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Maffeo Pantaleoni

At the Origin of the Italian School of Economics and Finance

Edited by

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List of Contributors

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Piero Sraffa (1898–1983)	One of the most distinguished Italian economists and a younger member of the Keynesian circle.

Introduction

Mario Baldassarri

This collection of papers proposes to trace the scientific and human fortunes of Maffeo Pantaleoni, the eclectic expression of that liberalist culture which in the early twentieth century perceived the shortcomings and dangers of the nascent monopolist concentrations. Maffeo Pantaleoni's broad experience makes him one of the founders of what we can today call the Italian school of economics and finance.

We believe it is particularly meaningful to open this volume with the obituary published by the Economic Journal in its issue of December 1924, which was signed by two initials that were then enigmatic: P.S.

Paolo Sylos Labini testifies that those initials stood and stand for Piero Sraffa, who confided to Paolo Sylos Labini that he was the author of the obituary, which was commissioned by the young economist John Maynard Keynes who then edited Economic Journal together with his master F.Y. Edgeworth.

Keynes, who had appreciated and understood the importance of Maffeo Pantaleoni's thought, wished to have an incisive interpretation of it from Piero Sraffa and not content himself with a generic and middling report of the death of the man whom he considered «the great Italian economist».

This scientific and cultural voyage opens with a comprehensive paper by Piero Bini on the life, thought and works of Maffeo Pantaleoni. This is followed by a paper by Italo Magnani which extends the horizons to the roots of marginalism and the role of the state in economics. Nicolò Bellanca then retraces Pantaleoni's

scientific production, from Principii to Erotemi, with an organic interpretation of his thought.

Before recommencing teaching at the University of Naples and after having left the High School of Commerce of Bari, Maffeo Pantaleoni worked as a manager at Cirio (a company which produced and marketed agricultural products) and he had the fortune to meet the 'engineer' Vilfredo Pareto. Pantaleoni spurred Pareto to «study economics», bringing to his attention the works of the now aged Leon Walras on general equilibrium. As is known Pareto was to succeed Walras at the Chair of Economics of Lausanne University. The paper by Louis Chauvel and Jean-Paul Fitoussi traces the two parallel and secant scientific lives of Pareto and Pantaleoni.

The significant scientific and cultural heritage of Maffeo Pantaleoni, the market and competition, the state and the market, the role of institutions, is revisited in the papers by Pierluigi Ciocca and Marcello De Cecco. Pierluigi Ciocca places these contributions within the broader horizon of the Italian school of economics of that period, while Marcello De Cecco evaluates the presence and relevance of this thought to the debate of these final years of the twentieth century, projecting its possible contributions to future developments of economic theory and policies.

The paper by Paolo Sylos Labini, which closes the volume, interprets and repropose Maffeo Pantaleoni's ideas on economic dynamics.

Celebrating and remembering does not entail «confining» a contribution to the dusty stacks of a library but instead repropose it in the reality of the present-day to project it towards the developments of tomorrow. This is why all the papers in this volume deal with the topicality of Maffeo Pantaleoni's thought and the perspectives it opens even today for the new frontiers of the study of economics.

Obituary from the *Economic Journal* of December 1924

Piero Sraffa

On October 29 Italy lost the prince of her economists, Maffeo Pantaleoni. He died of a heart attack, only a few minutes after concluding an address to the Savings Banks Congress in Milan.

Maffeo Pantaleoni was born on July 2, 1857, at Frascati, near Rome. His father, Diomede Pantaleoni, was a physician and political writer who had taken an active part in the movement for national unity, fighting in particular against the temporal power of the Popes. He had enjoyed the friendship of d'Azeglio and Cavour, and it is said that the latter had so high an opinion of him that «the thought him indispensable for the solution of the Roman question».

After having graduated in law at the University of Rome, Maffeo Pantaleoni was appointed, at the age of twenty-five, Professor of Political Economy at the University of Camerino. Thence he passed to the University of Macerata, then to the High School of Commerce in Venice, and later to that of Bari, of which he became Director. In 1890, however, he resigned this post, resenting a censure which the Board of the School had passed on him for a criticism which he had directed against the government. This was the time of the big bank scandals, and Pantaleoni took a leading part in the campaign for banking reform. Indeed it was started by his drawing the attention of Parliament to a secret report on the condition of one of the banks of issue, the Banca Romana. The campaign ended with the failure of the bank and the reorganisation of the system of note issue on the present lines.

