

## Modigliani Memorial - MIT 7/12703

Lucas<sup>1</sup> and I did not overlap at MIT. I met him one summer at Franco and Serena's house on the Vineyard. There is a small hut in the garden, outside the house; Franco and I were taking the boat down to the beach to go out sailing, when I heard noise coming from the hut: "What's that?" I asked, "It's Lucas who is running some regressions for our Brookings paper; he is not allowed to get out until he gets that coefficient up to 1.5—because I know it's 1.5!"

For me it was only last week that it finally connected that Franco had left us. It happened Tuesday morning when the news broke that European Finance ministers had cancelled the Stability pact--and the phone did not ring with Franco at the other end saying: "It took 6 years, but in the end even those stubborn Germans were convinced by my arguments".

I am not sure Minister Eichel had Franco in mind, but, as Keynes said: "Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist."

This would have been a very special week for Franco. A day later the unions in Italy officially adopted his plan for reforming social security, the idea of using assets set aside to finance severance payments so as to ease the transition from a PAYG to a fully funded system--an idea for which Franco had long fought.

Franco's intellectual battle against the Stability pact included a curious episode, which happened in the Spring of 1997. On prime time Italian TV, Franco found himself debating a prominent Italian economist today a cabinet minister in the current government:

"If you give up the exchange rate you will need more, not less flexibility in fiscal policy, that's why the Stability pact is wrong". "I am sorry, professor Modigliani, but you forgot your economics" replied the minister who holds a PhD from Chicago (what an unfortunate choice!).

"I think I know *'some'* economics, says Franco, but more importantly, unlike you, I have good common sense."

It took some of us the better part of the next 5 years to get Franco out of trouble in the court case the deeply offended minister initiated after that TV appearance.

Wim Duisenberg, Lucas's former boss, was another of Franco's 'betes noires'. A few years ago, thanks to Stan Fisher who dropped out at the last minute, I was asked to moderate a debate between Franco and Wim at the University of Rotterdam, in front of 1,000 students.

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<sup>1</sup> Lucas Papademos, the vice-president of the European central bank, had spoken before me at the Memorial.

On a previous occasion Franco had had to sit through a speech by Wim delivered in Dutch, and he was not happy.

It was Franco's turn to start: " Spero che fra di voi ci siano molti studenti italiani, perche' gli altri oggi capiranno poco"

*[I hope that today's audience includes many Italian students because otherwise you're going to understand very little of my talk"],*

and he continues in Italian for 2 very long minutes.

At which Wim answers back in Dutch.

It took some diplomacy to get the two of them to settle on English--and this was not even the most difficult part in moderating that debate.

For us, his students, Franco was much more than a teacher. He was a 'maestro' in the meaning in which Dante uses the word: The one who shows you the path to knowledge.

It's an art that requires patience and especially an enormous quantity of time. I was always surprised by how much time Franco would spend listening to his students, trying to understand, to give them advice. And when this could not happen de visu it would be in writing.

It was 1958, Franco was in Pittsburg, teaching at Carnegie Mellon.

A young and promising Italian economist, Luigi Pasinetti, who had just spent a year in Cambridge, was trying to fight his way through the ordeal of an Italian concorso, the hurdle to getting a teaching job. In his letter Luigi sounds worried because the requirement for the concorso, a book in print, risks postponing the research for his PhD.

"I hope you will not be distracted by things of low scientific quality, Franco advises him in a long letter. I have great expectations, but good research, as you are doing, is incompatible with other distractions. If you think it might be useful, I could write a letter to the committee, explaining this".

Luigi eventually flew through the concorso with bright colors, the proof that Franco never wrote that letter.

Old men often believe they have achieved wisdom, and stop listening: not Franco, not even after winning the Nobel Prize.

His approach was always silent, he rarely spoke first, whether meeting a colleague or the child of a young student.

"That's interesting," he would say, "Tell me more !" - of a recent academic paper just as of a child's wonderings.

Exactly the same words another of my teachers , Rudi Dornbusch, would use. It is Rudi who would say of Franco: Remember, he is our "maestro".