

## Classical Liberalism in Italian Economic Thought, from the Time of Unification

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# Classical Liberalism in Italian Economic Thought, from the Time of Unification

Alberto Mingardi<sup>1</sup>

[LINK TO ABSTRACT](#)

This paper offers an account of Italians who have advanced liberal ideas and sensibilities, with an emphasis on individual freedom in the marketplace, since the time of Italy's unification. We should be mindful that Italy has always had a vein of liberal thought. But this gold mine of liberalism was seldom accessed by political actors, and since 1860 liberalism has been but one thin trace in Italy's mostly illiberal political thought and culture.

The leading representatives of Italian liberalism since 1860 are little known internationally, with the exception of Vilfredo Pareto (1848–1923). And yet their work influenced the late James M. Buchanan and the development of public choice economics.<sup>2</sup> Scholars such as Bruno Leoni (1913–1967) joined—and influenced—liberals around the world, and they continue to have an impact on Italy today.

Besides their scholarship, all the liberal authors mentioned here share a constant willingness to enter the public debate.<sup>3</sup> Viewed retrospectively they appear a pugnacious lot, even if not highly successful in influencing public policy. The standout is Luigi Einaudi (1874–1961), at once a scholar and journalist who also became a leading political figure in the period after World War II.

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1. Istituto Bruno Leoni, 10123 Turin, Italy. I am grateful to Jane Shaw Stroup for valuable editorial feedback. I also wish to thank Enrico Colombatto and three anonymous referees for their helpful comments.

2. On a Fulbright scholarship, Buchanan spent a year in Italy (August 1955–September 1956). He had already read *I primi principii dell'economia finanziaria* by Antonio De Viti De Marco in translation and wanted to develop a fuller appreciation of Italian economics. He attended a course of Italian at the University for Foreigners in Perugia and later settled in Rome.

3. For instance, Pareto, by no means a committed journalist, between 1872 and 1923 published approximately 280 articles in the popular press (Maccabelli 2016, 83).

In this paper, my account will be far from complete, but I hope to do justice to the most relevant figures and episodes. A word of caution on terminology:<sup>4</sup> In Italy, our authors would not always be labeled ‘liberali’ but rather sometimes ‘liberisti.’ In English, you might think of the difference between ‘liberals’ and ‘neoliberals,’ with the latter word being both an effort to sidestep ambiguities of ‘liberal’ as well as a smear word. ‘Liberisti,’ which was coined in the 19th century, had been embraced by some economists to signify their favor for free trade and free initiative (Martino and Iannello 2011). Their critics turned the word into a form of mockery due to their supposed mercenary concern for self-interest instead of national greatness. In the twentieth century, ‘liberalismo’ came to be thought of as a philosophy of the whole of human freedom, body and soul, whereas ‘liberismo’ focused on petty affairs of economic interest. The distinction has been instrumental in constructing a moral and aesthetic worldview that treats ‘economic’ liberty as an inferior species of freedom, thus serving those who fancy themselves as caring seriously about human liberty while actually favoring ideas and agendas that spell big government and extensive restrictions on individual liberty.

Unified Italy is often considered an economic success story, as the country shifted from agriculture to industry and caught up with industrial powerhouses (Toniolo 2012). The fact that the country long lagged in industrialization seemed to represent a *prima facie* case for government intervention to speed up modernization. Such rationale for interventionist ‘industrial policy’ was of course opposed by the liberal economists in Italy, and opposition to top-down development was a recurrent theme. But they found little support in agrarian Italy (Cardini 2009, 27), and the country has experienced a mostly steady and progressive growth of government.<sup>5</sup>

## The predecessors

Nineteenth-century Italy was no stranger to liberal sensibilities. They were built on the country’s rich Enlightenment heritage, which included such figures as Antonio Genovesi (1713–1769), Ferdinando Galiani (1728–1787), Pietro Verri (1728–1797), Cesare Beccaria (1738–1794) and Melchiorre Delfico (1744–1835).<sup>6</sup> In the first half of the nineteenth century, Catholic priest Antonio Rosmini (1797–1855) expounded a version of classical liberalism which strongly emphasized the

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4. Note that when I give in English a quotation from a text in the Italian language, the translation is my own.

5. Tanzi and Schucknecht (2000) report that general government revenues were 12.5 percent of the Italian GDP circa 1870, 14.7 percent in 1913, 24.2 percent in 1920, 31.1 percent in 1937, 24.8 percent in 1960, 36.9 percent in 1980, and 46.2 percent in 1996.

6. On the Italian Enlightenment see Venturi 1972 and Ferrone 1995. For a history of economics in Italy see Faucci 2014.

need for private property rights as an essential safeguard for individual liberty (see Rosmini-Serbati 2006/1848).<sup>7</sup> The most significant writer in 19th century Italy, Alessandro Manzoni (1785–1873), was himself a liberal and devoted the 12th chapter of his masterpiece *I Promessi Sposi* (Manzoni 1984/1842) to explaining the dire consequences of interfering with the free movement of prices during a shortage of grains. Einaudi, decades later, would hail that chapter as “one of the best treatises on political economy that has ever been written” (1961/1919, 272).

## Cavour and Ferrara

Italy’s unification was by and large the result of the contrivances of Camillo Benso, Count of Cavour (1810–1861). Cavour was a political mastermind, not a professional economist; still, he “fitted squarely into the traditions of nineteenth-century liberalism in his deep commitment to the values of free trade, secularism, and constitutional parliamentary government” (Cardoza 2000, 115). A practical man, also credited with positive contributions as an entrepreneur and a landlord,<sup>8</sup> Cavour was an attentive student of contemporary political economy and embraced free trade.<sup>9</sup> Anthony Cardoza writes on Cavour’s achievement as the Minister of Trade and Industry of Kingdom of Sardinia in the 1850s:

[Cavour] arranged new commercial agreements with nearly a dozen countries in western and central Europe during his first two years in office. These agreements opened the way for Cavour to introduce a new general tariff schedule that lowered duties on a wide range of agricultural and manufactured products. Its ratification by a sizeable majority in parliament in the summer of 1851 effectively transformed Piedmont from protectionism to free trade. While customs revenues fell, they were more than offset by the growth in trade and a general improvement in the Piedmontese economy. A rise in international agricultural prices sparked farm exports, while the availability of imports favoured mechanization of the textile industry. Significantly, the apparent success of Cavour’s policies in the 1850s established a precedent that was extended to the new Italian nation in 1861 where free trade doctrines would hold sway until the protectionist turn of 1887. (Cardoza 2000, 116)

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7. A classic work on Rosmini’s social thought is Piovani 1997/1957.

8. By the way, Barolo, the crown prince of Italian wines, was at least in part the result of Cavour’s efforts to produce a Piedmontese wine to rival the French. Earlier, Nebbiolo grapes—the variety Barolo is produced from—were typically employed to produce a sparkling sweet wine (in sharp contrast, Barolo is dry and structured).

9. In an obituary of Robert Peel, Cavour spoke of Peel’s “immortal policy” that “did not only benefit his countrymen, but also had a wholesome influence of the other peoples” (Cavour 1962/1850).

In an 1851 speech in the Piedmontese parliament, Cavour defended his own policies from contemporary protectionists. To those claiming that protectionist policies would allow infant industry to grow and prosper, Cavour retorted: “[They say that our] industry...is still a child and so long as it remains in this state of adolescence we should surround it with customs barriers. ... Well, I can see industries established in our country for 20, 30, 50 years or even a century, and still I hear that they remain in their infancy” (Cavour 1868/1851, 89).

Italy was unified in the 1860s, a time in Europe when the Industrial Revolution was on dramatic display, so it is not surprising that industrialization was, right from the early years of unified Italy, the chief preoccupation of policy debate. The Piedmontese brought together territories of vastly differing levels of development. In the North, industrial activities were blooming, whereas in the South large landowners were still dominant. Which policies best suited Italy’s modernization?

If Cavour’s commitment to free trade gave the *liberisti* a rhetorical mooring in the words and vision of unification’s main architect,<sup>10</sup> their foremost theorist was a man whose principled stubbornness got himself barred from active teaching.

Francesco Ferrara (1810–1900) was the most prominent Italian economist of the 19th century. He is best remembered for the remarkable publication series *Biblioteca dell’economista*, a far-reaching program of translations aimed at making the latest economic literature available to Italians. In his forceful and prolific writings the principles of individualism and economic liberalism were “glorified always and everywhere” (Weinberger 1940, 93). Commenting on Ferrara’s prose, Einaudi called him a “wizard” who “enthused thousands of mature men and ardent youths, making them fall in love with economic science” (1935, 215).

