Economics as History of Economics: The Italian Case in Retrospect

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The history of economics or history of economic thought (HET) is not an unambiguous term; what it denotes is something not unequivocally understood regardless of context. What it means today in the United States to identify someone as a historian of economic thought or to say that an article should be classified as B (according to the JEL descriptors) is not necessarily what it meant some years ago in Italy and other European countries.

In this essay we look at the peculiar Italian way of doing HET, which germinated in the late 1960s, blossomed in the mid-1970s, and withered away in the early 1980s, involving people who considered themselves and were generally perceived as economists rather than historians of economic thought.

Our purpose is to make a case for the historical nature of practices and motivations in doing HET, which impinges on the much broader question of appraisal, namely, what is good or bad HET?

The question of what defines a legitimate contribution to the history of economics subdiscipline was raised by Roy Weintraub in his editorial piece for the HES list (Weintraub 1996). Legitimate membership in the community of historians of economic thought, he argued, requires a style of scholarship (use of primary sources, circumstantial evidence,

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background knowledge, and so forth) that is standard among historians, but not among economists. His conclusion was that a “good” economist is not necessarily a “good” historian of economic thought, and vice versa.

This line of argument has become increasingly popular since the 1990s, being applied to criticize both mainstream and nonmainstream economists as prone to write mainly “internalist” or even “Whig” histories. It is precisely the opposite of what was held in Italy twenty-five or so years ago, namely that only economists trained in the “right” economic theory could have a full understanding of the issues involved in past theories and therefore produce “good” history of thought. In the first section we give three examples of this approach; in the second we conjecture on its origin; finally, in the last section, we air some thoughts on how the present situation may blight future prospects.

The peculiarity of the Italian case originating in the 1970s was a way of doing history of economics as if doing economics. The profusion of articles and books devoted to matters of interpretation (mainly of David Ricardo, Karl Marx, and John Maynard Keynes) marking that period— not only in Italy, of course, but, we believe, there more than elsewhere— were meant or considered to be not exercises in doctrinal history but, rather, contributions to the production of new economic ideas.

This approach was characterized by two essential features: (1) the primary role assigned to textual exegesis; and (2) the almost exclusive attention given to the “great economists” (who did not, however, reach ten in number).

The textual exegesis approach may explain why the professional, personal, and intellectual context hardly came into the picture, while the
“great economists” approach—perhaps in part because critical editions of the works and correspondence of the most famous authors were being made available\(^3\)—may explain why the need or passion for archival work did not actually arise.

In the following pages we give three examples that we see as representative of this approach, and that also proved influential outside Italy. They can be characterized by the quest for ideas to use—and, indeed, for ideas to reject—as building blocks for an alternative economic theory once their original and “true” meaning had been restored.

The aim of Marco Lippi’s (1979) book on Marx was to reconstruct the multifaceted role played by the theory of labor-value and thus distinguish which of its functions could be performed by other analytical tools (above all by Piero Sraffa’s theory of prices) and which ought to be abandoned once and for all. The book answered the question: why is labor and no other factor chosen by Marx as “source” and “measure” of value? Lippi’s argument was that the labor theory of value cannot be regarded as a theory of prices with a limited scope, holding only under circumstances too specific to have any relevance for a capitalist economy, nor were labor-values an initial approximation of the actual exchange values. The choice of labor as source of value—Lippi argued—was an expression of Marx’s deep belief in a universal law of production, according to which labor is the “real social cost” and measures the difficulties that anywhere and at any time human beings have to overcome to provide for their needs (xv). This is what Lippi labeled as the “naturalism” of Marx. In a capitalist society the universal law of production manifests itself in the form of exchange values of commodities depending on the quantities of labor socially necessary for their production. Prices can only redistribute values, which is to say that they redistribute the total amount of labor supplied by the producers. This—according to Lippi—is what lies behind the famous condition of the transformation problem, namely, that the sum of prices must be equal to the sum of values.

Lippi’s implication was that, once we understand that the labor theory of value has that particular function in Marx’s conceptual framework, we can do without it. Other parts of Marx’s theory—explanation of economic crisis and determination of prices based on technological

\(^3\) For instance, in the case of the three authors mentioned above, the eleven volumes of Ricardo’s Works and Correspondence were published between 1951 and 1973; the thirty volumes of Keynes’s Collected Writings were published between 1971 and 1989; and the first volumes of the Marx-Engels Gesamtausgabe began to be published in Italian in the early 1970s.
conditions of production—do not need the labor theory of value and thus can, and indeed should, be used for the reconstruction of an alternative economic theory.

