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THE GERMAN TRANSLATION OF DE VITI DE MARCO'S
PRIMI PRINCIPII DELL'ECONOMIA FINANZIARIA

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ABSTRACT · The German edition (1932) of De Viti de Marco's *Primi principii dell'economia finanziaria*, actively promoted by the Austrian economist Oskar Morgenstern, is an important case study of the transmission of economic ideas from Italy to the international community of scholars in the interwar period. This paper analyzes the motivations and expectations behind this editorial initiative, its reception, and the role it played in the methodological debate on public finance in the 1930s. It examines the research activity carried out by Morgenstern during his stay in Italy in 1928 as a Rockefeller fellow, the close intellectual relations he forged with the leading Italian economists of the time, and his project to promote a translation of De Viti's *Primi principii*. It also analyses the complex process of translation and adaptation of the Italian text to German, the differences between the German and the previous Italian editions, and the intense exchange of correspondence between De Viti, Morgenstern and the publishing house (J. C. B. Mohr-Paul Siebeck, Tübingen), which also testifies the difficult and sometimes dramatic constraints facing Italian intellectuals under the Fascist regime. The paper addresses De Viti's contribution to the theory of public finance and his liberal view in the framework, on the one hand of the Italian and Austrian approach, and on the other of the 'statist' approach shared by most German economists. It examines in depth the reception of De Viti's book in the leading German language academic journals. Although the majority of the comments made by the reviewers were critical, the paper concludes that Morgenstern's initiative had a key role in disseminating De Viti's theoretical work and his methodological approach among a broad German-reading community of scholars, opening new paths of research in the field of public finance.

KEYWORDS · Antonio De Viti de Marco; Oskar Morgenstern; Italian Tradition in Scienza delle finanze; Methodological Debate on Public Finance, International Transmission of Economic Ideas; Translation and Adaptation of Economic Texts.

SOMMARIO · *La traduzione tedesca dei Primi principii dell'economia finanziaria di De Viti de Marco* · L'edizione tedesca (1932) dei *Primi principii dell'economia finanziaria* di De Viti de Marco, attivamente promossa dall'economista austriaco Oskar Morgenstern, rappresenta un importante caso di trasmissione di idee economiche dall'Italia alla comunità internazionale degli studiosi nel periodo tra le due guerre. Il lavoro analizza le motivazioni e le aspettative alla base di questa iniziativa editoriale, la sua ricezione e il ruolo da questa svolto nel dibattito metodologico sulla finanza pubblica negli anni Trenta. Esso esamina l'attività di ricerca svolta da Morgenstern durante il suo soggiorno in Italia nel 1928 come Rockefeller *fellow*, le strette relazioni intellettuali che egli strinse con i principali economisti italiani dell'epoca, e il suo progetto di promuovere una traduzione in tedesco dei *Primi principii* di De Viti. Il paper analizza inoltre il complesso processo di traduzione e adattamento del testo italiano in tedesco, le

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differenze tra l'edizione tedesca e le precedenti edizioni italiane, e l'intenso scambio epistolare tra De Viti, Morgenstern e la casa editrice (J. C. B. Mohr-Paul Siebeck, Tübingen). Tali lettere testimoniano anche le difficoltà talvolta drammatiche a cui gli intellettuali italiani dovevano fare fronte sotto il regime fascista. Il saggio affronta il contributo di De Viti alla teoria della finanza pubblica e la sua visione liberale nel quadro, da un lato dell'approccio italiano e austriaco, e dall'altro dell'approccio 'statalista' condiviso dalla maggior parte degli economisti tedeschi. Esso esamina approfonditamente la ricezione del libro di De Viti nelle principali riviste accademiche di lingua tedesca. Sebbene la maggior parte dei commenti dei recensori sia stata critica, il paper conclude che l'iniziativa di Morgenstern ha avuto un ruolo chiave nel diffondere il lavoro teorico di De Viti ed il suo approccio metodologico nell'ambito di un'ampia comunità di studiosi che leggevano il tedesco, aprendo nuovi percorsi di ricerca nel campo della finanza pubblica.

PAROLE CHIAVE · Antonio De Viti de Marco; Oskar Morgenstern; Tradizione italiana di Scienza delle finanze; Dibattito metodologico sull'economia pubblica; Trasmissione internazionale di idee economiche; Traduzione e adattamento di testi economici.

JEL CLASSIFICATION: B1, B13, B25, H1, H3.

1. INTRODUCTION

The publication in 1932 of the German translation of De Viti de Marco's *Principii* (DE VITI DE MARCO 1932), probably «the most outstanding single work» of the Italian tradition in fiscal theory» (BUCHANAN [1960] 2001, p. 59), represents an important case study of the transmission of economic ideas from Italy to the German-reading community of scholars in the interwar period.¹ At the same time, it testifies the difficult and sometimes dramatic constraints facing Italian intellectuals under the Fascist regime. It also shows the close intellectual ties and the reciprocal esteem and friendship existing at that time between leading Italian and Austrian scholars; more specifically between Antonio de Viti de Marco and Luigi Einaudi on the one hand, and Oskar Morgenstern, the Austrian economist who later went on to become, together with von Neumann, the founder of modern game theory, on the other. In fact, it was Morgenstern who, in the years after 1928, actively promoted the translation of De Viti's work into German.

The aim of the paper is twofold. On the one hand, it shows that the Italian school of public finance was well known, not only among Anglo-Saxon and Spanish scholars, but also in Central Europe. On the other hand, it analyses the role played by the translation of De Viti's book in the methodological debate on public finance between the Austrian scholars and the German historical schools. Our paper draws mainly on the Morgenstern correspondence, and De Viti de Marco's archives; we also use other documents held in Italian archives,² and of course primary and secondary literature.

2. MORGENSTERN AND ITALY

After graduating at the University of Vienna, Morgenstern spent two years (1925-1927) as a fellow of the Laura Spelman Rockefeller Memorial – a foundation created by J. D. Rockefeller. He was at the London School of Economics, Columbia University (New York), and Harvard

¹ On the international transmission of economic ideas and theories, see, amongst others, CARPI, GUIDI 2014.

² The original letters are written in Italian, German or English. All translations of the quoted passages are our own, if not already available in English.

University, focusing his research on the methodology and theory of economic forecasting.³ In 1927, when he was still at Harvard, he applied for an extension of his fellowship to carry out research in France and Italy.⁴ In particular, he planned to spend his second semester visiting the main Italian academic institutions. His project was approved by Luigi Einaudi, at that time the representative in Italy for the nomination of candidates for fellowships in United States, and for supervising foreign Memorial fellows in Italy. In June 1928 Morgenstern was in Turin, where he visited the Laboratory of Political Economy, a leading center for applied and theoretical research in economics, meeting with the Italian economists Luigi Einaudi, Pasquale Jannaccone, Attilio Cabiati and Vincenzo Porri. He then travelled to Padua, Bologna, Florence and Rome, where he arrived in August, meeting among others the economists Marco Fanno, Gustavo Del Vecchio and Umberto Ricci.⁵ During his stay in Rome, he deepened his knowledge of Italian economic thought, working in the libraries of the Senate and the Ministry of Finance and reading the relevant literature on this subject. On that circumstance, although he did not have the opportunity to meet De Viti de Marco, he became aware of the latter's *Primi principii dell'economia finanziaria*, published on that same year (DE VITI DE MARCO 1928).⁶

Understanding its significance, he started to plan a translation in German to get the work known in Central Europe. In a letter from Rome dated 9 August 1928, he asked Einaudi's opinion on this undertaking. Einaudi heartily approved of the project, suggesting that some references to the Italian legislation should be added in order to make the text more comprehensible to the German readers.⁷ In a further letter, dated 30 November, Einaudi confirmed the high esteem he held for the author of *Principii*: De Viti, Einaudi wrote, was one of the leading Italian economists «of the present and previous generation», and his *Principii* was a masterpiece. It was indeed a «great damage» for the advancement of science, he concluded, that this work was not known abroad;⁸ according to De Viti's biographer Cardini, «the German translation was the first real international launch of Devitian ideas» (CARDINI 1985, p. 370).⁹ Meanwhile Morgenstern had contacted De Viti. In a letter of 26 November 1928, the latter promptly authorized the translation, assuring his willingness to make «all those changes that seem most appropriate, so that the German edition better responds to the needs of the German reader». ¹⁰ Then, in December 1928, Morgenstern went back to Vienna, where he started an intense period of professional work and research: in 1929 he became **editor one of the editors** of the «Zeitschrift für Nationalökonomie» and in 1931 director of the Institut für Konjunkturforschung.

