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30 October 2026

Why Italy's Season of Economic Liberalism Did Not Last

ALBERTO MINGARDI

In 2009, the German Parliament approved a balanced-budget amendment of the German Basic Law (Article 109). The amendment prohibited any structural deficit for local government (*Länder*) and allowed a very limited deficit (0.35 percent of gross domestic product [GDP]) for the federal state. The goal was a balanced budget by 2016. Since 2012 and up to the COVID-19 pandemic, Germany has run budget surpluses.

In 2012, the Italian Parliament approved a reform of Article 81 of the Constitution, aiming to enshrine into the Constitution a structural balanced-budget rule. Italy has run a fiscal deficit ever since.

Certainly, there are reasons other than political culture that explain the different fiscal behavior of Italy and Germany in this period. In particular, Germany has enjoyed "an unexpectedly dynamic recovery since 2010" (Rietzler and Truger 2019, 12), whereas Italy did not return to a positive growth rate until 2015 and has had sluggish growth ever since.

Yet political culture played a role, too. Former president of the European Commission Jacques Delors is said to have observed that "not all Germans believe in God, but all believe in the Bundesbank." In post–World War II Germany, those thinkers who revived the liberal idea after Nazism, the so-called Ordoliberals, witnessed

Alberto Mingardi is associate professor of history of political thought at the IULM University in Milan and a Presidential Scholar in Political Theory at Chapman University. He is also the director general of the Italian free-market think tank Istituto Bruno Leoni and an adjunct fellow at the Cato Institute.

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the institutionalization of some of their key ideas such as the independence of the central bank and competition policy. Such ideas can be broadly identified with the principles of the rule of law in a free economy because they tend to limit discretionary power on the part of government.

Right after Italy lost World War II, its circumstances were very similar to those of Germany. Like Germany, it had a speedy recovery, leaving behind the experience of totalitarianism. It also had a few intellectual leaders who could be considered akin to German Ordoliberals in stressing the importance of the rule of law and a free-market economy in rebuilding the country's institutions. "Postwar Italy was initially made by economic liberals such as Luigi Einaudi. . . . Einaudi's emphasis on the importance of rules in framing economic life had a clear similarity with the thoughts of the German Ordoliberals" (Brunnermeier, James, and Landau 2017, 238).

In *The Birth of Biopolitics* (2008), Michel Foucault (1926–84) observes that for a government to *stay* relatively limited and frugal, it should be established on some classical liberal foundational myths: in the United States, for example, "the demand for liberalism founds the state rather than the state limiting itself through liberalism" (217).[1] Something similar may have happened to post–World War II Germany, where de-nazification required a profound change in the pantheon of political symbols. Indeed, "the strong Deutschmark (beginning with the currency reform in the summer of 1948) and the almost unbelievable *Wirtschaftswunder,*" the economic miracle, were the foundational myths behind the new Federal Republic of Germany (Emmerich 2009, 248).

A free economy contrasted profoundly with the aims of fascism and liberalization could thus be seen as palingenetic. The Italian "neoliberals" planted the seed of a rapid reconstruction. They were not, however, able to install a permanent allegiance to all free-market principles. In a sense, they won the battle for prosperity in the short run but lost the war for the rule of law in the longer run. The Italian Republic has a foundational myth in the resistance against fascism, but because such resistance was a shared value of different political groups (Christian Democrats, Liberals, Socialists, Communists) with conflicting economic agendas, it never translated into a clear refusal of fascist, command-and-control economic policies.

Political events belong to "the aimless and contingent movement of actual history" (Greenfeld 2018) and can be reduced to patterns only up to a point. I will, however, try to link the fading of Italian liberalism to two other phenomena on the brink of political ideas and practical politics: the cultural hegemony gained by Italian Communists and the blindness of Italian Christian Democrats to economic liberty.

1. This is not the place to analyze Foucault's vision of neoliberalism and governamentality. For an excellent review that explains why for Foucault Ordoliberalism founded the German social market economy, see Goldschmidt and Rauchenschwandtner 2007.

Luigi Einaudi and the Italian Liberals

"Ordoliberalism" can properly be designated a movement that flourished around Walter Eucken (1891–1950), an influential economist at the University of Freiburg, and the academic journal *Ordo*. This blend of liberalism distanced itself from nineteenth-century liberalism, fearing it had become "wildly unpopular" in public opinion, just as "'laissez-faire' was translating into 'laissez-souffrir'" (Horn 2018, 536).

In Germany and Italy and all through the rest of Europe in the 1920s and 1930s, liberalism was a relic that few hoped to rescue. Benito Mussolini (1883–1945) "after 1930 . . . spoke as if capitalism was finished and the corporate state was to replace it" (Steele 2002, 16). Fascism "was increasingly anti-individualist." Its "anti-individualism is summed up in the assertion that the death of a human being is like the body's loss of a cell" (Steele 2002, 17).

The fragility of the liberal order in the twentieth century forced liberals to try to focus on how "to solve the practical question of how a desirable economic order may be created and maintained" (Vanberg 2017, 10). Such efforts informed conferences such as the Colloque Lippmann in 1938, the establishment of the Mont Pelerin Society in 1947, and the personal research and political activity of a few scholars.

In Italy, Luigi Einaudi (1874–1961) spoke of a "'nuovo' liberalismo," though he quickly specified that, "there exists no substantial difference, no difference of principle. . . . Liberalism is one and one alone and it perpetuates itself over time: but each generation has to solve its problems" (Einaudi [1945] 2014, 34). Thus, neoliberalism was simply an attempt to adapt the great principles of nineteenth-century liberalism to the issues and challenges of the contemporary era. Einaudi felt aligned with German chancellor Ludwig Erhard (1897–1977), whose liberalism was "classical liberalism, as fashioned by economic science in a work of centuries, building on the early, necessarily simplistic schemes of the 1700s to arrive to that more sophisticated understanding that today is better suited to deal with contemporary issues" (Einaudi 1958).[2]

When it comes to personal prestige, it is safe to say that during his lifetime Luigi Einaudi was second to no other liberal of his generation. "Very few individuals anywhere in the world have accomplished so much in a single life," states Alberto Alesina (1957–2020). Einaudi was "economist, historian, moralist, editor of several academic journals, public intellectual and regular contributor to the Italian newspapers, correspondent of *The Economist*, Senator, central bank Governor, and the President of the Republic" ([2009] 2014, 16). Plus, he was also a university professor and minister.

Einaudi's career as a journalist in a time when newspapers forged public opinion made him a household name. But his achievements may also have had something to do with his moral qualities, his reputation for probity and sobriety,[3] which made him a recognizable *personaggio* in the Italian political theater.

