

The conversation

Luigi Zingales*

„We desperately need more of the ordoliberal tradition“

A conversation on cronyism, antitrust, and economists' capture

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PWP: Professor Zingales, on your website at Chicago Booth School¹, you quote Karl Marx: “Philosophers have only interpreted the world differently; what matters is to change it.”² Are you a Marxist?

Zingales: I’m certainly not a Marxist, but Marx was actually a very good economist. Of course, he got a lot of things wrong, but who doesn’t? It would be silly not to

acknowledge that he made some very important contributions. And I think it’s cool to have that line on the website of a business school, even though most people don’t even notice. I apply that motto to economics, of course. Like Marx, I think that our job is not merely to study what happens in the economic sphere, but also to try and make the world a little bit better on the basis of our findings.

PWP: This probably also motivated you to write two books for a wider public, “Saving Capitalism from the Capitalists” in 2003³, with Raghuram G. Rajan, and “A Capitalism for the People: Recapturing the Lost Genius of American Prosperity” in 2012⁴. Another ten years have gone by – time for a third book, isn’t it?

¹ <https://www.chicagobooth.edu/faculty/directory/z/luigi-zingales>.

² Eleventh thesis on Feuerbach, in Marx, K. (1945/2002), Theses on Feuerbach, available online at <https://www.marxists.org/archive/marx/works/1845/theses/>, or in the German original in Marx, K. (1845/1969), Thesen über Feuerbach, in *Marx-Engels Werke*, Vol. 3, Berlin, Dietz Verlag, pp. 5.

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³ Zingales, L. and R.G. Rajan (2003), *Saving Capitalism from the Capitalists*, New York, Random House.

⁴ Zingales, L. (2012), *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity*, New York, Basic Books.



Zingales: Well, maybe. Publishing books only once a decade is a terrible thing from a publishing point of view. If you are an author, you must continue to be an author. But I have decided that I want to write books when I have something to say, and I don't have something to say all the time.

PWP: *In the first book, you argue strongly in favor of the free market, and you warn that markets are threatened by private business interests. The second book, then, which builds on the first, is an even more direct attack on contemporary American cronyism. What prompted you?*

Zingales: That first book was still very much influenced by the Nineties, by the success of the American model, and by the question why some market institutions aren't more widespread around the world. I realized that the biggest opponents to the spread of market institutions are the local elites. The second book was born out of a self-reflection after the financial crisis 2008, which came as something of a shock to everybody who believes in free markets. What I found personally most shocking, however, was not that a crisis had occurred. No system is perfect. Rather, what I found shocking was the reaction of most economists to the crisis itself.

PWP: *Why?*

Zingales: It was very forgiving – forgiving in a way that most economists would never be when confronted with, for example, mass unemployment. With high unemployment, they always find a culprit, a specific person who made a mistake. Not here. But the system wasn't perfect, and our task as economists was to think about how it could be improved. At that time, I was hoping that pro market forces would channel the populist anger into a fight against the crony component of the capitalist system, so that the opportunities for rent-seeking would be reduced. I was hoping for a popular pro-market agenda to emerge, where people understand: If the market doesn't work, it is because the rules of the game are wrecked, and cleaning the rules would help cleaning the system.

PWP: *That didn't quite happen, right?*

Zingales: No, and I must admit that I have lost that hope by now.

PWP: *So what else can we do?*

Zingales: I actually don't know yet. That's also the reason why there is no third book yet. I have no solution so far.

PWP: *Economists usually tend to defend other economists, but you take issue with the profession here – why?*

Zingales: After the financial crisis of 2008, I saw how quickly the profession justified the mistake that we had made. I started to think that we really need to eat our own cookies – which is to say: we also need to apply the self-interest analysis to ourselves. It is funny, most economists think that everybody is motivated by incentives and money – except themselves. I must correct myself: this is so glaring that it is not even funny. This is one of the ideas that inspired my second book. The second inspiration is autobiographical. I came to the United States from Italy as a Ph.D. student and over time, I realized that the country is much less perfect than I originally thought. Maybe I have changed, but the country has changed as well. In fact, it has changed dramatically.