Ferrara had strong political passions. A Sicilian, born in Palermo to a family of modest origins, he entered the world of studies and politics as a statistician. In 1848, he took part in the Sicilian uprising. He was jailed briefly and later elected to the newly established Sicilian parliament. He was subsequently dispatched to Turin as part of a mission to offer the crown of Sicily to the Duke of Genoa, the brother of the Piedmontese king. When the House of Bourbon re-established its hold on Sicily, the envoys remained in Turin. In 1852, the Bourbons condemned Ferrara to “perpetual exile” (Fauci 1995, 74).

Ferrara was appointed to the chair in Political Economy at the University of Turin. He engaged widely in policy debates and in 1858 was suspended from teaching, as he often used his lectures to denounce the government and its policies, including the government’s monopoly in education. This prohibition to enter class-

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10. For instance, Umberto Ricci (1879–1946) stated that “Cavour was the master of liberalism in Italy, and all Italians who wish to deserve the noble name of liberals must always turn to his teachings” (Ricci 1920, 125). Italian liberals can hardly find a loftier point of reference in their native country.

rooms did not hamper Ferrara's creativity and scholarship. He later taught in Pisa and eventually in Venice, after having served in a number of public offices, including briefly as a cabinet minister and a member of the Italian tax court.

The aforementioned *Biblioteca dell'economista* was entrusted by Ferrara to the Turin publishing house of Cugini Pomba.<sup>11</sup> The *Biblioteca* was an "editorial triumph" as, in just two years, it had already reached the impressive number of 960 subscribers (Roggi 2007, 23). In all, 26 books were published (two series of thirteen books each), most prefaced by a long introduction by Ferrara himself. These introductions were both biobibliographical and critical, full of insights. Buchanan wrote of Ferrara's introductions:

On the whole his criticisms are excellent by modern criteria, and he anticipated many of the neo-classical contributions. ... He was forceful in his emphasis that value theory must be based on individual behavior, his whole construction departing from what he called "the economic action," the author of such action being the individual who feels, thinks, and wants. ... Ferrara was perhaps the first economist completely to shed all of the mercantilistic trappings in his rejection of economics as the science of wealth. (Buchanan 2001/1960, 62)

Not unlike the 'Austrian' economists, Ferrara trumpeted subjective value and was skeptical of the efforts to mathematize economics (Faucci 1995, 149). He was critical of Ricardian economics and was heavily indebted to the French: Bastiat, whom he considered a "hero and martyr in his battles for economic freedom" (Faucci 2014, 106), Antoine Destutt de Tracy, and especially Jean-Baptiste Say. Like Say, he based his view of the entrepreneurial function on a "knowledge-based approach" (Bini 2013, 93). He opposed intellectual property rights as a form of government-granted monopoly,<sup>12</sup> endorsed free banking,<sup>13</sup> and favoured Italian unification but opposed the development of a strong, centralized Italian state.<sup>14</sup>

Ferrara was the key driver in bringing liberal economics into some prominence, but his voice did not go unchallenged. In 1874, Fedele Lampertico (1833–1906), Antonio Scialoja (1817–1877), Luigi Cossa (1831–1896) and Luigi Luzzatti (1841–1927) established the Associazione per il progresso degli studi economici

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11. Later to become Utet, now part of the De Agostini group, the house is still a point of reference in Italian scientific literature.

12. For Ferrara, "a patent is the lottery win of industrious men" (Ferrara 1992/1857, 419).

13. Ferrara opposed the Italian government's decision to introduce legal tender of money in 1866, forecasting that this would greatly increase the opportunity for monetary manipulation.

14. Ferrara maintained that centralization was not a price worth paying for unification: "I place my hopes in the unity of the Italian nation, but I cannot conceal that I am frightened by the centralization urges that manifest themselves everywhere whenever the Italian unification is mentioned, *nor would I hesitate to proclaim that, in my opinion, a divided Italy is preferable to a centralized one*" (Ferrara 1992/1857, 551, my emphasis).

in Italia, explicitly aimed to oppose Ferrara. Among their activities was the journal *Rassegna d'agricoltura, industria e commercio*. Ferrara long quarreled with this group, particularly Luzzatti, who identified with the German historical school but claimed to be eclectic and not quite as enthusiastic about government interventionism as the Germans. *Contra* Ferrara, this group of scholars held there were no general economic laws and that naked self-interest could not be relied upon to achieve a harmonious economic order.

In 1874 Ferrara wrote a fiery attack on the “economic Germanism in Italy,” which had brought about “a genuine canonization of the State, imagining it as a real being of flesh and bone, endowed with the complete capacity to destroy individuals and to trample on all their rights” (Ferrara 1972/1874, 565). The debate between these allegedly ‘pragmatic’ interventionists and Ferrara presented in a nutshell many of the arguments in the never-ending struggle between liberals and statist.

Besides the *Biblioteca dell'economista*,<sup>15</sup> Ferrara engineered efforts to spread liberal ideas in Italy, including the publication of different journals (one was called *L'economista* echoing the British *Economist*) and establishment of the Società Adamo Smith in 1874, to bring together the intellectual devotees of free trade.

In the realm of politics, Italy moved increasingly in the direction pointed forward by Luzzatti, as the so-called Historical Left formed a cabinet in 1876. In 1878 Italy abandoned Cavour's free trade policies by introducing a modest tariff. In 1881, it embarked on a large program of naval construction, and in 1884 an Italian ‘industrial policy’ debuted with the creation of the Terni steel mills. In 1887, Italy got a new protectionist tariff, the second highest in Europe, for the sake of protecting not only infant industries but also agriculture. The rapid undoing of Cavour's free trade policies is emblematic of a cause of a longstanding feature of Italian classical liberalism, namely its disenchantment with politics. It is hard to take politics seriously when the talk and conduct of political actors appear so capricious.

Most of the *liberisti* were political realists, and they understood politics through the lens of the theory of the ruling classes or groups, which got its start with Pareto and Gaetano Mosca (1858–1941). For Buchanan, the theory of the ruling class “forced Italian thinkers...to devote greater attention to the form of the state” (2001/1960, 67).

Ferrara was already well aware that “At the end of the day, all governments are a minority” (1976/1858, 40). The downside of the representative system was that it enabled governing elites to manufacture an illusion of participation in collective choices, an illusion that greatly facilitated government spending:

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15. It has been noted that, though Ferrara had such a strong personal commitment to classical liberalism, his choices insofar as what to publish in the *Biblioteca* were “exceptionally secular” (Barucci 2009, 190), in the sense that he was far from sticking exclusively to texts he approved of.

The representative system is characterized by this serious flaw, that it can effortlessly become an instrument of delusion. The people is less loath to pay, when it deludes itself into believing that its taxes—as they are assented to by its representatives, whose interests are purportedly the same as its own—are for this only reason warranted by inescapable necessities. A large number of instances presented by modern history teach us how easily the good faith of peoples can be abused and reveal the covert motive that made not a few governments to reckon that, ultimately, it was in their own interest to suffer the establishment of deliberative assemblies, as a means to get rid of the odious appearance of oppressors of their own people and to enjoy the pleasure of spending large sums... When the administration has made an outlay unavoidable, majorities tend to feel obliged to allow it. (Ferrara 1986/1856, 760–761)

Buchanan highlights Ferrara as an important figure in starting the *scienza delle finanze*, the Italian tradition of public finance theory.<sup>16</sup> “The ‘economic’ conception of fiscal activity was, to Ferrara, an ideal. In the actual state of the world, Ferrara considered that the levy of taxes tended to be oppressive and constituted the ‘great secret through which tyranny is organized.’ ... Ferrara was intensely critical of the view, which had been expressed by German writers, that merely because tax revenues are transformed into public spending and are returned to the economy, society does not undergo a net loss” (Buchanan 2001/1960, 63–64).

Scholars in the Italian tradition tried to develop a scientific definition of taxation, distinguishing two sorts: taxation necessary for financing for a limited government, and taxation that was essentially predatory. In its “purest meaning,” the *imposta* would be “the price—and a slim one—of the great benefits that the social state, the organized state offers to each of us” (Ferrara 1955/1849, 551–553). Given the immense utility provided by the social state (that is: by the organization of law and order in society), such a price could be understood as something that would be paid voluntarily by each taxpayer. Since “Any tax is ultimately equivalent to a prevented consumption and a prescribed one in its stead,” and so it all boils down to the question whether “the substituted consumption is more or less productive than the prevented one” (ibid., 651–652). For Ferrara, the cornerstone of the problems of taxation is the economic use of taxes, the idea that government should operate in a parsimonious way.<sup>17</sup>

16. This is Buchanan’s view (2001/1960, 64), which is in substantial agreement with Einaudi (1935). Sabetti (1989) also argues for considering Ferrara a forerunner of modern public choice.

