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PARETO'S CHRONICLES LIBERTY AND THE LEFT

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PARETO'S CHRONICLES
Liberty and the Left

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The 'second series' of the *Giornale degli Economisti* commenced in 1890. It revealed a notable change in editorial direction from the earlier series, which was a direct result of Alberto Zorli being joined by leading liberal intellectuals, Ugo Mazzola, Antonio de Viti de Marco and Maffeo Pantaleoni, as the Journal's proprietary directors. In regard to economic science, the second series saw the Journal establish itself as the leading Italian distributor of the new marginalism. In regard to politics, it became a leading advocate for liberal policy. To that end, the Journal published a special feature from 1891 entitled 'cronaca', which critically chronicled practical developments in Italian public policy, public finances and the state of the economy. In 1893 Pareto took over from Ugo Mazzola as author of the chronicles, a role he continued to perform until 1897. His contributions were, overwhelmingly, critical of interventionist and militaristic actions of the Italian Government. The purpose of this paper is to place Pareto's chronicles in their historical context and search for comments that hint at the subsequent development of sociological theory. This will be achieved by: interpreting Pareto's 'cronaca' with reference to political developments in Italy from the 1880s to 1897; identifying practical illustrations in the 'cronaca' concerning liberty and the extreme left in Italian society; and identifying three broad consistencies between Pareto's 'non-scientific' 'Cronaca' and his scientific 'General Sociology'.

Key Words: 'Cronaca', Chronicle, Vilfredo Pareto, General Sociology.

1) Introduction

Many scientific aspects of Pareto's writings have been investigated over the last century. Pareto has been examined in some detail as an economist, a sociologist and a methodologist. In such cases, the Paretian texts of primary interest were his scientific writings. In this paper, attention is directed towards his non-scientific writings, especially the regular 'cronaca' featured in the *Giornale degli Economisti* which Pareto wrote for the first time in 1891 and then on a regular basis between 1893 and 1897. The main subjects of these chronicles were the demerits, and occasionally merits, of government policy.

The primary purpose of this paper is to place Pareto's chronicles in their historical perspective, with respect to late nineteenth century political history of Italy in general and the *Giornale degli Economisti* in particular. Particular attention is given to the curious combination of Pareto's advocacy for a strict *laissez faire* oriented form of liberalism and his rather empathetic treatment of the political left, especially the extreme left, in Italy. The secondary purpose of the paper is to point tentatively to issues treated in these non-scientific writing by Pareto that may have been influential in the subsequent emergence of his scientific writings in the field of general sociology. In relation to this secondary purpose, readers should keep in mind that Pareto was always suspicious of the application of economic theory to decisions made in the political process: the scientific study of government actions – including the economic, fiscal and monetary actions – and this position was the foundation from which government actions became subjects to sociological treatment within Pareto's mature theoretical system (McLure 2007).

An overview of Italy's political circumstance in the last decades of the nineteenth century is presented in Section 2 to provide the context for interpreting Pareto's chronicles. An overview of the editorial position of the first and second series of the *Giornale degli Economisti* is presented in Section 3 to place the journal in the social and political context of the day. Key themes in Pareto's chronicles are also considered in this Section, with attention mainly directed towards the relationship between liberalism and the left to reveal the target of these politically-motivated writings. The study concludes in section 4 with some tentative observations on the relevance of the chronicles to Pareto's subsequent general sociology.

2) Italian Politics of the Period

Italy's first Prime Minister took office in March 1861, but it was not until after the fall of the Vatican in 1870 that the unification of Italy was legitimated by public plebiscite, with the Italian Parliament meeting in Rome for the first time in 1871. Just twenty years after this moment of unification Pareto wrote his first 'cronaca' for the *Giornale degli Economisti*.

At the time of unification, Italy was still largely an agricultural economy, with service industries also economically significant. Prior to unification the regions of Italy were slow to acquire the technologies associated with textiles, iron and steam which had moved Britain, in the late eighteenth century, and the United States of America, in the first half of the nineteenth century (Rostow 1978 p. 438). Nevertheless, the foundation for future significant expansion in industrial output had been slowly laid prior to unification: Pareto himself was a product of this process as he trained in Turin as an engineer prior to the popular mandating of the Italian constitutional monarchy.

Perhaps not surprisingly, the issue of industrialisation of Italy in the period between post unification and World War I became a major focus for many Italians: industrialists, politicians, socialists and liberals. As always, there were competing views on how to achieve that end and the political process was important in the final outcome. The first Italian Prime Minister, Camillo Benso Conte di Cavour,¹ was a notable supporter of free trade. However, with the gradual emergence of industrial society in Italy, the issue of protection gained considerable attention in political circles. In 1874 a commission of enquiry popularised the protectionist view (Seton-Watson 1967, p.82) through its report into 'Lo Stato Italiano Industriale'. While the enquiry was established under the Government of Prime Minister Marco Minghetti, a prominent role within this enquiry was played by Senator Alessandro Rossi, founder of the major wool manufacturer *Schio* and noted protectionist. As a young engineer-manager, the twenty six year old Vilfredo Pareto responded critically to the testimony of participant to this enquiry in *L'economista* (Pareto 1874 [1974a]), the journal of the 'Società Adamo Smith'. Ubaldino Peruzzi, a former Minister in the national government under Prime Ministers Cavour, Bettino Ricasoli and Marco Minghetti,

and later mayor of Florence, played a dominant role in this Society and acquired a reputation as one of nation's most articulate advocates for free trade.

