

Sylos Labini on Marx: An Attempt at a Balanced Assessment Based on Critical Thinking

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Abstract: Shortly after the fall of the Berlin wall, Sylos Labini published a paper in the Italian journal *Il Ponte* entitled: “Carlo Marx: è tempo di un bilancio”, which started with the sentence: “*Tutti gli uomini sbagliano: gli uomini modesti sbagliano modestamente e i loro errori sono agevolmente confutabili e producono danni limitati; gli uomini geniali sbagliano genialmente e i loro errori vengono individuati solo in tempi lunghi e provocano danni enormi. Fra gli uomini della seconda categoria dobbiamo annoverare Carlo Marx*”¹. This article generated a debate, which was then published in a book in 1994. Twenty years later, when the neoliberal policies that have become fully hegemonic in the aftermath of the fall of the Berlin wall have brought the Western economies in the largest economic crisis after the great depression, it seems useful to review Sylos Labini critical assessment of Marx to see if his judgment stands the test of time and to take inspiration from his critical method to discuss the options that are open for the future.

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¹ “Everybody makes errors: modest men err modestly and their mistakes are easily refuted and produce limited damage; brilliant men err brilliantly and their mistakes are identified only in the long run and produce enormous damages. Karl Marx is to be numbered amongst the men of the second category”. Author’s Translation (AT).

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Introduction

In 1991 Sylos Labini published a paper in the Italian review *Il Ponte* entitled: “Carlo Marx: è tempo di un bilancio”², that generated a debate in this journal, later published in a book by Laterza in 1994. The article started with the sentence:

“Tutti gli uomini sbagliano: gli uomini modesti sbagliano modestamente e i loro errori sono agevolmente confutabili e producono danni limitati; gli uomini geniali sbagliano genialmente e i loro errori vengono individuati solo in tempi lunghi e provocano danni enormi. Fra gli uomini della seconda categoria dobbiamo annoverare Carlo Marx”, (Sylos Labini, 1994 [1991], p. 3).

It is interesting to review Sylos’ critical assessment of Marx, as it comes from a left-wing intellectual who was also one of Italy’s top economists after second World War, perhaps most known internationally for his contribution to oligopoly theory, praised by both the mainstream and the heterodox camp, but who gave also important and original contributions in several fields at the confluence between post-Keynesian, Sraffian and Marxian economics, combining rigorous theorizing, based on the knowledge and close reference to the history of economic thought, and careful statistical testing.

Politically Sylos Labini defined himself as a liberal-socialist (Sylos Labini, 1991; Roncaglia, 2008) that should be understood in the sense given to the term by Carlo Rosselli in “Socialismo Liberale”³. This refers to a mix of political liberalism, based on the methodical application of the principles of freedom and responsibility, together with a “socialist” ideal of social and economic justice. In practice, in the economic policy field, Rosselli supported a “two sector” economy (private/public), was in favor of a number of key nationalizations and promoted active redistributive policies devised to obtain social justice, while remaining always very critical when apparently similar measures were proposed under the cover of new “corporatism” by the fascist regime. In other words, contrary to some recent use of the term, the social liberalism of Sylos Labini had nothing in common with the “quasi-neo-liberal” views promoted by the dominant mainstream: a neo-Keynesian/monetarist mix that serves as the main ideology for the large majority of European “progressive” political parties today.⁴ Indeed, Sylos supported the nationalisation of the electric industry in the 50s and attempted at introducing modern programming methods in the management of the Italian budget in the early 60s (Sylos and Fuà, 1963).

In line with his liberal convictions, Sylos has always promoted a critical reading of Marx. Well before the fall of the Berlin wall, in a debate that took place in Pisa between himself, Augusto Graziani, Aldo Cecchella and Siro Lombardini in 1983, he stated:

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² “Carl Marx : time for a balanced judgment”, Author’s Translation (AT).

³ Carlo Rosselli (1997, [1973]). This book was written in 1928-29 when the author was relegated in the island of Lipari by the fascist regime. Rosselli managed to escape from the island and sought refuge in France where the book was published for the first time in French in Paris under the title “ Socialisme libéral”. In 1937 the author and his brother Nello were killed in Bagnoles-de-l’Orne by members of the French fascist group *Cagoule*, an assassination commissioned by the Mussolini regime. A first Italian edition of the book appeared in 1945, based on the manuscript written in Lipari, whereas the French manuscript was translated and published for the first time in Italian in 1973. In 1994 the book was published in English by the Fondazione Rosselli with Princeton University Press.

⁴ It is not clear why these parties have become so “permeable” to these mainstream views, since *de facto* the political right has pragmatically abandoned them. Sometimes their success comes from the fact that they are presented as an innovation, such as in the case of the “Third Way”, but they are still linked, in practice, to policies that the voters find hard to distinguish from ordinary “laissez faire”. For a critical assessment of the economic policies of the Third Way from a Post Keynesian viewpoint, see Arestis and Sawyer (2001a and b).

“Io non sono marxista, ma non sono nemmeno un avversario o nemico di Marx, e considero semplicistiche e inaccettabili tanto la posizione dell’adesione, quanto quella, opposta, del rigetto della costruzione di Marx considerate nel suo complesso: ‘chi non è con me è contro di me’ è un’asserzione che può andare bene in una fede religiosa, non in un’analisi critica, scientifica.” (Sylos Labini, 1984, p. 48)⁵.

Indeed, both as an intellectual and as a teacher, Sylos privileged the critical discussion of different economic ideas to foster the economic debate rather than the presentation of monolithic economic doctrines. For instance, despite his tough and sometimes rough comments on “the political” Marx (notably in Sylos Labini, 2005, ch. 2), in his university lectures (Sylos, Labini, 1979), which further evolved into his “elements” of economic dynamics (Sylos Labini, 1992), the starting chapters contain a succinct but rather advanced exposition of Marx’s reproduction schemes and of Sraffa’s production prices, a treatment that today is still missing from the majority of economic textbooks (not only the introductory ones)⁶.

In the 1991 article that started the debate in the review *Il Ponte* (see below), he actually proposed a method to distinguish what is good from what is bad in Marx:

“In generale, per sceverare le tesi erranee da quelle valide e analiticamente feconde si può adottare il seguente criterio: quanto più direttamente le tesi di Marx riguardano il suo programma rivoluzionario, tanto più bisogna diffidarne, mentre le tesi più lontane da quel programma, ossia le tesi strettamente analitiche, vanno considerate, pur sempre con occhio critico, ma con minore sospetto” (Sylos Labini, 1994 [1991], p. 10)⁷.

and in his closing remarks to the same debate on *Il Ponte*, he commented further that:

“Altro che seppellimento o liquidazione ! - per quanto mi riguarda. Se la dottrina di Marx non è una fede né una religione - ecco il punto - è perfettamente possibile accogliere e sviluppare certe analisi e certe tesi, respingendo, al tempo stesso altre analisi e altre tesi.”, Sylos Labini (1994 [1993], p. 190).⁸

It thus seems interesting to see if Sylos Labini’s analysis of Marx stands the test of time and, if this seems to be the case, to get inspiration from his critical approach to discuss its implications for today’s economic policies.

In the following section, Sylos’ position on Marx, as it appears from his main writings, is reviewed. The period before 1994, during which he came back repeatedly on different aspects of Marx in several texts, is distinguished from the synthesis of his ideas that he offered in the debate in *Il Ponte*. The next section reviews briefly some aspects of the debate that was generated in *Il Ponte* by Sylos’ 1994 contribution. In the following, a discussion and a judgment are formulated, while the last section conclude with the possible economic policy implications.

