

**THE IDEA OF STATE IN THE “SCIENZA DELLE FINANZE”
FROM ANTONIO DE VITI DE MARCO TO MAURO FASIANI**

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1. Introduction

The interest of Italian scholars in the “Scienza delle Finanze” has been well documented since the 18th century: it is sufficient to refer to the quotations in Cossa (1876), or to the fact that Ricca Salerno, in 1881, was able to write the first draft of his celebrated history of Italian financial thought (Ricca Salerno, 1881).

Perhaps, before De Viti, the “Scienza delle Finanze” is not a science from the modern point of view¹, but it is still concerned with public intervention in the economy, and it is always explicitly linked to an idea of “State”. Indeed, when the authors offer their own definition of “Scienza delle Finanze”, they always refer to the “State”.

In early economic theory, generally, the State did not play a significant role²: in fact, in the neoclassical paradigm it is virtually absent. On the contrary, the theory of public finance cannot fail to consider some social organization, whose primary character is its ability to tax. In the Anglo-Saxon tradition, the reference was generally made to the Government, and the discussion simply took it for granted that in the social organization there was somebody charged with administrating or taking plain decisions about taxes³.

In the Italian tradition, however, from the very beginning, the word “State” was used instead of the word “Government”: in my opinion, the reason is that the Italian tradition originated from the German studies in the “Socialwissenschaften” (social sciences), in which the “Staat” played the dominant role. Obviously, in that context, “Government” and “State” convey the same identical idea; semantics, however, is not a trivial matter, as Samuelson once said: the Italian tradition in Public Finance became concerned with the idea of State, and started elaborating political and sociological structures alongside the economic constructs.. The general inference is that the notion of State is at the centre of the Italian tradition.

In fact, perhaps the most intriguing problem of the Italian tradition is really the relationship between the State, collective needs, and public goods, even though the effects of taxation or the distribution of the cost of public activity are surely central issues. For this reason, this paper focuses on the above relationship, in order to highlight how it evolved over time and affected the explicative content of the subsequent approaches. To this end, the paper reviews the most representative Italian scholars, starting from De Viti de Marco⁴ and ending with Fasiani, conventionally considered the first and the last scholar of the Italian tradition.

This paper is organized as follows: Section 2 is devoted to the economic institutional function allotted to the State; in Section 3 public needs and public ends are discussed, while in Section 4 the attention is focused on the political and ethical assumptions about the State. In Section 5 alternative political and sociological approaches to the State are considered; the last Section presents some final remarks.

2. The economic institutional function of the State.

In this section, the point in discussion is the institutional character of the State from the economic point of view. At the origin of the Italian tradition, in fact, the debate was whether the State had the economic function of being a producer or a consumer of public goods. Sax opposed the previous

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¹ According to Pareto, it is a Science only in name: see the letter to Sensini, quoted in Fasiani (1949, p.132).

² See De Viti 1888, p.153 note

³ Of course, some of the decisions concerned public expenditure but it should be pointed out that the latter was not so important, since it had to be kept to the lowest possible level.

⁴ De Viti may be considered as the founder of the theoretical “Scienza delle Finanze” intended as a coherent and exhaustive structure, possibly based on marginal utility.

theories, based on reproductivity (Stein) and on productivity (Wagner)⁵; as far as we are concerned here, what characterizes his approach is that it is the single individual who feels the needs, and that marginal utilities are the primary element of the analysis. Thus, Sax's approach, followed in Italy by Ricca Salerno and Graziani, seems to be based on the demand side, because its main theoretic effort is directed to the analysis of public needs.

On the other hand, De Viti's approach was considered as based on the productive aspect of public activity:⁶ it is well known that production is the general principle to which De Viti related public economic activity. For instance: the State financial activity "is first and foremost a productive activity, whose ends ... is to transform taxes into public services" (De Viti, 1888, p.61); the State is simply "the general public itself organised for the production of determined goods" (De Viti, 1914, p. 9); public economics "studies the productive activity of the State" (De Viti, 1939⁷, p.32). Thus, we could say that De Viti's approach is mainly based on the supply side, even if in the final version, he devotes some space to the discussion of the public needs.

However, even if there are no doubts that De Viti highlighted the productive side and Ricca Salerno and Graziani the demand side, it seems fair to point out that both approaches are not, as it was stated, "unilateral visions of the complex phenomenon" (Montemartini, 1902, p.3). Both theories contain the final synthesis as well, insofar as both of them reach an equivalent to the Samuelson efficiency condition for public goods (Fossati, 2006, Section 2). Thus, I would suggest that the economic institutional character of the State is the economic cooperation, which plays the role of the invisible hand in the private economy.

On the other hand, the core of public finance is the choice of the public services, the correspondent quantities, and the manner in which their costs are distributed among the individuals⁸: both theories are concerned about all these issues. Thus, Fasiani (1932) was right to label both approaches under the name of "hedonistic theories"⁹ and we can only agree, because in the modern approach we are used to Governments taking qualitative and quantitative decisions about the production of public goods and the distribution of the relative cost, even if their choices are previously voted by the citizens.

Flora borrows from De Viti, because he states that "from the economic angle" the State is "the highest form of political cooperation, because it is simply an enterprise, cooperatively structured for the necessary satisfaction" of public needs (Flora, 1909, p.5), and indeed he quotes De Viti (1888, p.97): "the State is the same community cooperatively organized in order to satisfy the needs that the private industry ... [is] not able to satisfy" (Flora, 1909, p.5, note 1). However, in the same sentence, he also states that the State may be defined as the organ "which regulates with coercion the public action". Indeed, for him, coercion is an essential character of public needs which, in turn, determines the public action (Flora, 1909, pp.2/3). Thus, for him, coercion can be managed together with cooperation, hence his views are quite different from those of De Viti.

Mazzola and Montemartini, are assumed to have different ideas about the economic role of the State. Mazzola stresses the State as "political cooperation"; nevertheless, although it is true that his public needs are complementary to the private ones, his equilibrium is based on marginal utility. In fact, Mazzola's equilibrium is obtained when the price for each citizen is related "to the maximum he is able to give, according to the marginal utilities that the goods have for him" (Mazzola, 1890, p.172). Thus, in his framework there is no place for the usual coercion connected with the political organization of the

⁵ See Ricca Salerno (1887).

⁶ This interpretation of de Viti's thought goes back to authors of the Italian tradition of public finance, such as Mazzola (1890, p.119 ff.) and Conigliani (1894, p.30), Graziani (1897, p.43/44), Montemartini (1902, p. 1; 3/4).

⁷In this work, quotations from De Viti (1939) refer to the 1953 edition which is a reprint of the final edition of 1939. The 1939 edition, which is almost identical to the 1934 edition of the *"Principi di Economia finanziaria"*, derived from the 1928 *"Primi principi di Economia finanziaria"*.

⁸ This statement is a mere truism: what is relevant it is the effort to explicate the observed facts about public services, their quantities, and the distribution of costs.

