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both dull and bad, that it is a pleasure to find so much that is good and also by no means unimportant, in a rather scattered series of articles by two writers during the past few years. The time seems to have come when a book on the pure theory of economics would be of great use to the student. Such a book could contain a great deal of accurate reasoning within a small compass, so long as the writer was not afraid of freely using mathematical methods. Professor Pantaleoni's book is too elementary ;¹ the mathematical appendix to the *Principles of Economics* is too short. Until a book appears, the student has to pick out his pure theory from a number of books and review articles written in different languages. The object of this article has been merely to aid him in this process of selection, without making any serious attempt either to criticise or to add to what has up to the present been done on the subject.

C. P. SANGER

CAPITALISTS AND LANDOWNERS IN ITALY.

THE financial scheme which was laid before the Italian Chamber of Deputies and Senate in 1894 is not only of interest to the economist, but also offers an ample field for discussion to the student of sociology.

The facts were as follows : There was a deficit of several tens of millions of lire, and it was by no means easy to discover new sources of taxation to supply this money. For, when a nation has reached a certain stage of saturation in the matter of taxes, new ones merely tend to sterilise still further the previous taxes, and the useful effect of the fresh ones is in great measure lost.

It is said that there is a lack of equilibrium between the *financial needs* and the *national income*, and a state of neediness is so usual that the sacrifice the nation has to undergo to support it reaches an oppressive limit. Now this can only be permitted in case of any temporary necessity in which the State happens to be.² Whenever these conditions are absent and the circumstances under consideration are of some duration, theory forbids the attainment of this oppressive limit. But Wagner judiciously remarks that it is not always so in practice, and that the interested parties, namely, the statesmen at the head of the Government, who make a boast of their empiricism, make no attempt to harmonise their proposals with theory. They lay stress on the increase of expenditure, and go on to say, 'In one way or other this expenditure has to be met, and as money is wanted we must find it.' Save for acting with scant honesty when the interest on the Public Funds is payable, for then they take

¹ *Principii di Economia pura*, per Maffeo Pantaleoni.

² Compare the condition of Russia in 1812-13, of Prussia 1813-14, and of the United States during the War of Secession.

a different tone and oppose the expenditure which is hurrying on into State Socialism, there are no other difficulties which these fine fellows admit.

Thus, as they are obliged to find money in some way or other, it is thought best to remedy the inconvenience of exhaustive direct taxation by means of imposts which cannot be escaped without some difficulty. Increase the Customs duty on coffee, sugar, and made-up silks, and you will soon see that the consumption of these products will diminish as indeed it already has in Italy,¹ and if what was formerly payable on three quintals of coffee is now laid upon two quintals only, the consumption will quite possibly decrease in the ratio of 3 to 2. But when the Public Income is charged with a greater burden, when additional severity is given to the tax that strikes the returns of the Public Debt, or, what is the same thing, when the State pays less than it had engaged to return to its creditors, the effect produced by these new taxes is almost certain. Say I have invested my capital in the Public Funds, and that instead of receiving in return 4,340 lire a year, the yield is reduced to 4,000; then I shall certainly reduce my consumption of many articles which, being burdened by direct taxes, will yield less to the exchequer; but the financiers who are at the head of affairs, oppressed by their absolute need of money, do not perceive many things which they should, or, if they do, they do not attach to them the importance they deserve. They only hug the hope that the new taxes, by merely exercising a negative effect on the already existing taxes, will, as their final and useful result, yield a greater flow of money. This refers indeed to direct taxes, especially the income tax, which is scarcely susceptible of being *shifted* on to other shoulders, but the Italian Parliament should have further remembered that the *casting-off* or elimination (*Abwälzung*) is equally impossible, and that the probable effect is the opposite of that desired.

It was perhaps the influence of such notions that caused the *re-insertion* in the financial proposals of Signor Sonnino of the increased 10 per cent on landed property, the bringing of the charges on movable wealth or personal estate up to 20 per cent of the income, to be paid according to definite schedules contained in section A of Article 3 of the Law of August 11th, 1870, No. 5784,² and the raising of the tax on the interest of the Public Debt so that, instead of 4·34 being the return, the payment was only 4 per cent.

¹ The Director-General of Statistics has recently published a praiseworthy volume of *Notices on the Conditions of some large Italian and Foreign Cities from the Points of View of Demography, Public Works and Administration*. However cursorily one may glance at the tables relating to the 'Food-stuffs imported and subjected to taxation' through the Italian cities, great wonder will be felt at the decrease between 1887 and 1891 in many kinds, especially in articles of luxury (coffee, sugar, wine in bottles, beer, &c.)