Sylos Labini’s take on Marx

Early views:

Sylos Labini reading of Marx reflected his interest for economic development and dynamics, shown for instance in the introduction to his 1992 textbook on dynamics, where he stated:

⁵ “I am not a Marxist, but neither I am an opponent or an enemy of Marx, and I reject as simplistic and unacceptable both the position of complete adhesion or rejection: ‘the one who is not with me is against me’ is an assertion that can be accepted for a religious faith, but not for a critical and scientific analysis”, AT.

⁶ The prominence Sylos gave in his teachings to the “surplus” approaches derives from their importance for the understanding of the problems of economic development and of the related distribution issues, which have been amongst his favourite themes, for which he gave prolific research contributions. As noted by Roncaglia (2007, p. 21) : “l’idée du technicien pur, utilisable pour toutes les expériences politiques, a toujours été considérée avec défiance, voire avec un véritable mépris, par Sylos Labini ; elle ne constitue qu’un cache-sexe pour les opportunistes de tout poil qui ne veulent pas perdre la face dans la poursuite de leurs ambitions personnelles ”.

⁷ “In general to extract wrong theses from those that are correct and analytically fruitful one can adopt the following criteria: the more Marx’s theses concern his revolutionary programme, the more one should be dubious about them, whereas the theses that are farther away from this programme, in other words those that are strictly analytical, must be considered, always with a critical eye, but with less suspicion.”, AT.

⁸ “Nothing like a burial or a liquidation - as far as I am concerned. If Marx’s doctrine is not a faith or a religion - this is the point - it is perfectly possible to accept and develop some analyses and some theses, while rejecting, at the same time, other analyses and other theses.”, AT.

“... l’interesse preminente di tutti i miei studi e quindi anche delle analisi che qui presento si rivolge, non verso la statica, ma verso la dinamica economica: il problema analitico fondamentale non è quello di spiegare le quantità, i prezzi e i redditi di equilibrio, ma è di dar ragione delle variazioni delle quantità, dei prezzi e dei redditi.” (Sylos Labini, 1992; pp. v-vi).⁹

Since his 1954 article, in his reading of Marx’s contribution to dynamics, Sylos always relied heavily on his detailed knowledge of the writings of Schumpeter, who had been his teacher at Harvard. Like Schumpeter, he saw in Marx the main economist who analyzed capitalist economic dynamics, as confirmed for instance by the following quote:

“La stretta relazione fra la teoria schumpeteriana dello sviluppo e quella di Marx non può esser meglio chiarita che citando il seguente passo della prefazione scritta dallo Schumpeter per l’edizione giapponese della sua *Teoria dello sviluppo economico*. ‘Al principio non mi era chiaro quel che forse al lettore sembrerà subito ovvio: che cioè questa idea e questo scopo sono esattamente gli stessi che sono alla base dell’insegnamento economico di Karl Marx. Invero, ciò che lo distingue dagli economisti del suo tempo e da quelli che lo precedettero è proprio la visione dell’evoluzione economica come un processo distinto, generato dal sistema economico medesimo. Per ogni altro rispetto, egli non fece che adattare e usare i concetti e le proposizioni dell’economia ricardiana. Ma il concetto dell’evoluzione economica che egli avvolse in una non essenziale veste hegeliana, appartiene solo a lui. E probabilmente per questo che una generazione di economisti dopo l’altra ritorna a lui, benché si possa trovar moltissimo da criticare nella sua opera.’” (The quote from Schumpeter (2002 [1937]), appears in Sylos, 1972 [1954], p. 44-45)¹⁰

In this respect, he stressed the analogy in the treatment of the business cycles by the two authors, which, integrates also the trend, and therefore an explanation of economic development.

“Il problema dello sviluppo economico non può essere studiato isolatamente. Esso presuppone, di necessità una visione generale dell’economia. Ciò appare con piena evidenza nelle costruzioni teoriche di Marx e di Schumpeter: in definitiva, l’intera opera marxista e l’intera opera schumpeteriana trattano soltanto di questo problema nei molteplici, complessi aspetti particolari.” (Sylos, 1972 [1954], p. 19)¹¹

Sylos, quoting Schumpeter, underlines the originality of Marx business cycle theory, which goes much beyond a theory of the crisis. For Marx the cycle depends on the fact that accumulation brings an increase in the organic composition of capital, which in the end increases the reserve army (unemployment):

“Marx è dunque chiaramente consapevole dell’esistenza del ciclo economico. Egli fu forse il primo economista che abbia avuto una teoria del ciclo e non semplicemente una teoria della crisi [* Cfr. J. Schumpeter, *Capitalism, Socialism and Democracy*, New York, 1947, p. 41 (trad. it. Milano, 1955).]’ Non solo; ma è chiaramente consapevole dell’unicità del problema del ciclo e del problema dello sviluppo: il ciclo, per Marx, è la forma che l’accumulazione - lo sviluppo - concretamente assume nella società capitalistica; ed il ciclo è , prima di tutto, il ciclo dell’occupazione operaia. ” [Sylos, 1972 (1954) p. 31]¹²

Later, in the introduction to the Italian edition of the *Theory of Economic Development*, he stresses again the analogy between Schumpeter and Marx on this point:

⁹ “The main area of interest of my studies and of the analysis that I am presenting here does not concern statics, but economic dynamics: the main analytical challenge is not to explain the quantities, prices and incomes in a state of equilibrium, but to give an explanation of the variations in quantities, prices and incomes. “ AT

¹⁰ “The close relation between the theory of development of Schumpeter and that of Marx is best clarified by quoting the following text from the preface written by Schumpeter for the Japanese edition of his theory of economic development. ‘In the beginning it was not clear to me what will possibly appear as immediately obvious to the reader: that this idea and this goal are exactly the same as those that are the base for Marx teaching. Indeed what distinguishes him from the economists of his time and from those who preceded him is the vision of the economic evolution as a distinct process, generated by the economic system itself. On all other aspects he merely adapted the concepts and propositions of Ricardian economics. But the concept of the economic evolution, which he packaged in a non-essential Hegelian presentation, pertains only to him. It is probably for this reason the one generation of economists after the other comes back to him, although one can find a lot to criticize in his works’ ”, AT.

¹¹ “The problem of economic development cannot be studied in isolation. It requires a general vision of the economy. This appears in its full evidence in the theoretical constructions of Marx and Schumpeter: in the end, the entire works of Marx and the whole of Schumpeter works only treat this problem in his multiple, complex particular aspects.” AT

¹² “ ‘And there are many other signs of preoccupation with the problem of business cycles as distinguished from that of crises. This is enough to assure him high rank among the fathers of modern cycle research.’ (Schumpeter 2003 [1943] p. 41; the English edition was used here instead of translating the quotation of Sylos from the Italian edition of *Capitalism, socialism and Democracy*) Not only that; but he is clearly aware of the uniqueness of the problem of the cycle and of economic development: the cycle for Marx is the form that is concretely taken by accumulation - the development - in the capitalistic society; and the cycle is, before anything else, the cycle of workers’ employment”

“Nella teoria delle crisi, esposta nell’ultimo capitolo, Schumpeter non introduce nessun concetto e nessuno strumento di analisi che non sia già in qualche modo preannunciato nei capitoli precedenti: la sua teoria delle crisi ricorrenti è parte integrante della sua teoria dello sviluppo. In effetti, le fluttuazioni cicliche ‘sono la forma assunta dallo sviluppo economico nell’era del capitalismo’ - una concezione, del tutto analoga a quella di Marx...” p. XXXVII¹³