For five years he took no part in teaching. During this period,

having acted as liquidator of a large joint-stock bank, he was able to write his monograph on *La caduta del credito mobiliare*, which is still unequalled as an economic analysis of the continental type of *banques d'affaires*, a veritable masterpiece comparable in some respects to Bagehot's *Lombard Street*. In 1895 he returned to university life, having received a professorship at Naples. It was only for a short time, however: two years later, having attacked in the press the government's policy in the African war, he was placed under disciplinary treatment by the Minister of Education, and Pantaleoni, intolerant of any limitation to his freedom, again resigned and emigrated to Geneva, where for three years he lectured in the University. He returned to Italy in 1890 as Professor at Pavia, and in 1902 he succeeded A. Messedaglia as Professor of Political Economy at the University of Rome, a post which he retained until his death.

In 1900 he was elected to Parliament as a radical member. This period was the most distressing and painful of his life. Pantaleoni, the champion of banking purity and reform, was accused of joint responsibility for the failure of a Turin bank, and a violent press campaign was launched against him. Possibly, as he himself believed, this was an act of revenge on the part of those affected by his Banca Romana campaign. He defended himself vigorously, «answering bite with bite» — to quote his own words — and succeeded in proving every charge to be absolutely without foundation. But for many months the fight absorbed all his time, energy and resources: he came out of it almost ruined financially, and his wife, after attempting suicide, became insane. When the situation had been cleared up and the trials had ended with the conviction of the real culprits, he resigned his seat as deputy. «Why did I do so?» he wrote. «From disgust - disgust at the baseness I had seen, and of the calumnies I had seen believed». The troubles of this period undoubtedly embittered his character as a political writer, for his violence in controversy was strangely in contrast with the affectionate and gentle disposition shown by him to his friends and pupils. It is not out of place to mention that his disinterestedness and his conscientiousness regarding money matters were carried to such extremes as to cause him scruples such as but few men are troubled with. Thus, he never decided to publish his profound and fine study on the causes of crises and the symptoms

enabling them to be foretold, because, having executed this work as an expert in a case relating to a contract unfulfilled in consequence of the crisis of 1907, he considered that what he had written belonged to the person who, having lost the case, had been condemned to pay for it. And to a pupil who asked his permission to publish the lectures delivered by him at the University of Rome, he replied that no permission from him was necessary. «Faithful to the teaching of F. Ferrara», he wrote, «I know that I have no property in that which I have already sold once to the public, speaking from the University chair and paid by the State».

After the war Pantaleoni was d'Annunzio's Minister of Finance in Fiume; later, becoming an adherent of the Fascist government, he was appointed President of the Commission for the Revision of the Budget (a sort of Geddes Committee), and subsequently the Italian representative on the financial commission of the League of Nations for Austria. In March 1923 he was made a senator. His political activities, however, found their principal field in the press, where his brilliant qualities as a pamphleteer and his combative spirit were able to obtain full scope. «I have never done the work of a politician in the way it is done by others», he wrote, «and as it is well that it should be done by most. For my part I have only found pleasure in continuing, as a writer on political subjects, my task as teacher». It would be a mistake, however, to take this to mean that he assumed professorial airs, placing himself above the fray and confining himself to the impartial interpretation of current political events. This was rather the attitude of Pareto. Pantaleoni, on the other hand, always threw himself into the thickest of the fight, taking up his position resolutely, driving home his attack on opponents, sometimes even in an unfair and merciless manner, delivering heavy blows to right and left, without caring overmuch about the consequences of the frank expression of his feelings. He always desired that the functions of the State should be reduced to a minimum, but that within those limits its power should be absolute. In his later years his opposition to socialism was extended to every form of democracy, to the point of seeming almost to justify the definition applied to him by an opponent of «a reactionary anarchist». He had sometimes a conception of politics which might be termed «conspirational» and frequently imagined that

he was combating Jewish, German and, sometimes, English plots. For thirty years he was the Don Quixote of Italian politics — an eager fighter whose sincerity and disinterestedness could be thoroughly relied upon — and it would be unfair to judge his work by the particular nature of the windmills against which he hurled himself. His valuable and really educative contribution to the public life of his country, where politics have often descended to the lowest forms of accommodation and compromise, was his enlightening and stimulating influence, which forced everyone — friends and opponents alike — to formulate problems to themselves clearly, to assume responsibility and take up a definite position with regard to them.

