

Political realism and models of the state

Antonio de Viti de Marco and the origins of Public Choice

*“Parliament became ...the market
where the favours of the state, both great and small,
were negotiated” (De Viti de Marco 1930: vii)*

Abstract

It is well known that one of the features of Public Choice, political realism, in Italy is embedded in a time-honored tradition going back to Machiavelli, and perpetuated by G. Mosca and Pareto in their political and sociological writings. The scientific spirit, which in their era led to the foundation of various social disciplines, fostered the application of economic analysis to the political sphere. In this context the initiator of the pure theory of public finance, Antonio de Viti de Marco (1858-1943), formulated an economic model of the state, consisting of two types of constitutional extremes: the absolute state, and the democratic state. In this work, we ask how this model may be reconciled to G. Mosca and Pareto's theory of the ruling class, which De Viti de Marco agreed with. Finally, we analyze the validity of this theoretical construction for the interpretation of collusion, rent seeking and “clientelism”, i.e. the redistribution of extracted rent, which takes place in the form of discretionary allocation of public jobs, public contracts and other corporative favours. What emerges provides reasons to reflect upon for further developments in Public Choice.

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1. Introduction

This paper belongs to the literature on the history of Public Choice. According to its founders the origins of the discipline lie primarily in Italy and Sweden, with a few Austrian, French and Anglo-Saxon contributions. James Buchanan traces many of his themes mainly to the Italian economists of the 1880s, and to Wicksell, but the names of Machiavelli, Hobbes, Montesquieu, Locke, as well as that of Schumpeter, are sometimes to be found in his work. For other features², Alan Peacock (1992) insists on the importance of Toqueville and his influence, although he also refers to the Italian and Swedish economic literatures, in addition to Machiavelli, Hume³, and Smith (p. 9). Duncan Black pays tribute to the English political philosophers, and likewise also to the Italian Public Finance scholars (Black 1958, p. xi)⁴. The secondary literature has made these derivations its own, and added others: among the inspirers of various aspects of Public Choice are mentioned Protagora (Villani 1991), Borda and Condorcet (Rowley 2004).

We deal here with the Italian origins of the discipline. Section 2 is devoted to the reconstruction of the cultural and political context in which the Italian first steps of Public Choice were taken. Section 3 concentrates on the economist Antonio de Viti de Marco (1858-1943) as the inspiration behind some of the ideas of Public Choice. In section 4, we analyze De Viti's theoretical construction for the interpretation of collusion, rent seeking and "clientelism", i.e. the redistribution of extracted rent, which takes place in the form of discretionary allocation of public jobs to workers, seen as voters from political parties, public contracts and other corporative favours, proposing further developments in Public Choice. Section 5 aims to clarify how De Viti's models of the state may be reconciled to his political realism. The final section concludes the paper, showing the main findings, and answering the key questions.

2. The end of the 19th century: Italy

² As for example that of the growth of the public sector.

³ See Moss (1991), who explains how one may at the same time go back to both Hobbes and Hume.

⁴ See Da Empoli (2004) and Ricci (1946, pp. 83-84).

This section is devoted to the reconstruction of the cultural and political Italian context in which the first steps for the foundation of Public Choice were taken.

2.1. *The cultural context*

The Italian origins of Public Choice are rooted in an era of profound renewal in the social sciences: Sociology, Economics, Public Finance, and Political Science⁵. The generation of scholars active in the 1880s is convinced it can endow the various disciplines devoted to the study of society⁶ with a specialized, scientific identity, so much so that at the end of the 19th century they all acquire autonomy, while maintaining their close links, and influencing each other⁷.

Specifically, unlike in Anglo-Saxon countries, Public Finance in Italy very quickly attained an independent status from Economics⁸, a reflection of the greater interest in the economic activities of the state in Italy compared to the English speaking world⁹. This interest, however, cannot be said to be greater than in Germany¹⁰, but it is precisely in its opposition to the historical method prevailing in that country that the originality of the Italian approach to the *Scienza delle Finanze* derives¹¹. In fact, in opposing the organicist conception of the state, the Italian theory of Public Finance adopts a subjectivist conception¹², which has rational individuals who maximize utility not just in the market, but also within state or public institutions, as its reference point¹³. It is in this that the Italian tradition radically differentiates itself from that of Germany¹⁴, in line

⁵ On the redefinition of the social sciences by this generation see Cardini (1986, p. 248 and 1994 p. 191), while for sociology see for example Bobbio (1972, pp. 38 ff.).

⁶ Cardini (1986, p. 248) and Fusco (1994) mention these characteristics.

⁷ Bobbio (1972) writes that Sociology in Pareto is “an introduction to the study of economics, not an independent discipline” (p. 42).

⁸ Medema (2005) notes that in Italy the separation of Public Finance from Economics concerned both its scholarly literature and its educational curriculum.

⁹ Finoia (1995, p. 10) recalls that the Italian polemic between free traders and interventionists was based on the conception of the state and its functions.

¹⁰ See Fausto (2003, p. 31).

¹¹ Fauci (2000) illustrates the vigorous Italian reaction to the historicist movement of the 1890s. Cardini (1994) writes on the polemic of the Italian economists towards the German jurists and their doctrine of the state.

¹² Buchanan (1960, p. 215) recognizes this characteristic in the Italian scholars.

¹³ Einaudi (1934b) writes that the Italian financial theory is based on the hypothesis of *homo oeconomicus*, and that it traces the state back to economic individuals. This idea is confirmed by Da Empoli (1993, § 3) and by Fausto (2003).

¹⁴ The German and Italian scholars of Public Finance are also compared in Fossati (2003).

on the one hand with eighteenth century Italian economists¹⁵, and on the other with Francesco Ferrara¹⁶. So in Italy Public Finance becomes pure theory¹⁷ thanks to the application of the new marginalist method to the activities of the state¹⁸. It is well known that the first scholar to make use of the theory of marginal utility to examine the choices of the government is Pantaleoni (1883), whereas the inventor of a coherent theoretical apparatus within which to analyze the phenomena of Public Finance is the protagonist of this paper, Antonio de Viti de Marco (1888).

While the work of marking out the borders of the new discipline is still ongoing, the Italian economists in fact also include elements of Political Theory within the area of Public Finance. By paying explicit attention to the institutional system, and employing the tools proper to economic analysis to examine it, they find themselves also enquiring into the processes of political decisions with those same instruments¹⁹. There is a very close interrelation between De Viti de Marco's new *Scienza delle Finanze*, Gaetano Mosca's new Political Science, and the new Political Sociology of Pareto²⁰. From 1884 G. Mosca "substitutes the principle of the ruling class for the Aristotelian principles of monarchy, democracy and aristocracy" (Einaudi 1934a, p. 368), a concept by itself capable of explaining all the various forms of government. In the words of Bobbio (1972, p. 20): "Mosca thought he could identify two basic principles in the welter of historical forms of government ... the autocratic and liberal principles". In liberal regimes the society is necessarily divided into two opposite groups, those who govern and those who are governed. The former receive from below their authority, according to a contractual approach. Political decisions are thus taken by a ruling class which is always a minority, even in a democratic state. One of

¹⁵ Faucci (2000) writes that the 18th. century Italian economists were subjectivists (value as a mental judgment), hedonists (the individual seeks to maximize pleasure) and utilitarians (the aim of society is to obtain "the greatest happiness for the greatest number").

