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OF PUBLIC CHOICE AND ANTONIO DE VITI DE MARCO*

ABSTRACT

This article aims at revisiting De Viti's explanatory scheme of the State in order to highlight its links with the Public Choice approach. First, De Viti's theory of the state is re-examined in order to draw attention to the aspects linked to his positive-normative-ideal approach. Second, a review of the literature is carried out to highlight what can be considered specific points of agreement between De Viti and Public Choice. Finally, an attempt is made to provide an overall assessment of how De Viti may be related to Public Choice.

Keywords: De Viti de Marco; Public Choice; Economic Theory of State; Public Finance

JEL Classification: B10; B30; H10; H40

RIASSUNTO

La Public Choice e Antonio De Viti de Marco

Questo saggio si propone di rivisitare lo schema esplicativo dello Stato di Antonio De Viti de Marco al fine di evidenziarne i legami con l'approccio della Public Choice. In primo luogo viene riesaminata la sua teoria dello Stato al fine di richiamare l'attenzione sugli aspetti legati al suo approccio positivo-normativo-ideale. In secondo luogo, viene effettuata una rassegna della letteratura per evidenziare quelli che possono essere considerati gli specifici punti di raccordo tra De Viti e la Public Choice. Infine, si cerca di fornire una valutazione complessiva delle relazioni tra De Viti e la Public Choice.

1. INTRODUCTION

The traditional Anglo-Saxon theory of public finance basically limited itself to analyzing the effects of taxes on the private economy, leaving out the second great problem, that of collective choices (Buchanan, 1960, p.74). On the contrary, Antonio de Viti de Marco was the first (with

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Ugo Mazzola) to elaborate an economic theory of the state articulated on the supply and demand of public services, based, as for the market of private goods, on the concepts of cost and individual utility. Moreover, De Viti's theoretical approach is based both on individual freedom and on the coercion implicit in taxation in a context of liberal and parliamentary democracy and therefore of political voting. Likewise, Public Choice and New Political Economy use the tools of economic science to study the behavior of voters, politicians and bureaucrats with respect to the issues they address, which include the traditional issues of public finance. Therefore, I can claim that De Viti and Public Choice have in common the idea that the theoretical study of public finance should begin by considering the state as a political institution, using the tools of economic science.

Current literature started from this supposition first searching for Devitian traits that could be considered anticipators of Public Choice's specific propositions. Second, current literature tried to draw inspiration to elaborate new developments, in the spirit of the current literature being in a historical continuum starting from De Viti; finally, the current literature tried to show how certain Devitian ideas can still be considered fruitful, despite the evolution of economic systems, if developed with modern analytical techniques. However, De Viti's scheme presents uncertainties and ambiguities, largely due to his ingenious effort to offer an explanation of the financial phenomenon between positive theory and idealized reality, such as thinking of how it is possible to coordinate the hedonistic calculation of the state with that of the citizens.

The purpose of this paper is to reflect on the links between De Viti's scheme and Public Choice; to this end, first, De Viti's theory of the state will be revisited to highlight, in particular, the aspects related to its positive-normative-ideal approach. Second, a review of the literature will be carried out to highlight what are considered specific points of agreement between De Viti and Public Choice. Finally, an attempt will be made to provide an overall assessment of how De Viti may be related to Public Choice.

2. THE DEVITIAN THEORY OF THE STATE REVISITED

First, it seems necessary to reflect on the type of state truly considered by De Viti, which he outlines in Chapters 6, 7, and 8 and in a few references of his *Principles*. The main source of ambiguity is that De Viti wants to explain reality using postulates that are difficult to reconcile

with each other. On the one hand, they are very abstract assumptions, such as assumptions regarding the personal identity of producers and consumers of public goods (De Viti, 1939, p.41) or assumptions that all taxpayers, in their individual budgets, make a comparison between the marginal utility of the general public service and the marginal utility of the tax (p.126). On the other hand, there are more concrete assumptions, such as proportional taxation, based on the idea that every citizen consumes general public services and that individual income is a proxy for individual consumption of public services (ibid., p.115).

This makes several readings of De Viti possible, beginning with a polar vision of a state where there is personal identity between producers and consumers of public services, which are provided at cost because of the state's character of being democratic. This is the Devitian cooperative state, understood as an ideal polar case, which is often referred to in the literature, and its legitimacy is assured by De Viti, who states that monopolistic and cooperative states are

“extreme types, that I take as two abstract hypotheses, or two polar cases” (p.41).

However, I must point out that De Viti does not provide any further structuring for this polar case, but he mentions a number of circumstances incompatible with the polar state. For example, he refers to a state which exchanges public services for taxes, a state in which there is the problem of the free-rider (each citizen tends to maximize his own consumption of public goods, paying as little as possible in comparison with his neighbors, p.34), a state in which there are majorities and minorities (the state is driven to produce by the prior demand of the majority, but then adapts the supply to the total consumption of both the majority and the minority, p.124), a state in which not all taxpayers participate in the formation of the collective value calculation, nor do they all exercise the same relative influence (p.126), and a state in which taxpayers judge of the economic expediency of paying a given tax in order to obtain a given public service in return (p.119).