Sylos even goes as far as using the paradox of qualifying Schumpeter as a “conservative Marxian”:

“Sembrirebbe strano chiamare Schumpeter un marxista conservatore. Ma se con questa definizione si volesse mettere in evidenza l’affinità fondamentale - di là dagli schemi analitici - delle due concezioni, essa perderebbe il carattere di paradosso * [* Del resto lo stesso Schumpeter afferma che ‘non è sufficiente essere marxista per essere socialista’ ... , e ‘un uomo può accettare completamente l’opera analitica di Marx e pur tuttavia essere in pratica un conservatore’... .]”. (Sylos, 1972 [1954], p. 44-45)¹⁴

The parallel between the two authors becomes almost a coincidence in the case of the stationary economy, as shown by the almost perfect symmetry between Marx’s simple reproduction scheme and Schumpeter’s circular flow model. However, in the circular flow Schumpeter does not see a surplus as emerging, which Sylos notes as an error, whereas for Marx a surplus appears also in the simple reproduction (Sylos, 1972 [1954] pp. XXIV-XXVI).

Sylos notes another difference between the theories of the two authors in the respective role given to the “circular flow” (or simple reproduction) and to “dynamics” (or enlarged reproduction). Sylos notes that Marx was not interested in simple reproduction, except as a preliminary step before starting discussion on enlarged reproduction. The latter implies accumulation and it is therefore the relevant scheme for understanding the dynamics of a capitalist economy:

“L’ipotesi veramente rilevante per studiare il processo produttivo concreto è la seconda, quella della riproduzione su scala allargata, ossia dell’accumulazione. Per Marx la società capitalistica non è e non può essere stazionaria.” (Sylos, 1972 [1954], p. 22)¹⁵

For Sylos, the enlarged reproduction scheme shows that Marx identified well before Keynes and the growth theory of the XX century the equilibrium conditions for balanced growth in a two-sector economy:

“I due schemi vengono particolarmente elaborati nel libro II. Qui Marx compie la famosa distinzione fra i due settori fondamentali: il settore produttore mezzi di produzione e il settore produttore beni di consumo ed indica, con riferimento a questi due settori, le astratte condizioni di equilibrio sia della riproduzione semplice che della riproduzione su scala allargata; ossia, in questo secondo caso, indica le astratte condizioni di quel processo che gli economisti moderni chiamano ‘sviluppo equilibrato’” (Sylos, 1972 [1954], p. 21-22)¹⁶

Again, like for simple reproduction, it is not meant that these conditions should prevail at any particular point in “historical” time. They should be taken as an abstract conceptual reference for looking at reality. In the words of Sardoni (1981): “the schemes of expanded reproduction can be regarded as a schematic explanation by Marx of what special conditions must be fulfilled in order that capitalist growth can take place without overproduction crises”. This implies that the scheme of expanded reproduction is in fact already a first intuition of Keynes’s concept of effective demand, although Sylos prefers in general not to emphasize this aspect, which remains mostly implicit in his analysis. On the contrary this idea was developed with great detail notably by Halevi (1991 and 1992) based on an argument on Hicks’ traverse and by Trigg (2006) and Sardoni (2009). The former, following Pasinetti’s interpretation that will be discussed below, points to the fundamental analytical unity between Marx expanded reproduction

¹³ “In the theory of crises, presented in the last chapter, Schumpeter does not introduce any new concept or analytical instrument that is not already preannounced in the previous chapters: his theory of recurrent crises is an integral part of his theory of development. In fact cyclical fluctuations “are the form taken by economic development under capitalism” a concept completely analogue to that of Marx”. AT

¹⁴ “It would seem strange to call Schumpeter a conservative Marxist. But if with this definition one would aim at pointing to the fundamental affinity - beyond the diverse analytical schemes - of the two conceptions, this assertion would lose its paradoxical character. * [* Indeed Schumpeter himself states that: ‘it is not sufficient to be Marxist to be a socialist ... , and a man can accept completely the analytical work of Marx and still remain a conservative’ ...]”, AT

¹⁵ “The hypothesis that is really relevant to study the concrete productive process is the second: that of enlarged reproduction, or of accumulation. For Marx the capitalistic society is not and cannot be stationary.”, AT.

¹⁶ “The two schemes are particularly developed in book II. Here Marx introduces the famous distinction between the two fundamental sectors: the sector producing production means and the sector producing consumption goods and identifies, with reference to these sectors, the abstract equilibrium conditions for both simple and enlarged reproduction; in other words, in the second case, he indicates the abstract conditions of the process that modern economists call ‘balanced growth’”, AT.

schemes, the Keynesian multiplier, the kaleckian multiplier and the theory of the monetary circuit. The latter, closer to Sylos' approach, points out that strictly speaking, Marx's intuition of effective demand is only valid when periodic crises originate, whereas, in general, to generate a shortage of effective demand some of the original Marx's assumptions should be withdrawn and in particular perfect competition. Indeed, Sylos Labini (1957, Part III: on "effective demand and economic stagnation") argues that the problem of a (permanent lack of) effective demand is essentially dependent upon an oligopolistic market structure, particularly in the long run. Otherwise, the Keynesian multiplier, which represents the actual working of the principle of effective demand in an actual economy, only applies to the short-run (see also: Sylos Labini, 2007 [1992]).

This discussion will be taken up below with reference to Pasinetti's concept of vertical integration and the role to be given to the theory of labour value. Before that, it is noteworthy to stress that in Marx already, well before Schumpeter, an essential role in the generation of the periodic crises comes from credit and money, on which Sylos notes that:

"... la parte che Marx attribuisce al credito e alla moneta, nel moto ciclico, è secondaria e subordinata ... Tuttavia Marx mette varie volte in rilievo che la crisi ha la sua manifestazione immediata e più violenta nella sfera monetaria e creditizia ..." [Sylos 1972 (1954) p. 33]¹⁷

To then add later:

"Sul credito e sulla moneta Marx elabora un'analisi straordinariamente acuta e moderna e propone osservazioni che solo alcuni decenni dopo svolge, per conto suo, Antonio De Viti De Marco in Italia." [Sylos 1984 p. 60]¹⁸

Sylos [1972, (1954), p. 57] notes that it is mainly the business analysis of Schumpeter that developed Marx's ideas on money thanks to the scheme of the circular flow, that Schumpeter interpreted in line with Wickcell, who was in turn trying to introduce money and banks in a neoclassical scheme. This link, which is in fact a link to Walras, is however contradictory with Marx's idea of dynamics and therefore Sylos, while developing further the ideas of Schumpeter on money, departed from the circular flow and went more in the direction of the "expanded reproduction", which allowed him to reach some rather revolutionary breakthroughs in monetary analysis, generally passed unnoticed in much of the post Keynesian literature.

It is for instance clear from Sylos (1948 and 1949) that he fully understood and acknowledged the role of credit in the creation of "payment means" and in particular in the creation of private money by banks. In Sylos (1949), he explicitly refers to money endogeneity as the dividing line between the Keynesian and the monetarist monetary analyses, long before Kaldor and Trevithick (1981) and Moore (1988) built-up the foundations of the post Keynesian treatment of money on this dichotomy (Sylos Labini, 1949, p. 4¹⁹ and 1979, p. 86 and p. 130). One can also note in this respect that Sylos Labini (1948) is quoted by Graziani (2003 p. 4) as one of the predecessor of the literature of the monetary circuit in Italy, precisely because of this pioneering treatment of endogenous money. The link between Sylos' reading of Marx and the circuit literature, which is relevant in assessing Marx's influence on Sylos Labini as a post Keynesian, is discussed further below²⁰.