However, Peruzzi and his followers (including the young Pareto) were relatively unsuccessful in influencing the Government to implement liberal trade policies. As Seton-Watson (1967 p. 82) has shown, a rise in protection levels occurred by default under the Government of Minghetti when commercial treaties (bilateral agreements intended to reduce restrictions on trade between Italy and particular trading partners) with France, Austria-Hungary and Switzerland were permitted to lapse, although new agreements were eventually reached with Austria and Switzerland after prolonged bargaining. For Italy's major trading partner, France, no new deal was finalised. Although Luigi Luzzatti participated in negotiations in 1877 and a treaty was endorsed by the Italian Parliament in 1878, it was not approved by the French Parliament, which was also inclined to protectionism. This was seized upon by the Italian protectionist and it was not until 1898 that Italy, following further negotiations again lead by Luzzatti, that Italy finally concluded a successful commercial treaty with France.

This long delay was to some extent a consequence of a bilateral dispute between Italy and France that spanned both economic and security issues, with each country suspicious of the other's intentions in the Mediterranean and North Africa. Also, from the Italian side, a complicating factor concerned the relative benefits and costs of protection for the main established economic sectors: the agriculturalists and the emerging industrialists in the north. Agriculturalists had long been antagonised by the taxation of agricultural products, such as the 'macinato' (grist) tax 1868, and were generally suspicious that tariffs may favour industry while increasing the cost of agricultural machinery. This concern was at its greatest in the early 1880s when world grain prices had collapsed, the effects of which were immediate in Italy culminating in an 'agrarian crisis' (Fenoaltea 2003, p. 714-17). Recollection of this crisis was instrumental in making agricultural protection more attractive to some producers.² Protectionists, like Rossi, seized on the opportunity by calling for equality between 'town and country' in the interests of national unity through protection for the produce of both agriculture and industry: as such agricultural protection became the 'bribe' to make higher industrial prices acceptable to the agriculture sector (Seton-Watson, 1967 p. 81-3).

The resulting and much extended tariff system was introduced in 1887.³ The intriguing political machinations associated with this event were nicely described by Pareto in his *Political Science Quarterly* article entitled ‘The Parliamentary Regime in Italy’:

By the customs law of 1887 Italy entered upon a policy of protection; yet the authors of the tariff and their friends have never frankly called themselves protectionists ... The lack of positive principle is illustrated by an incident during the discussion of the tariff law. Sig. Magliani, the Minister of Finance, at first declared himself opposed to a duty on foreign wheat ...; but when it became evident that the defection of the so-called Agrarians, who desired such a duty, might destroy the protectionist majority, Magliani supported the proposal and made the House vote it. While the question was pending, Sig. Grimaldi, Minister of Commerce ... made a speech at Colle Val d’Elsa, in which he said that “the ministry would never accept a tax on foreign grain”. Only a few weeks after this speech the duty on wheat was proposed by the ministry, and the bill bore the signature of Sig. Grimaldi.

(Pareto 1893, p. 686-7)

Fundamentally though, this enhanced protectionist effort was an extension (albeit very significant extension) of a policy trend that had emerged some years earlier. Prior to this new tariff regime, Italian industry was being developed in a manner that relied on subsidies to establish and protect heavy industry, especially industries of military importance, with steel, heavy engineering, shipbuilding and navigation companies the main beneficiaries (Federico 1996, p. 770). Perhaps the most famous example of this concerns the 1884 decision of the leftist Prime Ministership of Agostino Depretis to support and subsidize the development of steel mills at Terni on the basis that it would avoid Italy’s reliance on foreign supplies of steel for railroads and ship building. In brief, the industrialist and technical creator of the project, Vincenzo Breda, successfully persuaded Benedetto Brin, the Minister for Navy, and the Government generally, of the benefits of protecting heavy industry projects (Seton-Watson 1967, p. 81).

The second element that contributed to the political drive to protection was Italian colonialism and the associated military dimension to Italy’s relations with France. From the start of his first term as Prime Minister in 1887, Francesco Crispi progressively increased Italy’s efforts to expand the colonising of Ethiopia. In 1888 he courted Bismarck and reported back that Italy had become an equal partner in the ‘Triple Alliance’ with Germany and Austria-Hungry (Seton-Watson 1967 p. 132-3).

Also, Brin's heavy industry program incorporated navel building projects that were directed against France (Seton-Watson 1967 p. 133). France had interests in the Mediterranean and Crispi's enthusiasm for the 'Triple Alliance', including his signing of the Italo-German military convention in 1888, was viewed by France with some concern. In this tense diplomatic environment, France decided that any new commercial treaty with Italy should be on the basis of the lapsed agreement negotiated prior to the general tariff increase of 1887, but, as noted earlier, negotiations failed at this stage. In view of this, and perhaps because of France's general concern over Italy's association with the triple alliance, France reacted on 27 February 1888 with a discriminatory tariff on many Italian goods and, two days latter, Italy reciprocated by raising its tariff on French goods (Clark 1984 p. 95). Trade between the two countries halved (Clark 1984 p. 95) and the adverse impact on Italy varied dramatically from region to region, with regions relying on agricultural exporters to France hit most severely. In October 1889, Crispi was forced into the embarrassing position of having to abolish the discriminatory Tariff on French goods while France maintained its discriminatory tariffs on Italian goods.

Of course, Italian colonialism not only contributed to poor relations between Italy and France, it also has serious budgetary implications for the government. Right until the end of his first term as Prime Minister in 1891, Crispi progressively became more concerned about foreign policies, becoming even more closely associated with costly colonisation which had cumulative and adverse impacts on the Italian State budget and the economy more generally, especially agriculture. Pareto summarised the issue as follows:

According to Crispi, Italy was to become a great military and naval power, and was to play a role of great importance in the European political world. To carry out this policy the nation must make the necessary sacrifices; it must not be niggardly in bearing taxes and incurring debts. Others - Sig. Jacini⁴ in the name of the Conservatives and Sig. Cavallotti for the extreme Left - regarded the economical question as first in importance. They wished for no new taxes and no new debts, and preferred to sacrifice the important role that Crispi proposed to play in foreign politics.