For this reason, I believe that the state considered by De Viti in all his *Principles* is instead a structured historical type, very far from the above polar case; in my view, this state is characterized by three essential elements. First, it is a popular state, because the management of power is under the control of the people. The control lies in that the actions of the group in power

“are the subject of continuous public criticism and discussion in the press, in the parties and in the parliaments” (De Viti, 1939, p. 119).

The second element is that all economic agents, i.e., consumers-voters-taxpayers and politicians, are rational and behave according to the economic principle of the minimum means; ultimately, the Devitian state produces public services under the abstract hypothesis of maximizing behavior with perfect knowledge and transparency. The third element is political competition, although in De Viti’s *Principles*, political elections are never defined or recalled. Voting is mentioned only when he recalls that “taxpayers vote taxes” (ibid., p.41), which is a very indirect reference to political elections. However, De Viti starts from the premise that the characteristic element of free competition in the markets is that

“one producing group can be *substituted* by another, coming from the mass of consumers. The easier the substitution, the more the condition of free competition is realized” (ibid., p.40-41).

He also maintains that

“in the democratic state ... a *similar* phenomenon of alternation and reciprocal substitution is repeated”

so that through competition, every class can attain power (ibid. p.41, italics added). This means that in the democratic state, the struggle for power takes place in a competitive regime; in other words, De Viti identifies political competition.

I now turn to a concept on which the literature considers the Devitian scheme to be founded, namely, the cooperative enterprise seen as an archetype of his state. Viewing the state as a cooperative enterprise dates back to De Viti (1888) and perhaps derives from Herbert Spencer’s ethical approach, according to which the evolution of human conduct sees at its most advanced stage the

“realization of a state of mutual assistance or cooperation for the achievement of common ends” (De Viti, 1888, p.49)¹.

In his *Principles*, De Viti states that free competition is characterized by substitutability among “producer groups”, all coming from the mass of consumers. This implies that he uses a

¹ It should be noted that in this De Viti of 1888 there is no reference to elections or parliamentary institutions. In other words, in 1888 he has not yet introduced political competition, which is therefore a later elaboration.

characteristic of competition, the idea of free market entry, but that he also applies it to groups that are simultaneously producers and consumers, which tends to confuse the demand side with the supply side. This is instrumental in arriving at the idea of the cooperative, in which consumers are also producers, because he wants to demonstrate that the modern democratic state tends to approach the economic figure of the cooperative, a figure that De Viti defines only by saying that its

“elementary character lies in the *personal identity between producers and consumers*” (De Viti, 1939, p.41, italics original).

The conceptual shift whereby the modern state tends toward the cooperative is then achieved by the assertion that if the alternation of groups in government takes place with sufficient rapidity, there is

“personal identity between producers and consumers, since all citizens who pay taxes are also citizens who consume public services” (De Viti, 1939, p.41).

The weakness of such a chain of deduction is evident: one cannot reasonably attribute explanatory value to a hypothesis as heroic as the rapidity of substitution of groups in government to such an extent as to make the rulers and the ruled identical. Nonetheless, in De Viti, the idea of cooperative enterprise should play the crucial role of allowing the claim that public services are sold at cost price, which is how services are sold in cooperative enterprises. However, to arrive at this conclusion, it is not necessary to go through the idea of cooperative; rather, the idea that public services are “sold” at cost price is merely a corollary of the principle of the least mean, which is assumed by De Viti. Thus, I conclude that any role of the cooperative vanishes because in De Viti’s theory of the state, the idea of cooperative appears redundant².

In conclusion, the state truly considered by De Viti is not a polar case, nor an abstract type of state, but instead a historical type. Abstract types are based on hypotheses and cannot explain reality, because actual facts are different from the simplified pictures corresponding to the necessarily abstract hypotheses. On the other hand, historical types cannot be generalized and therefore cannot lead to explanations outside the specific type considered, because the

² See Fossati and Montefiori (2019, p.245). However, they point out that even the concept of the state-factor of production turns out to be nonessential.

economic uniformities obtained are peculiar to the type of state studied (Einaudi, 1940, Ch. XII). The point, however, is whether the historical type considered by De Viti tends to coincide with the modern states or whether it has characteristics that render it an “ideal” state that is too distant from reality.

There seems to be no doubt that the state actually considered by De Viti is quite close to reality in so far as he refers to a parliamentary democracy, namely, a popular, democratic and liberal state, quite similar to the modern democratic states of his time, in which the ruling class is supposed to be guided by the interests of the governed classes, albeit subject to the influence of rent-seeking interest groups, an influence that nevertheless historically tends to become less and less important. His interest in this type of state is undoubtedly motivated by the fact that throughout his teaching, he continued to think that, in the historical moment in which he lived, the modern state was becoming increasingly democratic or popular³. As a politician, De Viti was aware that the Italian state was far from a popular-democratic state, but as a man of science, he believed that his explanatory task should concentrate on that case, because from his observation of reality, especially the Anglo-Saxon world, he concluded that actual states showed a tendency to converge toward popular democracy. It is true that toward the end of his life, he privately acknowledged that

“the present [Fascist] state is abandoning the form and substance of cooperative organizations and is moving toward the monopolistic type again” (Cardini, 1985, p.375-76),

but it is also true that this acknowledgment did not appear even in the final edition of his *Principles*, perhaps because he considered the Italian condition to be a particular case that was an exception to the general rule of the development of democracy.