17. Somewhat ironically, Ferrara was a defender of one of the most hated taxes in Italian history, the *tassa sul macinato*, a grist tax. The tax was implemented through the use of *contatori*, instruments that counted the number of mill revolutions when grinding cereals into flour. The use of these instruments was highly contested, but was considered by Ferrara a guarantee of certainty in assessing the dues, vis-à-vis more ambiguous and therefore potentially arbitrary systems for determining how much people shall pay (see Ferrara 1871).

But if taxation can be theoretically understood as a fee, Ferrara was fully aware that historical evidence pointed in another direction:

In its philosophical concept, the organized state is the great reason that exalts the notion of taxation; in its historical understanding, however, taxation is the great secret that organizes tyranny... And if in its philosophical understanding the term “contribution” does appears to be truer and worthier, in its historical understanding I invite you to change it, but only to call it “scourge.” (Ferrara 1955/1849, 553–554)

Looking realistically at the dry facts of history, one sees taxation as the propellant of arbitrary government:

Would you like to fathom how a swarm of parasites and harlots can exist in the royal courts? Why ignorance and intrigue are exalted and knowledge and virtue are rejected and derided? How comes it that in a temperate government a bad minister can make the houses of parliament to be in thrall of his will? And representatives and newspapers can be found to conceal his faults and incompetence? Taxation contains and explains the whole riddle. Taxation is the great source of everything a corrupt government can devise to the detriment of the peoples. Taxation supports the spy, encourages the faction, dictates the content of newspapers. (Ferrara 1955/1849, 554)

## Pareto and his contemporaries

The theory of the ruling class was independently formulated by Vilfredo Pareto and Gaetano Mosca. Pareto and Mosca wrote at the period when the idea that democracy enjoyed a different sort of legitimacy than other forms of government was becoming widespread.<sup>18</sup>

On the contrary, Mosca and Pareto stressed that, whenever you have politics, you end up with a small group of individuals imposing on a larger group. In all political societies, it can be observed “that the rulers, namely those who hold and exercise the public powers, are always a minority, and that under them there always exists a numerous class of individuals who, never really participating in any fashion in government, cannot but endure it. They can be called the governed” (Mosca 1884, 13).

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18. This different sensibility towards democracy is at the root of the difference between classical and ‘new’ liberalism in the Anglo-Saxon world, with the first retaining its skepticism towards political power and the second embracing it as an instrument to foster social change. The point was forcefully raised by Spencer (1992/1884).

Mosca's ambition was to establish a pattern that could serve as the cornerstone of the scientific study of politics. Likewise, Pareto aimed at making social science more robust. The theory of the ruling class enabled him to distinguish what he considered to be the fundamental facts of politics lurking behind the fog of ideology. Grand ideals and revolutionary slogans were often a cover-up for "the simple struggle of two competing elites. They believe—and want us to believe—that one elite, which is actually striving to seize power so that it can use and abuse it like the one it wishes to oust, is only driven by the purest goodwill for its fellow countrymen" (Pareto 1902, 171).

Unlike Ferrara, Pareto is still internationally renowned and considered a giant among social scientists. But it is often forgotten that he was "plunged into a one-man crusade against the state and statism" (Rothbard 1995, 456). This may be due to the fact that Pareto is strongly associated today with the technical concept of Pareto optimality. Pareto certainly aimed to be a value-free social scientist, but he himself had strong political passions, particularly in his youth.

Pareto's liberalism is sometimes downplayed. He has been treated as a precursor of fascism, even though he died in 1923, when the Mussolini regime was still far from showing its true face.<sup>19</sup> The Fascist authorities arranged for Pareto to be nominated to the Italian Senate, but Pareto never sat in the assembly: He never presented the necessary documents to validate the appointment, and he died a few months later. It is hard to think that he might have approved the single-party system Mussolini established starting in 1925. In the words of the foremost Pareto scholar, Giovanni Busino, he was a "genuine liberal, an uncertain democrat, a righteous and honest man... of all political calamities, the one he deemed the most despicable was the destruction of liberty, the one which was to be shunned at all costs" (1989, xxi).

Buchanan points out that Pareto was "an admirer of Ferrara" and maintains that much of the Paretian theoretical construction "can be found in Ferrara's works" (2001/1960, 63 n.). Murray Rothbard observes that Pareto was "heavily influenced by Molinari" (1995, 456).<sup>20</sup> Frédéric Bastiat and Herbert Spencer were two of the young Pareto's heroes. For historian Roberto Vivarelli (1929–2014), a central element in Pareto's thinking is the distinction, drawn by Spencer, between "military societies" and "industrial societies," for in this latter he found the "firmest ideals in his thought: individual freedom and pacifism" (Vivarelli 2011, 37).

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19. Maffeo Pantaleoni, who died in 1924, turned into a nationalist and could be considered a more committed supporter of fascism. Still, it ought not to be forgotten that after the Great War strikes and riots made the prospect of socialist revolution a very real threat in Italy (see on this Raico 1996, 6–10).

20. Pareto referred to Molinari as "Cher Maître" (see Busino 1989, 316).

Pareto was a professional engineer for the first half of his professional life, entrusted with a managerial position in the emerging steel industry in Tuscany. Only after 1893 could he devote himself totally to the social sciences, when he was called to succeed to the chair of Political Economy at the University of Lausanne, succeeding Léon Walras. His political ideas were by then largely formed, but his attitude was made somewhat bitter by the march of statism in contemporary Italy.

The fledgling Italian state managed to balance its budget in 1876 (a feat never replicated thereafter), but soon the Italian political class abandoned Cavourian principles. Italian governments flirted with the idea of establishing a colonial empire, and protectionism was on the rise, along with a growing meddling with economic matters. All of this was accompanied, in Italian politics, by widespread corruption. A conspicuous episode was the 1892 scandal involving the Bank of Rome. At the forefront of criticism of government corruption were the few *liberisti*, led by Pareto. Initiatives such as the state monopolization of life insurance in 1911 provided another occasion to give battle. The war effort in 1915–1918 likewise propelled *dirigisme*, and the emerging pro-war camp influenced the ideological debate in the coming years.

The march of statism plausibly explains Pareto's progressive retreat from public life, speaking only through his great works: the *Cours d'économie politique* (1896), *Les systèmes socialistes* (1902), the *Manuale di economia politica con una introduzione alla scienza sociale* (1906) and the *Trattato di sociologia generale* (1916). Pareto still sometimes contributed shorter, politically pointed pieces. But he quit the intense activity he displayed in the 1890s, when he contributed a monthly column on "Italian Chronicles" to the *Giornale degli economisti*, the journal of economics then co-owned by Maffeo Pantaleoni (1857–1924) and Antonio De Viti De Marco (1858–1953).

Pareto (1894, 412) defined "what we *liberisti* want" as the following: "that the government only takes care of securing justice for all and abstains from disrupting the free operation of political economy's natural laws." But liberalism only lost popularity, as government's involvement grew, based on the existing rationales. The South remained backward, and industrial policy was needed to force industrialization.<sup>21</sup> The *liberisti* did not buy into the paternalistic view that the government should pick winners and lead development. They declared proudly that their battle was as much political as economic: They wanted Italians to be considered responsible adults (Vivarelli 2011).

Pantaleoni made clear the reasons why Italy was lagging behind in industrialization, and why government was hardly a solution:

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21. Alexander Gerschenkron (1955) argued the opposite thesis, maintaining that the government failed in properly fostering industrialization, but government intervention in speeding development up was indeed needed.

