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**“Infinitely naïve”? An introductory note on *National Power and the Structure of Foreign trade* by Albert Hirschman – 1945. Remembering Marcello de Cecco.**

*The present note aims to explore some aspects of the young Albert Hirschman’s political inspiration that emerge from his writings, especially National Power. The incentive for this is that now, considering the historical development of his thinking, including his repeated returns to this early book, and what has happened since then down to the present, it is finally possible to question whether and how, under current conditions, one should help controlling and gradually master nationalistic tendencies.*

1-Following the enactment of Mussolini’s racial laws, Albert Hirschman escaped by pure chance (he happened to be in the mountains) from the police raids of 9 September 1938 that led to the capture and imprisonment of his brother-in-law, mentor and close friend Eugenio Colorni.

He returned to Paris, where he began a collaboration with the newly founded Institute of Economic and Social Research directed by Charles Rist and Robert Marjolin as an economics journalist specializing in the Italian economy<sup>1</sup>. In this role he came into contact with John Bell (Jack) Condliffe<sup>2</sup>, an economist from New Zealand who had studied at Cambridge (UK) and who was organizing a “Conference generale d’études sur les politiques économiques et la paix” at Bergen, Norway for the League of Nations<sup>3</sup>.

At the request of Condliffe, Albert then wrote “Mémoire sur le controle des changes en Italie”<sup>4</sup> and “Etude statistique sur la tendance du commerce extérieur ver l’équilibre et le bilateralisme” (included below)<sup>5</sup>.

“Using the formula of standard deviation to measure the extent to which import and export from and to particular countries are consistent with the relation between total import and export, Mr. Hirschmann,” Condliffe recalled<sup>6</sup>, “has calculated indices of bilateralism” for five countries: Great Britain, Germany, Netherlands, Belgium and Sweden. The result (1929-37) was a strong tendency toward bilateralism (and therefore away from multilateralism) in all five countries...

“Dr. Hirschmann’s results,” Condliffe added<sup>7</sup> (1940, p. 283-84), confirming previous studies made with different methods by the Economic Intelligence Service of the League of Nations, “offer striking evidence of the extent to which bilateral is replacing multilateral trade<sup>8</sup>. There are three main reasons why this trend to bilateralism has been economically disadvantageous in recent years. It destroys the effective international specialization that is based upon price comparisons in a world market, directs trade into politically rather than economically advantageous channels, and renders this trade more erratic since the bilateral bargains on which it depends may be abruptly terminated for political reasons”. [As an aside, I would like to add that this first statistical analysis of Albert’s<sup>9</sup> ought, in my view, to be recommended reading in the American middle schools, as a serious “reminder” for those who discover lightweight protectionist bilateralism with no historical memory – almost like it was the egg of Columbus, rather than... the “tool of power politics par excellence”<sup>10</sup>].

2-Later, as we know, Albert Hirschman was once again “captivated” by political commitment. He enlisted in the French army; after his demobilization, he took the name Albert Herman and joined a group in Marseilles directed by Varian Fry that was dedicated to rescuing European intellectuals and artists<sup>11</sup>. Almost at the point of being found out, he escaped on one of the group’s roads through the Pyrenees and traveled to the United States from Lisbon on a visa obtained through the presentation thanks to Condliffe of a Rockefeller fellowship<sup>12</sup>. While this was without doubt an incredible journey, Albert had had no alternative but to follow it. At the same time, as he wrote to his mother, it might allow him to show, after the fact, that he deserved the luck that had so far been on his side<sup>13</sup>, and might in the end lead him back to his studies. It made sense that after a period of political initiative (let’s call it) as intense as this had been, the personal and professional aspects of Albert’s life should take precedence. When he arrived in Berkeley (Cal.), he kept away from the political gossip of the European “survivors” and their friends; he fell in love with (and then married) Sarah Chapiro<sup>14</sup>; and resumed his collaboration with Condliffe. The latter, in the meantime had published *Reconstruction of World Trade. A Survey of International Economic Relations* (1940) and had drawn inspiration for a new collective study, the “Trade Regulation Project”, on “how states manage their

commercial relations in ways that enhance or thwart cooperation between governments and thus keep peace or fuel conflict”<sup>15</sup>.

Hirschman gave serious thought to what he should do<sup>16</sup>; finally, in agreement with Condliffe, he decided to concentrate his efforts on the first of his famous monographs: *National Power and the Structure of Foreign Trade* (written in 1941-42 and published in 1945). It is a book of great appeal, “of uncertain classification and exceptionally long lived”<sup>17</sup>. It deals at the same time with the history of thought in political-economy (and economics), economic theory, and the statistical analysis of international trade, and may be read retrospectively as a general logical background for Hirschman’s work. It belongs to that small group of works written by intellectuals from Europe aimed at making clear to the educated English-speaking public what actually happened in the great German imperialist expansion and why. Finally, its aim was to combine a purely political desire to contribute on an intellectual level to the successful conclusion of the ongoing conflict with an individual need for professional affirmation in the field of economics and statistics<sup>18</sup>.

Of course, and not least out of respect for these choices, understanding *National Power* means approaching the economic and political problems of the time. How? One way is to keep in mind, concurrently, a vast interpretive range of international economic relations, perhaps beginning with Condliffe’s outline<sup>19</sup>; another is to begin, as a preliminary step, with a survey of the literature on the topic, which Hirschman evidently considered incomplete<sup>20</sup>; yet another is to study *National Power* beginning with the author’s experience – with the many observations he brought with him from Europe, above all his view of the statistics on commerce between Hitler’s Germany and the Balkan area which, as is known, acted as a detonator for the construction of the entire work<sup>21</sup>...

