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A GREAT CLASSIC: *LA FINANZA SABAUDA* AND THE BIRTH OF ECONOMIC HISTORY IN ITALY

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ABSTRACT

The national edition of the works of Luigi Einaudi provides an opportunity for a critical reassessment of the work of the great Piedmontese economist. From this perspective, my contribution aims to draw the reader's attention to some lesser-known aspects related to the publication in 1908 of Einaudi's masterpiece in economic historiography, namely *La finanza sabauda all'apririsi del secolo XVIII e durante la guerra di successione spagnuola* (from now on *La Finanza Sabauda)*. The points I wish to focus on are essentially three: the political intentions that drive Einaudi in writing *La Finanza Sabauda*; the short lived success of the work; and what a peculiar text, such as *La Finanza Sabauda*, is able to convey to the contemporary reader regarding the relationship between history, finance, economics, and politics.

Keywords: Spanish Succession War, Sabaudian Financial and Economic Institutions, Ancient Régime Sabaudian State Taxation, Eighteenth Century Political Reforms, Italian Economic Historiography, Luigi Einaudi economic historian.
JEL Codes: N01, N43, N23.

1. The political context in which *La Finanza Sabauda* appeared

Historical investigation has brought to light, through its initial reception of the script in daily newspapers, the 'political' significance of Einaudi's text. The Giolittian Italy is a country marked by a widespread, extensive, and deeply rooted level of corruption. The scandal of the Roman Bank is still fresh, and the perception of a pervasive clientelism and a dissipation of public resources constitutes a key theme in journalistic polemics, from

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both those on the right and left who oppose the Giolitti's government, as well as from those who seek to modify its political line in a liberal direction, such as Einaudi. The extensive study of the Sabaudian financial system of the eighteenth century is thus presented to the readership of Italian newspapers as *Corriere della Sera*, *La Stampa*, *La Tribuna*, and *La Gazzetta del Popolo* as a historical text aimed at shedding light on a past characterized by honesty, integrity, and good governance. Certainly, also through obvious simplifications, the clear objective was to indirectly denounce the political and parliamentary complicity that made the battle against corruption and public embezzlement ineffective.[1]

Nonetheless, a second and deeper layer emerges, in which *La Finanza Sabauda* reveals itself as a work marked by a distinctly political character. Among the financial measures enacted by Giolitti's government, one of those most highly regarded by Einaudi was the conversion of the income of public debt securities. In this regard, Einaudi explicitly praised and defended – through a series of articles published in the *Corriere della Sera* – the operation to reduce the interest rate from 4% to 3%, a policy effectively implemented by the Treasury Minister, Luigi Luzzatti.

At the end of *La Finanza Sabauda*, he returned to the question of the annuity conversion. For Einaudi, a state capable of financing its debt by paying the lowest possible interest is a well-governed state. This is the objective to which both the government and administration must strive. *La Finanza Sabauda*, therefore, despite its numerous indirect criticisms of Giolittism, is perhaps the work in which the distances between the economist of Dogliani and the politician of Dronero appears least pronounced. It is also the text in which Einaudi articulates his greatest aspirations for Italy's economic development. Just as the sound governance of the Savoy state, through careful financial management, ensured the political and social development of eighteenth-century Piedmont, it is clear that for Einaudi the conversion of Giolitti's public debt was regarded as a necessary – though not sufficient – condition for pursuing a policy of development in an Italy undergoing industrialization and at the same time still marked by profound fractures and imbalances.[2]

The political significance of Einaudi's work – clearly perceived by his early readers – lies precisely in this point. Economic and social development is directly influenced by an administrative apparatus that is small in number, yet efficient, honest, and deeply imbued with a sense of the state. Luigi

1 Monestarolo 2021: 7-8.

2 Einaudi 1903a, 1903b. "Conversioni nuove e antiche e Una conversione al 3,5% del secolo XVIII", *Corriere della Sera*, August 17 and 21, 1903.

Luzzatti, who had funded the research and publication of the work, sought to seal the common ground he had identified with Einaudi by offering him the post of Director of the Treasury Department – an unmistakable sign of the deep mutual esteem between the two.

At the same time, the invitation to join the government was rooted in a shared aspiration to implement a reformist programme that would, in broad cultural terms, reproduce the core principles of good governance – of which *La Finanza Sabauda* stood as compelling historical evidence, both in its effectiveness and in the soundness of its principles. Einaudi's polite but firm refusal to take on the role of Treasury Department Director did not stem from a divergence – at least at that moment – with Luzzatti. Rather, Einaudi is aware that his role is another: to work as a journalist to perform the dutiful function of criticism and stimulus that is the mission of public opinion in modern societies; to do research and educate young people to assume the political responsibilities that arise through the living study of history, economy and social phenomena.[3]

In some respects, Einaudi made a far-sighted choice, in the moment of the maximum attractive and reforming capacity of Giolittism he remained faithful to his dual role as a journalist and professor, thus preserving autonomy of thought and criticism. A few years later, especially on the occasion of the Libyan campaign, when Giolitti's parable began its rapid descent, Einaudi was able to express without discounts and without compromises his divergence from the increasingly transformist and less and less reforming line in which the Giolittian policy was directed to.