National savings were largely employed in establishing the agencies of the State, and did not suffice to make Italy advance at the same pace afforded to other European countries... Where the State uses up a share of national savings to invest it into the political machinery, namely in the establishment and operation of its own agencies...the immediate return is a political one, which benefits largely the State, and harms the public economy insofar as this return differs from an economic one. (Pantaleoni 1925, I.41)<sup>22</sup>

A close friend of Pareto and an internationally recognized economist at the time, Pantaleoni is credited with being the first economist to apply marginalism to public finance and for writing a famous textbook, which made his generation of Italian economists more adept in marginal analysis (Pantaleoni 1889). As opposed to his father Diomede Pantaleoni (1810–1885), a prominent politician and a collaborator of Cavour, Pantaleoni had a less conspicuous public life, possibly because of his reputation being tainted by his involvement as a board member in a bank which went bankrupt. Pantaleoni later turned a staunch nationalist in politics,<sup>23</sup> less because he had given up his allegiance to free-market ideals than because he made a deliberate choice of political sides in the struggle for greater stability. He even played a role in spreading anti-Semitic propaganda.<sup>24</sup>

Pantaleoni's works were wide-ranging and his voice was prominent in the economic debate. He was profoundly influenced by Herbert Spencer.<sup>25</sup> He associated the industrial capitalism which emerged in England with a higher degree of individual freedom: "Individualism and liberty have created the conditions of affluence that are necessary and sufficient for altruism to emerge" (Pantaleoni 1925, I.281). He clearly saw that the Industrial Revolution was creating wealth and prosperity as no other development before (see Pantaleoni 1976). Like Spencer, Pantaleoni saw socialism by and large as an atavism: "The favor in which socialism is held is largely due to the hope that it can create more stable conditions,

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22. Bini (1995, 28–34) points out that Pantaleoni's critique was rooted in his capital theory and in the idea that protectionism would depress entrepreneurial creativity.

23. In 1920 Pantaleoni was appointed a Minister of Finance of the Free State of Fiume (today Rijeka, Croatia), by poet and adventurer Gabriele D'Annunzio, when the latter conquered the city from rage at the 1919 peace agreements that made for it not to be part of Italy. D'Annunzio led a short experience in the self-government of the city.

24. On Pantaleoni's anti-Semitism, see Michelini 2015. Pareto wrote in a 1921 private letter to his friend: "Are you become an anti-Semite? You used to be, if I am not mistaken, a 'Dreyfusard' [a supporter of Alfred Dreyfus against the unjust charges of treason in France]. There are those who impute all evils to Semites, others accuse the Freemasons, still others the followers of the Church (once upon a time they were styled 'the Jesuits'), or the militarists, the socialists, or the reactionaries, and so on. The one truth in all this is that men are liable to gang together, to benefit at the expense of others" (Pareto 1960, 281–282).

25. Sunna and Mosca (2017, 37) point out that Pantaleoni cites Spencer from his first work until his last.

bureaucratize life, secure pensions and get rid of the perpetual revolution that competition everywhere engenders” (1925, I.221).

Pantaleoni and his friend De Viti De Marco were both scholars of public finance. Pantaleoni “tried to construct a theory of public spending analogous to the theory of consumption to the individual with the decision-maker being the average or representative member of the legislative assembly” (Buchanan 2001/1960, 65–66). He advanced, at different moments, two different theories of taxation. At first, he focused on the notion of taxation as a fee for public goods. But later he came to consider that there are situations in which the contractual parity between the State and taxpayers does not hold. Thus, “it is clear that a tax corresponds in fact to the ransom extorted by a highwayman, at least in the share that exceeds the amount which would be spontaneously paid [by taxpayers] as the price of a good wanted at a given moment in a specific amount” (Pantaleoni 1904/1887, 155).

Taxation as fee for services versus the ‘ransom tax’ was treated by Buchanan (2001/1960) as the “basic dualism” of Italian fiscal theory. De Viti De Marco conceptualized the fiscal theory as referring to a cooperative state and a monopolistic state. Economist Richard E. Wagner explains: “One form treated political-fiscal processes as reflecting something like consensus within society, while the other form construed political-fiscal processes as operating for the particular advantage of ruling sets of people within a society” (2016, 20).

Though Pantaleoni was one of Pareto’s closest friends, “Pantaleoni and De Viti kept substantially to...pre-Paretian methodology... Neither became interested in the ‘sociological approach’ to public finance, perhaps because when Pareto’s *Trattato di Sociologia Generale* was published, they were close to sixty years of age” (Fossati 2012, 46). Besides the theory of the ruling class, Pareto’s contributions to this branch of economics can be considered somewhat limited. In part, he was actually at odds with rational-choice approaches: “Clearly recognizing that all actual choice must be made by individuals, whether in their capacity of taxpayer-voters or as members of some ruling class, Pareto argued that the individual choices which go into the making of collective decisions are necessarily non-logical” (Buchanan 2001/1960, 101–102). Pareto construed political behavior neither as a somewhat clumsy logic of cooperation nor as a logic of ransom and exploitation.

Pantaleoni and De Viti De Marco were not alone in constituting this school of *scienza delle finanze*. In this connection we should also mention Ugo Mazzola (1863–1899), Gino Borgatta (1888–1949), and Einaudi. Amilcare Puviani (1854–1907) is best remembered for his theory of fiscal illusion, which depends, as Buchanan explains, on understanding that “the actions of the government could best be explained by the hypothesis that the government always acts to hide the burden of taxes from the public and to magnify the benefits of public expendi-

tures” (Buchanan 2001/1960, 93). This happens not “as a deliberate plan” but as a work-in-progress in which successful fiscal illusions emerge as the ruling class proves effective in manufacturing such illusions.

This group of scholars is remembered and revered today for having foreshadowed notions that were revitalized by modern public choice.<sup>26</sup> Yet some of them were also active in building institutions aimed at hindering Italy’s march towards *dirigisme*.<sup>27</sup> De Viti De Marco was a Member of Parliament from 1900 to 1921 in the ranks of the Liberal Party and established in 1904 the Lega Antiprotezionistica, with the goal of bringing together opponents of protectionism of different ideological bents, socialists included. This organization was quite short-lived, and was relaunched in 1914. In both attempts, the Lega Antiprotezionistica went awry because of the continuous quarrels in the progressive camp, in spite of the common allegiance to free trade (Tedesco 2002).

After the outbreak of the First World War the Italian *intelligentsia* was dominated by the supporters of the war efforts: the free-traders, pacifists as they were, were looked at as a relic of a distant past. Moreover, the extreme secularism of the *liberisti* made it impossible for them to forge any sort of the alliance with the emerging Popular (Catholic) movement, despite a number of issues that may look with the benefit of hindsight as likely areas of cooperation, such as polemics against the ruling class, skepticism towards the growing government’s intervention in the economy, and defense of private property.

In introducing a collection of articles published over his thirty years of active engagement in political and cultural debates, De Viti De Marco connected the misfortune of classical liberalism with the fact that, in a world of enlarged political participation, “one idea, bequeathed by the old regime, remained ascendant in all groups: the idea of class privilege” (De Viti De Marco 1929, vi). In Italy, the expansion of franchise “consisted in the growing extension of legislative privileges, from bigger to smaller groups, from older to newer groups, from landowners to industrialists, to government bureaucrats, to farmers’ cooperatives, to workers’ unions” (ibid., vii).

Even among Italian self-styled liberals, free market economics lost friends. Quite a few Italian liberals decided to go the way of a *liberalismo* of a more social democratic sort, convinced that a mixed economy was not incompatible with the

26. But their contributions were not limited to this field. On Pantaleoni’s views on money and credit, for example, see Giocoli 2008.

27. Augello and Guidi point out that political engagement for the Italian marginalist economists “mirrored the difficulties of their academic career: they sat on the benches of the opposition and campaigned against corruption and the inefficiency of the State,” being party of a minority, like in academia which was increasingly “dominated by the main exponents of the interventionist school who employed their political power and influence to consolidate their monopoly over university recruitment” (2005, 8).

basic guarantee of individual rights. Before he was killed by Fascist thugs, Piero Gobetti (1901–1926), the wunderkind of Italian liberalism, created in a handful of years an enormous array of brilliant editorial ventures. He was sympathetic to Soviet revolutionaries, though he remained a free trader.

The idealist philosopher Benedetto Croce (1866–1952), possibly the most prestigious Italian intellectual of his times and certainly the most famous of Italian liberals, maintained that “Ethical liberalism abhors authoritarian regulation of the economic process because it considers it a humbling of the inventive faculties of man” and that “the principle of laissez-faire et laissez-passer is an empirical maxim, that cannot be taken in an absolute way, and it has to be limited” (Croce 1928, 43). In his historical work, Croce recognized the role of free trade and free enterprise in making Europe a freer place in the 18th century—yet he fought against the absolutization of the principles of laissez-faire, which had been associated with a dreary anthropology focused on self-interest and greed.<sup>28</sup> Although Croce was clearly principally aligned with the classical liberal presumptions against government intervention, his student Guido De Ruggiero (1888–1948) was much less so and wrote a history of liberalism (De Ruggiero 1981/1927) in which the hardy idea of individual liberty is obscured by idealistic “freedom” formulations.