According to De Viti, his framework should “explain” reality by resorting to the abstractions of rational behavior and the principle of the minimum means; i.e., his scheme would be based on precisely the same abstractions as contemporary economic theory. De Viti’s intention is to provide an explanation of financial economics on the same level as the explanation of facts offered by economic theory.

³ Already in 1879, De Viti was convinced that the state founded on consensus or cooperation, tending toward democracy, born of the English and French revolutions, was destined to spread throughout Europe (De Viti de Marco, 1879; quoted by Cardini, 1985, p.21).

3. A REVIEW OF THE LITERATURE

De Viti still attracts the interest of scholars, although not all of them refer to Public Choice such as Fausto (1995), Steve (1995), Asso and Fiorito (2001), Mosca (2005), Fossati (2006), Fossati (2016), and Fossati and Montefiori (2019). Other scholars, on the other hand, try to highlight links, both with De Viti's whole scheme and with specific points of reference. In this section, I will consider the part of the literature in which De Viti's message is linked to Public Choice, trying to highlight those traits that are traced back to Public Choice themes.

3.1 Buchanan

Buchanan's (1960) essay, as is well known, is aimed at introducing the Italian tradition of public finance to English-speaking scholars, and therefore it does not focus on the emerging Public Choice; in contrast, in Buchanan (1975), he precisely discusses the transformation of public finance into Public Choice. However, Buchanan considers to be a very tenuous link between Public Choice and the Italian tradition, since he says that Mazzola, Pantaleoni and De Viti

"made rudimentary efforts to analyze the public economy within an exchange framework" (p.384),

thus aligning himself with Musgrave's position. On De Viti, in particular, Buchanan remembers only that De Viti

"explicitly constructed a model in which the consumers and the suppliers-producers of public goods make up the same community of persons" (ibid.).

In the 2008 interview, Buchanan (2016) recalls absorbing much from the Italian tradition, so that he does not believe Public Choice

"would have ever got off the ground ... had it not been for the Italian influence" (p.127).

Regarding De Viti as a special influence, Buchanan states that the idea of how to shape the state was

"always in the back of my mind." Moreover, De Viti is still very important "in trying to understand politics as to how the politicians can be modeled, how they can behave and so forth and so on" (p.131).

3.2 Kayaalp

Orhan Kayaalp should be credited with having drawn the attention of English scholars to the Italian tradition of public finance as early as 1985, when it was still largely ignored in the English-speaking economic world, despite Musgrave-Peacock's *Classics* (1958) and Buchanan's essay (1960). Kayaalp's essay (1985) aims at isolating "the Public Choice roots" of the Italian tradition; in particular, the group in power, made up of elected administrators, could be compared to a group of "business managers" entrusted by shareholders with the task of efficiently managing the production of public services (p.403). Again, the group in power focuses on the preferences of the average voter, estimating their marginal benefit of public service (p.404). In any case, De Viti's idea of a society in which the ruling elite, elected by majority vote for a certain period with the task of "accomplishing a set of economic tasks" (p.404), is not substantially different from the representative-democratic system in force in the countries of the Western world. Finally, Kayaalp states that what De Viti had in mind was not truly a process in which citizens' preferences were immediately translated into votes for each public decision but rather a

"tranquil voluntary exchange process, one that took place within certain boundaries recognized by the citizenry as well as politicians, and formalized in a constitution of consent" (p.405).

The essay (Kayaalp, 1988) deals specifically with the work of Ugo Mazzola but, with reference to the Italian tradition, reiterates that De Viti not only considers the supply and demand for public goods but also provides insights into aspects of Public Choices, such as voting and constitutions, in a simple and realistic framework.

As far as De Viti is concerned, Kayaalp (1989) mentions again that De Viti not only highlights the supply and demand aspects of public services but also

"provides invaluable insights... into the collective choice-related aspects of the discipline, such as voting, individual liberty, fiscal coercion and bureaucracy" (p.155).

He also reiterates that according to De Viti, a government composed of elected politicians and public administrators is comparable to the management of a company to which the shareholders have delegated the task of running the organization efficiently on their behalf (p.58).

Kayaalp (1998) provides a general overview of De Viti's thought on financial economics, in which some references to Public Choice can be found. First, he reports that De Viti also

"ventured to bring about a grander equilibrium, one that complied not only with the principles governing the marketplace, but also with those affecting the modern polity" (p.97).

Then, he recalls that De Viti went so far as to argue that

"the hedonistic rules applicable to the public sector, once elucidated, would provide politicians and public administrators running this sector of the economy on behalf of the electorate ... useful guidelines" (p.99).

