

*“the followers of the Austrian school in Italy  
are nearly all writers on financial matters”*

*Ugo Rabbeno (1891: 461)*

## **Introduction**

The name of Emil Sax is frequently to be found in the history of Italian economic thought in the age of marginalism. As is well known, that era was a typical period of multiple discoveries, and for this reason has given rise to a good deal of debate on questions of priority. The relationship between Emil Sax and Italy can also be examined via the search for priority. It can even be entirely summed up in three questions of priority. The first concerns priority in the introduction of marginal analysis in public finance, seeing the works of Maffeo Pantaleoni (1883) and Sax (1884) as of primary significance. The second is about priority in the reception accorded to Sax's thought in Italy: his 1887 work was immediately examined, discussed and assimilated, especially by Giuseppe Ricca-Salerno (1887), and by Augusto Graziani (1887). The third relates to priority in the development of a pure theory of public finance, and concerns the works of Sax (1887) and Antonio De Viti de Marco (1888).

In this paper I shall be developing these three aspects. I must at once point out that I am not going to deal with the impact of Sax's work on the Italian theory of public finance from the perspective of the history of economic analysis, on which others have already written<sup>1</sup>. My aim is to reconstruct certain episodes concerning Emil Sax in Italy, trying at the same time to enquire into the contextual reasons for his very great impact on the Italian economists of that generation.

### **1. Priority in the introduction of the marginal analysis in public finance: Sax and Pantaleoni**

Pantaleoni (1857-1924), “the prince of [Italian] economists” (Sraffa 1924: 648), the “exuberant genius” (Loria 1924: 653), is famous internationally mainly for his treatise *Principii di economia pura* (Pure Economics, 1889)<sup>2</sup>. In his 1883 essay *Contributo alla teoria del riparto delle spese pubbliche* (Contribution to the theory of the distribution of public expenditures) Pantaleoni applied the marginalist theory of value to public finance. In this

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<sup>1</sup> See among others Pica (1966b and 2003), Gioia (2003), Kayaalp (2004: ch. 4).

<sup>2</sup> Published in 1889, the book was translated into English in 1898 and into Spanish in 1918.

work Pantaleoni explains how the average intelligence within the Parliament aimed at obtaining the largest sum of utility should establish the standards for the distribution of budgetary funds (Pantaleoni 1883).

In 1884, in his *Das Wesen und die Aufgaben der Nationalökonomie* (The nature and tasks of political economy), Emil Sax applied the subjective theory of value to public economics, finding similar motivations and criteria behind both individual and collective forms of economic activity<sup>3</sup>. His work was published one year after Pantaleoni's essay. There is no apparent problem of priority, because Pantaleoni's simply came first. Sax himself, in 1924, writing about the founders of the "new direction of public finance" admits that "Pantaleoni was the first to think of applying the new theory of value to the phenomena of public finance, though without developing his idea into a formal theory" (1924: 275). After Sax's admission, not much room is left for questioning Pantaleoni's priority. And indeed there is none to be found. The recent Italian literature allows Pantaleoni's priority without qualification: for example, Magnani writes that Pantaleoni's "is the first recognised attempt, not only Italian, to relate the financial phenomenon to the theory of final degree of utility" ([1995] 1997: 59). Nevertheless, the history is a little more complex.

Pantaleoni's priority in introducing marginal analysis into public finance was first stated in 1887 by Augusto Graziani, in his comment on Pantaleoni's *Contributo* of 1883: "an excellent essay in which the author tries to apply Ievons' (sic!) principles to public expenditure, in some basic points anticipating Sax's ideas" (1887: 301)<sup>4</sup>. In 1890 Ugo Mazzola also spoke of Pantaleoni's: "incontestable priority in the analysis aimed at applying the theory of value to public finance" (1890: 119)<sup>5</sup>. It should be noted that Mazzola does not restrict himself to affirming Pantaleoni's priority, but also lets it be known that it is already widely recognised: "Pantaleoni has already been accorded widespread recognition for having been the first to refer financial phenomena to the theory of the final degree of utility" (1890: 118).