2. All translations are mine unless otherwise indicated in the sources cited.

Such prominence was acknowledged by contemporary liberals. He was invited to the first meeting of the Mont Pelerin Society in 1947,[4] but he was busy elsewhere. After the fall of fascism, he was appointed president of the Italian Central Bank in 1945, and in June 1947 he became budget minister and deputy president of the Council of Ministers.

Einaudi's personal prestige was matched only by that of Benedetto Croce (1866–1952), a famous idealist philosopher who was for two generations the true point of reference of the Italian *intelligenzia*. Croce took part in the Constitutional Assembly as a liberal.

Here I consider a small cadre of liberal-minded economists who, together with Einaudi, came to occupy a crucial position in government and public opinion in the aftermath of World War II. Though their names probably say little to the contemporary reader, they are worth mentioning to provide a sense of how small a group it was and yet not without substantial intellectual power.

The liberal politician Marcello Soleri (1882–1945) was briefly minister of labor. He enjoyed a substantial reputation because he never acquiesced to fascism. He was, like Einaudi, an "austere man in the great liberal tradition of Piedmont" (Baffi 1958, 424). He died in 1945, but his immediate successor, Federico Ricci (1876–1963), did not alter the policy of financial probity Soleri bequeathed to him.

Epicarmo Corbino (1890–1984), a self-described "Marshallian" economist (Cavaliere 2012) and a stubborn advocate of free enterprise, was minister of industry in 1945 and Treasury minister in 1946, successfully opposing the Communists' plan to levy a real estate tax.

Gustavo Del Vecchio (1883–1972) had been a student of Tullio Martello (1841–1918), an economist interested mostly in monetary theory and a disciple of Francesco Ferrara (1810–1900), the greatest Italian economist of the nineteenth century.[5] Del Vecchio, a theorist in the tradition of Vilfredo Pareto (1848–1923) and Maffeo Pantaleoni (1858–1924), was Treasury minister in 1947–48.

Giovanni Demaria (1899–1998), deputy rector of Bocconi University in 1945 and later a Mont Pelerin member, had an intense journalistic career at the time and chaired a committee that produced some preliminary work on economic matters for the Ministry for the Constitutional Assembly—and thus the work of the Constitutional Assembly itself (the ministry was created to pave the way to the assembly). In 1942 at a conference in Pisa, Demaria bluntly criticized fascist autarky and imagined a postwar "new order

3. The most famous anecdote dates to Einaudi's tenure as president of the republic. Journalist Ennio Flaiano (1919–1972) was invited to the Quirinale, the head of state's residence, for a dinner with other intellectuals. When fruit was served at the end of the dinner, Einaudi said: "I'd like to have some, but these [pears] are too large. Does anybody wish to share half with me?" Referring to widespread corruption in the Italian Republic, Flaiano noted that after Einaudi the era of "undivided pears" had begun (Flaiano 1970).

4. The first meeting of the Mont Pelerin Society was instead attended by another Italian, the philosopher Carlo Antoni (1896–1959), who was a follower of Benedetto Croce and a prominent man of letters. It is likely that Antoni was an acquaintance of Wilhelm Röpke (1899–1966) and was recruited as such (Cubeddu 2002, 163 n.).

5. For a map aiming to charter the territory of Italian economic liberalism, see Mingardi 2017.

tied to a large, single European market, to free enterprise and to the unqualified equality of opportunity for all citizens to start and operate a business" (Romani 2017, 109).[6] Such words led to his suspension from teaching for "insufficient Fascist awareness" (Romani 2017, 109).

Costantino Bresciani-Turroni (1882–1963), whose renowned book *Le vicende del marco tedesco* was published in 1931 and rapidly translated into English as *The Economics of Inflation* (Bresciani-Turroni 1937), was a member of the Constitutional Assembly and in 1945 wrote a book aiming to be an unofficial manifesto of the Liberal Party. In that work, he favored the return of the gold standard as "a potent restraint to inflation and credit expansion" (Bresciani-Turroni [1945] 2006, 112) and a European union that should be a beacon of free trade and not a protectionist player.

Ernesto Rossi (1897–1967), who later became more famous as a journalist, was a high school teacher who had been jailed by the fascists in 1930. In jail, he studied economics and translated an abridged version of F. A. Hayek's edited volume *Collectivist Economic Planning* (1935a, without Enrico Barone's essay), which was published by Einaudi's son's publishing house. After the war, Rossi was appointed president of the Azienda rilievo alienazione residuati (ARAR, Acquisition of Residual War Materials), an agency established to privatize the British, American, and German armies' "leftovers" on Italian territory. Rossi deployed ARAR to the service of free-market policies. He needed to deal with the U.S. government on the one hand, which was claiming $160 million (at 1945 values) as the price of the military equipment left in Italy, and with several Italian industrialists on the other, who strove to grab the valuable resources in the leftovers, from rubber and metals (steel, nickel, copper, tin) to vehicles (some three hundred thousand at a time when the motor-vehicle fleet circulating in Italy was in the low ten thousands). This material proved to be an essential resource for the Italian postwar reconstruction. As chairman of ARAR, Rossi established the principle of public bids for the sale of small batches of materials to counter the demands made by large organized groups and corporatist influences as well as the assaults from trade unions.

The Italian postwar reconstruction happened in circumstances akin to the German ones. Similarly, Germany and Italy faced a double dilemma: how to rebuild an economy that was in disarray and how to mark a change from their immediate totalitarian past. And policies of liberalization that allowed for rapid industrial development were similarly followed in both countries. Such policies can be traced back to a group of intellectuals who, because they were not tainted by any allegiance to the fascist regime, enjoyed a certain prestige and could "transfer" it to their liberal ideas.

6. The only way industrial policy could help industrial recovery and progress was, Demaria argued, "opening all the roads in the world" to Italian businesses (1942, 173). On the same occasion, Demaria reminded his readers that in the late 1800s and early 1900s "the Italian industrial life was vigorous and strong not because it threw itself into the government's arms but because it stayed out of them" (192, 153).

However, there were also substantial differences between Italy and Germany, two being the most notable.

First, unlike the German case, Italian liberals never came to be perceived as a "school." They were for the most part economists who had been educated in the prefascist era, when Italian economics was "second to none" (Schumpeter 1954, 855) and achieved international prominence thanks to Pantaleoni and Pareto.[7] Younger economists, raised to believe and preach fascist corporatism, clearly saw economic life differently.

Second, whatever the benefits of benign neglect in the short term, the Italian liberals were never quite "institutionalized." The Bank of Italy, though enjoying broad prestige, was never the counterpart of the Bundesbank in its economic preaching. A constitutional proviso on competition policy and monopoly was discarded, and the country chose not to have a competition agency until 1990.[8] The constitutional article that was meant to require a balanced budget has largely been ignored since the 1950s.