The link with De Viti was part of a wide network of relationships which Morgenstern had established with various economists during his Italian period, although we don't know exactly the circumstances in which Morgenstern and De Viti de Marco met. In October and November 1928,

³ The outcome of this research was MORGENSTERN 1928. On the Laura Spelman Rockefeller Memorial, which was absorbed in 1929 in the Rockefeller Foundation, see CRAVER 1986, DA EMPOLI 2007.

⁴ Like other Austrian intellectuals of his time, Morgenstern had a fairly good knowledge of the Italian language, as documented by his correspondence with Luigi Einaudi, stored at the *Rare Book, Manuscript and Special Collections Library*, DUKE UNIVERSITY, *Morgenstern Papers*, (henceforth OMP, DU) and recently published in PAVANELLI, NAKAYAMA 2008, pp. 104-118.

⁵ Umberto Ricci, in particular, was very helpful. In a letter to Einaudi, Morgenstern acknowledged that he had helped him «very much to penetrate the [Italian] literature and corresponding problems» (*letter of O. Morgenstern to L. Einaudi*, Rome, 9 Aug. 1928; *ivi*, pp. 105-106).

⁶ In a short foreword to the German edition Morgenstern wrote: «I made the acquaintance of De Viti and his work, now available in German, immediately after its publication in Rome» (MORGENSTERN 1932).

⁷ *Letter of L. Einaudi to O. Morgenstern*, Turin, 3 Sept. 1928, in PAVANELLI-NAKAYAMA 2008, p. 107.

⁸ *Letter of L. Einaudi to O. Morgenstern*, Turin, 30 Nov. 1928 (*ivi*, p. 109).

⁹ After the German translation (1932), the book was translated into Spanish (1934) and finally into English (1936).

¹⁰ «Dear Professor, in case you persist in the intention of translating my recent volume *I primi principii dell'economia finanziaria* I give you ample authority and add my thanks for the honour you do me» (OMP, DU, *Correspondence*, Box 7, 1928-1939, *A. De Viti de Marco to O. Morgenstern*, Rome, 26 Nov. 1928).

he spent the last part of his fellowship in Rome and, during this period, they probably met.¹¹ Morgenstern was a young scholar (in 1928 he was 26 years old), while De Viti was already 70. What did they have in common? In the 1920s Morgenstern's interests were «resolutely Austrian», focused on «the critique of the notion of static equilibrium» and on «the quest for a theory of process» (LEONARD 2010, p. 92). On the contrary, at the close of the 1920s, he was more open to the use of mathematics, as evidenced, among other things, by his participation to the International Mathematical Congress held in Bologna in September 1928,¹² and by his acquaintance with Karl Menger (ivi, p. 137).¹³ An aspect that he certainly had in common with De Viti de Marco was his «opposition to historicism and institutionalism, emphasising the primacy of theory» (ivi, p. 104). With exactly the same idea, in 1885 De Viti had defended the quantitative theory of money against the attacks of the historicists Richard Hildebrand, Otto Arendt, and Karl Marx (DE VITI DE MARCO 1885).¹⁴ In 1928, De Viti had already ceased his long activity as a member of Parliament, as well as his political commitment in a broader sense: his last article dates back to 1922 (DE VITI DE MARCO 1922). He still taught *Scienza delle finanze* at the University of Rome but, as we will see, it would not be for long. While bitterly witnessing Italy's surrender to the dictatorship, De Viti led a retired life, devoting himself to writing and revising his manual on the theory of public finance and managing his winery.¹⁵

3. THE TRANSLATION

As mentioned, at the end of 1928 Morgenstern went back to Vienna, where he started a very demanding period of research and teaching work.¹⁶ This activity, however, did not reduce his interest in Italian economic thought,¹⁷ nor his links with the leading Italian scholars. In particular, he did not give up his project of translating De Viti's *Primi principii*. The search for a publisher, however, proved to be more complex than expected, as Morgenstern admitted in a letter to Einaudi.¹⁸ In the end, the obstacle was overcome: J. C. B. Mohr (Paul Siebeck), a well-established publishing house of Tübingen, manifested interest in the work. On 3 June 1930, De Viti informed Morgenstern that:

¹¹ In a letter to Einaudi, Morgenstern reports on the long list of economists he met, and he adds: «Prof. De Viti de Marco [is] out of town [...] but I will meet [him] in October». Letter of O. Morgenstern to L. Einaudi, Rome, 9 Aug. 1928, in PAVANELLI, NAKAYAMA 2008, pp. 105-106.

¹² The International Mathematical Congress (Bologna, 3-10 Sept. 1928) included a section on mathematical economics and statistics which saw the participation, amongst others, of the economists Luigi Amoroso, Bruno de Finetti, Gustavo Del Vecchio, Corrado Gini and François Divisia (see GUERRAGGIO, NASTASI 2008, pp. 150-160). In a letter to Einaudi (7 Sept. 1928, reproduced in PAVANELLI, NAKAYAMA 2008, p. 107), Morgenstern maintained that the Bologna congress was of great importance for his work. The conference proceedings document that he took an active part in the discussion of a few papers presented during that event.

¹³ Morgenstern is known as one who «changed his mind on the methodological status of economics several times in his life» (INNOCENTI 2012, p. 281).

¹⁴ On the primacy of pure theory for De Viti de Marco, see MOSCA 2005.

¹⁵ For a biography of De Viti, see CARDINI 1985; for this period of his life, see MOSCA 2021a.

¹⁶ On Morgenstern's academic and research activities in Austria during the 1930s and on his role as policy advisor during the same period, see KLAUSINGER 2006.

¹⁷ In a letter written in Italian shortly after returning to Austria, he proudly informed Einaudi that he had one of the best collections of classical Italian books in Vienna (*O. Morgenstern to L. Einaudi*, Vienna 22 Dec. 1928, reproduced in PAVANELLI, NAKAYAMA 2008, p. 109).

¹⁸ *Letter of O. Morgenstern to L. Einaudi*, Vienna 6 Sept. 1929 (ivi, p. 110).

- i. he «had arranged everything with the editor». As a part of the deal, he reserved for himself the right to revise the German text «in order to be quite sure that [his] thought should not risk being misunderstood»;¹⁹
- ii. the translation (by Dr Eccius) was not satisfactory: «although done with the greatest care, [it was] not the work of an economist, but rather that of a literary man». He suggested that Dr Eccius' translation should have been revised in Germany by an economist and forwarded to De Viti for a final revision;
- iii. the German edition was to include two new chapters on «extraordinary public finance», and De Viti announced he had them ready.

