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THE FISCAL SOCIOLOGY OF GINO BORGATTA

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Abstract

Outside of Continental Europe, Italian fiscal sociology is almost completely unknown. Seminal works have not yet been translated into English, and what is known is generally consistent with James Buchanan’s contention that Gino Borgatta was the most direct follower of Pareto who, with others, sought an explanation for fiscal phenomena in sociological, rather than economic, terms. The purpose of this study is to establish the extent to which Borgatta’s early framework for fiscal sociology is consistent with, and different from, Pareto’s views on fiscal theory, including the role for economic analysis in the study of fiscal events. Since evidence of Pareto’s influence is much weaker in Borgatta’s more mature studies, the ‘definitive’ Paretian fiscal sociology that emerged in his early “Lo Studio Scientifico dei Fenomeni Finanziari” is examined for possible indications of why he did not subsequently develop fiscal studies further along Paretian lines. It is tentatively suggested that his early views on the scope for economic analysis of fiscal events, as well as a weaker role for experimental methodology in fiscal theory, provided some indications of why the Paretian line was not fully pursued in Borgatta’s more mature works.

Fuori dell’ Europa, la sociologia finanziaria italiana è quasi sconosciuta. Gli studi seminali non sono ancora tradotti in inglese e la letteratura secondaria va generalmente da accordo con la conclusione di James Buchanan: cioè, Gino Borgatta fu il seguace più diretto di Pareto che ha cercato per una spiegazione ‘sociologica’ del fenomeno fiscale, piuttosto che ‘economica’. Lo scopo di questo studio è di stabilire il grado in cui la sociologia fiscale (e il posto della teoria economica fra la sociologia fiscale) che Borgatta ha sviluppato è compatibile con i pensieri di Pareto sui studi fiscali. Dato che l’opera giovanile di Borgatta è tanto più influenzato da Pareto che la sua opera matura, “Lo Studio Scientifico dei Fenomeni Finanziari” è stato esaminata per indicazioni delle ragioni per quali Borgatta non ha continuato a sviluppare gli studi fiscali sulle linee di Pareto. La conclusione provvisoria è che, per la sociologia fiscale di Borgatta, lo scopo dell’analisi economica degli eventi fiscali era più grande, e che il metodo era meno sperimentale, che quella di Pareto.

Key Words: Gino Borgatta, Fiscal Sociology, Public Finance, Vilfredo Pareto
1) Introduction

It is a pleasure to be here today to celebrate the school of economics at the Università di Torino, especially in the company of such distinguished colleagues. Given the intended character of the Conference, it is appropriate to commence this presentation with a brief acknowledgment of Gino Borgatta’s links with Turin, especially during his formative years. He graduated in jurisprudence from this celebrated University in 1910, was a member of the Accademia delle Scienze di Torino and was also a contributor to Turin’s Gazzetta del Popolo (Gangemi 1953, p325-26). After graduation, Borgatta studied at the Università Commerciale Bocconi in Milan, spent much of 1911 and 1912 at the University of Lausanne as a student of Vilfredo Pareto, and returned briefly to Turin in 1920 and 1922 as a lecturer in politics and customs legislation at the Istituto Superiore di Scienza Economiche (Gangemi 1953, p325). Most of his subsequent academic life was centred on the Università Commerciale Bocconi, where he held the professorial chair in the science of public finances and fiscal law from 1927 until his death in 1949.

As instruction in fiscal law and public finance was generally undertaken within the facoltà di legge in Italian universities, Borgatta’s deep interest in the study of fiscal phenomena comes as no surprise. Furthermore, given his direct exposure to Pareto and his many commentaries on fundamental aspects of Pareto’s work, such as Borgatta (1917, 1923 and 1924), his attempts to extend the theoretical methods and scope of Pareto’s sociological theory to the study of public finance is also understandable.