The Free-Market Element in the Italian Reconstruction

According to a major critic of Italian free marketeers, Italy enjoyed a de facto classical liberal economic policy "from February 1944 up to 1952" (Saraceno 1977, 143). The prominence of this policy in the period identified can be explained by "several factors." A substantial one was that "a number of much esteemed and extremely learned economists participated from a privileged perch in the government operations and the public debate in those years. [Yet] a greater weight should be placed on . . . the widespread inclination to identify anti-fascism with free-market economic ideas . . . and, of course, the political influence of the interests advantaged by free-market policies" (Saraceno 1977, 125).

The latter point—the eternal burden of economic liberals, namely the prejudiced view that laissez-faire would be a boon only to industrialists—reflects Pasquale Saraceno's (1903–91) own views (he was, in today's jargon, a champion of "state capacity"). More worthy of consideration in our context are two other points he made: the prestige of economic liberals and the identification of fascism with protection and corporatism.

We have seen that Italy, like Germany, had quite a few prestigious liberal figures who steered it in a more, albeit precarious, classical liberal direction. Such figures commanded respect among officials and in the Italian establishment generally speaking.

7. Einaudi and the group of scholars headquartered around him in Turin were the main catalyst of such developments in scholarship (Marchionatti et al. 2013).

8. Classical liberals are rightly skeptical of antitrust (see, inter alia, Armentano 1990), but in the Italian case the decision *not* to have an antitrust authority was motivated by the political will to preserve government monopolies as they were—not by an understanding of the dynamics of competition inspired by the Austrian School of economics.

The respect paid to these figures was increased by the fact that fascism could be seen as having produced the opposite of a genuine, classical liberal economic order. When Benito Mussolini took office, he initially expressed some moderate support for a free-market economy,[9] but he soon took another path, becoming a champion of a "corporatist" economy reminiscent of medieval guilds. If the bête noire of the German Ordoliberals was "refeudalization," a problem that in contemporary economics is discussed under the label *rent seeking* (Vanberg 2017, 11), Italian neoliberals likewise opposed corporatism and saw it as a potentially enduring legacy of fascism. Einaudi condemned corporatist measures as transforming free workers and entrepreneurs into government employees, "even when they are not formally salaried employees, as they are subordinated to someone who tells them how and how much to produce, the price of their purchases and the price of their sales, the salary they are entitled to, and, in case they disobey his orders, . . . denies them—thus resurrecting the ancient institution of serfdom—their residence permits, or the allocation of the things they need to work, or their access to a job" ([1949] 2010, 115).

Such privilege came with extensive nationalizations. The bulk of Italian banks were nationalized when the Istituto per la ricostruzione industriale (IRI, Institute for Industrial Reconstruction) was established in 1933. On May 26, 1934, Mussolini could declare to the Chamber of Deputies that "[t]hree-fourths of the Italian economy, industrial and agricultural, is in the hands of the State." By 1939, the IRI and other government agencies "controlled over four-fifths of Italy's shipping and shipbuilding, three-quarters of its pig iron production and almost half that of steel" (Blinkhorn 1994, 35). According to Martin Blinkhorn, "this level of state intervention greatly surpassed that in Nazi Germany, giving Italy a public sector second only to that of Stalin's Russia" (1994, 35).

Price controls were established first in 1935 and then tightened in 1940, when Italy entered the war. Italy's participation in World War II was "an economic disaster. Whereas between 1915 and 1918 GDP had grown on average by 1.9 percent per annum, it decreased on average by almost 10 percent every year between 1940 and 1945" (Toniolo 2013, 20). In 1945, Italy's GDP per capita stood at the level it was in 1906. Uncertainty moved liquidity from bank accounts to bank notes, and inflation was devastating, especially in the South. It paused only in 1946, when "the liberation by America was expected to bring better times." Insofar as "this attitude lasted, the public held back from spending and the price level for the whole country remained roughly stable" (Baffi 1958, 419). Restoring confidence in the Italian lira was no small challenge for the new republic as inflation erupted again in 1946–47.

Yet reconstruction was perhaps surprisingly fast: by 1949, Italian GDP was already 10 percent higher than in 1939, the best prewar year. The year 1945 had seen the worst depression in consumption,[10] but by 1950 consumption reached its highest postwar

9. For a nuanced analysis of why some liberals initially supported Mussolini, see Raico 1996.

level (Saraceno 1977, 7).[11] In 1953, "Italy's per-capita income, with a population increase of some 3–4 million as compared to the pre-war years, was 31% higher than the highest per-capita income reached before the war" (Saraceno 1977, 16)

In particular, the integration with the international economy, a central point in the liberal discourse after fascist autarky, proved to be a success: "The share of exports of goods and services as a percentage of the national product grew to 21% in 1965 from 8% in 1938" (Baffi 1966, 12). In the period from 1948 to 1960, "gross domestic product in constant prices grew by 5.6% a year," whereas the "inflation rate was on average 3% a year" (Fazio 1998, 6).

Can these successes be considered the outcome of free-market policies?

The immediate aftermath of the war was a period of turmoil. The state structure basically collapsed: Treasury Minister Corbino admitted that "at this moment, we have no clue as to the precise number of government employees" (1946b, 215). Although Italian socialists and left-of-center Catholics never ceased to advocate for more government intervention, their enthusiasm was perhaps curbed by a bureaucratic machine in such disarray.

As mentioned, inflation exploded in June 1946–47. "Successful inflation stabilisation" happened "in 1947 as a result of new reserve requirements on bank lending designed by Einaudi, then still minister of the budget. This facilitated the reactivation of the price mechanism, giving the country a head start on reconstruction" (Eichengreen 2008, 115). From the summer of 1947 on, the Bank of Italy took an "orthodox" (as critics would call it) macroeconomic policy stance (the lira was a remarkably "sound" currency for the 1950s), was admitted to the Bretton Woods institutions, and chose firmly to integrate itself into the international economy.

Although the inflation episode of 1946–47 was traumatic, it contributed in 1947 to the formation of the first government without the Communist Party and with the clear object of fighting inflation. That cabinet featured "two big changes: it dumped the Communists and welcomed aboard Einaudi himself" (Ricossa 1995, 17). In general, "since 1946, the economic policy of the succeeding cabinets aimed at safeguarding as much as possible the stability of the Lira's purchasing power, as an essential prerequisite of the reconstruction of democracy in Italy" (Corbino 1961, 319). The Italian government "kept the Einaudi line of strengthening the lira" (Baffi 1958, 446) in spite of widespread skepticism by Keynesian international observers, including the U.S. Economic Cooperation Administration, which administered the Marshall Plan. In February 1949, the administration published a study arguing for a "more 'aggressive' credit and investment policy" (Baffi 1958, 446). It took a German Ordoliberal, Friedrich Lutz (1901–75), to argue that Marshall Fund contributions should not be cut so as "to penaliz[e] a country which has done more than most of the other recipient countries to put her own house in order" (Lutz 1949).