¹⁶ The origin in Ferrara is pointed out in Buchanan (1960). Da Empoli (2004) states that Ferrara can be seen as an early representative of the subjectivist approach to economics.

¹⁷ For a vivid description of the first steps in the foundation of Public Finance as pure theory see Einaudi's account (1934b).

¹⁸ On this phase of the foundation of Public Finance in Italy there is a considerable literature. See among many others Da Empoli (1993) and Fausto (2003).

¹⁹ See Buchanan (1990).

²⁰ In the words of Dallera (2003): "Public finance became a field of interest for political science and a theme for political sociology, sometimes as a political model, sometimes as a sociological model".

the polemical targets of the theory of the ruling class, which forms an important background to it²¹, is Marx's theory, according to which the state is the expression of the interests of the bourgeoisie. But as Buchanan points out (1960, p. 211), the conception of the state according to the theory of the ruling class is broader than that of Marx²².

As we shall be seeing, this theoretical construct of G. Mosca's already influences De Viti de Marco from 1888²³. Then in 1900, via Pareto, it is transformed into the celebrated theory of the *élites* (Einaudi 1934a, p. 368). In the two different interpretations of the theory of the ruling class, that of De Viti de Marco on the one hand and that of Pareto on the other, Buchanan (1960) finds two alternative individualistic models for the process of the formation of decisions²⁴: one that derives from a contractualist conception of the state (De Viti de Marco), and one based on the coercion exercised by the governing class (Pareto)²⁵. We will be coming back later to this distinction, given that the critical exploration of the interpretation attributed to De Viti de Marco by his interpreters is one of the central themes of this paper. We end this section by emphasizing that it is precisely in the interrelation between Public Finance, Political Science and Political Sociology we have just described that the Italian roots of modern Public Choice are to be found²⁶, in other words of the economic analysis of the behaviour of individuals in the political sphere.

2.2. *The political context*

Unlike its original institutional structure²⁷, in the last two decades of the 19th. century Italy is in fact a parliamentary monarchy, in which the right to vote is restricted to male citizens with capacity and property requirements, in other

²¹ Bobbio (1972, p. 68) and Faucci (2000) examine the influence of Marx on Pareto.

²² Buchanan (2003) specifies in addition that governments were modelled by Marxists as furthering class interests, but governments that might be installed after the revolution would become both omniscient and benevolent.

²³ Together with that of Ferrara (Buchanan 1960). See Sereno (1952). As an example of the international reputation of G. Mosca, see the review by Hartz (1959).

²⁴ They are both individualistic because in both public choices derive from relations between individuals with different preferences (Da Empoli 1995).

²⁵ Fausto (1995, p. 94) finds in Buchanan (1960) an opposite interpretation of De Viti.

²⁶ On the Italian link between *Scienza delle Finanze* and Public Choice see Fausto (2003), Wagner (2003), Mastromatteo (2003), Medema (2005).

²⁷ Italy is born in 1861 as a constitutional monarchy, in which the right to vote is restricted to 2% of the population.

words a small percentage of the population. After successive extensions of the electorate after the unification, in 1918-19 universal male suffrage is introduced. The profound social and political changes determined by the increase in popular participation leads scholars of the state to urgently explore the problem of the relation between the ruling classes and representative democracy. It is with the extension of democracy, and the ramification of decision making centres, that the problem of the way in which the subjects belonging to the governing minority take their decisions is amplified²⁸. In Italy it is quite clear that the political decisions are formed on the basis of a system of cross-party alliances based on convenience, called “transformism”. In particular, as we shall be seeing further on, it is the aspects of rent-seeking that arouses the constant criticism of the market-oriented Italian economists, such as Pantaleoni, Pareto and De Viti de Marco²⁹, whose interventions are always aimed at placing under constraints and if possible restricting the range of operations of the public sector³⁰. Their interest in the subjects of Public Choice relating to the processes of political decision-making thus derives also from the direct observation of Italian Parliamentary practices.

If it is true that these features of the Italian political system of the age explains Italian scepticism towards the state, it is also true that political realism – one of the features of Public Choice – in Italy enjoys a time-honoured tradition going back to Machiavelli. It strongly influenced Buchanan during the year he spent in Italy³¹, and still today continues to characterize the political culture of Italians. Following a definition Bobbio applies to G. Mosca, a realist is: “a man who has no faith in the power of ideals in history and who regards history only as a perpetual clash of ambitions, interests and passions” (Bobbio 1972, p. 21). It must be said that G. Mosca’s scepticism, like that of many of his generation, was not general: it entertained the possibility that in the degraded panorama of

²⁸ Wagner (2003), too, points out that “The neo-classical public finance that emerged in the late 19th century was articulated within democratic political context”.

²⁹ In the words of Da Empoli (1993, p. 78) “All of the mentioned authors were staunch supporters of the market according to the liberal classical tradition and were very critical of governmental policies, whose rent-seeking aspects have been ... criticized by them on many occasions”.

³⁰ Da Empoli (1989) advanced the hypothesis that the individualistic approach in the study of Public Economics in Italy was born precisely from the wish to channel state intervention along lines tending towards the more equitable and rational.

³¹ See Buchanan (1990).

Italian politics the successful form of parliamentarianism that he himself admired in Anglo-Saxon countries could actually be realized (Frosini 2010). As we shall see in section 5, this evaluation is not unlike De Viti de Marco's, who was not hostile to Parliament and who, moreover, was a democrat. We now turn to an exploration and clarification of the latter's articulate position on models of the state, on political realism, and on other subjects that in our opinion inspired the founders of Public Choice.

3. Public Choice in De Viti de Marco

In this section, we aim to clarify some of the themes of Public Choice that can be traced back to De Viti de Marco's writings³², emphasizing in particular one feature, political realism, which is rarely attributed to him³³. We recall here briefly some details of his life, insofar as they are essential to the purposes of this paper.

The book in which he first sets out the theoretical character of Public Finance (De Viti de Marco 1888) derives from his course on *Scienza delle Finanze* in 1886-87. Between 1886 and 1926, he makes available to his students continuously updated lithographed lecture notes, on which his famous treatise *First Principles of Public Finance* is based³⁴. This book is intended for his teaching, but it is very much the foundation of the theory of the entire financial process on economic principles. Before speaking on the subject of Public Finance, he raises the problem of studying the behaviour of those that rule in various institutional settings. For him, the state exists because collective wants exist. In order to study the phenomena of Public Finance, De Viti de Marco needs to identify a political equilibrium, which determines the allocation of public resources among conflicting collective wants. A political equilibrium is supposed to be a stable point where the different groups in society do not feel in conflict with each other, in the sense that none will be able to gain monopoly power, as explained in the

³² We exclude some other topics, as for example that of the median voter.

