how to get rid of it". The thesis of the book can be summarized as follows: economics has become an experimental science in the same way as the natural sciences, based on a rigorous analysis of facts, and it is necessary that it gets rid of its negationists, that is to say, of those whose beliefs and interests lead them to deny the most established truths. Given the particularly measured nature of this assertion, a controversy ensued between a number of heterodox French directly targeted by this pamphlet and these two authors. After a review of the main arguments put forward during this controversy, our article proposes to consider the latter in terms of the practices of the field of economics, as they constitute norms that define and regulate the methods of investigation that economists use not only to describe and explain economic phenomena, but also to act upon them.

It will first of all be a matter of questioning Cahuc and Zylberberg's epistemological positions in terms of the definitions they give of science, of the characteristics that are necessary for scientific reasoning, and of the criteria for validating the results of science. In a second step, we will consider their main claim through the concepts developed by several renowned philosophers of science: it will be a question of epistemological obstacle and break as defined by Gaston Bachelard, of scientific revolutions in the sense of Thomas S. Kuhn, of scientific ideology according to Georges Canguilhem, and finally, of the approach of comparative epistemology introduced by Gilles Gaston-Granger. According to us, it is thus through concepts derived from the current of historical epistemology that it seems important to shed light on this controversy in order, if not to reveal its meaning, at least to provide a renewed interpretation. Finally, to go beyond erudite criticism, an important part of the article is also devoted to the evaluation of the analogy introduced by Cahuc and Zylberberg between economics and the biological and medical sciences. In a way, the objective of this second part is to "carry the biomedical metaphor a step further" in order to highlight its scope and its limits. This comparison with biomedical sciences allows us to evaluate the main thesis of Cahuc and Zylberberg's book, both in light of their conception of

the causal relations that structure their object and in view of their definition of the criteria of scientific validity of their discipline.

Taking into consideration the epistemological and sociological dimensions of this controversy enable the illustration of the will of numerous mainstream economists to bring discredit upon any form of alternative approaches to economic phenomena. In this respect, mainstream economics seems to have progressively constituted itself as a scientific ideology in Canguilhem's sense, namely it has been institutionalized in the form of an idiosyncratic relation toward its subject matter, its methods of investigation of the latter, and to the conditions of validation of the knowledge that it produces. The theses of Cahuc and Zylberberg, far from molding an epistemologically sophisticated argument, constitute only the most uninhibited side of it.

[Stéphane Longuet \(Université de Picardie\)](#), and [Odile Lakomski-Laguerre \(Université de Picardie\)](#)

*Democratic rules and autonomy in Schumpeter's theory of democracy*

Schumpeter's theory of democracy has recently been studied as grounded on a cognitive theory of individual behaviors, making it close to cognitive or behavioral economics. In this paper, in line with these perspectives, we emphasize Schumpeter's original assumptions and approach to individual behavior in the political sphere. But we expand the subject, stressing that Schumpeter's theory of democracy can be analyzed through the lens of the concept of autonomy. As a key argument in Schumpeter's discussion of the collapse of capitalism, the interaction of both political and economic spheres, as two systems led by their own operating modes, can therefore be analyzed with the help of autopoietic system theory. Comparing Schumpeter and Luhmann, we emphasize a Schumpeter-Parsons-Luhmann connection, and show that re-reading Schumpeter's theory of democracy in terms of complex system theory could help to overcome the elitist conception of Schumpeter's model of democracy and give theoretical keys to build a bridge between individual and collective cognitive processes and integrate a theory of ideology

[Stefano Lucarelli \(Università di Bergamo\)](#), and [Gaetano Perone \(Università di Bergamo\)](#)

*The P2 lodge and the Italian financial market. An empirical analysis*

We investigate the role that the P2, the well-known Italian clandestine masonic lodge, had in the economic developments in the country. Considering all firms listed on the Milan Stock Exchange, we analyse the interlocking directorates between the banks and firms infiltrated and not infiltrated by the P2. Our results show that in the 1980-1981 period firms infiltrated by the P2 accounted for the most part of the connections and exhibited higher network centrality. Since 1982 there is a general scaling-down of these firms: an event consistent with negative impact of the public discovery of the P2 lodge during 1981.

[Maria Cristina Marcuzzo \(Università di Roma La Sapienza\)](#), and [Carlo Cristiano \(Università di Pisa\)](#)

*Industrial leadership, market power and long-term performance. Marshall's and Keynes's appreciation of American Trusts*

In the course of their lives and careers, both Marshall and Keynes visited the United States and expressed views on American capitalism. Marshall visited the country in 1875, before the advent of the Trust question. In the years that followed, he followed the turbulent development of the American industrial world, on which he gave his final word in *Industry and Trade*. Meanwhile, Keynes had begun to develop his own personal relationship with

America, which became very close after his visits during the 1930s, when Keynes began to invest in Wall Street on a large scale. In this paper, we argue that there is “a family resemblance” in their views on America. To make this point we chose to travel backwards. We start from Keynes, whose appreciation of American trusts is revealed most clearly as he became a large investor in US assets, tracing the ascendancy of his line of thinking to his apprenticeship in economics under Marshall. We then focus on the evolution of Marshall’s thoughts on monopoly, competition and industrial leadership in early work, then in the *Principles* and *Industry and Trade*. Our main conclusion is that both Keynes and Marshall, with of course their differences, shared a common appreciation of American trusts, weighting the advantages of a large industrial organization more than the loss of competitive edge. As we try to show, for both Marshall and Keynes, this view was specific to America. In 1875, Marshall was struck by the deliberateness and adaptability of the American people, and even though he expressed some scepticism about the future of Trusts and big business for some time during the 1890s, his confidence in the leaders of American industry and their dynamism resurfaced in *Industry and Trade*. In this book published in 1919, Marshall described the leaders of big business in America as inspired by the same spirit of innovation he had observed and admired in 1875. The ideas that Keynes expressed about Roosevelt and the New Deal, and his choices as an investor in the US market during the 1930s, seem to reflect a similar view. While we see no direct link connecting Keynes’s views on America during the 1930s with his apprenticeship with Marshall in 1905, we see this latter episode as the starting point of a longer process, in which Keynes could observe the evolution of Marshall’s opinions on America, possibly being influenced by it.

[Maria Cristina Marcuzzo \(Università di Roma La Sapienza\)](#), and [Eleonora Sanfilippo \(Università di Cassino e del Lazio Meridionale\)](#)

*Keynes’s personal investments in the London Stock Exchange and his views on the transformation of the British economy*

In this paper we analyse Keynes’s personal investments in the London Stock Exchange, focusing on Keynes’s selection and pattern of choices of assets, rather than performance of the portfolio. Among other things, this approach may help to assess Keynes’s evaluation of the British economy which was undergoing relevant structural changes in the interwar period. An assessment based on Keynes’s trading behaviour and investment philosophy is a relevant addition to what we know from his public statements or the positions he took in the political arena and even more so given that no detailed reconstruction of his personal investments in the London Stock Exchange had been attempted hitherto. His declared investment philosophy, his choice of sectors and individual shares seem all to indicate his perception of both the structural changes in British economy and the decline in competitiveness of British industry.

[Denis Melnik \(National Research University Higher School of Economics, Moscow\)](#), and [Maxim Markov \(Saint Petersburg State University\)](#)

*Malthus in Russia: Russia’s demographics in the framework of Malthusian theory*

Wars with revolutionary France changed the traditional routes of the ‘grand tour’ to which well-off Britons had been accustomed by that time. Instead of France, Switzerland, Italy they had to explore Scandinavia, Finland and Russia. It was precisely the itinerary taken by Thomas Malthus with a small group of other Britons in 1799–1800. But he had in mind another important task for the trip. Malthus intended to collect data for solidifying the

empirical grounds of his *Essay on Population*, the first edition of which in 1798 had already brought him a considerable fame.

Malthus spent some time in Russia in the fall of 1799 and visited St. Petersburg, but little is known on the details of that stay. It is plausible that he established some personal contacts among the Russians then and that Anglophile representatives of the Russian elite had already been acquainted with his ideas. However, the first mention of Malthus in Russian known so far appeared only in 1818. It was the review of the 5th edition of the *Essay*. Relatively soon Malthus was distinguished in Russian academia: in 1826 he was elected a foreign fellow of the Imperial Academy of Sciences, and in addition, in 1830, he got an honorary professorship at the Imperial St. Petersburg University. The first task of the paper is to shed some light into these episodes using Russian archives and available published sources of that period.

Another task of the paper is to consider how the data and first-hand knowledge of Russian situation were used by Malthus in empirical substantiation of his demographic theory. In fact, as we will try to show, a comparison between contemporary studies and Malthus' own representation of the demographic situation and trends in Russia reveals that his analysis in some aspects lagged behind the contemporary level. His understanding was preset by his vision: the Malthusian theory preceded the empirical analysis (at least as regards Russia). This, once again, indicates an important role of assumptions in economic and social studies.

[Josef Mensik \(Masaryk University\)](#)

#### *Social ontology and social structures*

Structuralism in social science was popularized by the French structuralists, Claude Lévi-Strauss especially. In search for social structures he came to the conclusion that they originate in human minds. Moreover, according to him people across history and cultures shared the same mental structure, with all other structural aspects of human civilisation (myths, thought, social rules, organization of houses in a village) stemming from it. This approach, was criticized for its ahistorism, universalism, as well as extreme holism -- with individuals not being able to influence the fundamental aspects of human civilisation -- the eternal immutable structure. After this criticism, structuralism in social science lost its popularity.

Recently, however, structuralism is gaining currency again, this time in the philosophy of mathematics and physics. This "new" structuralism turns out to be at the fundamental level very similar to the social science structuralism. If one understands structured to stand for regular, one must ask whether any science should look for anything but structures (regularities, patterns). Perhaps social science might attempt to locate structures within its realm anew? After all, it was the supposition of a single structure placed in all human minds which was criticized at French structuralism, not the search for structures as such. I propose that structures in the social realm occur at several interrelated levels. Agreeing with Lévi-Strauss that human mind operates in structural terms and that it is humans who structure most of what we consider as social, I do not endorse the postulate of the single structure. People are heterogeneous and their mental structures differ; secondly, everyone thinks and acts based on many diverse structures. Next, there exists second domain of structures: the domain of praxis -- of actual human behaviour and its results. The two domains interact through an ongoing feed-back mechanism. Perceiving structures in the domain of praxis makes people to modify their mental structural make-up; this, in turn, leads to modified structural performance in the domain of praxis. I shall demonstrate this on the example of the contemporary social ontology of Tony Lawson.



This feed-back transformation mechanism is shaped by a third sort of structure -- the physical network of actual individuals interactions. The forth domain of structures harbours the macro behavioural patterns, which are not observable from the vantage point of our everyday interaction, and which constitute the area of interest of social scientists.