This study is primarily motivated by the presenter’s interest in Pareto’s intellectual legacy, especially in Italy. Gino Borgatta’s early fiscal sociology represents a significant point in this legacy, with the essentially economic objective of understanding the relationship between economic activity and fiscal activity pursued through sociological (including economic) analysis. In short, Borgatta’s fiscal sociology represents one of the few attempts to map out and commence what Pareto would have classed as ‘special’ sociology. This study has a primary and a secondary purpose. The primary purpose is to draw attention to Pareto’s influence on Borgatta’s early fiscal sociology, which progressively emerged but culminated in his influential “Lo Studio Scientifico dei Fenomeni Finanziari” (Borgatta 1920). Since Pareto’s influence was substantially reduced in Borgatta’s more mature works, the secondary purpose is to tentatively isolate the aspects of his early fiscal sociology that may suggest why he did not further develop fiscal studies along Paretian lines.
The study commences with a review of Pareto’s fundamental concerns with the state of public finance theory. His critical reaction to the hedonistic and political lines of Italian public finance is briefly noted, as are the central aspects of scientific fiscal theory that Pareto highlighted. This is followed by an extensive examination of Borgatta’s fiscal sociology, noting the: critique of the unscientific aspects of public finance; treatment of the relationship between social equilibrium, fiscal redistribution and economic activity; and the role of economic equilibrium and the scope of economic analysis within fiscal sociology. Notwithstanding Borgatta’s rejection of the hedonistic approach to fiscal theory for being too far removed from the concrete phenomenon, and his application of Pareto’s theory of social equilibrium to fiscal phenomenon, it is found that Borgatta’s fiscal sociology does not rely on the same strict experimental methodology advocated by Pareto. As a consequence, Borgatta’s approach also provided greater scope for economic analysis of fiscal phenomena than that advocated by Pareto. It is tentatively concluded that these factors, together with his incorrect interpretation of Pareto’s theory of social utility, reduced the potential for subsequent developments in fiscal theory along the lines envisaged by Pareto. Nevertheless, “Lo Studio Scientifico dei Fenomeni Finanziari” retains many important Paretian aspects of fiscal theory and contributed significant enhancements of Pareto’s ideas, which, in conjunction with his well-considered deviations from Pareto’s approach, make it an important element of Pareto’s intellectual legacy in Italy.

2) Pareto’s Critique of Italian Public finance
In the early 1930’s, Mauro Fasiani (1931-32 and 1932-33 [1980]) drew attention to three distinct approaches to the general theory of public finance within the Italian tradition: the hedonistic theories of Antonio De Viti de Marco, Ugo Mazzola and Luigi Einaudi; the generically political theories of Achille Loria, Amilcare Puviani, Carlo Angelo Conigliani and Roberto Murray; and the sociological-political theory of Gino Borgatta and Guido Sensini.1 Setting the sociological-political approach (here after referred to as ‘fiscal sociology’2) is set aside as an essentially Paretian development, it is useful to review Pareto’s response to the hedonistic and generically political (here after referred to as ‘political’) approaches.

1 Interestingly, Fasiani did not include Maffeo Pantaleoni within any one of the above three traditions: although he was a founding figure within the Italian hedonistic approach, he subsequently went beyond this approach through the introduction of the notion of ‘political prices’, suggesting he shifted to the generically political approach.
2 Borgatta (1920: 15) referred to the sociological approach to fiscal studies as ‘la finanza sociologica’ (sociological finance), but Benvenuto Griziotti (1950: 342) used the term “la sociologia finanziaria” (fiscal sociology) when describing approaches to fiscal studies that derived from Pareto.
The field of public finance was a peripheral aspect of Pareto’s studies. However, the subject was not missing from his work, even his earliest work. For example, it is significant that Pareto’s “Considerazioni sui principii fondamentali dell’economia politica pura” (Pareto [1892] 1982) not only outlined the basis of a hedonistic approach to exchange theory, it also emphasised the limits of the approach with particular reference to public finance theory.

“Limits of hedonistic theories: To us the defect [of treating everyone as perfect hedonists]… seems most serious when one wants to turn the principles of the new science to studies of phenomena that are not exclusively economic. As an example, the science of public finance, in many cases, and governments, in nearly all cases, fall into gross errors … .”


The main concern here is with the reliance of the hedonistic postulate to value public expenditure on the provision of so called ‘public needs’, although this may be readily generalised to a concern with analysis of the ‘State’ and its supply of private economics goods on the presumption of a close link between the distribution of benefits and costs of general public expenditures and general public revenues. Pareto suspected that such analysis was used a basis for rationalising increases in the tax burden on the justification of satisfying addition public needs Da Empoli (1990).