³³ Eusepi and Wagner (2013), are an exception, i.e. they recognize this characteristic, even if briefly. They studied the specific subject of De Viti de Marco's formulation of tax prices, and the importance of constitutional arrangements in his theory of public finance. Petretto (2014) links the work of De Viti with Political Economics.

³⁴ The first edition was published in 1928, the last in 1939.

next subsections. As we shall see, in his *Principles*, De Viti de Marco identifies such a political equilibrium and the conditions that determines its stability.

Parallel to his academic work, from 1887 to 1922 De Viti de Marco is involved in strenuous political battles in support of free market and free trade; from 1901 to 1921 he is almost continuously MP with the radical party. In this guise of militant liberal-democrat he publishes a large number of political writings in journals he himself founded, directed and financed³⁵. He also writes many articles for the daily papers, not to mention the speeches he made in conferences, as well as in the commissions and the parliamentary groups in which he, as House Member, took part. From these numerous writings, many of which were collected in *Un trentennio di lotte politiche (Thirty Years of Political Struggles)*, his bitter scepticism towards Italian public institutions emerges clearly. In this book, he recognises that the political equilibrium identified in the *Principles* is an ideal point, while reality is different: societies tend towards this ideal point without achieving it, under the pressure of conflicting socio-economic forces. Therefore, the analyses of the phenomena of public finance must be reconsidered. Thus, how does the satisfaction of collective wants deviate from the ideal allocation of public resources? The answer is precisely in the book *Un Trentennio*. Before addressing this issue, we briefly consider de Viti's concepts of the form of the state as contained in the *Principles*.

3.1. The ideal model

As we pointed out, the main aim of De Viti de Marco is not so much that of setting out a theory of the state, as to found Public Finance as a theoretical discipline, i.e. to develop a coherent system in which to place all its topics³⁶. So he limits his inquiry to the state as producer of public goods. In this context he examines the processes of the formation of decisions on the needs to be satisfied, and on how to share out the costs of public services among the community (Fauci 1991, p. 590). We shall see that for De Viti the content and the limits of

³⁵ Together with Pantaleoni, Mazzola and then Pareto, he played a fundamental role in the rebirth of the *Giornale degli economisti*, for which he wrote the *Cronache* (Chronicles) from 1897 to 1899; from 1911 to 1913 he published weekly in *Il Popolo*, a democratic journal of his electoral constituency; in 1911 he began his collaboration with G. Salvemini's *L'Unità*, in which he wrote regularly from 1914 to 1920, while from 1916 to 1918 he shared its direction.

³⁶ Fossati (2015) argues that De Viti failed in this aim.

public intervention depend on institutional mechanisms enabling the citizens' preferences to be reflected in collective decisions (Pedone 1998, p. 2).

His methodological individualism is stated at the outset: "the State's calculation of financial advantages and disadvantages is a resultant of the individual evaluations of the members or a part of the members that make up the political group" (De Viti de Marco [1928] 1936, p. 41)³⁷. The individual evaluations the state takes into consideration³⁸ depends on the type of political constitution in force³⁹: De Viti's position belongs to contractualism (Buchanan 1975b). To place fiscal phenomena in their institutional context, he makes "comparative assessment of alternative sets of constitutional rules" (Buchanan 2003, p. 8) using the distinction adopted by economic theory for market structures: following a logical-historical method⁴⁰, he considers two ideal types of states⁴¹, i.e. two constitutional extremes: the monopolistic-absolute state, and the competitive-democratic state.

In the absolute state "the sovereign or the dominant caste has exclusive power and uses it under conditions of monopoly" (De Viti de Marco [1928] 1936, p. 42). According to Einaudi's reliable interpretation, here decisions are

"in the hands of a victorious class, of a caste, of the 'estates' that have power and use it for their own benefit. Speaking broadly, we have, as examples of this type, the feudal states and the absolute or oligarchic states. Under this hypothesis, the producers of public services are distinct from the consumers of these services ... [Here] the only restraining forces are rebellion, emigration, or the complete exhaustion of the sources of the nation's private wealth" (Einaudi [1934b] 1936, pp. 27-28).

³⁷ For a detailed analysis of the financial calculation as a result of individual decisions in De Viti see Dehove (1946, p. 265-266). See also Medema (2005, p. 12).

³⁸ In the words of De Viti: "which wants and which individual and group interests help to form the State's calculation of advantage and disadvantage, and which wants may happen to be excluded from this calculation?" ([1928] 1936, p. 42).

³⁹ On this see also Da Empoli (2004, p. 331).

⁴⁰ On this, Kayaalp (1998, p. 101) cites the expression of Bellanca "*histoire raisonnée*". Fossati (2015) raises the problem of whether the method is logical or historical.

⁴¹ We are referring to the notion of ideal-type associated with the name of Max Weber.

In other words, here power to set taxes and public expenditures is in the “interested” hands of either an absolute ruler, who acts as a non-benevolent decision maker, or an oligarchy. For the provision of public goods, the ruling classes set monopoly prices that the ruled classes will be coerced to pay. For the purposes of our paper it is worth emphasizing the fact that to attribute the production of collective goods to a minority, and affirm that one does this to one’s own advantage, shifting the cost onto the subordinate classes (Felice 2006, p. 640), in itself implies a perspective of political realism.

On the opposite side there is the democratic state, achieved after the French Revolution⁴², in which there is no conflict of interest between the governing and the governed. De Viti claims that the democratic state acts as in competition, since “the characteristic element of free competition consists of this – viz., that ... one may *substitute* for a producing group another group which comes from the mass of consumers ... Now, in the democratic state ... [the] alternation ... brings to power the group ... that is judged ... to be better fitted for the production of public services” ([1928] 1936, pp. 42-43). In this form of state there is therefore the free competition of social groups. The analogy he establishes is between the functioning of democracy on the one hand, and that of competition *for* the market, not *in* the market, on the other⁴³. So the democratic government, although in a monopoly position, is subject to the threat of entry of new political classes: the governed may become the governing. Buchanan (1979, p. 57) notes the more recent developments in Public Choice which consider electoral competition “as competition among prospective monopolists, all of whom are bidding for an exclusive franchise”, in which “Governments are viewed as exploiters of the citizenry”. In the case of De Viti, however, contestability is the premise for democracy (Petretto 2014, p. 31).

We should not forget that De Viti refers specifically to fiscal phenomena, hence to the taxpayers who use public goods and services and that as citizens approve of the way “the tax burden should be shared out and the way their

⁴² It is interesting to note that also Buchanan (1985, p. 41) argues: “It is, of course, no accident that constitutional democracy ... emerged in the post-Enlightenment period, and that it funds intellectual support in the 18th century discovery of the spontaneous coordination properties of the market economy”.