PWP: *In what respect?*

Zingales: Regarding the way how business and politics have become entangled. Let me give you a concrete example. Do you know how many fundraising events Ronald Reagan did attend when he ran for office the second time? Zero. And what about Barack Obama? 271. That was not even 30 years apart. What happened in the meantime? We hardly noticed, because it came step by step, but this development is something we must understand better.

PWP: *Your warning against cronyism resonates with the classical understanding of the merits of competition – competition may foster economic efficiency, but it also prevents the accumulation of power, and the entanglement of political and corporate power. In a way, this is the ordoliberal argument put forth by the Germans Walter Eucken and Franz Böhm in the Fourties and Fifties.*

Zingales: The origins of American antitrust were actually quite similar, when one thinks of Senator John Sherman, who wrote the Antitrust Act, and Justice Louis Brandeis. It was the legal scholar Robert Bork and the economist Oliver Williamson who essentially killed the political dimension of antitrust.



PWP: So when you start from the analysis of your second book, where you describe markets and competition as being threatened both by over-regulation and by cronyism, would you say that the situation has become worse than it was ten years ago?

Zingales: Yes, and one of the names to mention here is of course Donald Trump. The man reminded me of Silvio Berlusconi right away, in many respects. They both have a unique talent of getting at the belly of people, at touching the right chords. And they both come from real estate. Real estate is the most corrupt business in any country of the world, and it is never competitive. It is all about location, location, location, and thus about monopoly, monopoly, monopoly. All their talk about the free market is a joke. With Trump, the United States were becoming more like Italy, except for the good food and wine. I'm not sure he's gone, by the way.

PWP: True – but why?

Zingales: There is a large fraction of the American population that has been left behind by the development of the last forty years. With the ongoing reduction of jobs in

manufacturing, people are now required to be extremely flexible in the labor market. One year you are a carpenter, the next year you are supposed to become a nurse, or a web designer. But that is not going to happen, it's not so easy. We were oblivious of the individual transformation costs that come with such flexibility demands, and we should wake up to that challenge: it is disruptive to the very fabric of society.

PWP: Talking of disruption: the energy crisis, caused by Putin's attack on Ukraine, makes the future quite unpredictable.

Zingales: Yes, but a crisis is a crisis, and normally, it will pass. The shrinkage of manufacturing however is a structural trend. It will be coming to Germany, too, with the intended transformation toward electrical cars. The current energy crisis will even accelerate that transformation. And that means that many people will lose their jobs. That will foster resentment, and feed into populism.

PWP: A dark outlook – let's switch to antitrust anyway, a topic that you have been working on a lot in the past years. You recently published a paper on antitrust enforcement, arguing that if enforcement has weakened, the reason is not the influence of the Chicago School, but rather business interests capturing the legal system⁵. What prompted you to look specifically into this?

Zingales: After I had written my book, I realized the importance – and my ignorance – of antitrust. That said, I am aware that I am not an Industrial Organization economist, and I am learning my way through it. The more I learn, the more it all seems crazy. The orthodox view is that antitrust decision should maximize consumer welfare. That was the norm, and if you don't believe in it, you are not considered an economist. This standard sounds very scientific, but it is very confusing. What exactly do people mean when they speak of "consumer welfare"? Do they mean consumer surplus, or do they mean welfare? It is totally imprecise.

PWP: Well, that's not economic jargon, but legal jargon. Robert Bork came up with the term, right?

Zingales: Exactly. But again, what does "consumer welfare" mean? If it is supposed to mean "consumer surplus",

⁵ Zingales, L., F. Lancieri and E. A. Posner (2022), The political economy of the decline in antitrust enforcement in the United States, *Antitrust Law Journal*, forthcoming.

then any price discrimination should be illegal. Which is certainly not what Bork was saying. If it is supposed to mean total welfare, then are we supposed to look only at efficiency, ignoring the implication for consumers? I think the term “consumer welfare” is a phenomenal marketing trick played by Bork. On the one hand, it has the pretense of economic seriousness, and on the other hand, it also has it appears to be pro-consumers, even when it is not necessarily true. Maybe that marketing trick explains why the newer Chicago School, embodied in the antitrust tradition following Robert Bork, managed to become an orthodoxy, not only in the United States.