² An increase of $\frac{2}{3}$ ths for those under section B, $\frac{1}{3}$ ths those of C, $\frac{1}{6}$ ths those of D, payable according to schedule and with *powers of appeal*.

The next step was to tax as a new departure landed property as well as capital, &c.—*i.e.*, rent as well as profits. But note that the increase of the tax upon cereals was also inserted in the financial scheme of Senator Signor Sonnino, and then that this new charge to be laid on rent was in great measure merely apparent: from one party was taken what was sought to be given back to the other.

What took place in turn?

An agrarian party¹ was formally constituted which caused the erasure from the Minister's proposal of this 10 per cent. on landed property, effected the raising of the tax on cereals from five to seven lire per quintal, and voted the reduction of the interest on the debt under the pretext of the increased severity of the burden which already fell upon it.

The conflict that has thus arisen between landed property and capital is very manifest: it but continues the angry struggle which has lasted for some centuries, with victory, now for one, now for the other side. This conflict affords a study of much importance to the sociologist as well as to the economist. It can be observed how the interests of the receivers of rent are diametrically opposed to those of the receivers of profits: each party seeks to obtain political power for personal motives. The conflict is often metamorphosed into apparent agreement of interests whenever the two parties make reciprocal concessions, and then all the harm falls upon the class of 'have-nots.' This is what has actually taken place in Italy of late years, and the agrarian and the manufacturing parties have caused the politics of the custom house to be turned into a protection which is equally advantageous to both of them.

This conflict, indeed, is to be observed in an accentuated form between Opportunist and Radical in France, Radical and Tory in England, country party and town party in the Republic of Argentina, Republicans and Democrats in the United States of America. In the last-named country the antagonism is much more marked than it is in any other country. 'The capitalist class, in spite of the opposition of the landowning and rural classes, has succeeded in establishing a system of protection which was a necessary condition for industrial development,'² but to the detriment of agriculture, which it has plundered and made more costly. This conflict is most clearly shown at every election of a President, and in nearly every measure; but the supremacy of capital is strengthened almost every time. Recently there has been a great strike, which, although directed against the railway companies, struck at capital above all. Hence in the United States of America, which profess to be second to none in matters of

¹ As a matter of fact it existed in a latent form before then, and, indeed, whenever agricultural interests have been discussed, it has made itself felt; and thus protection of the landowners is not one of this year's novelties.

² *Nuova Rassegna*, Ann. ii., No. 18, p. 545.

liberty, there has been a state of siege identical with that which in Italy and in Sicily favours the landed proprietors.

On the other hand, I am perfectly convinced that if this American movement had been directed against the landed interest, it would not have actually provoked the energetic measures taken in favour of capital. Thus in the United States occurs precisely the inverse of what happens in Italy. The Italians have allowed the agrarian party to have the supremacy; in America it is capital that rules. With us, as the final result of the discussion of the financial proposals, along with the reassertion of its supremacy by the agrarian party, powerless capital has been once more enslaved in the clearest manner.¹

It is not difficult to appreciate the danger of this embitterment of the conflict between the interests of the Italian *landowners* and *capitalists*, and it is the more to be dreaded when one reflects that in any case it leads straight to particularism. Precisely because while there are districts in Italy which in consequence of their agricultural system have need of greater protection from the Government, in others there is more or less productive capital respectively in the majority, even more disastrous will be the harm proceeding from the subjection of rights to the interests of the parties concerned. This opposition of regional interests between capital and agriculture has existed in the United States of America and was shown in the War of Secession.

It is therefore talking at random, when speaking of the reduction of the interest on the Public Fund, to remark that other countries have preceded us in that system; because they were in conditions very different from ours. The second argument that 'the State with regard to Government stockholders is in the position of a private debtor, and it often happens that he is obliged, so as not on the morrow to be absolutely unable to pay anything, to give to-day a little less than had been agreed upon,' is a false statement, for it is not in the least true that the Italian Government is ever in the position of any private debtor. As a matter of fact, according to Article 3 of the Act of 1861 on the Public Debt, which promised the exemption of the Debt from any special tax, the Italian Government whilst contracting the debt also assumed the character of a lawgiver; in other words it confused the two personalities that other States keep distinct. One other point is most important, namely, that the stocks of the countries which have effected the conversion of their Public Debt have been issued almost always at home. But this is not the

¹ Last year the operatives in Italian industries were granted the College of Probi-viri (*Gallice*, Conseil de Prud'hommes), and this institution, whether they will or no, will weld fetters for the capitalists. But this provision has not been extended, so that the landowners or the agricultural classes have suffered no inconvenience. The Minister, Signor Moselli, undertook the introduction of an apposite bill for the institution of Probi-viri in agriculture. But he left the department, and perhaps the project will never be heard of again.

case with Italy; hence, even if the Government could exercise its coercive power on natives, it could not with foreigners. Further, a return would thus be made to the ancient custom of laying upon foreigners the burdens of financial difficulties at home, in accordance with which the population of Rome was till the latest days of the Roman Empire exempt from taxes, whilst even in the middle ages the colonial policy pursued was one of draining the aliens. Now it is easy to discern what would be the social, economic, and financial consequences of such a procedure at the present day, and no one but Signor Rossi dared to say that a little isolation even in this respect would do no harm to Italy.