2. The reception of *La Finanza Sabauda*: Economic history between the crisis of positivism and the victory of neo-idealism

A second aspect of the reception of Einaudi's work deserves further analysis, given its long-term cultural relevance. Without retracing in full detail and nuance the complex reception of *La Finanza Sabauda* both in Italy and abroad, it is important to focus on two reviews that, in a sense, represent two distinct and opposing approaches to the use of Einaudi's historiographical masterpiece. Two reviews, two interpretations that – significantly – place the work within trajectories that would eventually contribute to the formation of two different and antithetical conceptions of economic history. George Bourgin published a long and insightful commentary on the work on the *Revue de Sinthèse* directed by Henri Berr

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3 Einaudi 1909.

and on which the young Lucien Febvre wrote.[4] The *Revue* was the breeding ground of that historiographical revolution that gave its mature fruit a few years later with the foundation of the *Annales*, directed precisely by Febvre and Marc Bloch. Bourgin's review offered generous praise for *La Finanza Sabauda* as well as for the other publications emerging from the Laboratory of Political Economy at the University of Turin, founded by Cognetti de Martiis and, at the time, directed by Achille Loria. This research group shared a common methodological orientation, rooted in archival documentation and structured around a precise criterion: quantitative analysis. Their approach was reinforced by a careful use of statistics and ordered data series, classified by category and compared with due respect for source integrity and historical context. In short, it was a scientific and positivist method – one open to interdisciplinarity between history, economics, geography, and the study of culture and political institutions. In particular, Einaudi's work stood out for its ability to be a model for future investigations of economic and financial history in Italy but especially in France where "les études d'histoire financière ont été trop souvent l'objet de generalisations hàtives et imprecises".

His review thus aligned perfectly with the path that the *Revue de Synthèse* was seeking to carve out: a site for the development of social history where the positivist method was viewed as the unifying foundation for a necessary advancement of the human sciences – an advancement grounded in explanatory power, integrating the tools of the exact sciences with humanistic erudition, and oriented toward producing innovative and lasting results.

Gioacchino Volpe's review, published in *La Critica*, the journal edited by Benedetto Croce, undertook instead a complex cultural operation – addressed to the Italian intellectual community – structured on three distinct levels.[5] On the one hand, Volpe sought to fully incorporate the emerging field of economic historiography within the canon of great political and cultural history. On the other hand, his reading aimed to weaken the role of economic history as a form of social history – one grounded in a positivist method and open to the other social sciences – thus completing the dismantling of Italian positivism initiated by Croce. Finally, in his review, Volpe subtly twisted the meaning of Einaudi's work in a nationalist direction.

Let us begin with the first point. Volpe stated unequivocally that Einaudi had demonstrated that political history could not be written without

4 Bourgin 1908: 360-364.

5 Volpe 1910: 355-374.

economic history. If political history concentrates on the dimension of war – understood as the arena in which states operate – then, according to Volpe, Einaudi had shown that not even "a single day of war" could be understood without grasping the economic and financial mechanisms set in motion by war itself. Furthermore, Einaudi had proven capable of extending his reflections on the economic and financial level to general history, addressing all the key aspects of political life: administration, relations between institutions, between groups and classes, and between the state and the economy. There was, moreover, a particularly insightful observation: according to Volpe, only through an approach to economic history such as Einaudi's could one reconstruct modern Italian history. Since there had been no unified national state in the modern period, it was the progressive economic and commercial integration of the pre-unification Italian states – especially evident in the eighteenth century, as Einaudi had brilliantly demonstrated in *La Finanza Sabauda* – that offered the real historical continuity.

The second point concerns the relationship between economic history and the history of societies, or the possibility of founding a unitary social research method, capable of making history the connective tissue between economics, sociology, anthropology and geography. Volpe was already engaged in a fierce controversy with Gino Arias, precisely with the aim of showing how such a development of social sciences in Italy should be prevented because it was based on inconsistent epistemological bases and because it would have caused the development of insignificant if not harmful investigations and research.[6] In contrast to Arias's economic history – which was, in Volpe's view, confused, vague, evolutionistic, overly sociological, prone to sweeping and unfounded generalizations, and thus anachronistic and utopian – Einaudi's approach to economic history functioned remarkably well. Einaudi's 'weak positivism' (neither evolutionist nor aimed at formulating general laws of social development) was, for Volpe and Croce, acceptable and even compatible with the new idealist historiographical conception they were promoting. In contrast, the 'strong positivism' of Arias – and, behind him, the more intellectually solid and better-equipped figures of Romolo Caggese and Gaetano Salvemini – represented the true cultural adversary to be defeated.[7]

Volpe's demolition of Arias's work – and, above all, of the cultural model underpinning it, which was undoubtedly unsustainable due to its overly rigid, abstract, and deterministic interpretative clichés – was,

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6 Monestarolo 2021: 32-33.

