

A monochromatic, blue-toned portrait of an elderly man with a full, white beard and mustache, wearing round-rimmed glasses and a dark suit jacket over a white shirt and tie. The background is dark and textured.

# ANTONIO DE VITI DE MARCO

*A Story Worth Remembering*

**MANUELA MOSCA**



Antonio de Viti de Marco



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# Antonio de Viti de Marco

A Story Worth Remembering

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## FOREWORD

1. All the clear intelligence of Manuela Mosca was required to carry out a project like this. All her keen civic commitment was required to deal with the theme, little known and even less explored, of the private life of Antonio de Viti de Marco. Her analytical skill too was required, however, to make a historical reconstruction of what happened and of what influence the Italian writer had among economists of the whole world, among today's Italian experts on the question of the South of Italy, and in the world of political historians of the united Italy.

This work edited by Manuela Mosca belongs to a literary genre almost unknown in our research. Historians of economic thought can now reflect on a wonderful series of interviews, some of which, dating back to even thirty years ago, are now classics in the profession. In a few rare cases, filmed material has been used to illustrate the work or the figure of some economist from the past.

What we now have available is made up of different parts. After a presentation by M. Mosca illustrating the general outline of the work and the way it was carried out, we start the series of interviews, the first of which with Emilia Chirilli consists mainly of memories.

In an atmosphere of romantic attention to small things, the figure of A. de Viti de Marco is a constant presence, with his youthful illusions, his thirst for learning, his friendships, and his early study companions.

Then comes the interview with Antonio Cardini, mainly devoted to De Viti's difficult political experience, full of ideas for the interpretation of the years from the end of the nineteenth century to about 1930.

This is followed by the interviews dealing with De Viti as a theorist of public finance, banking and economic policy.

Lastly there is a group of interviews which critically discuss the fame achieved by De Viti at an international level, and above all the influence his work has had on today's scholars of public finance, in particular in the theoretical work of the Nobel prize winning economist J.M. Buchanan.

Each of these interviews can be relived in the accompanying documentary, which contains the parts of the interviews considered most significant, planned by a well-known documentary maker whose premature death led to the work being completed by another equally well-known and respected film director.

2. The book can be read on various levels of information or for curiosity. Those keen to know more about the biography, from the point of view of the man or the scientist, can read and listen to the excellent interview with E. Chirilli,<sup>1</sup> or that with P.F. Asso which recounts the many difficulties that had to be overcome for the English translation of the *First Principles of Public Finance*, or the reviews expressing diametrically opposed opinions, by F.C. Benham on the German translation (1932) and H.C. Simons on the English translation (1936), a matter extensively discussed by Asso, but also by S.G. Medema, R.E. Wagner and J.M. Buchanan.

Those interested in Italian political history of the first twenty years of the nineteenth century can follow the pages of the interview with A. Cardini, but also the first part of R. Faucci's contribution, the longest of those published, and will be able to distinguish the factors that make De Viti's political involvement so different from that of M. Pantaleoni or V. Pareto.

Those curious about the relation between the evidence given orally and then transcribed will be able at least to account for the conversational tone found in many pages of the text, but also notice the autonomy they retain.

3. For historians of economic thought this work by M. Mosca contains many points of great interest, which need to be uncovered with patience and close attention. Those willing to do so will find, in the pages by various authors, interpretative hypotheses that are largely new and that deserve to be discussed. One almost gets the impression that once the authors were in front of the microphone, in many cases without the necessary bibliographical material which always induces a certain caution, they took the opportunity to put forward analytical hypotheses that they would otherwise not have done, or may have done with great caution.

When considering these hypotheses, readers will react differently according to their background of studies, so the evaluations I will express may not necessarily be accepted.

I feel I can share R. Paladini's reading, of a De Viti as precursor of the modern Law and Economics, part of the wholly Italian tradition which, starting from C. Beccaria, proceeding through G.D. Romagnosi and continuing with E. Amari and many others, arrives at the Italian financial scientists of the late 1800s.

I considered significant D. Da Empoli's hard-hitting and rigorous interpretation designed to show De Viti's priority in defining public goods and his determination to make it the fulcrum of the whole general theory of public finance. According to Da Empoli, the neglect of De Viti's position in the specialised literature, where—through R.A. Musgrave—some merits are attributed to U. Mazzola or to K. Wicksell, needs to be challenged.