10. Consumption decreased to 40 percent of pre–World War II levels.

11. In the meanwhile, population increased by 2 million people: the Italian population was 43.4 million in 1938; 45.3 million in 1945; 47.7 million in 1953.

In 1947, price controls were basically abolished, beginning with the administered price of bread.

The key change coincided with the turn away from protectionism. It is widely recognized that "since the time of the crisis of 1929 an autarkic drive had impacted [Italy's] production development. . . . [A]fter the war, in contrast with the previous autarkic policies, a policy was adopted of deeply engaging our country with the international economy" (Saraceno 1977, 4). A conscious political decision was made to pursue a policy of freer trade. "By bringing the country into the European Coal and Steel Community in 1951, they [Prime Minister Alcide De Gasperi [1881–1954] and Einaudi] signaled their intention of opening to Europe. And already at the beginning of the decade, foreign markets mattered importantly for producers of certain products, including typewriters, refrigerators, washing machines, sewing machines, and automobiles" (Eichengreen 2008, 113).

Can we trace these policies back to the action of classical liberals?

Einaudi was surely personally responsible for the masterful management (deftly maneuvering between discretion and injunction) of the central bank. More generally, the liberals can be credited for pushing the idea of a profound Italian integration into the European economy. Such an idea was given a friendly hearing by Prime Minister Alcide De Gasperi, who, though relatively unschooled in economics,[12] had a strong sense that the new republic should belong to Europe and the Western world.

Furthermore, we can say that liberals perceived reconstruction as an opportunity to foster a different understanding of the relationship between state and market.

Costantino Bresciani-Turroni published the second edition of *Introduzione alla politica economica* in 1944. In the book, he argued explicitly that price controls, even relatively successful ones, like those he saw implemented in Germany, wouldn't survive peace. "The issue of government-imposed price controls should be reviewed in the light of the requirements of a peacetime economy.… [N]ew needs will make themselves manifest, namely, the need of repair, by means of a swift increase of production, of the material destruction occasioned by the war" (166).

The key message of the classical liberal economists was that the command-and-control economy should not survive the war.

For a little while at least, this notion seemed to have traction in Italy. The circumstances were helpful: the dramatic collapse of the fascist state, the time needed to reengineer the bureaucracy, and the sheer lack of a concrete proposal for planning and top-down regulation of the economy left a vacuum that the liberals filled. I do not want to suggest that they had a honeymoon with the other Italian political parties, though; they still needed to play the political game in full. For example, Corbino was so unpopular he had to resign in 1946 (from a government that included Communists and Socialists). By

12. Yet De Gasperi had a good grasp of fundamental questions; for example, he was personally committed to the idea that a balanced budget was essential to restoring confidence in the Italian lira (Gioli 1980, 69).

resigning, he saved the policy of limited spending and moderate taxation that he pursued as Treasury minister and opened the door to a Communist-free executive (Gioli 1980).

Leftist parties were strong, but the strongest of them, the Communist Party, exhibited a certain degree of prudence in moving its agenda forward. Even at the first Economic Congress of the Italian Communist Party, "there was no request for a planned economy" (Martinelli 1976, 36). The idea of a thorough socialization of means of production would be postponed until after electoral victory for the Communists, were it to come in 1948. More "moderate" left-wing parties (the Socialists and in particular the Republicans, always the political arm of Italian Keynesianism) were more pressing in their demands, but overall the policy that the different governments led by De Gasperi followed was one of liberalization, control of inflation, and limited spending.

The Italian Constitution

Things began to change in the mid-1950s. The Christian Democrats, the biggest political party in the country, under the leadership of De Gasperi had at least partially followed the liberals' advice and focused on opening up the Italian economy. After De Gasperi's death in 1954, however, the party changed its economic policy in a more interventionist direction.

The recent liberal achievements thus proved very fragile. Why?

The economist James M. Buchanan (1919–2013) distinguishes between two levels of public choice—the initial or first level sets the rules of the game through the choice of a constitution, and the second or postconstitutional level involves playing the game within the rules (see, e.g., Buchanan and Tullock 1962).

These two levels are analytically distinct but can coexist in the battlefield of politics at the same time. The Italian turmoil after World War II was such that the country had simultaneously to deal with policies for its reconstruction and to write new rules for the political games to come.

Such a context was naturally challenging to an intellectual movement that consisted of only a handful of people. The liberals in the immediate aftermath of World War II played a good game in crafting policy choices, but they lost the game at the constitutional level, where the rules were being rewritten. That loss had important, long-term consequences for Italy.

That the liberals lost the constitutional battle is hardly surprising. The Italian Constitution was not the brainchild of a team of jurists or of one or more "technical" committees: it was the outcome of a Constitutional Assembly, which was elected according to a pure proportional representation system. In such an assembly, the Christian Democrat, Socialist, and Communist Parties commanded 75 percent of the votes and therefore of the seats. The first Liberal Party list gained 6.79 percent of the votes. These proportions anticipate what was later to be the result of political elections in which the Liberals never reached double digits.

The Ministry of the Constitutional Assembly was to do some preliminary work for the future constitution and had a specific economic committee, chaired by Demaria. Yet the ministry had little time to work and, according to most commentators, limited influence.

The drafting of the Constitution was done by the Commission of 75, an appointed group within the 556 elected members of the assembly. Luigi Einaudi was a member of the commission, though he resigned when he became Treasury minister. He was one of three liberals and the only economist. The commission had quite a few academics within its ranks, but mostly jurists.

The Italian Constitution enjoys a distinctive peculiarity: it was written before it was clear (in 1948) whether the newborn republic was to stay within the Western bloc or to join the Eastern one. That choice was left to voters. The Constitution had therefore to be versatile, possibly accommodating both options. As the leader of the Communist Party, Palmiro Togliatti (1893–1964), noted, "We are drafting a Constitution that is not socialist but is instead a Constitution fit for a time of struggle for an economic regime of coexistence between different economic forces, which strive to overcome each other" (quoted in Beretta 1988, 407).

