

# Mario Nuti—an appreciation

SE [socialeurope.eu/mario-nuti-an-appreciation](https://socialeurope.eu/mario-nuti-an-appreciation)

Saul Estrin and Milica Uvalic

10 February 2021



**Domenico Mario Nuti, who died late last year (aged 83), was a major theoretical and policy figure in economics.**

Mario Nuti was not fond of labels. But he once wrote that, if pressed, he would chose a handful, including ‘a Keynesian-Kaleckian-Kaldorian-Robinsonian’, a ‘left-wing monetarist’, a consumer of Marxian techniques, a neo-classical in microeconomics and a strong supporter—though very critical—of markets as homeostatic (self-correcting) mechanisms, indispensable no matter how crude or imperfect.

For him, ‘what approach is best depends on the question you ask’. This heterogeneity was reflected in his own scientific contributions.



Saul Estrin



Milica Uvalic

## **Innovative contributions**

---

Take Mario's work on centrally-planned economies and their transition to markets. He sought to categorise models of socialism, from Soviet planning through market socialism in Hungary and Poland to Yugoslav self-management. He believed the collapse of the Soviet Union did not necessarily invalidate the socialist model; rather, the Soviet-type system was incapable of adapting to the challenges raised by its own successes, being brought down by its inefficiency, imbalances and loss of popular support.

Mario drew on his deep knowledge of socialist systems to make innovative contributions to many areas of the transition in central and eastern Europe after 1989. He successfully framed key theoretical and policy issues—most importantly, the speed and sequencing of economic reforms, macroeconomic stabilisation and exchange-rate policies, and the advantages and disadvantages of different privatisation methods.

Mario was very critical of the hyper-liberal policies of the 'Washington consensus' implemented in many transition economies. He was also among the first to stress the deep flaws of the transition, including its high social costs (long-term unemployment, rising inequality and poverty), the disastrous consequences for economic growth of over-restrictive macroeconomic policies and the neglect of the central role of the state in creating and supporting institutions.

## **Appropriate balance**

---

This relates to Mario's life-long concern for the appropriate balance between markets and government intervention. He used economic theory to question the interpretation of general-equilibrium models in which such equilibrium was deemed automatic: 'I believe the neoclassical picture of the capitalist economy is fantasy because markets are both incomplete (where are the future markets for manufactured goods, or the contingent commodity markets?) and, most importantly, sequential.'

This view led him always to question the appropriateness of a non-interventionist policy stance, from the 'free market' policies of Ronald Reagan and Margaret Thatcher in the 1980s through the austerity policies following the financial crisis of 2008. Mario was

however not only an effective researcher into the role of government in redressing market failures; he was rare in establishing the empirical validity of his arguments in the 'laboratory' conditions of transition in eastern Europe.

As the European Commission's economic adviser in the early 1990s, Mario was important in guiding central east-European economies, particularly that of Poland. There he worked with the deputy prime minister and finance minister, Grzegorz Kolodko, to ameliorate the previous 'shock therapy' with a more interventionist approach.

### **Participatory forms**

---

Mario had a profound interest in participatory forms of enterprise. As an alternative to the standard wage-employment contract, such forms sought to assure workers' participation in decision-making and/or enterprise results. His work was inspired by the practice of workers' co-operatives, profit-sharing and co-determination in western market economies and the employee-ownership experience west and east in Europe. Mario's critical analysis of the 'claims and overclaims' of Martin Weitzman's notion of the 'share economy' or his questioning of some assumptions of James Meade's 'labour-capital partnership' were his own attempts to devise more viable participatory solutions.

Employee participation in enterprise results, he wrote, encourages higher labour productivity through the greater co-operation with which any given effort is exercised and through mutual employee monitoring. It also creates a sense of identity with the company, improving channels of communication and the chances of avoiding or at least resolving conflicts. In the case of employee ownership, the voting power attached to shareholding gives employees a *pro-rata* decisional power in company affairs, which 'transforms dependent labourers into part-capitalists/entrepreneurs'.

Mario's interest in economic democracy stimulated him to initiate a major project funded by the European Union, on profit-sharing and employee share-ownership in the member states, which led to the preparation of the first report on PEPPER (Promotion of Employee Participation in Profits and Enterprise Results). The report reviewed the experience with participatory organisations in member states and led to the adoption of a Council of the EU Recommendation on PEPPER in 1992, which invited member states to endorse employee participation.

Since diffused employee ownership was one of the unexpected results of mass privatisations in eastern Europe, Mario raised his voice against simplistic generalisations as to the negative implications of employee ownership. He showed that incentives problems could indeed be avoided in an employee-owned and controlled firm.

### **Deeply concerned**

---

Mario was also deeply concerned about the challenges posed by integration and globalisation. The latter was 'incomplete, distorted and unfair', he observed in 2009, because of the persistence of protectionism and because it favoured the international mobility of capital rather than labour and financed global imbalances instead of

investment and growth in poor countries. Current demands for social change indeed derive from these multiple challenges: globalisation, mass migrations, digitalisation, climate change and environmental pollution.

EU, and especially eurozone, members face additional challenges, given the *disintegration* trends embedded in their dysfunctional European construction—what Mario called its ‘seismic faults’. These include premature introduction of the euro, lack of a proper migration policy, tolerance of illiberal regimes and divergence of welfare policies. He was particularly critical of eurozone austerity policies—demonstrating that, under certain conditions, fiscal consolidation could actually increase, instead of reducing, the ratio of public debt to gross domestic product.

Mario has left behind more than his valuable scientific contributions. His public intellectual engagements, in many policy areas going far beyond economics, were often motivated by broader socio-economic and political considerations. His continuous intellectual engagement and active participation in heated political debates is best illustrated by a glance at his blog ‘Transition’, which includes some 120 commentaries between 2009 and 2018.

The topics range over the many economic problems prominent after the crash as well as a variety of political and social issues—from the debacle of European social democracy and the spectre of populism haunting Europe, to the pros and cons of alternative pension reforms, basic income and Karl Marx’s legacy recalled on the occasion of the bicentenary of his birth. Mario Nuti’s critical voice and intellectual social and political engagement will be sorely missed—not only by economists.

### **About Saul Estrin and Milica Uvalic**

---

Saul Estrin is professor of managerial economics at the London School of Economics. He specialises in emerging markets and has consulted for leading development and financial institutions. Milica Uvalic is professor of economics at the University of Perugia (Italy). Her research has mainly focused on the western Balkans and the wider eastern Europe.

---