### *National Power* and the “methodological break”

3- In the opening of *National Power*, Hirschman observed that discussion on the extensive use of international economic relations as an instrument of national power “has not generally proceeded from a re-examination of the various theories of imperialism.” Instead current “inquires mostly take as possible or as given a power-minded policy, whatever may be its political, economic or psychological origins, and examine the use which such a policy make of the economic instruments at its disposal. [...] The present inquiry”, he added, “is directed [however] to a more fundamental problem. It is concerned with the nature of a system of international trade that can very easily be exploited for purposes of national power policy. Is there [he asked himself] in the trading system some inherent weakness which makes it vulnerable to the will of any government so minded to use it in the pursuit of power?”.

*National Power* therefore represents a return to basics<sup>22</sup>, centered on an idea on German commercial expansion in Eastern and Southeastern Europe that he had brought with him from France, and that he had already discussed with Abba Lerner in Chicago, on his way to Berkeley (by train)<sup>23</sup>.

Much later, in the early 1980s<sup>24</sup>, Albert proposed to a mutual friend, an economist expert in currency and international economic history, Marcello de Cecco, that he publish in Italian a selective anthology of his writings during the Second World War – which Marcello proceeded to edit with one of his ex-students, Pier Francesco Asso, under the title *Potenza nazionale e commercio estero. Gli anni trenta, l’Italia e la ricostruzione* (1987)<sup>25</sup>

In this anthology, along with the above mentioned “Mémoire sur le contrôle des changes en Italie” and several postwar pieces on Italy, Asso and de Cecco published “Part One: Theoretical and Historical Aspects” from *National Power and the Structure of Foreign Trade*<sup>26</sup>. As they state in their introduction, they wanted to “present a contemporary interpretation of that period capable of inspiring an analysis of current international economic history on the basis of hypotheses ‘alternative’ to the theoretically orthodox ones that continue to permeate the study of economic reality”<sup>27</sup>

“In any case”, they added<sup>28</sup>, “we have to say that the texts offered here strike us as important because they transcend their immediate historical climate. What mainly interests us, and we hope will interest the reader, is their methodological message” – that is, Hirschman’s decisive stance “concerning three analytical-methodological pillars of political and economic theory dominant at the time: the orthodox analysis of gains from trade; the over-use of the logical-deductive method and the connected losses in heuristic value; the identification of economics as an end in itself and not as an instrument of statecraft”.

4- The idea then – if I understand correctly – was to learn to navigate between history and economic theory in order to explore anew, à la Hirschman, the relationship between national power and foreign trade. So the two curators, after reviewing some of the essential terms of their analysis (such as the affirmation of bilateralism in the evolution of international trade between the two wars; its relationship with domestic demand support policies triggered by the crisis of '29; the exercise of power politics in various trade integration projects; the acquisition of significant positions of control over sources of supply, the composition of imports, and their users; the divergent results reached by the main countries involved; the reception in successive periods of the works of Hirschman presented in the book; the ability of such works in interpreting historical facts as compared with the literature on the subject), concerned themselves in particular with the specific aspect of Albert's work that dealt with "gains from trade".

"Carried out utilizing Marshall's theoretical apparatus", they affirm, "[Hirschman's analysis] is able to reach conclusions different from those of Marshall. It is an analytical operation of the same type as the one applied by Keynes to orthodox theory, and has the same purpose: to present arguments and considerations in a way that makes them plausible to orthodox economists even though they arise from philosophical foundations opposite to their own"<sup>29</sup>. They added, however, that in so doing the Hirschman of *National Power* "is not yet a 'subvertor' of orthodox analytical methods. Like Keynes, he seems above all intent on showing that Marshall's own instrument can be used to play very different music, and that such music is not typical only of Germanic folklore, but belongs to the common tradition of modern states". This would indicate a real "methodological break" between Hirschman's writings during the war and those that followed<sup>30</sup>.

The Hirschman of *National Power*, the two editors concluded, "seems to be an economist more susceptible to the charm of the power of economic theory [than he would later become], and to its enriched but systematic use as a means of understanding and describing a changing reality. His is an attempt, rigorous although at times naive, to provide an alternative vision, the crowning of an intellectual process that starts within an already established theoretical tradition and takes careful account of the economic lessons of the thirties and the post-Versailles period in general"<sup>31</sup>.

5- As shown in Hirschman's "Prefazione" to *Potenza nazionale* (see below) elicited by these statements, Asso and de Cecco succeeded – and it is no small feat – in opening the way to new reflections on the subject by the Author himself (a case unusual in his vast intellectual opus). In addition, they suggested an interpretive-cognitive perspective that in my judgment is worth re-examining from various points of view. In the first place, a glance at the first part of *National Power* reveals that the text, unlike most of the scientific literature on international trade, actually deals in depth with what the title of the book promises – that is to say, with how (via supply and influence effects) national power can effectively be *increased* through foreign trade<sup>32</sup>. In the first chapter, Hirschman published an agile review of this theme in the history of economic thought<sup>33</sup>. He then took up the task of discussing it in a broader key chapter – the second, entitled "Foreign Trade as an Instrument of National Power" – which culminates in a daring reworking of current economic theory.

Why? Albert's youth at the time comes to mind; his need for professional affirmation in the notoriously stern atmosphere of Economics. But such thinking is off base: it was nothing of the kind. In his "Prefazione" to *Potenza nazionale* (May 1987), so far unpublished in English, it was Hirschman himself who offered a quite different interpretation, one that at first glance might seem paradoxical, that seeks to substantiate an exquisitely political (rather than economic-theoretical) "effective cause" for this particular way of proceeding.