7 Faucci 1985: 316.

in a sense, completed by his review of *La Finanza Sabauda*. This review represented the *pars construens* of Volpe's critique, as the form of economic history represented by Einaudi, Prato, and Pugliese – associated with the "weak" positivism of the Turin school, unsympathetic to sociological theories and resistant to system-building – was entirely compatible with the cultural project promoted by Volpe and Croce. That project aimed to instill in the younger generation a spirit of inquiry grounded in the primacy of the intellect and the vitalism of ideas. In essence, this project sought to liquidate the old scientistic positivism – which, despite its openness to social questions and reformist impulses, was now seen as obsolete – by discouraging the expansion of historical inquiry into the domain of the social sciences. At the same time, it accepted a form of economic history that "knew its place": one that refrained from aspiring to become a history of socio-economic systems.

La Finanza Sabauda, then, was not only a key text in the formation of Italian economic historiography; it also became part of a broader chapter in the country's cultural history. It emerged precisely at the moment when the group of historians who were perhaps the most methodologically advanced – and who had produced some of the most significant works of the time, such as Gaetano Salvemini's *Magnati e popolani* – began to fragment, split internally, and reorient their historiographical efforts in a direction increasingly influenced by neo-idealist principles.[8]

3. The contemporary resonance and historical distance of *La Finanza Sabauda*

La Finanza Sabauda is a major classic that has been, for the most part, forgotten. A great classic because it is truly the book, as attested by its first historiographical reception, both Italian and international, which inaugurates the tradition of Italian economic history. Yet it has largely fallen into oblivion, as retrospective accounts of the difficult development of economic historiography in Italy have tended to identify its founders in the younger generation of historians, particularly Corrado Barbagallo and, above all, Gino Luzzatto.[9] To Einaudi, an important role has been acknowledged, but one confined to the conceptualization and editorial direction of the *Rivista di Storia Economica*. The republication of *La Finanza Sabauda* offers not only the opportunity to bring Einaudi's historiographical

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8 Artifoni 1990: 145-180.

9 De Rosa 1990: 85-91.

masterpiece back into circulation, but also, one hopes, to initiate a discussion on those aspects of the work that remain relevant today, and those that have – perhaps inevitably – become outdated.

I am beginning to mention what, in my opinion, are still the most relevant elements. Einaudi begins *La Finanza Sabauda* by clearly emphasizing how the first politically significant act of Vittorio Amedeo II's new course was the cancellation of contracts for tax collection with the Lyonnais and Parisian tax contractors. The future king sought and implemented a policy to make the fiscal capacity of the state independent, autonomous and sovereign. In other words, in contemporary terms, there is no vitality for a political body that is not able to own and conduct both fiscal policy and monetary policy independently. It is a lesson that comes from the past and that we have forgotten today.

Following Einaudi, and looking at our institutional situation, the primary cause of the current lack of vitality of our political body, of our Italian Republic, is precisely the separation of political power from the control of fiscal and monetary policies. This situation is clearly caused by the contradictory construction of the European Union. The Maastricht Treaty has taken away control over monetary policy from the states, through the creation of the ECB, but at the same time a federal political power has not been created capable of intervening on the economy by identifying common objectives on essential issues such as labour policies, industrial programming, welfare. The results of this anomaly are the cause of the great Italian and European malaise and would require immediate corrective action.

The second very relevant aspect of Einaudi's analysis of the financial, economic and institutional system of the Savoy Piedmont concerns the question of public debt management. For Einaudi, the War of the Spanish Succession made it clear that the strength of the small Alpine State was to have created an effective system that linked the savings of small, medium and large economic and social actors to those of the State. An institutional political body is not able, according to Einaudi, to respond to the demands of its time if its finances, its public debt, are in the hands of financial capital. The control of public debt by the political, central and peripheral powers is essential to guarantee room for maneuver to the state. Good management of public debt means reducing the share of national wealth that must be paid into the financial capital of annuity. All this, for Einaudi, is achieved through taxation and trust in the promise of payment of state debts, in order to keep interest low on borrowed capital. Today, of course, we would also have other technical and theoretical instruments at our disposal. But the point I would like to emphasize is another: there is no room for maneuver if the control of the public debt is not removed from financial speculation. This, too, is a lesson that comes from afar – indeed, a historical one – to which we are unwilling to pay attention.