In November 1930 the translation process apparently slowed down. On 10 November 1930, De Viti de Marco wrote to Morgenstern complaining about the delay, and suggesting finding a translator in Italy.²⁰ In the end, Siebeck agreed to pay for a new translator, Dr. Hans Fried. In a letter to the publisher, Paul Rosenstein-Rodan, who at that time was in Rome as a Rockefeller fellow and was in contact with Morgenstern and De Viti, communicated that the latter agreed that the translation work was to be completed by Fried.²¹ At the same time De Viti accepted that the new chapters on extraordinary public finance should appear in a new Italian version of *Principii* only after the German edition had been published.²² This fact, Rosenstein-Rodan wrote to Siebeck in the letter already quoted, had created great interest in the German edition also in Italy: «The news of the newly published part of the work has spread here in economic circles and everyone is awaiting the German publication with great interest». But the translation process was still quite slow: in July 1931 Siebeck wrote to Dr. Fried asking him to speed up and giving him a deadline: it would be important for De Viti's book to be published in September-October.²³ De Viti carefully revised the entire translation process. In a letter to Morgenstern (1 September 1931) he pointed to several passages where the translation was inaccurate.²⁴ In November De Viti informed Morgenstern that he could not accept some clauses of the contract with the publisher: he had transferred to the publisher the copyright of the German edition for free, however he wanted to retain the scientific control of the text²⁵. The publisher informed Morgenstern that there would be two thousand printed copies.

This book marked the beginning of Morgenstern's systematic program to spread Italian economic theory to Austria and German-speaking countries,²⁶ according to his strong motivation «to promote international scientific collaboration».²⁷ But, above all, he appreciated the theoretical soundness of De Viti's book, and also his liberal political orientation: according to Morgenstern, De Viti's translation «should open, so to say, our propaganda in Vienna for Italian economic and financial science».²⁸ We should remember that in these years «Morgenstern was instrumental in organizing economic policy conferences aimed at the promotion of liberal policy among industry leaders» (LEONARD 2010, p. 149); we also know that between 1928 and 1931, he was director of

¹⁹ OMP, DU, *Correspondence*, Box 7, 1928-1939, *A. De Viti de Marco to O. Morgenstern*, Rome, 3 Jun. 1930.

²⁰ OMP, DU, *Subject Files Series*, Box 64, *A. De Viti de Marco to O. Morgenstern*, Rome, 10 Nov. 1930.

²¹ Ivi, *Correspondence*, Box 6, 1928-1939, *letter of P. N. Rosenstein-Rodan to P. Siebeck*, Rome, 14 Feb. 1931. LEONARD (2010, pp. 83; 88) recalls that Rosenstein-Rodan shared with Morgenstern the participation in the early 1920s in the seminar run by the Austrian economists Hans Mayer, as well as the one held by Ludwig von Mises.

²² The two chapters were later included in the Italian revised edition published in 1934.

²³ OMP, DU, *Correspondence*, Box 3, *letter of P. Siebeck to H. Fried*, Wien, 10 Jul. 1931.

²⁴ Ivi, *Correspondence*, Box 7, 1928-1939, *A. De Viti de Marco to O. Morgenstern*, Rome, 1 Sept. 1931.

²⁵ Ivi, *A. De Viti de Marco to O. Morgenstern*, Rome, 9 Nov. 1931.

²⁶ in Morgenstern's words: «I think it would be a good start and we will be able to have other important books to follow» (*O. Morgenstern to L. Einaudi*, Rome, 9 Aug. 1928, in PAVANELLI, NAKAYAMA 2008, p. 106).

²⁷ *Letter of O. Morgenstern to L. Einaudi*, Rome 20 Oct. 1928 (ivi, p. 108).

²⁸ *Letter of O. Morgenstern to L. Einaudi*, Rome, 9 Aug. 1928 (ivi, p. 105).

the Osterreichisches Institut für Konjunkturforschung in Vienna, together with Hayek.²⁹ In the meantime, the Italian edition of *Primi principii* was brought to the attention of the German-reading scholars through a detailed review published in the authoritative «Weltwirtschaftliches Archiv» by Augusto Graziani, professor of political economy at the University of Naples (GRAZIANI 1930).³⁰

4. THE GERMAN VS THE ITALIAN EDITIONS

The German edition opened with a preliminary note by Morgenstern, followed by Einaudi's introduction, and a preface by De Viti himself. In his brief note Morgenstern affirmed his belief that the translation of De Viti's book would be «of great benefit to German public finance theory» and referred to Einaudi's introduction for an illustration of the specific contents of the work.³¹ De Viti was very grateful to Einaudi for this introduction: on 3 March 1930, to facilitate Einaudi's task, he had explained to him that the German publisher «above all wants you to introduce me to the German public to whom you are well known».³² In his introduction Einaudi described to the German-reading audience the value of the volume and of its author, whom he considered «much more than a mere professor. He [was] a true nobleman, a statesman, a thinker» (EINAUDI 1932, p. XI).³³ «By raising agreement and contradiction» Einaudi concluded, the book was bound to show researchers new paths (ivi, p. XVIII). De Viti, in turn, in his short preface (on which we will come back later) emphasized that his *Grundlehren* were «not a mere translation of the [...] Italian edition of [his] *Primi principii di economia finanziaria*. As a consequence of the many improvements that have been introduced and the addition of two chapters [he regarded the book] as a new edition» (DE VITI DE MARCO 1932, p. IX).

As mentioned, the German edition included two new chapters in a section on extraordinary public finance.³⁴ In dealing with this issue, De Viti referred to «extraordinary» needs «which may occur from time to time within long periods of time in the life of the State as well as in the life of individuals» (ivi, p. 287); in particular he dealt with the issue of paper money «as a case of *ultra-extraordinary* finance», a case which «occurred often in times of war and in a very acute form during the last World War» (ivi, p. 305). About his first new chapter, which was on the theory of public loans, Cabiati wrote in a review that «for Italians De Viti's thinking on this subject has been famous for a long time: that is, since it interested all scholars back in 1893, when it appeared in a paper in the *Giornale degli economisti*. Since then, this study has been one of the pillars on

²⁹ After Hayek joined the London School of Economics in London, Morgenstern continued alone (LEONARD 2010, p. 148).

³⁰ «De Viti's book», Graziani wrote in his review, «is a work of high scientific value, whose content is always compelling whether or not one agrees with the author's conclusions in detail» (GRAZIANI 1930, p. 276).

³¹ «The introduction by Senator Luigi Einaudi brings the personality of the author and the peculiar position of the work to the new circle of readers in such a careful way that it remains for me only the pleasant duty to express my gratitude to all those involved» (MORGENSTERN 1932). See also FAUSTO 1995, p. 82.

³² FONDAZIONE LUIGI EINAUDI, Torino, Archivio Luigi Einaudi (henceforth FLE, LE), Folder 2, *Correspondence* (1894-1961), letter of A. De Viti de Marco to L. Einaudi, Rome, 3 Mar. 1930.

³³ A few years later, in view of the publication of the new Italian edition of the *Principles* (DE VITI DE MARCO 1934), on 20 February 1934 De Viti wrote to Einaudi who was preparing to write the introduction once again: «Mitigate the merits that you attribute to me in the German edition!» FLE, LE, Folder 2, *Correspondence* (1894-1961), letter of A. De Viti de Marco to L. Einaudi, 20 Feb. 1934.

