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IL LIBERALISMO DI LUIGI EINAUDI.

Summary.

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Luigi Einaudi advocates a liberalism characterized by a strong tension between tradition and the will to reform born from elements inherited from both classic liberal and socialist thought (a certain type of socialism, as we will be talking about soon); these are the traits that make Einaudi's liberalism a *unicum* in the history of Italian liberal thought and the reasons why outlining its borders is quite a complex operation.

Hence we cannot talk about Einaudi's concept of liberalism regardless of his idea on the market that he defined as a "stupendo meccanismo" ("extraordinary mechanism") during his *Lezioni di politica sociale*, a mechanism capable of creating wealth and on which one can intervene but with caution. The market is a place where buyers and sellers and hence demand and supply meet and on which prices are established - an indicator of the scarcity of goods and the quantity of goods to produce. The market does not take into consideration the desires of mankind but only the real demand, i.e. the quantity of goods that men can afford to buy not the quantity they would like to buy. For this reason the possibility that the market can bring about an equal distribution of wealth can be ruled out. Equity and the market should never be confused, this would mean overlapping the distribution mechanism with the economic system and therefore confusing two very different ideas; Einaudi warns: "confondere, come qui si fa da tanti, meccanismi diversi, vuol dire fracassare amendue"¹ ("confusing, as many here do, different mechanisms, means destroying both").

1 L. Einaudi, *Sull'economia di mercato*, in *Lezioni di politica sociale*, Einaudi, Torino, 2004, p. 15.

The study of economic science uses abstract tools; the only tools capable of summarizing a reality, such as economics, that is too complex to reproduce and to extract its most important aspects. For this reason Einaudi, in describing the market, refers to two fundamental models: perfect competition and monopoly. In the first model there are many buyers and sellers on the market and the price is the same as the cost; in the second model an individual producer is against a multitude of buyers and freely decides both the price and the quantity of goods to be produced. Both models, according to Einaudi, require the intervention of the State in the name of equity. The disastrous social consequences of monopoly are evident when, following the monopolist's interest, productivity diminishes and wealth is distributed unevenly: it is the states duty to stop monopolies, whether they are artificial and therefore created through the intervention of a legislator or natural. For the first case there is a simple remedy: the abolishment of laws that allow a condition of monopoly to occur. In the second case, because the markets are incompatible with a competitive environment, one must circumvent the problem by making monopoly public and imposing a profit equal to zero, impeding that such a condition can bring about negative consequences to society.

However even the logic of perfect competition isn't free from Einaudi's criticisms: such a scheme is in fact considered unfair as it makes the moment man began his activities upon the market (*momento originario dell'attività dell'uomo sul mercato*), an abstraction and therefore also makes an abstraction of the quantity of means that everyone has at the moment they enter upon the market. It is the State's responsibility to correct this iniquity without however undermining the market's

capability of creating wealth. To achieve this an ideal of a distribution of wealth that doesn't coincide with absolute equality or with absolute inequality must be chosen to begin with as "entrambe le soluzioni sono foriere di tirannia"² (both solutions are a feeding ground for tyranny). Einaudi therefore chooses a form of moderate equality, an initial state of equality (*l'uguaglianza dei punti di partenza*) that confers individuals with the same opportunities when they enter upon the market without undermining the productivity of the economic machine and causing men to perish under its cogs. According to Einaudi, this particular type of equality in practical terms doesn't translate into a direct State intervention on the economic system, but in a social legislation intervention that is achieved in two stages: a) lowering extremes at the high end of the market (*l'abbassamento delle punte*), consisting in a system of progressive taxation; b) rising up from below (*l'innalzamento dal basso*), translatable into a welfare system capable of guaranteeing a decent education to everyone and the survival of those who, on reasonable grounds, are unable to work (old age, disease, injury, unemployment, etc.).