⁹ According to Fasiani, the two theories of Sax and De Viti are similar: "frequently the two theories were considered as equivalent, and expressing the same concepts; frequently, too, they were misunderstood and represented under different cover" (Fasiani, 1932, p.127).

State¹⁰. It follows that he is really considering an “economic cooperation”, like Ricca Salerno, Graziani and De Viti do.

The same objection may be raised concerning Montemartini: his political enterprise refers to the marginal productivity of the factors of production. However, his position is not crystal clear to me, in so far as his political entrepreneur develops a power of coercion in order to allocate the cost of public goods among the community. The idea is to investigate the economic action of the State as an enterprise; the latter is considered a “way of organizing the various factors of production entering into a process of production (Montemartini, 1900 p.137). Thus, for him “every political organization is an industrial enterprise” (Montemartini, 1902, p.12), while “the object of the political entrepreneur is not to satisfy whatsoever particular need, but rather to give birth to a power of coercion in order to allocate the cost of certain goods among the community” (Montemartini, 1902, p.14). In conclusion, from one side the State has the economic nature of an enterprise, while on the other side, as political entrepreneur, has a political nature.

Turning to Fasiani, for him the State is neither a mere producer of goods nor the final synthesiser of demand and supply, because the activity of his public group is defined as: i) the production of the goods necessary to attain its ends; ii) the use of privately produced goods in order to pursue its ends; iii) the distribution of the corresponding costs among the individuals that form the group; iv) the redistribution of wealth among the group (Fasiani, 1941, vol. I, p.24). It seems to me quite significant that such a picture corresponds to the modern national accounting definition for the Government, even though this is not an axiomatic definition.

A problem is posed by the fact that De Viti seems to have accepted an updated version of the reproductivity theory, originally proposed by Stein in 1860¹¹, since that theory apparently implies an economic role different from the economic cooperation as intended above: for reason of space, here it is possible to recall only the main conclusive views, starting from the original Stein proposition. The latter may be reported as the existence of a link between taxation and public expenditure based on the law of value, whose economic nature is the fact that, what is taken off by the tax, comes out again in the national income, possibly increased, since public services are productive. Such theory was the object of a debate between Fasiani and Einaudi¹², because, in certain passages, both De Viti, Einaudi, Pantaleoni and Mazzola may be considered quite near to that theory.

The fact is that De Viti, when looking for a rationale to justify direct taxation in his cooperative state, after having identified the national accounts identity between national income and the value of final products, argued that the cost of public services –useful to everybody– had to be distributed according to net income. He was reasoning under the assumption of the polar case of the cooperative State: then, under the hypothesis that public services are complementary goods (are true productive factors) it turns out that every unit of produced income contains its share of the cost of the public services. It follows that taxation is the counterpart of that cost, and in his words “every unit of the produced income is born with its correspondent burden of the tax debt” (De Viti, 1939, p.222). Thus, he succeeded in overcoming all the critiques raised against reproductivity theory, but the hindrance is that such theory does not match with the framework I have pointed out above.

Mazzola himself may be included among the partisans of this reproductivity theory¹³, because his crucial point is that public goods are complementary to private goods, that is to say that public goods are factors of production for the private goods. Thus, De Viti’s reasoning may be applied to his approach as well, because his social cooperation grants no individual rents.

For Einaudi, the question is far more complicated. On the one hand, he proclaims that the State is a factor of production, and his approach seems quite similar to that of De Viti. He states: “the state is

¹⁰ Actually, the coercion “is but the *external appearance* or the juridical sanction of the consolidation of the production cost of public goods” (Mazzola, 1890, p.173), italics added.

¹¹ Quoted from Ricca Salerno, 1887, p.381.

¹² See Fasiani (1941), Fasiani (1942), Einaudi (1942a), Einaudi (1942b). Probably, the point was that the reproductivity theory could have had a direct implication on the question of the double taxation of saving.

¹³It is true that Mazzola criticizes Steins’s approach, but mainly because Stein “exchanges the effect with the cause” (Mazzola 1890, p.112). In fact, “the idea of Stein is more true than recent critiques might pretend” (Mazzola 1890, p.110), and his “principle of ‘vital reproductivity’ expresses a general undisputable verity” (Mazzola 1890, p.111)..

neither the only, nor the first factor of production, but like the others, it is a factor which must take part to the most economic combination of factors, in a larger or smaller quantity, according to the ends that one is pursuing” (Einaudi, 1919, p.198). He believes in a “modern State”, in which the power is managed in order to promote the welfare of all citizens, because everybody participates, through appointed agents, in their collective interests. On the other hand, in the debate with Fasiani¹⁴, he was forced to admit that “it is evident that public services ...are not productive factors in the usual meaning of the word” (Einaudi, 1942, p.305); in fact, the State is a factor of production “*sui generis*” (p.313), similar to Marshall’s externality (p.307), and in that case the reproductive theory is no longer correct.

3. *The ends of the State.*

In this section, the attention is focussed on how each author considered – in his own “Scienza della Finanze” – the link between the State, public needs, public ends and public goods. First of all, it is perhaps useful to recall that ends of the State were political objectives, whose achievement generally implicated material goods, which had the character of satisfying collective or public needs.¹⁵ As for the State, in the early “Scienza delle Finanze”, it was considered a mere premise to the economic reasoning. Its notion was borrowed from German social studies, either from the juridical science, or from sociology, where, in the second half of the 19th century, the organicism was dominant.¹⁶ However, at the time of De Viti, the organicism was no longer generally accepted, even though some scholars, rightly or wrongly, were accused of being organicist: see, for instance, Conigliani vs. De Viti¹⁷.

For reasons of space, only a few representative authors can be discussed here, beginning with Roncali. His manual¹⁸ (1887) might have been considered quite a good one by his students, because it is clear and gives well-balanced information about the State financial administration¹⁹. His main sources are the German authors, and for him the national economy can be split into the private, public and mixed economy. The public economies are the economies of the State and of the local jurisdictions; “scienza finanziaria” or public finance “includes every phenomenon regarding the economy of the State and of [local jurisdictions]” (Roncali, 1887, p. 2). As for the State, he thinks that it “carries out two basic functions, i.e.: i) the juridical function, that is the guarantee and protection for an orderly cohabitation; ii) the moral-economic function, that is to say the action directed to promote material welfare and people’s culture”²⁰(Roncali, 1887,p. 4). In short, for Roncali the State is an economic organization (p.5) with juridical personality (p.9) and the power to tax (p.10).

Turning to De Viti de Marco, first of all it is interesting to note that he seldom mentions the “Scienza delle Finanze”²¹. However, he uses the expressions “economia finanziaria”²² (financial economy), “finanza pubblica” (public finance) or “economia pubblica” (public economics) indifferently. From the beginning to the end of his scientific activity, he employs the State for defining public finance, which studies “the phenomena deriving from the financial activity of the State” (De Viti 1888, p.67), or “the productive activity of the State, directed to the satisfaction of the collective needs” (De Viti 1939, p.32).