However, this concern was only one aspect of the Paretian critique of public finance. If concern over hedonism were the defining element of Pareto’s critique of public finance, then we would not speak of a Paretian approach to public finance, as the ‘political’ approach in Italy had already recognised the political determinants of fiscal events. The fact that Pareto’s concerns went beyond a critique of hedonism is evident from his comments on Roberto Murray’s ‘political’ approach. Inspired by Pareto in many matters, Murray was concerned about the limits of the hedonistic approach to public finance. His proposed method of accounting for the influence of political forces on fiscal arrangements involved the use of two related approximations to the fiscal phenomenon: an economic approximation and a political approximation, with the political approach treating legal public entities as a single analytical entity rather than a collection of individuals. (Murray 1915). Within this approach, the characteristics of public needs may be considered (Murray 1913), but only as an approximation that is complemented by a synthetically reconciliation with a political approximation.

Even though both Pareto and Murray had serious reservations about the validity of relying on the hedonistic postulate to develop fiscal theory, and notwithstanding the influence
of Pareto on scholars working within the Italian political approach, the roots of the Paretian critique of public finance runs much deeper than a concern over hedonism, and were not resolved through synthetic union of Murray’s separate ‘economic’ and ‘political’ approximations for fiscal events. There are several reasons for this, but four that appear most significant.

1) **Strict experimental methodology**: Pareto’s approach to economic equilibrium progressively moved away from its hedonistic roots, culminating in the development of a exchange theory based on experimental observation of the fact of choice (Pareto 1900). To Pareto, the experimental basis of utility theory was of central concern (Marchionatti and Gambino 1997). Even when reintroducing ophelimity (as distinct from choice or preferences) into economic theory, Pareto clearly defines the roles of value in experimental economics:

> “… the character of logico-experimental science is lost if ophelimity is given an existence independent from the facts that one seeks to explain, and if one wants to assume that [deduced] logical consequences from an hypothesis are [scientific] demonstrations.”

(Pareto [1918] 1980: 728)

Pareto considered the use of ophelimity in exchange theory as experimental because it is expressed as mathematical function that can be derived from the phenomena under consideration. However, Pareto saw limited scope for a pure economics of public finance because, in general, ophelimity has an existence that is somewhat removed from fiscal events. That is, unlike free exchange, the mathematical function for ophelimity is generally not derived from experimental observation of related fiscal events, such as the imposition of a tax and the expenditure of those funds.

2) **Differentiating logical from non-logical action**: Pareto’s distinction between logical and non-logical action had the effect of broadening the scope of general theoretical analysis, but reducing the scope of pure economics in the analysis of social phenomena. As such, he progressively became more distant from the study of public finance in terms of value theory derived from pure economics. By 1905, Pareto had already advised Guido Sensini to treat public finances in the context of non-logical action.

> “Scientific theory will have little or no assistance from the treatises on the “science” of the public finance published to date. From the perspective of scientific theory, their best value is close to zero. … Take care to note that considering the taxpayer as an ophelimity maximising operator will only give part, very often a small part, of the phenomenon. The taxpayer is not aware of many of the effects of taxes, or fiscal
measures more generally, so his actions are not of the logical type considered in economics, for which theory is less difficult; rather, they are of a non-logical type, for which theory is much more difficult.”

(Pareto 1975a: 958).

3) Specifying fiscal redistribution as the fundamental aspect of the fiscal phenomenon:
in view of Pareto’s concern with the interdependent relationship between economic and social states, the impact of fiscal decisions on the distribution of economic goods should be a fundamental aspect of public finance theory. This needs to be determined before the net impact of tax, debt and spending on economic and social states can be established, and welfare consequences considered. Consider Pareto’s letter to Griziotti of 2 September 1917:

“… how would the use of economic goods have been altered if there were neither the loan nor the tax? I cannot concede that the economic state and the social state are not variously modified by various changes in the use of economic goods; but if we do not know the modifications in these states, how can we possibly compare them?

(Pareto 1975b: 984).