Again, he mentions that – in the representative democratic system – it is the "elected agents" who make public decisions within the limits of the mandate received and that the

"minister will therefore focus on the preferences of the average voter" (p.102).

3.3 Wagner

In Wagner's (2003) essay, the author thinks that if Public Choice had not developed too long after the Italian tradition had disappeared, the latter would certainly have been recognized as the origin of Public Choice. In fact, the essay is focused on explaining that the appreciation of the Italian tradition was possible only with the development of Public Choice, because its catallactic orientation contrasted with the "choice oriented" character of Anglo-Saxon public finance.

In the author's intention, Wagner's book (2007) represents an original attempt to formulate a social theory of public finance, undoubtedly inspired by a Devitian ambience; thus, De Viti's theorization has contemporary relevance.

Eusepi and Wagner (2012) argues that in parliamentary regimes, public debt does not have the same nature as private debt because the state is an intermediary between those who buy public bonds and taxpayers who bear the burden. They also note that De Viti de Marco

"expressly recognized that in republican regimes the State provided an intermediary function that ... transforms public borrowing into a process of intermediation among citizens" (p.201).

Eusepi and Wagner's (2013) essay expressly aims to draw attention to the links between

contemporary theory and De Viti's theoretical scheme. De Viti's contribution

"represents an indispensable basis for a genuine understanding of the public finances in democratic regimes" (p.6).

The authors note that in modern theory, the state is generally an agent that intervenes in retrospect to modify the results obtained by the markets, and they point out that, on the contrary, according to De Viti, political activity takes place simultaneously with market equilibriums, so that, in

"this rejection of a sequential style of theorizing in favor of a simultaneous style, De Viti took an alternative path from some of the newer work" of the New Political Economy (p.13).

They recall that for De Viti, the activity of the state is guided by the same economic principles as private activities and that democracy implies, as for De Viti, the existence of minorities. They believe, however, that De Viti's assumption of the polar case of the cooperative state allows the extension of the logic of market exchange to politics because of the principle of unanimity implicit in such a state (p.9-10). Another point of connection with Public Choice can be identified in the fact that even though De Viti defined a tutorial state in 1888 that essentially corresponds to the

"paradigm of the benevolent despot that has been the central object of the critique of Public Choice scholars" (p.14),

he disregarded it. In any case, the authors believe that the entire decision-making scenario in the cooperative state is dominated by the tax-prices that

"are as necessary to guide State activity as market prices are necessary to guide market activity" (p.23).

Ultimately, this implies a proportional tax on individual income; then, the Devitian analysis of taxation and tax pricing shows his effort to treat taxation

"in a contractual motif that is suitable for a society of moral equals governed by rule-of-law principles."

In the 2008 interview, Wagner (2016) reiterates that the basic idea of the Italian tradition that economic principles are equally valid for explaining both the market and the state, has been

“incorporated in the broader literature on Public Choice” (p.120). Regarding his book (Wagner, 2007), he also confirms that De Viti “was one of the premier sources of my inspiration” (p.121)

and recalls that the basic idea of the book is to look at the activities of the state and try to explain them with the economic principles of utility, demand, cost, and contracts. In particular, he recalls that there he considers

“parliamentary assemblies as what I sometimes refer to as peculiar investment banks” (p.122) and states that “I would further submit that had he thought about it, De Viti would have gone along with that idea” (ibid.).

In the Eusepi and Wagner (2018) essay, the authors contrast a “cooperative” state attributed to De Viti with a “democratic” state. The cooperative state is defined as

“one possible model of political economy that provided more of an analytical foil than a reasonable theory of political-economic experience” (p.3);

thus, it would seem that it may coincide with what I have called above the ideal polar case of the cooperative state. The democratic state could be close to the state truly considered by De Viti, with the difference that, according to De Viti, the political factor is a deviation in a downward trend, and for Eusepi and Wagner, it seems to be the rule. First, they discuss David Ricardo’s equivalence between taxes and loans in their De Viti’s cooperative state; the scenario is set *ad hoc*. De Viti never mentioned the cooperative state in his analysis of public debt, nor in his essay in the *Giornale degli Economisti* of 1893, nor in his *Principles*. He refers to a state that can be any existing state. It is enough to remember that De Viti considers a capitalist, a landowner and a professional or worker as taxpayers. Then, Eusepi and Wagner asserts that in their cooperative state (which corresponds to the ideal polar case), public debt is self-extinguishing. In an actual democracy (in the democratic state), on the contrary, a variety of policies can be implemented so that public debt might become an instrument through which winning groups within the polity transfer wealth from losing groups, because the state has many ways of defaulting on its public debt.

Next, the authors consider a problem alien to De Viti, namely, default in their cooperative state with external debt, and conclude that the existence of foreign subscribers to the public debt can

bring about the end of such a state. Then, in their “democratic State”, they sensibly argue that if we go from taxation to public debt, it is because decision-makers find that, from their point of view, debt is less expensive, and that this can induce less productive public expenditures than the private expenditures they substitute. On the matter, however, De Viti argued, “The fallacy of such an argument is obvious” (*Principles*, p. 409). His perspective was different in that, according to him, the problem lies in the expenditure, not in the means of obtaining the necessary funds; those who are able to force the government to resort to taxation also have the power to prevent waste in spending.