The Constitution's first article (the rather sibylline "Italy is a Republic founded upon labor") and in general the discipline of labor relations reflect the wide convergence between Catholic social thinking and full-fledged socialism. Italy has a "constitutional right to strike" for workers, and four articles deal with matters pertaining to the organization of trade unions. In contrast, Article 41, the core of the "economic Constitution," reads as follows:

> Private enterprise is free.
>
> Its operation may not be in contrast with social utility, nor may it harm safety, freedom, and human dignity.
>
> The law establishes the suitable programs and controls so that public and private economic enterprise may be directed to social purposes.[13]

It is safe to say that the constitutional convention was driven by a highly skeptical view of free markets. There, as Pasquale Saraceno notes, "Marxist thought and Catholic social thought met on the issue of controlling the capitalist anarchy" (1977, 24). The result

13. Bizarrely enough, this formulation, mentioning "programs," was justified by the socialist politician Giuseppe Arata (1901–90), who pointed to Hayek's introduction to *Collectivist Economic Planning,* where he advanced "the distinction between a permanent legal framework so devised as to provide all the necessary incentives to private initiative to bring about the adaptations required by any change, and a system where such adaptations are brought about by central direction" (Hayek 1935b, 22). If "programs" were mentioned, economic planning was not because of opposition by Corbino and Einaudi as well as by others, including the socialist Antonio Labriola (1873–1959), who commented that "at least in Italy, a comprehensive planning would mean the subjection of industry . . . to officials" (qtd. in Barucci 1980, 51 n.). Once again, the fact that the Italian state was in disarray played a role in cautioning against too ambitious a form of economic interventionism.

was a constitution that values private enterprise only for its "social utility" and does not consider private property a necessary bulwark of liberty (the most relevant influence on this view was Catholic social thinking; see Barucci 1980, 39–41). Insofar as the liberals scored some points, they did so by limiting damage. It is worth noting that such successes came in the assembly plenary meetings and not in the Committee of 75, where the actual drafting was done (Barucci 1980, 53–54).

It is worth mentioning two of the battles that Luigi Einaudi fought and lost in the Constitutional Assembly.

There was a wide discussion about monopolies and competition. The liberals tried to amend Article 41, adding a section that would constitutionalize the idea of free competition as a public good. After a first proposal from Guido Cortese (1908–1964), who wished to include mention of consumer sovereignty ("The law regulates by statute all economic endeavors with the aim of safeguarding the interests and the freedom of consumers" [qtd. in Gianniti 2000]) Luigi Einaudi proposed his own solution: "Statutes may not be instrumental in establishing economic monopolies; where these [monopolies] do occur, they are subject by statute to public control by means of delegated or direct public administration" ([1947] 1976, 1670). Einaudi claimed to have perhaps not "the certainty" but "something more than a suspicion that the greatest share of the most dangerous syndicates of producers—those that can really wring prices that have a whiff of monopoly—owe their existence to positive acts by the legislator" (1941).

In the Constitutional Assembly, Einaudi said that monopoly was "the deepest evil of this society," a sort of theft of which government should not be an accomplice. He ridiculed the idea that nationalization was the proper response to economic concentration: "It is tantamount to telling the constable facing the public highwayman who robs the traveler: you are not to seize the robber. Indeed, you are to change into a robber yourself, and you shall plunder those who travel the roads" ([1947] 1976, 1666).

The background to this controversy, in addition to government monopolies such as the railways, radio communications, and particular goods (beginning with tobacco and salt), was the existence of the IRI, the Institute for Industrial Reconstruction. The mere presence of such a vast government-owned conglomerate in the Italian economy was bound to influence the future of the country's economic life.

Only a few voices called openly for the privatization of state assets.[14] One was Alberto Frassati (1868–1961), a newspaper man who became a gas and electricity entrepreneur. He denounced IRI to the Demaria committee as "the greatest immorality conceivable[;] . . . it amounts to an unbalancing element among all industries." "If, for instance, I am the owner of a humble pipe-producing factory"—so Frassati

14. Even the liberal Corbino cautioned against a too abrupt de-nationalization: "It is impossible to pass overnight from a regime of nationalized economy as the current one to a market economy. When you can walk after being forced [to lie] in your sickbed for five or six weeks, you can hardly go and run a marathon" (1946a, 272). With the benefit of hindsight, we may say that a too abrupt privatization was never a serious risk in Italy, if you consider that IRI was not privatized until the 1990s.

explained—"how can I survive when IRI enjoys every benefit and produces pipes as I do? Whatever liability it may accrue, IRI can easily disregard, as the State will cover it. It is impossible for a business to prosper whenever there is an actor which is not a business, but the State itself" (qtd. in Gianniti 2000). We may speculate that this was the kind of reasoning that inspired Einaudi's attempt to amend Article 41 of the Italian Constitution. No private competitor could thrive in the presence of such an incumbent as IRI. Yet IRI was untouched, and it was destined to remain active and continue to grow until the late 1980s. The reason why it was untouched was that no Italian capitalist could acquire "heavy industries" such as steelmaking companies and manage them properly. Private capitalists lacked resources and expertise, which is exactly the reason they were criticized seventy years later when IRI businesses were privatized. In a sense, the choice *not* to privatize IRI was key in keeping private capitalists "in captivity"—the best they could hope was to be a supplier of an IRI company!

This does not mean that IRI companies were necessarily badly managed, particularly at first. In a sense, private ownership was the conduit for the establishment in Italy of a particular blend of *managerial capitalism*. Most of the country's private businesses were small, mom-and-pop or formerly mom-and-pop establishments. IRI companies, in contrast, were managed by an elite cadre of civil servants turned CEOs.

The most egregious case is another state business, though not controlled by IRI—Ente nazionale idrocarburi (ENI, State Hydrocarbons Authority), Italy's oil company. It was born from the genius of Enrico Mattei (1906–62), a spectacularly talented entrepreneur who, lacking his own capital and possible Italian backers (because virtually none was in a position to sustain such a great endeavor), called on the state to be his shareholder. Mattei was severely criticized by Father Luigi Sturzo (1871–1959), the Catholic priest who founded the Popular Party before World War I and who after World War II was a vocal partisan of free enterprise in the press.[15] Sturzo understood well that to gain latitude businessmen like Mattei needed to pamper political leaders, and he saw that government ownership would be a constant source of corruption. The Clean Hands investigations in the early 1990s, which wiped away virtually the entire Italian political class of the time due to allegations of corruption, proved him right almost half a century later.

The other major battle in which Einaudi engaged in the Constitutional Assembly dealt with the possibility of adding a debt brake to the government's budget. Einaudi originally wanted to restrict the spending enacted by Parliament because the legislature's expanded role allowing it to amend budget decisions appeared to be a potential source of deficit finance. Einaudi feared the degeneration of parliamentary debates, in which political majorities would loosen the public purse strings to satisfy their constituents' interest. So Article 81 of the Constitution was originally supposed to forbid the Parliament from amending the state budget submitted by the cabinet for approval

15. *Il pensiero economico* (Sturzo 2009) offers a collection of Sturzo's forceful opinion pieces.