¹⁴ See next Section, below.

¹⁵ See for instance Graziani (1897 p.20) and Mazzola (1890, p.63/64). Of course, the statement is referred only to the authors that considered public needs.

¹⁶ See Seligman, (1927), pp.19 ff.

¹⁷ According to Conigliani, De Viti assumes a State, which is “a subject which has certain needs and acts towards their satisfaction and as a protagonist which determines the very needs that are the driving force behind public financial action” (Conigliani, 1894, p.29). Besides that, De Viti’s error is that the State cannot “be conceived as a political organism or as a subject able to have its own ends” (Conigliani, 1894, p.111 of the Italian original).

¹⁸ Roncali presents his work as “a summing up of the results of the current science in the matter of financial phenomena”, but I am afraid that his book could be a good specimen of the Public Finance heavily criticized by Pareto, in so far as it consists in “raw material, including scientific theorems, description of institutions, suggestions, recipes, remarks and prescriptions” (Fasiani, 1949, p.136) or, in the world of Einaudi “a batch of practical precepts, rambling discussions of philosophic and political themes and legal comments, and desultory application of definitions and of economic laws” (Einaudi, 1936, p.16).

¹⁹ For him, public finance (scienza finanziaria) “is part of political economy; however...it is to be included... in the Science of Administration, of which it represents an important branch” Roncali (1886, pp.12/13).

²⁰ Two years later, Roncali published a book about morals in the tax systems: see Roncali *La morale nei sistemi tributari*, 1888, quoted in Fasiani (1932, p.135, note).

²¹ See De Viti (1888 p.59), (1939 p.32) for two of the few occasions in which the expression “Scienza delle Finanze” is used.

²² Note that De Viti’s books contain “economia finanziaria” in their titles. It is true that “Scienza delle Finanze” appears in the title of the students’ notes taken from De Viti’s lessons, but the reason is that “Scienza delle Finanze” was the name of the subject taught by De Viti.

Although De Viti mentions the word State very extensively, in 1888 he does not bother to explain what he means by it. The reason is that he uses it according to the common meaning of the term, which, at the time, was basically derived from the German juridical studies. The reference to the State is uncommitted, because only the ends of the State (or its actions) are relevant, but they depend on public needs. Accordingly, in De Viti's 1888 framework, the needs of the State are all that counts, but they are simply taken as a premise of fact. In his words: "the needs of the State are the only condition for public economic actions" (De Viti, 1888 p.58), and "the needs of the State are simply postulates" (De Viti, 1888 p.59). In 1939 De Viti does give a definition: the State, as "financial agent, is not a physical person ... but it is a juridical person, it is the political organ which at times sums up in itself the community, at times represents it, and in any case acts for the whole community". Thus, it is possible to infer firstly, that for De Viti it is crucial that the State acts as an agent of the community²³. Secondly, it has a political character, which springs from the need to conciliate the diverging interests of the individuals²⁴. In 1939 his basic ideas have not changed: "public (or financial) economics studies the State productive activity, aimed at the satisfaction of collective needs" by means of public services (De Viti, 1939, p.32), and "State economic activity arises from collective need, that is from a painful feeling of the individuals that belong to the social community" (De Viti, 1939, p.33). Collective needs could seem to be no longer a postulate, since he develops the notion of collective need, connecting it with the contrast of interest due to social cohabitation. From that he is thus able to classify collective needs (De Viti, 1939, pp.37-38), and such a classification is used to identify public services (De Viti, 1939, pp.42 ff.), i.e. to mark out the State activity.²⁵ This by no means helps to further understanding of De Viti's thought, but it adds little to the core of his 1888 treatment²⁶: needs are postulates, public activity is the production of public goods that are able to satisfy the needs.

Sax is not an Italian scholar, but he had great influence on some Italians; for this reason, perhaps it is useful to remember that for him the State is always "the whole series of the different human communities, that appear as coercive durable unions, and that end into the State intended in the strict meaning of the term" (Sax, 1887, p.4). In the opinion of his Italian follower Ricca Salerno, for Sax the State is just "the whole set of the single individuals" (Ricca Salerno, 1887, p.305). Graziani's approach is borrowed from Sax via Ricca Salerno: thus, a non minor problem is the use of the Saxian peculiar terminology and/or constructs.²⁷ For Graziani "the study of the characters and uniformities of finance is the object of the *scienza delle finanze*" (Graziani, 1897, p.2), where finance is the revenue that political groups (State and local governments) need to reach their own ends (Graziani, 1897, p.1), and the need is the painful feeling deriving from the lack of material goods. For him, "the collective need, that has its roots into the political collectivistic cohesion, is inserted in, and nested to, the individual need" (Graziani, 1897, p.23)²⁸: it follows that needs are premises of fact.

Graziani takes the idea from Sax that public services cannot be material goods, so that he has to go on stating that "he who gets the service, needs not the service, but the material goods necessary for its provision, including that part of wealth that must be given to those who provide the service, and that will be used to satisfy the individual need of the providers. In that way, owing to the social specification of the functions, somebody's individual need turns into the individual need of the other" (Graziani, 1897 p.21).²⁹

²³ As such, it necessarily has a juridical personality: this statement might be derived from the juridical framework predominant in the early Italian tradition, originating from German social studies. It is a fact, however, that De Viti's teaching was delivered in the Faculty of law.

²⁴ The statement that the State either "sums up in itself" or "represents" the community is not crystal clear, but should be referred to the fact that sometimes the interests of the individual more or less coincide but that they often diverge.. Actually, in discussing collective need, the idea of diverging interests is conveyed by means of an algebraic sum, opposed to the arithmetical one. (De Viti, 1939, pp.36-37).

²⁵ It seems significant, however, that De Viti finishes by singling out public services substantially in the same way as in the previous editions of his book, in which the classification of needs had not yet appeared. See Fossati (2006, p.102)

²⁶ That "the needs of the State are simply postulates" is also literally confirmed (De Viti, 1939 p.47, note).

²⁷ See the questions of the impossibility of producing immaterial public services or the cumbersome contribution of the civil servants to the general wellbeing, which Graziani inherited directly from Sax, to which the Graziani "relative utility principle" may be added. For a discussion of these problems, see Fossati (2003, p.109-110)

²⁸ This, however, is a quotation from Sax's *Grundlegung*.

²⁹ For those who might have difficulty in understanding, Graziani refers to the original: "About all elementary notions of end, need, wealth, work, expenditure, see the mentioned work of Sax, *Grundlegung der Theoretischen Staatswirtschaft*, Wien, 1887" (Graziani, 1897, p.22 note).