¹⁷ "The role that Marx gives to money and credit, in the cyclical movement, is secondary and subordinated ... However Marx underlines repeatedly that the crisis manifests itself immediately and more violently in the credit and monetary sphere ... " AT

¹⁸ "On credit and money Marx develops an analysis that is extraordinarily sharp and modern and makes observations that will be independently developed in Italy only some decades later by Antonio De Viti De Marco ", AT.

¹⁹ Page 4 of the electronic version available on Sylos Labini's archive (<http://hdl.handle.net/2067/511>). The passage reads : "This means that the banks, continuously, create means of payment on behalf of the non-banking firms ... ; and these means of payment have only a very elastic connection with individual savings. Strictly speaking, the means of payment 'created' are not and do not represent the savings of anyone". Sylos later took this distance from this article that he qualified as "arrogant", however it is the first time when he introduced endogenous money, well before the volume I of his lessons of 1979. The author is grateful to Alessandro Roncaglia for pointing out this reference..

²⁰ The theory of the monetary circuit, developed in the ninety sixties on the basis of the monetary analyses of Keynes (1930, 1936) and with reference to the theory of distribution of Kalecki (1942), as an attempt at integrating fully the role of money and banks in macroeconomic dynamics. This was sometimes done along explicit Marxian lines, sometimes along more post Keynesian lines (see Halevi and Taouil, 2002). One can refer for instance to Bellofiore (1989), Bellofiore and Finelli (1998), Graziani (2003), Parguez (1978, 1996) and Schmitt (1975 [1966]).

Another point on which the early Sylos recognized an important contribution of Marx concerns the thesis of market concentration:

“Sulle tendenze di lungo periodo delle economie capitalistiche, la tesi più vitale di Marx è indubbiamente quella della progressiva concentrazione delle imprese, o, come egli dice, “dei capitali”. (Sylos 1972 (1954) p. 40) ... “... la tesi marxista della concentrazione, per quanto soltanto abbozzata, è risultata una delle più feconde. Quando si discute oggi, sulla “necessità” o “inevitabilità” del processo di concentrazione delle imprese, in fondo si discute di una tesi che fa capo a Marx”. [Sylos 1972 (1954) p. 40]

In the introduction of his important 1973 book on prices and distribution, Sylos addressed also the most difficult problem relating to the economic interpretation of Marx, which is the question of the labour theory of value, on which he noted that:

“Marx ritiene di poter trattare separatamente il problema del valore e quello del prezzo di produzione; e ritiene che, in un secondo stadio dell’analisi, si possa trovare un nesso rigoroso e non equivoco fra valori (misurati in ore lavoro), e prezzi di produzione. Queste proposizioni si fondano sull’assunto che sono ammissibili, simultaneamente, due equivalenze: da un lato, fra somma dei valori e somma dei prezzi di produzione; dall’altro, fra plusvalore totale e profitti totali. Ora, se si esclude il caso non realistico di una composizione organica uguale per tutte le merci, appare che queste due equivalenze non possono sussistere simultaneamente: se è vera la prima non è vera la seconda, e viceversa. ... La teoria del valore-lavoro così com’è stata formulata da Marx, non funziona...”, (Sylos, 1973, p. 14.)²¹

Incidentally Sylos (1973) testifies the high level of the economic debate reached in Italy on these issues at the end of the sixties. It includes several important contributions relevant to value theory, in particular that of Biasco (1973), which helps understanding why Sylos thought that Marx was both right and wrong on the theory of value²². On these subjects, which will be taken-up again later, Sylos (1979, p. 28) also noted that in the Ricardian system as developed by Sraffa, one condition for the distribution to be proportional to the full labour value (direct and indirect) used in the production is that the profit rate is equal to zero, whereas in Sylos (1992; pp. 66-73) he further specified that even in the Marxian scheme of simple reproduction it is not possible to ensure the viability of the system, the equality of the sectorial rates of profits in a competitive situation and the proportionality between values and prices, except in the case of a constant organic composition of capital (a very clear and pedagogical presentation of the whole issue is given by Roncaglia, 2005, ch.9: 244-277).

Finally, one can note that on the immerization of workers, which is one of the points in which usually it is recognized that Marx’s analysis was wrong, Sylos (1954), who shared this critical point of view, notes that Marx’s position is less clear-cut than what appears at first sight.

Marx è tempo di un bilancio

As many left wing Italian intellectuals in the historical period that followed the fall of the Berlin wall, Sylos Labini (1994 [1991]) felt the need to examine critically his take on Marx, but contrary to many of them, like for instance the philosopher Lucio Colletti, a renown Marxist expert who finally turned to Forza Italia²³, and very much in continuity with his previous writings, Sylos did not turn down Marx’s analytical contributions in the economic field, although he rejected forcefully his political program and the methods suggested to achieve it, which he found unacceptable on ethical grounds²⁴.

²¹ “Marx thinks [initially, in Vol. I] that it is possible to treat separately the theory of value and the problem of production prices; and he thinks that, in a second stage of the analysis, it is possible to find a rigorous e non equivocal link between values (measured in labour time), and production prices. These propositions are based on the assumption that two equivalences are true together: between, on the one hand, the sum of values and the sum of production prices; and, on the other hand, between the total surplus value and total profits. Now, if the unrealistic case of an equal composition of capital for all commodities is excluded, it appears that these two equivalences cannot hold together: if the first is true, the second is not true and vice-versa. ... The theory of labour value, as formulated by Marx, does not work ...”, AT.

²² The author thanks Alessandro Roncaglia for his comments and Joseph Halevi for providing the reference to Biasco, which is of great help in understanding the articulated position of Sylos Labini on this issue, central for the technical judgment to be given on the economics of Marx “after Sraffa”. One can note that the discussion in Sylos’ (1973) book is much broader than that in the subsequent work of Steedman (1977), of which Kurz (1979) gave a penetrating critical review.

²³ A centre-right party founded by the TV magnate Silvio Berlusconi. Lucio Colletti had been previously member of the Italian Communist Party from 1949 to 1964 and has been close to the Italian Socialist Party after the ninety seventies, when he was part of a group of intellectuals who supported the new course of Craxi’s PSI in the review Mondoperaio. He was finally elected in the Italian Parliament with Forza Italia starting from 1996.

²⁴ His rejection of any ethical compromise, confirmed in his latest political writings, appears to the author as one of the most important and ‘modern’ aspects of Sylos’ heritage.

In a debate that took place in the journal *Il Ponte* and was later published in the book “Marx è tempo di un bilancio”, Sylos Labini took the view that the two main analytical errors of Marx in the socio-economic field are the tendency towards a proletarianisation of the modern societies and the thesis of the impoverishment of the working class. These “predictions” were contradicted by the historical emergence and development of a middle class in the twentieth century, of which Sylos studied the conditions in the Italian context in two well known books (Sylos Labini, 1975 [1974] and 1986).

In line with his previous analyses, Sylos maintains that the main economic errors of Marx’s in his formulation and use of the theory of labour value. On the contrary, in the debate in *Il Ponte* he changed slightly his view on Marx’s analysis of the ever-increasing concentration of property in large enterprises, which he saw as partly contradicted by facts.