PWP: *But that's not yet the full story why you looked specifically at antitrust enforcement.*

Zingales: You know, when I took over the Stigler Center for the Study of the Economy and the State in Chicago in 2015, I set myself the goal to try and revive the antitrust debate. Ever since, much of my research has focused on that. In the paper you mention, we argue, building on several new datasets, that the decline in antitrust enforcement in the United States since the 1960s did not reflect a popular demand but was mostly engineered by unelected regulators and judges. It turns out that business, with its increased political influence, has also captured judges. Chicago used to be a bastion of antitrust in the Thirties, Forties, and early Fifties. Henry Simons was there – the closest thing to an ordoliberal you can get in the United States. And there was George Stigler, of course. He once wrote a piece for *Fortune*⁶ where he denounces big business, arguing that breaking up these businesses is not only the right thing to do, but also a conservative thing. It is conservative, he says, in the sense that politics should never meddle with business. We want to see a separation of spheres. I am intrigued by the question how Chicago, with an approach like this, could evolve toward what is now known as the Chicago School, where business matters more than markets.

PWP: *Can you explain how judges got captured?*

Zingales: I center this around the Powell memorandum⁷. Lewis Powell was a prominent corporate lawyer in Virginia. In 1971, he wrote a memorandum for the American

Chamber of Commerce where he talked about an “attack” against the American enterprise system and complained about the low influence business has on regulation made in Washington. He also devised a strategy. Component number one: conquer academia. Number two: business needs more influence in the political arena, and we achieve that through donations etc. Number three: we need to capture the Supreme Court. Shortly after that memo, he was appointed Supreme Court Justice. Within three years, he wrote two fundamental Supreme Court decisions that liberalized campaign donations. The underlying idea was that freedom of speech and money can be equated. Then, also in the Seventies, a series of campaign reform laws made “Political Action Committees” (PACs) formed by corporations possible. Such PACs pool campaign contributions from their members and donate those funds for their candidates. These two elements reinforced themselves. The liberalized campaign donations, facilitated by PACs, made Congress much more in tune with business than before, which in turn made itself be felt by justices being appointed to the Supreme Court that were much to the right on economics. Business became more powerful. A huge amount of money is also being spent today on judicial confirmations, where business targets senators who might not vote in favor of a preferred candidate.

PWP: *That system definitely seems broken. Can there be a repair, a way out?*

Zingales: In the United States, it is not easy to fix it, because some decisions have constitutional norm status. But I believe that one way out is to use corporate democracy as a tool. Shareholders can very well decide that their company must disclose every campaign contribution it makes, and they can impose limits. Given the concentration of shareownership in few mutual funds, it is enough to persuade no more than three people to do exactly that – and we're done. That's what I am currently working on. I recently completed a paper with Oliver Hart on the idea that “shareholder value maximization” should be replaced by “shareholder welfare maximization”⁸. Shareholder value maximization ignores the large externalities business produces, not only environmental, but also political. In the 1960s and 1970s companies were local (both in production and in ownership) and thus this internalization was easier, due to social pressure. It is

⁶ Stigler, G. (1952), The case against big business, *Fortune* 45 (May), pp. 123.

⁷ Powell, L. (1971), Attack on the American free enterprise system, Memorandum, available online at <https://scholarlycommons.law.wlu.edu/powellmemo>.

⁸ Hart, O. D. and L. Zingales (2022), The new corporate governance, *NBER Working Paper* No. 29975.

necessary to find a way to induce the large and diversified corporations of today to internalize some of their externalities. Shareholder welfare maximization is the market solution to achieve this result.

PWP: In antitrust, you have also studied the so-called “kill zones”, the problem that entrant firms, especially start-ups, have difficulties acquiring funding when they come too close to big platforms such as Facebook and Google⁹. This deters innovation, which is socially harmful. What can be done about that?