3.4. Medema

Medema (2005) recalls that De Viti – like the other Italians – was motivated to incorporate the political process in his analysis, since to explain public expenditure and the allocation of relative cost, this incorporation is necessary for

“coming to grips with the centrality of the political machine within these processes” (p.5).

The essential point is that private and public decision-making processes are similar, in particular with regard to public and private goods, and so public finance, although autonomous with respect to political economy, aims at transferring the principles of the theory of value from private economies into the public economy (p.11). Specifically, De Viti starts from the observation that collective needs are, in any case, needs felt by individuals who agree in desiring that the goods destined to satisfy public needs should be produced according to the principle of the minimum means. From this follow the two corollaries that production should take place at minimum cost and that citizens should have a tendency to free-rider behavior in sharing the cost of public goods. Medema also recalls that in the democratic state, the group in power is the one judged by the community to be the most suitable for the production of public goods as a result of the “competition for political power” (p.12), and he mentions what he calls the iterative “tatonnement-like” process, which, according to De Viti, leads to the identity between producers and consumers. This is a political exchange whereby taxes function as prices so that prices and quantities are modified until equilibrium is reached (p.13); in practice, however, the presence of a political element causes a divergence from the principle of the least mean to benefit particular interests.

In the 2007 interview, Medema (2016) first recalled that Buchanan's original approach was that "it viewed politics as a process that operated according to the very same principles that the private sector market system operated" (p.115).

This perspective is very similar to that of Italian scholars, who considered the public sector governed by the same economic principles as the market, and in particular to the perspective of De Viti, who set out a theory of government processes substantially in the same economic framework as markets. The link with Public Choice is precisely because De Viti tried to model public decision-making processes with the same economic tools as market processes; he said, "the Italians had done a lot of this before" (p.116), even if the theoretical developments were quite different.

3.5. Petretto

Petretto (2014) proposes to analyze De Viti's thought in connection with the New Political Economy; the general idea is that there is a substantial continuity of thought. His starting clue is to interpret the pro-competitive regulation of public utilities as a process of shifting from the monopolistic state to the cooperative state of De Viti. Then, he analyzes the issue of firms' ownership in the New Political Economy with the aim of highlighting the relevance of De Viti's methodological approach.

He considers a cooperative state that corresponds to the ideal polar state, which he links to the images of state suggested by the New Political Economy. Then, he likens such a cooperative state to a "cooperative game," in which there are different agents, such as producers, bureaucrats, public officials and politicians, as players that can reach credible and binding agreements. It is plain, however, that any possible attributes that De Viti's state has in common with such a game is only the name; specifically, in the ideal polar De Viti's state, the agents are consumers who coincide with politicians, while neither bureaucrats nor public officials are structured. Moreover, Petretto asserts that Acemoglu's (2013) vision of the state is "very close to that of the Devitian cooperative State" (p.4) as a nexus of cooperation, even in the presence of opportunistic behavior and coercive powers. Even this statement seems to go far from Devitian thought, as seen by the Acemoglu's formalization to which Petretto resorts, in which the income of the community depends both on a vector of characteristics and on a vector of institutions and

policies. He considers market liberalization and competition as variables in such a vector of policies because modern pro-competitive regulatory theory is aimed at improving efficiency just through market liberalization and through regulations. It seems to me that all this is pretty alien to the Devitian world; still, Petretto links the benefits of competition to policies aimed at making the institutional structure evolve from a monopoly state to a cooperative state. This is because he maintains that the historical trend noted by De Viti of the transition from the absolute to the democratic state is the result of a “policy”, and in particular of pro-competitive regulatory policies. In contrast, I am afraid that, for De Viti, the transition is a historical-political process: Petretto assumes, moreover, that in De Viti’s cooperative state, there are public enterprises structured as public utilities, to which he thinks of applying control and regulatory practices.

Then, he imagines that the cooperative state is characterized by competition (intended as contestability) in public utility markets because he believes that competition has

“the effect of increasing managerial effort toward productivity and cost enhancing, so as to increase x-efficiency even in an asymmetric information moral hazard context” (p.7).

Thus, pro-competitive forms of regulation that emphasize the contestability of public utility markets are a means for affirming the cooperative state; however, this approach implies that, starting from an absolute state, one can achieve the cooperative state through regulatory policies. However, it is implausible to assume that a monopolist-absolute state would implement liberalization policies; in contrast, De Viti’s idea was that private monopolies arise as a result of technology and that the cooperative state, when it notices the emergence of a monopoly, must intervene, either through direct production or through any alternative intervention (*Principles*, p. 43).