## The age of big government

In 1922–1925, under the direction of Treasury Minister Alberto De Stefani, the Mussolini regime pursued a policy of fiscal discipline, with a balanced budget via cuts to public spending including military expenditures, and of a ‘productivist’ stimulus to economic growth, including the abolition of the ‘luxury tax’ and cuts to corporate taxation. But such a course did not last long. Mussolini’s political control of the country became increasingly unchallenged after the Fascists’ assassination of Socialist leader Giacomo Matteotti went unpunished, and in the economic realm the regime resorted more and more to protectionism. The international monetary turmoil of the 1920s played its part: After the 1929 crisis, free-market policies were questioned all over the world. In Italy, not only did liberal ideas fade out of fashion, but the Fascist state was there to take advantage of the statist tide.

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28. Croce (1969/1909, 380–381) maintained that “Of late, owing to the works of Jevons and of other Englishmen, of Gossen, of the Italians of the school of Ferrara, and of the Austrians, Economy has become at once more and more complicated and more simple, owing to the applications, extensions, and reductions that it has effected. But if with its progress it be able to become ever more exact and perspicuous, yet it will never for that reason become organic; its character of a quantitative discipline, of an applied mathematic, in which the atomism of the postulates and of the definitions is insuperable, does not allow of such metamorphoses.”

The repression of dissent made it impossible to voice an alternative philosophy as the *liberisti* had done before. The early 1930s saw Italy engaging in the institutionalization of its ‘rescue efforts.’ After a banking crisis in 1931, in January 1933 the Istituto per la Ricostruzione Industriale (IRI) was established and took control of the bank-owned companies. Although set up as a temporary measure, IRI continued to run until the 1990s. It was one of the largest state conglomerates in Europe, owning many diverse businesses such as highways, airlines, telecom companies, and food companies.

For the Fascists, these policies were also a matter of political symbols. They allowed fascism to style itself as a ‘third way’ between capitalism and socialism. Dismissing the entire legacy of the old ‘Liberal Italy,’ the government adopted the Labour Charter of 1927 and establish the National Council of Corporations in 1930. ‘Corporatism’ was born. With the purported aim of allowing for the ‘stakeholders’ of economic forces to meet and to resolve any issue in a cooperative rather than conflictual fashion, an enormous bureaucracy of committees was born.

In one of the most famous and acute readings of fascism, Ignazio Silone (1900–1978) has described the “*economia corporativa*” as a nexus of lies—“the lie of formal democracy is replaced by the lie of the corporatist economy”—in which “the economy blurs into politics” (Silone 2002/1934, 219). Such confusion did not vanish with the end of the fascist regime after World War II. The Italian democratic Constitution was, in its economic parts, very far from embracing ideas that would check the tendency toward government intervention.

Still, the early postwar days of the Italian Republic may well be remembered today as a moderately happy age for liberalization. The years from 1948 to 1963 were times of a remarkable economic boom, fostered by relatively light-touch regulation and light taxation. Monetary stability was a priority of the Italian Central Bank and the country joined the European common market, thereby finding a wider consumer base for its products. The *liberisti* achieved also a symbolic victory: In 1948 Luigi Einaudi, their doyen, after having served as President of the Central Bank and Treasury Minister right after the proclamation of the Republic, was elected President of the Italian Republic—largely a ceremonial post. In the period 1948–1963, the economy grew on average at 6.5 percent.

At the time of his election in 1948 Einaudi was 74 years old. He was the country’s most prestigious living economist. Between 1908 and 1946, he was an Italian correspondent of *The Economist* (Einaudi 2000). Even earlier, he was writing columns first for *La Stampa* in Turin and then for *Corriere della Sera* in Milan,<sup>29</sup> until he was forced to leave his position by the Fascist regime. He seamlessly moved between academic research and journalism and back. He was highly interested in

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29. Between 1903 and 1925, Einaudi wrote over 1,700 articles for *Corriere della Sera* (Pavanelli 2016, 185).

empirical, applied questions, but also wrote extensively on fiscal theory, following in the footsteps of De Viti De Marco.<sup>30</sup> He was a tremendously productive writer,<sup>31</sup> but he himself feared his writings were “useless sermons,” as he titled the collection of his journalistic pieces (Einaudi 1959).

From the 1930s, expounding the classical liberal outlook, Einaudi opposed the Keynesian measures adopted by the government as well as Keynes’s ‘new economics.’<sup>32</sup> His was a prestigious name, in Italy and abroad, but his election to the highest public rank cannot be considered an acknowledgment of the importance and validity of his ideas. While he was President of the Republic he continued to write, but published those works only after he left office.

Here’s what Einaudi, then head of state, wrote in a 1950 letter to Giorgio La Pira (1904–1977), the Christian progressive mayor of Florence who blamed unemployment on the lack of proper government measures. After having patiently explained to La Pira the many barriers to greater employment and economic growth, barriers that the very state he had headed kept in force, Einaudi notes:

If unemployment only reached two million persons, this is due to the fact that in Italy, luckily, laws are not always enforced, that everybody disobeys as far as possible foolish and anti-social laws. Despite our innate noncompliance, however, something remains, enough to bring about unemployment and to drive many decent fellows to exacerbate it under the pretense of doing away with it. (Einaudi 1956, 390)

As with Einaudi’s other writings from the time, this letter was not published until he had left office.

Einaudi served his country loyally but with a clear-eyed understanding of the nature of its institutions. The Italian economic boom, predicated on a sort of benign neglect, happened in spite and not because of the new republic’s legal framework. The new Italian Constitution, adopted in 1948, did not relinquish the powers Fascism had availed itself of to take control of the country’s economy. The Constitutional convention was driven by a highly skeptical view of free markets. There, as noted by Pasquale Saraceno (1977, 24), “Marxist thought and Catholic social thought met on the issue of controlling the capitalist anarchy.” The result was a Constitution that values private enterprise only for its ‘social utility’ and does not consider private property a necessary bulwark of liberty.

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30. For a profile of Einaudi as an economist see Forte and Marchionatti 2012.

31. An archive of Einaudi’s writings is accessible online at [www.luigieinaudi.it](http://www.luigieinaudi.it).

32. Einaudi thought that removing all hindrances to private economic activity was the sustainable way out of the economic crisis, and was skeptical of the idea that growth could be achieved in the absence of private savings, which he pithily described as “a rabbit pie without the rabbit” (2011/1933, 87).

In post-fascist Italy, the stronghold of Fascism's economic interventionism, IRI, was not broken up but rather became an increasingly central feature of the Italian economy. The refrain of 'industrial policy' to foster industrialization of the South continued to be repeated by democratic politicians. Italy knew some spectacular entrepreneurial successes—from fashion to eyeglasses to precision mechanics—most of which blossomed quite outside of the grand planning of the social engineers. The nationalizing of Italian businesses was a frequent occurrence after 1963, the year that saw the government establish a state monopoly in electricity generation and transmission. To understand the extent of state hegemony in the economy, consider the following passage from the diary of Sergio Ricossa (1927–2016):

The true Italian looks through Salmoiraghi glasses (IRI), consumes electricity from Finelettrica (IRI), listens to radio shows from RAI on Cetra records and advertisements from Sipra, smokes cigarettes from the tobacco State monopoly, makes telephone calls through IRI, eats salt from the State monopoly, bananas from the State monopoly, drinks mineral water from State-owned bottlers, entrusts his savings to IRI banks, reads newspapers supported by IRI advertisements, ENI, Monopolio, Totocalcio and further supported by the subsidies from the Cellulose Agency, travels on the State-owned railways, flies with Alitalia, gets a degree in State universities, and is buried in public graveyards. (Ricossa 1996, 62)

Privatizations only came about in the 1990s—and IRI, the allegedly temporary device to rescue the economy in the Great Depression, was officially liquidated in 2001.

In the postwar years, regardless of Einaudi's prominence as head of state, classical liberal voices were feeble. The most important one was a Catholic priest, Luigi Sturzo (1871–1959), an outspoken opponent of the creeping nationalization of the Italian economy. Sturzo had founded the Italian Popular Party in 1919 and was virtually forced to leave the country. He visited England and the United States and developed a sincere appreciation for how these countries had historically kept substantial separation between government and the economy.<sup>33</sup>

Sturzo predicted that interventionism was fated to encourage the corruption of the political class, and he upheld a moral need for privatization. He denounced the growing Italian bureaucracy, claiming that it was suffocating smaller businesses whereas bigger ones found a complacent friend in government. In spite of the fact he was hailed as the great forerunner of Christian Democracy and a brave enemy

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33. Sturzo was apparently somehow indirectly influenced by the *liberisti* even at the times of the founding of the Popular Party (see De Rosa 1958, 150).

of fascism, Sturzo was somewhat marginalized, and his articles of these years were published in a Rome newspaper, *Il Giornale d'Italia*, which lacked the circulation and prestige of the major papers.