³⁴ Book v, *Ausserordentliche Finanzwirtschaft* (Extraordinary public finance): ch. 30, *Theorie der öffentlichen Anleihe* (Theory of Public Loans); ch. 31, *Die Ausgabe von Papiergeld* (The Issue of Paper Money). CARDINI 1985, p. 368, recalls that the first elaboration of the theory of public lending dated back to the 1890s, as well as the theory on the issue and circulation of money.

which the theory of public debt rested and still rests today» (CABIATI 1933, pp. 272-273).³⁵ As for the second new chapter, on the issue of paper money, on 9 August 1931 De Viti wrote to Einaudi: «I'm not entirely satisfied with it, it is too much of a financial problem, it's too little of an economic-monetary problem».³⁶ But apparently, he must have been satisfied enough, if in December of the same year he wrote to Cabiati: «I would like to make a complete and revised Italian edition like the German edition».³⁷ And on 11 February 1932, he reiterated: «I consider the German translation as a new and latest edition of my book».³⁸

A precious example of what De Viti believed he had improved in the German edition can be found in a letter, again addressed to Cabiati, dated 8 March 1932:

I believe – he writes – that I have clarified why the tax, or better the increase of the tax, not necessarily means an increase in the cost of production [...] bringing me back to the difference posed by Cairnes between *cost* and *payment* for cost.³⁹ Likewise, in ch. XV, in clarifying the transition from the system of taxes on product to the system of taxes on income I noted the *importance*, for public revenues, of the translation of the *product* in kind into *money*! This had completely escaped me in the Italian edition.⁴⁰

Cabiati would take up these issues in a review of the German edition of De Viti de Marco's book, to which we will return in Section 8. Finally, we recall that De Viti repeated this way of proceeding also for the publication of the English edition, in 1936.⁴¹

5. FACING THE FASCIST REGIME

Ernesto Rossi, then a young scholar who in 1930 had edited a book of collected articles by De Viti,⁴² had just been condemned by the Fascist regime to twenty years in prison as a member of the liberal-socialist organization 'Giustizia e Libertà', founded in Paris in 1929 by a group of anti-fascist exiles. As he had helped De Viti with the last edition of *Principii*, the latter decided to thank him warmly in the preface of the book, in spite of the risk he was running:

I must also thank Dr. Ernesto Rossi, former professor at the Istituto tecnico of Bergamo – who was recently sentenced to 20 years in prison by a special criminal court as one of the heads of the political organisation 'Giustizia e Libertà' – for having had the kindness to give the book a thorough oral critical review; he has thus not only given me fruitful formal suggestions but also enabled me to make considerable factual improvements.⁴³

³⁵ In this passage Cabiati refers to De Viti's article *La pressione tributaria dell'imposta e del prestito* published in the «Giornale degli economisti» (Jan. and Mar. 1893 issues). See DE VITI DE MARCO 1893.

³⁶ Letter of A. De Viti de Marco to L. Einaudi, Boscolungo Pistoiese, 9 August 1931, FLE, LE, Folder 2, Correspondence (1894-1961). We will return to this topic in Section 8, dealing with the reviews.

³⁷ Ivi, Fondo archivistico Attilio Cabiati (1872-1950) (henceforth FLE, AC), letter of A. De Viti de Marco to A. Cabiati, Rome, 25 Dec. 1931.

³⁸ Ivi, letter of A. De Viti de Marco to A. Cabiati, Rome, 11 Feb. 1932.

³⁹ In the English edition (DE VITI DE MARCO 1936) this passage is on p. 150.

⁴⁰ The reference is to Book II, ch. X of the English edition (DE VITI DE MARCO 1936).

⁴¹ De Viti wrote to Umberto Zanotti Bianco on 10 January 1937: «I can assure you that the Italian edition is of no use to anyone who has the English translation. First, I revised the translation, to make sure my thinking was not distorted by the translator. Secondly, the changes I made to the last Italian text make the English edition the last edition of the book». ARCHIVIO DELL'ASSOCIAZIONE NAZIONALE PER GLI INTERESSI DEL MEZZOGIORNO D'ITALIA (ANIMI), Rome, Fondo Archivistico Umberto Zanotti Bianco, Section A, Folder UA.13.

⁴² *Un trentennio di lotte politiche* (Thirty Years of Political Struggles) (DE VITI DE MARCO 1930).

⁴³ A. DE VITI DE MARCO, *Vorwort des Verfassers*, in DE VITI DE MARCO 1932, p. IX.

Morgenstern had expressed reservations on that. De Viti, however, was adamant in defending his position: «I cannot cancel the paragraph referring my dear young friend: I will bear the consequences of that, if any consequence will arise».⁴⁴ Regarding the sentence just quoted, on the occasion of the commemoration of De Viti de Marco, ROSSI (1948, p. 13) wrote:

the act of civic courage that I will never forget and for which I especially owe him a debt of gratitude [...] were the few lines that he premised, in June 1931, to the German edition of his treatise [...] It was a manifestation of solidarity with those in prison and an indictment against fascism that perhaps no other intellectual would then have dared to make publicly in Italy.

In the same letter of 16 November to Morgenstern, De Viti announced that he would probably have to resign from his chair of public finance at the University of Rome because he could not accept to take the oath endorsing the education of the students according to the fascist ideology which in the same year had been imposed on all University professors by the Ministry of education.⁴⁵

The retirement pains me; I'm sorry to break away from intellectual coexistence with young people. Several of them remained and are my personal friends. There is also the financial damage, to make up for which it is useless to be able to write about finance. Most of the professors were starved. They swear because they cannot deprive themselves and deprive their family of the salary. All this is very sad.

His resignation also involved some problems with respect to the German edition, or at least this was what De Viti feared. On 17 January 1932 he wrote to Einaudi:

The German translation will not appear before the end of the current [month]. I am told that the delay is due to *technical difficulties* depending on the prefaces! Instead, I fear that the only difficulty depends on my retirement from teaching, so the publisher does not know whether or not I am a professor at the University of Rome and does not dare to make a decision between the various solutions I have proposed.⁴⁶

The solution was just to mention the name of the author without affiliation. In his preface (*Vorbemerkung*) MORGENSTERN (1932) wrote:

Since a recent government decree requires Italian university teachers to take an oath of allegiance to the fascist regime to be faithful and to use their teaching position to educate the youth in the ideas of fascism, the author resigned his professorship in finance at the Royal University in Rome at the beginning of the winter semester 1931/32.

The same oath of loyalty was imposed by the regime on the academicians of Lincei and it is worth remembering that in 1934 De Viti preferred to resign from this prestigious institution rather than perform an act that went against his deepest moral beliefs (SIMONCELLI 2009).

6. THE ITALIANS, THE AUSTRIANS, AND THE GERMANS

As already stated, Morgenstern wrote that De Viti's book «should open so to say, our propaganda in Vienna for Italian economic and financial science».⁴⁷ Therefore, the audience to which he was

⁴⁴ OMP, DU, *Correspondence*, Box 7, 1928-1939, *A. De Viti de Marco to O. Morgenstern*, Rome, 16 Nov. 1931.

⁴⁵ For a contextualization of this decision, see MOSCA 2021b.

⁴⁶ FLE, AC, *letter of A. De Viti de Marco to A. Cabiati*, Rome, 17 Jan. 1932.