4) Assessing fiscal phenomenon in relation to economic and sociological equilibria:
perhaps most importantly, Pareto had a definite view on what constitutes the primary phenomenon in his studies. In the *Cours d’Économie Politique* (Pareto [1896-97] 1971), economic equilibrium is the primary phenomenon (i.e. the phenomenon studied by the first approximation) studied by pure economics, with the study of social equilibrium classed as an aspect of applied economics and treated using a mixture of descriptive, empirical and synthetic approaches. Pareto’s treatment of social equilibrium was advanced considerably in *Les Systémes Socialistes* (Pareto [1901-02] 1974), although still within the context of an applied study. With the *Trattato di Sociologia Generale* (Pareto [1916] 1935), the notion of social equilibrium was elevated to the status of the primary phenomenon considered by theoretical sociology. Pareto came to view the fiscal phenomenon in terms of interdependent relationships between fiscal events and: economic equilibrium; and social equilibrium. Fiscal theories that did not recognise this were rejected at the theoretical level, although not necessarily as applied studies. This is emphasised in his letter of 3 September 1917 to Guido Sensini on Benvenuto Griziotti’s treatment of ‘Ricardian equivalence’:

“Our friend Griziotti insisted on knowing my opinion of his study on the burden of debt or taxes; and in view of this I was forced to tell him that, it appears to me, …
such studies lack all foundation since one cannot build this without an understanding of the effects of a measure (in this case: tax or debt) on the economic equilibrium and on the social equilibrium.”

(Pareto 1975c: 985).

In view of the above four points, Pareto recognised that theoretical treatments of the fiscal phenomenon needed to be something more that just economic and something more than just political. This is because economic and political dimensions of fiscal events interact with broader social constraints, especially the relative propensities for conformist and non-conformist conduct by economic and political elites and the masses, and this interaction alters individual’s assessment of utility. As such, fiscal activity is best appreciated for its relationship to sociological factors. However, Pareto himself was not instrumental in formulating fiscal studies along the path that he suggested. That task was to be taken up by others, most notably Gino Borgatta, as discussed in this study, and Guido Sensini, as discussed in a previous study (McLure forthcoming).

3) Borgatta’s Early Critique of Italian Public finance

Borgatta’s early critiques of public finance considered the need to attain a scientific perspective of fiscal activity. “I Problemi Fondamentali della Scienza Finanziaria” (Borgatta 1912-13) highlighted the limits of fiscal theory derived from: (i) the history of public finances; and (ii) hedonistic principles. Fiscal history, especially that associated with the German historical school, was criticised for two main failings: not developing general laws; and its essentially descriptive character (Borgatta 1912-13: 986-7). Of course, Borgatta did not reject the importance of historical induction in relation to fiscal matters. However, he was concerned that the reliance on description may highlight superficial characteristics which prevent the identification of systematic regularities with fiscal phenomena, be they of economic or sociological origin. Borgatta portrayed the hedonistic approach to fiscal theory as the dominant approach within the Italian fiscal tradition, but this approach was also criticised strongly, mainly because observation of the concrete circumstances did not support the view that there is a tendency to equilibrate the cost of funding public needs with their benefits. Instead, equilibrium in fiscal matters is influenced by political groups, with the burden of tax and the benefits of public needs varying from group to group and from class to class.
Interestingly, studies highly regarded by Borgatta (1912-13) include Conigliani (1903), for acutely noting the political nature of fiscal processes, and Pantaleoni (1911), for introducing the notion of “political prices” when treating the price of publicly provided goods that don’t conform to the outcomes suggested by economic theory. Both these studies were important in the political line of the Italian tradition in fiscal studies, and much of Borgatta’s article is suggestive of further developments along this political line. There are two main suggestions that something more than political is at play: his favourable reference to social aspects of Loria’s work and Borgatta’s own emerging framework for treating social phenomena.

The reference to Achille Loria’s *Basi Economiche della Costituzione Sociale* is not only favourable for its attack on the hedonistic approach, but also for highlighting the social constitution, suggesting that concrete economic factors determine the social and political structure, and realising the fiscal system through the political structure. While at this stage the Paretoian character of Borgatta was clearly emerging, differences still remained. For example, Pareto would not welcome Borgatta’s reference to Loria, especially the endorsement of a causal social sequence commencing from the economic base of the social constitution to the social and political structure and the consequent fiscal structure. As is well known, Pareto stressed interdependence between economic and social factors ahead of causation. While there is no published correspondence between Borgatta and Pareto, Pareto’s position on Borgatta and Loria is evident from his letter to Pantaleoni of 2 January 1913:

> “Borgatta came here a year ago, and had long discussions with me. He sends me his writings, which are, in fact, good. However, the article before his last, which he did not send to me, defends the theories of Loria. But it is not his fault: in Italy there is no other way of getting an university chair, and he needs one.”

