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**Article**

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## **‘The core idea is that income distribution is always the result of a conflict of powers among social classes’**



Interview with Antonella Stirati

Antonella Stirati is currently Full Professor of Economics at Roma Tre University. Her research interests lie in the development of the Surplus and Keynesian approaches, particularly in the fields of macroeconomics, employment, and income distribution. Along with scientific and academic engagements, she has been active in scientific divulgation and public debates, particularly on the Institute for New Economic Thinking (INET)'s blog and the Italian online journal *Economia e Politica*. She has served as the president of the Italian Association for the History of Political Economy (STOREP) and is a member of the INET academic council and an associate editor of *Review of Political Economy*.

*When did you start to be interested in economics, and when were you introduced to heterodox approaches?*

I chose to study economics because, like many young people of my generation, I was very much interested in social problems and policies oriented towards social change in the direction of greater equity. Studying economics, therefore, was a choice dictated by the feeling that understanding the subject would have been important to understand social dynamics in general and to determine the possibilities of intervention.

When I started my degree in economics in Siena, the first course I attended, like many other freshmen, was a traditional microeconomics course. I remember that the textbook being adopted was by Dorfman, with the standard cost curves, consumers' preferences, utility functions, etc. I must say that even with the little awareness and maturity of a first-year student, there was something that bothered me about all this. That is, I was not convinced about this idea that the consumers' choice between butter and meat was so relevant in determining what would be produced, the structure of the economy, etc. I was not convinced because, even if I had a pre-analytic approach, in my view of global social conflicts, influence of factors such as power relations were important. At the same time, I somehow understood that it was a theory of how market economies work, and as such it could not be overlooked or arbitrarily denied.

In my second year at the university, I attended another course which was again basically on neoclassical economics: the general equilibrium theory. This time, however, I studied using a textbook by Augusto Graziani. Graziani provided, at the end of each chapter, an annotated bibliography which, as a student, I found to be very interesting and stimulating. In one of these commentaries, also critical, it emerged that there were contributions that provided criticisms on the analytical foundations of the neoclassical theory related to the theory of capital. Graziani highlighted the supply-side problems of the theory, that is,

circularity in the theory of capital, which assumes the ‘quantity’ of capital (necessarily measured in value) as a given when, on the other hand, the relative prices of capital goods could only be determined and known after having solved the system of equations determining general equilibrium. And I must say that discovering that there was an underlying problem in that theory, which I found unconvincing, was somehow a relief, a stimulus and a reason for my interest in studying economics. Of course, as I discovered later on, the problems with neoclassical capital theory are much more articulated and complex than could be explained in a brief comment in an introductory textbook – but my interest was piqued.

Then I have to say that the Department of Economics in the Faculty of Economics in Siena was very lively. There were many scholars from different schools of economic thought, and as the strictly orthodox economists were a minority, we were immediately exposed as students to different points of view. It was quite natural, therefore, to take an interest in non-mainstream positions as well.

*Who were the most relevant economists in Siena at that time?*

There were some already renowned economists like Marcello De Cecco and others. But overall, I remember a young faculty, which had received some of their training abroad, and therefore had a style in teaching and in their relationships to the students which was somewhat less formal and baronial than was found in other Italian universities at the time.

My memories are based on the courses and seminars I attended which, as I said, were lively. I certainly remember Alessandro Vercelli, then one among the seniors: even though he was young, he had progressed rapidly in his academic career. Then among the younger, Ugo Pagano and Fabio Petri certainly were lively elements within the faculty.

*Whom did you work with for your PhD at the University of Roma La Sapienza?*

After graduating in Siena, I spent two years abroad, in Cambridge (UK) and UMass at Amherst, and subsequently I was admitted to the PhD program of the European University in Florence, but then I moved to La Sapienza because I wanted to work with Garegnani. I had read some of his essays and contributions, which stimulated my interest. I obviously had to go through a competition to be admitted, but I passed and could therefore work under Garegnani’s supervision for my PhD thesis.

*What is your take on Garegnani, and more broadly, on the debates between post-Keynesians and Sraffians?*

Well, for those in the same generation as Garegnani, the relationship between the two approaches has been very difficult for different reasons. To begin with, the character/personality of the people involved mattered. Another reason was that scholars gave more weight to the differences between the two approaches – and to some extent this was appropriate and useful – although there were, I think, some misunderstandings regarding Garegnani’s contribution. Differences on analytical grounds were discussed and emphasized, and from the point of view of the advancement of scientific research, this helped to clarify approaches and analytical issues.