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<sup>3</sup> On Sax's contribution to public economics see Neck (1989). On his role in the evolution of the theory of public goods see Pickhardt (2005a).

<sup>4</sup> In actual fact Graziani is referring to Pantaleoni's priority with regard to Sax's book of 1887, not to the essay of 1884; this latter work is not even mentioned.

<sup>5</sup> Elsewhere Mazzola reiterates that: "Pantaleoni's applications of the theory of the final degree of utility, *begin* the referring of the phenomenon of public finance to the general law of value" (1890: 123, italics added); and again: "recognition justly awarded to Sax's merits, for having, *though not being the first to do so*, but in the widest fashion, worked out this idea [of the maximum satisfaction]" (1890: 150-151 italics added).

To tell the truth we have been unable to find other recognition of Pantaleoni's priority dating from that age. There was no sign of it in Ricca-Salerno's article of 1887 (in which Pantaleoni is not even mentioned), in the editions of Luigi Cossa's manual of public finance after 1883<sup>6</sup>, in those of Ricca-Salerno (1888), and Graziani (1897)<sup>7</sup>. There is nothing even in the most detailed Italian text on the history of economic thought, that of Cossa himself (1892)<sup>8</sup>. On the contrary, they all praise Sax's originality. We shall see that Ricca-Salerno (1888), who makes very few citations throughout his manual, is explicitly inspired by Sax. Cossa considers Sax the one who "strongly insisted on the essentially economic character of some financial theories, deduced from the economic doctrine of *subjective value*" (Cossa 1892: 21, author's italics). Similarly Graziani, this time, allocates primacy only to Sax<sup>9</sup>. We shall keep our reflections on this strange phenomenon of anti-nationalism for our final paragraph.

On attributing priority to Pantaleoni or Sax the international literature is in general more vague: everyone recognises the importance of Pantaleoni's work, but no one risks taking a stance on his priority. For example Boggeri and Sundelson limit his impact to Italy, writing that Pantaleoni is "the founder of the modern economic school of public finance *in Italy* (1938: 252, italics added), while Musgrave and Peacock call it: "*One of the first attempts at dealing with the determination of the tax-expenditure plan as a problem of economic value*" (1958: XII, italics added). Groenewegen does not commit himself, affirming that "Pantaleoni ... applied the hedonistic principle to budget determination" (1998: 55). Medema finds in Pantaleoni's 1883 work "the linkage between the Italian approach to public finance and the methods coming out of the marginal revolution" (2005: 5), without mentioning problems of priority.

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<sup>6</sup> The first edition dates from 1875; we looked in the 1924 edition edited by Graziani. Pantaleoni's *Contributo* of 1883 is only cited in the bibliography of chapter three on the "Classification of public expenditures" (Cossa [1875] 1924: 44).

<sup>7</sup> Graziani even recalls Pantaleoni only in passing: "for his fine, insightful book on the shifting of taxes" of 1882, but not for the 1883 work (Graziani 1897: 39).

<sup>8</sup> Cossa wrote: "Maffeo Pantaleoni ... is the author of highly appreciated treatises on economic statistics ... Conspicuous among his writings is a paper on the "prospective probability of an increase in the private fortunes of Italy" (1884). ...[He] began by grappling in a most ingenious monograph with nothing less than a refashioned scheme of taxation (1882), and proceeded in 1889 to give signs of his ripened aptitude for exact research in a book entitled *Principii di economia pura*" (Cossa [1892] 1893: 508). In this scrupulously compiled list, the absence of Pantaleoni's 1883 *Contributo* is really surprising

<sup>9</sup> Graziani wrote that: "before Sax, a clear distinction in the working out of financial theorems between analysis proper to science and analysis proper to art was not made" (1897: 36).