The critical passage is worth re-reading: after recognizing the problem "perceptively observed" by the two editors, Albert commented that "Up until the final defeat of fascism and Nazism, everything I wrote was in some way made to fit into that struggle; [while] after 1945 the tension had dropped, with consequences of various kinds. First of all, there was no longer the same necessity as before to subordinate all thought to a single goal, always coming to definitive conclusions capable of inspiring action"<sup>34</sup>

Conclusion: the "reason" behind the Hirschmanian analytical exposition of the commercial domination of the great powers over the small and weak ones is not to be sought in an interesting re-working of economic theory as such, leading to certain political conclusions (of which we will speak forthwith), but rather the contrary: it was his anti-fascist and anti-Nazi *political* choice that prompted this illuminating theoretical-economic exercise (illuminating in itself and for economists in general<sup>35</sup>).

And thus it is the “federalist” proposal to limit drastically the sovereignty of states and place postwar foreign trade under international control that “rules the roost”<sup>36</sup>. As unexpected – if not downright far-fetched – as it may seem in retrospect, there can be no doubt that in the eyes of Hirschman, the re-working of the pure theory of international trade and of the gains from trade fits perfectly into the struggle going on at the time<sup>37</sup>.

Actually, if we re-read the text with this explanatory key in mind, it immediately becomes clear that this is a pet theme of Hirschman’s – as in the introduction, for example, when he points to the end of the first section where “we arrive at the conclusion that nothing short of a severe restriction of economic sovereignty can [...] prevent the use of foreign trade as an instrument of national power politics”; or at the end of the first chapter, where he states, “we believe that by a theoretical analysis we may arrive at a fundamental diagnosis and ultimate cure of the ills which under the name of ‘economic penetration’ and ‘bloodless invasion’ have repeatedly afflicted recent history”<sup>38</sup>.

On the other hand, if we move ahead to the second chapter with this key in mind, it is easy to see that the youthful Albert was applying his ingenuity (enjoying himself) as he worked his way gradually through the labyrinth of literature on the economic theory of international trade, collecting useful insights on national power, correcting others, patiently building on still others, etc.<sup>39</sup>. There follows a careful line of reasoning that clarifies policies of supply and of commercial influence aimed at increasing the power of countries that have no trading alternatives or have difficulty adjusting to them; next there is an outline summary and an application of it to the actual policies followed by Nazi Germany, policies pursued brutally, through processes of trial and error, with the aim of increasing national power. Finally, there is a theoretical and economic re-working of the explanation of how this was actually possible and, at the end, a look back to try and better understand what really happened between the wars...

“The important point is”, Hirschman had previously written<sup>40</sup>, “that power elements and disequilibria are potentially inherent in such ‘harmless’ trade relations as have always taken place, e.g., between rich and poor, big and small, agricultural and industrial countries – relations that could be fully in accord with the principles taught by the theory of international trade<sup>41</sup>. Political power may only be latent in such commercial relations. But so long as war remains a possibility and so long as a sovereign nation can interrupt trade with any country at its own will, the contest for more national power permeates trade relations, and foreign trade provides an opportunity for power that it is tempting to seize”.

### “Infinitely naïve”?

6-“The Nazis”, Hirschman concluded<sup>42</sup>, “have merely shown us the tremendous power potentialities inherent in international economic relations, just as they have given us the first practical demonstration of the powers of propaganda. It is not possible to ignore or to neutralize these relatively new powers of men over men; the only alternative open to us is to prevent their use for the purposes of war and of enslavement and to make them work for our own purposes of peace and welfare. This can be done only by a frontal attack upon the institution which is at the root of the possible use of international economic relations for national power aims – the institution of national economic sovereignty”.

Actually, this is his proposal for a frontal attack on national sovereignty, which Hirschman would later consider to be “in retrospect infinitely naïve”<sup>43</sup>. But was it, really? This is the question that this note intends to explore.

In the first place, the doubt in question has (‘Colorni-like’) a certain foundation. The thesis did not spring from the mind of Zeus: it responded, as mentioned, to a political and intellectual need that Hirschman felt deeply, and it dovetailed with the collective efforts developing around Condliffe toward the regulation of international trade which should be established after the war as a bulwark against new conflicts. Moreover, it had led to a significant analytical result regarding a mainstream economic literature proud of its scientific approach, but de facto out of touch with the real world.<sup>44</sup> Finally, it was perfectly in line with and drew inspiration from the federalist theses of Albert’s sister Ursula and Eugenio Colorni which – while *National Power* was being written – were advanced (sub speciae unitatis europeae) at Ventotene in a work group that also included Altiero Spinelli and Ernesto Rossi.

7- Why dominate? – the youthful Albert wondered at Berkeley. Why dominate? – wondered his California

colleagues. Why dominate? – wondered his relatives and their friends in Italy. The importance of *National Power*, first and foremost, is its straightforward posing of this question.

Thirty-five years later, as we know, Hirschman himself – once again proving to be “his own best critic”<sup>45</sup> – initiated a characteristic process of correction and re-affirmation of his own point of view (which he would later call his “propensity for self-subversion”<sup>46</sup>). This ultimately led to an interesting development in his reasoning.

In the mid-seventies, in fact, Albert had come across a theory of imperialism of Hegel’s<sup>47</sup>; and he had been invited to chair the 1976 plenary session of the Latin American Studies Association, entitled “Dependency Theory Reassessed”. “In my remarks as session chairman”, wrote Albert, opening “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends”<sup>48</sup>, I presented some of the speakers, such as Fernando Henrique Cardoso and Osvaldo Sunkel, who were among the first to discuss ‘dependencia’ in the early or mid-sixties, as the founding fathers of the theory. Then I proceeded to introduce myself as the frequently unacknowledged founding grandfather, on the strength of my book *National Power*. The point, however, he added, “is not to substantiate this claim; it seems more useful to spell out my critical present perspective on that *Jugendschrift* of some 35 years ago [...] and, in the process, to criticize as well some aspects of the dependencia literature”.