Mazzola does not seem much concerned about the State: he takes it for granted that “financial economy studies the laws of satisfying collective needs” (Mazzola, 1890, p.51). For him, the basic nature of the collective need is crucial in order “to determine the object and the role of public finance” (Mazzola, 1890, p.52). His fundamental point is that public needs are complementary to private needs, since public goods are only a means to get utility from private goods. Thus, from this point of view, he is not directly interested in the idea of State: in fact, he criticizes the current notions of State – atomistic, organicistic, and political. For him the State “is not an autonomous organ, nor has functions of its own, in so far as it has developed slowly inside the social organism, in order to reach some common ends” (Mazzola 1890, p.49). Since Mazzola’s efforts are directed to ascertaining *the common ends*, or *the ends* of the political cooperation, the State interests him only as a means of political cooperation³⁰. The latter has the peculiar character is that its ends are just “conditions aimed at obtaining – or at better obtaining – every other individual and common ends” (Mazzola 1890, p.39), because political cooperation “represents the condition to obtain all the other ends” (Mazzola 1890, p. 41).³¹

Conigliani refers to the State only implicitly: “pure” public finance aims to “rediscover the true inner nature and laws of causality of public finance phenomena” (Conigliani, 1894, p.28). For him, the subject that feels the needs “that are satisfied through the action of the State...is not the bodyless organism of the State, or the sum of the citizens taken as either subjects or individuals, but some of the subjects” (Conigliani, 1894, p.36). Thus, he is not particularly interested in the State, which is a mere frame, because the real choices are taken by the few people that hold the political power: still, the State is relevant insofar as it has the power to coerce. The individual is “bound to the State by a political relation of authority rather than an economic one” (Conigliani, p.39).

Montemartini discusses at length the notion of State of the other scholars, but his interest is in political organization, which he considers as an “industrial enterprise” (Montemartini, 1902, p.12). Thus, for him the theory of public finance “identifies the financial phenomenon as the activity of an industrial enterprise, whose aim is to allocate the cost of certain activities on the whole community” (Montemartini, 1902, p.30). For him, the crucial point about the State is that any political organization is an industrial enterprise (Montemartini, 1902, p. 12), while the political enterprise “may be defined as ‘a productive organization designed to obtain the participation of an entire community in the purchase of given goods or services’ ” (Montemartini 1900, p.138). Montemartini keeps the distinction between private and public needs, but, for him like for De Viti, “the fact of being public is determined only by the way in which it is satisfied”, i.e. the needs are public if they are satisfied by a goods produced by a political enterprise (Montemartini, 1902, p. 9). Thus, his collective needs are, in fact, private needs, but he maintains that they are assumed as an external hypothesis, and that goods are necessary to satisfy them.

Francesco Flora seems very interested in the notion of State. According to him, the financial economy “studies the laws of the phenomena originated by the financial activity, the less expensive ways among the several ones suggested to political institutions by caprice, lack of knowledge, empiricism, in order to achieving the revenue they need” (Flora, 1909, p.11). But, then, in the words of Griziotti, he admitted in the *Scienza delle Finanze* “the three elements political, juridical and scientific”, different but not separated (Griziotti, 1929, p.7). The fact is that his main interests are practical problems: for methodological questions he borrows from other authors, in particular on De Viti. Thus, it is not possible to distinguish private from public needs, public goods are those that satisfy public needs, and goods are privately or publicly produced according to the minimum cost.

Barone begins his work with the sentence: “Public finance studies the economic activity of the State directed to the satisfaction of public needs” (Barone, 1912, p.5), but he points out that “the State is not above or outside the individuals that make it: it has no ends of its own to pursue, nor mission to accomplish” (Barone, 1912, p.7). On the other hand, it is not possible to define public needs, insofar as

³⁰ Montemartini (1902, p.4) says of Mazzola: “in general, the State is considered as a cooperative power, or, still better, as the most advanced kind of cooperation, which works when individuals, on their own, are not able to reach their end ... without the political association”.

³¹ However, as I have pointed out at the end of the last section, economic cooperation is the real interest of Mazzola.

that the latter “are those that in a certain country and in certain time are considered as such” (Barone, 1912, p.6). In fact, as usual, public goods are those that satisfy public needs, but it is the politically dominant class that determines both the choice of the needs to be satisfied by the State, and the distribution of the correspondent cost among the individuals (Barone, 1912, p.7). He rebuts firmly the reasoning of the marginal school: the only individual calculus is “between total cost which he is compelled to pay for public services and the cost to which he would come across if he gets out of the community” (Barone, 1912, p.14). In conclusion, “private persons do not demand public goods. The size of the supply of public goods is determined by a majority (*de facto* or legal fiction) which makes decisions by direct vote or through delegation. This leads to the establishment of the burden of taxation, which will be distributed according to certain established principles ... Every single individual must undergo such a burden. If the majority ... imposes too much on the single individual, there will be reactions ... Such reactions may take the form of fiscal fraud ... or of emigration of capital ... or of direct emigration of persons ... or finally, takes the extreme form of revolt or revolution” (Barone 1912a p. 167).

Murray is very concerned about the notion of State, but his definition of public finance is quite standard: it is “the study of the uniformities regarding the financial activity of public institutions, and specifically of the State” Murray (1917, p.14). As we shall see, however, for him such uniformities have at the same time a political and an economic character. For him the State “as generic expression, is a necessary consequence and at the same time a necessary premise of social life” Murray (1917, p.5), but “as outcome of a system of forces, it represents the fact that the stronger forces prevailed on the weaker ones. Such occurrence may be owed to the possibility of coercion by violence or by moral authority” Murray (1917, p.5). Thus, public needs are determined by the prevailing classes.

It is perhaps worth mentioning that for Pareto “l’Etat est déjà une abstraction, car, en réalité, il n’existe que des hommes qui sont gouvernés” (Pareto, Cours d’Economie politique II (1897) p.55 [quotation from Seligman, 1926, p.23]) ; thus, for Borgatta and Sensini, following Pareto, the State is an abstraction, a juridical fiction, since only relations among individuals are relevant, specifically those concerning the social classes. More than that, public finance pertains to sociology, and economic hypothesis cannot suffice for the deduction of financial uniformities, because for most problems the related sociological processes have to be considered. Thus, they are quite critical of the marginal school, starting from the notion of public needs: “the word public or social needs is useful to the governing classes, which such needs direct and administer, ... to let the dominated classes, which pay the costs, believe that they are directed instead to satisfy their needs” (Borgatta, 1920, p.10). Finally, public goods are not given great consideration, because “the main public activity is flows of income between dominated and dominant classes” (Fossati, 2003, p.116).

Fasiani gives a definition of public finance that resembles De Viti’s the first definition: “Public finance studies the uniformities [relating to] part of the economic activity of the public group” (Fasiani, 1941, vol.I, p.31), but he does not use the term “State”, because he employs the more general notion of public group, to which he devotes considerable attention. Probably, his starting point is the idea of social or political cooperation taken from Mazzola, but he certainly draws from the seminal article of Seligman (1926). The fact is that for him social cooperation involves the activity of groups, which may be either private or public, but it is impossible (and useless) to distinguish private from public needs, or private from public goods, because public goods may only be defined as those that satisfy public needs. In turn, public needs are those satisfied by an activity of the public group. It is therefore necessary to identify criteria to single out the public group, i.e. the characters of the public groups, hence he works out four characteristics which, jointly, single out the public group. These characteristics are: i) the universality (the group includes all the members of the community); ii) the coercion intended as indissolubility; iii) the heterogeneity and variability of the needs satisfied by the public group; iv) the indefectibility, or the inexistence of limits to its duration. As a result, a lively debate on the characteristics of the public group developed among Italian scholars including Gangemi (1940), Cosciani (1944), Arena (1940), and in particular Einaudi (1942, 1943a, 1943b) and Fasiani (1941, 1943).