(Pareto 1893, p. 687)

Crispi's successor, Rudini was less interested in colonialisation, but he was unwilling to seriously watered down the Triple Alliance. Moreover, his first tenure as Prime Minister was brief (February 1891 to May 1892). He was succeeded by Giovanni Giolitti (May 1892 and December 1893), whose first term as Prime Minister

is mainly remembered for the public revelation of banking scandals. In this regard, it may be recalled that Italy was a founding member for the 1865 Latin Monetary Union along with France, Switzerland and Belgium. The goal of the Union was to make currencies freely interchangeable among members of the union, with practices such as the adoption of common coin weights and common shares of precious metals in like denominational coins. In the case of Italy, this goal was compromised. Italy did not have a central bank with authority to issue currency and its issuing banks were all regional or commercial banks. However, this was not unusual for the time, and it is not the primary cause of Italy's compromising of the monetary goals of Latin Monetary Union. Rather, the problem was that Italy's issuing banks exceeded their legal capacity to issue money. In particular, irregularities at the 'Banca Romana', while under the directorship of Bernardo Tanlongo, were reported to government in June 1889 by Senator Giacomo Alvisi and the Treasury Official Gustavo Bagini, but the matter was not dealt with publicly and the report was shelved (Clark 1984, p. 98). However, a copy eventually found its way to Maffeo Pantaleoni, and it was then passed to Napoleone Colajanni, a socialist deputy from Sicily, who read extracts of the report to Parliament in December 1892 (Seton-Watson 1967, p. 155). The banking scandal that followed ensured that Giolitti's first term would be relatively brief because it was he who, as Minister for Finance, shelved the report in 1889, and he who appointed Bernardo Tanlongo as Governor of the Bank. Following Colajanni's speech to Parliament, a committee of enquiry into the matter was convened, but the Government's fate was already largely sealed because, by the end of 1893, two of the largest credit institutions in Italy, each of which financed large scale industrial projects, had closed their doors. The first to fall was the 'Credito Mobiliare', followed soon by the 'Banca Romana'. The new Prime Minister, Crispi, and his predecessor, Giolitti, bickered over the banking crisis and the responsibility for it. At the end of 1893, Pareto reported this scandal to the English-speaking world, sheeting the blame home to Giolitti:

but for the courageous opposition of Sig. Colajanni in the Chamber, the government would have passed a law prolonging for six years the legal-tender quality of bank-notes, including those of the Bank of Rome. ... On the 20th of December, 1892, when Sig. Colajanni spoke of the irregularities of the bank, Minister Giolitti denied that there was anything abnormal in its management. He further said, apropos of Alvisi's report "The thing seemed so little exceptional that I must confess I never even read that report." But this was not

true. Crispi contradicted the statement, and confirmed his contradiction in the Chamber, February 22, 1893, by reading from his note-book Giolitti did not dispute Crispi's correction. ... he [instead] excused himself by saying that he had been told that everything had been put in order at the Roman Bank. But he did not explain why he felt no necessity for verifying what had been told him before proposing a bill for the extension of the legal tender and before appointing Tanlongo senator.

(Pareto 1893, p. 720-1)

Economic output under the Premiership of Crispi between 1893 and 1896 was relatively stagnant. By 1894, with the bank crisis following from the earlier introduction of a general tariff policy, and associated trade war with France, the level of industrial production had hardly been restored to levels of 1888, immediately after the introduction of the general tariff.

Table 1: Italy's Industrial Production: value added, millions of lire in 1911 prices

	1888	1889	1890	1891	1892	1893	1894	1895	1896
Mining	81	83	85	85	86	85	83	78	80
Manufacturing	2,045	2,016	2,022	1,997	1,975	2,018	2,079	2,145	2,188
Construction	439	423	418	410	389	375	374	321	307

Source: Fenoaltea 2003, p. 710

In this relatively restrained economic environment, public finances were stretched and the long term legacy of disproportionate development in northern and southern Italy, combined with the diverse impacts of tariff policy, saw civil unrest in Sicily with marshal law being declared. In the remaining years of this term Crispi became progressively bogged down in colonial war in Ethiopia, which was expensive and made the task of managing public finance assigned to the Minister for Finance and Treasury, Sidney Sonnino, all the more difficult. In response to fiscal, economic and external difficulties, Crispi became more arrogant and dictatorial.

The final major influence on political life in Italy of the 1880s and 1890s that must be noted here concerns the rise of socialism, especially the emerging 'extreme left' which was too radical to win office in its won right but nevertheless prominent in its criticism of Italian Government. Prominent figures in this regard were Felice Cavallotti, founder of the *Gazzettino Rosa* and the *Partito Radicale storico* and leader

of the extreme left in Parliament from 1886, and Filippo Turati, the Marxist co-founder of the *Lega Socialista Milanese* in 1889, director of the Journal *Critica Sociale* from 1891 and one of the founders of the *Partito dei Lavoratori Italiani* in 1892 (which became the *Partito Socialista Italiano* in 1895). Cavallotti and Turati joined forces in co-founding the *Lega per la Difesa della Libertà* in 1894. On the issue of socialism and the left, Pareto observed:

In Italy there are two kinds of socialism, of which one, agricultural socialism, is indigenous, while the other, industrial socialism, is only the reflection of French and, even more, of German ideas. This latter has its chief strength in Milan, which is industrially the most important city in Italy; but it has some adherents in all the other centres of industry, such as Turin, Spezia and Genoa. The head of this party is the lawyer Turati, a resident of Milan ... Turati is a man of much talent.

(Pareto 1893, p. 678)

Sig. Cavallotti, the recognized leader of the extreme Left, who undoubtedly represents the highest aims and clearest ideas of this group, drew up such a program under the name of *Patto di Roma* ... It was complete and practical, and might well have served to solidify the Radical Party; and, in fact, the candidates claiming to belong to this party went before the country in 1890 with this program.