In the generation that followed, the contrasting elements were fewer, in part because both sides recognized they were largely sharing the same ground, alternative to mainstream economists, when it came to issues concerning economic policy and the interpretation of current real-world problems, such as unemployment and income distribution, on which both schools of thought have similar visions.

Differences between the two approaches persist, although they may be less marked than in past debates, and on these I feel that – without getting into harsh controversies – it would be very useful to return to in-depth discussions, because some of these topics are very relevant. Price theory, which also impacts on the theory of income distribution, the theory of investment, the main drivers of accumulation, the channels through which interest rate impacts on the real economy: on these topics (and possibly several others) there are still differences – and therefore I believe that it would be useful to have more dialogue, starting from the existing different points of view. On the other hand, I notice that the groups today are, more than in the past, sharing the same scientific community, in the sense that in conferences, journals, and publications, collaboration between the two groups is more frequent and, compared to the past, there is more convergence on some topics; for instance, on the role of aggregate demand in the accumulation process on which I believe the two approaches have converged – at least on the core, although with some differences in formalization. It seems to me that also on the theory of price determination some convergence has been achieved, although this is a more delicate matter.

I also notice some convergence also in empirical work – for instance on the determinants of the changes in income distribution. All in all, I feel there are issues on which the two schools have converged and there is potential for cooperation.

*My sensation, as an external observer, is that some years ago, the Garegnani group was very close-knit, with research interests strictly connected to the price theory of Sraffa, and was not so much interested in discussing other topics. In more recent times, I have seen greater openness and readiness to open confrontation, and at the same time an increased interest in moving from the theoretical grounds to implications for economic policy, which again imply a greater openness of Garegnani's followers.*

I obviously object to naming them 'followers', although it is true that this is a school of thought! I think that the difference you noticed is due in part from a generational change, in part from changes which occurred in the field of economics. Garegnani himself, and people close to him but somewhat younger, of the generation which preceded mine, were more interested in pursuing research on theoretical topics, as this was in general the prevailing ground of research and debate in economics: theory had a central role, much more than it has today, for better or for worse, who knows. On top of that, the foundational contribution by Sraffa was on theory, and on this Garegnani and other people interested in Sraffa focused their own contributions. Though, I would add, Garegnani himself and other people sharing the approach, were aware of and very interested in the implications of the theory for the interpretation of real-world phenomena and economic policy. For example, Vianello and Pivetti wrote extensively about the Italian economy and economic policies.

My generation – people who have been trained alongside myself – on the one hand have developed those aspects of Garegnani's contributions that were already there, many of them related to the principle of effective demand, the analysis of investment, income distribution, and so on. They also felt the urgency to use the theoretical apparatus which had been developed and refined – although there still remained some problems – to address issues related to interpretation of current events and economic policies. There has also been a change in the economic discipline, the so-called 'empirical turn', facilitated by the availability of data and tools which were not available years ago, a turn which implies more attention to quantitative measures and applied economics. These processes implied a growing interest towards topics related to the interpretation of events and economic policy, and this made it easier to confront and cooperate with other non-mainstream schools of thought.

*Which do you think have been your more relevant contributions to economics? And what are you researching right now?*

It's very difficult for me to say which of my contributions have been more relevant: it is for others to make an assessment! I would say that, although my contributions may seem diverse, there is continuity. I began with the analysis of questions related to income distribution: my PhD thesis was on the wage theory of classical economists, and therefore it had an historical perspective, but grounded on an interest for theory. The work I have done later is, in many ways, an application of the framework of ideas of the classical economists (in the sense of the surplus approach). The core idea is that income distribution is always (that is, even in conditions of free competition) the result of a conflict of powers among social classes, within boundaries determined by minimum living standards for workers which cannot be easily compressed. My later contributions, more on macroeconomic grounds, on inflation, changes in income distribution, and the role of aggregate demand in determining employment and unemployment, which I have developed in more recent times, are applications and developments of that framework to interpret current problems.