Whatever the real motivations³² might be, the Einaudi-Fasiani controversy ended with Einaudi maintaining that the characters of the public group are historically contingent, while Fasiani considered Einaudi's arguing by historical examples not crucial, insofar as the examples could be considered peripheral.

In conclusion, the Italian public finance scholars did not always define the State, but it seems that they based their analysis on the idea of State³³: sometimes they directly referred to it (De Viti, Barone, Murray, Graziani, Flora), sometimes only indirectly. De Viti explicitly considers the State as an agent acting for the community, but often the authors that comment on the State, use a negative approach, since they point out what the State is not: i.e. it is not a sentient being, it has "no ends or mission to achieve", etc. Certainly, definitions such as "necessary consequence and premise to social life" do not take us very far from the common meaning of the word. Years later, Einaudi ended with a tautological juridical definition such as: "the State is any organization which is defined (or results) by virtue of the law existing in a certain territory" (Einaudi, 1942, p.199). All in all, however, I would say that Montemartini was perfectly right: at his time, the scholars "considered the State but a premise of their reasoning, and in the representation of the phenomenon they borrowed either from the juridical, or from different sociological notions" (Montemartini, 1902, p.11-12). On the other hand, at the end of the Italian tradition, Fasiani and other authors discussed at length the necessary characteristics that identify the public groups.

Still, the State was not always relevant in dealing with the crucial question of identifying the collective needs. From after 1888 until 1939, De Viti connected collective needs with the contrast of interest, but nevertheless he maintained the expedient of considering the need as premise of facts, and his example was followed by many, like Graziani and Flora. For Mazzola, it is the complementarity characteristic that identifies public need. Barone bypassed the question simply defining public needs as those that are considered as such, so that public needs and public goods depended on the choices of the politicians. For Borgatta and Sensini public needs is a typical Paretian derivation, i.e. a construct useful to the governing classes to let the dominated classes, believe that the actions of the dominant class are directed to benefit the dominated class.

Beyond the needs, however, the problem was the goods that the State had to provide. This problem was solved by De Viti using the principle of minimum means³⁴, because for him the private or public provision depends only on which has the lower cost. Flora and Fasiani, among others followed his example; the Saxian school, which was dominant initially, solved the problem by using marginal utility, owing to the strict correspondence between needs and goods. Some authors then began dealing with the predominance of some individuals or classes over the others: thus, the attention was focussed upon the private coercion within the State, and its coercive character came to the forefront. The point is that the first authors did not ignore the coercive character of the State, but it had little importance for them: it was considered as an obvious, practical way to limit free riding. Now, on the contrary, not only was it considered the most important feature of the framework, but its character also changed, because coercion became substantially private, since it is considered to be carried out by some individuals or classes against other individuals or classes.

4. *Meta-economic assumptions about the State.*

This section points out that that political, ethical or sociological assumptions were necessarily involved in working out the theoretical constructs of the Italian tradition. The latter shares with modern public finance theory the concern about efficiency (the "supremo" principle of minimum means), but it could not do without recourse to political assumptions about the State. In fact, the reason is that Italian scholars were looking for uniformities regarding the real world (i.e. they followed the positive approach). However, politics is firmly rooted in the real world, thus the "economia pubblica" could

³² Writing during the war, it is possible that the sympathy for his "modern" moral State induced Einaudi to distrust the Tutorial State proposed by Fasiani, which could have borne a resemblance to the Fascist State: in fact, he avowed "my scientific interest springs from... a moral or political empathy" (Einaudi, 1943, p180).

³³ However, for Loria, as a partisan of the historical materialism, in defining the State, it is the political element that entirely depends from the economic one.

³⁴ See Fossati (2006).

not avoid political assumptions. Thus, some of the authors openly assumed political or sociological hypotheses, while others confined themselves to implicit assumptions, as we shall see below.

On the other hand, modern public finance theory is concerned with efficiency, and has a normative scope only. It introduces a further agent (the Government) into the economic system, which is equipped with the capacity to tax and to grant income transfer outlays; even if it has limited information, it is able to propose incentive compatible schemes. As such, it plays the role of the benevolent despot, and therefore the Government cannot help being a sentient organism with a Bergson-Samuelson objective function. Nevertheless, nobody seems interested in its elusive nature, insofar as the Government is an inhabitant of an ideal world,³⁵ into which politics does not enter, even if the objective function involves value judgements as necessary hypotheses. At any rate, it follows that modern public finance theory is based on the political assumption that those who are charged to take decisions maximise an objective function based on determined value judgments.

In Italy, De Viti was the first to realize that a solid theoretical corpus had to be founded on a number of assumptions and for this reason, he is considered as the founder of the “Scienza delle Finanze”. Here, it seems important to highlight that his well-known Monopolistic and Cooperative States³⁶, firstly, are *political assumptions*; secondly, the cases are presented as polar cases; thirdly, they are proposed as having some historical perspective.

In fact, the Monopolistic and the Cooperative States, firstly, are a *political assumption*, essential to De Viti’s scientific framework. From this angle, he develops logical constructs based on hypotheses, i.e. he is carrying out scientific investigation. In his words, “methodological necessity requires that some kinds of State are considered. Theoretic investigation shall depend on the rules governing the State, taken as hypothetical premise of financial analysis. The theoretical result shall be ‘true’ within the assumed conditions, and it shall have ‘appliance’ when the assumed conditions are or become the real conditions” (De Viti, 1888, p.90/91).

Secondly, the cases are presented as polar cases, i.e. he considers that:

- i) politicians are an essential feature of the world;
- ii) their operational behaviour differs greatly according to time and space;
- iii) conceptually, it is possible to conceive limit cases of behaviour for the politicians, so that the behaviour of any real class of politicians is necessarily a blend of the limit behaviours;
- iv) the closer the real behaviour gets to the limit, the higher the explicative value of the analysis of a limit case.

Thus, from this point of view, De Viti’s proposal of the polar cases can be appraised as a major methodological tool, independently of the critiques that can be made of his analysis.

Thirdly, De Viti proposes his polar cases in the historical perspective, insofar as his opinion is that there is some sort of evolution, starting from the absolute state and moving towards the democratic state, i.e. from the Monopolistic towards the Cooperative State. In his words: “in the historical evolution, the Monopolistic State does not represent a point of rest, of peace, of equilibrium. ... Thus, peoples are moving towards a popular organization, towards the Cooperative State, which represents, in the ‘economia finanziaria’, a point of arrival and of political equilibrium” (De Viti, 1939, p.42)³⁷.