Our second example of HET as an activity of separating the “good” from the “bad” parts in selected works of past economists is offered by Pierangelo Garegnani (1978). Garegnani praised Keynes’s principle of effective demand as showing that market forces do not lead to full employment but also asserted that Keynes’s argument in the General Theory—that saving and investment are brought into equilibrium by changes in income and not in the rate of interest—had a fundamental weakness in that it relied on expectations and uncertainty whose effects, if any, are confined to the short period. Thus Keynes’s theory had to be modified so as to exclude the possibility that in the long run flexible wages might restore full employment, which is the case when the rate of interest can bring investment to equality with saving at the level of full employment income. To rule out this possibility, any relationship between investment and rate of interest must be severed. Indeed, the inverse relationship between investment and rate of interest is an expression of the marginal principle, that is, of determination of the price of a factor of production by its scarcity (344). There is no such thing as “scarce” capital—Garegnani argued—since the measurement of capital has been proved to be subject to all the theoretical difficulties brought to light by the controversy of the 1960s between the two Cambridges. Once free of its marginalist element, the principle of effective demand can become part of an alternative economic theory and find firmer grounds for extension to the long period (336).

Finally, our third example is Luigi Pasinetti (1960, 1977), who translated the relevant propositions of Ricardian theory of distribution into a few equations with the aim of facilitating understanding of the “standpoint” (Sraffa 1960, v) of classical political economy as opposed to the marginalist approach. The classical standpoint is identified with the surplus approach and interdependence between the productive sectors. However, these elements can be used as the main ingredients for an alternative economic theory only if all the ambiguities in Ricardo are eliminated and the assumptions underlying his theory clearly stated. The mathematical formulation, concise and rigorous as it proves, is a tool to this end (Pasinetti 1960, 78).

This Italian style of doing HET, as exemplified in the three cases discussed above, can be better assessed when compared with contemporary
examples of textual exegesis combined with the “great economists” approach, which draws its inspiration from a different tradition altogether. For instance, in Sam Hollander’s (1979, 689) work on Ricardo in particular, past theories are seen not as providing the material to build an alternative to the modern (neoclassical) economic theory, but rather as evidence of continuity in the general equilibrium tradition. The difference between the traditional American and British “Whig” approach—as exemplified by Hollander and many others—and the Italian style of doing HET in the 1970s is that for the former the past is sifted for the predecessors of modern theory and present ideas (“quest for ascendancy”), while for the latter the past is searched for what has been lost and can no longer be found in modern theory (“quest for an alternative”). Of course, motivations cannot be invoked to appraise results (the “good” reasons for which HET is practiced do not necessarily make that practice “good”). However, the quest for alternatives rather than confirmation of present truths seems to us potentially more fruitful.

At this point we would like to attempt to explain the peculiarity of the Italian case. In Italy, Marx and Sraffa were highly influential from the late 1960s to the early 1980s owing to a combination of two factors. First, Cambridge (U.K.) was the center Italian economists gravitated toward for advanced education, thanks to the reputation Cambridge-based economists—and especially the Italian émigré Piero Sraffa—enjoyed at the time. Second, the 1968 movement drew people to economics from other fields (philosophy, mathematics, physics, architecture) under the influence of Marx (1969, 15), who had promised not only to interpret the world, but to change it.

Marx and Sraffa had a message that turned out to be very important for HET: economics has not always been in the same unsatisfactory state we now see it in; good and important ideas were buried in classical political economy, “submerged and forgotten” (Sraffa 1960, v) with the advent of the marginalist revolution (or the transformation of “classical” into “vulgar” political economy, as Marx would have had it). This message was understood as a program to restore some of the ideas of the classics, freeing them from the distorted forms in which they came to us, and from their embedded errors.

The special relationship with classical political economy was asserted by Marx and by Sraffa after him with their best known and most widely
read works, *Capital* and *Production of Commodity by Means of Commodities*, which in fact share the same subtitle ("Critique of Political Economy" and "Prelude to the Critique of Economic Theory"), and Sraffa's famous introduction to Ricardo's *Principles* (see Rosselli 2001).

We have further evidence of how Marx and Sraffa conceived of the special relationship with past ideas and authors. Indeed, we have two works by them that are real histories of economic thought: *Theories of Surplus Value*, which Marx wrote as the fourth volume of *Capital*, and *Lecture Notes on Advanced Theory of Value*, written by Sraffa for the course he gave in Cambridge from 1929 to 1931. Both works were left unpublished by their authors (and one still is).\(^4\)

The main point of *Theories of Surplus Value* is the distinction Marx draws between "classical" and "vulgar" political economy, the former running from William Petty to Ricardo, the latter from the dissolution of the Ricardian school to the early 1860s.