This is his propensity to self-subversion, undertaken not least “pour encourager les autres”. It is a crucial démarche that allows him to republish a (by then) largely unknown book, *National Power*, using “Beyond Asymmetry” as “Preface to the Expanded Edition”.

To that purpose, Hirschman<sup>49</sup> borrowed the following opening sentences “from the forward to the second edition of Erwin Panofsky’s classic”: *Idea: A Concept of Art Theory* (1924). “The suggestion of republishing a little book that appeared more than thirty-five years ago and has been long out of print is uncommonly flattering to the book’s author. But at the same time it presents him with a problem of conscience. It is only too clear that in such a long time not only has scholarship as such gone forward, but also the opinions of the author himself, even if fundamentally unchanged, have been altered in many details. To take this development into account would be possible only if the author could bring himself to write a completely new book probably three or four times as big; but for this he lacks the time, the strength, and – to speak frankly – the inclination”.

“Any ‘updating’ of this old essay of mine”, Albert commented<sup>50</sup>, “would indeed be a formidable undertaking. My main object of study was the politics of *freeing trade*, the possibility of using trade as a means of political pressure and leverage. During the first two decades of post-war period, foreign aid<sup>51</sup> and capital flows largely replaced trade as the principal arena for the political element in international economic relations. More recently, with the negotiations at the United Nations Conference on Trade and Development and the discussion about the New International Economic Order, trade and the institutional framework within which it is carried on have come back into the picture. Time and inclination apart, - he concluded - any attempt to refurbish or modify the book’s analytical tools so as to have them come to grips with this experiences could easily become an exercise in self-importance”.

8- However, Hirschman added, this was not the case for a simpler purpose: “criticizing one of its features that has become unsatisfactory to me”<sup>52</sup>. He was obviously referring to that aspect of the text that he had come to consider “infinitely naive”. Indeed, after having recalled some of the key aspects of *National Power*, he wrote<sup>53</sup>: “having explained how relations of influence, dependence, and domination arise right out of ‘mutually beneficial’ trade I left matters there except for some, in retrospect infinitely naive, proposals to ‘arrive at an internationalization of the power arising out of foreign trade’ [...]. In other words, I invoked a *deus ex machina*: I wished away the unpleasant reality I had uncovered instead of scrutinizing it further for some possibly built-in modifier or remedy”.

At this point we already grasp that Albert has in mind a basically interactive conception of the dominance relation, which recalls, as he himself told me, a well-known page on the relation between master and servant from Hegel’s *Phenomenology of the Spirit*<sup>54</sup>. “It may be instructive,” Hirschman continued<sup>55</sup>, “to indicate how the common defect of my original treatment and of most *dependencia* writings could be remedied by taking as a point of departure the very situation of asymmetry previously noted: an identical trade flow that represents the bulk of the small, poor country’s total trade while occupying only a small percentage in the large, rich country’s trade. The straightforward inference of this observation is that the large country, having a much smaller stake in the common trade than the small country, is able to bend the

latter to its will by subtle or not-so-subtle hints that the benefits of this trade might otherwise be withdrawn. But the next question is now: how solid or stable is the resulting relation of domination and dependency?"

A new observation (or rather a new set of observations) is needed to obtain a relation more reliable than what emerges from the simple recognition of that domination. "Perhaps," Hirschman suggested<sup>56</sup>, "such a relation can be made to arise out of the following conjecture, based primarily on the observation of United States-Latin American relations. A country whose trade or investment is dominated by ties to a large and rich country is, at some point, likely to devote its attention with single-minded concentration to this uncomfortable situation and to attempt to loosen or to cut these ties".

9-That is to say: referring to the interactive relationship between dominant and dominated countries, it is immediately clear that Albert's "possibilist" conjecture regarding United States-Latin American relations corrects a theoretical weakness in the previous treatment<sup>57</sup>; but that, however illuminating, it fits with specific situations which cannot easily be reproduced in other arenas.

And what is more, maintaining that "our basic economic disparity generates a disparity of *attention*"<sup>58</sup> should not in my opinion be interpreted as indicating that small and poor ones enjoy a political asymmetry, while large, rich countries simply enjoy a basic economic asymmetry (and what would become then of the political-military asymmetry?). Actually, economic and political aspects of the question cannot be fully separated. Indeed, they may indicate the *predominance* of one or of the other aspect within a many-sided dominance relation that evolves over time. In such a way that it is perfectly possible, as we see today, that the dominant country should decide at a certain point to... reconsider, from the ground up, its *trade policy*. In saying this I certainly do not intend to deny, in reference to United States-Latin American relations during the cold war period (and other important cases), that the "wise and salutary neglect" of the dominant country and the "correspondingly concentrated attention on the part of dependent country [...] is inscribed in the asymmetrical trade percentage just as much as the facts of dependence and domination themselves"<sup>59</sup>. I just want to point out, as Hirschman himself makes clear, that there are limits to the room for maneuver that dominated countries have; and that there are also many other cases of changes in dominance relations that need to be taken into account, such as those driven by economic performance<sup>60</sup>. What all this adds up to is that moving "beyond asymmetry", as in the title of the essay we are discussing, undoubtedly takes us into a very complex analytical and normative field that leads us instinctively in two opposite directions. In one of these, the focus remains on the existence of dominance relations as they gradually take many different forms, all needing to be decoded. In the other lies the need to understand thoroughly – in an articulated, subtle, and perceptive way – the specific nature and evolutionary processes of these forms, through "drilling" *in corpore vili*, comparisons, cautious generalizations, etc., in order to focus on their potential for change and thus be able to guide concrete action.

