

ON THE MORAL FOUNDATIONS
OF THE SCIENCE OF “BUON GOVERNO”

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ABSTRACT

The paper proposes a philosophical-political interpretation of Einaudi's On Abstract and Historical Hypotheses and on Value Judgments in Economic Science. It shows how this essay can also be understood as an attempt by Einaudi to lay down solid theoretical and moral foundations for the theory of public finance. In so far as the knowledge of *La Scienza delle Finanze*, conceived by Einaudi as the science of good government, is supposed to guide political decision making, and in so far as it may end up by imposing certain behaviours on citizens, such science cannot avoid the problem of its moral justifications.

Keywords: Economics; Value Judgments; Good Government; Coercion; Luigi Einaudi.

Let me say at the outset that the first version of Einaudi's [2014c (1942-1943)] *Ipotesi astratte ed ipotesi storiche e dei giudizi di valore nelle scienze economiche*, which I read for the first time decades ago, initially left me somewhat disappointed. Nevertheless, nobody knew that Einaudi himself was not at all satisfied with this version and that immediately after its publication he decided to rewrite it in a second extended and profoundly modified version. This hitherto unpublished version has now been translated into English and published (Einaudi 2017) as an admirable critical edition, with an introduction and afterword by Paolo Silvestri.

Thanks to the (re)reading of this new version, I have realised that my disappointment was due to reasons that had little to do with the essay in question. Put briefly, the first time, attracted by the essay's title, I read it thinking I would find an echo of that *Methodenstreit* which was then among

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my research topics. Thus, I made the mistake of superimposing my interests on those of Einaudi.

Mistakenly, I could not understand why Einaudi, whom a decade before had urged an Italian translation of *Untersuchungen* by Carl Menger and of *The Scope and Method of Political Economy* by John Neville Keynes,¹ had then in this essay cited only the contribution by John E. Cairnes to the debate on the nature of social-economic sciences between the nineteenth and twentieth centuries, and not, to give examples of scholars whom he obviously knew very well, those of Max Weber, Francesco Ferrara, and more recently but very influentially, of Lionel Robbins. This question should have warned me. Additionally, what I ask myself today is why Einaudi, having knowledge of these thinkers, chose to follow a path of his own, which, in my opinion, would leave both him and us dissatisfied.

I have now come to the conclusion that it is useless to search for the ‘motivation’ of Einaudi’s essay on methodological debates on ‘*economia astratta*’, or ‘*pura*’, held in Italy in the late nineteenth and early twentieth centuries. The occurrence of expressions such as ‘abstract and historical hypotheses’, ‘value judgements’, and ‘economics’ in the title seems partially misleading to me. My impression is that Einaudi was not particularly interested in those debates but in something else which was perhaps more important.

I will propose a philosophical-political interpretation because, like Francesco Forte,² I am inclined to think that Einaudi was looking for the theoretical and moral foundations of the theory of public finance that would have placed his liberalism (not only economic but also political) on more solid footing.

In fact, it seems to me that Einaudi was trying to give order to something that, at the time, was more pressing than the abstract consideration of the method: to find a theoretical foundation and justification for the science of public finance that he himself developed in an original way until the last two added chapters of his *Myths and Paradoxes of Tax Justice* [Einaudi 2014b (1940)]. This could have become advantageous also to respond to the questions raised by Benedetto Croce in the various points on the debate on *liberalism* and *liberism* (Croce and Einaudi 1957) in which Einaudi had sometimes found himself in ‘philosophical anxiety’ and had been forced to defend a liberism with which he did not fully identify.

In other words, Einaudi was searching for the theoretical foundations of an economic science – which he considered a ‘moral science’, as underlined

¹ See SILVESTRI 2008: 90-91.

