

## The passing of Augusto Graziani

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European economists and the progressive community of the Continent are poorer and lonelier

now that professor Augusto Graziani, master of the Italian Keynesians, has passed away in his house in Naples, last January 5.

A world prominent economist, in the opinion of many the main representative of the Italian Academy in the second half of the Twentieth century, he had also been a member of the Italian Parliament and of the prestigious Lincean Academy. Graziani was a landmark, in Italy and abroad, for all those who don't share the belief of market as a panacea for all evils and instead are convinced that capitalism needs State intervention, above all in order to support employment and regulate income distribution.

First of all Graziani has been the founder of a school. His theoretical elaboration is born from a constant comparative process of theorists of the past, giants like Marx, Schumpeter and Keynes. Graziani's "monetary theory of production" grew out of a reinterpretation of Keynes's writings and his powerful vision of the operating principles of the capitalist economy – of a classical type –, according to which the level of production, employment, and income distribution are always the result of the interaction between social forces, whose interests are often in conflict. In Graziani's vision – in his famous model of the "monetary circuit" – money was the key to access the capitalist production and at the same time the goal of the production. And this testifies of the distance between his thought and the dogma of the neoclassical and laissez-faire economy. His book "The Monetary Theory of Production", published in Cambridge in 2003, will remain a classic of economic thought.

The studies in political economy of Augusto Graziani made him a prophet of growing interest, often unheeded. Suffice to mention that in the Nineties and then in the first years of the new century, at a time in which Italy was still an Euro-enthusiast country, Graziani had been the first to explain that the single European currency had been built on creaky basis because the macroeconomic rules were driving the States and the European Central Bank toward austerity. And this would have seriously endangered the endurance of the Eurozone. Immediately after the introduction of the Euro he had explained that all banknotes had been labeled so that it was possible to guess the national central bank of origin: a lifebuoy to possibly allow a "convenient" return to the old national currencies.

Even before Graziani had foreseen that "a country – such as Italy – with a technologically weak industrial structure, which is holding solely for the compression of labor cost", would have took its path on the road to decline. In order to oppose such an outcome, what was - and is - needed are trenchant industrial policies able to achieve a technological and dimensional jump for our firms.

In fact Graziani had a deep knowledge of the obstacles in the economic growth of Italy, as can be understood by anyone reading his beautiful book "Lo sviluppo dell'economia italiana: dalla ricostruzione alla moneta europea" (The Development of the Italian Economy: From Reconstruction to the Euro) (1998). For example he never quit to explain that the huge amount of the public debt of the country was largely the consequence of its deficient production system. And the reason was that the high interest rates of the past had been necessary at fostering the inflow of the capitals needed to compensate the chronic tendency to deficit in trade balance.

Above all that Graziani has always been a militant scholar, sided with the underprivileged and generously on the frontline in the defense of the working class. Because in the end the economist is never a neutral technician and Graziani had decided on which side to stay. And this is the greatest lesson that the Master donated to us, his pupils: the love for research, the moral rigour, the push toward social justice.

*Main selected references* Graziani A. (1984), "Moneta senza crisi", *Studi economici*, 24; Graziani A. (1987), "Keynes's Finance Motive", *Economie et Société*, 9; Graziani A. (1989), The Theory of Monetary Circuit, *Thames Papers in Political Economy*; Graziani A. (1994), "Real Wages and the Loans-Deposits Controversy", *Economie appliquée*, 1; Graziani A. (1996), "Money as Purchasing Power and Money as a Stock of Wealth in Keynesian Economic Thought", in G. Deleplace and E. Nell (eds), *Money in Motion, The Post Keynesian and Circulation Approaches*, Macmillan; Graziani A. (1997), *I conti senza l'oste* (collected articles from various journals), Boringhieri; Graziani A. (2000), *Lo sviluppo dell'economia italiana*, Boringhieri; Graziani A. (2003), *The Monetary Theory of Production*, Cambridge University Press.

*(Traduzione dall'italiano di Andrea Olivieri).*