(Pareto 1893, p. 692)

In very broad terms, it may be concluded that the economic context within which Italian politics operated from the 1880s to the mid 1890s was significantly influenced by emerging industrialisation. This provided an environment in which political decisions lead to the progressive movement away from the generally free trade orientation of policy under Italy's first Prime Minister towards subsidies and protection for heavy industry in the 1870s and the subsequent extension of economic protection through the tariff system in the 1880s, including the related issue of the balance of tariff protection between heavy industry and agriculture. International relations also provided an important context for Italy's political actions, with the development of Italy as a colonial power attempting to maintain its own national security having significant spill over implications in the economic domain: the Italian-French trade war and the consequent burden on the Italian economy; and the adverse implications of Italian-French relations for Italy's public finances. Moreover, Italy's finance system came under some stress from the combined effects poor state of public

finances and lax practices pertaining to the issuing of money. A major historical consequence of interventionist and imperialistic policies of government was the emergence of significant domestic opposition to public policy from diverse sources: from the socialist and the extreme left on the one hand and the liberals on the other.

3) The *Giornale degli Economisti* and its ‘Cronaca’

The *Giornale degli Economisti* and Pareto feature in studies of modern Italian political history, as the following extended quote by Christopher Seton-Watson, from *Italy from Liberalism to Fascism 1870- 1925*, demonstrates:

Among the government’s fiercest critics was the small but brilliant group of free traders who in the 1890s took over the *Giornale degli Economisti* as their mouthpiece. It’s best known members were the economists Maffeo Pantaleoni and Vilfredo Pareto. They continued the tradition of Peruzzi’s Florentine Adam Smith Society and preached *laissez faire* in its purist form. Wherever the state had touched it, the economy suffered, Pareto declared. After denouncing Crispi’s protectionism, with its inevitable concomitants, megalomania, militarism and reckless spending, the free traders refused to disarm when the opposition came to power.

(Seton-Watson 1967, p. 147)

The first series of the *Giornale degli Economisti* was established well before 1890, and this first series has rather little in common with the second series. Italo Magnani (2003) has provided an excellent outline of the history of the emergence of the *Giornale degli Economisti*, which was overviewed in my *The Paretian School and Italian Fiscal Sociology* (McLure 2007).⁵

In 1875 the *Associazione per il Progresso degli Studi Economici in Italia* established the first series of the *Giornale degli Economisti* in Padua under the management and editorial direction of Eugenio Forti. However, it achieve neither continuity nor success, with production suspended in 1878. Over this initial period, the Journal’s content revealed a protectionist approach to public policy. When the first series of the *Giornale degli Economisti* was revived in 1886, this time from Bologna under the management and editorial direction of Alberto Zorli, it became an ‘arena for all opinions’ (Magnani 2003, p. 25): free-traders put some views while protectionist and put different views, with Maffeo Pantaleoni often contributing the regular

‘Rassegna finanziaria’ to review issues in public finance. However, the Journal was again unable to sustain itself and slowly degenerated into reporting reviews, bibliographical information and the like.

The last issue of the ‘first series’ of the *Giornale degli Economisti* was published in 1890. The first issue of the ‘second series’ appeared in July of the same year, but with three additional editorial directors: with Ugo Mazzola (1863-1899), Antonio de Viti de Marco (1858-1943) and Maffeo Pantaleoni (1857-1924). Each had acquired a one-quarter share of the Journal and, as a consequence, the editorial direction had largely come under the control of Italy’s then leading public economists who were also committed marginalists. These new editorial directors were also among Italy’s most forceful and articulate advocates for liberty in economic and political matters and fiscal restraint and sustainable budgetary balances in matters of public finances.

The scientific hallmark of the second series of the *Giornale degli Economisti* was its commitment to the dissemination of the new marginalist economics and new ideas in public economics. Its social and cultural hallmark was an equally strong commitment to the dissemination of public policy ideas based on economic and political liberty. As Pantaleoni was to note: ‘The *Giornale* will have a strictly liberalist direction and it will be anti-protectionist and, as such, anti-socialist’. (Pantaleoni, letter to Domenico Berardi of 24 April 1890, cited in Magnani 2003, pp. 68-9).

From the early editions of the second series, Pantaleoni, Mazzola, and de Viti de Marco engaged in policy polemics, attacking customs restrictions and legislative restrictions on working hours. The policy dimension of the Journal was even evident from its subtitle *Rivista Mensile Degli Interessi Italiani (Periodical of Italian Interests)*. In addition to scientific articles, from 1891 the Journal introduced a special feature entitled ‘Cronaca’ which chronicled developments in public policy, public finances and the state of the economy. In the early stages, these chronicles were written by Ugo Mazzola.

Pareto’s association with the *Giornale degli Economisti* on scientific matters spans the entire second series and extends into a third series, which commenced in 1910 when the title was changed to the *Giornale degli Economisti e Rivista di Statistica*, with the existing owners and editorial directors, Pantaleoni and de Viti de Marco, being joined by the statisticians Giorgio Mortara (1885-1967) and Alberto Beneduce (1877-1944). However, his association with the Journal on non-scientific

matters was confined entirely to the second series. The most important source of such non-scientific writings was the ‘cronaca’.

Pareto fully supported the liberal agenda of the directors of the *Giornale degli Economisti*. Even his early articles had a distinctly rhetorical element designed to persuade rather than inform. For example, his first contribution to the Journal, ‘L’insegnamento dell’economia politica (The lessons of political economy)’ (Pareto 1890 [1982]) was overtly about the benefits of an economic education, but was more highly motivated by presenting economic education as a mechanism for revealing the naked self-interest of protectionism than by the pursuit of science:

Our protectionists have already done great and beautiful things. They have ruined Italy’s commercial exports; created artificial industries, such as the steel mills of Terni, that cannot survive without the largest government subsidies; they have raised the cost of living through custom duties on cereals, and helped increase the State’s spending out of all proportion to the economic power of the nation. Now they triumph. They enjoy their return, harm to everyone, and want to recreate in themselves a spirit of little ideal. They are disturbed by economic science, which does not want to justify that which gives them joy and pleasure: they are required to hear, and hear repeated, that protection is nothing if not the art of legally appropriating other people’s goods.

