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A bridge over troubled water: A Structural Political Economy of vertical integration¹

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Highlights

- This article proposes a new interpretation of the logical process of vertical integration, exploring its socio-political dimension.
- It shows that models of industrial interdependencies and vertical integration imply profoundly different views on production, distribution, and socio-political conflict.
- It argues that economic structures cannot be seen as univocally determining economic interests or conflicts in society.
- It opens up a new field for structural analysis: studying how the formation of interests in society is influenced, but not determined, by economic structures.
- It suggests a route to address the socio-political dimension of economic structures, which is largely left on the background by structural economic analysis.

In his classic 1973 article, Luigi Pasinetti formalised the algorithm of vertical integration. The algorithm (“logical process”) shows the link between representations of industrial interdependencies, originating in Quesnay’s *Tableau économique* and systematized by Leontief (1941, 1951), von Neumann (1945-6) and Sraffa (1960) among others, and vertically integrated representations such as those implicit in the classical theory of value, Keynesian macroeconomics and important strands of marginalist economics.²

¹ The research leading to this article began with the presentation “The political economy of circular interdependencies and vertical integration: Opening the black box of ‘national interest’” at the conference *The Economics of Structural Change: A Conference in Honour of Luigi Pasinetti*, 12-13 September 2012, Gonville and Caius College, Cambridge, and the SSRN working paper with the same title (Cardinale, 2012).

² The dualism between industrial interdependencies and vertically integrated representations provides a fundamental lens to interpret different traditions in economic analysis (see contributions in Baranzini and Scazzieri, 2012a (1st edn. 1990) and in particular Baranzini and Scazzieri 2012b, 2012c and Landesmann and

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