Petretto then considers the “new model” of pro-competitive regulation based on the separation of government and business and, recalling the literature on independent regulatory authorities of public utilities, uses the formalization of a game with three players, namely, the user, manager and owner, each with its own pay-off function. Then, he is able to claim that the solution is a social incentive contract that achieves,

“even with asymmetric information, a second best non-cooperative result, which might be considered the nearest outcome to that implied by the De Viti Cooperative State configuration” (p.12).

It is trivial to observe that Petretto has gone far from De Viti's world, starting from the three players and ending with incentive contracts and asymmetric information.

Finally, Petretto takes inspiration from De Viti's idea that in the cooperative state, the enterprise can indifferently be public or private because it is only the economic principle of maximum benefit that determines the choice. His creative muse, however, lets him focus on the literature concerning nationalizations

“which endogenizes the self-interest behaviors of the main institutional actors, such as politicians, public officials, managers and unions”,

and deals with the issue of privatizations, namely, with the sale of a public enterprise. He continues using the formalized scheme presented earlier and obtains that the sale is convenient for the state if the actual price is higher than the minimum price acceptable to the state. Whatever the heuristic value, all this is alien to the Devitian world of perfect transparency, in which any good is produced by the firm – public or private – that is more “economical.”

3.6. Paladini

In the 2008 interview, Paladini (2016a) states that De Viti's approach is current, at least in relation to the *Law and Economics*, and he acknowledges that De Viti “adopted an approach of Public Choice and economic analysis” that links the theory of value with social interactions and, in particular, with the voting system (p.62).

Paladini's (2016b) essay offers a traditional reading of the *Principles*, which is particularly valuable because it is systematic. He begins with the theory of the state and continues with the shifting of taxes and progressivity; he then goes on to examine other issues: from the equivalence between the income tax and the wealth tax to the equality between the sum of the surplus values of all enterprises and the gross domestic product, and ends with the double taxation of savings, duties, public debt and the issue of paper money. In the present review, however, interest is limited to specific points of agreement between De Viti and Public Choice. The fact is that Paladini finds no such points, with one exception: According to him,

“even if [De Viti] does not use the term, the median voter theorem is already present”⁴ in De Viti’s discussion of tax progressivity (p.12). Regarding the relevance or actuality, for Paladini De Viti is a “classic” in the sense that not only informs the history of economic thought but also “all those who deal with... public economics” (p.20).

Moreover, Paladini believes that

“De Viti’s approach is significantly different from that of Public Choice” (p.21): indeed, Paladini’s conclusion is precisely that “De Viti cannot be considered a forerunner of the Public Choice school” (ibid. p.21).

3.7. *Giuranno-Mosca*

The Giuranno-Mosca (2018) essay is quite interesting and groundbreaking in that it re-examines the theory of rent seeking in light of De Viti’s political writings; as far as it is of concern here, it seeks to extend “the literature on the history of Public Choice”. The authors start from the observation that to understand the functioning of the state and the behavior of political actors, it is essential to study the collective decision-making process and maintain that according to De Viti, collective choices are the result of a political equilibrium achieved by conflicting interest groups obtaining representation in parliament. This formulation alludes to developments that amplify De Viti’s simple idea of distinguishing the absolute state from the popular or democratic state, in which decisions regarding public goods are made by groups of consumers who alternate in power. In the paper, the authors are also considering De Viti’s political writings, and thus their general perspective is different from the usual one, which takes into account only his scholarly writings, specifically, the *Principles*.

The authors then

“analyze the conditions under which a perfectly democratic equilibrium may emerge according to De Viti de Marco’s views” (p.327).

Although they do not define what they mean by “perfectly democratic equilibrium”, they seem to consider what I have called De Viti’s ideal polar case and maintain that, in such a state, public

⁴Mention of the voter had already been made by Kayaalp, but he refers to the *average* voter, while Paladini considers the *median* voter.

policies

“cannot be in contradiction with the Samuelsonian conditions necessary for the optimal provision of public goods” (p.326).

This raises the point that De Viti’s ideal polar state is both the “perfect democratic” state and a Paretian optimum. First, I fear that only in the limit case of unanimity can we speak of perfect democracy, because democracy is only any system of institutionalization of conflicts through precise rules, including the existence of free elections, a plurality of political groups, the protection of minorities and control and information mechanisms. Therefore, only in a figurative sense is De Viti’s ideal polar case perfectly democratic. For the Paretian optimum, the Samuelsonian conditions imply marginal costs matching marginal benefits and, to find a single point of efficient equilibrium, they also imply a function of social welfare. In contrast, all we can say about De Viti’s polar case is that public services are provided at average cost, and this does not guarantee that the marginal conditions are satisfied⁵. It is true, however, that the identification between democracy and the ideal polar state allows the authors to argue for the existence of a link between the Public Choice approach and De Viti’s.

An important point raised by them is De Viti’s political realism, from which they draw arguments for bringing him closer to Public Choice. De Viti’s realism is brilliantly discussed in their §4 about rent-seeking, clientelism and collusion. Regarding realism, there is no doubt that, as a politician, De Viti was a realist; indeed, Giuranno and Mosca speak of realism “in the light of De Viti’s political writings” (p.326). However, De Viti as a state theorist might seem rather an idealist. Nonetheless, the matter is more complex: apart from the remarks I have made above about the historical type of state, when De Viti analyzes concrete phenomena such as public debt, tax shifting, etc., he moves away from abstract idealism and abandons his theoretical model; see Fossati and Montefiori (2019).