De Viti's economic interpretation of the problem of the South of Italy is dealt with by F. Marzano, for whom the free trade stance of many authors who were his companions in political experiences (at least for a short while) could and should have made an exception from their general attitudes in political economy, and welcomed protectionist policies that could expand the flourishing food industry in the South. This is actually an argument that reappeared in the Italian debate immediately after the second world war and that is making a timid return nowadays.

I find convincing, and little discussed, P. Ciocca's thesis that in De Viti there is a clear, modern conception of a bank as an economic institution that can create bank money and thus expand its possibilities of extending credit. I find more questionable the statement that De Viti was unable to make an objective assessment of the work of G. Giolitti at the beginning of the century, a work that Ciocca shows to be in favour of competition policies designed to promote Italian industrial growth, also through a judicious State role.

The full length essay by R. Faucci brings up not a few problems related to the general interpretation of the development of Italian economic thought. The idea of De Viti's fiscal federalism seems convincing, as well as the reference to his theory as a voluntary approach to public finance, to his idea of democracy, and to the theoretical foundations of public finance. Actually, on this point, Faucci states that in the Italian school of public finance, De Viti was the 'absolute protagonist', if not the only one. After discussing the definition of public needs and that of income (two categories that sharply divide De Viti from his colleagues considered to



belong to the same school), Faucci introduces the theme of the ‘scientific sources’ of the Italian economist, who though a brilliant author, was not a wide reader. This is an argument that should not meet great objections.

On the contrary, the conclusion cautiously reached by Faucci is capable of triggering discussions. He believes there should be further study on the question of De Viti’s marginalism, an aspect that the author naturally does not deny, but that in his opinion should be analytically rediscussed, starting from *La funzione della banca*. His relation with F. Ferrara should also be reappraised, so as to rethink De Viti’s ‘classicism’, and more specifically his relation with D. Ricardo, the writer on money as well as on the theory of international trade.

After the words of an author who is very sensitive to this issue of the Italian contribution to the creation of the theory of Public Choice like S.G. Medema, the book closes with interviews with R.E. Wagner and J.M. Buchanan who, though both acknowledging the importance of this contribution, take a very different approach.

Wagner develops some ideas of De Viti (but also of Pantaleoni) and ends up comparing the Parliamentary chambers to special investment banks. His idea is that the parliamentarians are intermediaries trying to get the support of businesses, but they need their voters to provide them with the means to support these firms (consensus). This is something like an investment fund, which has to gain credit according to the merit the banks themselves attribute to it. In this way Wagner brings the issue of the electoral law and the parliamentary system back into the mechanism of forming the parliamentary consensus: in short, he raises the question of the ‘market of politics’.

The second contribution is seemingly biographical, but it actually has great analytical importance. J.M. Buchanan recounts his stay in Italy in the mid-1950s, to study our tradition of public finance; he tells us of an encounter he had with L. Einaudi and openly says that De Viti’s distinction between monopolistic state and democratic model was ‘in the back of [his] mind’ when he was making his decisive contribution in the creation of the theory of Public Choice. In his opinion, to understand ‘politics and to formulate models for the behaviour of politicians’, De Viti’s work was fundamental. What’s more, Buchanan believes that New Political Economy, led by G. Tabellini, can be connected to the theory of Public Choice and therefore indirectly to the Italian school of public finance.

4. The descriptive tone of the book, and the accompanying film<sup>2</sup>, may induce the reader to lower his critical sights and to be satisfied with the

information and curiosities that fill these pages. In actual fact the book should be read trying to understand the many historical and analytical facets that fill it. Only then will it be clear how M. Pantaleoni, V. Pareto, F. Ferrara, G. Montemartini, R. Michels, M. Fasiani, B. Griziotti and others are to be seen with respect to A. de Viti de Marco; and only then will it be possible to reconstruct the fine line tying the Italian economist's work in English-speaking countries to K. Wicksell, E.R.A. Seligman, F.C. Benham, D. Black, G. Tullock, J.M. Buchanan and beyond. The wealth of notes by the editor of the book serve to guide the reader; the rest is left to the reader's curiosity and basic knowledge.