Each economic theory—according to Marx's historical materialism—reflects the material conditions of society and, thus, given phases in capitalist development and the class struggle. Because "classical" political economy developed in a phase of incipient capitalism, it was better situated to understand its laws of motion and could therefore be science. On the contrary, "vulgar" political economy, evolving from a phase of mature capitalism, tended to hide the nature of social relations—above all the antagonism between capital and labor—and justify the existing social order, thus foregoing any possibility of being a science to become "pure apology" (Marx 1954, 24–25). So it was that history of economic thought became an exercise in seeing who came closest to a real understanding of what Marx thought to be the foundation of capitalism, namely, surplus value, as the title of his book reveals.

Turning, now, to Sraffa, his *Lecture Notes on Advanced Theory of Value* focus on the theory of value from the historical viewpoint, their main purpose being to show how the notion of cost of production was transformed from the classical school to the marginalist school, leading—as the result mainly of Alfred Marshall's work—to unification with utility and to the statement of symmetry between cost and utility. For such unification to be possible, Sraffa argued, the notion of cost of production had to undergo a series of changes that made it unrecognizable

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4. The "Lecture Notes" are preserved among the Sraffa Papers, D2/1, Wren Library, Trinity College, Cambridge.
in terms of the meaning ascribed to it by the classics, but comparable with utility.

Comparison between the notion of cost in Petty and the Physiocrats, on the one hand, and in Marshall, on the other, shows that while for the former authors cost is mainly food for the worker, for the latter it is the sum of "efforts and sacrifices," in abstinence or waiting and in labor required. These two notions of costs reflect different conceptions of what economics is about (the classical economists were mainly concerned with measures, the marginalist authors with motives) and gave rise to two theories of distribution, namely, two conceptions of wages and profits. One sees profits as surplus of the product and wages as necessaries, while the other considers both to be shares in the product (see Marcuzzo 2001).

Sraffa's program was to reestablish an objective as opposed to subjective value theory, as the classical authors had it, getting rid of the labor theory of value, but maintaining the dependence of prices on conditions of production and an exogeneously given distributive variable. An integral part of this antimarginalist program was to disentangle classical concepts from their current interpretations and pursue an approach to economic theory free of marginalist elements.

In the 1970s many Italian economists derived their approach to HET from Marx and Sraffa as part of a program to build an alternative economic theory. So it was that HET became synonymous with doing non-mainstream economics.

The story we have told is now a matter of the past. By the early 1980s, in Italy as elsewhere, the scene had rapidly changed, and was to change yet further as we came closer to the end of the millennium.

The approach inspired by the message and research program of Marx and Sraffa, coupled with insights by Keynes, is a legacy that a few people still treasure. In Italy work is still being done on Sraffa, Ricardo, and Keynes, and rather less on Marx. People engaged in this type of research are defenders of the tradition we have described and remain fully persuaded of the importance of doing HET as a basis for developing an alternative paradigm. They hold chairs in economics—not in HET—are active in nonmainstream economics, and have pupils and younger colleagues who are encouraged to follow their example.
However, their number is much reduced. To account for this we must bring into the picture a peculiar trait of recent Italian political history. The antiestablishment movements of the 1960s brought about many positive changes in Italian society, but some degenerated into plain disruption and terrorism. Appalled by these developments, a number of people distanced themselves from previously held views—given the dire consequences they are believed to have produced—and were thus labeled “repentant” (*pentiti*). The same term could be used to describe those economists who once drew their inspiration from the message and the research program of Marx and Sraffa and no longer do so. Once they would write reams on these authors, attend conferences, and apply for funds to carry out research on related topics, but eventually they reacted against their own formerly cherished views and sources of inspiration, “repented,” and abandoned the field.

Career strategies, fashionable new locations attracting brilliant young graduates, and, above all, the change in political climate are certainly among the major factors behind the phenomenon. To these “external” factors we believe that another, “internalist” element should be added. The various exercises involved in the return to classical political economy and Keynes ended up being performed in a dogmatic fashion, new ideas emerging with difficulty, old problems still unsolved. A sense of déjà vu prevailed. The implication was not only abandonment of the Marx-Sraffa approach, but also the irrelevance of exploring past theories and authors altogether. HET ceased to be seen as a legitimate, respectable endeavor worth pursuing.

In actual fact, in some cases “repenting” simply meant changing heroes (for instance, Hayek rather than Keynes), which, in principle, leaves the importance attributed to HET unscathed. However, this may have significant implications for the future of HET. In fact, doing HET tends to be more or less appreciated according to the topic chosen (interpreting von Neumann and Hayek or writing the history of game theory has more “value” than interpreting Keynes or writing the history of classical monetary theory) and its vicinity to the present. Yet rejecting the previous sources of inspiration and granting legitimacy to ideas and authors not belonging to the previously fashionable tradition is no guarantee per se of doing better HET. Within the field itself we find the same variety in depth, in historiographic skills displayed, and in purpose as there was in the past.
The above case (changing heroes and vicinity to the present) seems to us neither the most general nor the worst as far as the future of HET in Italy is concerned. Rather, this is when the "repentant" join forces with the younger generation of economists, who possibly have never heard of the old Cambridge, struggled to get their Ph.D. in (mostly) prestigious U.S. universities, and are determined to import the same standards and contents of economics into their home universities. They are appalled by those senior colleagues who have not kept up with the subject, in turn reinforcing the latter's propensity to reject past modes and habits.