[Mikhail Miriakov \(National Research University Higher School of Economics, Moscow\)](#)

*Pension reforms in post-communist economies: between state and market*

In the first years of transition the pension reform was not the main issue of political agenda for the post-communist governments. But since the mid-1990s, the debates on the future of post-socialist pension systems intensified. Prominent role in shaping the debates was played by "new pension orthodoxy" promoted by international financial institutions (IFI), especially the World Bank. The main elements of "new pension orthodoxy" were the necessity of privatization of pension systems and the need to reduce expenditures (via raising retirement age, downsizing benefit level, etc.). During 1998-2008, 14 post-communist economies adopted the model of privatized pension system.

Decisions to privatize pension systems usually was made not on the basis of the prior analysis, but as a result of beliefs in some key arguments of the advocates of "new pension orthodoxy". In other words, the discourse was more influential than the analysis. The rhetoric of IFIs (as expressed, for example, in the most significant publication on pension reforms during 1990-2000s, "Averting the old age crisis" (1994) by World Bank) was constructed to convince that pension privatization was the only feasible option to avoid the collapse of pension systems in the long-run. Besides, it was argued, privatization of pension system would help to develop financial sector and stimulate economic growth.

After global crisis of 2008 several economies of the region scaled back pension privatization and increased the level of public pension provision. However, despite the crisis of ideas of "new pension orthodoxy", the discourse still plays important role in shaping political agenda. For example, in Russia it was used in order to raise the retirement age in 2018.

The task of the paper is to consider the role and impact of economic theories in setting the normative vision of an institutional system that precedes the elaboration and implementation of specific policies in the actual systems.

[Gary Mongiovi \(St John's University\)](#)

*Pasinetti and the Cambridge Keynesians*

In his important recent book *Keynes & the Cambridge Keynesians*, Luigi L. Pasinetti provides a rich account of the rise and decline of the branch of Keynesian economics associated with the key founding figures, after Keynes himself— notably Joan Robinson, Richard Kahn, Nicholas Kaldor and Piero Sraffa. Pasinetti argues that a defining feature of the Cambridge school of Keynesian economics was its integration of the Keynesian principle of effective demand with the analytical approach of the classical political economists. Hence, the Keynesian revolution entailed a radical paradigm shift—the abandonment of the neoclassical "exchange paradigm" in favor of the "production paradigm" of the classical economists and Marx. *Keynes & the Cambridge Keynesians* is a valuable intellectual history, written with the insight of one who was on close terms with most of the main players. But some of the book's arguments are not entirely persuasive, and a number of questions to which we might expect answers are left unasked. This paper will critically assess Pasinetti's reconstruction of the pre-history of Post-Keynesian economics. I shall argue that there is little evidence that in the late 1930s, Robinson and Kahn held views that put them at cross-purposes to the IS-LM Keynesians. Keynes had deep reservations about the classical

economists whom Pasinetti identifies with the production paradigm, except for Malthus, who in various respects does not align comfortably with the other economists Pasinetti places in that group, such as Ricardo and Marx. Pasinetti neglects to discuss the obvious tension between the long-period method of the classical political economists, on the one hand, and the deep skepticism of Kaldor and Robinson towards equilibrium analysis. The paper discusses these and other issues in the light of recent debates on the history of Post-Keynesianism.

Guilherme Spinato Morlin (Università di Siena), and Carlos Pinkusfeld Bastos (Federal University of Rio de Janeiro)

*Inflation and conflict in an open economy: A Sraffian analysis of the Scandinavian model of inflation*

This article discusses the Scandinavian model of inflation in order to understand its contribution to the study of inflation and distributive conflict in price-taker open economies. At first, we briefly present the original model, then we discuss some of the model's hypothesis and its consequences to distribution. We criticize the hypothesis of constant profit rate by questioning the implicit investment theory that supports that hypothesis. Then, two alternative approaches to the model are developed. In the first one, we relax the hypothesis of a constant profit rate. The second approach is established by considering a model with circulating capital, in which commodities are produced by means of commodities, obtaining a lower rate of growth of money wages compatible with stability of the model. Analyzing the Scandinavian model in accordance with the Sraffian approach to inflation, we expect to have contributed to the research about cost inflation and distributive conflict in price-taker open economies.

Nerio Naldi (Università di Roma La Sapienza)

*Gramsci's letters that Sraffa did not forward to the Italian communist party*

In September 1928, in Milan, for the first time after Gramsci's arrest, Piero Sraffa met Tatiana Schucht.

T.Schucht (sister of Gramsci's wife, Julia, who lived in Moscow) was in regular correspondence with Gramsci (sentenced to 20 years in June 1928) and visited him in prison. Sraffa, who also had come under serious threat in fascist Italy, in summer 1927, thanks to an offer sponsored by Keynes, had moved to Cambridge and from spring 1928 started travelling regularly to Italy during university vacations.

The September 1928 meeting was certainly aimed at establishing a liason (up to that time lacking) between Gramsci and the Italian communist party.

To make the liason effective, T.Schucht prepared a copy of each letter she recieved from Gramsci and sent it, or handed it in, to Sraffa. Sraffa, in turn, forwarded it to the *centro estero* of the Italian communist party.

On some occasions, however, originals and copies of the letters were not forwarded to the usual receivers. In particular, between the end of 1932 and the end of 1933 a significant number of letters were not forward to *centro estero*.

Following Gramsci's explicit requests, Sraffa did not forward the copies of two crucial letters that Gramsci had sent to T.Schucht on 5 December 1932 and on 27 February 1933. Then, and in this case no request in that sense had come from Gramsci, Sraffa did not forward copies of more than three quarters of the letters to T.Schucht he had received between mid April and early December 1933 – in 1974 those copies were still with Sraffa.

Up to December 1932 Sraffa had forwarded copies of 126 out of 128 letters written by Gramsci to T. Schucht. The 1933 decision of refraining from forwarding to *centro estero* a large portion of Gramsci's letters was certainly important and must have been taken with consideration. In this paper we examine the content of the two letters Gramsci asked to be read only by Tatiana Schucht and Piero Sraffa and provide new information about them. Then we put forward an explanation of the reasons which may have prompted Sraffa to modify the praxis he had adhered to for more than four years and decide to keep for himself a substantial number of copies of Gramsci's letters – two *disasters* caused Sraffa's decision.

[Guinevere Liberty Nell \(Independent Researcher\)](#)

*Systems Theory, Hayek, and Schumpeter in the 21st Century: Re-examining classical dynamic frameworks for modern culture and technology*

Classical economists had a more dynamic approach to the study of political economy than the more mathematical neoclassical schools. Joseph Schumpeter and F. A. Hayek both understood path dependency, endogenous effects, and the complexity of the market economy, and of norms and the social and cultural orders. The modern Austrian school has so far failed to comprehensively analyse society and culture using this approach largely due to their reliance upon methodological individualism (MI).

These 'spontaneous orders', as Hayek referred to them, are endogenous cycles of interaction between individual and collective—or society—in which each affect the other, the individual influencing society, norms, and culture as much as they influence the individual. Neither is the root cause: not the individual, as the MI of Austrians argue, nor the society or state, as Marxists (and many other schools) argue (or assume or imply). Nor can one or the other dominate by force of will. The two are forever intertwined and affect the other in a cycle – interaction in a spontaneous order with evolution and emergence – whether a cycle of violence or one of cooperation and civilisation, that cannot be stopped even in a purely anarchic society, though the nature of the cycles involved can be (and has been) changed.

Here we consider modern Complex Adaptive Systems (CAS) theory and its roots in Hayek's Spontaneous Order and the "systems theory" of Schumpeter and others. Analysis of classical theories of communication, interaction, social change, and culture from a modern perspective can bring about new insights. This may provide a foundation for a new post-Austrian analysis (an Austrian framework which moves beyond methodological individualism) of the social and economic cycles of the modern economy and culture. This might help to determine things including what leads to the emergence of cooperation, the development of coordination, the origins of prosocial behaviour, and the way to move toward a less violent and selfish society, one which would be ready to embrace a Universal Basic Income and be peaceful whilst the majority of young men are jobless (which would be unprecedented).

[Sergio Nisticò \(Università di Cassino e del Lazio meridionale\)](#)

*Getting rid of a parenthetical 'must': The unintended consequences of non-uniform profit rates in Sraffa's equations*

In order to show that the natural prices of the classical economists should be interpreted as the necessary prices that ensure the reproduction of the economic system, Sraffa decided to open Production of Commodities by means of Commodities (PoCbmC) with the didactic assumption of a 'society which produces just enough to maintain itself' showing that relative prices 'spring directly from the methods of production', i.e. emerge as a necessity from the unique distribution of the output among industries that ensures the repetition of the

economic process. In chapter II of PoCbmoC, dedicated to economies producing a surplus, prices are determined simultaneously with the distribution of the surplus. Accordingly, Sraffa adds among the unknowns of the price equations *the rate of profits* that, we are told from a seemingly unimportant specification inserted in a parenthetical expression, ‘must be uniform for all industries’ as if the *must* would give relative prices resulting from his equation the same attribute of necessity they have in a subsistence economy. After reviewing the literature that has focused on the opportunity to expand Sraffa’s approach to the general case of non-uniform profit rates across industries and on the classical notion of competition, the paper argues that getting rid of Sraffa’s *must* implies a broader questioning of how prices are set in contemporary economies, of the role of demand and of whether the notion of long-period prices is compatible with firms’ power to be price-maker.

[Anna Noci \(Università dell’Insubria\)](#)

*William J. Baumol and the new welfare economics debate: 1940 – 1970*

This paper explores the role of William J. Baumol in the New Welfare Economics debate and the legacy of welfare economics on his subsequent works. Baumol was an extremely eclectic scholar. He was admitted as a master student at LSE in 1947, becoming a Ph.D. candidate and a member of the faculty after few weeks. His supervisor was Lionel Robbins and being at LSE put him at the center of the New Welfare Economics debate. This debate was, in the 1940s, a war between institutions and scholars, across the two sides of the Atlantic Ocean. Baumol began in fact his academic career writing on welfare economics and economic dynamic. However, after the 1970s and definitively after the 1980s, the welfare economics theoretical debate faded away and also faded Baumol’s production in this field. We argue that his interest for this branch of economics was rooted in his personal beliefs and convictions and that it left a legacy on his interest for specific topics. Coherent with his conception of economics as an applied science, his interest for welfare analysis shifted from the theoretical analysis to the applied one. Particularly in his first book, we find the awareness of a series of topics that will become his objects of study, like for example: the rising costs of services, the decline of cities and the regulation or deregulation of utilities.