⁴³ This conception of competition was found in De Viti de Marco’s reflections of 1890 on the telephone industry. See M. Mosca (2007).

product should be employed” (Ricci 1946, p. 83). In this democratic state, collective choices are no longer imposed by a small minority of rulers on a large majority of taxpayers. In De Viti’s ideal version of a democratic state, public services are (supposed) to be provided at their marginal cost. Taxes, as prices, reflect an exchange between the disutility caused by the tax burden and the benefit from public consumption. In the democratic state, there are no monopolistic prices and maximum profits that the ruled classes are coerced to pay to the dominant class. The whole nation is at the same time provider and consumer⁴⁴, and so the nation cannot pay profits to itself. For this reason, in the democratic state, the whole community bears only the production cost of public services⁴⁵.

However, taxes, as prices, reflect an exchange that may be more beneficial for the ruling class. Therefore the conditions that ensure the equivalent of zero monopoly profits are: democratic competition, a quick political turnover of the different classes or interests groups in power and a continuing control of the governing groups by the community⁴⁶. So a sufficiently rapid alternation of the groups in office leads to the concept of “cooperative society”, as it ensures the identity among “the groups that are in turn governing and governed”. The “*personal identity of producers and consumers*” means that the democratic state coincides with the cooperative one⁴⁷.

Behind this idea of democracy, clearly, there is a particular contractualist conception of the state⁴⁸. According to Eusepi and Wagner (2013) it is precisely De Viti’s democratic frame of reference “which led him to use a contractarian style of analysis”. The constitutional guarantee which De Viti requires of the

⁴⁴ This is also reiterated by Buchanan (1975a, p. 384): “De Viti de Marco explicitly constructed a model in which the consumers and the suppliers-producers of public goods make up the same community of persons”.

⁴⁵ See Fusco (1994, p. XIX), who quotes Einaudi in the introductory note.

⁴⁶ Fossati (2015): every political group can get the power, but as long as competition is granted by the voting mechanisms, it may be substituted by any other, and the group that is more efficient in the production of public goods will prevail.

⁴⁷ De Viti writes: “we have merely to imagine that the alternation of the groups in control of the government takes place with sufficient rapidity, and we finally come to consider as practically identical the groups that are in turn governing and governed. This brings out exactly the concept of co-operative society, the essential characteristic of which lies in the *personal identity of producers and consumers*” ([1928] 1936, p. 43).

⁴⁸ Einaudi (1934b) places the social pact as the basis of this idea. Fausto (2003, p. 13) writes: “the co-operative State ... uses coercion to force citizens to comply with the social contract”.

democratic procedure is that there must always be “the potential for rotation in office” (Buchanan 1985, p. 44). Petretto (2014, p. 31) has translated this guarantee in terms of game theory, “in which players can reach credible and binding agreements on the decision to be made”.

To a certain extent, we could say that there is no contradiction between the concept of the cooperative outcome in De Viti and the Samuelsonian cooperative condition⁴⁹ for the efficient provision of public goods, which requires identity of social marginal cost and social marginal benefit. In our opinion there is also an analogy between De Viti de Marco’s ideal functioning of the democratic state on the one hand and the political alternation described by Buchanan (2003) on the other⁵⁰: “the members of the minority in the first round are enabled to come back in subsequent rounds and ascend to majority membership”. The undeniable similarity between the two scholars does not, however, exclude significant differences: while democracy for De Viti is a concept tending ideally to an optimal level, more exactly to an identity of the governing and governed, in Buchanan there is no convergence, nor identity between minority and majority, but a balanced alternation of sub-optimal situations. Nonetheless, the process of alternation in democracy is the same in the two economists⁵¹.

For the Italian scholar, one can study public finance under the assumption of either a monopolistic or a co-operative state. However, only the latter, according to De Viti, is “a point of arrival and of political equilibrium”⁵². The monopolistic state cannot be an equilibrium, as the dominated groups will always react to the monopoly power of the dominant class, forcing the state to move toward the co-operative “point of rest”.⁵³ Consequently, De Viti proceeds with the study of the phenomena of public finance under the assumption that the state is in co-operative equilibrium and treats “the factor of monopoly as a disturbing force”.

⁴⁹ Samuelson (1957).

⁵⁰ In his criticism of Arrow and Black’s ideas on the majority cycles.

⁵¹ In the following quotation it would seem that between the two there is also an analogy in the result: “majority decision making itself becomes a mean through which the whole group ultimately attains consensus, that is, makes a genuine social choice. It serves to insure that competing alternatives may be experimentally and provisionally adopted, tested, and replaced by new compromise alternatives approved by a majority group ever changing composition. This is democratic choice process” (Buchanan [1954] 1987, p. 176). But the 1959 essay seems to confirm the more prudent interpretation which we have provided in the text (Buchanan 1959).

⁵² De Viti ([1928]1936, p. 44).

⁵³ De Viti ([1928] 1936, p. 44).

The theoretical case of the democratic state is an ideal that De Viti holds on to right up to the final edition of his manual, just like what still happens today in the manuals of microeconomics with the theoretical case of perfect competition⁵⁴.

3.2. Political realism

We come now to that aspect of De Viti de Marco's thought that is less well known⁵⁵. To reveal all his scepticism toward the possibility of realizing in practice his ideal democratic state⁵⁶, we now examine his writings on militant policy, where he analyses the problem of the state as a politician⁵⁷. As we shall see, in these writings it is quite clear that for De Viti what Public Choice affirms is the case, i.e. that "governmental policy emerges from a highly complex and intricate institutional structure peopled by ordinary men and women, very little different from the rest of us" (Buchanan 1978, p. 4)⁵⁸. We thus cannot attribute to De Viti a prevailing interest in the cooperative state. Faced with actual political processes he refers to the opposite model, that of the monopolistic state, and denounces the "political mentality that sees only or mainly in the state the means to provide privileges and favours to those who take control of it: reminiscent of ancient absolutism, which the new parliamentary regime has not destroyed" (De Viti de Marco [1914c] 1930, p. 168)⁵⁹.

⁵⁴ In the lithographed versions after 1922-23 the argument is strengthened: In the "popular state ... every class can attain power, and, having attained it, must remain under the continuing control of the community. Thus are realized, at least in *pure theory*, the typical conditions of free competition" (De Viti [1928] 1936, p. 42).

⁵⁵ Fossati (2015, p. 6) cites the review of Rossi: "Rossi points out that De Viti sometimes moves away from the polar case of cooperative state, and thus his wording becomes complex and confusing: he reports quite a few cases in point. As examples: i. in discussing collective hedonistic calculus, De Viti introduces the concept of a majority and a minority of citizens, which – according to Rossi – takes him far away from the cooperative case".