De Viti defines his *Monopolistic State* by stating that the politicians manage power in the exclusive interest of the class to which they belong, while his *Cooperative State* is characterized by the fact that the power is managed in order to promote the welfare of all consumers as in a cooperative enterprise, where everybody participates, directly or through appointed agents, in their collective interests. However, he was mainly interested in the latter polar case, which he thought very similar to modern States, apart from more or less important deviations due to political elements.

Pantaleoni has not been mentioned here, even though his contribution to public finance is outstanding. The fact is that he surely belongs to the marginalistic school, insofar as he was the first to use the

³⁵ In the public choice approach the Government is more factual: it encompasses politicians and bureaucrats from the supply side, and (possibly median) voters from the demand side. For the similarities between the Italian tradition and the public choice approach the classical reference is Buchanan (1960).

³⁶ In De Viti’s last books, only two polar cases are mentioned; in the original 1888 book, however, a third case is mentioned, the Tutorial State.

³⁷ Identical propositions, although expressed in softer words, may be found in 1888: see for instance (De Viti, 1888, p. 91).

marginal utility approach in public finance (Pantaleoni, 1883). On the other hand, he seems to have evolved his thought, reasoning about coercion. In fact, one wonders whether, ten years later, he might have assumed the very Devitian political hypothesis. In his words: “the character of financial facts is inherent in the coercion of human actions put into action by a political superior (*superiore politico*) in order to reach ends that may be the maximum own good of the political superior, or of the political inferior, or of both of them... These three cases correspond to the different political regimes of tyranny, of tutorial and of cooperation” (Pantaleoni, 1891, p.6 note, 1964 ed.). It seems to me that this passage should be read in the sense that Pantaleoni did accept the Devitian political assumptions: at any rate, this is the opinion both of De Viti³⁸ and of Fasiani³⁹.

Much of what I have said about De Viti can also be applied to Fasiani, since both consider the polar case of States, apparently defined in the same way;⁴⁰ thus, I am here able to argue that Fasiani’s approach is based on the same political assumptions as De Viti.

At any rate, we can take it that, both in the Monopolistic, in the Tutorial and in the cooperative State, a Bergson-Samuelson objective function is maximised: in the Cooperative State the individual weights are set all equal to one, while in the Monopolistic State the weights are set on the members of the dominant class only, since they are zero for the other members of the community. The correspondence is not perfect, because the Devitian scenarios have different practical implications: and it should be remembered that De Viti is really interested in explaining the real world, in which practical implications are quite relevant. Nevertheless, the proposed paraphrase seems to convey the general idea that De Viti’s economic analysis is based on the search for efficiency (the principle of minimum means), but takes a system of individuals weights as a political assumption. Remembering that modern public finance theory is concerned with efficiency, and that the Government cannot help being a sentient organism with a Bergson-Samuelson objective function, the conclusion would follow that there is no very big gap between the theoretical framework of De Viti, Fasiani, and that of modern public finance.

Federico Flora borrows from De Viti the general framework: thus, we could apply to his analysis what has been said above for the De Viti’s. However, much of his effort is directed not to the theoretical analysis, but to the juridical and political aspects, and he pays much attention to practical precepts, so that his theoretical apparatus shrinks, and is not really compatible with that of De Viti. For instance, he stresses the attention paid to the coercive power of the State, which might contrast with the ideal cooperative behaviour, but which may be perfectly coherent with the idea of determining public needs (or public goods) by voting. In fact, in his modern State (corresponding to De Viti’s cooperative one) “by law, the taxes are voted by the citizens that are taxpayers, and the notion of State become those of a huge cooperative company regarding both the production and the consume” (Flora, 1909, p.20). We may perhaps think that it is not so easy to conciliate voting behaviour with marginal efficiency conditions for public goods; Flora, however, avoids many of the related difficulties because he splits the financial activity into two separate problems: the satisfaction of the public needs and the distribution of the corresponding cost. As a result, his theoretical framework may appear to some extent blurred.

External sociological assumptions seem to sustain Graziani’s approach. In fact, he realizes that it might happen “that the political power – which depends in large measure on the disposal of wealth – permits to the richer classes ... to charge the burden of taxation to the less rich ones” (Graziani, 1897 p.29). But he concludes that such phenomena cannot be relevant, since the tendency towards equilibrium will prevail (Graziani, 1897 p.31).

However, he acknowledges that the relationship between private and public ends “is different in the different historical periods, and even in the same period in different countries” owing to the different prevailing conditions (Graziani, 1897 p.20). Thus, the equilibrium is dependent on the demographic trend and on the development of national income (Graziani, 1897 pp.144-145). This is tantamount to asserting that needs (or public intervention) depend on sociological assumptions.

³⁸ See De Viti (1939, p.48, note). The reference is to the three original polar case of DeViti: monopolistic, tutorial and cooperative States: see above, note 30.

³⁹ See Fasiani (1932, p.163/4).

⁴⁰ For reasons of space it is not possible to examine here the difference between the definitions of Fasiani and De Viti of the three polar cases, which will be the subject of another paper. Suffice it to say that Fasiani also considers the Tutorial State, where power, absolute but paternalistic, is managed in order to promote the welfare of all consumers.

As regards the ethical assumptions, perhaps, one might begin with the Foreword to Roncali's book, in which it is stated that the book "is aimed to fight such notions of petty individualism, that are in sharp contradiction with the principles on which a strong and flourishing State must have its foundation". Now, it is true that he asserts that the State must put into effect "the intellectual and moral culture of the citizens" (Roncali, 1886, p.22), but it is not easy to determine whether he succeeds or not in his claim, because, in general, he is mainly concerned with descriptions combined with practical precepts, and, in any case, one would need to know which principles he was referring to. Nevertheless, it can be inferred that he was involved in a sort of ethical tension that was usual at the time;⁴¹ for instance: "final end of every Science is the spiritual improvement of the general population" (Zorli 1890, p.254).

On the other hand, the point of view of the young Benedetto Croce is well known, i.e. that the State not only brings solitary individuals together for attack and defence, but "fait naître les profondes aspirations morales des individus qui reconnaissent l'univers en eux-même et s'efforcent de les réaliser d'une manière toujours plus belle et plus élevée" (Croce, 1907, p.15). Perhaps, what is surprising is that Seligman states that the differences between the private and the public group "accentuent l'importance du groupe public et qui donnent de la valeur à la belle formule de Croce" quoted above (Seligman, 1927, p.51). Seligman is investigating the social theory of Public Finance, however, and thus he can be expected to stray away from economics.