⁴⁷ *Letter of O. Morgenstern to L. Einaudi*, Rome, 9 Aug. 1928, in PAVANELLI, NAKAYAMA 2008, pp. 105-106.

addressing was, in the first instance, the Austrian community of economists with the aim of strengthening the already existing intellectual links between the Italian and Austrian scholars. We maintain, however, that a further aim was to counteract the fiscal doctrines of the German historical school, which at the time was very influential in Europe and in the US, and was based on a radically different view of the role of the State in the economic systems.⁴⁸ We will focus now on the similarities between the Austrian and the Italian theories of subjective valuation, as opposed to the organic view of German fiscal doctrine.⁴⁹

There was an extensive network of exchanges between Italian and Austrian economists in those decades.⁵⁰ In Ugo Rabbeno's words: «the new Austrian school, [...] in a short time has made a number of recruits among Italian economists» (RABBENO 1891, p. 449). Achille Loria, by no means in favour of the new approach,⁵¹ went so far as to speak of the «great triumphs» of the Austrian School, with its «magical influence» on Italian economists (LORIA 1891, p. 73). The foundation of public finance as a theoretical discipline is precisely due to both Austrian and Italian scholars.⁵² The first was MAFFEO PANTALEONI (1883), with his early work on the distribution of public costs in which he applied the marginalist theory of value to public finance. He explained how the average intelligence within Parliament, aiming to obtain the largest sum of utility, should establish the standards for the distribution of budgetary funds. The second was Emil Sax, who in 1887 published his *Grundlegung der theoretischen Staatswirthschaft* (SAX 1887), in order to give a theoretical character to the subject. De Viti de Marco's pathbreaking work published in 1888 (DE VITI DE MARCO 1888) was written with the same aim, that of demonstrating that public finance could be treated like a pure science. The differences between De Viti's and Sax's approaches have been the subject of study. FAUSTO (2003, p. 14) states that for Sax «public finance activity is aimed at collection of taxes from individuals to pursue aims imposed coercively by the State. In De Viti [...], instead, the modern State is a factor of production». For reason related to the definition of public goods, FOSSATI (2003, p. 108) writes that «the works of Sax and De Viti are quite different». PICA (2003, p. 51) compares Sax's position with that of many Italian public finance scholars,⁵³ showing how they are «in certain cases antithetical». However, for our purposes no matter how many differences there were between the two approaches, there was a strong methodological need, in both of them, to give a theoretical foundation to the discipline, to transform public finance into a pure theory, thanks to the application of the new marginalist method to the activities of the State.⁵⁴

This is very different from the situation of the *Staatswissenschaft* in Germany, with its organic conception of the State. In fact, the Italian version of the *Methodenstreit* involved many disciplines,⁵⁵ including public finance. Economists like Giuseppe Ricca Salerno had studied in Berlin with Adolf Wagner, a leading figure of the German historical school; thanks to them, for

⁴⁸ On the reception of Italian financial thought in Germany and Austria, see HAGEMANN, RÖSCH 2001, pp. 196-198.

⁴⁹ On the national element in the development of fiscal theory, see KAYAALP 2004, ch. 5-6.

⁵⁰ This topic has been dealt with in GIOIA (2003b), relative to the years 1880-1900. Musgrave and Peacock also speak of the «lively debate» which took place after 1880 «between Continental writers on public finance» (MUSGRAVE, PEACOCK 1958, p. VII).

⁵¹ Loria in 1890 wrote an article criticising the theories of the Austrian School (LORIA 1890).

⁵² The questions of priority between them are dealt with in MOSCA 2010.

⁵³ In Italy the followers of Sax were Giuseppe Ricca Salerno and Augusto Graziani (MOSCA 2010).

⁵⁴ On this phase of the foundation of public finance in Italy, considerable literature exists. See, among many others, DA EMPOLI 1993; 2015. For a vivid description of the first steps in the foundation of public finance as pure theory, see Einaudi's account (EINAUDI 1936).

⁵⁵ CARDINI (1994) writes on the polemic of the Italian economists towards the German jurists and their doctrine of the State.

a few decades the historicist approach aroused much interest in the Italian universities.⁵⁶ The individualistic approach was elaborated precisely in opposition to it, and this polemic gave great impetus to the foundation of a new theory of public finance in Italy, in which the reference points were rational individuals who maximize utility not just in the market, but also within the government and public institutions.⁵⁷ Before De Viti's book, in the words of EINAUDI (1936, p. 22), public finance was a «sorry mixture of practical precepts, rambling discussions of philosophic and political themes, comments on legal texts, and loose applications of definitions and economic laws». These words, with their critical tone, appear to describe the Italian historical school's approach to public finance; an approach that was not only historicist, but also descriptive, political and sociological. The German historical approach, after a period of domination in Italian universities, had been crowded out by the affirmation of the marginalist paradigm by the generation of De Viti de Marco, Pantaleoni, Barone, Mazzola and Pareto. This generation not only claimed independence for the discipline of public finance from law and politics but went much further by trying to give it a theoretical character, to develop a 'pure' theory of public finance. For example, a topic from the historical approach discussed by the Italian theoretical economists was Wagner's famous law about the progressive growth of public expenditure. However, the approach of the Italian scholars towards this law was not historical at all. What they did was to formulate explanatory hypotheses for Wagner's law, in order to find «a general theory of public expenditure growth» (MASTROMATTEO 2003, p. 221).⁵⁸ Having said that, the German approach still garnered support in Italy; just think of the Griziotti case,⁵⁹ which, as we will see later, was opposed to De Viti's economic approach to public finance, and in favour of the return to a discipline that was a synthesis between its political, legal, economic and technical aspects.⁶⁰ The last point we wish to highlight here is that the German historical school was so important in those years that many American economists used to spend some time in Germany (HAGEMANN 2018), therefore we can say that the German translation of De Viti's book helped to spread his ideas also in the Anglo-Saxon world, even before its English translation (1936), as we will see in the case of Benham.

7. DE VITI'S THEORY OF PUBLIC FINANCE

What are the main elements of the theoretical system built by De Viti de Marco? In his book a key role is played by the dichotomy between two ideal types of political constitutions: the absolute or monopolistic State, and the popular, democratic or cooperative State. De Viti explains that in the *Ancien régime* the law conferred to the dominant caste «the power, in producing public goods, to choose those that redound to its [...] advantage, and to put the burden of the cost [...] on the subject classes» (DE VITI DE MARCO 1932, p. 9). Then, starting from the French Revolution, the popular State has established itself, in which «through the free competition of social groups and parties, every class can attain power, and [...] must remain under the continuing control of the

⁵⁶ For two articulated analyses of the relation between the Italian economists and German school, see GRAZIANI 1908; GIOIA 1999; 2003a. On the rise and fall of the influence of the German economic thought in Italy see, among others, FAUCCI 1999, pp. 73-84.

⁵⁷ BUCHANAN (1960 [2001]) recognizes this characteristic in the Italian scholars.

⁵⁸ On the reception of this law by the Italian scholars, see MASTROMATTEO 2003.

⁵⁹ In his paper (GRIZIOTTI 1937), he mentions many German economists, like H. Dorn, K. T. Eheberg, F. Boesler, and E. Blumenstein. For an overview of the Italian theories of fiscal science at the end of the 1930s, see BOGGERI, SUNDELSON 1938.

⁶⁰ On the debate between Benvenuto Griziotti and Luigi Einaudi «about the nature of public finance and the best way to studying it», see GIOIA 1999, pp. 32-34.

community» (ivi, p. 9). If «the alternation of the groups in control of the government takes place with sufficient rapidity, [...] we finally come to consider as practically identical the groups that are in turn governing and governed» (ivi, p. 10). This brings De Viti to regard the popular or democratic State as a cooperative, where there is the personal identity of producers and consumers. The two ideal types of State correspond to the two ideal models of market considered by the economic theory to determine prices and quantities in equilibrium, that is to say monopoly (the absolute State that holds full power) and free competition (the democratic State in which different groups compete to alternate in power).⁶¹ This theoretical apparatus allows De Viti to place, for the first time in a consistent structure, all the main issues of public finance: different kinds of taxation – patrimonial revenues, fees, tax, direct and indirect – find their place within this single theoretical apparatus. For example, to elaborate the theory of taxation, De Viti explains that in the absolute State the public expenditures are decided at its sole discretion, and their financing takes place through contributions from private individuals for which there are no corresponding counter-offerings in the form of public services. The democratic State, on the other hand, is for De Viti comparable to a company that offers public services: against this supply there is a demand that comes from tax-paying citizens, who pay a price in exchange for the public good or service produced by the State; this price is the tax. Therefore, the State is seen by De Viti as the producer of public services aimed at satisfying collective wants, which he defined as the wants which arise from the fact that people live together in society. Public finance for De Viti is therefore the science that studies supply and demand of public services.