(Gianniti 2011). Parliament would still retain the ability to approve or reject the budget in its entirety and certainly to hold the government accountable.

However, such a proposal was considered too "extreme" (Isn't [neo]liberalism always considered too extreme by its opponents?), and so the final text of Article 81 reads: "The statute that approves the state budget may not establish any new taxes or any new spending items. Any other statute that enacts new or greater spending items shall provide for the means to cover them."

According to Einaudi and to the Catholic economist Ezio Vanoni (1903–56), this article was meant to *imply* the need for a balanced budget. Such an interpretation lasted only through the 1950s. Then political parties started to happily engage in deficit finance: they passed laws requiring new expenses without explicitly providing for a source of income to cover them.

With the benefit of hindsight, it is apparent that the Italian Constitution is marked by a language that, although apparently not in contrast with "the basic principles of the rule of law, the free market, and the liberal ideology," in fact sometimes seems written to "deny them in practice" (Fenghi 1977, 243). The Constitution has in fact "removed all limits to the scope of the government's action" under the guise of a "transfer to the State of the property of the means of production" (Fenghi 1970, 243). Government interventions in the economic life were not restrained to market failures or assistance to the needy: as permitted by the constitutional text, they were not restrained at all.

The aimless and contingent movements of *political* history are not necessarily patterned upon an intellectual debate of previous decades. Yet even this quick examination of a couple of intellectual fights within the Italian Constitutional Assembly suggests that the evolution of Italy as a corporatist, highly interventionist state in the 1970s and 1980s came as no surprise.

The cause of interventionism was certainly helped by the fact the Italian economic take-off was, like all human affairs, sprinkled with "imperfections" of the kind that attract the attention of economists and social planners.[16] In particular, Italy never ceased to exhibit a serious economic gap between the North and the South, proving to be a "dualistic" economy. Yet such problems were seldom solved by government intervention in later years.[17]

The lack of a proper constitutional guarantee of private property and the market economy gave way to extensive rent seeking. In 1977, Italy could be described by a prominent jurist of social-democratic sympathies as "a society where assorted interests make their demands of appropriation and their political representatives limit themselves to supplying—through institutional means—the exactly symmetrical response to these

16. On the perennial thirst for imperfections, see McCloskey 2018.

17. On the Italian "dualism," the classic reference is Lutz 1958, written by a prominent Ordoliberal economist. Insofar as the enduring relevance of the problem, suffice it to say that more than 150 years after Italy's unification, GDP per capita in the Italian South is still 45 percent lower than GDP per capita in the North.

demands, each representative favoring the interests that he deems to be supporting him" (Amato 1977, 229). This means the government knew no constraint in spending money in one direction or another.

The Italian economic boom was at least in part predicated on a sort of benign neglect, which was the result of actions taken by the Italian liberals. Yet the boom happened in spite of and not because of the new republic's legal framework. A free-market approach won in enacting short-term policies but lost in writing the rules of the game.

The Failure of Italian Neoliberals: Some Hypotheses

In the felicitous synthesis by the political scientist Sheri Berman, the Italian Constitution enshrined a vision by which "the large . . . state sector was viewed as part of a broader strategy for using the power of the state to ensue economic growth as well as general social health and well-being." In Germany, however, "a commitment to economic liberalism and a desire to break with the Nazis' extreme statism were central features of the postwar economic order" (2006, 183).

Germany's government meddled with its economic life, too, though. "By the 1950s . . . the German state was . . . absorbing about 35 percent of the gross domestic product in taxes" (Berman 2006, 183). Yet interventionism in the longer run proved to be somewhat constrained there.[18] In recent years, the turn toward fiscal probity in Germany, which ultimately produced the constitutional debt brake, originated in the government's previous reliance on borrowing to take most of the fiscal brunt of the country's unification in the early 1990s. Germany has had very few classical liberal, "supply-side" reforms in the past eighteen years, specifically after the liberalization of the labor market with the Hartz reforms. Yet there seems to be a widespread allegiance to the ideas of sound money and fiscal responsibility.

As Berman underlines, a commitment to the rule of law in economic matters was a central feature of the postwar political order in Germany. Though neither the Bundesbank nor the Bundeskartellamt (the antitrust authority) are mentioned in the German Constitution, they came to enjoy such a reputation that they became semi-constitutional bodies.[19] The lessons of Weimar hyperinflation were perhaps easily mobilized as arguments in support of the need for central-bank independence. In this sense, the Ordoliberals' emphasis on the economic constitution—that is, the legal framework within a market economy—was vindicated. The famous Godesberg Program, adopted by the Social Democratic Party in a "reformist" drift in 1959, can be seen as an attempt to come to grips with such institutions.

18. Germany ranks twenty-seventh in the Heritage Foundation's Index of Economic Freedom, Italy seventy-fourth out of 180 (Miller, Kim, and Roberts 2020). Though international measurements of economic freedom are highly imperfect, the gap between the two countries is too wide to be ignored.

19. The Bundesbank's independence was consolidated in a series of conflicts with the executive and political parties over economic policies. See Bernhard 2002, 60–64.

Although the idea that "German economists feed at the trough of 'Ordoliberalism'" is a myth (Burda 2015), it is clear that some Ordoliberal ideas did stick with the German political imagination. The Ordoliberal arguments were an integral part of denazification: "[Chancellor] Erhard . . . frequently contrasted the 'old hierarchy' and its material and moral deficiencies with his new brand of 'prosperity through competition'" (Rittershausen 2007, 6).

In contrast, even when Italy pursued policies inspired by fiscal restraint, there was never a sense that they were congruent with fundamental principles of the Italian Republic.

In the 1990s, for example, Italy had a phase of fiscal probity. In 1994, after a whole ruling class had been wiped away by the Clean Hands investigations in Milan, the country was weak and perceived as an economic basket case. Public debt reached 121 percent of GDP (it had reached 100 percent of GDP as recently as 1990). Entering the European Union was seen as a necessity to reestablish the country's reputation. With such a goal, Italy did its homework. In the course of the next six years, the government enacted fourteen "budgetary corrections" and two substantial reforms of the social security system (in 1992 and 1995). The country also put together a wide program of privatizations, ranging from the state telephone company to highways to banks and insurance companies.

These policies were enacted because of necessity, but they enjoyed limited ideological consensus, just as forty years earlier they had never reached the level of the rules of the game. "Fiscal populism," a bipartisan rejection of fiscal rules (Boggero forthcoming), was soon resurrected, so that the country needed to be rescued from a fiscal abyss by a caretaker government in 2011; it has been spending itself into debt ever since, even well before the eruption of the dramatic Covid-19 health and economic crisis in 2020.