⁵⁶ Fossati (2015), in an article which is a complete, critical re-reading of the *Principles*, compares the theoretical framework with the *concrete* issues, but by the latter Fossati does not mean the political and fiscal situation actually existing in the time of De Viti, but rather the various topics of Public Finance dealt with in the *Principles* themselves (such as the effects on taxation, discussion on public debt, the theories of progressivity-proportionality of taxation).

⁵⁷ Bobbio (1972, p. 19 and p. 25) does the same with G. Mosca.

⁵⁸ And in fact Buchanan (1983, p. 13), concerning the hypothesis of *homo oeconomicus* as a foundation of Public Choice, refers to De Viti. The latter, like the Public Choice approach, "assumes that representatives, like voters, are rational, economic men bent on maximizing their utilities" (Mueller 1976, § III).

⁵⁹ "Until the direct-democratic ideal is attained ... within the framework of the ubiquitous representative-democratic constitutional system, not the taxpayers but their elected agents will

In order to address this issue, two considerations have to be made. One is a methodological point. Clearly, De Viti separates what today we call normative analysis from positive analysis. The use of political cooperative equilibrium to study collective choice outcomes is somehow related to the concept of the study of social efficiency. Interestingly, De Viti makes great use of his concept of cooperative equilibrium in the *Principles of Public Finance*, but abandons it in the book *Un trentennio*. We might say that he focuses on normative analysis in the *Principles* and on positive analysis in the other book. The second consideration regards the question of what determines political equilibrium in reality, given that cooperative equilibrium is an ideal and abstract concept. In fact, in De Viti's model the absolute state is a form of government that actually existed⁶⁰, whereas the democratic state is only a theoretical construct. Of course, he reasons, the modern state with its democratic basis exists juridically: "it cannot be denied that, from the legal point of view, it is ordered democratically" (De Viti 1896-97, p. 18)⁶¹; but for De Viti it remains an ideal which has never actually been attained because: "In the modern State, and also in ours, in practice, the interest of one class always prevails" (De Viti 1914a, p. 35). More exactly, the state "speaks and operates via laws; but every law should be analysed and referred to the interests of the individuals and groups that designed it"⁶².

De Viti addresses this issue in *Un trentennio*, where he becomes sceptical about the possibility of achieving the collective outcomes predicted in the *Principles* under the cooperative premise. Thus, if the cooperative equilibrium is not achievable in the real world, how is the political equilibrium characterised? The key to this question is control over the ruling classes. The control must consist in two steps. The first step regards a balanced constitutional separation of powers, which should ensure that different institutions control and balance each other. However, the existence of constitutional norms and written rights is

continue to decide ... what public goods to produce and how to distribute the tax burden among the constituents" (Kayaalp 1998, pp. 101-102).

⁶⁰ The absolute state for De Viti "answers to an historical truth [in which] the class that possesses the privileges of the state, looks after its own interests and not those of the ruled, as happened before the French Revolution for the first and second estates, to the prejudice of the third, ruled" (De Viti 1902-03, p. 15).

⁶¹ Fossati (2015, p. 13) argues that De Viti was convinced that, in the historical moment in which he was living, the State was democratic or popular, as far as "taxpayers vote the taxes".

⁶² De Viti's letter to B. Griziotti, quoted in Cardini (1985, p. 13).

not enough to guarantee an effective control; there must also be an operative force⁶³. Therefore the degree of departure from cooperative equilibrium depends on the “strength with which these rights are felt by the people and in the consequent efficacy with which they are exercised by parliaments”⁶⁴.

We could say that political equilibrium depends on the relative (marginal) effort the opposing political forces utilize to control each other. When, for some reasons, which are better explained in *Un trentennio*, this effort weakens for some forces, the collective choice outcome becomes “the reflection of the dominant class, which may coincide or may not coincide with the interests of the community”⁶⁵.

As the necessary conditions that ensures the correct functioning of the democratic state are the efficacy of both the separation of constitutional powers and of the control over the ruling classes, coupled with political alternation, what happens when this control is not effective? It happens that the operating forces of a democracy, instead of balancing each other, collude. De Viti treats the effects of collusion in *Un trentennio*, where he explains the dramatic worsening of the quality of a democratic system and the deviation from the cooperative state, as we will see soon, in section 4.

This recognition of the less edifying aspects of the representative system leads De Viti de Marco towards the positions of G. Mosca and Pareto, who as we know fixed “their attention on conflictual relations between [the ruling] class and the mass of the governed and [attempted] to establish limits to the possibility of realising the aims ... of the former with respect to the resistance of the latter” (Giardina 1992, pp. 146-147). There is no need to point out that for De Viti, as for the other Italian liberal scholars, the restricted group of individuals exercising political power, i.e. the actual ruling class, is not at all a selection of morally superior agents (Buchanan 1983)⁶⁶.

4. Collusion, rent seeking and “clientelism”

⁶³ De Viti ([1928] 1936, p. 122).

⁶⁴ De Viti ([1928] 1936, p. 121).

⁶⁵ De Viti ([1928] 1936, p. 122).

⁶⁶ In Papa’s words (1965, p. 192) “De Viti was immune to suggestions of the myth of good government”.

On several occasions Buchanan recognizes he was influenced by the Italian analysis of non-democratic political structures, in other words of the monopolistic state⁶⁷, but we cannot find evidence that he had read De Viti's political writings. Nonetheless, in the *First Principles* a good deal of scepticism can be met with concerning the concrete realization of the model of the democratic state. For example, in the introduction to the English edition De Viti writes: "the politician ... accepts the advice and follows it only in so far as the precepts that were developed within the scientific ... field happen to coincide with the interests that the politician is defending in the political field" (De Viti de Marco 1936, p. 15)⁶⁸. These words doubtless did not escape Buchanan's attention. In addition, the De Viti of the *Trentennio* may have reached his Anglo-Saxon audience via his influence over all the other Italians⁶⁹. But if we are not certain that De Viti de Marco's political writings influenced Public Choice in the past, they may still today be a source of inspiration for further developments.

As mentioned above, in his book *Un trentennio di lotte politiche*, he becomes sceptical about the ability of the democratic state "to protect the general interests of the country against the narrow special-interest groups"⁷⁰. When groups of "consumers [of public goods and services and taxpayers] are unable to make their voice heard"⁷¹, the threat of an incomplete democracy⁷² is real. In order to understand this concept, one must understand De Viti's theory of collusion, which takes place among the different tiers of government and the different controlling bodies of the state. What emerges is that a state cannot be considered a democratic state simply because it runs elections. The effect of

⁶⁷ Buchanan (1975a, p. 385): "The Italians devoted much more attention to the implications of non-democratic political structures for the emergence and viability of fiscal institutions, on both the tax and the expenditure sides, than did their continental counterparts". "Precursors of supply-side analysis can, of course, be found in the Italian theory of public finance in the non-democratic or monopolistic state. Models of this political structure were developed in some detail, models in which some ruling group or class collects taxes from the masses who are ruled and utilizes the proceeds to its own maximum advantage" (Buchanan 1975a, p. 388). Buchanan (1978, p. 11) cites: Machiavelli, Pareto, G. Mosca, De Viti, Puviani, Fasiani.