I think that the theoretical framework of the competitive-democratic state presented in §3.1 of Giuranno-Mosca could be quite close to the polar ideal case of the Devitian state⁶. They contrast

⁵ However, in Fasiani’s definition of a cooperative state the ruling class pursues a Pareto’s maximum *for* the community, and thus by definition the equilibrium is a Paretian optimum (Fasiani, 1951, vol. I, p.58)

⁶ The authors mention that the cost of production is shared among taxpayer-voters with tax-prices commensurate with the marginal utility of voters; thus, taxes, as prices of public services, reflect a trade-off between the disutility caused by the tax burden and the benefit of public consumption. This might be true in De Viti (1888), but not in the

the equilibrium in such a state with a

“political equilibrium ... supposed to be a stable point at which the different groups in society do not feel directly in conflict with one another, in the sense that none will be able to gain monopoly power” (p.331).

It seems to me difficult to attribute to De Viti a stable political equilibrium in which there are no conflicts, in the sense that no one is able to obtain monopolistic power, apart from his ideal polar state. In the state actually dealt with by De Viti, political competition does operate in an environment of perfect information and transparency, but there are conflicts due to deviations caused by the political factor. In contrast, Giuranno-Mosca maintain that De Viti believes that a political equilibrium would be obtained through the control of political classes, which depends on the marginal effort that the opposing political forces use to control each other, as well as on the separation of constitutional powers. If control is not effective, then

“the operating forces of a democracy, instead of balancing each other, collude” (p.336).

This allows them to highlight a different kind of link between De Viti and Public Choice, because to achieve that political equilibrium, the control of the political class must be put in place to counteract rent-seeking activities. This perspective has the effect of bringing him very close to Public Choice approaches, but only, it seems to me, because they are implicitly considering the political writings of De Viti. In fact, such a link is specifically highlighted in the second part of the essay, where they consider De Viti’s political writings, pointing out that he was interested in collusion, rent seeking, and cronyism. Collusion is the use of democratic institutions by the ruling classes to gain monopoly power, and it is the basis of rent creation. However, it is not the final goal of politicians; instead, it is used to strength electoral support.

“De Viti clearly sees the rent seeking behavior of politicians associated with the principal-agent problem in a democratic state ... He says that political parties recognize that a collusive political system, instead of competitive political behavior, may enhance their monopoly power” (p.337).

Principles, where De Viti refers to marginal evaluations only for the tax productivity: at the level of abstraction of the polar case, however, there seems to be no place for fiscal systems.

4. FINAL REMARKS

I would like to suggest that Buchanan really drew some inspiration from the Devitian idea of modeling the state, but the link between De Viti and Public Choice seems very tenuous. In fact, Buchanan attributes to De Viti only rudimentary efforts, consisting mainly in explicitly considering a community composed of consumers and supplier-producers of public goods.

Kayaalp finds relevant common features between De Viti and Public Choice, starting from the idea of a democratic constitution based on majority rule, to the notion that elected representatives are similar to business managers who efficiently manage public production. According to him, De Viti's politicians look at the preferences of the average voter and the Devitian scheme is not substantially different from the representative-democratic system of the countries of the Western world. Moreover, De Viti's idea that decisions regarding the supply and cost allocation of public goods are explained by the behavior of politicians is comparable to the fact that Public Choice considers supply and demand components; in other words, it provides valuable insights into aspects of collective choice, such as voting, individual freedom, fiscal coercion, and bureaucracy. Again, the Devitian scheme is a useful operational framework in the study of fiscal processes in postmodern society because the political-economic motivations of the bureaucracy are made instrumental in determining the public budget. In conclusion, it seems to me that Kayaalp's analyses are very penetrating and that the Italian tradition owes him a lot, though I think he might have over-emphasized the similarity points between De Viti and Public Choice.

I think Wagner is right when he says that the Italian tradition would certainly have been at the origin of Public Choice if the *consecutio temporum* (consecution of times) had been favorable. Conversely, it seems to me an expression of faith that De Viti inspired his 2007 book and, in particular, his original social theory of public finance and that De Viti himself would have agreed with his intuition that parliamentary assemblies are comparable to particular investment banks.