While stressing these main analytical errors more than before, Sylos 1994’s views remained in fact quite sympathetic to the spirit of Marx’s ideas on these points: he asserted that the theory of exploitation based on Marx theory of value cannot but be wrong, but he nonetheless conceded that exploitation is a fact. Similarly on concentration, while he underlined the importance of small and medium sized enterprises, he admitted the validity of the assertion that modern capitalism implies a progressive concentration of market power, something that should not come as a surprise from the author of *Oligopolio e progresso tecnico* (1975 [1961]).

At the same time, in his critical review of Marx, Sylos Labini maintained his previous views that there are many other fruitful economic ideas in Marx. These are:

- 1) the analysis of social classes made in Marx’s historical writings, particularly: Marx (1969 [1895]), Marx (1937 [1852]) and Engels (1896 [1852]);
- 2) the idea that the economy must be studied by looking at two sectors, ancestors of Keynes’ consumption and investment sectors, distinguishing the cases of simple reproduction from that of enlarged reproduction;
- 3) the idea that accumulation is driven by technical progress and has a cyclical character;
- 4) the idea that monetary creation by banks plays an essential role in cyclical accumulation;
- 5) the idea of “path dependence in historical time” that Schumpeter (2003 [1943], p. 43)²⁵ had already identified as one of the distinctive characters of Marx.

Given Sylos interest for economic dynamics, testified by his 1992 synthesis (Sylos Labini, 1992), and his efforts to integrate the role of money in markets that work usually out of the restrictive hypotheses of perfect competition, it is not surprising that he considers that the last idea is the most important as he emphasized it in his closing remarks at the end of the debate on *Il Ponte*:

“... ma indico poi tesi analiticamente feconde - a titolo esemplificativo, ne indico cinque, di cui la quinta, che riguarda l’approccio dinamico in economia, riveste importanza fondamentale”. Sylos Labini (1994, [1993]), p. 189.²⁶

Indeed, the development of a fully dynamic economic theory, that would also integrate several sectors, distinguishing at least the sector of capital goods from that of consumption goods in order to allow for the possibility of economic development, must be based on a treatment of technical progress and its effects on the cycle, that includes a treatment of the role of money in the cycle and identifies the impact and consequences of the analysis for the distribution of income between social classes. This attention for dynamics is typical of the Italian economic tradition, which after having developed and studied in great detail the static model between the end of the XIX and the beginning of the XX century, was amongst the first to become aware of its severe shortcomings and tried in different ways to integrate dynamic considerations. To a certain extent, Sylos can be seen as the main heir of this tradition after the Second World War, Demaria being an author already well established before the war. It is thus not surprising that Sylos points to the dynamic aspect of Marxian economic theory as one of its most fruitful contributions. But this aspect was not retained in the debate in *Il Ponte*, which, for what concerns the economic aspects,

²⁵ Sylos quotes the following sentence of Capitalism and Democracy: “... the idea of a theory ... of the economic process as it goes on, under its own steam, in historic time, producing at every instant that state which will of itself determine the next one. Thus, the author of so many misconceptions was also the first to visualize what even at the present time is still the economic theory of the future for which we are slowly and laboriously accumulating stone and mortar, statistical facts and functional equations.”

²⁶ “... but I point to theses that are analytically fertile - as an example I indicate five of them, of which the fifth, which concerns the dynamic approach in economics, is of fundamental importance”, AT.

addressed other points and indeed, as noted above, Sylos felt obliged to reassert it in the conclusions of the debate.

Economic points raised by some of the other authors in the ensuing debate

Jossa (1991) agreed in large part with Sylos Labini analysis of Marx. He emphasized however that his position was different from that of Sylos on the question of the labour theory of value and of the transformation problem and its consequences for the Marxian theory of exploitation. Jossa agreed that the labour theory of value of Marx is wrong, but he saw a merit in having raised for the first time the problem of the transformation of values into prices. The fact that Marx's solution was incorrect, invalidates his theory of exploitation only to the extent that it cannot be used to explain profits, but the possibility remains open that "profits are appropriated without exchange" (p. 33) and indeed Jossa noted that many economists worked on such a possibility based on Sraffian premises.

Lunghini (1992) expressed the fear that the authority of Sylos Labini might be used to discredit Marx, who remained for various reasons an important author.

Caravale (1992) concentrated on some aspects of the question of the transformation problem and its reflection on the theory of exploitation. He noted that there were some shadow areas in the treatment of this issue in the contributions of Sylos and Jossa. Caravale noted for instance that in his contribution Sylos Labini introduced a distinction between the analytical and the common sense notion of exploitation, the latter appearing to him as undeniable, a distinction for which Caravale saw an analogy with Porta (1975) and Steedman (1977). Caravale also suggested that this distinction is implicit in the text of Jossa (1992). He therefore discussed the possibility to define an alternative analytical concept of value that could remain within the Marxian theory, such as the one proposed by Garegnani (1986) with his proposed distinction between abstract labour and concrete labour. However Caravale concluded negatively on this possibility and therefore supported in the end Sylos' position that exploitation cannot be explained within the Marxian system.

Porta (1992) took the view that the work of Sraffa destroyed the economic analysis of Marx and that the attempt to use Sraffa to save Marx was doomed to failure. Sraffa's results should be used independently of any reference to Marx.

Lombardini (1992) agreed with Lunghini on the "premature burial" of Marx, whose relevance remains a reality confirmed by the people that continue to develop their political activity based on his political analyses.

In short, most of the argument in favor or against the economic analysis of Marx in the debate in *Il Ponte* rested on the relevance of the labour theory value and on the related vexed question of the transformation problem, on which discussions never stopped since the publications of the *Capital*. This is a rather tangled technical question that was not really dissected in detail in the debate in *Il Ponte*, a political science review with no desire to enter into economic technicalities. On the issue of the labour theory of value the position of Sylos Labini had already been defined in detail in his previous specialized contributions, in particular those of 1973 and 1967 quoted above, so he probably referred in the debate to these results that he considered as known. These questions are discussed further in the following section.

A judgment some 20 years later

At first reading, Sylos Labini's take on Marx in the 1994 debate appears as a harsh rejection that is surprising for an author who was a scholar of Schumpeter and who anticipated and contributed substantially to many of the developments of post Keynesian economics. However, when one reads Sylos' text carefully, it is equally astonishing to note the importance and the number of positive aspects of Marxian analysis that he found, as well as their relevance for the development of a "Post Keynesian economic synthesis" intended in the broad sense of a fully dynamic analysis that would encompass also Sraffian, Kaleckian and other "monetary" approaches more or less related to Keynes.

In formulating a judgment on the position of Sylos Labini on Marx, one question to clarify is of course: "which Marx?", as, even if remaining confined within the sphere of economic analysis, there are several

possible interpretations available in the literature”²⁷. To a certain extent, since Sylos Labini based his analyses of past authors on a careful reading of their original texts, the answer to the question should be in part: “the Marx emerging from his writings”, but this is not satisfactory, since Marx writings are a mix of finished and unfinished works and are known to be in part contradictory. Instead, in order to address the question, it is useful to compare Sylos’ position to that of three other great economists who have been also very much influenced by Marx, namely Schumpeter, Lange and Kalecki, who, extending the playful definition of Sylos Labini, could be qualified respectively as a “conservative”, a “neoclassical” and a “Post Keynesian” Marxian.

As mentioned above, in line with his “liberal socialist” background, and based upon a detailed knowledge of Schumpeter, Sylos Labini fully acknowledged Marx’s major contributions to political economy, while remaining extremely critical of the “political” Marx and stressing some specific criticism on a few economic aspects. Sylos’ respect and admiration for both Marx and Schumpeter comes from the fact that they both established a theory of development combining the cycle and the trend under competitive conditions. For both authors, although with different degrees, economic development results essentially from the impact of technical progress on an economy where money is created by credit, an approach that was followed also by Sylos Labini.