⁶⁸ "A suggestive example is to be found in Italy, where absolute monarchy lasted without being subject to control until very eve of the establishment of the new kingdom" (De Viti de Marco [1928] 1936, p. 123).

⁶⁹ For example on Fasiani, who is mentioned by Buchanan himself (1960, p. 214).

⁷⁰ Cardoza (1986).

⁷¹ Cardoza (1986).

⁷² "Incomplete democracy" is in the title of De Viti's political biography by Cardini (1985).

collusion is the use of the democratic institutions, by the ruling classes, in order to gain monopoly power. As a result, collusion worsens the quality of a democracy, as it tends to replicate the outcome of the monopolistic state.

Now, what are the dynamics that replicate the outcomes of the monopolistic state in a democracy? De Viti answers this question in the book *Un trentennio*, where he presents a broad theory of what, today, we call rent creation, rent extraction⁷³, and rent utilization in order to explain the consequences of collusion in a democracy.

De Viti saw clearly the rent seeking behaviour of politicians associated to the principle agent problem in a democratic state. According to De Viti's view, *rent seeking behaviour is more a collusive than a phenomenon regarding individual incumbents*. Political parties recognise that a collusive political system instead of a competitive and non-cooperative political behaviour may enhance their relative monopoly power. Here, democratic competition plays a key role: it ensures political turnover, which clears the rent extraction of the interest groups that compound a society.

When, in a democratic state, there is room for collusion, politicians use it in order to create and extract rent. However, the latter is not the end of the rent-seeking politician. Rather, it is the means that political parties use in order to increase both the electoral consensus and their control over the state in terms of more monopoly power. Political parties increase their consensus by redistributing a part of the extracted rent according to a pure calculus of electoral consent. De Viti, as well as the Italian tradition, calls "clientelism" the redistribution of extracted rent, which takes place under the form of discretionary allocation of public jobs to workers, seen as voters from political parties, public contracts and other corporative favours. The discretionary allocation of public procurement makes the colluded firms grow, while the non-colluded firms will be out of the game. Colluded firms will be able to hire more workers who are also voters and privately interested in alimending this public system of rent redistribution. This creates a trade-off between public and private interests, where the general interest succumbs to private interest when it comes to the vote. In this way, a minority elected in the local governments may gain the

⁷³ See Congleton and Hillman (2015).

support of a much larger share of voters. Since the non-colluded firms may become less competitive without access to public resources and thus exit the market, the share of involved firms and workers increases over time.

In order to implement this system based on rent creation, rent extraction and clientelism, or rent redistribution, parties need to bypass the constitutional system of separation of powers and reciprocal control. This goal may be achieved through the implementation of a collusive system, where the interests of the involved actors are reciprocally linked to each other. Furthermore, parties also need to take under control the reactions of the community. Therefore, conditions that ensure the survival of this collusive system are the existence of asymmetric information (i.e., the community does not know what exactly happens) and the under-education of the working classes, who may understand how the system works, but are not able to take effective counter-actions.

In order to understand the process of rent creation, extraction and redistribution, one needs to understand the relation between local governments, which De Viti identifies in municipalities, and the central government and the relation between the central government and the controlling bodies. The latter, which De Viti calls "*Prefetto*" and "*Questore*" according to the Italian tradition, represent the central government in the territories and superintend the actions of local governments.

Both rent creation and rent redistribution depend on the political discretion in the application of law. De Viti ([1894] 1930, p. 208) writes: "Because laws, as a rule, in Italy are written, but they're so conditioned and seasoned by such clauses, which apply only when the discretion of political authority likes to do it". Therefore, as De Viti points out, the concrete application of laws is not obvious, as it depends on the real will of the political bodies in charge and requires an effort of the controlling bodies. Now, the career of the controlling officers depends on the members of the central parliament who are elected in the local districts. The problem is that the members of parliament on the one hand, and the representatives of the central state, who are responsible of controlling the effective application and the respect of law on the other, are linked to each other and are, therefore, likely to collude. As a result, this collusion

leads to a discretionary application of law, which is the base for the achievement of the rent-seekers goals.

We need to consider that, in order to be re-elected, members of parliament need the electoral support of the local administrators of their electoral districts. De Viti ([1894] 1930, p. 208) writes:

"the central government is ... bound in two directions with local governments. This link ... is of exceptional gravity. The electorate – and for the electorate must be understood the will of the minority taking office in the city government – does not elect its representatives in view of any interest that is being debated in parliament. ... The winning party wants the Member of Parliament who at the central government will pave the road to domineer in the municipality by violating the laws. ... And there is also the other side of the phenomenon, which is that the Members of Parliament ... – subject to some exceptions – as a rule ... do not themselves aspire to their status, if not to use it for the purpose of domination and local tyrannies".

Here, the aim of De Viti is to describe a political equilibrium that he directly observed, especially in the South of Italy. This equilibrium, which is strengthened by the ignorance of the masses, stands on the cronyism between local administrators and voters. Local politicians are, in turn, in collusion with the higher level of government from which they receive immunity and impunity.

To a certain extent, De Viti anticipates the concepts of "rent-seeking" developed later by Tullock. It is, however, interesting to note the difference between the concept of rent-seeking developed by the Public Choice tradition and that of De Viti. In modern Public Choice theory, in fact, rent-seeking is based on asymmetric information; this concept was also expressed by De Viti when he speaks of the "visible task" of Members of Parliaments. In De Viti, however, rent-seeking is the result of collusive equilibria between voters and their local government, and between the latter and the Members of Parliaments in the central government. This aspect deserves more attention in the current debate on Public Choice. According to De Viti, voters – who understand the situation, but being largely uneducated, do not have the tools to oppose it – know about the

rent-seeking behaviour of politicians. Instead, in Tullock and in the following Public Choice literature, the rent-seekers do not usually collude with voters. Rather, they use asymmetric information to their advantage without redistributing rent to enhance the electoral consensus. Thus, the rent-seeker of De Viti is a "clientelist" who distributes social welfare discretionally in order to maximize monopoly power.

Another concept of De Viti could be read in a modern way and somewhat generalized: the choice of candidates for the higher levels of government. When the choice of candidates is local, which is the model De Viti has in mind, these should represent local needs and preferences. But De Viti highlights a different mechanism. Parties choose representatives to be sent into the upper levels of government in order to strengthen their strongholds of local power. Thus, the elected politician in the central government acts as an "umbrella" for politicians who support him or her locally.