Right now my research focuses on topics in macroeconomics but is still linked to labour and income distribution: I have recently published papers on hysteresis, working with co-authors better equipped than myself on econometric analysis. On the one hand we criticize, and on the other we develop possible trajectories of the notion of hysteresis – a notion addressed also by mainstream economists – that is to say, persistent (or permanent) effects on GDP of changes in aggregate demand, and particularly its autonomous components, including public spending. We criticize some aspects of the interpretations of hysteresis by mainstream economists, and we estimate models which confirm the very persistent effects of changes in the autonomous components of demand, including autonomous demand *expansions*. We try to understand the mechanisms by looking at the ability of our interpretation to be consistent with and explain the data, and grounding our interpretation on the Keynesian principle of effective demand. We argue that there are no endogenous market mechanisms or interest rate 'fine tuning' by central banks, capable of systematically bringing the economy to full utilization of fixed capital and to a full employment or NAIRU equilibrium. Our core idea is based, on the one hand, on the absence of a tendency of output to return to its 'potential' level after a shock, and on the other, on the effects of changes in demand on private investment, productivity, and the labour market. The effect on private investment has an impact on productive capacity, which is thus not independent of the path followed by aggregate demand. This is an idea that Garegnani had backed already in the 1960s, when discussing issues related to the development of Italian Mezzogiorno. We have also tested the impact on productivity of autonomous demand growth: that is, using the latter instead of GDP growth in estimating long-run 'Kaldor–Verdoorn' coefficients on productivity in various sectors and countries. On the other hand, I continued working, sometimes with co-authors, on income distribution, and particularly the causes of the changes in 'functional' income distribution, investigating the role of institutional factors as well as labour market conditions such as unemployment and employment growth.

*Remaining on the same topic, we experienced two crises which should imply hysteresis: the Great Recession first, and the Covid pandemic later. The European Next Generation EU (NGEU) Recovery and Resilience Plan is aimed at addressing the last crisis. In your view, did these two crises imply long-period consequences, and will the Plan succeed in avoiding the long-term impact of the pandemic?*

To begin with, in Europe we did not have just the Great Recession of 2008, because shortly afterwards in many countries we had a second wave due to austerity policies, which had similar depressing effects on GDP and employment, so that we had a double recession, one spurred by the crisis, and the next by economic policies. It is well documented – even by economists close to the establishment like Blanchard and Summers – that Italy and many other economies experienced hysteresis effects after these recessions. Research on the impact of recessions and fiscal consolidations has also shown that such persistent effects are quite pervasive across countries and periods; they are not peculiar to the recent phase.

For the Covid crisis, hysteresis effects could have materialized to a much higher degree than we have seen until now, because income losses have been contrasted by extraordinary measures, such as major transfers to households and businesses, and by overall expansionary fiscal policies so that the impact has been strongly attenuated and has allowed for a substantial recovery after restrictions and lockdowns have been lifted. It has been so even in Italy, although real GDP has not yet returned to its pre-pandemic level. What is going to happen in the near future, in my view, will crucially depend on economic policy.

The NGEU plan suffers from a great misunderstanding. Most people, including myself, thought at the beginning that these funds disbursed by the European Commission – albeit to be reimbursed in the future – would have been additional with respect to the ordinary public budget of the participating countries. Additional investment of this size would have implied an expansionary macroeconomic effect. The problem is that if from 2023 onwards we are most likely to be asked to rapidly return to primary surpluses – as the Italian government is already planning in their projections – the macroeconomic impact will largely be nullified, because NGEU-funded investments will not be additional with respect to the ordinary public spending: if the government needs to revert to the pre-pandemic fiscal rules (or similar ones), it will either have to increase taxes or reduce other expenditures to balance the budget, which includes the spending on account of the NGEU-funded plans. This is going to be a hard process that will have negative consequences for current expenditure on health, education, and welfare provisions. We might gain some small benefits because NGEU funds should largely translate into public investments, which tend to have a higher fiscal multiplier than other public expenditure components. Yet, the outcome will be very far from what is expected and hoped for.

*In some of your academic contributions, you have addressed problems of gender, with particular reference to the labour market. What can you tell about your results on this topic? In particular, on the remaining gender gap in the labour market, as well as on gender issues in academics, there is a decade-long debate in Italy on the share of women at the different stages of academic careers.*