However, Sylos careful reading of Schumpeter identified also some of his subtle logical weaknesses, in particular in his position that recognized Marx greatness, but ranked Walras as the “prince of all economists”. As noted above, Sylos remarked that, contrary to Marx, Schumpeter does not admit the existence of a surplus under stationary competitive conditions (i.e. in his circular flow, which corresponds to the simple reproduction scheme in Marx). Moreover, while both Marx and Schumpeter analyzed the process of economic development under competitive conditions, Marx predicted the process of industrial concentration well before it took place, although he was not able to foresee its implications for his own analysis, whereas Schumpeter, who observed already the first signs of the trustification of the capitalist economy, somewhat dismissed their importance, arguing that monopoly profits would in any case be temporary and therefore the model of the circular flow could remain as the main theoretical reference for the long run.

Schumpeter was aware that the stationary model of the circular flow offers the most simple way to translate the general equilibrium competitive model in historical time (see also Pigou, 1943; and, *mutatis mutandis*, Joan Robinson’s (1956) golden age regime)²⁸. By retaining Walras and his model of general equilibrium for the analysis of business cycles and economic development, Schumpeter also accepted that equilibrium competitive situations, characterized by the usual zero profit (or zero extra-profit) condition (see for instance or Mc Kenzie, 2002 p. 192, condition II)²⁹ are also relevant for economic dynamics³⁰. In other words, Schumpeter proposed his model of the circular stationary flow under competitive conditions as a general scheme applicable also to the analysis of economic development.

On the contrary, by developing a more thorough dynamic analysis, Marx naturally run into the questions of surplus and profit and of their realization. One of the possibilities that he envisaged, in line with the classical tradition, was that profits would have a tendency to fall. It was noted notably by Joan Robinson (1942, p. 36) that this can only happen when wages increase in line with productivity, which contradicts the thesis of the immerization of labour. This led her to conclude that it would have been easier to justify a falling rate of profit based on a “permanent” lack of effective demand.

If Marx justification for the tendency towards falling profits is incorrect, because it cannot be made consistent with the conditions that support his theory of value, the description of the working of this

²⁷ A preliminary question that Roselli also asked himself in engaging in his criticism of Marxism and of the early twentieth century “revisionists”, see Furiozzi (2004).

²⁸ The temporary general equilibrium approach of Hicks generalised this intuition to more complex dynamic structures, however, it can be argued that the optimality of the intertemporal general equilibrium extends to the temporary equilibrium only under conditions that are not essentially dissimilar from those that prevail in a stationary economy (essentially under rational expectations).

²⁹ This condition is necessary to obtain maximum efficiency (Allais, 1986) in the neoclassical model under general equilibrium conditions, i.e. where prices are such that supply equal demand in all markets (an implication of which is the absence of unemployment and unused production capacity).

³⁰ Where, under steady state neoclassical conditions, which are the more immediate generalisation of “static” stationarity, they translate into the neoclassical equilibrium condition of the golden rule, whereby the rate of profit is equal to the rate of increase in income and to the rate of interest. Independently from neoclassical premises, the $r=i$ rule was retained as a general dynamic equilibrium condition in Sylos (1949).

tendency still remains an interesting description of a process of convergence under extended reproduction conditions. The latter is dramatically missing in neoclassical economics, where it would be crucial to demonstrate the stability of the Walrasian competitive equilibrium, a necessary pre-requisite for the generally accepted assumption that markets always clear. Indeed, zero profits are a condition for “maximum efficiency” for the static neoclassical theory under perfect competition (Allais, 1986) and therefore any convergence to equilibrium from an out of equilibrium position with positive profits should be accompanied by falling profits under stationary technology and other external conditions, as Pigou (1943) was well aware and as it is implicit in Allais (1994 [1943]) and Allais (1989 [1981]). Incidentally, under these stationary exogenous conditions, there is a partial analogy between the perfectly competitive neoclassical model and the Marxian static model when wages appropriate the whole of the surplus (and perhaps this is not a coincidence that this is also a way to solve the transformation problem for this particular case). This analogy was noted since the times of Barone (1908) and was also a reference for Lange, seeming to point towards a convergence of opposite theoretical models towards some universal scientific truth. Unfortunately, this view was contradicted by events: after three decades during which the distribution of income has privileged profits and quasi-rents to the detriment of wages and income disparities have increased substantially (Atkinson, Piketty and Saez, 2011; Piketty, 2011), one cannot pretend that middle classes have yet disappeared, but they have severely shrunk. Therefore, while accepting Sylos point that Marx was wrong on the social class dynamics and the pauperization of labour, falling profits remain certainly one of Marx’s predictions that were proven more patently wrong in the last 30 years. This should also have consequences for the relevance of policy approaches that assume that profits are always “close to zero”.

As a student of Schumpeter, Oskar Lange also drew from his teacher the idea that the main reference in political economy is the competitive general equilibrium model of Walras. In his long-life quest for a global economic theoretical synthesis³¹, Lange took the Walrasian equilibrium as a reference also when he developed his arguments for “market socialism” against Hayek and Mises in the so-called “socialist calculation debate” of the ninety thirties (for references to the latter, see Levy and Peart, 2008). His contribution to this debate consisted in trying to define the conditions under which a socialist economy would achieve the optimality assumed to prevail in a capitalistic economy, expressed by the price conditions for a Walrasian competitive equilibrium (the “marginal equivalencies” of Allais).

On the contrary, Sylos Labini, who was primarily interested in the analysis of non-competitive markets and in particular in those that have oligopolistic structures, not only agreed with Marx against Schumpeter that a surplus can exist also under stationary competitive conditions, but developed the dynamic analysis of barriers to entry in oligopoly that showed how temporary oligopoly extra-profits could become quasi-permanent, thus taking further distance from Schumpeter.

In fact, Sylos inclination for dynamics led him naturally to reject the concept of static equilibrium in favor of a pragmatic approach much closer to that of another great Polish Marxist: Michael Kalecki, who essentially rejected any notion of equilibrium. Contrary to Lange, Kalecki is repeatedly quoted in Sylos’ textbook on economic dynamics (both for his macroeconomic and microeconomic analyses). Now, Kalecki, sometimes even more than Keynes himself, is also one of the main authors from which the post Keynesian approach, to which Sylos broadly adhered, developed. Indeed, Sylos explicitly rejected the Keynesians of the neoclassical synthesis (see his 1949 article³²). By logical inference one can conclude that he also rejected Lange’s “market socialism”, although it is difficult to find any explicit reference to this concept in his writings. In the absence of direct references, one can rely upon the common sense observation that there is no point for “socialism” to replicate or improve over the results of the model of a market economy if this model irrelevant for explaining reality³³. If Lange and Kalecki (see Toporowski, 2012a, for a comparison) are respectively the reference authors for those Marxians sympathetic to the static neoclassical synthesis and for those that rejected it in favor of a Keynesian fully dynamic analysis, one would be very much tempted to say that Sylos would have chosen Kalecki.

³¹ Lange was an econometrician and an eclectic Marxist, and could certainly be qualified as the most left-wing representative of the “Chicago school”. He gave important contributions to neoclassical analysis (Lange, 1942) as well as to the “neokeynesian” (failed) attempt to integrate Keynes with Walras (Lange, 1938, 1943). For a biography see Kowalic (2008).