This is a need that today seems increasingly urgent, after another 35 years. Indeed, it takes only a moment of reflection to realize that the main economic and political events that have in the meantime influenced international commerce – such as the rise of the WTO, the so-called globalization, the fall of the Berlin wall, the eastward expansion of the European Union, etc. – have been accompanied by processes of horizontal and vertical power dislocation.

And there is more: after an entire era of trade liberalization (which Hirschman had basically called for in *National Power*), we now observe askance a sort of "about-face" from an American administration which has, it would seem, rediscovered protectionism and hence bilateralism in foreign trade (in the form of the direct "deal") in opposition to multilateralism<sup>61</sup>.

## Conclusion

10- Returning, with 35 more years behind us, to the reasoning that led Albert to "launch" the republication of *National Power* in 1980, let us focus once again on the relation of dominance between large, rich countries and small, poor ones. What can we conclude?

In the first place, we can finally answer the question that this note began with: "Infinitely naive"? Yes, of course; but up to a point – seems to me the correct answer. Because in actual fact, the solution offered by the young Hirschman of a frontal attack on national sovereignty over the issue of foreign trade... was not feasible; while the idea of the mature Hirschman – to exploit with skill and perseverance the maneuvering

space that in fact exists within the dominance relation itself – most certainly is, and has a long history behind it that would be worth exploring. But it is also true that nationalism, imperialism, and relations of oppression and domination have in no way abandoned this world; on the contrary, they are presently enjoying a period of strong resurgence in large countries like Russia, China and India, in middle-sized countries like Turkey or Saudi Arabia, and even in the West: from Brexit to Trump to Macron (not to mention, of course, Germany)...

Bless the naivety that allows us to see clearly and act accordingly – how we would marvel in seeing the world from this angle. Not least because naivety and even innocence undoubtedly had an important role in the overall intellectual development of Eugenio Colorni and Albert Hirschman – right from the moment in 1937 when Colorni wrote, referring to his students, that young people look at the world “with eyes that are naive, and therefore without prejudice”<sup>62</sup>.

In addition, if we turn back and reflect on what happened in the last century (two world wars included), we cannot help but observe that the overall record of dominance relations is anything but reassuring. Gradual as it is, the world-level battle for federalism – as Eugenio Colorni and Albert Hirschman in effect imagined it in Trieste in 1937-38 and as each on his own then began to develop it in the early 40s (Eugenio with the Ventotene group and Albert writing *National Power* in California) – remains crucial. It is still the pole star for any carefully considered democratic political action<sup>63</sup> alternative to nationalism and sovereigntism.

From this perspective, it is necessary then to invert time’s hourglass and defend the young Hirschman from the retrospective (and corrosive) irony of his mature self. This in fact means maintaining a value viewpoint without which it is easy to lose one’s bearings – what the Albert we knew sometimes evoked tersely (but also somewhat enigmatically) when he said we needed to work “for a better world”. It also means consolidating and building concretely on the positive results achieved, limited though they may be, beginning with the presence of the UN and the international community (above all in humanitarian emergencies) and with the pushes for federalism that have shown up at the regional level on different continents.

A second observation. However partial it may be, any process of liberation from a relation of dominance requires a careful analysis of particular concrete conditions and their evolution, an analysis that seeks the famous constellation of favorable circumstances to be wisely exploited in the service of the possible desired change. It is also essential to take account of dominance relations in their entirety, not only considering the aspect that is (generally) most familiar. This means going beyond simply making better use of the maneuvering space that the relation usually affords to the dominated country: through multiple initiatives (from the bottom and/or the top, from outside and/or inside), that space must be expanded and the political choice more beneficial to the dominated people or peoples must prevail in the dominant country. This is what Eugenio Colorni began to think (and put into practice) starting in May of 1943<sup>64</sup>. It is what Albert Hirschman pursued, shortly thereafter, in the experience of the Marshall Plan<sup>65</sup>, starting with operations in his own office. “Above all”, he wrote in the 1987 “Prefazione” to *Potenza nazionale* included below, “I worked hard to undermine the certainty of my colleagues (whether pro-market or pro-planning), many of whom saw no harm in using the fullest extent of their power in the service of their opinions and beliefs”.

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- 1 In this area he had in fact already published "Les finances et l'économie italienne: Situation acutelle et perspectives", *Supplement au bulletin quotidien* 123, n. 1 (June 1938), *Société d'études e d'information économique*. This essay was followed by a "Histoire de la lire de la rivalorization au controle des changes" (1938a, unpublished) and three quarterly reports, "Italie", in the January, April and July 1939 editions of *L'activité économique*. This specialization, as an economic journalist expert on the Italian economy, had been constructed gradually by Hirschman in Trieste, where he worked with the institute of statistics at the university, directed by Prof. Paolo Luzatto Fegiz, and applied himself to a careful scrutiny of the Italian financial newspapers. The purpose was to circumvent the regime's increasingly restricted publication of economic statistics and to obtain from other sources data on "industrial production, real wages, the budget, foreign trade, foreign exchange reserves and so on. I enjoyed the detective work involved", Albert later recalled (1995, p. 118), "and whatever success I could claim in outwitting the fascist authorities".
  - 2 It was Henri Piatier, a leading French statistician who had read Albert's pieces on Italy and had then met him, who spoke to Condliffe about him (Adelman, 2013, p. 162).
  - 3 "Conference permanente des hautes études internationales", XIIème session, *Istitut international de Coopération intellectuelle, Société des Nations*, June 1939. For obvious reasons of force majeure, the planned conference never took place. Condliffe's opening paper and Piatier's summary on exchange control were publish in 1940, while most of the other contributions, with specific studies on 82 different countries, circulated in manuscript form.