I don't think one can doubt Eusepi and Wagner's claim that their idea of the intermediary state – on public debt – is taken from De Viti; though I am not so certain that De Viti is an indispensable basis for a true understanding of public finances in democratic regimes. I am not sure how relevant is their statement on the Devitian catallactic that considers public economic activities simultaneous to those of the market, as opposed to the New Political Economy, for which the

state is generally an agent that intervenes *ex post* to modify the results obtained by the markets; in any case, I notice that Petretto (2014, p.2) conversely links the Devitian framework to views of state suggested by the New Political Economy. Then, Eusepi and Wagner state that for De Viti, democracy implies the existence of minorities, but that at the level of the individual, the logic of the utility chain breaks down; for this reason, they believe that De Viti's assumption of the polar case of the cooperative state – in which the principle of unanimity is implicit – allows the extension of the logic of market exchange to politics. However, it seems to me that this remark takes De Viti away from Public Choice, because it is unrealistically based on unanimity. Next, they rightly point out that De Viti and Public Choice have in common the rejection of the benevolent despot paradigm because De Viti, having defined the tutorial state in 1888, did not consider it; but this link between De Viti and Public Choice seems rather tenuous to me. Finally, I fear that the whole essay on De Viti and Ricardian equivalence is based on *ad hoc* scenarios, in which an attempt is made to engage De Viti in a Public Choice environment.

For Medema, Public Choice models public decision-making processes with the same economic tools as market processes, as De Viti had already done. Moreover, in the frame of the marginalization of the state, De Viti, insofar as he introduces the political process into the provision of public goods is a precursor of modern Public Choice theory. Thus, I could perhaps summarize Medema's argument in the idea that Public Choice and De Viti have the common ground that the theoretical study of public finance should begin by considering the state as a political institution, using the tools of economic science.

Petretto starts from the idea that between De Viti and the New Political Economy, there is a substantial continuity of thought, and *fortis in fide* proceeds to create scenarios from which he believes the assumption can come to life. The Devitian cooperative state is juxtaposed with the notion of cooperative game; the 'new' theory of the economic regulation of public utilities, which tends to establish competition, is framed in the (historical) Devitian process of the transformation of the monopolist state into a cooperative state. Again, on De Viti's idea that the transition from private to public enterprise (and vice versa) is determined by the lower price for the consumer, Petretto grafts formalizations of the modern literature on the privatization of public utilities that endogenize the maximizing behavior of politicians, public officials, managers and unions. While admiring the ingenuity of Petretti's unifying design, I am afraid it is not easy to share his enthusiasm about the continuity of De Viti's thinking in the New Political Economy.

Paladini thinks that De Viti's approach is significantly different from Public Choice, although he notes some connection between De Viti's methodological approaches and those of the *Law and Economics* and believes that there is a link between the median voter theorem, often used by Public Choice, and the Devitian discussion of tax progressivity.

In the first part of Giuranno-Mosca's essay, scenarios are suggested that allude to Buchanan's Public Choice. For example, on p.332, they recall that according to De Viti, the state is based on valuations of individuals in both the monopoly and cooperative states, and they render this idea using the expression that state valuations "depend on the kind of political constitution in force." Therefore, they can claim that according to De Viti, there is a comparative evaluation of alternative sets of constitutional norms, as in Buchanan. On p.333, they start from De Viti's assertion that, in the popular-democratic state, citizens make public choices through elected political groups that alternate in power, and Giuranno and Mosca conclude that a democratic government is subject to the threat of entry by new political classes. In this way, they match with Buchanan, who notes that the most recent developments of Public Choice consider electoral competition as a competition between potential monopolists, even if Buchanan refers to exploitative governments, while De Viti refers to contestability as the premise of democracy. On p.334, the authors repeat the idea of an analogy between De Viti's description of the functioning of the democratic state and the political alternation described by Buchanan, even if, while De Viti posits that democracy tends toward an identity between rulers and ruled, Buchanan posits that the identity between minority and majority is never reached. Finally, on p.336, even without naming Public Choice, they manage to evoke its atmosphere by talking about a Devitian political equilibrium that ends in collusion if the conditions that ensure the proper functioning of the democratic state, namely, the separation of constitutional powers, control over the ruling classes and political alternation, are lacking. I fear, however, that their arguments reflect more their ingenuity than a philological reading of De Viti.

My overall conclusion is that the links between De Viti's scholarly writings and Public Choice seem to consist in the identification of some anticipatory traits, the relevance of which I fear depends on individual evaluation. The fact is that the extreme abstraction of the Devitian polar case makes it very far removed from the detailed world of Public Choice, to which, instead, the punctual observations scattered throughout De Viti's *Principles* might be close. In general, then, the connections between De Viti and Public Choice concern individual statements by De

Viti, whose ultimate significance I fear may depend on the dilemma of the medieval philosophers *intelligo ut credam/credo ut itelligam* (I understand in order to believe/believe in order to understand). Anyways, from my point of view, I fear that the link may ultimately consist of little more than the idea that the theoretical study of public finance must start from the need to consider the state as a political institution, using the tools of economic science.

Nonetheless, the consideration of De Viti's little-known political writings allows Giuranno and Mosca to highlight a far more remarkable link. In the last part of their essay, they consider De Viti's political writings, which are no longer focused on the two polar cases of monopolistic and cooperative states, but on his observation of the real political system of contemporary Italy. Thus, they are able to suggest that the rent-seeking studies of Tullock and his Public Choice school could be traced back to De Viti's scattered but insightful observations interpreting collusion, rent-seeking and cronyism.

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