(Pareto 1962: 169)

Pareto’s suggestion that Borgatta was acting strategically is dubious: the more likely explanation is that Borgatta’s dissatisfaction with fiscal theory was such that his mind was open to new ideas, and he reflected on their possible relevance for fiscal studies. This would explain why Loria’s insights are again noted in “Lo Studio Scientifico dei Fenomeni Finanziari” (Borgatta 1920, p14), although only in the introductory section dealing with the critique of fiscal theory, and not in the subsequent section in which his ‘Paretian’ fiscal sociology is developed.
The second indication in “I Problemi Fondamentali della Scienza Finanziaria” of a possible sociological aspect to fiscal theory concerns Borgatta’s classification of social phenomena as either: economic, religious, moral or political, and his investigation of these categories in terms of subjective end, objective result, subjective cause and objective cause. This implies some kind of synthesis, which, prima facie, appears Paretian. However, the discussion differs from that Pareto advanced, with subjective and objective ends considered in conjunction with the non-Paretian notions of subjective and objective causes. Borgatta’s treatment of action was further developed and clarified in “Le Azioni Pseudoeconomiche” (Borgatta 1912)\(^3\), which is relevant to fiscal studies because it defines the type of pseudo-economic actions that relate to fiscal events. Fasiani ([1932-33] 1980:165) highlighted the contribution of this work, linking Borgatta’s approach to Pareto’s notion of non-logical action. However, more recently Bellanca (1993: 218-228) has emphasised the difference between non-logical actions and pseudo-economic actions, in an attempt to differentiate Borgatta’s developments from those of Pareto.

“Le Azioni Pseudoeconomiche” illustrate how non-logical action extends to economic activity by introducing three broad types of pseudo-economic action (Borgatta 1912: 444). Action is categorised as: type (\(\alpha\)) when the subjective economic intent is not the same as either the intended, or the actual, objective economic end; type (\(\beta\)) when the objective economic end is not the same as the subjective intent because the agent acts without a precise notion of his or her economic purpose; and type (\(\gamma\)) when the intended objective economic end is the same as the intended subjective end, but the actual economic result is different from the intended objective end. Borgatta (1912: 454) classes the fiscal phenomenon as falling under type (\(\gamma\)) action.

Bellanca (1993: 225) suggests that Borgatta’s type (\(\gamma\)) pseudo-economic action is superior to Pareto’s genus (4) category of non-logical action, which is action where subjective intent and the objective end are not identical. This is because Borgatta’s approach may permit the removal of such action from sociology, which requires a knowledgeable observer (secondus) to assess the rationality of utility altering actions, and its reallocation to economics analysis where the assessment of the actor (primus) does not require verification through the opinion of an observer (secondus). To some extent, Bellanca is correct as economic, or indeed fiscal, action that falls within the ambit of Pareto’s sub-genus (4\(\alpha\)) action, or action where subjective intent and the objective end are not identical but the actor would accept the

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\(^3\) Fasiani ([1932-33] 1980: 165) indicates that “I Problemi Fondamentali della Scienza Finanziaria” was prepared before “Le Azioni Pseudoeconomiche”.
objective end if it was known to him or her, could be readily removed from sociological analysis because the utility function does not alter in response to action. However, this conclusion does not extend to economic or fiscal action that falls within the ambit of Pareto’s sub-genus 4 $\beta$ action, which concerns action where subjective intent and the objective end are not identical and the actor would not accept the objective end if it was known to him or her. In such circumstances, the interdependence between the subjective end and the actual objective outcome achieved is evidence of some endogeneity of action.

However, the substantive issue for fiscal studies is whether Borgatta’s type ($\gamma$) pseudo-economic action suggests that distortions between subjective intent and the final outcome are weak enough to justify economic analysis of fiscal events. Unequivocally, the answer is no. Borgatta (1912: 453-4) emphasises the significance of the gap between subjective intent and outcome on fiscal matters. Moreover, in subsequent work, most notably his seminal “Lo Studio Scientifico dei Fenomeni Finanziari”, Borgatta reverted to the distinction between logical and non-logical action. Consequently, the differences between Pareto and Borgatta’s theories of action appear to be overstated by Bellanca (1993: 218-228), at least to the extent that they apply to fiscal theory. Nevertheless, some differences remain, with some actions of governing elites considered logical by Borgatta, which Pareto would class as non-logical (see sub-section 4.4).