8. THE REVIEWS

When the German edition of De Viti's *Principii* was published, it was read and commented on not only in Austria, but also in Germany and Central Europe. We focus here on some of the various reviews it received in academic journals published in Germany, most of them, as we shall see, expressing criticism.⁶²

These include a detailed and insightful appraisal published in the «Zeitschrift für die gesamte Staatswissenschaft», a leading German academic journal issued in Tübingen, and signed by V. N. Twerdochleboff, a Russian scholar who at that time was chair of a research institute of public finance in Leningrad.⁶³ In his assessment, the reviewer welcomed the publication of the German edition of the lifework (*Lebenswerk*) of the «famous Italian financial scientist», stressing the fact that this was a new and enlarged version of the previous Italian edition, enriched by «a warm-hearted» introductory essay by Luigi Einaudi» (TWERDOCHLEBOFF 1932, p. 550). De Viti, Twerdochleboff observed, started from Sax's concept, «firmly established in Italian literature», of collective needs. The production of «public goods (services)» that satisfied these needs was stimulated by the same motives as the production of private goods. The private economic concept of value was transferred to the public economy and determined the individual's choice of public

⁶¹ On the concept of competition in De Viti de Marco's *Principles*, see MOSCA 2017.

⁶² Most of the bibliographic information about the reviews of the German translation of De Viti's *Principles* is taken from AUGELLO 2013, I.I, pp. 503-504. These reviews have never been analysed in previous articles devoted to De Viti's reviews, such as FAUSTO 1995 and FOSSATI 2016.

⁶³ Vladimir Nikolaevich Twerdochleboff (Chisinau, 1876-Leningrad, 1954). After graduating at the university of Novorossiysk University, in the 1920s, he directed the financial section of the Institute of Economic Research in Leningrad. In 1930, Twerdochleboff became head of the department of "Financial system of capitalist countries and the USSR" but was dismissed two years later, probably for political reasons. He was then restored his academic position in 1944 and became a member of the Leningrad Institute of Finance and Economics. We thank Vladimir Avtonomov for his help in finding this information.

services. The reviewer then recalls the distinction drawn by De Viti between fees and taxes: taxes were also a payment for public services, yet they differed from fees in that they were not the reimbursement of expenditure already made, but «the anticipation of future expenditure». This implied, however, very restrictive and, according to the Russian scholar, arbitrary assumptions: in particular, it entailed that all citizens consumed the totality of the public services and, furthermore, that the income of each member of the collectivity could be taken as the measure of his demand (*ibidem*). In the review, indeed, all the main points touched on by De Viti's book are mentioned and briefly examined: the problem of the double taxation of savings (a point initially raised by J.S. Mill, taken up by Irving Fisher and Einaudi, and criticised by De Viti); the controversial question of whether a progressive tax system was preferable to a system of proportional taxation; De Viti's reservations about an overly burdensome inheritance tax; and the role of public loans and the issue of paper money. De Viti's book, concluded Twerdochleboff, was a theoretical ideal construction, based on postulates that inevitably reflected the author's subjective socio-political views. The Italian economist, he wrote, was «a conservative liberal, like the great minds of the classical school»: his cooperative State was very similar to the State of the old free traders; his agrarian sympathies were expressed by his criticism of the English-type estate tax. On the whole, he did not share De Viti's theoretical approach and could not agree with any of De Viti's practical conclusions. Nevertheless, Twerdochleboff considered De Viti's *Principles* «one of the most important contributions in the financial literature of recent years» (ivi, p. 555).

A further critical review of the German edition of the *Principii*, by Bruno Antweiler,⁶⁴ was published in volume 84, December 1933 of the «Jahrbücher für Nationalökonomie und Statistik», the academic journal founded in 1863 by Bruno Hildebrand, leader of the 'old' German historical school. In his analysis Antweiler adopted a clearly 'statist' approach: in every country, he wrote, fiscal policy choices and public finance measures were a direct result of «one or a few supreme principles of the State activity» (*Staatszwecke*). In this framework, according to him, De Viti's system, in spite of its «brilliant and systematic logic» suffered from «decisive misconstructions», which «greatly impaired» its epistemological value. De Viti, Antweiler wrote, defined the role of the State in public finance (and thus its role in the economic sphere in general) as a process of producing public goods to meet collective needs. As a consequence, the demand of individuals determined the choice of public goods to be produced and their prices, i.e. the tax. This, however, could only apply in a democratic-parliamentary regime, in which the taxpayer had the right to authorise taxes and to distribute them among various expenditures. De Viti's model therefore implied a clear value judgement, which, according to the reviewer, was neither necessary nor appropriate in a general theory of public finance. De Viti, however, needed this political assumption because he considered taxes as the price for the public goods desired by the individual. Having said that, Antweiler recognized that, referring to specific issues, De Viti's analysis was insightful and challenging; this was the case, e.g., of the Italian economists' remarks on the choice between proportional and progressive taxation. For the reviewer, the German edition of the *Principii*, although not to be recommended to beginners in finance, could be suggested to critically prepared scholars as «an excellent training course in almost all concrete matters of the discipline» (ANTWEILER 1933a, p. 947).

Another extensive appraisal of De Viti's book in German academic journals was written in «Finanzarchiv», 1932, by Wilhelm Vleugels, a sociologist and economist from the University of

⁶⁴ Bruno Antweiler got a PhD from the University of Cologne (Köln) in 1933 with a thesis on public finance entitled *Erbschaftsteuer und soziale Reform. Kritische Betrachtungen anlässlich des Rignano-Plans* (Inheritance Tax and Social Reform. Critical considerations on the Rignano Plan) which was published in the same year in Würzburg (ANTWEILER 1933b). After having been assistant for a few years to the economist and sociologist Fritz Karl Mann, then professor of public economics in Cologne, he did not continue his academic work. We thank Harald Hagemann for his help in finding this information.

Königsberg.⁶⁵ In his paper Vleugels emphasised that De Viti's work aimed to elaborate a pure theory of public finance based on marginalist analytical tools, in analogy to what had been proposed by Wicksell and Sax, but independently from them. At the same time, he stated that De Viti's work was by no means free of ideological constraints and value judgements: on the contrary, it was clearly inspired by the liberal-democratic tradition. By the way, Vleugels observed, the presence of value judgements in a scientific work was not to be condemned as such: these, however, had to be clearly signalled (VLEUGELS 1932, p. 378). Furthermore, Vleugels wrote, while attributing a crucial role to economic theory in his analysis of public finance issues, De Viti adopted abstract concepts drawn from sociology and constitutional law, which, due to their arbitrary character, «disturb[ed] the economic-theoretical content of [De Viti's] work» without adding much in terms of empirical results. This was the case of concepts such as «absolute» and «cooperative» or «democratic» State. On the whole, the review reveals radical disagreement between Vleugels and De Viti on the fiscal role of the State: according to the Italian scholar, there was «a relationship of exchange» between the State as producer of general public services and the totality of taxpayers: for De Viti tax was a price. Vleugels, in full consistency with the tradition of the German school, stated on the contrary that the peculiar aspect of the fiscal action by the State was that it had the power to enforce actual taxation of its members «without any direct connection to a service in return» (ivi, p. 390).