Why did the short experience of Italian neoliberalism not command respect or find heirs?

On the level of the rules of the game, the lack of a constitutional bedrock has certainly weakened such a set of ideas. The possibility of calling the authority of the Constitution in support of certain positions is, at least, a powerful rhetorical device and would have given substance to any "demand of liberalism."

Such a message would need institutions to reinforce it. The Bank of Italy was no match to the German Bundesbank. Between the 1960s and the 1980s, monetary and fiscal policy were in forced wedlock in which the central bank de facto lost its autonomy: the Bank of Italy concurred substantially with financing of the deficits, and its share of total debt more than trebled between 1961 and 1970.

Though the Bank of Italy subsequently regained autonomy, it never quite subscribed to an economic philosophy of its own, which reflected, of course, the state of the economic debate in the country. Culturally speaking, though Einaudi was the most prestigious of the bank's governors, his economics left a very small track there.

Italy had a Liberal Party and yet no major civil society institutions favoring a capitalist system.[20] A Liberal Party was not a substitute for a Bundesbank, especially

since the Italian Liberal Party was easily permeated by interventionist ideas. Whatever its ideology, between 1948 and 1994 that party never commanded more than 7 percent of the votes in national elections.[21] In other words, in a democratic landscape occupied by mass political parties (Christian Democrats and Communists above any others), the Liberals never joined the premier league.

This very fact may suggest that political culture played a role in keeping Italian neoliberalism on a dead-end street.

To assess how ideas percolate in society is always a matter of hypotheses. Let me advance some.

An obvious one is that inasmuch as Einaudi enjoyed wide prestige in post–World War II Italy, he was an old man. His free-market comrades were old men, too. Politically speaking, they were men of the old school, unable to truly attune themselves to mass politics. As scholars and intellectuals, they commanded respect, but they substantially failed to catch the imagination of a new generation, which was already mesmerized by ideological approaches that shared a disdain for whatever the "spontaneous order" of the market economy produced. Keynesianism took off relatively late in Italy, but it was preceded by strong waves of Marxist economics. Indeed, the Cambridge-tenured Piero Sraffa (1898–1983) "became a national symbol that radical political economists liked to invoke" (Brunnermeier, James, and Landau 2017, 238).

Postwar Europe saw strong ideological struggles and needed a sense that it had broken with its totalitarian past. To succeed, liberalism had to "make the building of a free society once more an intellectual adventure, a deed of courage" (Hayek 1949, 423), to attract younger, brilliant minds. In Italy, that did not happen, and Einaudi's generation had no immediate heirs.[22] The ideological arena was filled and dominated by another, more exciting, and adamantly antiliberal weltanschauungen.

The influence of the Communist Party increased over time, grabbing a substantial hegemony of the intellectual world. After 1948, the Italian Communist Party found itself in a difficult situation: it commanded one-third of the electorate but could not win a general election, not even by forming alliances, because the country in 1948 was committed to the North Atlantic Treaty Organization and the Western bloc.

Yet the party did not need to look far for a suitable strategy to fit its needs: Gramscianism, the quest to seize the commanding heights of culture and society. Antonio Gramsci (1891–1937) "was unique among Communists in persisting, at the nadir of the defeats of the thirties, to see that Russian experience could not be merely

20. Though never short of small, local free-market clubs (including CIDAS, the Centro italiano documentazione azione studi [Italian Center for Documentation Action and Studies] in Turin, very active from 1970 to 2011), Italy counted only one free-market think tank in fifty years, the short-lived Centro ricerche economiche applicate (Center for Economic Applied Research), directed by economist Antonio Martino.

21. Curiously, that happened in 1963, when the Liberal Party campaigned against electricity nationalization. Later on, the party put much water into its free-market wine.

22. It is telling that the most brilliant and articulate of Italy's free-market economists, Sergio Ricossa (1927–2016), began his career as the "importer" of linear programming models into Italian academia.

repeated in the West" (Anderson 1976, 50). Gramsci thought that the specific character of a socialist revolution in the West required a "war of position" to alter the balance of forces, to organize and expand proletarian hegemony, and to prepare for the revolutionary event. In a sense, this "war of position" implies an "all-embracing" vision of politics (which becomes a decisive factor not only in the social sciences but also in any kind of intellectual and even artistic endeavor, from biology to chamber music). That vision resonated with the however rebellious sons of the fascist regime ("Everything in the state, nothing outside the state, nothing against the state").

In the Italian Republic, the commanding heights to be seized were in the trade unions, in the judiciary, but first and foremost in the great cultural agencies (universities, publishing houses). The quest for hegemony was by and large successful.

Perhaps even more important than your enemies are your friends or the lack thereof. In many countries, particularly during the Cold War, free-market policies found a natural ally in conservative sensibilities and Christian parties. In Italy, that alliance was not possible because of the anti-Catholic nature of Italian liberalism.

The greatest success Italian liberals could claim for themselves, *their* foundational myth, was the Italian unification. Liberals had led the process of nation building, which the Piedmont region successfully pursued with the count of Cavour (1810–1861) at its helm. In that process, the greatest casualty was the temporal power of the pope, and neither liberals nor Catholics ever forgot it. Although a number of Catholics active in politics—most notably Sturzo and De Gasperi—were not entirely hostile to classical liberalism,[23] most Catholics involved in politics saw the secularist liberals as an enemy. And vice versa: anticlericalism long remained a feature of the small Italian Liberal Party.

It is perhaps difficult to gasp now the extent to which anticlericalism was a veritable ideological glue of the Italian liberals. In the 1880s, when the Italian government was moving away from free trade, Vilfredo Pareto noted that the very government that was seriously injuring liberty was keeping liberals happy with "some measures against the priests" (1888, 5). An "atheist of all religions," as he was labeled, Pareto nevertheless supported the right for Catholics to teach and open schools when they could not by law, but he was a rare bird.

In the postwar years, with the partial exception of a brief phase of the Jesuit journal *La civiltà cattolica,* which seemed to support price liberalization, most Catholic intellectual ventures welcomed a possible encounter with the socialist, not the classical liberal, culture.

Although Einaudi's policies were continued by Giuseppe Pella (1902–1981), a Christian Democrat who studied with Einaudi in his university years, Pella himself was

23. In the 1950s, Sturzo was the most upfront enemy of growing state intervention. It is clear that the Italian neoliberals' policies, which favored controlling inflation and opening Italy to international trade, would never have been implemented were it not for the support of the then prime minister, Alcide De Gasperi.

soon marginalized as a right-winger in the 1960s and left politics all together. The generation of Catholic politicians who led the Christian Democrat Party after De Gasperi were by and large the product of the 1930s and therefore imbued with Keynesian economics and fascist corporatism.