For these and other reasons, then, the reduction of the rate of interest on Italian Government stock has been illegal and unjust, and the Parliament in passing the bill has given one of those customary lessons in morality that an ingenuous public expects from its Government, which thus legalised the evasion of its own obligations. As a financial measure it well deserved the remark of M. Leroy-Beaulieu, that only in an incalculable abyss of poverty could any excuse be made for such modifications of original contracts. From the point of view of national economy a consideration of the matter yields as much scope for criticism; namely, in Italy not only land but capital also is taxed, and this is because we have so little facility for obtaining capital, for the reason that foreign capital feels its insecure position here and therefore stays away. With the passing of the financial proposal to diminish still further the inducements to the investment of capital, foreign capitalists were confirmed in their opinion that they were correct in fearing to lend to Italy. Let Senator Crispi be convinced that large estates in Italy¹ will never be divided up by his law and the coercive powers, for they will never succeed in finding tenants to lease them; but greater than anything is the necessity of capital which naturally, according to an almost invariable law of individual hedonism in agreement with our present social state, will proceed to be invested in agriculture and thus effect that result which has been waited for by centuries.

I form no illusions on this matter, and I think with the judicious *Circolo Popolare* of Milan that the State in its endeavours to impose silence will but increase hatred; seeking to do justice it will trample it under foot; in its search to introduce improvements it will retard them; striving to obtain more prosperous institutions it will but impede the growth of more useful and more vigorous ones, and will allow its own institutions to go to rack and ruin.¹ All this follows for the simple reason that the State by the excessive use of its functions becomes, as Bastiat used to say, 'une grande fonction, au moyen de laquelle chacun tâche de vivre aux frais des autres.'

The Italian Government, by increasing the tax on cereals from 5 to

¹ *Circolo Popolare de Milan*. Programme proposed to the Executive Council at the extraordinary meeting April 25th, 1894, page 15.

7 lire, and by withdrawing the proposal of laying a rate of ten per cent. on landed property, was assuring a minimum of rent to landowners. Now how has this benefit been realised? Thanks to the support of the gendarme, who forces consumers to buy corn at a third at least above its actual value.¹ This benefit, as Novicosi would say, is not a remuneration of labour, but an act of plunder; and if the peasants under this landowner were to come to him and say, 'Excuse me, sir, but you have levied a tax on our fellow countrymen; take interest on your money at half the market rate and give us the remainder,' he would not be able to offer any logical objection. For the Parliament which has fixed a minimum of remuneration for the landowner could not refuse to assure a minimum wage for the working man.

To-day the landowners have grievously smitten the capitalists; to-morrow the latter will be able to return the blow, as the history of other countries and of our own teaches. But both capitalists and landowners play with much ease with a flame that sooner or later will consume them.

There will be a development of what my friend, Signor Loria, loves to call economic particularism, which in truth is due to a degenerate political system. This economic regionalism, if as an evil and social danger it is undoubtedly inferior to socialism, as regards its powers of troubling us, is far more insufferable, and demands a speedy reaction. Good speed to it! the more so since it proves to be equally efficacious against collectivist socialism, which, as M. Lefèvre remarks,² is already in the germ in this system.

GIUSEPPE FIAMINGO

Editor of the Rivista di Sociologia

POLITICAL ECONOMY IN SWITZERLAND.

It is with some justice that foreigners are accustomed to regard Switzerland as a field for social and political experiments. The democratic-republican constitution which prevails both in the central state and in the particular cantons continually demands direct participation in legislation from all citizens, even down to the lowest strata of society. And from day to day some special question of interest to the proletariat may be hurried into prominence by means of the people's initiative, and be made the affair of the whole nation. I need only mention the two 'initiative' movements of last year (both, however, ineffectual), the 'right to work,' (*droit au travail*) and the gratuitous care of the working classes in sickness, to be paid for by the introduction of a monopoly in tobacco.

The fact that Switzerland is politically a neutral country enables her to devote herself to internal questions with greater energy,

¹ *Rivista di Sociologia*, 1st year, No. 3.

² *Le Monde Économique*, 17th February, 1894, page 171.