Vleugel's critical intervention led to a wide-ranging and articulate rejoinder, published once more in «Finanzarchiv», 1934, by Renzo Fubini, a pupil of Luigi Einaudi and, at the time, assistant professor at the University of Bari.⁶⁶ In his essay, Fubini defended the autonomy of the theory of public finance (*Finanzwirtschaftslehre*) as a 'sub-field' that, together with other disciplines, formed «the field of general public finance» (*gesamte Finanzwissenschaft*). More generally, stated Fubini, the legitimate methods in the study of financial phenomena could be reduced to two: i) the marginalist (or, in German literature, hedonist) approach, according to which financial phenomena were complementary to economic phenomena; ii) the «political» approach which regarded fiscal phenomena as political issues: associations were seen as organisms which proceeded according to «a different guiding principle than those which [were] usually followed by private individuals» (FUBINI 1934, p. 65). The first approach was characterized by a high degree of abstraction. It led to results that could «only be applied to certain concrete facts with great caution». According to this approach, the aims pursued by the State had to be analysed as such and not accepted as «simple data or facts»; the State was a public enterprise; taxes were «almost never understood as a final deprivation or destruction of assets». According to Fubini, De Viti de Marco's work had to be interpreted in this framework and credited with being more logical and compelling than the work of most previous authors. Fubini does not deny that, on a few specific points, Vleugels criticism was justified: e.g. De Viti's notion of tax as a price was «artificial». According to him, however, the Italian scholar's contribution had the merit of

⁶⁵ Wilhelm Vleugels (Saarburg 1893-Bonn 1942) was a German economist and sociologist who taught at the universities of Königsberg and Bonn. He sympathized with nationalist views and in 1937 became member of the Nazi party. His sociological work focused in particular on the phenomenon of the masses and their role in politics.

⁶⁶ Renzo Fubini (Milan 1904-Auschwitz, 1944) graduated in law at the University of Turin in 1926 with a dissertation on public finance under the supervision of Luigi Einaudi. In the following years, he continued his research by publishing several papers in this field, particularly on the subject of personal income tax and the double taxation of savings. After a period of study and research in the United Kingdom and the USA as a fellow of the Rockefeller Foundation, he started a brilliant academic career, teaching at the University of Bari and, from 1933-34, at the University of Trieste (as a full professor of economics). In 1938, after the enforcement by the fascist regime of racist legislation against the Jews, he was dismissed from the university. He continued however his work as a scholar by publishing several essays and reviews for the «Rivista di storia economica», directed by Einaudi. After the Nazi occupation of Italy and the establishment of the so-called Italian Social Republic (a puppet State controlled by Nazi Germany), he lived in hiding, but in January 1944 was arrested and deported to the Auschwitz concentration camp, where he died.

suggesting a comprehensive analysis of the financial phenomena, and particularly of stressing the role of the State as an enterprise specialized in the production of public goods. Analogously, the distinction between the absolute (monopolistic) State and the people's (democratic) State, seen as theoretical borderline cases, had to be considered as a fruitful starting point for investigations in public finance (FUBINI 1934, p. 75).

DE VITI (1936, p. 15) responded to the criticisms that «appeared in German publications» in the *Preface* to the English edition:

the major criticisms – he writes – do not derive logically from the premises on which my treatment is based but arise from a different conception of the theory of public finance. They derive, that is to say, from the common notion that the phenomena of public finance give rise to problems, not of theory, but of practical statecraft. For the solution of these practical problems each writer has recourse to his personal ideals of social justice, on the basis of which he offers gratuitous advice to the politician.

The politician, he continued, in turn, accepts only the precepts which coincide with the interest that he is defending. De Viti on the contrary maintained that public finance was a theoretical science; it was necessary «to go back to the causes of the phenomena, and [...] to trace their effects» (ivi, p. 15). For him, the task of public finance was to explain the phenomena in their historical setting; the public finance of the Middle Ages is different from the public finance of modern times; at the same time, the public finance of States based on absolutism is different from that of parliamentary States. The method of public finance is not an easy one, since it borders upon different disciplines, but is «objective, impersonal and theoretical»; it is not based at all on an *a priori* canon of absolute justice. Basic premises of theoretical reasoning should be deduced from the historical milieu to which the phenomena belong.

While our priority in this paper regards the reception of De Viti's book in the German-reading community of scholars, we also mention the fact that its German edition was reviewed in a few non-German journals. Particularly noteworthy appears a review by a scholar we have already met, the Italian economist Attilio Cabiati. De Viti wrote to him on 11 February 1932, drawing his attention to Griziotti's criticism that we have previously mentioned, namely that he had paid attention only at the economic side of the financial problems. To this criticism, De Viti replied:

This does not seem to me, since precisely when I do not find in the economic principles the complete and satisfactory explanation of the tributary phenomenon, I go back [...] to causes of political nature; that is, I look for the explanation in the struggle of interests and in the consequent dominance of one of these.⁶⁷

Cabiati accepted De Viti's invitation to clarify the issue, and, in his review published in the «Giornale degli economisti», he criticized Griziotti's position (CABIATI 1933).⁶⁸ However, he opened up another critical front concerning the chapter on the issue of paper money, precisely one of the two written by De Viti for the German edition. Cabiati did not share De Viti's idea that, after an issue of irredeemable paper money, the revaluation of a depreciated currency distributes the tax-burden equally among all the taxpayers. Before the publication of his review, he sent the manuscript to De Viti, who replied to him on 1 March 1933: «I have to thank you for spending so much time on my work. I have to thank you very much and [...] from the bottom of my heart [...] and that's it! I don't see the benefit of a polemic; however friendly and courteous it may be». And yet he enters into the merits, but then immediately stops and concludes: «perhaps

⁶⁷ FLE, AC, *letter of A. De Viti de Marco to A. Cabiati*, Rome, 11 Feb. 1932.

⁶⁸ Griziotti replied to Cabiati (GRIZIOTTI 1935).

a higher and general truth of pure Sociology could emerge from such a discussion: ‘Governments are worse thieves than private citizens’». ⁶⁹

Another interesting testimony to the extent of the reception of the German edition of De Viti’s work is to be found in a review, published in the Dutch journal «De Economist», of the German translation of De Viti’s *La funzione della banca* again promoted by Morgenstern:

De Viti de Marco, one of the leading figures among Italian economists of the Pantaleoni and Mazzola generation [wrote the reviewer] enjoyed little fame outside his homeland until recently. The language barrier and the fact that his main work *Principii di economia finanziaria*, [...] was published not so long ago, are probably the main reasons for this. Fortunately, the objection that unfamiliarity with the work precluded many from taking a closer look has now been removed. It is thanks to the work of Prof Morgenstern that [...] the *Principii* and the essay [*La funzione della banca*] have been available in German translation.

(SWART 1937, pp. 501-502).⁷⁰

As surprising as it may seem at first glance, the «Zeitschrift für Nationalökonomie», the journal **edited issued** in Vienna **by-to which** Morgenstern **actively collaborated**, did not publish a review of the German edition of De Viti’s *Principii*, but only of the new Italian edition, dated 1934. In his appraisal, however, the reviewer Marco Fanno, professor of political economy at the University of Padua, after presenting De Viti’s contribution as «a milestone in the development not only of Italian but also of international theory of public finance» mentioned clearly the German edition and anticipated new translations (FANNO 1936, p. 260).⁷¹ Finally, we should remember the very laudatory and well-known review by the English economist Frederic Benham because, together with other factors,⁷² it is the one that paved the way for the English translation of the *Principii*.⁷³ And indeed, De Viti in the *Preface* to the English edition thanked Benham «who was kind enough [...] to call for an English translation, and thereby, I suspect, encouraged the publisher to assume the risk involved» (DE VITI DE MARCO 1936, p. 16).⁷⁴

9. CONCLUSIONS

Morgenstern’s ties with the Italian economists, and with De Viti in particular, did not end here: over the years he consolidated a solid friendship with the latter, fueled by mutual esteem, and he visited him frequently. In August 1932 he went to his home in the Apennines, where the two made

⁶⁹ FLE, AC, *letter of A. De Viti de Marco to A. Cabiati*, Rome, 1 Mar. 1933.