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- 4 A highly detailed and meaningful documentation of the diverse aspects of the question: the origins of control, its administrative organization, payment mechanisms, commerce and trade policies, currency, the economy, and economic trends. Archival research and successive studies have confirmed “the 23-year-old Hirschman’s capacity for information and notable gift for intuition” manifested in this work (Asso and de Cecco 1987, p. 20; Meldolesi 2013 p. 79 and n. 9). Skimming through this text it is easy to see how Albert’s expertise on the Italian economy had by then reached a surprisingly advanced level – above all concerning the intricate state-controlled commercial web that typified the economy of that country at the time, with its sub-imperialist nature with respect to Germany. Along with the statistics on German trade with Eastern and Southeastern Europe, this minute knowledge of exchange rate control in Italy and its structural effects undoubtedly had a leading role in the origins of *National Power*. This in the sense that, starting from that knowledge, Albert for the first time develops a general question of how a national power can actually shape the countries that it dominates through commercial flows.
  - 5 In this text, for the first time, Albert placed his youthful “statistical expertise” (see n. 1 above) in the service of economic analysis. “Etude statistique sur la tendance du commerce extérieur vers l’équilibre et le bilateralisme”(1939a), is today also available in English in *Political Economy* 4, n. 1, 1988, P.F. Asso, ed.
  - 6 Condliffe 1940, p. 283. Hirschmann – it will be noted – had not yet lost one of the final n’s of his surname, which happened when he first went to the United States (Adelman 2013, p. 187).
  - 7 Condliffe 1940, p. 283-84.
  - 8 Albert later returned to this theme. Working for the international division of the Federal Reserve Board of the United States, he wrote (as his first article in the institute’s overseas economic bulletin – the Review of Foreign Developments), “Bilateralism and ‘Proportionalism’ – Two Aspects of Trade Structure” - 1946 (also included below). In this article, along with bilateralism as it had been studied by the Economic Intelligence Service of the League of Nations, Hirschman took into consideration (p. 2) “an additional aspect of trade structure, namely, *the degree to which a country maintains the same ratio of imports to exports with all its trading partners*”.
  - 9 Perhaps together with “Bilateralism and ‘Proportionalism’ – Two Aspects of Trade Structure” (cf. previous note).
  - 10 Asso and de Cecco 1987, p. 15.
  - 11 With the nickname ‘Beamish’: meaning hilarious and radiant – for his capacity to get things done with a smile.
  - 12 To be enjoyed at the University of California at Berkeley where Jack Condliffe had become professor of economics: Coser 1984, p. 164. The story of the initiatives undertaken in his favor by his cousin Oscar, Max Ascoli, Jack Condliffe and others is told in detail by Adelman (2013, p. 181-82).
  - 13 See his letters to his mother of the 8<sup>th</sup> and the 13<sup>th</sup> of February 1941 - in *ibid.*, p. 185-86. “I shall enter this country [the US] – wrote Albert in the second letter – with the will of getting to something, of showing that I have merited the extraordinary chain of lucky incidents which have led me here”. (Notable here is the typical Hirschman inversion of the cause-effect relation that later comes to the fore in *The Strategy* – in the sense that an unexpected positive event can lead its beneficiary subsequently to live up to it).
  - 14 Sarah, from a good family of Russian-Lithuanian origin and educated in Paris, was an expert in philosophy and French (as well as Russian) literature. This was the origin of what she, along with Albert, called with a pinch of self-irony “the distinguished couple”. Notable in this regard is the dedication that opens *The Rhetoric of Reaction* (1991): “To Sarah, my first reader and critic for fifty years” (i.e. since 1941-42); which in Italian (from Machiavelli and Gucciardini) reads: “A Sarah, primo lettore e critico dei miei ghiribizzi”.
  - 15 See Adelman 2013, p. 202. Albert’s fellowship began with this project. Indeed, he presented *National Power* as “an outgrowth of my collaboration with the Trade Regulation Project” (Hirschman 1945; now 1980, p. xiii).
  - 16 Although fully aware of the risks carried by the decision, Albert did not follow the advice of many to pursue a Ph. D because, he maintained, he already had a doctorate from the University of Trieste (something he continued to affirm till the end of his life). In reality, this was the first of what Hirschman himself later called (1986, p. 4) “a half-

truth". His studies in economics had in fact begun in Berlin (at Humboldt Universitat), continued in Paris (at the Ecole des Hautes Etudes Commerciales) and then in London (London School of Economics), and concluded in Trieste in 1938, where he received a degree in economics and trade (at the time equivalent to a BA), after having completed the required exams and discussed his (interesting) thesis, entitled "Il franco Poincaré e la sua svalutazione" [The Franc Poincaré and its devaluation] (now 2004).