Piero Barucci



## PREFACE TO THE ENGLISH EDITION

‘I have greatly desired this translation.’ These are the words Antonio de Viti de Marco used on the translation of his most important book into English.<sup>3</sup> With exactly the same words I would like to start this short preface addressed to my Anglo-Saxon readers. This is a book about a great Italian economist, the founder of the pure theory of public finance, and to a great extent the inspiration behind the theory of Public Choice. With Maffeo Pantaleoni, Vilfredo Pareto, Enrico Barone and Ugo Mazzola, he was a leading figure in one of the golden ages of Italian economic thought, one in which marginalist theory was refined, sharpened up and applied to new areas. A Member of the Italian parliament, a radical of liberal-democratic orientation, he was leader of the anti-protectionist movement. A southern agrarian entrepreneur, he fought for the implementation of reforms to enable agriculture to develop in a free trade regime.

Why was De Viti so keen on having his book read in the English speaking world? He wrote that he hoped ‘to find among English economists ... an easier understanding of [his] method’<sup>4</sup>; but also, more in general, it was because he felt his connection with Anglo-Saxon culture very strongly. As we shall see, this derived from his English descent on his mother’s side, his marriage to an American, his trips to New York, his familiarity with Jevons’ theory, his correspondence with economists like F.W. Taussig, E.R.A. Seligman, and O. Morgenstern, and last but not least, his political positions so very close to the values of the American democracy; we should also remember that in 1915 he was among the founders of the British-

Italian League, set up to foster contact with the Entente.<sup>5</sup> In his own lifetime there were numerous reviews of his academic work,<sup>6</sup> as well as some biographical essays written in English before and after his death.<sup>7</sup> Other sources are also available to the Anglo-Saxon public.<sup>8</sup> More recently, there have been several efforts to extend the knowledge of every area of his achievement beyond Italy's borders, for example by Eusepi and Wagner,<sup>9</sup> and myself.<sup>10</sup> Although De Viti's prestige is well recognized today, by no means all aspects of his life and work are known to the English-reading world. This book wishes to help fill this gap.

I wish to thank those who have helped bring this translation into being: I'm particularly grateful to the reviewer for his kind words of appreciation. I agree with him that more could have been said about some of the issues. However, Piero Barucci's preface to the Italian edition of this book, as well as my introduction, explain why the coverage of the different topics is uneven, and help the reader understand why it is impossible to modify it *ex post*. I also wish to thank my translators,<sup>11</sup> who have tried hard to keep themselves out of the translation as far as possible, without unduly attempting to soften or modify the various interviewees' personal oral delivery. Finally I would like to thank Brigitte Shull and Kristin Purdy, editors at Palgrave Macmillan: in my introduction to this book I explain why its publication in English was an essential part of my original project; I would not have been able to complete it without their approval.

This book collects together eleven interviews of both American and Italian scholars who, from several perspectives, present an overall picture of De Viti de Marco. Along with this book comes a documentary video<sup>12</sup> which tells of his life and work, and in which among other things one can watch and listen to those interviewed as they talk. Five years have gone by since their original publication,<sup>13</sup> and two of those interviewed are no longer with us: James Buchanan died in 2013, and Antonio Cardini in 2014. I would like to dedicate this English translation to the memory of these two scholars who did so much for De Viti de Marco's reputation; I am sure they would have reacted to the news of its publication with the same affectionate enthusiasm shown by other contributors.