² See the essay by Francesco Forte (2018) published in this issue.

by Paolo Silvestri (2017b: xxvii) – conceived of not only, and reductively, as a breeding ground of solutions to practical problems [*Conoscere per deliberare* (*Knowing for Decision Making*)], but also as the ‘Science of Buongoverno’. Actually, the Einaudi-Croce debate was motivated not so much by the issue of the breadth and soundness of the intervening spheres (State vs. Market) – since, like Croce, Einaudi did not think that all public goods could be produced by the market (a solution that, to be honest, no one considered) – as by the fact that Croce conceived of the economy, as well as economic science, as an instrument of politics of his ‘ethical-liberal State’, and, moreover, that Einaudi thought that without a good knowledge of economic science, political choices would become inevitably ill-chosen. He derived the search for the foundation of this knowledge, and the reflection on the complex questions connected to its transformation into political decision making. This all leads me to think that between these methodological reflections and Einaudian liberalism, the connection is closer than may appear.

Additionally, proof can be found in the paragraphs devoted to the *state* (significantly written in lower case). It seems that Einaudi – besides responding to Mauro Fasiani, though the two questions could be connected – was less interested in finding a justification for the State as such than in establishing a model of a ‘better political order’. In fact, he writes that the

intrinsic ends of the state cannot be viewed as exclusive ends of the group considered as a unit, [the state] is not a body that pursues economic ends, or *interests*, in the same sense in which the latter word is commonly taken [...]. The state, or rather men who live in political society, pursue economic, moral and political ends in consonance with their collective life as part of the state [...]. There exists no ends of the state that are not also the ends pursued by men, by all men (Einaudi 2017: 59-60).

Here, Einaudi’s problems seem to have been those of the possibility and the modes of justification of the state, since,

to start out from the premise that there exists a *unit* called the state, and that the governing class can, in its exercise of power, deal exclusively with the interests of this entity, instead of concerning itself with the particular interests of all those belonging to the public group, means starting out from an unreal premise (*ibid.*: 59).

Not to mention that “thousands of martyrs have died over the millennia in protest against the transcendental idol of the state placed above and outside of men who compose it”. This is a conception of the state that Einaudi firmly rejects:

Do we wish to admit today that there can exist a *modern* state which pursues ends concerning the group alone, and thus that such a state can, in the name of

the group, order man to violate the commandments dictated by his conscience? To be sure, a monster of this kind may have existed; but it is neither a modern state nor one that is compatible with the freedom of man. The *modern* state is, and cannot be other than, one that purses ends of moral and spiritual elevation of mankind and which, *for this reason and for no other reason*, also pursues the end of the economic wellbeing of the men through and in whom the state itself is manifested (*ibid.*: 61).

So, if we wanted to read this essay in a liberal philosophical-political perspective, we would note that Einaudi is aware of the fact that the 'perfect morality' of the liberal state is corrupted by the impossibility of avoiding coercion, and that the reduction of coercion, being the only possible and practical solution, requires the elaboration of criteria capable of justifying its use by the state: a task as difficult as the combination of efficiency and justice.

For this reason, the many pages added to the conclusions of the second version give me the impression that Einaudi's search for a theoretical foundation of *La Scienza delle Finanze* was an unfinished quest. In so far as the *knowledge* of economic science is supposed to guide political decision making, and in so far as it may end up imposing certain behaviour on citizens, *La Scienza delle Finanze* cannot avoid the problem of its moral justifications. If economic justifications need to prevail over moral justifications, it is then a question of political philosophy that cannot be avoided by anyone who asks if a good polity will ever be possible without resorting to coercion. It is an issue that cannot be resolved by discussions on 'methods of social sciences in general'. And Einaudi could not solve it by dialoguing with (actual or ideal) interlocutors like Fasiani, Bruguier Pacini, Cairnes, Cantillon, Cournot, Gossen, Marshall, Marx, Pantaleoni, Pareto, Pigou, Puviani, Ricardo, Spinoza, Walras, de Viti de Marco. The issue of coercion is to be addressed by adopting a different perspective.