The fame of Pantaleoni as an economist abroad is based mainly on his *Pure Economics* (published in 1889 and translated into English in 1898), which was the first organic treatise in which — in accordance with the teaching of Marshall — the doctrines of the classical writers were harmonised with the new theories of Gossen and Jevons. It is a characteristic of this work that every proposition is accompanied by the name of the author who originated it, and this practice is followed with such unflinching modesty that an inattentive reader hardly realises the important original contributions by Pantaleoni which the work contains. *Pure Economics* has been the most efficacious disseminator of the theory of utility in Italy as well as in other Latin countries. With the lapse of years Pantaleoni modified several of the opinions expressed in this work, so that he did not desire it to be reprinted, but he never abandoned what constituted its fundamental contribution. In the system of economics formulated by Pareto without having recourse to the psychology of the Hedonists, basing it only on indifference curves furnished by observation, he recognised «the most rigorous and also the most nicely constructed theory of economic equilibrium»; but he considered that generalisations had already been carried to the extreme limit, and that what was necessary was to discover the nature and actual form of the functions with which economics deals. He thought that for this purpose the data furnished by psychological inquiry were of great value to the economist, and considered that to disregard them was a sterile act of aberration. Why desire, he asked, to imitate the methods of observation of the mineralogists, the botanists and the zoologists,

throwing away an instrument of research which partially compensates the greater complexity of social phenomena? «Stones, plants and animals do not speak, but men, when questioned, answer».

His forcible and vivacious style, capable of concentrating a multitude of thoughts into a few words, and the eagerness of his mind ever to be trying itself upon new problems — a quality which rendered the detailed work of revision and co-ordination difficult and almost intolerable to him — served to make him a born writer of monographs, and it is in this form that his most original works are cast. The field covered by these monographical essays is so vast and varied, extending, as it does, from the theory and history of economics to finance and statistics, that it is impossible in a short compass to do justice to the originality of thought which characterises them, and to the evidences of immense scientific, humanistic and historical knowledge which they contain. We must confine ourselves to mentioning a few of their titles: *The Probable Amount of Private Wealth in Italy*; *The Principles by which the History of Economic Doctrine should be inspired*; *An Attempt to Analyse the Concepts of "Strong" and "Weak" in their Economic Connexion* (published in this «Journal», June 1898); *The Division of Labour in Male and Female Occupations*; *Observations on the Attribution of Values in the Absence of Market Prices*; *The Origin of Barter*; *A Critical Examination of the Principles of Co-operation*, etc.

The greater number of his works were published in the *Giornale degli Economisti*, which he acquired with a few friends in 1890, infusing into it fresh life, and of which he was thereafter joint editor. These writings are collected in three volumes under the title *Scritti vari di economia* (1904, 1909 and 1910). His political writings form five volumes and were published under various titles between 1917 and 1922 by Laterza of Bari. Death overtook him while he was preparing the publication in final form of his economic works, which were intended to form four volumes - two dealing with theoretical subjects, one historical, and one financial and statistical. Only the first volume has been published (*Erotemi di economia*, 1924), but it is to be hoped that his work was sufficiently advanced to permit of complete publication.

The work of Pantaleoni as a thinker and writer, however, is

equalled, if not surpassed, in the opinion of those who have been so fortunate as to be in personal contact with him, by his work as a teacher. To this he devoted all his enthusiasm and ardour; it was in this that he took most pride. Teaching, in the discursive and unassuming form which was characteristic of him, furnished an ample field for the exercise of his extraordinary combination of high intellectual and moral qualities. Italian economists are few indeed who are not in some measure his disciples. First among these are Pareto and Barone, who predeceased him by a few months and whom he initiated into economic studies, inducing them to abandon other fields of study for that of economics. As was to be expected in one who boasted of not belonging to any school, regarding them all as «obnoxious syndicates of fools», and who considered that there were only two real schools of economists — those who understand economics and those who do not — his teaching, far from being aimed at imposing ready-made theories upon his pupils, was solely concerned with urging them to think for themselves. His freshness of outlook enabled him to present the oldest questions under aspects which were ever new, and his intellectual frankness led him to express every proposition in the most clear-cut, and sometimes extreme, form, in such a way as to render its passive acceptance impossible, to stimulate in the hearer the desire to criticise, and to fix his attention at once on the *punctum saliens* of the question. If in some cases this habit has led him in his writings to make certain statements which may seem of too crude and unqualified a nature, this was a sacrifice made by the writer to his mission as teacher. This can but increase the gratitude of his pupils, who today mourn the most self-sacrificing and most beloved of masters.