Thus, "the battlefield is the city council. The Members of Parliament must only help at the central government, on whose will all local life depends, for preventing or obtaining an administrative victory; in everything else, they are free" (De Viti [1898] 1930, p. 253)⁷⁴. As a result, a Member of Parliament can haggle (logrolling) in the central government the interest of his or her electoral district, "which pays with billions of its wealth the tantrums of a struggle of city councillors" (De Viti [1898] 1930, p. 253)⁷⁵. The cultural, intellectual and moral conditions that favour the creation of this collusive political situation is typical of people not educated to freedom, unconscious of their constitutional rights, ignorant of the methods by which they may assert the rights acquired and, if necessary, win new ones (De Viti [1894] 1930, p. 217). This is a typical situation of a developing country under a transition economy. However, De Viti's concepts may, to a certain extent, be applied to developed countries too.

⁷⁴ De Viti continues: "he can vote the duty on wheat, or the protectionist tariff, or the breaking of a treaty of commerce, or the African expedition, or war, or taxes; all this he can do; for moving a prefect or a magistrate, or for a pardon or an amnesty for fines, or for an arrangement with the tax officer" ([1898] 1930, p. 253).

⁷⁵ On another occasion he writes: "Otherwise, it would remain inexplicable what interest brought crowds of Members of Parliament from the South [of Italy] to Rome, with the task, apparently, of just voting laws of greater spoliation of their provinces" (De Viti [1894] 1930, p. 209).

De Viti identifies two possible solutions when constitutional powers collude instead of balancing each other. The first one is the education of the masses. The second is the use of referenda. The latter is a way to overcome the principle-agent problem that de Viti recognizes when he states: “One must not exaggerate the sentence that the people can always defend its interests through their representatives This is the constitutional fiction, on which ... we base abstract reasoning, formal and rigid, which does not correspond ... to history” (De Viti [1898] 1930, p. 259). Similarly, he also writes: “Because the proven fact is that the organization of elections does not always have recommendations that represent the people's interests. Now, the representative system is an imperfect expedient, imposed and justified by the inability to muster all free citizens. Such impossibility does not exist for the municipalities” (De Viti [1894] 1930, p. 218)⁷⁶.

Furthermore, constitutional “protection should have prevented the extortion and abuse of power that the few who have become rulers of the municipality may carry out at the expense of the mass of taxpayers. The protection has instead had ... the opposite effect, because the men who are called to exercise it ... ally themselves against the public” (De Viti [1894] 1930, p. 216). Therefore, we must somehow subtract the public choice decision on taxing and spending from city councillors when a collusive political conduct emerges. A way to achieve this is the use of referenda, whose cost is certainly affordable for collective decisions in municipalities.

5. The ideal, and the reality

The fact that the political and scientific sides of De Viti de Marco, “interrelate and are integrated together”⁷⁷ is often mentioned. But how, in De Viti de Marco’s thought, can the ideal of the democratic state be reconciled with

⁷⁶ Here, we should note that De Viti anticipated the basis of the theory on collective decision-making costs and external costs, which determines the optimal decision making rule, developed by Buchanan and Tullock (1962).

⁷⁷ The quotation continues: “The political battles, born of pretty careful scientific enquiry and reflection ... often provided an experimental basis for theoretical research which on the other hand allowed him an overall view of the nature of the state and what it should be like” (Cardini 1994, p. 187).

political realism⁷⁸, given that the constitutional approach based on consensus on the one hand, and the rent-seeking based on coercion, on the other, are irreconcilable⁷⁹? How can the theoretical construct of the *Principi* remain intact throughout its various editions, even though it faces up to the realities of clientelism? De Viti states that “in reality there does not exist an absolute government in which the will of the sovereign does not experience some modifying influence from the environment, nor a democratic constitution in which the class that governs does not have a position of relative monopoly” ([1928] 1936, p. 43). Nevertheless, we can state that on various occasions he applies his state’s typology in concrete terms. A perfect example can be found in his First World War articles. The usual example De Viti takes as the absolute or monopolistic state is the *Ancien Régime*⁸⁰; but in the years of the Great War he uses it with reference to the imperial Central Powers⁸¹. On the other hand, he looks to Wilson’s America as the nearest concrete example to his democratic model of the state⁸²: for him the sharing of democratic principles and universal suffrage in that country signifies the maximum diffusion of the exercise of controls over the class in power (De Viti de Marco [1917a] 1918, pp. 123-124). In Wilson’s thought he sees “the definitive affirmation in the 20th. century of the ‘democratic ideals’ as ‘historical realities and operative political forces’” (Cardini 1994, p. 201).

The answer to the questions at the beginning of this section lies in De Viti de Marco’s faith in democracy⁸³. “According to De Viti the contemporary states were moving towards collective participation in the administration of the state, which made every citizen involved in the exercise of ‘government work’”

⁷⁸ Already in G. Mosca, there is the contradiction between liberalism and theory of the *élites*, see *The Myth of the ruling class* (Meisel 1958).

⁷⁹ See Holcombe (2015).

⁸⁰ Also the feudal period (Steve 1995, p. 41).

⁸¹ De Viti writes: “However dangerous historical parallels may be in politics, [in this war] are in conflict the same principles which we usually see at work in the French Revolution” ([1917b] 1918, p. 118).

⁸² He states that the President does act “in defense of American interests; but these interests, for their scale, and for their recent and democratic origin, coincide with the immediate interests of the greater number and correspond to those of the lower strata of the countries of the civilized world” (De Viti de Marco [1917c] 1918, p. 144).

⁸³ Steve (1995, p. 44) answers our question like this: “it may be suggested that De Viti had hoped, up until the advent of Fascism, that the conditions for a democratic public finance could be reconstructed”.

(Cardini 1994, p. 189). For him taxation is democratic if the rights of the taxpayers are felt by the people and exercised by the parliamentarians (Steve 1995, p. 43), and he hopes that the democratization of politics will be an antidote to the degeneration of parliamentarianism. Unlike G. Mosca⁸⁴, Pareto, and also Pantaleoni, he is a democrat who believes that political competition can actually be achieved. For this to happen it is necessary for the alternation of the classes in power to be guaranteed and that there is universal suffrage (extended also to women). In 1914 an Italian newspaper asks him for a comment on the results of the local election, and in his reply we get an excellent insight into his democratic beliefs, and his expectations regarding a turnover in the political classes thanks to the recent introduction of male universal suffrage⁸⁵. For De Viti should be applied the words Buchanan uses for the political thought of the 19th. and 20 th. centuries, whose fallacy “was embodied in the presumption that ... so long as there were constitutional guarantees for free and periodic elections, the range and extent of governmental action would be controlled” (Buchanan 1979, p. 51). Rossi’s point (Rossi 1948, p. 10) confirms our reading: “no one more than he felt the need to raise the standard of living and the education of the lowest strata of society, to lead them into an increasingly aware and free participation in the life of the state”. According to Fossati (2015, p. 1) “He frankly believes that modern states are becoming more and more similar to the type of cooperative state, because of the development of democracy”.