However, it is not something to dramatize: that solution, in fact, has yet to be found by anyone. Like other liberal thinkers who do not underestimate the question, and who are not so intellectually dishonest as to solve it with empty rhetorical formulas or by delegating it to the invisible hand of history, not even Einaudi, like no other political philosopher – liberal or not – managed to find a solution to a dilemma that remains unsolvable: that of the philosophical justification of coercion,³ not just to achieve economic goals but ethical ones as well. However, Einaudi addressed this problem;

³ Also Friedrich A. von HAYEK (1982: 44-45), in regard to the *morality* of the kind of coercion which is essential for the production of collective goods, wrote that it "is, perhaps not as obvious as the morality of the rules which merely prevent the individual from infringing the protected domain of others".

even if his Christian conscience could not but feel the utilitarianism (or hedonism) of some of his interlocutors a too narrow perspective. Certainly, a science of public finance worthy of the name can reduce that coercion, and perhaps even justify it in light of the inevitable costs of maintaining a civil cohabitation that makes the quest for its solution possible. And yet, especially if one believes that the state has among its tasks also that of educating and elevating its citizens, everything becomes more difficult, because even education has a cost to share and uncertain advantages.

Einaudi's purpose, then, seems to have been that of finding a solution to the inevitability of values and choices. He knew that efficient public allocations can reduce coercion if politics and its dynamics allow such allocations to be done (and he did not ignore this problem, as he actually had experience with how difficult it is!). He also knew that in the state, even in a 'liberal-liberalist' world, there is a wide spectrum of collective goods that cannot be rapidly produced, even by the dynamics of a perfect competitive market. And since this perfect competitive market does not exist for the 'gnoseological' reasons highlighted by the 'Austrians' in those years, the problem of identifying the criteria for sharing the costs of production and the benefits of those collective goods remains central and unsolvable. In fact, different costs incurred by individuals should give rise to equal benefits, even for those who have not participated in the production process; or, if one does not believe in the invisible hand, a solution to the economic problem by political means: the socialist solution.

To escape from this *impasse*, summarised in "the economist's attitude of indifference towards the reasons underlying a choice", Einaudi seems to have understood that he would have to leave the "premises of classical arguments on prices in a system of free competition" (*ibid.*: 68). But, by not doing so, he could not rationally justify his own choice, but merely illustrate his own reasons. So much so, that Einaudi did not hesitate – in a "note" that, in the first version, was the very conclusion of his essay, and that in the second version, is moved to the *Bibliographical note* – to declare his option for "the liberal ideal" by stating in the aforementioned note:

I refer here to *liberalism* and not *liberism*, as liberism is a rather more restricted concept, although it is quite frequently compatible with liberalism and has a concrete content in terms of its application, in particular, with regard to certain commercial problems and customs duties. Liberalism implies an ideal of life and springs from absolute moral imperatives, liberism fulfils the more modest function of enumerating the hindrances and objections imposed by human nature against the implementation of lines of reasoning that are, in themselves, correct and which would lead to certain forms of state intervention perfectly compatible with the liberal ideal. Liberalism is an ideal of life, liberism is a mere contingent practice deriving above all from political-moral considerations (*ibid.*: 93).

Hence it seems that liberalism is that ideal of life which relies on increasing individual knowledge and morality to allow good public choices – assuming that they do not have unintended consequences – and liberalism is that theory which, in a Mandevillian manner, claims that also knowledge and good intentions have unintended, and very often, unwanted consequences.

The state of uncertainty in which Einaudi remained can be well summarised by the sentence that ends the first version of the essay (and in the second, concludes the *Bibliographical note*), in which he observes that

if the premises and arguments of economists were productive of great scientific outcomes, credit should at least in part be given to their ideals of life. Consciously or otherwise, they possessed and possess a certain ideal, which still underpins their thought and mode of reasoning today. Why should this be shrouded from view, and why should there be desire to mask the profound links that define the realisation between what a man wants and what he does? Between ideal and action? What are these facts, which are supposed to strictly delimit the field of enquiry of science, if not outcome of human action, that is to say, in the last analysis, the outcome of the ideals that move the human spirit? (*ibid.*: 93).

This passage, which seems to echo Friedrich A. von Hayek (1942: 276), if developed, could have put the whole question in different terms. But, as said, Einaudi decided to relegate it to the *Bibliographical note*, facing, in the added concluding pages, an arduous path.

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