## NOTES

1. M. Mosca rightly says that this part should be read keeping constantly in mind the book E. Chirilli (2010) *Tuzzo. Preistoria e protostoria di Antonio de Viti de Marco* (Bari, Cacucci). Available at <http://vimeo.com/29599475>
2. Available at <http://vimeo.com/29599475>
3. A. de Viti de Marco (1936) 'Preface to the English edition', in A. de Viti de Marco, *First Principles of Public Finance* (New York, Harcourt Brace & Co. - London, Jonathan Cape) p. 16.
4. *Ibid.*
5. On this occasion he published in English: De Viti de Marco (1915) *Italy and the European War. Two Political Addresses* (Tivoli, Tip. Popolare).
6. H. Parker Willis (1898) 'A. de Viti de Marco, *La Funzione della Banca* (1898)', *Journal of Political Economy*, VI, 4, 573–74; J.B. Morman (1907) 'A. de Viti de Marco, *L'iniziativa del Re d'Italia e l'Istituto Internazionale d'Agricoltura* (1905)', *The Political Science Quarterly*, XXII, 2, 348–50; F. Benham (1934) 'A. de Viti de Marco, *Principi di Economia Finanziaria* (1934)', *Economica*, I, 3, 364–7; C. W. Guillebaud (1936) 'A. de Viti de Marco, *Principi di Economia Finanziaria* (1934)', *The Economic Journal*, XLVI, 183, 514–7; J.W. Martin (1937) 'A de Viti de Marco, *First Principles of Public Finance* (1936)', *American Economic Review*, XXVII, 1, 187–99; H.C. Simons (1937) 'A. de Viti de Marco, *First Principles of Public Finance* (1936)', *The Journal of Political Economy*, XLV, 5, 712–7; D.C. MacGregor (1939) 'A. de Viti de Marco, *First Principles of Public Finance* (1936)', *Canadian Journal of Economics and Political Science*, V, 4, 559–60.
7. L. Einaudi (1936) 'Introduction', in A. de Viti de Marco, *First Principles of Public Finance*, (New York, Harcourt Brace & Co - London, Jonathan Cape), pp. 19–30; see also the posthumous essay by O. Morgenstern (1968) 'Antonio de Viti de Marco', in D. Sillis (ed.), *International Encyclopedia of the Social Science* (New York, The Macmillan Company), XVI, 343–5.
8. O. Kayaalp (1989) 'Early Italian Contributions to the Theory of Public Finance: Pantaleoni, De Viti de Marco and Mazzola', in D.A. Walker (ed.), *Perspectives on the History of Economic Thought* (Cheltenham UK, and Northampton, MA, Elgar), I, pp. 155–66; F. Cesarano (1991) 'De Viti de Marco as a Monetary Economist', *History of Political Economy*, XXIII, 1, 41–60; O. Kayaalp (1998) 'Antonio de Viti de Marco', in F. Meacci (ed.) *Italian Economists of the 20th Century* (Cheltenham UK, and Northampton, MA, Elgar), pp. 95–113; R. Realfonzo (2001) 'Bank Creation of Money and Endogenous Money Supply as the Outcome of the Evolution of the Banking System: Antonio de Viti de Marco's Contribution', in L.P. Rochon and M. Vernengo (eds.), *Credit, Interest Rates and the Open Economy*, (Cheltenham UK, and Northampton, MA,

- Elgar), pp. 193–212. In Kayaalp essay the reader can find a discussion of De Viti's popularity in the international community of public economists. Other bibliographical indications on this literature will be provided further on this book.
9. G.Eusepi and R.E. Wagner (2013) 'Tax Prices in a Democratic Polity: The Continuing Relevance of Antonio de Viti de Marco', *History of Political Economy*, XLV, 1, 99–121.
  10. M. Mosca (2005) 'De Viti de Marco, Historian of Economic Analysis', *The European Journal of the History of Economic Thought*, XII, 2, 241–59; M. Mosca (2007) 'The Notion of Market Power for the Italian Marginalists De Viti de Marco and Pantaleoni', in P.F. Asso e L. Fiorito (eds.), *Economics and Institutions* (Milano, Angeli), pp. 47–61; M. Mosca (2010) 'Emil Sax and Italy', *Storia del pensiero economico*, VII, 2, 47–62; M. Mosca (2013), 'The Daily Battles of Antonio de Viti de Marco', *MPRA Paper No. 47963*, July; M. Mosca and M. Giuranno (2015) 'Political realism and Models of the State: Antonio de Viti de Marco and the Origins of Public Choice', *POLIS working papers*, No. 232. December.
  11. Charles Hindley and Joan McMullin.
  12. Available at <http://vimeo.com/29599475>
  13. M. Mosca (ed.) (2011) *Antonio de Viti de Marco. Una Storia Degna di Memoria*, (Milano, Bruno Mondadori).