- 17 Casanova (1990).
- 18 Meldolesi 2013, p. 80. I have considered the question of whether Jean Claude Casanova (1990) was right in maintaining that with *National Power* Hirschman found his inspiration all in one go. In a certain sense I have to say he was. But not only for the reasons given in the text; or because it links together the "order of power" of the German tradition and "the order of the market" of the British tradition. With this book (quite difficult to conceive and construct) Albert courageously carved out his innovative path (that of intellectual discovery indicated by Eugenio Colorni) as well as his way of developing it over time. In a certain way, in fact, it is a work eternally in the making – for reasons that, as we shall see, surprisingly extend into our own time (and beyond).
- 19 "This volume", Condliffe explained (1940, p. 9), "falls naturally into three parts. The first [Ch. 1-3] analyses the collapse of the international trading system that was restored, on the prewar model, after the last war. The second [Ch. 4-8] examines the challenge now presented by totalitarian methods of bilateral trade. The third [Ch. 9-11] surveys the problems that must be faced in any attempt to reconstruct world trade after the present war comes to an end. [...] It is a study in political economy rather than in economics or political science, [...] a personal interpretation of the conclusions to be drawn from a great body of original research [including the one prepared for the Bergen Conference: see n. 3 above] conducted in cooperative spirit by scholars from many different countries". Chapter titles: "The Background of Economic Policy", "The Process of Disintegration", "The Causes of Breakdown", "Regulated and Unregulated Trading Systems", "The Complication of Tariffs", "Quota Politics", "The Monetary Weapon", "Commercial Diplomacy", "The Limits of Regionalism", "New Aspects of International Organization", "The Conditions of Economic Co-operation".
- 20 So much so that he opened his introduction to *National Power* (1945, now 1980, p. xv) with the following statement: "A textbook for the modern prince should indeed contain, in addition to Machiavelli's classic chapters, extensive new sections on the most efficient use of quotas, exchange controls, capital investment, and other instruments of economic warfare. In this respect, practice has *preceded* theory. The extensive use of international economic relations as an instrument of national power has been together with the 'war of nerves', one of the main characteristics of the period" (emphasis added).
- 21 Because these statistics clashed quite literally with current teachings on the theory of international trade. "German-Bulgarian trade in 1938, for example," writes Albert in *National Power* (ibid., p. 30-1), "represented 52 and 59 per cent of Bulgarian imports and exports respectively, but only 1,5 and 1,1 per cent of the German Imports and exports. These figures indicate that although the same absolute amount is involved, it will be much more difficult for Bulgaria to shift her trade with Germany to other countries than it will be for Germany to replace Bulgaria as a selling market and a source of supplies". (Note, in this regard, the typical Colornian-Hirschmanian logical process: an observation contradicting current thinking must be taken very seriously instead of being filed away so as not to call into question the status quo ante ['comfort zone' included]. It is the *petite idée*, the Chinese paper flower that opens little by little when thrown into the water. In this case, as we shall see, this occurred for both robust intellectual efforts and successive self-subversions).
- 22 Hirschman ibid., p. xv: also to cope with the fact that "practice has preceded theory" (see n. 20 above).
- 23 Hirschman had already met Lerner during his year at the London School of Economics (Adelman 2013, p. 121 and 189-90).
- 24 It was in the spring of 1983, to be precise, as guests of the de Ceccos in a "maisonette" at the Institute for Advanced Study at Princeton that Nicoletta Stame and I met Sarah and Albert Hirschman for the first time.
- 25 Hirschman 1987. (The two editors maintained in their introduction that the collected texts assumed a particular significance for the Italian reader because "they concern, to a great extent, facts about the economic history of our country, facts of which Albert Hirschman proved himself at an early age to be – and as we know remained thereafter – an extremely acute and passionate observer").
- 26 To answer in quantitative terms some of the questions raised in part 1, the second part of the book presents three statistical inquiries into the structure of foreign trade – "The Preference of Large Trading Countries for Commerce with Small Trading Countries", "Concentration upon Markets and Supply Sources of Foreign Trade of Small and

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Weak Nations”, and “The Commodity Structure of World Trade”. Later, in 1951-52, Hirschman revised the final analyses of the book to reflect his emerging interest in underdevelopment. (Meldolesi 1995, p. 25-8).

- 27 Asso and de Cecco, “Introduzione” a Hirschman 1987, p. 8. This worthy intention was immediately put into practice in “Bilateralism, Trade Agreements and Political Economists in the 1930s: Theories and Events Underlying Hirschman’s Index” – an important essay by Pier Francesco Asso (included below).
- 28 Asso and de Cecco, “Introduzione” a Hirschman 1987, p. 8.
- 29 Ibid. p. 25-6. “Actually”, as they explained further on (p. 34), “in this work the main desire seems to be to find stable relations between magnitudes, so as to crystallize the analysis in a conceptual modelling alternative to the traditional one but still a mirror image of it”.
- 30 Ibid. p. 33 and 35.
- 31 Ibid. p. 37.
- 32 “While the proposals put forward by various schools of economic thought were usually aimed at strengthening the power of a nation, Hirschman worked against the grain, taking national power as given and studying at a theoretical level the characteristics of foreign trade that can be exploited by the politics of power”. But “the ‘opposite line of causation – from political to economic asymmetry – is not analyzed”. (Meldolesi 1995, p. 12 and n. 21).
- 33 Which to the Hirschmanian reader calls to mind the more detailed discussions that would follow – such as those on economics and politics in *Passions* (1977) and on political thinking in *Rhetoric* (1991).
- 34 Thus it was at this point that a new orientation emerged, about which Albert wrote retrospective pages of great interest (1995, Chap. 14 and 1998, Chap. 2). Cf., also, Meldolesi 2014, Chap.2.
- 35 Who, proud of their profession, obviously want to be able to verify reasoning through theoretic-economic logic, perhaps accompanied by corresponding tables and figures.
- 36 Viewed from this perspective, the analogy with Keynes’s procedure in the *General Theory* proposed by Asso and de Cecco loses some of its critical-heuristic weight. It is true that both Keynes and Hirschman proceed with their re-workings in order to reach a determined result; but it is also true that while Keynes works in strictly economic terms, Hirschman speaks of politics and economics, as well as (albeit only one-sidedly, as we shall see,) of interaction between the two.
- 37 And precisely for this reason – it is worth noting – he ended up falling into a well-recognized type of thinking. With an intellectual archetype that can be traced back to Saint-Simon, “Hirschman used economic analysis here as a platform for stating a political thesis” (Meldolesi 1995, p. 16 and n. 23; and 1982).
- 38 1945; now 1980, pp. xvii and 12.
- 39 See, for example, the following statement from Alfred Marshall (1923, p. 168): “The rich country can with little effort supply a poor country with implements for agriculture or the chase which double the effectiveness of her labor, and which she could not make by herself; while the rich country could without great trouble make for herself most of the things that she purchased from the poor nation or at any events could get fairly good substitutes for them. A stoppage of the trade would therefore cause much more real loss to the poor than to the rich nation”.
- 40 1945; now 1980, p. 40.
- 41 “It is of course this position”, Hirschman commented later during the Cold War (1978; now 1980, p. vii), “which accounts for the durability of my book: the political dimensions and side effects of foreign trade and investment are still very much with us – two obvious examples are the relations of the United States with Latin America and of the Soviet Union with Eastern Europe”.
- 42 1945; now 1980, p. 79.
- 43 Hirschman 1978; now 1980, p. vii.
- 44 And had also led to an analytical result that was far from secondary for the less-mainstream literature – mercantilist first, then free-marketeer, then imperialist – which did take on board some valid points, but then had trouble processing them properly.