Another figure fighting for the cause of a freer competition, and focusing particularly against state intervention as an illegitimate aid to unaccomplished capitalists, was Ernesto Rossi (1897–1967). Rossi was an economic journalist who engaged in a personal war with monopolies, both government-owned and private. Loyal to the teachings of Einaudi, he nonetheless appealed to the left and is considered an important critic of Italian capitalism—that is, of capitalism of the monopolistic bent. Neither Sturzo nor Rossi fared particularly well: Sturzo found little support in the Catholic camp, whereas Rossi was almost alone in the secular camp, in which the zeitgeist was wed to more interventionist policies.

## Bruno Leoni and Sergio Ricossa

In 1963 Italy reached full employment, which gave labor unions more power with respect to employers. Particularly in the big industrial plants of the Northwest, labor relationships became an ideological battlefield. Political extremism was soon to plunge the country into a spiral of violent street clashes and terrorism, which culminated in the Red Brigades kidnapping and eventual murder of former prime minister Aldo Moro in 1978.

Italy had the largest Communist Party in the West, which in the 1970s sometimes won as much as 30 percent of the vote. But after the Communists lost the key election of 1948 and Italy joined NATO, they could never hope to govern the country, with the exception of local and regional administrations. This created a rather peculiar situation. On the one hand, the awareness on the left that the Communists could never really succeed in their attempt to rule the country conduced to radicalizing a good chunk of the left, since the indulgent foolishness was not meaningfully harmful to their electoral prospects.<sup>34</sup> On the other hand, the Christian Democrat party, which stayed in power (albeit with different alliances) from 1948 to 1994—despite being in principle a center-right party—ended up internalizing most of the demands and assumptions of the left. The Christian Democrats oversaw an unprecedented expansion of public spending and, on top of that, resorted to nationalization as a means to govern the economy and create consensus. The refrain of ‘industrial policy’—that is, of governmentalized industrialization of ‘depressed’ economic areas—continued to work as an ideo-

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34. As Tocqueville said about the old regime in France: “because the spirit of political opposition...could not manifest itself in public life, it sought refuge in literature” (2011, 138).

logical fig leaf. Yet, in the public discourse of those years, Italian classical liberals were not confronted by a Keynesian consensus as in the Anglophonic countries in the same years; rather, they faced an intellectual climate dominated by Marxism and heavy leftism.

A leading Italian classical liberal in this period was Bruno Leoni, a law scholar. During WWII he joined the resistance against the German occupying forces and the Fascists and worked with the British espionage unit ‘A’ Force, charged with rescuing Allied prisoners behind enemy lines. Leoni was directly responsible for an operation that brought to safety some 130 British and American prisoners (Tumiatì 1980).

Leoni was a flamboyant and energetic character, as well as an institution builder—truly, a Renaissance man. Besides being a full professor at the University of Pavia, he had a private practice as an attorney, he was a columnist for *24 Ore*, a financial newspaper, and was politically active in the Liberal Party where, nonetheless, Leoni’s laissez-faire beliefs were marginalized. He became Dean of the Department of Political Science and, still in Pavia, he established and edited *Il Politico*, a scholarly journal that was to publish, in the next few years, articles by thinkers known to him through the Mont Pèlerin Society or other networks.<sup>35</sup> They included, among others, Lionel Robbins, Wilhelm Roepke, Friedrich Hayek, Arthur Shenfield, James Buchanan, Ludwig von Mises, George Reisman, Hans Sennholz, Henry Hazlitt, Gottfried Haberler, B. R. Shenoy, Armen Alchian, P. T. Bauer, Yale Brozen, and Israel Kirzner.

Today, Leoni is mostly remembered for one book, *Freedom and the Law* (1961). The book originated from a series of lectures he gave at Claremont College in California, edited and collected by his friend Arthur Kemp. Leoni wished to correct what he considered a flaw in the argument Hayek developed in his Cairo Lectures, namely, Hayek’s conflation of the rule of law and the German *Rechtsstaat* (Hayek 2014/1955). Leoni maintained that general and uniformly applicable norms did not necessarily amount to the rule of law, understood as a consistent and stable set of rules. He distinguished between short-term legal stability (the fact that rules were written and therefore easily accessible to citizens) and long-term legal stability (rooted in procedures that made legal changes more difficult than the case under simple majority rule). This brought Leoni to re-evaluate the British common law as part of a research project consistent with Hayek’s thought in exploring law as a spontaneous order. *Freedom and the Law* exercised a lasting influence. It was

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35. During the early years of the Mont Pèlerin Society, started in 1947, there were few Italian members. They included Einaudi, the brilliant monetary economist and statistician Costantino Bresciani-Turroni (1882–1963), the philosopher Carlo Antoni (1896–1959), and the economist Giovanni De Maria (1899–1998) of Bocconi University. Leoni joined the Society in the mid-1950s, and he later became its Secretary and briefly President.

almost immediately translated (in Argentina) into Spanish and later Portuguese. The book is now available in Chinese, Russian, Czech, French, German, Polish, and Georgian. Ironically, an Italian translation appeared only in 1995.<sup>36</sup>

Leoni however left behind many essays, albeit in a somewhat scattered form, that in recent years have been reprinted or even made available for the very first time. These works include lectures on the philosophy of law and political science; comments written for the daily *24 Ore*; a book on the history of economic thought; a cornucopia of scholarly book reviews published in *Il Politico* and essays on different topics (antitrust and monopoly, Marxism, the concept of consumer sovereignty, and many others). A number of these essays were translated into English and published in the anthology *Law, Liberty, and the Competitive Market* (Leoni 2009).

Leoni died in tragic circumstances in 1967, at age 54 and at the peak of his creative powers.<sup>37</sup> We can only speculate what Leoni may have accomplished, had he lived longer. But Leoni's impact seemed negligible in the years after his death. His immediate pupils<sup>38</sup> were not necessarily interested in continuing his research program,<sup>39</sup> nor did they much share his free-market views.<sup>40</sup>

With Leoni, Italian classical liberalism lost a champion interested both in advancing its scholarship and in disseminating its ideas. He helped Fulvio Guerrini (1916–1979), a Turin-based entrepreneur, in establishing the Centro Einaudi in 1963, two years after Einaudi's death.<sup>41</sup> Centro Einaudi published the journal *Biblioteca della libertà*, initially edited by journalist Piero Ostellino and still an impor-

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36. This was possible thanks to the determination of a young political philosopher, Raimondo Cubeddu, and of Aldo Canovari, who with his publishing house Liberilibri has contributed substantially to the classical-liberal library of Italian readers.

37. Leoni was murdered by a tenant who wasn't paying his rent to one of Leoni's clients and that Leoni confronted.

38. The most notable was Mario Stoppino (1935–2001), who at the University of Pavia played a pivotal role in the development of political science in Italy.

39. Economist Franco Romani (1935–2002) studied under Bruno Leoni at the University of Pavia but became a professor in scienza delle finanze at the University of Siena in 1968. Romani shared Leoni's thinking in law and economics and was a truly eminent Italian social scientist, of an adamantly classical-liberal orientation. He is best known for preparing the draft of the law that established the Italian Antitrust Authority, for which he served as a commissioner. Romani's contributions to classical-liberal thinking, which include *La società leggera* (1995), are often neglected.

40. A partial exception is economist Francesco Forte. Forte is well known in the public choice economists' circles and supports Ordoliberal policies in his journalistic undertakings. He took over Luigi Einaudi's chair in Turin. A very prolific writer and a thinker with a genuine passion for the history of economics, Forte was nonetheless best known to Italians as a prominent member of the Socialist Party, for which he served three times as a cabinet minister.

41. Two other namesake foundations were established after Einaudi, both still active. One in Turin funds mainly historical research and maintains Einaudi's library accessible to the public; the other in Rome was established by Valerio Zanone (1936–2016), a left-liberal politician who had a passion for the discussion of ideas.

tant platform for liberal scholars.<sup>42</sup> Since the late 1970s, however, the Centro Einaudi also became a leading center for social-democratic liberalism, for example by first introducing philosopher John Rawls to the Italian public.