Einaudi's criticism to collectivism was developed from this moderate ("moderata") equality. It is firstly an economic criticism because he believes collectivism is an inefficient system. In order to understand his thought it is necessary to specify the object in question: planned economies are those that include the abolition of private property and free initiative and collectivize the means of production. The management is

2 *Ivi*, p.57.

placed within the hands of the State with the aim of making the wealth distribution as equal as possible and avoids social conflict. The first downside of this economic system is that it corresponds to a hypothesis of monopoly, together with all the negative consequences this leads to -high prices and low levels of production- and with the only difference that the profits are placed within the hands of collectivity and not in the hands of private individuals. The second reason behind the inefficiency of economic collectivism is its inability to fully make use of resources. It has a tendency to waste most of them. This is because in a planned economy the price mechanism is absent which is an indispensable index of scarcity necessary for efficient resource allocation. Einaudi underlines how the inevitable errors of a plan from above, set by an individual or a central College, are difficult to correct. An order produced from below is also subject to error this is however easily reabsorbed by the system that signals when too little or too much quantities are produced through the mechanism of prices. Finally Einaudi believes that within a collective system providing an identical distribution of resources, the push to produce and save is absent in men and therefore greatly diminishes the system's capacity to create wealth. The reasons that push many people to define planned economies as economies of scarcity appear evident.

If, as Einaudi believes, the duty of economic science is to search for a solution that is economically more convenient in achieving a given objective, it is evident how collective economies are undesirable for reasons connected to convenience.

But Einaudi's refusal of collectivism is not only based on economic reasons, it is a complete refusal, based on historical,

moral, philosophical and political grounds that will bring this thinker in contrast with Marx and his theories.

Einaudi dedicates a great deal of his work opposing and deconstructing Marxism. He believes Marx's doctrine is too old and obsolete because "non ha più nulla di vitale, nulla più da dire e da dare né alle giovani generazioni, né allo stesso movimento operaio"³("it doesn't contain anything vital, anything to say or to give to the younger generations or to the labour movement"). Firstly the historical grounds of Marxism collapse disputed by history itself: according to Marx, capitalism would've radicalised conflicts between different social classes therefore creating an ever more poor and unjust society. As Einaudi has highlighted, Capitalism on the other hand has renovated itself and has overcome its crisis, it has enriched the entire society and has led the social classes to become ever more articulated instead of being limited to owners versus labourers. So Capitalism itself has eliminated the grounds for social class struggles that should have determined its end.

Secondly Einaudi doesn't accept the "materialismo storico" (historic materialism) doctrine, according to which, only material factors cause the history of mankind to shift, limited to a history of productive processes. Einaudi, on the other hand, believes that spiritual forces have had and have a major impact on the course of history. This is because otherwise explaining macro - historical events such as the great wars conducted so as not to be conquered by a foreigner aware of the fact that this

3 G. Pagano, *La critica al collettivismo*, in *Luigi Einaudi e il socialismo*, Bibliopolis, Napoli, 1993, pp. 134-135.

would bring about economic ruin, would not be possible. And because the fuels of economic development are spiritual and moral factors, such as will, disregard for risk, effort and the creativity of individuals who intend to fulfil their objectives.

Einaudi's refusal of Marxism is also based on philosophical grounds: Marx's doctrine, as any other deterministic philosophy, by attempting to state it has found the necessary route for historical process. It has an ideological and religious nature, it is therefore a faith. "Colla fede non si ragiona" ("It is not possible to reason with a faith"), "è una verità che non ha senso perché non può essere messa in discussione, non è ricerca ma un insieme di dogmi"⁴ ("it is a faith that has no sense because it cannot be disputed, it is not research but a group of dogmas"); "così ogni ragionamento in materia è inutile, ove indirizzato ai credenti"⁵ ("hence any reasoning on this subject is useless, when targeted at believers").