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- 45 Asso and de Cecco, "Introduzione" to Hirschman 1987, p. 34.
- 46 Hirschman 1995.
- 47 "While doing research for *The Passions and the Interests* – Hirschman later wrote (1981, p. 141) - I found, to my considerable surprise, that the essentials of the economic theory of imperialism, usually associated with the names of J.A. Hobson and Rosa Luxemburg, are anticipated in Hegel's *Philosophy of Right*". An essay came from that realization: "On Hegel, imperialism, and structural stagnation" – "originally written as a contribution to a volume of essays in honor of Felipe Pazos, published in Spanish in *Politica economica en centro y periferia* [...] (Mexico: Fondo de Cultura Economica, 1976)" – now in Hirschman 1981, p. 167. It is likely that it was this renewed interest in the works of Hegel (with which Albert had been involved in his youth: cf. below, n. 54) that facilitated the task of "self-subversion" mentioned just below in the text.
- 48 Hirschman 1978; now 1980, p. vi.
- 49 1980, p. v.
- 50 Ibid. p. v-vi.
- 51 To which Albert dedicated two articles (1962 and with R. M. Bird 1968) which maintain, in his view, – "a certain continuity with the analysis of the present book" (1980, p. v, n.).
- 52 Ibid. p. vi.
- 53 Ibid. p. vii-viii.
- 54 Hegel 1977, p. 111-19. It is the very book he had studied in a working group at the Franzosische Gymnasium in 1932-33 (Meldolesi 1995, p. 4 and 17).
- 55 Hirschman 1978; now 1980, p. vi.
- 56 Ibid. p. ix.
- 57 Cf., above, n. 31 and 36.
- 58 Ibid.
- 59 Ibid., p. x.
- 60 "For example, when a country that dominates the world market in one commodity or product raises its price and thereby eventually loses its monopoly [...]; or when a country that initially has little bargaining power in relation to a firm wishing to exploit its natural resources increases its power over time both because the firm's installations, once built, are captive of the country where they are located and because the country is likely, in due time, to insist on training its own technologists and other experts". (Ibid. xi).
- 61 Indeed, I should add that it was specifically the emergence of this attitude and the consequences it immediately produced in trade relations between the United States and Mexico that led me to reconsider the whole question. Specifically, in reading an article by Azam Ahmed in the New York Times of 26 March 2017 I realized at a certain point that the Mexican president felt obliged to ask for a rapid revision of trade agreements with the United States that would favor the latter (!) – in order to combat the great economic uncertainty the American administration had created, with its consequent blockage of investments, and to avoid losing the incoming election. It was at that point that I exclaimed to myself, "but this is just *National Power!*"
- 62 July 1937; now 2017, p. 109. Cf., also, Colorni 1998, Hirschman 1963. So it was this political need for change, however naively experienced at first, (cf. Hirschman 1963, p. 271-75), that was the true driving force of the journey that now, looking back, we can finally evaluate. From the theoretical crystallization of *National Power*, to its being interactively surpassed in the 1970s, right up to what will need to be designed for the still largely unarticulated process now getting underway following the end of the cold war and the exhaustion of so-called globalization (first version). The historical facts from different eras suggest advances in theoretical thinking which however, as Asso and de Cecco observed in 1987 (p. 8), in a certain sense transcend such events and present humanity with a key task, one that has to be steadily pursued but, it would seem (we can now add), can be fulfilled only by degrees.
- 63 The problem of keeping inter-imperialist rivalries under control and pointing the world in a civilizing direction (that is, toward collective prosperity, democracy, justice, and peace) cannot help but play a central role in the present and future experience of humanity. This is an enormous problem that comes up again and again both in

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the short and long term. How can we bring trade operations under international regulation? How can the authority of the international community be increased in relation to the various individual powers? How to restore vitality to the WTO and trigger a new phase of development in world trade? These are questions that in practice, converted into concrete action, take on different characteristics, depending on how each of us is positioned and how events unfold.

64 Colorni 2017, Chap. 13.

65 Hirschman 1998, Chap. 2 and Meldolesi 2013, Chap. 2.