

## **Franco Modigliani 1918 - 2003**

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Franco Modigliani, who was one of the original six Nobel laureate founders of ECAAR, died on September 25th, having attended a dinner for John Kenneth Galbraith, another ECAAR founding Trustee, on the previous evening. Robert J. Schwartz, who took the main initiative to found ECAAR, wrote that Professor Modigliani was a gentle person with a sharp mind, outspoken sense of justice, and a good sense of humor who was also an innovative economist with a keen analytic approach.

Professor Modigliani received the Nobel Memorial Prize in Economic Science in 1985 for his theories about people's savings habits and the functioning of financial markets. He was an alumnus of the Graduate Faculty of the New School of Political and Social Science where he also taught from 1944-1949. Duncan Foley, Chair of the GF Economics Department, said that Modigliani's ideas on the valuation of firms were the starting point for modern corporate finance and that his theories of saving provided fundamental insights into the effects of social security systems on economic growth.

The New York Times obituary by Louis Uchitelle said that Modigliani's life-cycle hypothesis was his best-known work. This included the idea that everyone, not just the rich, accumulates wealth through the early decades of their lives and then spends this accumulated wealth in old age. He viewed Social Security as an important element in this and opposed privatization. His death prevented him from keeping a scheduled meeting date with two Members of Congress to discuss Social Security and the rising US deficit.

Born in Rome, he studied there and at the Sorbonne in Paris. Having left Italy after Mussolini introduced racial laws in 1938, he and his new wife, Serena Calabi, went to New York on the eve of the Second World War. Strongly anti-fascist, his letter to the New York Times (published two days before he died) opposed the action of the Anti-Defamation League in honoring Prime Minister Berlusconi who had praised Mussolini.

Professor Modigliani was also strongly opposed to the Iraq war, but did not sign the ECAAR statement of February 2003 opposing the war that was signed by 203 economists including seven Nobel laureates. The reason was that he and his wife thought he had been endorsing too many protests at the time, especially in opposition to the Bush tax cuts.

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