³² Sylos qualified himself this article as “arrogant” some decades later. One could conjecture that Lange was amongst “the econometricians” Sylos met in Chicago (see Sylos 1949, p. 1).

³³ Which unfortunately seems instead to be the comedy of errors in which the European economic left was trapped in the last decades.

From the economic point of view, one could thus qualify Sylos as a “Marxist”, less “conservative” than Schumpeter, but still rejecting fiercely his political analysis and, more particularly, what he saw as Marx’s moral cynicism. But he was also more “progressive” than Lange, rejecting strongly the neoclassical analysis that he viewed as inherently static. It seems thus that Sylos’ position on Marx runs contrary to that of most of today’s European social-democratic left, which, being often cynical, tends also to reject any reference to Marx’s economics, retaining a “market friendly approach” that is in the end not very far from Lange’s notion of market socialism. As further discussed in the Annex, given the analogy with the pure Walrasian model without frictions, the view expressed here is that market socialism is a dead-end avenue.

Another link between Sylos and Kalecki’s reading of Marx comes from the importance given by Sylos to the role of money in dynamic analysis. This link was further pursued, perhaps not always along lines that Sylos necessarily approved, by the literature on the monetary circuit, building on the theory of profits of Kalecki. The monetary circuit is a model of the “single period” that resembles much the stationary circular flow of Schumpeter, although it could be interpreted also, in a perspective of a “continuation analysis”, as expressing a temporary monetary equilibrium (a “real” disequilibrium), where money and credit allow agents to break the budget constraint (Parguez, 1977).

Also within this model, the question of the origin of monetary profits arises almost immediately, as it suggests an almost immediate parallel in terms of Marx’s M-C-M’ sequence: how is it possible that M’ is superior to M (Vallageas, 1976) ? Essentially two main solutions were given by the circuit literature: one more in line with Marxian analysis, according to which all values comes from labour and therefore profits are a transfer originating in the expropriation of wages during the realization phase (as it is the case in the theory of emissions of Cencini and Schmitt, 1986-1987, as well as in Schmitt, 2012), the other closer to the banking school tradition, asserting that profits results from an anticipated surplus validated by banks (Parguez, 2004), which is not necessarily fully represented by wages³⁴. The early theory of the monetary circuit did not venture into the dynamics of the continuation period and mainly stayed confined into a single period more or less formally defined (Parguez, 1980), although, in line with Kalecki’s rejection of equilibrium (Sawyer, 1985) it is implicit that in historical time subsequent period would develop away from any notion of neoclassical equilibrium. Marx addressed in one way or another all conceivable types of dynamics: from balanced growth (see for instance Desai 2002, ch. 5: “Marx II: On Profits, pp. 54-83) to unbalanced growth and crisis (see in volume I of Sylos’ (1979) lessons, where he points out that, contrary to those of Marx and Sraffa, the Keynesian scheme is not circular. As noted by Sylos (1994), his approach to dynamics is characterized by path dependence, or, in other words, develops away from any type of walrasian equilibrium.

When he criticized his economic errors, for not succeeding in formally demonstrating that profits have their origin in exploitation, Sylos did not emphasized that Marx is the first economist who tried to explain profits. However, Sylos familiarity with the microeconomics of Kalecki and his lucidity on the role of banks in endogenous money creation let think that he probably had an intuition for some of the solutions to the problem of profits that were provided by the theory of the monetary circuit (Parguez, 2004) and by the closely related theory of emissions (Schmitt, 2012).

Although the concept of uncertainty is largely absent from Marx’s formal analysis, the intrinsic dynamic character of his economic analysis, that in the mind of Sylos is open to the interaction with social dynamics, provides directions for policy action. This type of “open dynamics”, where the divergence from stationary simple reproduction conditions is the rule rather than the exception, suggests an analogy with the critique developed by Joan Robinson, who attacked the neoclassical mainstream for its exclusive reliance on logical time, which de facto is equivalent to the stationary model, and its neglect of historical time.³⁵

To conclude by applying critical thinking to Sylos’ himself, what perhaps appears as a weak point in Sylos’ brilliant treatment of Marx is the choice he made not to emphasize the consequences of the Sraffian solution to the transformation problem, which in fact he had previously mentioned in his Lectures. This solution was developed in detail and with great clarity by Pasinetti (1975, appendix of Ch. 5, pp. 159-193),

³⁴ In the opinion of the author, for practical policy purposes, both solutions are equivalent, although they differ in terms of their theoretical implications.

³⁵ The author is grateful to Alessandro Roncaglia who pointed out the weaknesses of the previous draft of these paragraphs, although is not yet comfortable with the idea this presentation marks a net improvement.

presumably in agreement with Sylos Labini himself³⁶. It was later expanded in what is perhaps one of the most important developments of dynamic economic analysis of the last 30 years, with the publication of Pasinetti (1981) and Pasinetti (1993). Under very general conditions, Pasinetti's model of structural dynamics allowed to solve the question of the decomposition of prices between labour embodied and labour commanded, which was one of the main problem of classical economists and that was a great worry to Sylos Labini.

The general solution provided by Pasinetti (1981) relies on the notion of vertically integrated sectors (Pasinetti, 1981 [1973]). It allows to define without ambiguity the identity of labour embodied and labour commanded as a fundament for the value of each product when natural prices and rates of profit are used, the latter being defined as those that respect the condition for the fulfillment of effective demand, that implies also full employment:

“When natural prices are expressed in terms of the wage rate, the value of the production of each consumption good i turns out to be equal to the sum of the physical quantities of labour employed in the vertically hyper-integrated sector which is producing it: i.e. in the consumption goods sector i and in the investment good sector k_i (the sector which produces capital goods for sector i); $i=1, 2, n-1$. To put in a different way, the physical quantity of labour which consumption good i can ‘command’ turns out to be equal to the physical quantity of labour embodied in the new investment goods necessary to the expansion of production of consumption good i .” (Pasinetti 1981, p. 148)

The model, developed for the more intuitive case of a pure labour economy in Pasinetti (1993), is fully general and can be applied when capital is present and the rate of profit is positive. It allows showing that with diversified rates of exogenous technical progress, in general the rate of profits will not be uniform by sector. If the condition of a uniform rate of profits is imposed, then it is not possible to obtain the identity between the value of labour embodied and that of labour commanded. However, even in this case, this does not prevent the use of normal prices as “shadow prices”, in which case the labour theory of value is respected. Indeed, Roncaglia (2009), who qualifies Pasinetti's research project as: “Sraffian-Ricardian”, as opposed to the “Sraffian-Smithian” programme of Sylos-Labini and the “Sraffian-Marxian” programme of Garegnani, underlines that Pasinetti's analysis is more normative, while that of Sylos is positive³⁷. Being normative, this analysis does not concern the mark-up, which was of more direct interest to the positive analyses of Sylos Labini.

Pasinetti contribution shows that it is possible to define a theoretical solution to the problems of the pure labour theory of value. In his analysis, the transformation problem is solved by an algebraic identity between values and production prices. This identity cannot show any causality of values on production prices, since the two are simultaneous, but it allows reducing the value of any good to dated quantities of labour.

In the light of Pasinetti's contribution, the writings of Sylos Labini can be interpreted as developing a line of argument where Marx is a “classical” economist who is retained, together with Smith and Ricardo, for an approach to the surplus that admits the existence of exploitation, without retaining the causal role of the latter on profits. This line of argument continues through Schumpeter and Keynes via Kalecki in the direction of a possible dynamic synthesis to be further developed, that could be labeled Post Keynesian economics in the broad sense, to indicate that it fully integrates Kalecki, Sraffa's and monetary analyses.