Zingales: “Kill zones” exist when there are strong network externalities and some customers face switching costs. Imagine that it is highly probable for the incumbent to buy the newcomer. Then some potential early adopters will wait for the entrant’s product to be integrated into the incumbent’s product instead of switching. Because of this, the incumbent is able to acquire the entrant for a lower price. The reduction in prospective payoffs to entrants thus creates a “kill zone” in the space of startups, where entry is hard to finance. I think that the biggest problem is that in a world with strong network externalities, there are almost always also economies of scope. So if I own a big network I can easily expand everywhere. It is very difficult to restrict me. Just think of Facebook and its move to create its own stablecoin. It would easily have been adopted by 2.5 billion people around the world. These things have gigantic impact. All this prompts me to say that we desperately need more of the ordoliberal tradition. We cannot live in a world of laissez-faire. The risk of an enormous concentration of power is just too large to tolerate.

PWP: But how to do it?

Zingales: That is not easy. One part of my answer would be more restraint in approving mergers, considering not just the economic but also the political economy implications. The other part would be to force interoperability – I think that is really an important element of a solution. For the social media, my favorite solution is actually quite simple. You break up Facebook, but not by splitting WhatsApp off from Facebook, but along the line between the pipe and the editor.

PWP: The what?



Zingales: Facebook does two things. It allows you to post your stuff – that is the pipe part. And it selects what to recommend to you – that is the editor part. Today, the two are mixed, and one subsidizes the other, so that Facebook becomes a natural monopoly in the editorial part. You cannot even opt out of their recommendations.

PWP: So what would be needed is competing editors.

Zingales: Exactly. And the market would easily provide for that if you place everyone on a level playing field. But then you have to decide on the price for unbundling. And that must be regulated because the pipe is a monopoly.

PWP: Are you sure that a restriction to mergers would address the kill zone problem? In Germany, we had a social network for students “StudiVZ”, which the owners didn’t want to sell to Facebook. They believed that the market had tipped and that Facebook would not succeed in Germany. So the merger never took place. Facebook then entered the German market, StudiVZ lost the competition and went bankrupt. So now we still have a monopoly – even without the killer acquisition that never took place.

Zingales: I completely agree. That is the very reason why I think that breaking up Facebook from WhatsApp is not a convincing remedy. If the market has these characteristics, the break-up helps you in a transitory phase but not in the long term. That is why I believe that you need some more structural remedies such as interoperability.

PWP: Let us come back to your understanding of your role as an economist. It is clear that you are a passionate econo-

⁹ Kamepalli, S.K., R.G. Rajan and L.Zingales (2020), Kill zone, NBER Working Paper No. 27146.

mist, and beyond being a scholar, you are also in some sense a political activist. You once also said that you are not very convinced by the idea of value-free science or of a sharp distinction between positive and normative analysis. In that, you position yourself differently than probably most of your colleagues. How do you justify this?

Zingales: It is my nature. I'm a deeply political being, and I simply wouldn't be good at separating the positive entirely from the normative in my work. I also have to say that I'm increasingly sensitive to economists who claim to work in a purely positive way. In most cases, that is simply not true. Normativity then comes in viciously through the back door and is often just much harder to spot, which is much worse than declaring it openly. It already starts with the fact that we all do research on things that we somehow care about. We cannot be completely value-free. The reason why economists didn't pay much attention to discrimination for a long time was that they didn't really care. But now that, for example, more women and ethnically diverse people have found their way into research, there are also more papers on discrimination – simply because they care. Any selection of topics is normative. I have explained this to the American Economic Association as well.¹⁰

PWP: *With your political involvement, you certainly also make yourself unpopular at times.*