The case of Einaudi is ambiguous, because from one angle, there is no doubt that Einaudi draws on strong ethical assumptions. In his words: "the modern State is the one –and only that one – in which ends of moral and spiritual elevation are carried out, and thus –but only for that reason– ends of economic welfare are carried out" (Einaudi, 1943, p.46). The fact is that, for Einaudi, the only possible State is the modern State: if politicians do not behave accordingly, i.e. if they only pursue their self interests as in the Monopolistic State, this is a non-State, in so far as, sooner or later, it will dissolve. For this reason, "the dichotomy between State and non-State, which belongs to the world of the reality and of the history, is much more fruitful than the abstract distinction between monopolistic, cooperative and modern states" (Einaudi, 1943, p.47). More than that, Einaudi boldly asserts that "the dialectical contrast between State and non-State, which constantly coexist and struggle to prevail one over the other is – in other places – the eternal contrast between God and Satan, or good and evil, the spirit and the matter", even though, with such statements, he is perfectly aware "to have uttered value judgements" (Einaudi, 1943, p.48).

Einaudi thus diverges seriously from De Viti, in so far as he charges his own "modern State" with ends of moral and spiritual elevation. In fact, he states that men do not pursue the goal of maximising material goods only, but spiritual goods as well, like "the independence of their nation, the preaching of a religious doctrine, the pursuing of a life ideal, the achieving of a high level of culture, the maintaining of individual freedom" (Einaudi, 1941, p.291). He is right, of course: but then he wanders into a twofold meta-economical area, political and moral, where it is difficult to arrive at rigorous meaningful propositions. In any case, the public production of "spiritual" goods creates potential problems for national accounting because they must still have a cost, which necessarily reduces them to trivial public services⁴².

On the other hand, one might say that his analysis is based on the political assumption that the Government maximises the welfare of the citizens. In fact, it is true that he professes the liberalism as a "life ideal that springs from categorical moral imperatives" (Einaudi, 1943, p.67, note), which necessarily conditions his way of being an economist. But his liberalism is combined with a passionate apology of the State⁴³ and of taxation: the latter, in particular, "is a necessary condition to maximise the fecundity of men's wealth" (Einaudi, 1941, p.197). This is so because, like Pantaleoni (1883), he thinks that in his modern State "citizens appoint to their parliamentary representatives the calculus of the benefit of public services and of the means to produce them", while "the representatives come to the decision to produce a new service if they are convinced that, for the community, the advantages are

⁴¹ However, ethics still have important implications in economics: see Evensky (1993), Fossati (2004)

⁴² See Ricci (1942, p.434)

⁴³ See Ricci (1942, p.424)

higher” than the status quo ante (Einaudi, 1941, p.193). But even a “corrupted, inept and tyrannical government” is far better than anarchy (Einaudi, 1941, pp.204-205).

Such an opinion coincides with De Viti’s concerning Cooperative State, and thus, from this angle one could conclude that Einaudi’s “political assumptions” are the same as De Viti’s: the power is managed in order to promote the welfare of all citizens, because everybody participates, through appointed agents, in their collective interests.

Apart from the pre De Viti authors (conventionally, the pre scientific ones), Einaudi’s ethical position is not generally shared by the other Italian scholars⁴⁴, because, at that time, they already had the notion that value judgements should be taken as assumptions, external to the economic reasoning, and were concerned with either political or sociological approaches. Morals certainly did not enter into their politics or their sociology. Some ethical qualms might perhaps have emerged in the sociological approach, but definitely not in the world of their sociology, inspired by Pareto.⁴⁵

5. The political and sociological approaches to the State.

In Section 4, political assumptions have been discussed, the point being that the scholars carried out their *economic* analysis having assumed specific political hypotheses about the State. The idea was that, since political assumptions were taken into account, the economic behaviour was dominant. Nonetheless they were fully aware that the attained economic explanations provided could not immediately apply to the real world, owing to the “political factor”, i.e. owing to the fact that the political hypotheses assumed were different from the reality. Thus, a residual political factor played the minor role of a disturbing factor. De Viti, for instance, was quite conscious of the political factor in his Cooperative State: “a political element, more or less active, is almost always part of the financial phenomenon, and therefore it must be accounted for” (De Viti, 1939, p.47).

In this section, on the other hand, we are dealing with quite a different kind of analysis, *political or sociological*, i.e., we are dealing with the fact that, in order to explicate public intervention in the economic system, the scholars resorted *directly* to the political or sociological reasoning, more or less leaving aside economic analysis.

Conigliani is the first to realize that at least part of the investigation must be carried over into the realm of politics, because economic analysis does not have sufficient explicative powers. Indeed, in Conigliani’s analysis there is a definite dichotomy: public finance is an economic matter as far as public expenditure is concerned, but it is a political one in terms of distribution of the corresponding cost. In his words: “in order to arrive at a positive and complete theory of the phenomena of public finance, the economic phenomenon of public expenditure must be kept separate from the political one of public revenue” (Conigliani, 1894, p.42). For him, in fact, “the action of the State does not aim at the satisfaction of the community, but is a means by which some move towards the maximum individual satisfaction, at the expense of others” (Conigliani, 1894, p.34). He observes⁴⁶ that “the tendency towards the hedonistic collective maximum is nothing but the altruistic aspiration of some individuals which, like any other individual tendency, finds itself in contrast with the more egoistic tendencies of other associated members” (Conigliani, 1894, p.35). Indeed, the political organization is but “the means of preventive or successive⁴⁷ coercion against some individuals or social classes” (Conigliani, 1894, p.36). Those who govern tend to conform to the economic principle of the minimum means in deciding public expenditure, but in distributing the correspondent burden, they “exercise an act of authority, which is subject to political laws and finds its reason and limits in the realm of politics” (Conigliani, 1894, p.41).

⁴⁴However, I cannot rule out Italian scholars being concerned with moral ends (or needs) of the State, more or less incidentally; for instance, in his critique of Mazzola, Conigliani mentions “moral and intellectual development” among the State needs (Conigliani, 1894, p.34).

⁴⁵ Basically only two of Pareto’s pupils, Borgatta and Sensini, belong to the Italian “sociological school” but Lolini and Scalfati could be added: see Scotto p.470 note 31.

⁴⁶ This observation is part of the argument of his heavy criticism of De Viti, Sax and Mazzola.

⁴⁷ The translation erroneously reads “repressive” instead of “successive”

The choices regarding the kind of public goods, and the corresponding quantities, are made as in the marginalistic theories (Sax, De Viti, Graziani, Mazzola, and also Pantaleoni⁴⁸) in so far as the evaluations of those who govern are “determined by the intensity of the public needs that results from their own opinion and from the interest of the classes that are able to exert political influence on them” (Conigliani, 1894, p.126)⁴⁹. That is to say that in the area of public expenditure “the same economic laws operate which are at the basis of the private activity” (Conigliani, 1894, p.41).

On the other hand, the basic uniformity that regulates public earnings, raised to fund public expenditure, “is not an economic law, but a political one”. Conigliani states such uniformity as follows: “revenue finds its reason of being, the necessary form, its object and sources as well as the extent of its limits, in the power of authority which the government in that given political moment can exercise against the social class from which it intends to draw the revenue” (Conigliani, 1894, p.42).