In this reading of Sylos contribution, Sraffa's contribution, is not so much to have shown that Marx's theory of value was wrong (which Sylos fully endorsed), but that Sraffa's approach allows, through its interpretation by Pasinetti (1977 [1975]), to establish an algebraic link between the surplus and profit, thus solving the transformation problem, even if Sraffa's model cannot be used to show any line of causality between the two (see also Vicarelli [1975]).³⁸

³⁶ It can be assumed that if Sylos knew and agreed with Pasinetti's (1981) analysis, which he explicitly states in Sylos (1995 : “It seems evident to me that the two ways of facing the problem of non-proportional growth (Pasinetti's and my own) converge.”, p. 503), it can this be argued that he could have hardly ignored Pasinetti's treatment of the transformation problem in the Appendix to Chater V of Pasinetti (1977). The author is grateful to Ariel Wirkierman for the first reference and to Joseph Halevi for the second.

³⁷ The criticism on Pasinetti vertically integrated sectors raised by Englmann (1985), according to whom Pasinetti' analysis requires non-basic commodities, is based on a misunderstanding which was clarified by Pasinetti's (1988) article. See also chapter 3 in Garbellini (2009-10).

³⁸ Again the author acknowledges is debt to Joseph Halevi for clarifications and references on this point. One can note that despite the hopes expressed by Vicarelli's question mark in the title of his 1975 article, the transformation debate has not stopped. A review of some of the post-1975 contributions is provided by Fred Moseley (2011).

Therefore, while Marx was indeed wrong on his treatment of exploitation and of the transformation problem, which again destroys mainly his political programme, it is not strictly necessary to abandon his theory of value, at least on normative grounds.

Conclusions and implications for the current policy debate

This paper argues in favor of reorienting European “progressive” economic policies to the left, taking more distance from the established mainstream and using Sylos’ reading of Marx as an economic tool.

Shortly after the fall of the Berlin wall, Sylos Labini was brave in launching a debate where, apart from confirming his complete rejection of Marx on ethical and political grounds, he underlined several positive aspects of his economic analysis, which is truly dynamic. These positive judgments on Marx the economist appear to be strengthened today, as some of the economic weaknesses identified by Sylos seem much less important today than 20 years ago. In fact, if one accepts the Sraffian treatment of the labour theory of value suggested by Pasinetti (1981), which must have been probably known and shared also by Sylos Labini, the only major economic error of Karl Marx seems to be his law of the tendency towards a falling rate of profit, which is hard to reconcile with the facts of the recent decades.

Overall, Sylos’ critical analysis of Marx seems thus to be still receivable today. The positive elements found by Sylos Labini in Marx are useful in drawing more precisely the contours of an alternative theoretical approach that could support a more effective approach in achieving the classical objectives of economic policy³⁹. They appear *ex post* as the possible building blocks of a new economic synthesis that would lie at the crossroad between the classical approach (Roncaglia and Sylos, 1995), Keynes, Sraffa, the post Keynesian analyses and the Marxian tradition (Halevi, 1992). Sylos’ critical review of Marx is thus seen as complementary to the efforts made by other “radical optimists” who contributed to building and strengthening the analytical core of what can be called in a broad sense the “Post Keynesian” approaches. The common features of these various streams have been already discussed elsewhere, notably in Lavoie (1992, 2009). They point towards a common structural form, still under development, where the exogenous policy variables are fiscal policy and the rate of interest and where, like in Marx Sraffa and Kalecki, distribution influences relative prices (see also Sylos Labini, 1973) and thus allocation (Cingolani, 2011). This new approach would be a fully dynamic one, whereby economic policy should produce its effects in historical time, scarcity would not be an unavoidable destiny (Parguez, 1996) and the democratic process could define economic policies that achieve full employment and other social goals.

However, five years since the emergence of the sub-prime crisis in the US, while once again “the first signs of recovery” are announced, it remains an open question whether the uncritical adhesion to the “neoclassical synthesis’ mainstream”, and its logical equivalent: market socialism, as the main reference for policy making will remain a “primitive axiom” of economic policy in Europe, or whether it can be amended and changed based on a critical discussion of its theoretical premises.

The discussion that Sylos Labini launched on Marx after the fall of the Berlin wall also raises the question of whether those who put today their political hopes in reformism and social democracy should not substantially revalue Marx as an economist in building a new economic synthesis for policy action purposes. This would develop Keynes’ approach in a dynamic direction (Sardoni, 1997), building on the precious indications of some of the most outstanding and very original and brilliant post World-War II Italian scholars, such as Sylos Labini himself, Pasinetti, Graziani, Garegnani and others. It would thus be a much welcomed and necessary continuation of the best Italian economic tradition, which some observers perceive as fading for demographic reasons, but that remains a very rich and promising field of research that, precisely because of its strong theoretical content, is still fascinating and offers many opportunities for interesting economic policy developments.

One of the main practical implications of this revaluation would be stop neglecting effective demand in the definition and formulation of European policies. As noted above, the two sectors treatment of the problem of simple and enlarged reproduction suggests an analogy with Keynes’ multiplier analysis (Sardoni, 1981) and thus with the question of effective demand. This was further developed for instance by Trigg (2006), generating a dense and interesting debate between the latter and Sardoni (2008 and

³⁹ These are: growth, full employment, external account balance, and no inflation.

2010). The same link emerges in the two-sectors treatment of Hicks' *traverse* by Hicks (1991, 1992). Therefore, in line with these analyses and as implicit in Sylos Labini's reading of Marx discussed above, effective demand issues emerge in the short-run and in the long-run, in competitive and, even more so, in non-competitive market structures. It is thus highly time to take them into account in policy formulation.

Annex: On the policy relevance of market socialism

In line with the spirit of Sylos reading of Marx's dynamics, one is tempted to formulate, without proving, a tentative impossibility proposition, to be possibly further developed in future work, that goes more or less along the following lines:

“under fairly general conditions, i.e. those relevant for the interpretation of practical economic problems, Samuelson's correspondence principle does not hold in historical time”,

a rather logically close statement is:

“the conditions for a logical equivalence between statics and dynamics, underlying the notion of a complete symmetry between intertemporal and temporary general equilibrium, and extending the analogy between Hicks' “spot” and “futures” economies, do not apply in historical time”

In a single period economy, such as that considered in Arrow-Debreu-McKenzie models of general equilibrium, these conditions entail zero profits, which can be generalized in a simplified dynamic context by the condition that profits are equal to the interest rate ($r=i$, where r is the rate of profits and i the rate of interest), valid both on a “balanced growth” steady state or out of it.

The fact that in most practically relevant conditions $r>i$ indicates that capital is kept scarce enough to allow for an amount of investment (savings) that, as shown by the Cambridge equation under steady state conditions, creates positive savings for the class of capital owners. In other words, the existence of positive savings (extra-profits) by capitalists, shows that the conditions for the analogy between statics and dynamics are not met in reality.

It follows that market socialism, which tries to replicate the optimality conditions that would prevail in a market economy, if the latter enjoyed remaining permanently close to a Walrasian equilibrium, is bound to fail in historical time.

Convergent ideas are expressed by Halevi (1991 and 1992) with reference to the relation between Kaldor's growth theory, Hicks's *Capital and Growth* and Marx reproduction schemes, whereas Cingolani (2012b) discusses the limits of Hick's *Theory of Value* and of the related efficient market hypothesis.

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