Financial and fiscal sovereignty, control of public debt, can be implemented if you have an efficient bureaucracy, loyal to the state, committed to respecting the law. Einaudi perhaps exaggerates in celebrating the zeal of Piedmontese officials and does not grasp other private and corrupt mechanisms in action, but he certainly hits the mark when he identifies in the ethos of the bureaucratic component the main institutional factor for the success or failure of state action. From this point of view, the protagonists of the *La Finanza Sabauda* are precisely the finance officers – from Count Gropello, to the Anselme de Montjoye, to the Nomis of Cossilla – who, through their zeal, promote the long-term objectives of the state but at the same time defend the interests of their institutions, their citizens, individuals even against the potential arbitrariness of the sovereign authority.

The centrality of the mechanisms of formation of the ruling classes is therefore for Einaudi another key element of the short and long period success of the Savoy state formation. This aspect of the Einaudian reflection also seems to me a theme capable of suggesting important reflections, both at the research level and above all at the political level in the highest sense: without a quality ruling class, selected in the heart of the struggle, it is difficult if not impossible, to respond to the challenges of changes and transformations. Finally, to complete the framework, a competitive market composed of small and medium-sized independent producers, a guarantee of social solidity, fair and proportionate growth, independence and autonomy of individuals. In the context studied by Einaudi, the market was that of the land that the fiscal equalisation and the good financial governance of the Savoy state had characterised in a particular way, that is, without the dominance of the ecclesiastical and noble classes and with a very rooted and diversified component of the middle agrarian class. And there is no need to emphasise how in today's Italy the inequality of wealth in the hands of families is one of the most serious and urgent issues to be addressed.

Certainly, what of the *La Finanza Sabauda* can no longer be considered as a model is the conception of the minimum state which, on the contrary, for Einaudi is one of the points of reference when analysing the Savoy composition made by Vittorio Amedeo II and Carlo Emanuele III.

Although Einaudi is never dogmatic (certainly on this issue his friend and work colleague Giuseppe Prato was much more ideological) even when he analyses the contributions of the nascent Savoy public opinion to economic management he, with an ironic and amused way, does not miss an opportunity to make fun of the 'statist' tendencies that in his view are always lurking and correspond to a 'miraculous' and 'providence' way of dealing with economic issues. Discussing the eighteenth-century statists, Einaudi did not hesitate to criticise Giolitti's economic policy, which he considered too lenient with the mythical and anti-scientific conception of the state that was asked, by mistake, to intervene in the economy.

Yet the most dated aspect of this great classic is its benevolent paternalism. Throughout the text, one finds a subtle glorification of the *pater familias*. The Piedmont of the Savoy state is portrayed as a land populated by stern men, workers capable of pursuing their own interests but firmly anchored in religious values, attachment to the land, obedience, and affection for the royal family. For Einaudi, it was precisely this anthropological model that enabled the "miracle" of a small state triumphing over its powerful French neighbor. These patriarchal bonds, he believed, made it possible to overcome an enormous military – and therefore economic and financial – challenge, and to lay the foundations of the future state. This cultural and anthropological vision arguably reflected more the system of values – at times contradictory – of the young Einaudi than the actual social, political, and cultural reality of early eighteenth-century Piedmont.

According to Franco Venturi, Einaudi's sympathy for the catholic and conservative anthropology of Frédéric Leplay, who was a pioneer of demographic studies in the second half of the nineteenth century and played a leading role in the emerging world of the social sciences, shaped, though not very convincingly, his general interpretation of Savoyard history throughout the eighteenth century.

Such an approach tended to downplay the fundamentally conservative character of the culture and politics of Savoyard Piedmont and to present, perhaps too optimistically, the process of state formation under Vittorio Amedeo II. It especially weakened the overall significance of the methodological innovations introduced by Einaudi. This, according to Venturi, was the fundamental reason why the Einaudian school failed to withstand comparison with the cultural renewal proposed by both the "Annales" school and those currents of thought, based on twentieth-century readings of Marx, starting with that of Gramsci, that were profoundly shaping economic and social historiography in the post-war period.

Nonetheless, Venturi himself could not fail to acknowledge Einaudi's extraordinary merits, even in the field of historiography. His "vigorous rationality" was too significant, his "scientific rigor" too admirable, his "theoretical brilliance" too evident. The seed of these intellectual qualities not only helped keep liberal thought alive during the long night of fascism. The strength of his ideas nourished above all a new generation of intellectuals and gave impetus to a "new culture of the left" that of Gramsci, Togliatti, Rosselli, and Ernesto Rossi. Venturi's highly evocative words may be taken as an invitation to a renewed reception of Einaudi's work, not only his historiographical writings, that are promoted by the National Edition of his collected works. In the rediscovery of the great master of the Turin school, lies an encouragement toward the formation and development of a new generation of committed scholars, of men and women ready to face the complex challenges of our century.[10]

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10 Venturi 1975: 172.