Economist Sergio Ricossa (1927–2016) was a personal, younger friend of Bruno Leoni and a member of the Mont Pèlerin Society. A skilled mathematical economist, Ricossa was one of the pioneers of linear programming in Italy and actively contributed to its taking roots in this country. From the 1970s, Ricossa moved increasingly in a libertarian direction. As an economic theorist, he attempted a refutation (Ricossa 1981) of the system of Piero Sraffa (1898–1983). A few years later, he wrote *La fine dell'economia* (Ricossa 2006/1986), an erudite treatise in which he provides a critique of both the Marxist and Keynesian varieties of interventionism. In a wide-ranging overview of the history of European political and economic thought, Ricossa identifies a “seigneurial mindset” that considers market relationships as essentially debased and uncouth. Such mindset goes hand-in-hand with a hubristic attitude that considers as desirable and possible the rise of an social order free of change (and exchange). The seigneurial mindset rejects “the pursuit of utility” in favor of “the quest for the true and righteous,” and it sees profit-seeking as inherently corrupt. The seigneurial mindset informs what Ricossa calls “perfectionism,” which is a set of doctrines that “preaches a worldly kingdom of perfection, without the dominion of the economic side of life” (2006/1986, 12). What “perfectionists” from either the left or the right cannot stand is innovators multiplying goods and services available for all individuals, and people autonomously deciding whether they like them or not. But the seigneurial mindset finds consumers irrational, as they would like both to avoid change and to have a society based on consumer’s freedom to choose. “Imperfectionists,” on the other hand, are happy to have the common people give it a go. They regard “perfection to be undesirable, even more than impossible, and the economic as only one among the other sides of our life, not a part of demonology” (ibid.).

Ricossa developed his Hayekian libertarianism through the route of economic history. Himself a man from humble origins, he came to see capitalism as an unprecedented great enrichment, not unlike the view of Deirdre McCloskey (2016). In a 1974 popular work, *Storia della fatica*, Ricossa forcefully made the case that the industrial revolution enriched the masses. He returned to the point in later works.

Ricossa was not an institution-builder, though he collaborated frequently with Cidas,<sup>43</sup> a center founded in Turin by Natale Molari (1933–2013), an engineer

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42. Later editors were Fulvio Guerrini, Giovanna Zincone, Angelo Maria Petroni, Anna Caffarena, Pier Giuseppe Monateri and now Salvatore Carrubba and Maurizio Ferrera.

43. The acronym stands for Centro Italiano Documentazione Azione Studi (Italian Center for Documentation, Action and Study).

animated by a warm political passion. Over the years, Cidas organized many conferences and events including, in 1986, a Mont Pèlerin Society General meeting in Val d'Aosta. Ricossa's great gift was not a talent for organization but his prose, which made him a brilliant popularizer for the economic way of thinking and classical liberalism.

The primary vehicle for Ricossa's popularization of classical-liberal ideas was *Il Giornale*, a Milan-based newspaper edited by veteran journalist Indro Montanelli (1909–2001). Montanelli succeeded in bringing together what was left of an intellectual clerisy sympathetic to broadly-defined right-of-center positions, including free-market economics. In his columns in the late 1990s Ricossa announced his conversion to libertarian anarchism, thereby coming to help a young group of scholars engaged in wide-ranging translations of texts by giving them a greater visibility.<sup>44</sup>

Ricossa was not alone in preaching free-market economics from the columns of *Il Giornale*. He was soon joined by Antonio Martino, a young professor in Rome who, after graduation, spent a year at Chicago, where he was strongly influenced by Milton Friedman's lectures. Martino was in 1982–1988 the Director of Centro Ricerche Economiche Applicate (CREA), a think tank in Rome, and in 1988–1990 President of Mont Pèlerin. Established with money from telecom pioneer Virgilio Floriani (1906–2000), CREA operated for six years, organizing seminars and publishing outreach and policy work.

In 1986 Martino and Ricossa together addressed a spontaneous and, in Italy, unheard-of uprising of taxpayers: a “March Against Taxes” (“*Marcia contro il fisco*”) which was attended by several thousand people. The march didn't manage to spark off a political initiative, but Martino's future lay in politics. He was recruited in 1994 by entrepreneur Silvio Berlusconi, when he launched his own political party, Forza Italia. Martino sketched the party's platform, which originally included a flat tax proposal. The party surprisingly won the next national election and Martino was appointed minister in the cabinet led by Berlusconi. Alas, his remit was not the Treasury, but Foreign Affairs. When the party won again an election in 2001, he was moved to Defense. Although Berlusconi never fully abandoned a rhetoric of lower taxes and less regulation, the ideas that Martino sketched in the original party platform were never implemented. The governments led by Berlusconi were not overcrowded by free-marketers in top positions. In 2001–2003, Vito Tanzi, a

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44. This group of scholars initially included Luigi Marco Bassani, Nicola Iannello, Carlo Lottieri and Guglielmo Piombini. They promoted the publication of such authors as Rothbard, Bastiat, and Gustave De Molinari. Most of these translations were published by Liberilibri. The increasing availability of classical liberal and libertarian literature in Italy was propelled by a few serious—and, at the beginning, almost underground—editorial initiatives, like Florindo Rubbettino's and Leonardo Facco's. Rubbettino is now a respectable academic publisher, with some 100 new titles published each year.

former Director of the Fiscal Affairs Department at the IMF and a leading fiscal expert, was State Secretary for Economy and Finance; his experience was short and not particularly fecund.<sup>45</sup>

Ricossa and Martino were the most visible Italian classical liberals of their generation. Saying that they were the only ones would be a slight exaggeration. Fellow Mont Pèlerin members included Domenico Da Empoli (1941–2016), a public choice scholar in Rome, and Angelo Maria Petroni, a philosopher. Petroni was the editor of Centro Einaudi's *Biblioteca della libertà* and in the 1990s he contributed to initiatives, like the magazine *Ideazione*, that aimed to create a political culture around Berlusconi's party. In Rome, philosopher Dario Antiseri and sociologist Lorenzo Infantino were active at the Libera Università Internazionale degli Studi Sociali (LUISS) and promoted a wide-ranging program of translations. Antiseri, the author of a widely circulated high school textbook and a Catholic, ostensibly helped to rediscover the relevance of figures such as Sturzo and Rosmini, both classical liberals and priests.

## A messy but lively scene

Painting with a broad brush, we may say that in the 1950s and 1960s the economists that Italy exported tended to gravitate around Cambridge, where Piero Sraffa was called by Keynes in 1927. Not a classical liberal, Sraffa, who had studied with Einaudi in Turin, became one of the most prominent economists of his generation and also had a significant influence in his native country.

Later in time, the diaspora of Italian economists in the English-speaking world became far less ideologically characterized. Today the most internationally renowned Italian economists are as a rule quite distant from Sraffa's ideological coordinates. This went hand-in-hand with the process of making academic economics in their own country less provincial and more open to new ideas from abroad. It is safe to say that in the last fifteen years of the 20th century Italian economics became increasingly academified, with contemporary neoclassical economics becoming the dominant paradigm. The most prestigious economic department in the country is at Università Luigi Bocconi in Milan, a private university established in 1902. Both Luigi Einaudi and Gaetano Mosca taught at Bocconi. Particularly after World War II, Bocconi became a seeding ground of the

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45. Tanzi (2006) refers to the lessons learned in this experience. Tanzi holds a Harvard Ph.D. and is a former professor and chairman of the Department of Economics at American University, and he is a public finance economist who in many ways has continued the Italian tradition. For his broader reflections on the role of government and markets, see Tanzi 2011.

Italian elites and was one of the first universities to create strong international links with other academic institutions. Bocconi has no particular ideological orientation, though it is certainly home to many left-of-center economists. But in the public debate Bocconi is sometimes associated with a more classical liberal approach, as compared with other academic institutions.

Since 1994, the President of Bocconi University has been Mario Monti, who twice was an European Commissioner (first for the Internal Market, later for Competition) and was Italian Prime Minister (in 2011–2013) before establishing his own political party, which he left after a disappointing performance in the 2013 national election. Monti has been an active participant in the Italian policy debate for decades, particularly as a commentator for *Corriere della Sera*, the prestigious Milan newspaper. Sometimes associated with a version of Ordoliberalism, Monti helped to make issues like dismantling monopolies and limiting state aid important topics in the Italian agenda.<sup>46</sup>

Francesco Giavazzi, a colleague of Monti at Bocconi and a visiting professor at MIT is arguably the most visible Italian economist today beyond the boundaries of the economic profession. As a popular writer, Giavazzi has authored articles and books, some in partnership with Harvard's Alberto Alesina, often arguing that market-oriented reforms can benefit the poor, that *il liberismo è di sinistra* (Alesina and Giavazzi 2007). Giavazzi has argued that vigorous spending cuts today can be the harbinger of an expansionary change in fiscal policy tomorrow (Giavazzi and Pagano 1990). Such 'expansionary austerity' literature has seen contributions from Alesina and from Roberto Perotti.