[Thiago Dumont Oliveira \(Università di Siena\)](#)

*From divergence to convergence: The making of mathematical economics between 1933 and 1967*

The paper argues that the mathematisation of economics between the 1930s and the 1960s was propelled by the political tensions in Europe. My claim is that quantitative methods grew in importance during the period because they were perceived as politically neutral and therefore able to orient public policies by eschewing ideological charges. Moreover, I provide an empirical account of the changing nature of economics using Latent Semantic Analysis. It is shown that between 1933 and 1967 there was a shift from divergence of ideas to convergence of beliefs such that in the 1960s the language used by the top journals of economics had become considerably more homogeneous. Not only the top journals became more similar throughout the period, but also the papers published in these journals became more alike. The evidence suggests that by the mid-1960s the main journals of economics had converged to a paradigmatic core.

[Cosma Orsi \(Università Cattolica del Sacro Cuore\)](#)

*No One Should Have Less: J. E. Meade’s Social Dividend in the Years of ‘High Theory’*

In the 1930s some economists began arguing that redistributive schemes would «have beneficial consequences for both maximising economic output and achieving a more efficient use of material resources». This argument stemmed from the conscious realization that moral arguments were insufficient to justify the introduction of egalitarian policies; it was also believed that neoclassical theory «was actually ripe for approbation for egalitarian ends». The aim of this work is to look at how the concept of social welfare is developed in the works of James Edward Meade (1907 – 1995) one of the leading economists of the time who partook in the passionate discussions on income maintenance policies as suitable counter-cyclical devices, that deserved a place in the economist's toolkit (1935, 1936, 1948). This paper will especially focus on Meade's proposal of implementing what he called Social Dividend, a mechanism aimed at redistributing profits made by publicly owned enterprises thereby connecting citizens not with the means of subsistence, but rather with the means of production.

Erdem Ozgur (Dokuz Eylul University), Eyup Ozveren (Middle East Technical University), and Alp Yucel Kaya (Ege University)

*With or without homo economicus: A theoretical implication of the advent of Smithian economics in the Ottoman Empire*

The relation of *The Theory of Moral Sentiments* (1759) to *The Wealth of Nations* (1776) has been much debated. While Smith did not conceive any important contradiction or inconsistency among his two major works, moving from *The Theory of Moral Sentiments* to *The Wealth of Nations* he took a simplifying step concerning human nature, motives, and concomitant economic rationality. This step troubled many a scholarly mind so much so as to become known as the persistent “*Das Adam Smith Problem*” since the nineteenth century. Behind this remains at least as important a problem as how important the underlying economic man actually was from the viewpoint of Smithian economics. There is good reason to think that it was not a *sine qua non* for much of Smith's analytical construct as conceived in the overall spirit of classical economics. Smith's individual did not conform to the economic agent crystallizing into *homo economicus*, yet the place of *homo economicus* was retrospectively exaggerated in light of its rising fortunes and eventual indispensability in the neoclassical organon.

Adam Smith's economics exerted a formative influence on the development of classical economics in the Ottoman Empire. Because French was the intellectual lingua franca of the time, Smith's ideas came in French clothing in general but in Jean-Baptiste Say's clothing in particular, and Smithian ideas were selectively adapted to the realities of the Ottoman Empire. This paper overviews this process of adoption via a series of optical distortions originating from the peculiarities of successive French and Ottoman adaptation, and then focuses on a relatively latecomer theme in the Ottoman Empire, that is, the advent of ‘*homo ottomanicus*’ as the explanatory corollary of ‘*homo economicus*’. After tracing the textual status of ‘*homo economicus*’ from Smith to Say, we explore its position in Sakızlı Ohannes Pasha's *Mebadi-i İlm-i Servet-i Milet* (Principles of the Science of Wealth of Nations, 1881), the crowning achievement in Ottoman classical economics along with Ahmet Midhat Effendi's conception of ‘*homo ottomanicus*’ as an alternative to ‘*homo economicus*’. We identify its sources of inspiration and emphasize its contextual relevance. Finally, we address the following question: “If ‘*homo economicus*’ did not arrive as part of Smithian economics in the Ottoman Empire, does this not provide us with further evidence for the scaled-down and ‘anti-neoclassical’ reinterpretation of the role of economic agency from the viewpoint of Smith's classical analytical construct?”



Paolo Paesani (Università di Roma Tor Vergata) and Antonella Palumbo (Università Roma Tre)

*The quest for full employment in the early postwar USA. Definitional issues and policy debates*

Full-employment policies had their heyday in the aftermath of World War Two and in the following years, in the context of postwar reconstruction and the predominance of Keynesian thought. In the United States, the Employment Act of 1946 committed the Federal Government to “coordinate and utilize all its plans, functions, and resources ... to foster and promote free competitive enterprise and the general welfare; conditions under which there will be afforded useful employment for those able, willing, and seeking to work; and to promote maximum employment, production, and purchasing power”. The Act is generally considered as having introduced full employment as a political commitment for the Government (De Long 1996). This goal would remain central to the economic strategy of subsequent US administration until the 1960s together with active demand management. In those years, the Council of Economic Advisers, an institution established by the Employment Act itself, was very active in setting quantitative targets and in framing the policies to attain them. The Economic Reports of the President that the Council produces from 1947 on are thus a precious source of information on the practical content of those ‘Keynesian’ policies. Prominent economists participated in the activities of the Council and in policy debates at the time, elaborating new estimation techniques to measure full employment. A.M. Okun (1962) famously proposed to estimate US potential GNP as a way to address the question “how much output can the economy produce under conditions of full employment”. Okun’s indication of 4 percent, as a measure of full employment, was considered greater than the measure of ‘true’ full employment (then regarded in the vicinity of 3 percent according to Schwarzer 2018, see for example Bronfenbrenner and Holzman 1963) by a sufficient margin to check for excessive inflationary pressures. Strictly related to the policies for full employment was the debate on inflation. According to Schwarzer’s (2018) reconstruction, 3 percent unemployment was then considered as generating, in the USA, a rate of inflation between 4 and 5 percent, something that “conflicted with the goal of price stability”. The goal of this paper is to reconstruct the policy debate on the nexus between full employment and price stability in the USA between the 1950s and early 60s, building on official US archival material (e.g. Joint Economic Committee of the US Congress) and other sources. This reconstruction appears of particular relevance in connection with current debates on the inflation-unemployment relationship, and the critical reappraisal of the notion of the natural rate of unemployment, fifty years after Friedman’s and Phelps’s re-examination of the Phillips curve (see for example the debate in the *Review of Keynesian Economics*, Vol. 6, No. 4, Winter 2018).

Riccardo Pariboni (Università Roma Tre and Freie Universität, Berlin), Emilio Carnevali (University of Leeds), Matteo Deleidi (University College London and Università Roma Tre), and Marco Veronese Passarella (University of Leeds)

*Cross-border financial effects of global warming in a two-area ecological SFC model*

We develop an ecological open-economy SFC model that enables testing cross-area interactions among productive sectors, financial markets and the ecosystem. We show that the unequal diffusion of green technologies and assets across areas, coupled with rising ecological awareness, can force governments of less ecologically efficient areas to move further away from low-carbon policies. We argue that green monetary and fiscal policies can be used to tackle climate change and financial instability. However, their effectiveness depends crucially on the impact of cross-border financial flows and growth rate differentials

on exchange rates. Without a cross-area policy coordination plan, currency fluctuations can bring about unintended consequences, which undermine green policies' effects.

[Giovanni Pavanelli \(Università di Torino\)](#), and [Giulia Bianchi \(Università di Genova\)](#)

*The Italian economists as legislators and policymakers during the fascist regime*

This paper aims at analysing the role played by the Italian economists as members of Parliament (the Chamber of deputies and the Senate) and in the government during the fascist regime.

Recent research (Melis, 2018; Soddu, 2008; Gentile, 2002 and 2003; Fimiani, 2001) stresses the fact that during fascism the role of Parliament and of the executive changed substantially. From its very beginning, fascism rejected the principle of the “sovereignty of the people” as expressed by a freely elected, pluralistic Parliament and acted to shift the balance of power in favour of a government led by a charismatic duce. In November 1926, the deputies who opposed the regime were expelled from the lower chamber. Then, after 1928, elections for the lower chamber became de facto a plebiscite: citizens were asked to approve in toto (or hypothetically to reject) a list of 400 candidates made out by the fascist party. In 1939 the lower chamber itself was transformed into a “corporate chamber”. Furthermore, the parliamentary debate in the plenary sessions was severely restricted and most of the work was carried out by restricted committees. The action of the government also changed substantially: the ministers were increasingly selected (by Mussolini) as “experts” of the field, to draw new laws by decree and to implement policy decisions.

The Parliament, however, did not simply rubber-stamped legislative initiatives promoted by the government: in several cases cases cooperated actively to the final drafting of laws with emendations, suggestions and advices (Melis, 2018).

In this framework, the Italian economists played a significant and, until recently, largely neglected role. Overall, about twenty economists and statisticians became members of both chambers and/or of the government in the period 1924-43.

This paper analyses their work in these institutions. A major point is that the majority of the economists selected by the regime (mainly by Mussolini himself) as legislators and policymakers acted indeed as “experts” (“tecnici”). The “ideologists” of corporatism played a minor role.

To this aim, after reminding the institutional framework (the role of Parliament and the government during the fascist period), it analyses:

- i) The “core” (the economists who were members of the Government and members of the Parliament): Alberto De’ Stefani; Giacomo Acerbo; Arrigo Serpieri; Giuseppe Tassinari.
- ii) The economists at the Chamber of deputies: the residual opposition (1924-1926): Antonio Graziadei; Arturo Labriola; Angelo Mauri
- iii) The economists at the Chamber of deputies: the “experts” and/or ideologists of corporatism: Agostino Lanzillo (1929-1934); Vincenzo Ricchioni (1924-1943); Gaetano Zingali (1929-1939); Luigi Lojacono (1929-1943); Gino Arias (1934-1938); Attilio Da Empoli (1934-1943); Zeno Vignati (1934-1943);
- iv) The economists at the Senate Achille Loria (1919-43); Luigi Einaudi (1919-43); Pietro Sitta (1924-43); Federico Flora (1934-43); Carmelo G. Broglia (dic 1933-dic 1938).

[Matteo Pepe \(Università Roma Tre\)](#)

*Some notes on Pierangelo Garegnani and the «normal positions method» in the classical theory of value and distribution*

A central theme in the scientific *iter* of Pierangelo Garegnani is the study of the relation between theoretical values and effective magnitudes, namely the methodological aspects implicit in the theory of value and distribution. The aim of this contribution is to reconstruct and then clarify the Garegnani's thought on this crucial relation.

According to the «surplus approach» to value and distribution, as Garegnani summarized the modern reappraisal of the classical theoretical standpoint of Smith, Ricardo and Marx, the rule of correspondence between theory and reality was intimately linked to the notion of «normal position» of the economic system, resulting by the spread of competition and, in the sense stressed in the paper, persistency.