(Pareto 1890 [1982], p. 1)

The sarcasm evident in this quote was a feature of many of Pareto’s polemic writings, especially those that were to emerge in the chronicles. The article also serves the purpose of clarifying that Pareto’s ideologically influenced position on public policy fully reflected the views of the editorial directors of the *Giornale degli Economisti*. Pareto’s general motivation for writing the ‘cronaca’ is consistent with the general editorial position of the Journal, as evident from his letter to Maffeo Pantaleoni of 7 March 1893:

In regard to the *Cronaca*, and as for any other work that you may need, I am at your disposition. It is unnecessary to talk of the circumstances that prevent you from making remuneration for the work. If I had means, as perhaps I will one day, it would be my *duty* to make a substantial contribution to sustain the *Giornale* that defends liberalist ideas. But I do not have money, and therefore I *must* provide at least that which is in my power; that is, work. Therefore, not just for one month ‘yes’ and another month ‘no’, but for all the months, if there is need, I am ready, very ready, to prepare the *Cronaca*, and whatever else you want. ... I am at your disposition to undertake any work necessary for the *Giornale* to defend liberal ideas.

(Pareto 1960, p. 354)

Pareto wrote the 'Cronaca' for the first time in 1891, essentially standing in for Mazzola. Between 1893 and 1897, he was the regular contributor and the *Giornale degli Economisti* published 52 of his chronicles, which were generally very critical of Italian Government policy. As the name suggests, the scope of the chronicles was broad – it covered any practical aspects of economic activity of interest to economists. Attention was given to practical issues in international economics and finance, including developments in particular countries (such as France and the United States etc). However, it was economic developments in Italy that were most frequently chronicled, with particular attention given to the impact of government actions on economic conditions in Italy generally and the state of public finances specifically. By 1897 Pareto became concerned that his continued strong criticism of government and special interest was beginning to harm the Journal and, in view of this, he expressed a desire to be relieved of this duty. De Viti de Marco took over responsibility for writing each *Cronaca* from 1897. At that time, Mazzola was suffering from serious health problems and was in his final years of life (he died 1899, in his mid 30s) and de Viti de Marco was a more optimistic, and perhaps less controversial, liberal figure than Pareto, who was at that stage almost completely uncompromising on issues of economic and political liberty.

During the period in which Pareto was writing the chronicles, the Government of Italy was lead by Prime Ministers Francesco Crispi (1887-91 and 1893-96) and Antonio Starabba di Rudini (1891-92 and 1896-98), although he commenced his term as the regular author of the 'Cronaca' in 1893 during the decline of the government of Giovanni Giolitti in the wake of Banking scandals. Pareto was particularly critical of the Giolitti and Crispi Governments: Giolitti for relying on bank patronage for political survival and for the harm done to the economy by such patronage and Crispi for military and colonial adventurism, protectionism, and supporting particular interests without regard to the general interest or maintaining sustainable fiscal balances. While Rudini appeared liberal in opposition, during the early stages of his second term of government Pareto expressed some alarm at signs of backtracking on constraining public spending, although Pareto conceded that colonialist activities in Africa, initiated by previous governments, had reduced the discretionary component of budget expenses.

Pareto's first chronicle, published in September 1891 (Pareto 1891 [1974a], pp. 458-65), starts with a sober discussion of Bank of France's preparations to purchase of gold from the United States (to fund cereal imports following the poor harvest in Western Europe) but then quickly introduces an aggressive and sarcastic rhetorical style when discussing Italian political economics. For example, in response to the express wish of Treasurer Luzzatti not to contract new foreign borrowings, Pareto points out that the external obligations of the Italian Treasury require 'good money' and not 'ornate words' and asks, rhetorically, where will the gold be raining to meet these obligations? After considering the deterioration in the trade balance from the period 1878-1887 to 1890 and the relationship between debt and protection, he concludes that:

the truth, despoiled by all the sophisms of the protectionists and politicians, is that the actual nature of financial conditions of Italy was already expressing little joy and the harm from debts contracted overseas was, in part, masked by the artificial prosperity associated with their initial effects. Now these conditions have gradually deteriorated because of the enormous destruction of wealth caused by protection.

(Pareto 1974a, p. 462)

In the case of foreign public debt and protection, Pareto saw the positive direct and immediate economic impacts as outweighing the negative impacts in the short-term, but in the long-term the adverse effects associated with indirect economic linkages would more than offset the initial economic and financial advantages. As such, he associated the enduring longer term consequences of public policy settings with the 'actual nature' of financial (and economic) conditions attributable to a policy stance, and presented shorter term consequences of such policy as 'artificial' when they were confined to the 'initial state'. Political sophistry in these circumstances thrived, with his chronicles, among other things, an attempt to point this out in a typically forceful manner.

In his first article as the regular author of the *Cronaca*, which was published in April in 1893, Pareto (1974a, pp. 611-20), again used sarcasm when reflecting on a proposal by Bernardino Grimaldi, the Treasurer in Giolitti's government, to extend the state petrol monopoly to include other spirits. If monopolies are so good, he asked, why not provide for a state monopoly on all industries and commercial activities, 'at least the socialists will be satisfied' (Pareto 1974a, p. 613). His main target, however, was the 'Honourable Giolitti', for the 'memorable mental

restrictions' that Giolitti imposed when attempting to deny that he read Alvisi's report on the Banca Romana. Common themes associated with Pareto's subsequent attacks were the government's attempts to: legally support selected economic groups (through government subsidies, protection); illegal support various groups in exchange for political or financial benefits (loans to politicians that are not paid back); and to conceal these legal and illegal arrangements. Governments are also criticised for nationalisation (of railways) and excess fiscal activity resulting in high burdens of public debt. In addition, major figures from the right, like Di Rudini and Luzzatti, did not escape criticism, although it was generally delivered with the less sarcasm and brute force than that reserved for Crispi, Giolitti or their associates.