Italy in those years was a crucial part of the greater Cold War chessboard and as such highly susceptible to U.S. influence: the United States was never particularly fond of a "laissez-faire" policy in Italy. The Marshall Plan administrators favored a more generous fiscal policy, and the Kennedy administration blessed the center-left governments formed from 1962 onward, which excluded the Liberal Party and co-opted the Socialist Party.[24] As in Germany, neoliberalism did not seem consistent with what the U.S. wished for the liberated countries (White 2012, 231–33).

Free-market policies must have the support of a mass political party, particularly when they are clearly at odds with the consensus. That was the case in the late 1940s and 1950s, when the world was going Keynesian and both Italy and Germany (for a time) chose another path. Einaudi was supported by a Christian Democrat prime minister, Alcide De Gasperi, as Erhard was supported by Konrad Adenauer (1876–1976). But Erhard, though for most of his tenure an independent (Mierzejewski 2004), succeeded Adenauer as the head of a Christian Democratic Union–led government. Even today the German Christian Democratic Union regularly pays lip service to Ordoliberal ideas (see Gauck 2014).

This was perhaps the key factor. In the age of mass politics, a consistent classical liberal political option is not palatable perhaps anywhere, but it might, somewhere at least, forge alliances and infiltrate some conservative sensibilities. This was impossible in Italy because "everything liberal" was tainted with anticlericalism. While the Gramscian lesson told Italian Communists to concentrate on advancing a radical change of mentality through culture, the Christian Democrats built Italy's postwar government, expanded state welfare, and were often keen to socialize the means of production.

Perhaps Italian Catholics would have favored a more interventionist set of economic policies anyway, but the juxtaposition of liberalism and anticlericalism made it far easier for them to justify allowing Christian democracy to develop completely detached of any skepticism toward government as a player in the economic realm.

It is worth remembering that in establishing the Mont Pelerin Society, F. A. Hayek felt it was essential for the preservation of liberalism that its traditional antagonism toward Christianity be overcome (Caldwell 2020, 42). Yet on that subject the Mont Pelerin Society has little to claim in terms of substantially changing the debate as it moved into being more of a club of economists than anything else.[25]

"Cultural" explanations do not substitute for more "political" ones but may complement them. The hypotheses I have put forward here provide us with some

24. On U.S. foreign policy and the Italian Left, see Platt and Leonardi 1978.

25. This is the thesis of Burgin 2015.

narratives that assume that ideas have a substantial impact on the way political discourse is framed, therefore advancing or reducing the boundaries of what is politically expedient.

It seems safe to assume that even when imbued with cynicism (and the country of Machiavelli knows something about that), politics is never totally free of the ideas of some dead academic scribblers. Likewise, ideas that have consequences can never be examined or pursued in isolation. Scholarly excellence is not enough to guarantee victory or intellectual prestige.

In a sense, these alternative explanations for the rapid demise of Italian neoliberalism provide a cautionary tale exactly to those who emphasize the importance of ideas in shaping policies. We tend sometimes to endorse a rather simplistic model of social change. But to achieve success over time, ideas need to be enshrined in the rules of the game. And for this to happen, they must gain ground against their opponents, appeal to symbols beyond economic rationality, and win some allies.

Conclusions

To quote John Stuart Mill (1806–1873): "Ideas, unless outward circumstances conspire with them, have in general no very rapid or immediate efficacy in human affairs; and the most favourable outward circumstances may pass by, or remain inoperative, for want of ideas suitable to the conjuncture" ([1845] 1967, 370).

Circumstances conspired briefly with "neoliberalism" in post–World War II Italy. Several factors came together: bureaucracy was in disarray and could not be entrusted with a big mission; memories of the fascist corporatist economy were still strong; and a small group of free-market economists had personal prestige. These factors account for the fact that after World War II "a liberal-free market ideology easily prevailed, radical to the point of leaving to the market mechanism" the determination of the landscape of productive forces in Italy (Saraceno 1977, 17).

Such prevalence was contingent upon the needs of economic recovery, but it did not last. The so-called Italian economic miracle, wherein the country speedily caught up with the industrial world, was not considered a good enough reason to follow the free-market path.

That liberal policies did not last *in spite* of their success is what demands explanation. I have advanced some hypotheses concerned with the world of ideas. Others can certainly be advanced that deal with the world of interests and with the dynamics of the political process itself. Policy successes can endure or not, depending on the wider constitutional framework. The Italian reconstruction could have been the foundational myth of a more liberal Italy. But that story was never told, as such, to the masses. Mass parties were not interested in telling it and did not build their legitimacy on the economic boom, but rather on the memories of antifascist resistance. This was the case on both the left *and* the right.

The German and Italian economic miracles were synchronous and could be seen as products of a "benign neglect" approach inspired by liberal ideas. But they had very different *symbolic* offspring, which still shape attitudes and politics today. German advocates of restraint in monetary and fiscal policies could appeal to the foundational myth of the German Federal Republic, to semiconstitutionalized institutions, to the authority of the Bundesbank. Such an appeal could not work in Italy. Without some liberal-leaning rules of the game, a free-market position had neither the arm of the law supporting it nor a narrative strong enough to have an impact.

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The Complex Relationship between Democracy and Freedom

RANDALL G. HOLCOMBE

The Cold War era, from the 1950s through the 1980s, saw a global ideological divide between the capitalist democracies of the Western bloc countries and the centrally planned dictatorships in the Eastern bloc. That ideological divide, both political and economic in nature, associated—especially in the West—democracy with freedom and dictatorship with oppression. Paul Samuelson, in his best-selling introductory economics textbook, characterized the Soviet political and economic system as "suppression of democratic and personal freedom, and collectivist decision [*sic*] to cut down ruthlessly on current consumption in order to enlarge capital formation and development" (1973, 883). Samuelson was well within mainstream Western thinking to describe the Soviet dictatorship as suppressing freedom. Although the Cold War ideological divide had both political and economic dimensions, the political divide clearly associated democracy with freedom.[1] This paper discusses the degree to which democracy creates and preserves freedom.

After the collapse of the Berlin Wall in 1989 and then the breakup of the Soviet Union in 1991, Francis Fukuyama (1992) declared the Cold War victory of the capitalist democracies as the end of history in the sense that the market economy was the

Randall G. Holcombe is DeVoe Moore Professor of Economics at Florida State University.

1. Milton Friedman (1962) clearly associates capitalism with political freedom, as do Friedrich Hayek (1944) and Ayn Rand (1957, 1966). An interesting but separate question is the degree to which political freedom requires free markets.

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