Theoretical magnitudes – in the surplus approach, the values determined by the «Sraffa's price equations» – were conceived as the centres around which market prices would have «gravitated». As a result, they would have emerged, with a certain approximation, as an average of the actual values over a period of time sufficient to allow for the repetition of transactions in free competition regime.

Following Garegnani's argument, it is recognised the impossibility of studying systematically the actual positions reached by economic system, i.e. the exigence of focusing just on the average, regular phenomena. The analysis of changes can then be conceived exclusively by comparing the «normal positions» of the system before and after those changes.

The first section of this contribution concerns Garegnani's interpretation of the method adopted in the surplus approach to value and distribution, and the connected notion of «normal position». As we will see, Garegnani's standpoint is grounded on the logical separation between different analytical stages. First, the «core» of the approach, in which we can find general relations determining, by deductive method, normal prices and the general rate of profit. Conversely, «outside the core» accumulation, distribution, and other less general relations can be studied by a more inductive method.

The second section of our contribution investigates the consequences of the assumption of given outputs on the determination of normal values. Subsequently, it is introduced fixed capital and the detection of the «dominant technique», the role of market prices' gravitation – related to the emergence of the general rate of profit – and the quantities' gravitation, evaluating also the consequences on capital accumulation and economic growth.

[Fabio Petri \(Università di Siena\)](#)

*On capital theory and professor Schefold: Some first observations*

Professor Bertram Schefold's recent papers on capital theory argue that the extremely low likelihood of reswitching and reverse capital deepening that emerges (according to him) from the study of empirical input-output tables is confirmed by theoretical results; these results, he concludes, rehabilitate to some extent traditional neoclassical views on capital and show that the Sraffian critics' insistence on reverse capital deepening as a fundamental criticism of neoclassical theory is misplaced. The present paper reports some doubts I have been recently nurturing about these arguments. I remain unpersuaded by some specific formal arguments and also by some broader conclusions of professor Schefold. In particular his thesis, that a very low likelihood of reverse capital deepening largely rehabilitates traditional long-period general equilibrium theory, seems to forget that Lindahl, Hayek, Hicks concluded that the treatment of capital as a factor of production was indefensible independently of the possibility – unknown to them – of reverse capital deepening. The extremely low likelihood of reverse capital deepening too seems a less solid result than professor Schefold appears to think: I question his theoretical argument to such an effect,

advanced in Schefold (2016, Appendix) and in Schefold (2017); as to the empirical evidence based on input-output tables, I find it suffers from serious weaknesses.

Eugenio Petrovich (Università di Siena)

*The structure of scientific disciplines. Some notes on the epistemology of algorithmic representations of disciplines*

Representations of research fields are devices that are used to grasp the inner structure of disciplines. They play a crucial role in the disciplinary life since they ease the fulfillment of many epistemic and social tasks (from systematizing the intellectual content to organizing the cognitive labor of researchers, to manage appointments in the university).

In the first part of the paper, I argue that, from a general point of view, representing the inner structure of a field correspond to a problem of grouping. The task is to find how the disciplinary units (being them ideas, chairs or journals) can be grouped into relatively homogeneous clusters (the sub-disciplines or sub-areas). Until recently, the grouping problem has been approached by many disciplines mainly with a top-down strategy. A classificatory scheme (i.e., a list of sub-disciplines) was designed based on a variety of considerations, and then the units were classified according to its categories. Computer-based clustering algorithms developed in the last years allow now a new approach to this problem, of a bottom-up kind. Following this approach, we start by selecting some property of the units we want to classify, and then the algorithm groups the units according to their similarity and dissimilarity on this property. In this way, we let the units organize by themselves, so to say.

In the second part of the paper, I argue that the kind of structure that the bottom-up strategy captures should be interpreted differently from the structure the classic top-down approaches expose. Even if bottom-up representations can be superficially similar to the top-down ones (e.g., the clusters can be easily mapped on the traditional categories, warranting the validation of the bottom-up representation), I argue that they should be interpreted with a very different set of concepts. In particular, I will show that the concept of structure we should use to interpret them is closer to the notion of structure we find in sociology. Thus, the structure we reveal by algorithms should be intended as the latent organization, resulting from thousands of micro-actions, which shapes the degrees of freedom of the actors by imposing a set of constraints on them. This interpretation opens a range of new theoretical problems, to which the third part of the paper is devoted.

In the third section, by taking the example of field representations based on co-citation analysis<sup>1</sup> – a widespread bottom-up technique of science mapping – I will focus on one these problems, namely the problem of how we should understand the relationship between the micro-context (the intellectual actions of the individuals) and the macro-structure revealed by the analysis. I will argue that the intermediate sub-structures, i.e. the sub-disciplines which show up in the map as clusters (denser regions), play a central role in this respect. By channeling the information into relatively homogeneous sets (the sub-disciplinary literatures), they allow the individual actors to cognitively dominate the information and thus to contribute to the production of new knowledge. By the same token, however, they constraint the possible intellectual actions of individuals: sub-disciplinary clusters exert a sort of “gravitational force” on the actors contributing to them. For instance, they render the action of “escaping” from the sub-discipline to bridge the gap with another one a costly enterprise. I will argue that they play a structuring role: they both allow and constraint the intellectual action (production of new knowledge).

If this interpretation is correct, then, bottom-up representations should be intended as revealing the latent forces (i.e., the structure) which doubly enable and constraint the intellectual action of researchers within disciplines. Understanding how these forces work and how they interact with individual actors at the micro-level is an important task for anyone who is interested in a theory of discipline dynamic based on the bottom-up representations produced by algorithms.

[Mario Pomini \(Università di Padova\)](#)

*The early mathematics of welfare: The contribution of Bruno de Finetti*

Bruno de Finetti (1906-1985) is well known as the founder of the subjective theory of probability (Feduzi, Runde, and Zappia, 2014). Less known, with a few exceptions (Rossignoli 1999, Lunghini 2000, Scazzieri 2009), is his contribution to economic theory during the early stage of his scientific career. In the second half of the 1930s, the young de Finetti was passionately involved in the field of economics, particularly in welfare economics. To provide a theoretical framework for evaluating social welfare and to help in designing public policies, he advanced a new mathematical tool: the theory of simultaneous maxima. Using this analytical approach, he criticized the *laissez-faire* interpretation of the Paretian theory and advanced the idea of a social welfare function, albeit quite different from the one introduced in 1938 by Abram Bergson, reflecting the debate on the economic planning among Italian corporatist economists.

It is still interesting to analyze de Finetti's contribution for many reasons, not only for historical purposes. His criticism was not driven merely by theoretical interests. Through his critical analysis of the Paretian system, he wanted to identify the theoretical causes of the failure of the economic systems in the 1930s. Moreover, his contribution touched on some fundamental questions that are still relevant today, such as the relationships between the descriptive and normative aspects of economic theory. The fact that de Finetti's criticism has rarely been taken into consideration may be due to accidental circumstances, such as the modest standing of the journals in which his work was published. However, it may also be due to much deeper reasons, which highlights that the evolution of economic theory is deeply influenced by the historical and cultural situation of the time.

[Steve Pressman \(Colorado State University\)](#) and [Louis-Philippe Rochon \(Laurentian University\)](#)

*The income distributive nature of monetary policy*

While heterodox economists are accustomed to discussing monetary policy and income distribution, indeed it goes back at least to Keynes and his discussion of the euthanasia of the rentiers, mainstream economists have traditionally avoided this discussion. The financial crisis, however, has contributed to an emerging mainstream literature on the subject. In this talk, we will explore more closely the main arguments of this new mainstream approach, and offer a criticism along familiar heterodox lines. In conclusion, we believe that unless heterodox economists are prepared to engage the mainstream in this area, we risk having the policy implications defined by the mainstream.

[Paolo Ramazzotti \(Università di Macerata\)](#)

*Neoliberal policy and social consensus*

The aim of the paper is to discuss the social consensus for neoliberal policies. It begins by pointing out that, despite their shortcomings - financial and output instability, divergent



income distribution and precariousness in employment and living conditions - an extensive social and voting consensus supports them. Accounts for this paradox generally focus either on the irrational behavior of voters or on the prevailing role of propaganda and of inadequate or biased information.

The next section suggests that, while these circumstances may be important, they do not provide an exhaustive account. The suggested approach is based on the notions of personal and social identity. People are not monolithic. They have different identities, which depend on external circumstances – the social and cultural environment they are a part of – and on individual choices. Although individuals pursue a unitary and coherent view of themselves, it is unlikely that the resulting personal identity meets this requirement. What an individual chooses to do and to be may be undermined by changes in the external environment, which lie beyond her control.

The subsequent section discusses how neoliberal policies establish an economic environment that emphasizes individual action and downplays collective action. This puts pressure on people to adapt their behavior to this specific context, to revise their previous views of the economy and, especially, to revise their choices of what to do. The new rules of the game imply that failure to achieve one's goals depends less on collective action than on individual dedication. They require less reliance on, and confidence in, collective agents, such as unions, and greater care for individual economic interests. It implies a revision of one's social identity – how an individual relates to others – and, consequently, of one's personal identity. The implication is that neoliberal policies have established not only a self-reinforcing consensus but a full-fledged hegemony.

The conclusion the discussion leads to is twofold. First, economic policy feeds back on the economic, social and cultural structures. It is therefore doubtful that it can be conceived of as a mere deduction from economic theory, to the neglect of these other structural elements. Second, because of this interdependence, attempts to contrast neoliberalism should focus less on the internal inconsistencies of its underlying theories than on the overall political project that it pursues.

#### [Antonella Rancan \(Università di Macerata\)](#)

##### *'The place of the Phillips curve' in macroeconomic models: The case of the Fed-MIT-Penn model*

The paper investigates how the Fed-MIT-Penn model incorporated the Phillips curve within its larger system of equations after Milton Friedman's Presidential Address (1968). My departure point is James Forder's history of the Phillips curve (2014) according to which the standard narrative is a myth. Forder examines a wide range of literature, however devoting little attention to the macroeconomic models of the 1960s and 1970s, both because they were "works in progress", therefore he considers difficult to infer "what [was] generally believed" (2014, 20-21); and because they were short run forecasting models and thus little affected by the debate on the vertical Phillips curve.

The Fed-Mit-Penn model resulted from a collaboration between academic economists and practitioners from the Fed Board (1966-1970) thus combining theoretical purposes with policy analysis and forecasting. Differently from previous macroeconomic models that concentrated on short run fluctuations, the Fed-MIT-Penn model also concentrated on the analysis of the system dynamic from short run fluctuations to a golden age, starting from Solow's growth model. Its short and long run perspective would make the model builders not indifferent to the academic debate about the tradeoff between inflation and unemployment.

The model deserves a special attention also because it was the model of the Fed Board whose discretionary policy was Friedman's Presidential Address main target (see Forder 2016). Moreover, the standard narrative considered it representative of the state of art of the late 1960s and 1970s (see Blanchard 2008, Goodfriend and King 1997, Fisher 1987, 1988, Mankiw 1990).

