Luigi Pasinetti 1930 -2023

On Tuesday 31 January 2023 Luigi Pasinetti died in Varese, Italy. He was ninety-two years old. He was the last of that distinguished generation of Cambridge Economists which followed in the footsteps of Piero Sraffa, Richard Kahn, Joan Robinson, Maurice Dobb, Nicholas Kaldor, and Richard Goodwin. His passing marks the end of an era in the history of twentieth-century economic thought.

Pasinetti was born in the village of Zanica in Lombardy, Italy, on Friday 12 September 1930 into a family of very modest means. As the family increased in size during the 1930s – growing to include three sons and a daughter – challenges intensified.

The 1940s saw Pasinetti's father Giovanni lose his job and the tragic early death of his mother, Romilda, the village's midwife. To eke out a living for the family his father turned to self-employment as a small-scale builder mostly servicing local farmers. But business was poor and the family finances were tight. At the end of his secondary schooling it was the workforce, not the academy, into which Luigi Pasinetti matriculated.

Pasinetti moved to Milan when he secured full-time work as an accounts clerk at the head office of the metal-working firm of *Broggi*, the makers to this day of fine-crafted gilded and silvered cutlery, flatware and sacred objects. He remained with them for five years.

Pasinetti's workplace was near the *Università Cattolica del Sacro Cuore* in Milan and he apparently formed the habit of dropping in to listen to lectures after work. He enrolled himself at the end of 1950, taking classes in the evening while working full time during the day to support himself and his family back home in Zanica.

He took his first degree from *Università Cattolica* in 1955 with highest honours having written a thesis on the application of econometric models to the analysis of the trade cycle and embarked on a path which was to lead him to a PhD at Cambridge in 1963 with a dissertation entitled "A Multi-Sector Model of Economic Growth".

With his newly-minted Italian degree in hand Pasinetti was encouraged to look abroad. A British Council scholarship took him to Cambridge for the academic year 1956-7. A grant from the US Embassy took him to Harvard in 1957-8. A Bank of Italy grant took him back to Cambridge in 1958-9. First a scholarship and then a Research Fellowship took him to Nuffield College, Oxford in 1959-60. He returned to Cambridge in 1961 as an Assistant Lecturer in the Faculty of Economics and Politics, advancing to a Lectureship in 1964 and a Readership in 1973. He resigned in 1976 and returned to *Università Cattolica* as Professor of Economics.

In the near-decade between his first degree and his Cambridge doctorate Pasinetti had already established an international reputation in economics circles that eclipsed that of many an occupant of an established Chair in England.

In a series of three papers in 1959, 1960 and 1962 – the first in the *Review of Economics and Statistics* and the other two in the *Review Economic Studies* – Pasinetti announced his arrival on the international stage. Not in some narrow backwater of the economic literature, but at the very frontier of research into the theory of growth, distribution and technological change. He engaged with two giants, Paul Samuelson and Robert Solow. In their turn, they engaged with him.

In the 1959 paper, on concepts and measures of changes in productivity, Pasinetti cast doubt upon the reliability of growth accounting – the method which Solow had proposed for measuring total factor productivity. Pasinetti's argument was simple but compelling. Among other things, growth accounting presupposed that it was possible to distinguish between shifts in the aggregate production function (technological change) and movements along it (capital accumulation). Pasinetti argued that this was not possible whenever new capital goods embodied technological improvements. Any new capital investments 'today' could then never be in the same technology that had prevailed 'yesterday'.

In the 1960 paper, a mathematical formulation of the Ricardian system, Pasinetti provided an elegant alternative to Samuelson's attempt in the *Quarterly Journal of Economics* to do the same thing. He established the conditions under which Ricardo's idea that the relative prices of commodities might be determined independently of the distribution of income. In a sense Pasinetti's paper prefigured the great debate over whether these assumptions were truly necessary once the labour theory of value was left behind.

In the 1962 paper, on the relation between the rate of profit, income distribution and the rate of economic growth, Pasinetti achieved a striking result. He was able to show that the Cambridge Equation did not depend on the propensity to save of workers even when that propensity was not zero.

Neoclassical economists almost immediately dubbed this "The Pasinetti Paradox" and Samuelson and Modigliani came up with what they called an "Anti-Pasinetti Theorem". Theirs was a world of isolated individuals solving life-cycle savings problems using intertemporal optimisation techniques. Pasinetti's was one of well-defined economic classes. It was the world he grew up in. As he put it in the final footnote of that paper: "the distinction between individuals who save exclusively out of profits and individuals who save out of wages is the only one that matters". It is the world we live in.

On the evidence of these interventions, and the serious attention they were accorded by Samuelson and Solow, it would appear that Pasinetti had certainly made his mark. But this was only the opening chapter in his career.

He next played a decisive role in the Cambridge Controversies in the theory of capital of the mid-1960s. In a 1966 paper in the *Quarterly Journal of Economics* he politely dismantled a whole class of theorems (due to Samuelson and others) which had purported to show that the switching of techniques (as set out in Sraffa's *Production of Commodities*) was not possible. In the paper he reflected that Sraffa's result "owing to its theoretical implications" had been "rather worrying" and that "there has been a general reluctance to consider it". It has to be said that despite Pasinetti's efforts back then, not much seems to have changed since.

While all of this activity in the realms of grand theory was unfolding Pasinetti was busy lecturing to Cambridge undergraduates. He lectured once each week, over two terms, on the Principles of Economics (to second-year undergraduates) and once each week, over one term, on Advanced Economic Theory (to third-year undergraduates). He was a Cambridge Economist of the old school. His teaching reflected his research. Anodyne textbooks had not yet come to dominate undergraduate teaching and Pasinetti preferred to send his pupils to original sources.

His *Lectures on the Theory of Production* published by Macmillan in 1977 are redolent of his style of teaching. They contain much of the material that he covered at different times in his Cambridge lectures in the late 1960s and early 1970s. Matrix algebra, input-output analysis, the theory of growth and distribution, vertically-integrated industries, the dynamic evolution of economic systems, and what he later called a 'separation theorem' between the analysis of price determination and the theory of distribution are all on show.

The lectures are meticulous, analytically demanding and exemplary of his propensity to subject familiar neoclassical shibboleths to forensic analysis. A recurring target was Marshall's principle of substitution. All of these themes were masterly woven together in two influential books: *Structural Change and Economic Growth* in 1981 and *Structural Economic Dynamics* in 1993.

But this is perhaps enough of his contributions to economic thought, of which much more might be said. At his death Pasinetti was Emeritus Professor of Economics at *Università Cattolica* in the city and the institution where he had begun his extraordinary intellectual journey some sixty years before. He is survived by his wife Carmela, his only son Giovanni, and three grandchildren.

Throughout his long life Luigi Pasinetti proceeded without hesitation or deviation to wherever his economic intuition led him. Those who knew him will tell you that they have known an gifted and inspirational economist. But they will also tell you that they have been privileged to have encountered an impeccable scholar – a man of integrity, generosity, grace and charm.

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