Perhaps surprisingly, and certainly of much interest, was Pareto's gentle treatment of the left. In this regard, Seton-Watson has astutely noted the view of Pareto and Pantaleoni, that:

... no good could come be expected of Rudini and Luzzatti because they defended the 1887 tariff, the creature of corrupt banks and industrial racketeers. They [Pareto and Pantaleoni] therefore backed the Extreme Left, the only party that had the courage to 'tell certain truths' and to 'call robbers robbers to their faces'. Pareto told Cavallotti that he was the true leader of the Italian Liberal party. In numbers the free traders were few and their political influence limited. Nevertheless, they gave the Extreme Left valuable intellectual reinforcement.

(Seton-Watson 1967, p. 147).

Pareto's chronicles lend weight to Seton-Watson's interpretation of Pareto on Italian politics. In the chronicle for December 1894, Pareto made reference to Cavallotti, stressing that the 'Honourable Cavallotti' said excellent things and endorsing his request for the revelation of the war budget and for the decentralisation of public administration. While expressing reservation about Cavallotti's proposal for 'productive' public works (arguing that the quality of 'productivity' is evident in few public works in Italy), Pareto nevertheless defended him from the criticism that the plan was 'not practical'. Three points emerge from this article. First, Pareto highlights the issues that he agrees with Cavallotti about (opposition to spending on armaments as part of a policy of colonialism and using decentralisation to reduce waste in public spending). Second, he points to what he disagrees with Cavallotti about (in contrast to Cavallotti, Pareto saw public works as, by and large, not productive). Finally, he diminishes the relative magnitude of the difference between

himself and Cavallotti by emphasising the relatively greater difference between himself and the Crispi Government.

But then again, it is true that less useful expenses for such public works are always more beneficial to the nation than the fortune wasted on armaments in order to satisfy the vainglorious megalomania of our governments.

(Pareto 1974a, p. 818).

While no case can be successfully developed to suggest that Pareto was a socialist, he nevertheless empathised with the plight of Italian socialists, as indicated in his letters to Carlo Placci:

I have had in my home a number of Socialist refugees fleeing the Royal Italian prisons. Unfortunately some very dear friends of mine, including Turati ..., have remained in them, at which I am much grieved. ... Turati is a Socialist and my adversary in both political and social matters, but he was unjustly sentenced (as appears to have been the case with Dreyfus), and that is enough for me to take up the cudgels for him.

(Pareto, cited in Bousquet 1961 [1999], p. 203).

Pareto's liberal sentiments at this stage therefore contained a definite humanitarian element, with his writing expressing some concern for the poor, particularly when their plight is adversely influenced by actions authorised by public bodies. While not advocating a popular socialist solution, comments by the extreme left or socialists that pointed to the adverse impact of public actions on the poor were favourably cited by Pareto.⁶ By way of illustration, the 'The Parliamentary Regime in Italy' reports sympathetically on the plight of the poor in southern Italy, especially during periods of public unrest.

Caltavuturo is a small commune in Sicily. The disturbance here, in which many lives were lost, arose out of an attempt by the peasants to assert possession of land which they claimed was communal property and had been usurped by private individuals. Signor Colajanni declared in the Chamber, January 30, 1893, that the peasants were right and that the legal proceedings showed that more than 100 hectares had been usurped.

(Pareto 1893, p. 680-1).

This is broadly consistent with the view that there is a humanitarian dimension to Pareto's non-scientific writings, which are expressed most strongly when the poor were victims of government force, with the consequent social instability interpreted by Pareto as the reaction of victims to policies that brutally suppress liberty.

in the Neapolitan communal administration it is brutally oppressive, and is the cause of an intense hatred for the bourgeoisie on the part of the poor people. Their resentment has been ferociously manifested as often as the restraints of public force have been relaxed, and under similar circumstances we are likely to witness similar out breaks.

(Pareto 1893, p. 682).

Comments of this character were not a regular feature of Pareto's writing. But neither were they incidental: his concern for the plight of the poor, which was rather typical of nineteenth century liberals, his admiration for leaders of the left and his tendency to quote some leftist leaders with approval were more than just isolated observations. In the August 1895 *Cronaca*, Pareto (1974b, pp. 900-5) there is discussion of political detainees (in Neapolitan goals) who were illegally condemned. It contains an expression of admiration for the 'indomitable energy' of Cavallotti in his denunciation of the Royal prosecutor, suggesting Cavallotti's motivation was solely concerned with justice and with moral outcomes. In the same article Turati is presented as one of the most authoritative socialists in Italy, with favourable reference made to Turati's distinction between the development of the *bourgeois* (which socialism is presented as a response to) and the state of affairs in Italy under the leadership of Crispi (high illiteracy, small proportion of voters and civil arrangements imposed with brute force).⁷

Pareto's hostility to the incumbent Italian governments (the colonialists, the protectionists, and advocates of government monopolies, or the supporters and politically directed support for strategic heavy industries), was not only a reaction against the destruction of wealth, it was also a reaction against adverse humanitarian outcomes associated with economic, social and political rules and events that oppress the poor and lead to an intense hatred of the bourgeoisie. Bousquet (1961 [1999], p. 213) has observed that Pareto simply refused to bow to the strong because he was determined not to bend under what he considered tyranny. The humanitarian sentiment associated with Pareto's liberalism was one salient influence on his judgement as to whether a situation was, or was not, tyrannical. Tommaso Giacolone-Monaco (1960) found that Pareto's 'cronaca' bears all the hallmarks of a moralist. His moral indignation at the action of Italian political elites was heartfelt and this helped motivate Pareto to make the huge outlay of time and energy that was required to write so many chronicles for the Journal.