[Leonardo Ridolfi \(Scuola Superiore Sant'Anna di Pisa\)](#)

*The causes and consequences of general-purpose technological progress: Evidence from the adoption of steam engines in 19th-century France*

Inspired by contemporary fears that *robotics* will make workers redundant, we test the well-known hypothesis that early industrial technologies (in this case steam engines) were introduced because they were labour-*cheapening*. The common understanding is that mechanisation historically allowed firms to replace skilled with unskilled male workers – that is, new technology was *deskilling* – and moreover involved that male workers could be substituted with less-expensive female and child labourers. To test this idea, we use propensity score matching on two all-inclusive, industry-level censuses from 19th-century France to determine the labour-market conditions that led to the adopting of steam engines, as well as the subsequent effects of adopting them on the demand for male, female and child labour as well as their wage rates. We find that the present worries that *automation* will be labour- and skill-saving are not supported by the historical evidence. General-purpose technological progress during early stages of industrialisation, captured by the introduction of steam technology in historical France, was ultimately both labour-*augmenting* and skill-*demanding*, thus contrasting the labour-*cheapening* hypothesis.

[Jaime Edison Rojas \(Universidad de La Salle, Colombia\)](#)

*Aspirations and wealth inequality in Colombia*

In the literature of behavioral economics, it has been shown that the decisions of individuals in different situations depend on a reference point, this is an amount that subject compare for to make a choice (Kahneman, Tversky, & Tversky, 1979; Tversky & Kahneman, 1992) this has been called the prospect theory. According to this, under uncertainty about the future level of income, individuals take into account their current position on an earnings scale, to set a benchmark that they expect to occupy, for investing in physical and human capital. Follow Bogliacino and Ortoleva (2013), we use prospect theory to model dependent dependence and show how, high levels of inequality, can generate frustration in the individuals, being further away from their point of reference, leading them to abandon the investment intentions for achieve it. Through the use of data from the Longitudinal Survey of Colombia, a double difference estimate is proposed to know the effect of the position in a ranking of wealth, on the acquired levels of debt of the subjects, as an investment proxy, between the years 2010 and 2016. We find that greater distance with respect to the mean of the distribution of wealth causes a lower variation of household debt.

[Roberto Romani \(Università di Teramo\)](#)

*On the populism of laissez-faire in America, 1960-1985*

A populist turn in the argument for laissez-faire occurred between the mid-1970s and the early 1980s. The paper focuses on Milton Friedman, James Buchanan, the supply-side economists, and eulogists of free enterprise like Michael Novak. They reversed the standpoint of previous advocates of the minimal state, who had feared that the enfranchised poor majority would soak the rich, by arguing that the statist danger came in fact from the

liberal elites, pressing on with the expansion of governmental functions against the will and interests of ordinary Americans. Such a shift complemented that occurring in the idiom of the political Right since the 1960s. The economic populism of Friedman and Buchanan, in particular, derived from a blend of abstract analysis and a reassertion of freedom as the constitutive value of the country – they combined the universality and prestige of the economic idiom with a normative vision of national identity.

[Annalisa Rosselli \(Università di Roma Tor Vergata\), and Paolo Paesani \(Università di Roma Tor Vergata\)](#)

*Early theories about speculation on stock exchanges and organized commodity mark*

Around the 1860s, technological advancements in transport, communication and warehousing, contributed to the emergence of world markets for many staple commodities (e.g. cotton, wheat). At the same time, the economic needs of the companies involved in this commercial revolution stimulated the growth of markets for stocks and shares. The growing complexity of global markets created propitious conditions for the emergence of a class of professional speculators capable of processing a large body of information and of relieving producers and traders of the risks deriving from price fluctuations. Initially, the frenzy that accompanied this process seemed to confirm traditional views, which identified speculation with gambling. With time, however, a new literature emerged, free from moral considerations. Our analysis brings to light how contributors to this new literature, confronted with the novelty of globalized asset markets, made the case for speculation against conventional wisdom. In so doing, they were not blind to the downside effects of speculation, as a possible source of resource misallocation. Nevertheless, they chose to emphasize its constructive side, basing their arguments on the case of commodity markets, where the idea of a long-run equilibrium price to be attained by speculation appeared plausible. They employed the same arguments in the case of the Stock Exchange, downplaying differences between the two markets although they were well aware of them. Thus economists played a crucial role in convincing policy makers of the beneficial effects of the new speculative instruments, against the combined hostility of a large part of public opinion. Many have already explored the rise of this literature. The goal of this paper is to expand this line of research, focusing on theories formulated in the Anglo-Saxon tradition between the second part of XIX century and 1929. To this end, we combine evidence drawn from manuals aimed at practitioners, chapters in books on Political Economy and scientific literature on speculation either in the form of treatises or articles.

[Thomas Ruellou \(Phare\)](#)

*Natural prices, justice and social conventions in Adam Smith's thought*

Recent contributions, to which this article is a critical development, claim that in Adam Smith's thinking, natural prices would be approved by an "impartial spectator" and therefore conform to justice. Unfortunately, such contributions hardly rely upon concepts proper to classical price theory as systematized by Piero Sraffa. The social convention according to which surplus is split can actually be represented by a variable in a system of production prices. Rates of wages and profits in every "society or neighbourhood" can indeed be considered a norm enforced by the "spectator". Yet, given that the latter is not necessarily an impartial one, "just" natural prices are nothing but a particular case. This enables to unravel the relation between natural prices, surplus and reproduction in Smith's thinking. The reproduction of the economic system can occur independently from justice, either when natural prices are just but when market prices do not tend towards them; either with unjust

natural prices to which market prices are equal. This enables me to explain how the “labour theory of value” stands on an issue of justice, rather than being an actual rule for price determination.

[Andrea Salanti \(Università di Bergamo\)](#)

*Rodrik may be right on the plurality of models, but what about teaching? The case of international trade*

In his 1999 HES presidential declaration of the death of “neoclassical economics” David Colander (2000, 137-138) identifies the distinctive trait of “modern economics” with the following words:

If content does not define modern economics, what does? It is method. The same modern economics that is enormously broad in its acceptance of various assumptions and content is extremely narrow when it comes to method. [...]

Modern economics is economics of the model.

Needless to say that taking advantage of more or less formalized models is not a totally new feature within economics. In fact, towards the end of her important book on this subject Mary Morgan (2012, 379) summarizes her extensive historical excursus of how modelling activity entered in economics, together with a thorough discussion of the necessity to look at economic models in order to understand how economic research is currently done, by saying that economists “began by looking at the economic world through the lens of their models and ended by seeing their models in the world”.

What is perhaps actually new is an enhanced consciousness of the changing and multifarious nature of models and their purported methodological justifications. In the old days it was indeed not so infrequent to find hints and comments denoting a commonsensical and generic view of models as simplifying devices suited to approach an otherwise complex subject-matter as, for instance, Joan Robinson’s (1971, 141) remarks on the fact that

It is easy enough to make models on stated assumptions. The difficulty is to find the assumptions that are relevant to reality. The art is to set up a scheme that simplifies the problem so as to make it manageable without eliminating the essentials character of the actual situation on which it is intended to throw light<sup>1</sup>.

Nowadays things are somewhat different. In this respect we might indeed refer to an increasing bulk of literature about the different kinds of models and their role in economic explanations<sup>2</sup>. The fundamental questions in this respect, I would dare to say, are about the possible epistemological justifications of our confidence in models which: (i) sometimes are so simplified as to be regarded as “toy models” representing at best fictional worlds, or (ii) when more highly structured, necessarily incorporate assumptions which are generally acknowledged as being empirically false. Beside such big questions (a discussion of which – to be sure – is out of the scope of this paper), another (albeit related) feature in need of explanation is the astoundingly large and continuously growing number of such models in virtually all the subfields of the discipline.

[Neri Salvadori \(Università di Pisa\)](#)

*Ricardo's theory of growth and accumulation. A modern view*

It is an overview of a book that the author is writing. It includes a critical analysis of the seminal papers by Kaldor (1955-6) and Pasinetti (1960) with a comparison with recent literature (Samuelson's Classical Canonical Model and endogenous growth literature) and the extension to international trade, taking care of the small open economy and of the world economy, with a comparison with the models of HOS literature.

**Giovanni Scarano (Università Roma Tre)**

*Financialisation of non-financial corporations and effective demand: An analysis framework*

Some recent contributions to economic literature have highlighted the role of corporate savings decisions by big corporations in devoting their profits to direct investment in capital goods, showing how this role is affected by the features of corporate governance and the forms of competition, but also by the possibilities of holding liquid financial assets bearing high returns. However, some of these analyses, while by and large plausible at the firm level, show a fallacy of composition when transposed to the macroeconomic level to explain the effects of financialisation on real aggregate investment.

Starting from a critical analysis of both mainstream and heterodox contributions on this topic, the paper proposes an analytical framework in which the growing financialisation of big corporations, interacting with financial globalization, which creates new ways to access the high profits produced in the emerging markets, and growing liquidity holdings, closely connected to both growing uncertainty on very competitive worldwide markets and financial speculation, can play a major role in timing the rhythms of real investment, at least in a part of the world economic system. In fact, in open economies, the differences in average profitability between different countries can reduce capital sources for real investment in one country by means of capital transfers, in direct but also financial forms, towards other countries.

Moreover, the paper shows how, beside the rates of return, the liquidity degree of the assets can also be a very important determinant in portfolio choices by corporations, in close connection with business fluctuations. Thus, portfolio choices by corporations also and indeed above all depend on the uncertainty degree of their economic environment, which can induce hoarding phenomena which are, ultimately, the real prime mover of decreasing aggregate investment.

**Marco Schiavano (Università di Cassino e del Lazio Meridionale)**

*The process of learning in industrial districts and regional concentrations: A plausible model for the public policies tackling the polarization of the OECD labour market?*

The aim of this paper is to analyse the processes of learning in industrial districts and regional concentrations, which are characterised by strategic interaction and sharing of know-how. The paper will focus on the issue of innovation which, in a knowledge-based economic system, appears as the crucial element for growth. Yet, especially in the case of process innovation, it may produce adverse effects and, in particular, the polarization of the labour market. In the OECD context, many studies recognise the polarization as the consequence of an unequal learning. Moreover, such studies underline how, in our contemporary economic system, learning is the only tool allowing the persistence of workers and firms on the market. Lundvall has referred to the expression "learning economy" to highlight such aspect. As he pointed out, the capacity of learning is not only undermined by the cost of learning, which leads to inequality, but also by institutional factors, thereby resulting in a loss of competitiveness. With regard to both aspects public policies ("New New Deal") are needed in order to redistribute the capacity to learn in favour of potentially



marginalised groups. However, it is acknowledged that the processes of learning must entail the element of trust. Such processes have indeed an interactive nature and necessarily require the exchange of asymmetric information. This paper will focus on industrial districts and regional concentrations, where trust is at the core of the communicative rationality of the agents. Their behaviour is indeed characterised by a high degree of interdependence. It remains to be seen whether and to what extent such conditions may be replicated in broader contexts. It will be argued that industries belonging to industrial districts and regional concentrations can be framed as learning organisations. An insight on the way in which such industries promote processes of learning can therefore provide the ideal background to replicate such processes on a bigger scale. Accordingly, this paper seeks to assess whether public policies may foster a redistribution of the capacity to learn. In particular, it will be argued that such policies should be addressed to the organisation of the education system, the implementation of training programs of the labour force, as well as to the improvement of means of communication and sharing of information among industries of the OECD region.