De Viti believes that only in this way the government would be able to pursue the general interest, rather than the interests of the ruling classes. But what is the general interest, for him⁸⁶? He entertains no doubts on this controversial issue: the general interest is simply that of the greatest number. For him, democratic is what is good for the majority⁸⁷, and the majority is the

⁸⁴ But we have seen that G. Mosca, too, despite his anti-Parliament and anti-democratic positions, looked on Anglo-Saxon political systems with admiration.

⁸⁵ De Viti de Marco (1914b). In Giardina’s words (1995, p. 229) “For the government to pursue the common interest, prevailing over special interests, [De Viti] believed it was necessary for all social classes to have the chance to enter it”.

⁸⁶ The problem of recognizing the “general interest” was very much felt by the economists of this generation, one only has to recall to development of the concept of Pareto’s optimum.

⁸⁷ In his own words: “to the advantage of the greatest number, sums up the democratic solution to the problem” (De Viti [1913] 1930, p. 331).

enormous mass of citizens in the role of consumers and taxpayers⁸⁸ “in possession of a well informed awareness of their rights to enable them to stand up to the state” (Cardini 1986, p. 267).

Like all scholars of Public Choice, De Viti is also concerned to demonstrate how the state institutions should be designed for the creation of a truly democratic society (in the sense, clarified above, to respect the preferences of the entire population, or at least the very great majority) (Di Majo and De Chiara 2009, pp. 7-8). Given that for him citizens exercise their control over the behaviour of the ruling classes via periodical elections, it is necessary that the greatest number may take part in the elections and that it be enabled to take part in the fullest possible awareness (Pedone 1998, p. 3). In this De Viti opposes the paternalistic positions of Pantaleoni, for whom the only class capable of pursuing the general interest is the small, western, educated *élite*, which history should select⁸⁹, as well as the political fatalism of Pareto, who for these reasons called him the “optimist”.

At the end of the war De Viti sees that universal suffrage fails to dismantle the power of class in government⁹⁰, but continues to believe he may struggle to organize the masses politically (De Viti de Marco [1922] 1930, p. 446). His hopes vanish only with the coming of Fascism, which in his scheme of things represented, like the *Ancien Régime* and the Central Powers, the “anti-liberal and anti-democratic state” where “the individual is suppressed, faced with the absolute will of the State, i.e. the ruling group” (De Viti de Marco 1930, p. ix). De Viti’s ideas and principles were never taken up by any of the political parties (Bobbio 1971). As Eusepi and Wagner (2012, p. 211) stated pithily: “It is doubtful that De Viti’s articulation of a cooperative state could ever be fully realized in history”⁹¹.

⁸⁸ “The citizens who pay their taxes are the overwhelming majority compared to the insignificant minority of privileged groups who live on the expenditures” (De Viti de Marco [1922] 1930, p. 446).

⁸⁹ See M. Mosca (2015).

⁹⁰ “For some thirty to thirty-five years I have been fighting for the reform of the regime that you call bourgeois, denouncing its increasing privileges and degeneration, in the hope that the ruling class is capable of reforming itself. My life has gone by in this way, perhaps unprofitably” (De Viti de Marco 1920, p. 3787).

⁹¹ Eusepi and Wagner (2012, p. 211).

Conclusions

In this paper we have highlighted some of the legacy De Viti de Marco left for Public Choice. In part it is well known: the methodological individualism in dealing with subjects of public finance; the hypothesis of rationality in the political actors; the economic analysis of the behaviour in various institutional settings⁹²; the contractarian conception of the state. We have pointed out other analogies here for the first time, such as the ideal functioning of the democratic state and the majority cycles of Buchanan (2003, pp. 1-2). But above we have wished to bring out the presence in De Viti of political realism, via the analysis of his political writings, and putting forward a model of his theory of clientelism. Our thesis is thus opposed to that of Giardina (1992, p. 146), according to which De Viti's model does not allow us to go "deeper into public decision processes in systems of representative democracy"; and in fact Giardina puts Pareto "at the basis of the contemporary theories on pressure groups" (p. 164). As we know, Buchanan also attributes to Pareto⁹³, and not to De Viti, this not exactly romantic attitude towards the governing groups. But on the basis of De Viti de Marco's political writings, in this paper we have shown that the analysis of the phenomenon of rent seeking may also be traced to the latter. Judgment of the interpretation of G. Mosca's theory of the ruling class by De Viti, as opposed to that of Pareto, is thus radically modified.

To sum up, we have shown how De Viti's model of the state coexists with his political realism: the absolute state, dominated by one class, is theorized in the *Principi*, which are to a great extent concerned with the examination of the democratic state. In the work *Un trentennio* emerges all his disillusionment towards the democratic system, in contrast with the view expressed by De Viti in the *Principles*. The personal tyranny of one under the monopolistic state, is replaced by the tyranny of an association of local councillors and their affiliates, and this has worsened the conditions of the people (De Viti [1894] 1930, p. 207). This takes nothing away from the fact that he preserves his faith in the ideal of

⁹² In other words, to "model the way politics works, the way the state works" (Buchanan [2011] 2016). What the American economist remembers to have asked with his 1949 work was to "pay some attention to the models of politics" (Buchanan 2003), and in this path-breaking article he does cite De Viti several times. We agree with Da Empoli (1989, p. 16) on the fact that in Buchanan's (1949) essay, De Viti de Marco's influence is clear.

⁹³ And, as mentioned above, to many other Italians, in general to Italian political culture.

the cooperative state, especially on looking to American democracy, at least until the advent of Fascism, an absolute regime *par excellence*.

The subject we have examined also refers to and resolves other historiographical controversies linked to the previous one. The first concerns De Viti's place in the area of voluntary-exchange theory (Fausto 1995, p. 16)⁹⁴; our analysis leads us to conclude the De Viti's opinions on political realities recalls rather the opposite approach, political-sociological⁹⁵, itself also a source of inspiration for Public Choice⁹⁶. The second relates to the possibility of tracing the concept of "government failure" in De Viti's thought. His interpreters don't usually attribute this possibility to him; although it is recognized by Medema (2005, p. 13), who, however, founding his analysis only on De Viti's *Principles*, considers it just "potential" (p. 14). The analysis of both the political and scientific writings of De Viti de Marco that we have carried out here, and the demonstration of how pervasive and deeply rooted is his political realism, brings out his position also concerning these two watersheds of the history of economic thought.

⁹⁴ The two problems are connected: Steve (1995, p. 41): "In the cooperative state 'the relation that links the producer State to the consumer citizens is that of exchange' ... for De Viti this assumption has an essential political value, because otherwise there is regression to the absolute State" (Steve 1995, p. 46).

⁹⁵ On which see Boccaccio and De Bonis (2003).

⁹⁶ Boccaccio and De Bonis (2003) point out that the attention to institutional aspects is a characteristic of the Italian tradition, to be found not only in authors belonging to the political-sociological approach, but also to the voluntary-exchange approach (this interest will afterwards inspire the Public Choice school).

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