While Pareto disagreed with the left and the extreme left, he was not morally indignant towards representatives of this side of politics. Unlike ministers of the Crispi and Giolitti governments, the integrity and honesty of the leaders of the extreme lefts' were generally not brought into serious question by Pareto. Many in the left still advocated in favour of liberty, and its leaders and representatives were often seen as victims of dishonest and illiberal actions of the Crispi and Giolitti regimes. Another important, and related, factor associated with Pareto's gentle treatment of the left was the extreme left's opposition to Italian colonialism, and the associated impact on the Italian budget, an interpretation that Pareto passionately shared.

4) The Chronicles and General Sociology

Prima facie, Pareto's chronicles and his general sociology are poles apart. The former are non-scientific and aimed largely at persuading readers of the demerits of the economic and fiscal policies of incumbent Italian governments. The latter is scientific and aimed at revealing general regularities associated with centuries of European society, including the economic and fiscal dimension of government activities. Given these different goals, major differences between the two types of writing should be expected. In the chronicles, social harm, including the humanitarian concern regarding the plight of the poor, is implicitly linked to the distance between the ideal of an essentially *laissez faire* style liberalism and the character of observed political actions by individuals and governments. However, around 1898 Pareto made a conscious decision to reject liberalism (Busino 1987, p. 802), or perhaps more precisely, to reject liberalism as the scientific basis for a real social system. In *Les Systèmes*, Pareto still explicitly declares that his sentiments take him towards liberty (Pareto 1901-02 [1974], p. 129), but the book studies the human desire to give reason to sentiments which may not be realised in real society, with the discussion of the liberalism highly critical of attempts to incorporate utopian and metaphysical notions, such as the idea of a harmony of interests and utopian liberalism, within the social sciences (Pareto 1901-02 [1974], p. 476-96). Subsequently, Pareto repeatedly indicated the scope of his work concerned with knowing and understanding phenomena: the development of prescriptions for the actions of private individuals or

public authorities outside his field of study. By the time of the *Sociologia* (Pareto 1916 [1935]), the role of essentially *laissez-faire* style liberalism is relegated to that of doctrine, but just one of many non-logical doctrines, none of which are experimentally observed in the real world. The considerable attention given to the ancient world and its doctrines in the *Sociologia* also served to push liberalism further into the background of the book. In addition, Pareto was scathing of humanitarianism in the *Sociologia*. This appears to be in marked contrast to the 'cronaca'. However, on closer examination Pareto's concern is again over doctrine, with his scathing assessments largely a reaction against the presentation of non-logico-experimental rationalisations of humanitarianism as scientific doctrines. The underlying human sentiments that nurture humanitarian actions were, in contrast, recognised and treated with the neutrality typically associated with science.⁸

Some of this difference is directly attributable to the difference between non-scientific and scientific writing, but not all the difference is attributable to this as these works were not written contemporaneously. However, the subject of this part of the study is the similarities, not differences, between the chronicles and the *Sociologia*. In that regard, at least 3 broad, but nevertheless important, elements from the chronicles carried through to the *Sociologia* and his later applications of the sociology to Italian and European society in *Fatti e Teorie* (1920) *Trasformazione della Democrazia* (1921),

First, and most fundamentally, the real world of politics envisaged by Pareto in the chronicles, for the purpose of critique and persuading readers that this is poor policy, is essentially the same world of politics revealed in the *Sociologia* and subsequent studies. Analysis in the *Sociologia* is, of course, much more sophisticated from a theoretical perspective and the scope of the inquiry is much more general (as it is incorporated within a general theory of social equilibrium), but the political circumstances that Pareto reacted so sarcastically to in the chronicles in the particular case of 1890s Italy are now presented as repeated social facts evident in the same general form over the history of European society.

Second, the polemic and sarcastic writing style evident in the chronicles (which was more constrained and usually checked in his earlier writing on economic science)⁹ re-emerged forcefully in the *Sociologia*. Instead of criticizing leading politicians, for misguided policy, he criticized doctrines associated with leading scholars from Plato to Auguste Comte for what he considered the misguided, indeed

foolish, aspects of their science. Traditions of thought, such as the famed Italian developments in the theory of public finance, are dismissed in off handed and derogatory terms. The irony being that a style associated with non-scientific writing and (still) considered inappropriate for scientific writing was incorporated in a work which had exclusively scientific objectives. As theories and doctrines were the ‘data’ of Pareto’s general sociology, critique was not for the purpose of critique, but for the purpose of developing sociological theory. Moral indignation of the chronicles from the welfare loss associated with illiberal policy is replaced by the indignation of a pluralistic positivist at the representation of unreal doctrines as if they were scientific theory (and then using the scientific failings of such doctrines as data for identifying regularities associated with the influence of non-logic on human action). By doing this in such a brutal and at times sarcastic style, his scholars used to an overtly neutral or disinterested style were alienated by his sociology. Mauro Fasiani formed the opinion that:

Pareto was the greatest enemy of himself: because of the force he gave to his thought and the attitudes he seemed to show off. The main fault he is explicitly or tacitly charged with, from many sides, would appear to be an unrestrained arrogance accompanied by a certain ill will towards the whole of the thinking world ...

(Fasiani, 1949 [2007], p. 270)

Pareto’s approach in the *Sociologia* certainly sparked hostility from scholars associated with theories and doctrines that had been so brutally dismissed. At the very least, the use of language served to polarize views on theory, in the *Sociologia*, is similar to the polemical position he adopted in the ‘cronaca’.