[Elena Seghezza \(Università di Genova\)](#)

*The recent hyperinflation in Venezuela*

After Cagan (1956), in studies on hyperinflation, on the one hand, with respect to its causes, the fiscal hypothesis became predominant, while on the other, at the methodological level, the method of comparative historical analysis became established. In the context of these studies, at a theoretical level, the debate focused mainly on the problem of maximizing seigniorage in a context of rational expectations. On the empirical level, essentially the studies concentrated instead on the type of expectations that underlie the demand for money in hyperinflation. In part moving away from these types of analyzes, but using the method of comparative historical analysis, some economists (Fischer et al. 2002; Bernholz, 2003) on the one hand, found confirmation of the fiscal hypothesis and, on the other hand, identified a series of phases that regularly characterize hyperinflation. The purpose of this contribution is to ascertain whether the fiscal hypothesis and the sequence of hyperinflation phases identified in the literature are also present in the current case of Venezuela.

[Paolo Silvestri, Università di Torino](#)

*Tax justice as reciprocity: Between exchange and gift*

Why should we pay taxes? How should we share burdens and benefits of taxation? The endless debates on the two most common and enduring theories of tax justice – benefit-received principle and ability-to-pay principle – can be regarded as a continuous attempt to find satisfactory and shareable answers to these questions. The main objective of the present paper is to re-read the debates on the theories of tax justice through the lens of reciprocity and, accordingly, to provide new answers to these old questions. I will show: a) that it is possible and useful to re-read the unresolved tension between the two main theories of tax justice with the categories of reciprocity, namely as a problem of the distinction between exchange and gift, but without necessarily opposing one to the other, or re-proposing the self-interest / altruism dichotomy; b) that it is possible and necessary to understand taxation *also* as a form of gift; c) how the gift may help us understand and re-articulate the conflicting demands (equality Vs freedom) for tax justice.

[Stefano Solari \(Università di Padova\)](#)

*Rationality and the law in economics: A Hegelian perspective*

The aim of this work is discussing the role of norms in a practical approach to economic choice. A practical approach to political economy can find a connection between economics and the law assuming normative theoretical elements as relevant items in economic reasoning. Such approach is defined as economic reasoning finalised to concrete action. It includes the choice of the ends of economic action and not only the best means to reach them. It also involves deciding action starting from uncertain knowledge, keeping the ends as open to redefinition (Crespo, 2017). Ends of human action are object of choice (in parallel to action itself), also, but exclusively, in sight of the consequence of action. The microeconomic framing of ethical behaviour is a widely studied issue since the beginning of political economy – which in fact derived from ethical and political studies. The general characteristic of ethical approaches is that the *fact-value* dichotomy does not hold. Positive statements are always in some way dependent on what ought to be. This is what in Aristotelian/Hegelian terms we can understand as including the idea of ‘intrinsic natural goodness’ into scientific theorising. There is a common good that is taken as a reference as an ethical element and it derives from the nature of society itself. The ethical element is therefore not extrinsic to economic reasoning and therefore it is hard to conjugate it with a positive (neutral) approach. All this can be understood in the framework of the idealist philosophy of Hegel that considered freedom a normative achievement (Pippin, 2011). This fact also complicates the definition of actor’s utility function, becoming changeable in reaction to external events.

In order to make sense of these issues a broadly ‘Hegelian’ theoretical framework is here adopted, finding a contribution from other contemporary reflections on the theory of choice (Searle, Raz and Honneth), allowing to understand the relational dimension of economics and covering what was not theorised by Hegel himself. It is called Hegelian in the sense that the ethical element is fundamentally defined in the dynamic interaction between the individual and the social level, where a common good is defined. In this framework rights and rules can be considered endogenous or nearly-endogenous to economic decisions, focussing on actual (historically determined) rules and rights as those that are effectively perceived by the interacting parties. Therefore, the proposed perspective includes a definition of the legal elements entering economic interactions, which are conceived here as being framed by the identities of the interacting parties and by their reciprocal *recognition* of rights. Liberty, therefore, is seen as a normative achievement, that is to say, as being juridically framed as it is in ethical liberalism. Normativity in this way derives from recognition and legitimacy. On the contrary, it makes little sense to frame normativity in abstract and general terms.

[Riccardo Soliani \(Università di Genova\), and Guido Esposito Tortorella \(Università del Sannio\)](#)

*Some considerations on the scheme of civil economy in contrast to neoclassical political economy and social market economy*

Civil economy, born with the scope of contributing to the debate on public happiness, is normally defined as a cultural perspective of interpretation of the economic market theory, based on the principles of reciprocity and fraternity, characterized by the idea of a society able to promote a "good common life", complementary and functional to the realization of individual happiness. Antonio Genovesi, the maximum exponent of the Neapolitan school of civil economy, claimed that civil life and commercial activity were inextricably linked, and market is therefore a constituent element of socialization and civilization of human beings. He fully sets himself in the stream of the political economy stemmed from Scottish

Enlightenment, where "natural sociability", "moral sense", "benevolence" and "sympathy" were fundamental categories in the moral philosophy of Shaftesbury and Hutcheson, and would become a central concept in the philosophical and economic thought of Smith. The present paper aims at studying the theory of public confidence by Genovesi, and bringing out the importance of "homo reciprocans" in a market economy. The paper is organized as follows: in the second section the thought of Genovesi is presented, focusing on the link that exists between public confidence, market and happiness. In the third section, we examine the current European growth schemas, according to the logic of political economy and social market economy, and highlight their criticalities. In the fourth section, we discuss in what terms the scheme of Genovesi's civil economy could be helpful to understand, and even overcome, such criticalities.

[Salvatore Spagano \(Università di Catania\)](#), and [Maurizio Caserta \(Università di Catania\)](#)

*Institutionalist clues in the thought of Niklas Luhmann*

In this paper we try to identify some points of contact and divergence between institutional research and the theoretical endeavour of Niklas Luhmann. The first difficulty of such an attempt is the linguistic one, as Luhmann basically uses the term "institution" in the juridical meaning of the term. So, whereas this meaning is just a part of the whole institutional phenomenon, the remaining part of what can be considered as "institutional" in his thought has to be traced outside of what he explicitly defines as such. The second difficulty consists in the fact that Luhmann infers his whole theoretical construction from constructivist and relational-oriented assumptions. This obviously implies the abandonment of other epistemic alternatives. In spite of such obstacles, however, we maintain that the institutional scholars, especially the economists, may take advantage from an in-depth analysis of the Luhmannian theories. In particular, we identify the main point of contact with institutional research in the concept of autopoiesis, which is an absolutely central concept in the work of the German philosopher. Such a concept could in particular help make clear both some preconditions for the genesis of institutions and the essential components of them. Secondly, the recurring references of Luhmann to an evolutionary perspective may be a valuable connection with an evolutionary view of institutionalism.

[Salvatore Spagano \(Università di Catania\)](#), and [Maurizio Caserta \(Università di Catania\)](#)

*Sortition versus factionalism*

In this paper we offer an institutional interpretation of the use of sortition in history. Since Ancient Greece and Italian Renaissance the use of lot has been aimed at reducing the concentration of political power and curbing factionalism. This is because factionalism was usually assumed to be detrimental to public affairs, as public officers may favour their own faction instead of pursuing the general interest. Indeed, they tend to engage in power struggles with opposing factions, unlikely to benefit society. The point is that introducing adequate portions of unpredictability in the mechanisms of political selection prevents political factions from developing and therefore avoids its detrimental effects. We present some historical cases of struggle against factionalism, which has been conducted by practising lot. Moreover, we show the recent revival of proposals of sortition as means to fight elites. Finally, we explain how sortition may be meant as an instrument able to improve – and not to substitute for – parliamentary democracy.

[Antonella Stirati \(Università Roma Tre\)](#), [Walter Paternesi Meloni \(Università Roma Tre\)](#)

*A short story of the Phillips curve: From Phillips to Friedman... and back?*

A major contribution of Friedman's 1968 presidential address was the long run vertical Phillips curve. This view, which is consistent with neoclassical foundations, has become so profoundly entrenched in macroeconomists' way of thinking that increasing evidence of 'hysteresis' has not as yet discarded it. Although the notion of the *nairu* now prevails on that of the 'natural' unemployment rate, implying some changes concerning the factors that are seen as its main determinants, the macroeconomic features of Friedman's natural rate and the *nairu* are very much the same.

Yet the blatant path-dependence of empirically estimated *nairus* currently determines a paradoxical dissociation between theory and empirics, which in our view must call for a change in perspective. Adopting an alternative theory of distribution and employment might rehabilitate the old, original approach taken by Phillips *vis à vis* Friedman's legacy.

[Claudia Sunna \(Università del Salento\)](#)

*Economia dello sviluppo e politiche di intervento nel Mezzogiorno: un'analisi dei fondi strutturali*

Il paper si propone di verificare l'applicazione delle categorie 'classiche' della teoria dello sviluppo economico degli anni Cinquanta e Sessanta alle politiche di coesione regionale condotte nello spazio europeo. L'obiettivo del contributo è duplice: da un lato verificare quale sia la matrice teorica della politica europea di sviluppo regionale condotta tramite i fondi strutturali ed analizzare se questa politica sia compatibile con l'approccio degli economisti dello sviluppo; d'altro canto l'obiettivo è anche quello di ricostruire il dibattito sull'efficacia della politica di intervento dei fondi strutturali alla luce della categoria teorica e politica dell'*empowerment* dei territori e dei contesti in cui viene realizzata.

[Andrej Svorenčik \(University of Mennheim\)](#)

*The driving forces behind experimental economics*

Since its emergence in the 1960s, experimental economics has been at the forefront of investigating the limits of *homo economicus* and the role of social norms in market and non-market settings. My paper analyzes key motives and pivotal experiences — which I label driving forces — that turned non-experimental economists into early pioneers of experimental economics.