All the reasons given up to this point bring Einaudi towards a strong refusal of collectivism; if however one wishes to identify the main reason for his profound disgust ("disgusto") of such a theory, he must rely on political motivations that, in particular, lie in the incompatibility of Marxism with liberty. Every collective society, for reasons connected to survival, has to have with a single political party like structure, based on a concentration of power, on the centralization of decision making and on a rigid pyramid structure hierarchy; but most importantly on an immense bureaucratic apparatus capable of controlling

4 L. Einaudi, *La colpa è del capitalismo*, in *Il buongoverno*, Laterza Bari, 1995, pp. 158.

5 *Ibidem*.

every single movement of civil society and impeding the emergence of any practice diverging from the legislator's plans. To work, the collective system must ensure that there is perfect synchrony between what is created within society and what is provided from above and hence suppress any other opposing form of power.

Therefore collective or communist systems have an intrinsic nature to curb freedom and are for this reason incompatible with political and economic freedom: private property and freedom of initiative, by increasing the decisional centres, conversely undermine from below any attempt towards tyranny and, simultaneously, act as the first guarantors of freedom.

In such a way, Einaudi finds an inseparable link between liberism ("liberismo") and political liberalism ("liberalismo"). The establishment of this inseparable pair will lead to one of the most famous and heated debates of the twentieth century between Einaudi and the philosopher Benedetto Croce. The debate will never be solved because both thinkers consider the problem from two opposite perspectives: Einaudi concentrates upon daily and contingent liberalism, which he believes to be incompatible with a communist economic system. Croce, on the other hand, refers to liberalism as a regulating principle and the guide of an historical process i.e. a meta-political liberalism.

Einaudi dedicates most of his thought and his life searching for the best way to guarantee "libertà pratica dell'uomo comune" ("practical freedom to a common man"). This is because he knows one doesn't have a "vita vera se non sia accompagnata da

un'altra libertà, quella economica" ⁶ ("true life if it is not accompanied by economic freedom"): because who is hungry cannot be free. The research for this freedom leads the economist from the Piemonte region (Regione Piemonte) to move towards non-Marxist socialism. The introduction of the concept of an initial state of equality (*uguaglianza dei punti di partenza*), the will to intervene upon the market "meccanismo che lavora con perfezione mirabile" ("a mechanism that works with admirable perfection") but that is also "impassibile strumento economico, il quale ignora la giustizia, la morale, la carità, tutti i valori umani" ⁷ ("an impassible economic tool ignoring justice, morality, charity, and all human values").

Einaudi in his *Discorso elementare sulle somiglianze e sulle dissomiglianze fra liberalismo e socialismo*, work, admits that liberals and socialists have more things in common than one would think and that the differences between the two lines of thought "si riducono a piccole sfumature" ⁸ ("are limited to subtle differences"). Both the liberal and socialist man, are in fact moved by a profound respect for the human individual and both fight to guarantee the principle of freedom; both are in favour of State intervention on economic issues and both recognize that the only form admissible and conciliative with freedom is an initial state of equality (*l'uguaglianza dei punti di partenza*). Therefore the differences between socialists and

6 L. Einaudi, *Chi vuole la libertà*, in *Il buongoverno*, cit. pp. 111-112.

7 L. Einaudi, *L'uguaglianza nei punti di partenza*, in *Lezioni di politica sociale*, cit. p. 182.

8 L. Einaudi, *Discorso elementare sulle somiglianze e le dissomiglianze tra liberalismo e socialismo*, in *Prediche inutili*, Einaudi, Torino, 1959, p. 243.

liberals are difficult to identify because they are not related to principles of State intervention, but only to the limits of its application. In this way, on each debatable issue, the principle of freedom of the individual and that of social cooperation will always be in contrast, forcing everyone to be each and every time both liberal and socialist within. But in such a contrast Einaudi finds a solution to the debate: it is this very conflict that gives a sense to individual thoughts (be them liberal or socialist) and that allows mankind to progress.

Hence, recognizing the creative fertility of struggle and contrast as the imperative necessity to make a nation and its society prosper determines the nature of Luigi Einaudis liberalism, a thinker capable of dialogue with "heretic" ("eretico") socialists (Ernesto Rossi and Carlo Rosselli, among the first) without ever fearing debates and enrichments.