⁷⁰ Original text in Dutch. This review and the reception of De Viti’s work in the Netherlands were commented on by Morgenstern in a letter written in November 1936 to the Italian economist: «I just received a letter from a student of mine in Holland who has worked for several months at my institute; he is just writing a review of your book on the function of the bank for the Dutch «De Economist» and he also intends to write a longer review of your book on public finance. He tells me, that both books begin to penetrate into lecturing and discussions in the seminaries, particularly at Rotterdam. He emphasizes that he is very thankful to me for having urged him to study these two books with greatest care» (OMP, DU, *Correspondence*, Box 7, 1928-1939, *O. Morgenstern to A. De Viti de Marco*, 7 Nov. 1936).

⁷¹ «It is hardly possible», Fanno wrote in his assessment, «to accept all of De Viti’s statements without reservation». However, he concluded, «the work is in all its parts so rich in ideas, so superb in structure, so acute and rigorous in reasoning, that it must be regarded as an exceedingly significant work, which will for a long time referred to in the literature of public finance as an important stage in the development of this science» (FANNO 1936, p. 266).

⁷² On which, see ASSO, FIORITO 2001, ch. 7.

⁷³ Arthur Marget helped De Viti in the publication of the American translation. On Morgenstern and Marget, see LEONARD 2010, p. 103.

⁷⁴ BENHAM (1934, p. 367) in his review, wrote that the absence of an English translation «is a great misfortune and loss to all students of public finance in English-speaking countries».

«agreements to publish simultaneously in Germany and Italy the work on the function of the bank».⁷⁵ In October 1934 he stayed in the castle near De Viti's winery in Apulia⁷⁶ and started the process in order to translate his *Principles* also in English (DE VITI DE MARCO 1936).⁷⁷ Morgenstern continued to work hard for the now elderly professor: for example, in 1935 he urged Marco Fanno to write the already mentioned review of the *Principii* for his academic journal.⁷⁸ In 1938 he wished to organize some form of celebration for De Viti's 80th birthday «to honor him [...] and to remember him to the public» (PAVANELLI, NAKAYAMA 2008, p. 115). After the death of De Viti de Marco, which took place in December 1943, Morgenstern was active in celebrating his memory. On 26 November 1946 he reminded Einaudi that no commemoration had yet been published, and invited him to write it: he also explained that it would be appreciated by the many American admirers of De Viti de Marco's work.⁷⁹ On 22 January 1947, Einaudi replied that he intended to write one, but then, after several more years, Morgenstern decided to do it himself.⁸⁰ Then, on 24 March 1950, he informed Einaudi that he was in contact with De Viti de Marco's daughter, Lucia, to gather the necessary information.⁸¹ Finally, in 1968, Morgenstern wrote the entry *De Viti de Marco* for the *International Encyclopedia of the Social Sciences* (MORGENSTERN 1968a),⁸² A few years later, Morgenstern's sincere and passionate interest in Italian economists led him to spontaneously provide James Buchanan, winner of the 1955-1956 Fulbright visiting professorship in Italy, with contacts with the country's leading economists.⁸³

The analysis carried out so far allows us to conclude that the German translation of De Viti's book enabled him to be known by a wide German-reading community of economists, which in those days included Russian scholars like Twerdochleboff, English scholars like Benham, Dutch scholars like Swart, but also Swedes like Wicksell (MEDEMA 2005) and Americans like Seligman (HAGEMANN 2018). As we have seen, a few Italian economists played an important role in spreading the knowledge of De Viti's masterpiece among this community (and were by the way, to a large extent, part of it). On the whole, the reactions to his translation confirm that the Italian school of public finance aroused great interest in Europe and elsewhere. We can now try to answer the crucial question: why did Morgenstern promote the translation of De Viti's book so actively? Our point is that he expected to spread among the German-reading scholars the ideas of a pure

⁷⁵ *Letter of De Viti to Einaudi*, Boscolungo Pistoiese, 28 Aug. 1932. The previous day, Morgenstern had also reported to Einaudi about this same meeting (PAVANELLI, NAKAYAMA 2008, p. 112). The German translation was actually published in 1935 (DE VITI DE MARCO 1935).

⁷⁶ On 19 October 1934 De Viti wrote to Einaudi: «I had here, for two or three weeks, Dr. Morgenstern, who has been a delightful company to me». *Letter of De Viti to Einaudi*, San Pietro Vernotico, 19 Oct. 1934.

⁷⁷ De Viti writes: «the English translation is the one I most would have liked. Morgenstern had already taken care of it». *Letter of A. De Viti to A. Cabiati*, Rome, 4 May 1933, FLE, AC, Folder 2, *Correspondence (1894-1961)*, De Viti de Marco Antonio.

⁷⁸ See *Letter of M. Fanno to O. Morgenstern, Padova*, 5 Mar. 1935 (**Dip. di Scienze Economiche dell'Università di Padova, Fondo Marco Fanno, Professional correspondence, folder C1, f. 56**) in which ~~he~~ Fanno agrees to write the review. ~~DIPARTIMENTO DI SCIENZE ECONOMICHE DELL'UNIVERSITÀ DI PADOVA, Fondo Marco Fanno, Corrispondenza professionale. [Manca n. busta/fascicolo]~~

⁷⁹ ARCHIVIO STORICO DELLA BANCA D'ITALIA, b. 20, fasc. 2, *letter from Morgenstern to Einaudi*, 26 Nov. 1946.

⁸⁰ On 27 October 1949 he insists with Einaudi that he would like to write the commemoration, even though several years have passed since his death (*ibidem*).

⁸¹ *Ibidem*. In ARCHIVIO DELL'ASSOCIAZIONE NAZIONALE PER GLI INTERESSI DEL MEZZOGIORNO D'ITALIA (ANIMI), Rome, *Fondo Archivistico Umberto Zanotti Bianco*, Section A, Folder UA.13 there is correspondence between Morgenstern and Lucia de Viti de Marco in 1950 with exchanges of information for drafting of the commemorative note.)

⁸² See also the short essay by Oskar Morgenstern which opens the volumes *Studies in memoriam of Antonio de Viti de Marco*, Bari, Cacucci (MORGENSTERN 1968b).

⁸³ BUCHANAN 2007 (ch. 6, *Italian retrospective*), writes: «I got an unsolicited letter from Professor Oskar Morgenstern of Princeton, whom I had met only once, but who helped me greatly by listing acquaintances of his own whom I might look up when I arrived in Rome» (p. 84).

theorist with an individualistic and liberal approach to public finance. Did he succeed? In other words: what role did the translation of De Viti's book play in the methodological debate on public finance, between the Austrian scholars and the German historical schools? As we have seen, the book aroused more criticism than consensus: Twerdochleboff, Antweiler and Vleugel were not convinced of either De Viti's theoretical assumptions, or his practical conclusions. By raising an active debate in Europe and, later, in the United States, however, Morgenstern's initiative had a decisive role in disseminating De Viti's theoretical work at an international level and, as anticipated by Einaudi in his introduction to the German edition of the book, in opening up new paths of research in the theory of public finance.

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