Apart from the respective reasoning, it is not easy to distinguish this final position from that of Montemartini. In fact, it is true that the latter founded his own construct on the idea that political organizations are industrial enterprises, and that he stated the “economic theorem” that political enterprise “supplies services or goods up to the point at which its supply equals the demand for the said goods; it is supplied with factors of production up to the point at which its demand for them is met” (Montemartini, 1900, p.139). Nevertheless, the subject of the political enterprise is the political entrepreneur, whose object is “the creation of a coercive force for the distribution of the cost of certain production processes over a community” (Montemartini, 1902, p.14). This might be tantamount to saying that public expenditure is determined under economic laws, while the funding conforms to political laws, which is exactly Conigliani’s assessment.

Murray builds on Conigliani and Puviani, using some constructs of the Paretian sociology, even though if he remains far from it. He is concerned with the study of the uniformities regarding the financial activity of the State, where, among other State activities, the financial activity is “the one that concerns the satisfaction of public needs” (Murray 1914, p.11), while the study of the uniformities also considers how the needs are determined. He arrives at the conclusion that the financial phenomenon has a dual character, political and economic at the same time. The political side is based on the coercion intrinsic in the nature of political organizations, which are born out of the dominance of the stronger over the weaker individuals.

Murray uses the methodology of the successive approximation: at first, he assumes that the State acts under political motivation only; subsequently he assumes that the State acts under economic motivation only; finally, he presents a synthesis as far as public expenditure and public revenue are concerned. Both activities are determined by political and economic powers, but for the public expenditure political powers prevail within the dominant social class, while economic impulses prevail within the dominated social class. As regards the public revenue, the political tendency of the dominant class to place the burden on the dominated one is limited by the activity of the latter, prevalently of an economic nature⁵⁰.

Griziotti argues that the “Scienza delle Finanze studies the principles of the division of public expenditure”, while “the financial activity of the State has the objective to raise the necessary revenue to fund public expenditure” (Griziotti, 1929, p.11), and has a mainly political character, in so far as “the *subject*, the *proceedings*, the *ends* of financial activity have political character. The *means* are economic, but the *principles of the distribution* are political” (Griziotti, 1929, p.19).

The sociological approach is based on Paretian sociology: its main value consists in suggesting problems and hints, but it offers scant solutions to the explication of financial facts. In this approach, financial phenomena consist of the processes by which political groups appropriate private wealth, which, in part, is changed into economically useful services. The search for their uniformities raises both “general sociological” and “financial economic” problems; as regards the former kind of problems, in Borgatta’s words, the financial phenomenon is “essentially sociological, and as such it

⁴⁸ See Conigliani (1894, p.42, note 12).

⁴⁹ This sentence has disappeared in the English translation.

⁵⁰ See Fasiani (1932), p.158/9.

cannot permit investigations about its uniformities, based on economic hypotheses” (Borgatta, 1920, p.6). More than that, it cannot be treated as a system of *logical actions* in the Paretian sense.

For the second group of problems, those pertaining to the financial economic problems, “the mere economic hypothesis is not sufficient to infer financial uniformities, because for many problems one has to consider the sociological processes to which the economic processes that the financial phenomenon gives birth to, are indissolubly connected” (Borgatta, 1920, p.6).

6. *Concluding remarks.*

- I. In the older Italian tradition, considering the State a producer or a consumer was not a real problem: every approach also contained the final synthesis. Here it is suggested that the economic institutional character of the State was the economic cooperation, which played the role of the invisible hand in the private economy. Nevertheless, the last author, Fasiani, turned to a more pragmatic approach that corresponds to the modern national accounting definitions for the Government. At the same time, it is true that some authors did accept an updated version of Stein’s reproductivity theory, but this contradiction is solved by considering that their “high theory” had to cope with the urgent need to provide practical solutions to concrete problems.
- II. In the neoclassical paradigm of public finance, the State shrinks to the maximisation of a Bergson-Samuelson objective function. In the Italian tradition the State was more lively and material, because the authors’ intention was to explain the real world: the different notions of State reflect the different angle from which the authors tackled the real phenomena which they attempted to explain in their theories. In fact the Italian tradition always referred to the State as a necessary premise, in so far as any kind of State is a necessary consequence and premise to social life. De Viti considers the State as an agent acting for the community; some authors used juridical, different sociological or even common sense notions.
- III. The State was not always relevant in dealing with the crucial problem of identifying public needs: De Viti (and Fasiani) considered them as a premise of facts, depending on the political assumptions of their polar cases. Other authors tried different routes, like Mazzola’s complementarity, based on the Austrian theory, and Montemartini’s political enterprise based on marginal productivity of the factors. For Barone, public needs are those considered as such, but finally they depended upon the choices of the politicians. For Borgatta and Sensini public needs are a typical Paretian derivation.
- IV. However, beyond the needs, the problem was the goods that the State had to provide. This problem was solved by De Viti using the principle of minimum means, because for him the private or public provision depended only on which had the lower cost. Ricca Salerno and Graziani solved the problem by using marginal utility, owing to the strict correspondence between needs and goods. Some authors then started being concerned with the predominance of some individuals or classes over the others. Thus, the attention was focussed upon the private coercion within the State: its coercive character came to the forefront.
- V. In order to work out the theoretical constructs, meta-economical assumptions about the behaviour of those in power were necessary, either political, ethical or sociological. In fact, De Viti’s polar cases are simply political assumptions or hypotheses concerning the behaviour of the politicians. But it is suggested that in such polar cases the corresponding State maximises a Bergson-Samuelson objective function, like in the modern public finance theory. The conclusion would follow that there is no very big gap between the theoretical framework of De Viti, Fasiani, and that of modern public finance. The other authors relied on similar political assumptions, or resorted to sociological or even ethical hypotheses; among them Einaudi should be mentioned, owing to his joint assumption of ethical and political hypotheses. For Barone private persons do not directly demand public goods, while State activity directed at satisfying public needs is managed by politicians, appointed by a majority of citizens by a direct vote, and limited by the reactions of the minority. This would appear to be a public choice scenario: thus, it is perhaps surprising that Buchanan quickly asserted that for Barone “public finance theory reduces to the theory of coercive distribution of fiscal burden” (Buchanan, 1960, p.239).
- VI. Finally, in order to explicate public intervention in the economic system, some authors resorted *directly* to the political or sociological reasoning, more or less leaving aside economic analysis. Conigliani is the

first to realize that at least part of the investigation must be carried over into the realm of politics; he was then followed, among others, by Murray and the sociological school. The fact is that political or sociological character depends on the coercion due to the dominance of the stronger over the weaker individuals, unavoidable in political organizations. Thus, the coercive power came to the forefront as the State's main character. State coercion tended to turn into private coercion, because it was carried out by some individuals or classes against other individuals or classes. One may wonder whether the fact the Italian tradition shifted towards political and sociological approaches, that is to say it drifted away from economics, was in part responsible for its decline.

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