The culprit becomes HET, seen as "antique collecting," possibly a subject for social conversation but hardly a professional field in an economics department. The lack of mathematical skills often involved in doing HET reinforces the suspicion that it may attract only people with weaker intellectual abilities. In conclusion, in Italy, too, doing HET is now seen simply as not doing economics or, alternatively, doing second-rate economics.

This was the personal experience that both authors of this essay had when they came up for tenure as full professors in their economics departments, proof being required of them that they were in fact economists rather than well-established historians of economic thought. We might equally cite the editor's reply when an essay in HET was imprudently sent by one of the authors to a renowned generalist journal: "The journal is anxious to get away from the somewhat parochial and backward looking orientation which has characterised at least some papers published in the past. . . . Today we have to ask whether past positions were correct."

We would like to conclude with some more objective evidence. In Italy full, associate, and assistant professors belong to disciplinary subgroups, identified by descriptors. Each individual chooses his or her subgroup according to his or her field of research. Members of the committees for promotion and new appointments are elected among people of the same subgroup. The descriptors of economics disciplines have recently been reduced from the previous ten to the present six. In December 2000, all the economists previously in the largest subgroup, P/01 (political economy), were given the option either to remain in the same subgroup or to join the P/04 subgroup (history of economic thought). At

5. These are: P/01 political economy; P/02 economic policy; P/03 public finance; P/04 history of economic thought; P/05 econometrics; P/06 applied economics.
the time of writing (September 2001) 217 full professors, 182 associate professors, and 228 assistant professors, for a total of 627 economists, belong to the P/01 subgroup. Only one full professor, one associate professor, and three assistant professors chose to join the history of economic thought subgroup, which now consists of fifteen full professors, fifteen associate professors, and twenty-one assistant professors, for a total of fifty-one individuals. The ratio between the two groups is 1:12; certainly, however, more than one out of twelve Italian economists born before 1960 have written at least one article in HET during their career, and more than one between 1969 and 1985 (either of which would qualify them for the HET subgroup), but they are not inclined to be associated with a subject that is not attracting students, resources, and academic recognition.

It is not the survival of HET that is threatened in Italy. Under the present system of government funding, a minimum of resources—for research and teaching—is granted to holders of tenured positions in any discipline. By contrast, the opening of new positions and promotions are conditional on the relative importance of the discipline in teaching and research, and on the academic stance of the subgroup to which it belongs.

It is our view that two lines of action should be pursued for not merely the survival but the positive growth of HET. The first course is academic distinction: we must enhance our capacity to be versed in both economic theory and historiographic methods. It is by combining these two skills and not simply being knowledgeable in one or the other of them that we may hope to advance the quality of our scientific results.

The second priority is academic strength: we must acquire bargaining power vis-à-vis the economists’ community, as other subdisciplines have succeeded in doing (for example, economic history) to establish a central role for HET in the training and research of economists. In Italy, holders of academic positions in HET are currently divided on this very issue. On the one hand are those who favor stronger links with the community of

6. Since its foundation in 1992, membership in the AISPE (Italian Association of Historians of Economic Thought) has steadily grown, now amounting to more than 120 members. A course in HET is offered in thirty-six out of fifty-four institutions granting a first degree in economics. Moreover, there are currently four journals devoted to HET—History of Economic Ideas, Il pensiero economico italiano, Storia del pensiero economico, and Il pensiero economico moderno.

7. Unlike the situation in British and American university systems, in Italy full, associate, and assistant professorships are all tenured and state-funded positions.
economists; on the other, those who oppose this strategy as threatening their autonomy and resources.

Academic distinction and strength are not ends in themselves. What we are advocating is a thorough questioning of the present practice of doing economics, fostering the critical thinking and openness of mind that are essential to the social sciences. This critical attitude is also a means to draw attention to principles and methodologies alternative to the present set, rooted in past theories.

Are we then suggesting a return to the 1970s and the instrumental use of HET to reinstate classical political economy—wife—Keynes? Clearly not, since the past does not repeat, and we have learned from our mistakes. We cannot do HET as if doing economics; we should make room for it as an autonomous subdiscipline with its own agenda, methods, and standards of achievement. As in the 1970s, however, we must reposition HET at the center of the battlefield of economic ideas.

References