Zingales: Of course. You also take that risk with every opinion piece for a newspaper. After the euro crisis, I wrote a little book in Italian in which I asked whether the euro was perhaps not such a good idea for Italy¹¹. This made me persona non grata in many circles, and I had to experience how the media tried to put me down. There was downright character assassination. In no way did I want to call for Italy to leave the euro zone, as I was accused of doing. Leaving would be extremely complicated and costly. I compared devaluation to a drug. In the 1970s and 1980s Italy very often resorted to devaluing the lira, even in situations in which it would not have been economically necessary to do so. And if you get used to devaluation, the country becomes dependent on it. But just as one doesn't like to have surgery without anesthesia, because it would be extremely painful, it was unfortunate that we were tied so

tightly to the mast of the deutschmark at a time when flexibility was urgently needed. Just think of China's accession to the WTO in 2001 – that was a dramatic economic shock that weighed heavily on the Italian terms of trade in particular. In any case, after my book, the social pressure on me was enormous, and I have realized over time that this is an aspect that we should think more about for our whole profession.

PWP: *You mean in human terms – or scientifically?*

Zingales: Both. Scientifically, yes, I touched on the subject at AEA, but I also wrote a longer paper on it more broadly – one of my favorite papers, actually, but hardly anyone cites it.¹² In that paper, I simply apply to ourselves the theory of regulatory capture that George Stigler once invented¹³. Everything has to do with incentives. Regulators are not evil, and neither are we. Incentives act on regulators so that, from a societal perspective, they engage too much with the interests of regulated companies. Incentives do the same thing to us, too. We must beware of economists' capture.

PWP: *How does such a capture come about?*

Zingales: A direct, very subtle way to economists' capture is for companies – or governments – to give us selective access to data. That makes us dependent on them, and it is not easy to get out of that dependence, intellectually. One example: Uber. A young colleague of mine once wrote a paper on the question of whether and to what extent the spread of Uber leads to a reduction in traffic fatalities¹⁴. We took a closer look at the available data and found that the number of traffic fatalities had actually not shrunk, but grown. The explanation is pretty simple: customers are substituting Uber for public transit, not their own cars. That means there are more cars on the roads, and then there are more accidents. When the paper was published, it was ripped apart by Uber's chief economist; he said it was methodologically flawed and based on incomplete data. But they didn't give us their data. They gave them to

¹⁰ Zingales, L. (2020), The political limits of economics, *AEA Papers and Proceedings* 110, pp. 378–82.

¹¹ Zingales, L. (2014), *Europa o No*, Milan, Rizzoli.

¹² Zingales, L. (2013), Preventing economists' capture, in: D. Carpenter and D. Moss (eds.), *Preventing Regulatory Capture: Special Interest Influence and How to Limit it*, Cambridge, Cambridge University Press, pp. 124–51.

¹³ Stigler, G. (1971), The theory of economic regulation, *The Bell Journal of Economics and Management Science* 2(1), pp. 3–21.

¹⁴ Barrios, J. M., Y. V. Hochberg and H. Yi (2022), The cost of convenience: ridehailing and traffic fatalities, *Journal of Operations Management*, pp. 1–33.

a group of economists who wanted to study the gender gap in Uber wages.

PWP: *It doesn't really matter here, but how could there be a gender gap in this business?*

Zingales: There is. Theoretically, it could be due to tips – but it is not, they are the same. Instead, the explanation is that men drive faster and thus collect a premium. The problem is that the paper written by that group of economists¹⁵ stops at that point. They should at least have asked the obvious question of whether driving faster might lead to more people being harmed. That this question is not asked is an insult to the intelligence of any economist. My strong guess – I have no evidence – is that Uber simply did not allow the inquiry to be broadened to include this question. My view is that if a company has data on a suspicion and

does not make it generally available, then the suspicion is well founded. I advocate reversing the burden of proof in such cases.¹⁶



Luigi Zingales was interviewed by Justus Haucap und Karen Horn. The pictures of Luigi Zingales were taken by Steinar Bleken, Karen Horn was photographed by Beatriz Barragán.

¹⁵ Cook, C. et al. (2021), The gender earnings gap in the gig economy: evidence from over a million rideshare drivers, *The Review of Economic Studies* 88, pp. 2210–38.

¹⁶ Zingales, L. (2019), Uber and the Sherlock Holmes principle: How control of data can lead to biased academic research, *ProMarket*, October 9, available online at <https://www.promarket.org/2019/10/09/uber-and-the-sherlock-holmes-principle-how-control-of-data-can-lead-to-biased-academic-research/>.