The existence of problems of gender-related differences is quite clear – it happens in Italy, but also almost everywhere, and mainly with regard to what is now called the ‘glass ceiling’, that is, in the top positions. I must say that in recent years I have not been following this literature very closely, so I could not say whether Italy is in a worse position, with respect to other countries. I think, and this is more of a political consideration, or of social policy, rather than a scientific statement, that too much attention has been focused on the problems related to accessing top positions for women: this is an important and relevant problem, and it is certainly worth of being addressed, but there has been a loss of attention with respect to employment and wage issues, which are most important for the lower strata in the labour market. I think much more attention should be devoted

to the consequences of high unemployment, low wages, and precarious jobs on the life of women, on their freedom to choose whether to leave by themselves rather than with family, or to leave their husband or partner or to have children. The latter is also a national problem in a country that is experiencing a demographic decline. We know from statistical surveys that Italian women have less children than they would like to. We know about the practice on the part of employers to request blank resignation letters, to be used in case of pregnancy; we know that if a woman has a fixed-term contract she will not be forgiven (hence, not re-hired) for having children. We know that the number of children is also limited by access to decent incomes, and working class families with two or more children often fall below poverty line, even when (one or both) the parents are employed. While greater public support for families with children would be welcome, we should also not forget that in Italy the strength of collective negotiations and national contracts in the past had a significant role in reducing wage differentials, including gender-based ones. These are, in my view, very important issues on which attention has faded.

With regard to the academic career, women face difficulties in reaching top positions, but if we focus instead on the access of young researchers to academia, again, the fact that in Italy fixed-term contracts with very uncertain prospects are the rule for 'young' academics might have a different impact on women with respect to men. Women famously have their biological clock ticking, and therefore – maybe – at some point they decide that such protracted uncertainty does not suit them. Falling levels of recruitment and public funds for universities and research owing to fiscal austerity of course have made the situation worse. If we want to increase the chances for women to start an academic career and devote themselves to scientific research, these problems must be tackled.

*The Great Recession clearly showed that mainstream theory and economic policies were not adequate, and many governments adopted an approach that we may label as more Keynesian, which so-called heterodox economists had advocated for a long time. Do you think this had any impact on how heterodox theories are viewed among economists and policy-makers?*

This is difficult to assess. I think that many of the ideas put forward and developed by post-Keynesians and heterodox economists have become more like common knowledge. After the 2009 recession and the failure of austerity policies, there has been a debate on the necessity of fiscal stimuli, and monetary policy has become much more accommodating. Somehow, what had been proposed and analyzed has not been without effects, and maybe today can gain more acceptance in public discourse, even though it is not clear whether this will translate into a greater cultural and intellectual recognition on scientific and academic grounds, for careers, or for the evaluation of scientific publications, since I see, at least in Italy, a strong resistance. It is not easy to say how this process will end. Who knows! But I tend not to be very optimistic about the general situation in Europe: there is currently a worrying tendency, especially in Germany, to demand a quick return to the old views and rules about fiscal and monetary policies. In the current circumstances this would lead to economic, social, and political disaster and would cause, as after 2010, a huge increase in public debt to GDP ratios, owing to the deep and persistent negative impact on GDP.

*One last question: what are your suggestions for the new generations of heterodox economists?*

Well, what to study, and how, will be their decision. What I would suggest is the following: on the one hand it is obvious that we need constructive contributions for the understanding of reality, which have their own autonomy, grounded on what we label as heterodox contributions. But I would add that, at least collectively if not individually,

they should not abandon an in-depth knowledge – particularly in their own field of research – of mainstream literature, and a systematic assessment of mainstream theories and empirical analyses. I suspect that non-mainstream economists sometimes suffer from an inferiority complex. Since mainstream contributions are most often based on sophisticated formalizations and technicalities, both in their empirical and theoretical analyses, I am under the impression that many heterodox economists suffer from a sense of inadequacy, which pushes them to avoid confrontation. I think this is wrong: I believe that getting to a better understanding of mainstream economics, albeit with hard work, will reveal that – behind the technicalities – there are relevant problems of internal consistency, of rigour, of ad-hoc assumptions, and of inconsistency between theory and facts. There are many internal difficulties of which the best mainstream scholars are probably aware of. By the way, perception of their own fragility may be one of the reasons why debate across different paradigms has closed-up – it was more open, I think, back in the 1960s and 1970s. This field of study and critical evaluation should not be abandoned, because scientific rigour and progress largely arise from critical assessment and confrontation. No one should shut themselves up in their own backyard: both theory, which is very important, and empirical analyses need to be challenged in order to be developed in a rigorous way – and this is true both for heterodox and mainstream economists.

*The interview was conducted by Gennaro Zezza in Viterbo, Italy in May 2022, during the annual Conference of the Italian Association for the History of Political Economy.*

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