The four driving forces are: 1) integrity – the expansion of the permissible type of data in economics by introducing experimental data and advocating its advantages; 2) rigorousness – the personal collection of data under controlled conditions; 3) the virtuous circle – the realization that experimental research is most potent when it goes in tandem with economic theory; and 4) symmetry – placing experimental data on a par with economic theory.

Each driving force is introduced through the story of an economist who eventually, in no small part through the described experience, embarked on a path of experimental life. These four driving forces are generalizations of the motives and memories that I encountered in interviewing over eighty experimental economists.

James Cox received standard economics training at Harvard in the second half of the 1960s. He experienced many imperfections of field data which could be remedied once he learned from Vernon Smith about the possibility of producing experimental data. This attractiveness of experimental data lies at heart of the integrity driving force.

The early experiences of Charles Plott when studying group decision making and preference reversals share a common element — his desire to produce the experimental data himself — since he did not trust what others observed. His case is used to highlight the issue of how and who produces experimental data — the driving force of rigorousness.

The virtuous circle driving force is introduced through Reinhard Selten's story of how the seminal concept of sub-game perfect equilibrium came about through the interaction of experiments and theoretical considerations which eventually led to his Nobel Prize in 1994. Finally, John Ledyard's observation of Vernon Smith's ability to modify an impromptu experiment showed him that data created in controlled experimental conditions cannot be dismissed as irrelevant for his theory of free-riding and provision of public goods. Rather he needed to modify his theoretical approach to account for the new, replicable empirical evidence. Ledyard's case deals with the data-theory symmetry driving force.

[Daniele Tavani \(Colorado State University\)](#), and [Luke Petach \(Colorado State University\)](#)

*Firm beliefs and long-run demand effects in a labor-constrained model of growth and distribution*

One of the most debated questions in alternative macroeconomics regards whether demand policies have permanent or merely transitory effects. While Kaleckian economists have argued that demand matters even in the long run, both economists operating within other Keynesian traditions (e.g. Skott, 1989) as well as Classical economists (Dumenil and Levy, 1999) have argued that output growth is constrained by the so-called natural rate in the long run. This paper attempts to bridge the gap by analyzing the role of firm beliefs about the state of the economy in a labor-constrained growth and distribution model based on Kaldor (1956) and Goodwin (1967) but featuring an explicitly dynamic choice of capacity utilization. We show that: (i) the relevance of such beliefs generates an inefficiently low utilization rate and labor share in equilibrium; but (ii) the efficient utilization rate can be implemented through fiscal policy. Under exogenous technical change, (iii) the inefficiency does not affect equilibrium employment and growth, but expansionary fiscal policy has positive level effects on both GDP and the labor share. Conversely, (iv) with an endogenous bias of technical change, fiscal policy will have not just level effects but also long-run effects on labor productivity growth and the employment rate. Finally, (v) the fact that the choice of utilization responds to income shares has a stabilizing effect on growth cycles, even under exogenous technical change, that is analogous to factor substitution.

[Pietro Terna \(Università di Torino\)](#)

*How computer science has contributed to the social sciences and how it can give a new form to policy making*

In the 40s and 50s of last century, the presence of new mathematical tools – first of all game theory – combined with the first steps of cybernetics and neural calculus, created a new wave of expectations towards the nascent computer science, with the social sciences in the front row. The precondition, however, was that of the availability both of computing power and of the tools to program it, with the possibility of applying statistics, and its evolution in the economic field – namely econometrics – to analyze large-scale socio-economic phenomena. Computers made easy the solution of models with many equations and many variables, with the perspective of forecasting and planning, with simulation. The improvement of the techniques was extraordinary, but still insufficient for practical use. The main obstacle to the centralized planning activity in the communist countries was the lack of computing power over the years of the most important efforts for the effective use of planning in real life. Making a jump to recent years, the new form that the social sciences and economics most recently draw from the computer science, in particular object-oriented techniques, is the construction of artificial worlds populated by agents, to explain the emergence of macro effects through their behavior. Finally, artificial intelligence algorithms



and cognitive science are introducing a new revolution in perspective of policy making, also with of new perspectives in planning.

[Paolo Trabucchi \(Università Roma Tre\)](#), [Ariel Dvoskin \(CONICET – IDAES/UNSAM\)](#)

*Capital, competition and equilibrium. Value and capital and the foundations of the neowalrasian approach*

By abandoning the condition of a uniform rate of profit, the Neowalrasian approach has introduced a major fracture in the history of economic thought. And yet this approach was originally presented in the 1930s, and has since been generally perceived, as a simple ‘extension in a dynamic direction’ (Hicks, 1934) of the traditional theory. It appears therefore that a necessary preliminary step in order to take a position on today’s dominant economic theory is to go back to the origins of the Neowalrasian approach and, in particular, to Hicks’ *Value and Capital* (1939).

What we find by so doing is (a) that, contrary to what Hicks himself has claimed, the Neowalrasian theory does not appear to be based on an intended relationship between theoretical variables and observable magnitudes that is significantly different from the one that can be found in traditional economic theory; and (b) that, owing to its treatment of capital, in order to establish that relationship the Neowalrasian theory has to introduce as necessary (albeit not sufficient) conditions assumptions on the functioning of the market which the theory itself feels should only be introduced as expository devices. For this exchange between necessary conditions and expository devices, by itself a considerable obstacle in the way of a clear perception of the nature of the theory, we find evidence starting from the Neowalrasian literature immediately subsequent to Hicks up to the textbook (Mas Colell, Whinston and Green, 1995) that in the last twenty years has been the almost indispensable starting point for advanced studies in economic theory.

[Attilio Trezzini \(Università Roma Tre\)](#), and [Daria Pignalosa \(Università Roma Tre\)](#)

*The normal degree of capacity utilisation: The history of an ambiguous concept*

In demand-led growth theories, the concept of normal capacity utilisation has played a crucial role, because different theories are characterized by different views of the relationship between the normal degree of utilisation and the degree associated with theoretical positions used for the analysis of growth. Despite its importance, few studies within the demand-led growth approach have directly addressed the issue of the determination of the normal degree of capacity utilisation. However, several analyses, with heterogeneous theoretical frameworks, have dealt with issues related to capacity utilisation while addressing different problems within the theory of production. By reconstructing the history of these analyses, the present paper identifies two main approaches at the issue: the first one considers the determination of the normal degree of utilisation taking into account the different levels of production expected during the lifetime of installed capacity; a second position conceives, instead, the determination of the normal degree of capacity utilisation as the choice of technique that minimizes costs in relation to a single level of output. The analysis seems to suggest that entrepreneurs, as taking their investment decision, choose the size of their productive capacity and plan the degree of utilisation of the same by taking into account that during the life of the plant they will have to produce different levels of output.

[Gianfranco Tusset \(Università di Padova\)](#)

***Econophysics: From particles to networks***

Econophysics is a broad, magmatic field, and there is no intention here to even briefly

outline its main research areas. There is at least a dozen highly scientific texts that deal in detail with the statistical, mathematical and theoretical facets of this new field. Our purpose here is different: we look at the discipline to capture the internal dynamics that are expanding and transforming econophysics.

Ever since the birth of econophysics, there has been an astonishing growth in the publications relating to this discipline (scientific articles and books), and this makes it difficult to have even a vague perception of the range of topics addressed by econophysicists. To gauge the directions that econophysics (an empirically-founded discipline) is taking, we charted its lexical development from its early years to the present.

### Gianni Vaggi (Università di Pavia)

#### *Development and social and economic structures*

Development is a dialectic relationship between people's empowerment, social rules and norms and the surrounding economic structures. People's empowerment ranks very high in development debate, but unfortunately the relationships with social rules and economic structures and indeed with historical conditions is often neglected. Agenda 2030 approved by the UN in September 2015 highlights three aspects of sustainability: economic, social and environmental and it includes 17 goals with 169 targets and 241 indicators.

By making use of the approach of classical political economists from Petty, to Quesnay, to Smith and Marx the paper highlights the role of economic structures and rules in relation to social progress. The views of these authors on the working of the economic systems allows a wider interpretation of reproduction and of sustainability and should be crucial in putting the development perspective into a more realistic framework.

Four main reproduction cycles can be described. Petty allows to describe the main features of a 'universal reproduction cycle', urc. With Quesnay and Smith the economy becomes much more concerned with the increase of national wealth; the accumulation of means of production different from wages become extremely important, this correspond to an 'growth oriented reproduction cycle' gorc. In Marx we have a 'capitalistic reproduction cycle', crc, in which means of production and technology assume a dominant role. Thanks to these contributions we can then describe a 'sustainable reproduction cycle', src. In it not only commodities appear both as inputs and as outputs, but natural resources and labour too have to be accounted for also as outcomes of the production process. Moreover the 'sustainable reproduction cycle' requires that the process of transformation of inputs into outputs should take place according to the same three dimensions of sustainability indicated above, which is hardly compatible with the capitalistic reproduction cycle.

This conclusion is reinforced when the financial system enters the picture and we have a 'financial reproduction cycle', frc, which reinforces the tendency of the 'capitalistic reproduction cycle' towards a situation of oligopolistic competition. This condition is characterised by large power imbalances in the distribution of income and in investment decisions. This far away from anything which can be regarded as a sustainable development.

### Enzo Valentini (Università di Macerata), and Fabio Clementi (Università di Macerata)

#### *Crime and income inequality: A vicious circle?*

This paper analyses the possible link between income inequality and the level of illegality present in two areas of social and economic life (homicides and irregular work) in Italy. The results of an econometric analysis at the regional level show that the presence of irregular work and a high rate of homicides are responsible for an overall decrease in income, which is particularly pronounced for low incomes, leading to an increase in inequality.

Michelangelo Vasta (Università di Siena), Giovanni Federico (Università di Pisa and CEPR), Alessandro Nuvolari (Scuola Superiore Sant'Anna di Pisa), and Leonardo Ridolfi (Scuola Superiore Sant'Anna di Pisa)

*The race between the snail and the tortoise: Skill premium and early industrialization in Italy (1861–1913)*

In this paper, we estimate series of skilled and unskilled wages for Italy during the early stages of the industrialization of the country with a refined version of the regression approach originally introduced by Clark (2005). We compute series for the whole country as well as separate series for macro-regions and for construction and manufacturing, and, within manufacturing, for high and low skill-premia for blue collars. We interpret the results with an extended version of the classic Katz and Autor (1999) framework. The overall premium remained stable until the 1890s and then declined for the joint effect of migrations (almost exclusively unskilled workers) and the rise in literacy, which was not compensated by the modest increase in industrial employment.

Massimiliano Vatterio (Università di Trento & Università della Svizzera italiana)

*Transactions in the case of positional goods*

This paper extends Paul Samuelson's familiar illustration and dichotomy between private and public good to the so-called positional good, namely a good for which the consumption is a zero-sum game (Pagano 1999; Hopkins and Kornienko 2004). For instance, one person's gain in status can occur only at the expense of an equal loss in status for other(s). In particular, following the textbook characterization in consumption of a good, a positional good is here defined as a double rival and double excludable good. Finally, the paper investigates 'normative' remedies for positional competition, and argues that, because legal relations are characterized, in turn, by positional characteristics, such legal remedies produce social costs and do not represent 'free lunches'.