About the person

Luigi Zingales: business, competition, power

Karen Horn

Luigi Zingales, born in Padua in 1963, comes from an Italian engineering family. His father, Giuseppe Zingales, was a professor of electrical measurements at the University of Padua. “I’m the black sheep of the family,” the son says, grinning. At school, he was captivated by history and the humanities, and from there developing an interest in economics came naturally. The 1973 oil crisis shocked the boy: “I was only 10 years old, but I clearly had the awareness that the world as I knew it was coming to an end.” There was high inflation and instability; Italy had to borrow money from the International Monetary Fund (IMF) for the first time. All this contributed to Zingales’ hometown being “a politically hot, revolutionary place”, as he recalls. Already in those days, Zingales, who considers himself a deeply political person, was active on the side of the freedom-loving liberals.

When it came to making the leap to university, he opted for the new “Discipline economiche e sociali” program that Bocconi University in Milan was launching at the time. This broad range of subjects appealed to him much more than the “Economia e commercio” (business administration) programs that were otherwise the norm. The courses at Bocconi proved to be very demanding and more mathematical than he had expected, but that suited him just fine. What was special about Bocconi at the time, Zingales recalls, was its unusually close ties with the United States, where the academic action was. The university sent young scientists abroad and later invited them back to Milan as visiting fellows. What they brought with them fascinated Zingales: “You could see they came from a completely different world scientifically.” He wanted that, too.

And thus, after graduating from Bocconi, he also went to the United States, to the Massachusetts Institute of Technology (MIT). Robert Merton, who later won the Nobel Prize (1997), taught there, although he soon moved to nearby Harvard University. Zingales emphasizes that this was by no means a disaster: “The unbelievably rich scientific teaching opportunities that the close proximity of the two universities brings for students are often underestimated.” Thanks to this fact, he was also strongly influenced by Andrei Shleifer, at Harvard. At MIT, Oliver Hart, also a later Nobel laureate (2016), sparked Zingales’ interest in corpo-



rate finance and in the theory of the firm. Under the guidance of Hart and James Poterba, he wrote his doctoral dissertation on the value of corporate control¹⁷. Up to this day, he still works and publishes extensively with Hart, as well as with his MIT classmate Raghuram G. Rajan, who later became chief economist of the IMF, headed India’s central bank, and is now back in one of the offices next door, in Chicago.

Actually, Zingales had only gone to the United States for his doctoral studies and, true to the Bocconi model, had planned to return home to Italy after earning his Ph.D. But he realized that Italian academia was still very hierarchical and closed. Furthermore, Italian university salaries would hardly have enabled him to support the family he was just starting. So he looked around the American job market for

¹⁷ Zingales, L. (1992), *The Value of Corporate Control*, Ph.D. Dissertation, Massachusetts Institute of Technology.

scientists and ended up at the University of Chicago's Booth School of Business in 1992, where he subsequently made his career all the way from assistant to full professor, picking up one research award after another. To this day, he continues to research and teach at his Chair of Entrepreneurship and Finance in Chicago – with occasional appointments at Harvard and MIT.

The diversity of his topics is almost bewildering. Zingales conducts research on everything that interests him, including questions of behavioral economics and competition theory. His initial focus continued to be on questions of corporate finance and the theory of the firm. Together with his co-author Rajan, he developed a novel view of the firm as a "nexus of specific investments: a combination of mutually specialized assets and people"¹⁸. The fact that human capital, not owned by the firm, plays a central role here led Zingales to conceptualize a partnership form of governance and, in its light, to reconsider the firm's investment and financing decisions.¹⁹

The analysis of firms was seamlessly followed by a consideration of their institutional and political environment. The quintessentially ordoliberal question of how to keep the market economy from being perverted by a concentration of private-sector power increasingly itched Zingales politically and then also became the focus of his scholarly interest. Together with Rajan, he attributed the fact that some developing countries find it so difficult to open up economically to the particular interests of companies that are interested in curbing the intensity of competition in their market.²⁰ The two authors developed this idea further in a joint book, "Saving Capitalism from the Capitalists",²¹ culminating in a call for greater openness to the world market and for aggressive competition policy.