Perotti, also a professor at Bocconi, has actively commented for *Il Sole 24 Ore*, a daily newspaper owned by the association of Italian industries, Confindustria, which has often provided space for market-friendly viewpoints. In 2014–2015, Perotti served as an unpaid consultant to the Italian government led by Matteo Renzi, to draft a 'spending review' purportedly aimed at rationalizing public spending. Perotti resigned and little of the original project was accomplished.

Alesina has also written on the role of institutions and culture, federalism and decentralization, the effect of cultural differences between the United States and European countries, and much more. The interplay of institutions and culture is a topic of interest for Guido Tabellini,<sup>47</sup> who is also a Professor and a former Rector

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46. Blyth (2013, 167) is convinced that Bocconi produced "two generations of economists reared in... ordo-liberal views" because Luigi Einaudi started teaching there in 1920. But this contention lacks evidence, not only because Einaudi did not establish a 'school' in a proper sense, but also because he was evicted from Bocconi as early as 1925, as he opposed fascism.

47. For a summary of Tabellini's approach see Tabellini 2008. The various dimensions of culture and its interplay with institutions and social norms seem to be of great importance for Italian-born economists

at Bocconi. Like his colleagues, Tabellini takes an active part in the public debate, writing columns for *Il Sole 24 Ore*.

These economists, in the fashion of careful scholars, eschew labels such as ‘classical liberal’ or ‘libertarian,’ but they often preach the virtues of market-oriented public policy. A proud *liberista*, instead, is Enrico Colombatto, a professor at the University of Turin. He published an ambitious “new defence of free-market economics” (Colombatto 2012) and has also engaged in institution building. From 1991 to 2014, he was the Director and the main force behind International Centre for Economic Research (ICER), a think tank in Turin. ICER had to close, after many years of success, for lack of funds.

Think tanks have a hard life in Italy. They still seem foreign in the Italian political and social culture. For one thing, Italy has little tradition of non-profit, non-Church fundraising. For another, during most of its democratic history political foundations were monopolized by political parties.

In its global directory, the free-market umbrella organization Atlas Network lists a number of think tanks active in Italy: the Italian subsidiary of the Acton Institute; the Centro Studi Tocqueville-Acton animated by Flavio Felice, professor of Economic and Political Thought, which also aims at building bridges between Catholics and classical liberals; Think In, focused on labor policy and founded by Giuseppe Sabella, whose background is in Philosophy; Lodi Liberale, which organizes conferences and debates in Lodi; and Istituto Bruno Leoni, of which the present author is the Director General. A non-Atlas group worth noting is the Adam Smith Society, whose name recalls the Società Adamo Smith established by Francesco Ferrara; it is a club of professionals in Milan that, under the leadership of Alessandro De Nicola, a lawyer and a witty advocate of classical liberalism in Italian newspapers (he is currently a columnist for *La Repubblica*, the second Italian newspaper in circulation), organizes frequent roundtables and conferences.<sup>48</sup>

Istituto Bruno Leoni is arguably the most substantial of these efforts, with some 60 events organized a year and many other activities, including a publication catalog of over 170 books (including translations of Hayek, Friedman, Vernon Smith, John Taylor, and many others). Still, with a staff of about ten full-time employees, IBL is far from the strength of American think tanks. Recently the

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(see Alesina and Giuliano 2015; Bisin and Verdier 2001; Giavazzi, Petkov, and Schiantarelli 2014; Guiso, Sapienza, and Zingales 2006).

48. De Nicola is by no means the only *non*-economist who actively contributes to the public debate by providing a classical liberal viewpoint. Angelo Panebianco, one of the country’s most distinguished political scientist from the University of Bologna, is a columnist for *Corriere della Sera*; Giovanni Orsina, who teaches contemporary history at LUISS in Rome, writes for Turin-based *La Stampa*; Gilberto Corbellini, a bioethicist who teaches at La Sapienza University in Rome, writes regularly for the Sunday supplement of *Il Sole 24 Ore*; and Luca Ricolfi, a sociologist from the University of Turin, writes likewise for *Il Sole 24 Ore*.

Institute's reputation was aided by the chairmanship of Nicola Rossi and, later, Franco Debenedetti, both having been members of Parliament with left-wing parties in the 1990s and having helped the privatization process that was started then by left-of-center governments.<sup>49</sup>

None of the organizations just listed are run by professional economists. If this often means that they fail in mobilizing the vast human capital of Italian economists spread out all over the world, most notably in the United States, it nonetheless reflects a trend that stretches back to the 1990s, when it was not economists but rather Antiseri and Infantino—scholars from other disciplines—who began to publish and promote works in the classical liberal tradition.

But it was a group of prominent economists that was to start perhaps the boldest attempt to push liberal-oriented reforms in Italy, just before the election of 2013. For a few years, a number of expatriate economists led by Michele Boldrin of Washington University in St. Louis and Alberto Bisin of New York University maintained the blog *Noisefromamerika* to voice the dissent of Italian-born economists over the policies implemented in their motherland. This dissent was particularly harsh under the ostensibly free-market governments led by Berlusconi.<sup>50</sup>

Boldrin and Bisin were among the signatories of a 2009 manifesto promoted by the Cato Institute against President Obama's economic stimulus ([link](#)).<sup>51</sup> In 2012, they themselves promoted a manifesto in Italy, "To Stop the Decline," signed by a number of opinion-makers and entrepreneurs. The co-writers of the manifesto were Alessandro De Nicola of the Adam Smith Society and Carlo Stagnaro, at the time Research Director of Istituto Bruno Leoni,<sup>52</sup> together with Sandro Brusco of Stony Brook University and Luigi Zingales, who is Finance professor at the University of Chicago Booth School of Business. Zingales is perhaps the best known free-market economist with an Italian family name. Besides his technical work, he is author of two acclaimed popular books, one with Raghuram Rajan, *Saving Capitalism from the Capitalists* (Rajan and Zingales 2003) and *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity* (Zingales 2012).<sup>53</sup>

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49. Notwithstanding the many shortcomings of its Director General, IBL is however blessed by a marvelous staff and team of scholars. I shall mention, among those who most frequently intervene in the public debate, Serena Sileoni, a law scholar and the Institute's Deputy Director General, and Carlo Lottieri, a philosopher and one of the pillars of the Italian libertarian movement.

50. Notably, Boldrin, Bisin, and their colleagues debunked the protectionist statements of then-Minister of Finance Giulio Tremonti (see Rustichini et al. 2011).

51. Boldrin is also the author of *Against Intellectual Monopoly*, with David K. Levine, a text cherished by libertarians (Boldrin and Levine 2008).

52. Stagnaro, an energy expert who holds a Ph.D. in Economics from IMT Lucca, is now Chief of Staff of the Minister of Economic Development.

53. Zingales seems sometimes to neglect the political realism of the Italian tradition, taking rather a more positive view of regulators (see Henderson 2012).

The 2012 manifesto eventually produced a political party, with Oscar Giannino as spokesman. An economic journalist, Giannino became a talk radio host and, as such, rallied impressive support for aggressive tax and spending cuts and deregulation. Giannino ran for Parliament as the party leader until, one week before the election day, he was exposed by Zingales for having lied about his academic qualifications.<sup>54</sup> Though it was never obvious that the party would have passed the threshold of 3 percent necessary to elect an MP, after Zingales's exposé the party won a modest 1.2 percent. After this failure, Boldrin succeeded Giannino in the leadership of the party and made great efforts to mobilize its remains for the 2014 European election, but to no avail.

The Italian classical liberal scene is thus certainly messy, but lively, too. Classical liberal voices are increasingly available in the print press, they circulate in blogs and social media, and occasionally are heard on television. The landscape includes economists and scholars who have not lost the passion for joining public debate—and, in this respect, they are worthy descendants of that rich tradition which originated with Francesco Ferrara.

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54. The inaccurate information was also displayed on the website of Istituto Bruno Leoni, which had—and still has—a close relationship with Giannino (that, however, did not extend to this political endeavors). Giannino is still a radio host and an influential opinion-maker. His fabrication shocked many, but he succeeded in retaining the friendship of many others, who are convinced that he was impelled to invent his degrees by a kind of psychological compulsion and who value his many talents.

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