Finally, and most importantly from the perspective of social theory, Pareto continued to treat the left-right divide in politics as a secondary influence on the social state. In the chronicles violation of liberty by the left or by the right was secondary to the extent of the violation of liberty: violations by the left and right were each subject to criticism. In the *Sociologia*, the point of reference was no longer a liberal *laissez faire* state, but the social state (or the state of ‘social equilibrium’, to use the language of Pareto’s sociological theory). Movement from that point was considered with respect to changes in the degree of individualism or collectivism, whether movements in these directions were associated with the political left or right continued to be a secondary influence. The state of social equilibrium, and social welfare outcomes, was not linked to labour (the left) and capital (the right), but to, among other things,

the relative proportions of *rentiers* and *speculators* within elites and between elites and the masses, as discussed in McLure (2007).¹⁰ It can be tentatively suggested that Pareto's mature decision to treat the interest of labour and capital in political fora as secondary to the more general quasi dualistic notions of *rentiers* and *speculators* (with workers and capitalisms represented within each of these two groups) has its origins in his non-scientific writings: in the chronicles, the general 'distance' between an actual state and an ideal state governed by principles of liberty was a primary consideration, and the direction of this distance, either towards the political left or the political right, was secondary.

Conclusion

Pareto's chronicles present a passionate critique of political life in Italy. Advocacy for liberty in politics and economics is the single dominant feature. Empathy for the victims of illiberal policy was another, as was sympathy for doctrines and movements that support humanitarian goals for the poor (as evidenced by his rather gentle treatment of extreme left figure in contrast to his scathing and unsympathetic assessment of the actions of those in political authority).

The change between the chronicles and the *Sociologia* is stark. However, the differences should not be exaggerated. Significant elements evident in the chronicles continue to be evident in the *Sociologia*, albeit in modified form. Specifically, in both sources: the actual political world is characterised on a similar basis; criticism is undertaken on a brutal and sarcastic manner (although, the targets of such criticism were very different in these two sources); and the left-right political divide is secondary, to distance from an ideal notion of liberty in the chronicles, and, to the state of the prevailing social equilibrium along the individualism-collectivism divide in the *Sociologia*.

Notes

* The author would like to thank Peter Groenewegen for his comments on an earlier draft of this paper. Italian text quoted in this study in English has been translated by the author except, of course, when the cited reference is to a published English language translation of the original Italian text.

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- ¹ Cavour is regarded as the first Italian Prime Minister because his premiership occurred during Parliamentary declaration of the unified Kingdom of Italy in Turin on 17 March 1861, a decade before unification with the seat of popular Italian government set in Rome.
- ² Nevertheless, recent historical research has confirmed the view of economists of the day that the 1880s actually marked a period of relatively high consumption (Fenoaltea 2003, p.717, p720). For historians of the Paretian school, it is noteworthy that Fenoaltea cites Guido Sensini on this point, going on to indicate that while Sensini's *LeVvariazioni dello Stato Economico d'Italia nell'Ultimo Tentennio del Secolo XIX* (1904) is "all but forgotten ... It is a remarkable piece of work (written, astonishingly, when the author was in his early 20s), and much deserves to be rediscovered" (Fenoaltea 2003, p.717). Vilfredo Pareto penned a similarly positive evaluation some 99 years earlier when he wrote to Sensini on 27 November 1904: "thank you for sending me a copy of your volume entitled: *Le variazioni dello stato economico d'Italia*. I have not finished reading it yet, but I do not want to lose time before expressing to you my frank and genuine admiration for your work; which, in truth, is constructed from criteria that are entirely scientific, with acuteness of judgement and talent, with a rich selection of statistical information that you interpret well: it provides the scholar with more than a little benefit." (Pareto 1975, pp. 527-8).
- ³ With 15% duty on luxuries like sugar and coffee; the wheat tariff more than doubled to 30 lire per tonne (subsequently rising to 50 lire in 1888 and 75 lire in 1894); and steel and manufactured products enjoyed even higher and more complicated levels of protections (Clark 1984, p.95)
- ⁴ Stephano Jacini (1827-91), a liberal who: presided over a major Agrarian Inquiry in Italy; was active in Parliamentary debates on the issue of agricultural crisis during the 1880s; and was strongly opposed to the use of tariff protection in 1887 to solve difficulties faced by the agricultural sector – he instead suggested that tax relief could provide the desired solution (Haywood 2006).
- ⁵ This introduction to this section is as truncated restatement of the subject from that source.
- ⁶ Georges Henri Bousquet, a student of Pareto in Lausanne, suggested that Pareto had no sympathy for socialism *per se*, but for persecution of socialists (in Bousquet 1961 [1999], p. 213). Nevertheless, the humanitarian element of Pareto's liberalism, especially his concern for the position of the poor, is not dissimilar to the sentiment that is often associated with socialism.
- ⁷ Pareto even contributed to Turati's journal *Critica Sociale*.
- ⁸ One of Pareto's six classes of *residues*, where *residues* area taxonomy of actions inspired by human sentiment, is called 'sociality', which presents repugnance for the suffering of other and self sacrifice for the good of others as general social facts.
- ⁹ Although much reduced, Pareto never tried to eliminate sarcasm entirely from his scientific writing in economics. In particular, his debate with Gaetano Scorza is a spectacular example of abuse and sarcasm prefacing an otherwise purely scientific treatment of welfare theory (see McLure 2000).
- ¹⁰ The issue of material prosperity is examined in Paretian sociology with reference to the relative proportions of risk taking *speculators* (or economic actors with high discount rates) and risk avoiding *rentiers* (or economic actors with low discount rates) across the economy. When the economic elite is generally dominated by risk taking *speculators*, with a high proportion of workers being employed in enterprises that undertake high risk economic activities, the diversity or heterogeneity of economic activity is presented as greater than when the economic elite is dominated by *rentiers* seeking safe returns and avoiding high risk. Importantly, this *speculator-rentier* balance influences a society's capacity for economic growth, but the economic outcome is also influenced by the patron client dimension to political-economic interactions (with *speculator* dominated elites more likely to benefit from subsidies, protection and tax systems than *rentiers* dominated elites). As such, the role of the *speculator-rentier* balance is more important in Pareto's sociology than the distinction between labour and capital.

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