This reflection is taken further in Zingales' second book, this time written alone, "A Capitalism for the Peo-

ple".²² He sees the United States on the road to crony capitalism, with politics as the prey of large corporations, and expresses the hope that the people's justifiable anger at this hijacking of the system can be turned into greater support for the market economy. The book, as Zingales explains, is the result of deep introspection after the great financial crisis of 2008, when he was decidedly critical of the bank bailouts, both with regard to underlying incentives and distributional consequences.

Despite his choice of the United States as the center of his life, the Italian has always been actively involved in his home country in various roles: "That is a constant in my life." For a long time, he regularly wrote for Italian newspapers and magazines. His theoretical knowledge of companies fed into his role as a member of the supervisory board of Telecom Italia from 2007 to 2014, where he represented minority investors. "I learned a lot there, too." This was followed by a brief stint on the supervisory board of oil and energy group Eni, a former state monopoly. "The company didn't exactly have the cleanest reputation." The media had learned of his appointment by then-Prime Minister Matteo Renzi before he himself did; all that was left for him to do was to make sure that there was a will on the board to actually change things. "I actually took this office just to fulfill my civic duties." The stint was brief because it soon became clear to him that the will to change was not very credible; he was isolated on the board. He resigned and had to deal with a libel suit afterwards, the origins of which are still under investigation – "one of the great disappointments of my life."

Another Italian disappointment had happened only a short time before: In 2012, together with a few comrades-in-arms, he had founded the liberal party "Fare" whose full name was "Fare per fermare il declino" (Get things done to stop the decline). The economic program included liberalization and privatization as well as the promise to reduce the national debt by 20 percent within five years, to curb government spending by at least 6 percent and to cut the tax burden by 5 percent. When it became clear shortly before the 2013 elections that party president Oscar Giannino had made false public statements about his higher education, Zingales urged him to resign and came under fire himself within the party over this. As a result, he withdrew from the fray. The party failed to win a seat in the election and has been inactive since 2014.

In 2015, in addition to his chair, Zingales became director of the George J. Stigler Center for the Study of the

¹⁸ See Rajan, R. G. und L. Zingales (2000), The governance of the new enterprise, in X. Vives (Hrsg.), *Corporate Governance, Theoretical and Empirical Perspectives*, Cambridge, Cambridge University Press, S. 201–27. The quote is taken from Zingales, L. (1998), Corporate governance, in *The New Palgrave Dictionary of Economics and the Law*, London, Palgrave Macmillan, pp. 497–503, here p. 498.

¹⁹ Zingales, L. (2000), In search of new foundations, *Journal of Finance* 55(4), S. 1623–53.

²⁰ Rajan, R. G. und L. Zingales (2003a), The Great Reversals: The politics of financial development in the twentieth century, *Journal of Financial Economics* 69(1), S. 5–50.

²¹ Rajan, R. G. und L. Zingales (2003b), *Saving Capitalism from the Capitalists: Unleashing the Power of Financial markets to Create Wealth and Spread Opportunity*, New York, Crown Business.

²² Zingales, L. (2012), *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity*, New York, Basic Books.

Economy and the State in Chicago. The Center was founded in 1977 and focuses on research topics in political economy, in particular the distortion of competition by special interests, regulatory capture and crony capitalism. Among other things, it runs a blog, “ProMarket,”²³ where Zingales, bubbling with ideas, writes frequently – when he’s not busy plugging one of his “Capitalism’t”²⁴ podcasts about what works in capitalism today and what doesn’t.

The name “ProMarket” says it all: Zingales is very much “pro market,” but by no means “pro business” – he deeply values the virtues of competition, but mistrusts business. After all, as Adam Smith famously wrote: “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick [...].”²⁵

²³ <https://www.promarket.org/>.

²⁴ <https://www.capitalisnt.com/>.

²⁵ Smith, A. (1776/1981), *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. I, Indianapolis, Liberty Fund, p. 145.