Pietro Vertova (Università di Siena), Paolo Buonanno (Università di Bergamo), Francesco Drago (Università di Messina, CSEF & CEPR), Roberto Galbiati (Sciences Po-CNRS)

*How much should we trust crime statistics? A comparison between EU and US*  
We discuss measurement issues in crime rates in a cross-country comparative perspective. We show that while homicide and general crime rates follow quite similar patterns in the US this is not always the case in Europe. We provide an explanation of the observed patterns based on the use of fire arms.

Liudmyla Vozna (Independent researcher)

*When institutions kill: Between evolution and adverse selection*

It is noteworthy that Vernon Smith, by distinguishing constructivist and ecological types of rationality, considers that in the process of evolution the role of constructivism (which is associated with deliberate human designs and conscious use of knowledge and reason to make decisions) is to provide variation, while the ecological process (which is associated with intelligence embodied in the rules, norms and institutions of our cultural and biological heritage) carries out the role of selection. At the same time, he refers to Friedrich Hayek, according to whom only the rules can unify the extended order. It seems that variation and selection as two characteristics of evolution not only accompany and complement each other but must be in a harmonic interrelationship. For example, Ilya Prigogine and Gregoire Nicolis, in their book *Exploring Complexity*, wrote that order looks like a kind of compromise between two antagonistic factors: the first factor is a non-linear

process, which continuously and uncoordinatedly sends innovative signals in the form of fluctuations; and another factor resembles the process of transportation because it catches, passes, and stabilizes these signals. The violation of the delicate balance between these two factors leads to the qualitative change of the state that occurs in a system. One of them is a chaotic state in which every element of a system acts independently, and another state is characterized by complete homogeneity and suppression of all fluctuations. So, in their opinion, complexity is constricted from both sides by two types of disorder. From this point of view, any institution, on the one hand, is intended to promote the process of structuring and lowering the chaos in a system, but on the other hand, the same institution on the stage of its excessive growth (in comparison with other institutions and resources) can provoke disorder in the system. This is the case when, e.g., ecological rationality transforms into a (negative) form of conformity, while an institution (principle or norm), even very good in itself, does not stabilize “innovative signals”, but begins to freeze evolution, activates the distortion of information and causes the adverse selection in a relevant system. In the paper, it is proposed to analyse some examples of this process and to apply the law of diminishing returns to institutions, when social interactions take on the character of zero-sum (or negative sum) games, and the whole social organism acquires the features of the rent-seeking society.

[Altug Yalcintas \(Ankara University\)](#)

#### ***Digital protectionism and national planning in the twenty-first century***

In this paper, I examine the evolving role of nation states in controlling and monitoring the global trade of intangible resources such as the user data, software, cloud and web storage, advertising, communication services, and access to communication networks. The research question of the project is the following: What are the nature and consequences of digital protectionism in the age of the Internet? Digital protectionism is a governmental policy that aims at taking measures to localize data by preventing it from being transferred internationally. Since the 2000s, protectionist policies have been adopted in a number of countries in order to decrease the dependence of nations on digital media corporations that collect, store, and commodify user data. I focus my attention on the global trade of intangible goods and aim at solving a policy puzzle where digital protectionism that allegedly favours the nations' digital industries causes, to varying degrees, suppression, censorship, and violation of the freedom of speech and other civil rights on the Internet.

[Onur Yukcu \(Dokuz Eylul University\)](#)

#### ***Hayekian money market, cryptocurrencies and economics of development***

In contrast with other remarkable contractionary periods in modern economic history, in the aftermath of the Great Recession, mainstream economic policies did not show any significant change. In addition, inflation targeting and balanced budget are still seen as the pillars of a stable economy. Besides, cryptocurrencies are reflected as the most likely innovation to the fully digitalized economic order by some accounts in the aftermath of the Great-Recession era. On the emergence and the prospective role of cryptocurrencies however, there is a consensus neither among economists, nor central bankers. Hundreds of cryptocurrencies were introduced onto the coin market. This competitive market leads us to approach critically to the denationalized and competing currencies concept, which was proposed in the 1970s by Benjamin Klein (1974) and F.W. Hayek (1976a and 1976b). Involvement of free enterprises in currency issuance was encouraged in the studies of Hayek and Klein during the 1970s. This view was an extension of the liberal ‘state failure’ critique,

which went beyond well-known state intervention debate among keynesians and liberals. Nevertheless, Hayekian 'competing currencies' notion has been predominantly debated among liberals. Heterodox economists were rather interested in recently appearing real life practices since 1970s, such as the decay of developmental state, financialization, precarization of the labor market. However, upon the emergence of cryptocurrencies, 1970s' hypothetical liberal implications turned out to be a serious issue to debate on. Therefore, in this paper, F.W. Hayek's previous studies on monetary policy, proposals of Benjamin Klein (1974) and F.W. Hayek (1976a and 1976b) on competing private currencies, other contributions and some of recent studies on cryptocurrencies are reviewed and discussed. Subsequently, the critical focus of the study will be on the compatibility of Hayekian competitive money market, cryptocurrencies and the development issue. In this regard, the author hopes to move this debate forward, beyond liberal inflation anxiety and virtual coin euphoria which is justified with the temporary surge in coin market, to compatibility of cryptocurrencies, Hayekian money market approach and development economics.

[Stefano Zambelli \(Università di Trento\)](#)

*Sraffa on the monetary theory of distribution and inequality*

Sraffa's research may be divided in two apparently disjointed parts. The first part is the one where his research interests are closely related with monetary and banking theory (Sraffa, 1920, 1922, 1932). The second part is the one concerned with the measurement and distribution of the physical surplus produced by an economy (Sraffa, 1925, 1926, 1951, 1960). There are two objectives in this paper. The first objective is to show that the two parts are coherent with Sraffa's view that the production prices are not determined by the "natural or mechanical" economic forces alone. A well known quote on this is directly taken from Sraffa's book:

*"The rate of profits [ . . . ] is accordingly susceptible of being determined from outside the system of production, in particular by the level of the money rate of interest" (Sraffa, 1960, p.33)".*

If the money rate of interest may determine the commodities rate of profits and the commodities rate of profits determine the distribution of the surplus, it must also be the case that the forces that determine the monetary interest rate determine distribution as well. This was an important point already put forward in Sraffa (1922) and subsequently in his debate with Hayek (Sraffa, 1932). Chapter 17 (The Essential Properties of Interest and Money) in Keynes' (1936) *General Theory* may be interpreted as addressing this problem using also the arguments put forward by Sraffa. Keynes himself in the footnote on the own rate of interest at page 223 acknowledged Sraffa's (1932) contribution.

The second objective of the paper, expanding and extending Zambelli(2018), is to introduce money, credit and debt inside Sraffian schemes. Using the words of Nuti (1971, p. 35) reported in the introduction of Panico (1988a, p. 7) this is done because *"The most appropriate way of approaching the theory of distribution, reintroducing the reality of class struggle into this important branch of Political Economy, seems therefore that of combining the Sraffian relation between wage and profit rates with the little we know - not least from Marx - about the interaction of real and monetary phenomena."*

The original contribution of the paper is the inclusion of credit and debt inside Sraffian schemes. This is done without the assumption of the 'long-run' position, where the rates of profits are assumed to be uniform, and without the assumption of self-replacing. In order to be able to elucidate the causal relations between the money rate of interest and the profit



rate a rigorous formal treatment of money in within the Sraffian schemes is an analytical necessity that we hope to fulfil.

Carlo Zappia (Università di Siena)

*Uncertainties that are not risks: Contextualizing the Ellsberg Paradox*

The Ellsberg Paradox suggests that rational agents of the Bayesian kind do not ignore the quality of information at hand when making decision, as instead postulated by Leonard Savage in his foundational study on decision-making and later taken for granted in mainstream decision theory. In order to prove his argument Daniel Ellsberg proposed to represent the risk/uncertainty dichotomy in an experimental setting that evidenced the ambiguity of the decision environment, concentrating on choices related to urns containing coloured balls. This paper examines Daniel Ellsberg's rationale underlying the paradox and his use of the urns, by placing his contribution in the context of the crucial biographical episodes of the 1950s and early 1960s that originated his interest in the paradox. It is argued that Ellsberg's choice to use urn examples cannot be taken as indication of his focus on ambiguity and lack of interest in uncertainty proper. Rather, the issue of uncertainty was the main thread of his commitment to decision-making as field of applied research.

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*Joan Robinson from the generalization of The General Theory to the development of an "Anglo-Italian" Cambridge tradition*

The project of developing a synthesis between Post-Keynesians and Neo-Ricardians (known as the post-classical synthesis) is almost as old as the development of Post-Keynesian economics. In this paper, I highlight one of the first attempts to such a synthesis : that of Joan Robinson.

After the publication of *The General Theory of Employment, Interest and Money* (Keynes 1936), Joan Robinson (1903-1983) gave herself the mission of disseminating Keynes's message through vulgarizing his approach (Robinson 1936) and extending it to the long period (Robinson 1937). She deplored that Keynes did not study the long period well enough to assess the effects of the modification of productive capacity on the economy, and hence to discuss the determination of profits in the long term. However, her *Essays in the Theory of Employment* (1937) was criticized by Keynes himself (Kregel 1983) as he rejected her application of marginal analysis to an heterogeneous stock of capital. Following this, Robinson found a new inspiration in Sraffa's introduction to Ricardo's *Principles* (1951) as she acknowledged it in the foreword of *The Accumulation of capital* (Robinson 1956). There, she clearly pursues her objective of extending Keynes's analysis to the long period, using this time the classics' approach as depicted by Sraffa in 1951[1]. From this point on, extending Keynes's analysis to the long period meant to her conciliating Sraffa's approach with Keynes's analysis of the short period (Rima 1991, Robinson 1977, Turner 1989) in what she called the "Anglo-Italian" Cambridge tradition. This was especially the case after the publication of Sraffa's *Production of Commodities by Means of Commodities* (1960).

Hence, reconsidering Robinson's intellectual path can shed a new light on the coherence of the post-classical synthesis project, regarding the supposed incompatibility between the radical uncertainty characterizing Keynesian economics and the Sraffian self-reproducing system. Actually, this incompatibility only stands when considering production prices as long-run centers of gravitation (Arena 1992). I then show that Robinson's conception of "normal prices" does not involve a gravitational process as it has been argued (Vianello 1996). Consequently, I question the statement according to which her recourse to long-run

positions is paradoxical with her distinction between history and equilibrium (Asimakopulos 1984, Lavoie 2014).