Borgatta’s first comprehensive treatment of fiscal sociology was to appear in “Lo Studio Scientifico dei Fenomeni Finanziari”. This work build on previous studies, with part one basically a restatement of Borgatta’s earlier criticisms of hedonism and historicism, as discussed above. He also uses the first part of the article to define the scope, or the three elements, of fiscal theory: (i) description based on the observation of elements that can contribute to general scientific uniformities; (ii) ‘purely’ prescriptive elements which cannot be verified by observation; and (iii) the scientific elements, which comprise sets of (a) sociological problems and (b) economic problems in public finance. Fiscal sociology is intended to deal with the scientific elements of fiscal theory, assisting in the understanding of both sociological and economic problems of public finance. The fiscal sociology developed in the remaining two parts of “Lo Studio Scientifico dei Fenomeni Finanziari” is considered in the next Section of this study.

4) Fiscal Sociology: extra-economic redistribution, equilibrium and economic activity
Borgatta presents the fundamental aspect of the fiscal phenomenon as the transfer of wealth from certain individuals and groups to other individuals and groups. As this process is not determined through voluntary economic actions, fiscal sociology attempts to scientifically establish the forces that culminate in the ‘extra-economic’ redistribution of wealth, among individuals and groups, by fiscal means. Importantly, the sociological approach is a means to understanding the economic and fiscal relationship, it is not an end in itself. That is, Borgatta’s purpose is essentially economic, at least by modern standards, as he attempts to establish the impact of fiscal redistribution on economic activity and welfare, and sociology is a means to that end:

“It is evident that the [aspect of] social utility that is of essential interest in the study of fiscal phenomenon is that defined by the ‘material prosperity’ of a society.”

Borgatta (1920: 19)

From this economic characterisation, Borgatta considered the main goals of fiscal sociology as: establishing an interpretive framework to understand the institutional and legal arrangements through which ‘extra-economic’ redistributions of wealth are realised; and establishing the direct and indirect effects of such redistribution on collective social utility and the level of economic activity in the aggregate.

4.1 General Paretian Context

Borgatta’s fiscal sociology interprets fiscal events in terms of the relationship between the activity of political organisations, which are directed by small and competing elite elements, economic groups, which are also directed by small competing elite elements, and the general members of society. The primary consideration within this general Paretian framework concerns the relationship between the governing classes and the governed masses, with a view to establishing the impact of fiscal events on distribution of resources. Borgatta considered that it is desirable to incorporate a theoretical treatment of the sentiments in fiscal theory because sentiments that constrain, and motivate, the action of elites (be they political and economic) and the masses.

The sociological framework advanced by Borgatta for interpreting the fiscal phenomenon is that of Pareto’s general sociology, or more correctly, the theory of social

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4 Translations of Borgatta’s work cited in this paper were prepared by Rocco Loiacono with the assistance of the author of this study.
equilibrium. The Paretian character of “Lo Studio Scientifico dei Fenomeni Finanziari” is evident from the definition of the fiscal phenomenon in terms of ‘extra-economic’ redistribution and the interpretation of fiscal events in terms of their consequent impact on social and economic equilibria. Borgatta’s starting point is that fiscal theory is predicated on the existence of a social equilibrium - a state where the social system will tend to return if it is disturbed, unless the disturbance alters the basic conditions that determine equilibrium. For the purposes of his fiscal sociology, Borgatta emphasised the dynamic aspect of social equilibrium – as an uninterrupted succession of diverse social states – which is revealed in an irregular cyclical form, with movement in social equilibria altering the form of the social state.

Having advanced a Paretian interpretive framework, Borgatta then advocated the use of Pareto’s sociological instruments. Action by individual elements of the collective is portrayed as either logical or non-logical, with the basic conditions that determine the stability or instability of the social equilibrium relating to non-logical action related to the struggle for dominance within and between social groups. However, Borgatta only relies on the elements of general sociology that are best suited to his purpose. While Pareto’s main theoretical concepts, such as residues and derivations, are briefly noted, greatest emphasis is placed on the impact of fiscal events on rentiers (low-risk takers who also have a below average propensity to avoid tax) and speculators (high-risk takers who also have an above average propensity to avoid tax). The importance of the ‘state’ to economic output and welfare is also acknowledged: with stable societies protecting individual’s rights and providing basic services (and unstable societies protecting individuals poorly); and the general distribution of the fiscal burden falling most heavily of middle class ‘rentiers’, with the fiscal outcome of the patron-client relationship between political and economic elites tending to benefit speculators. This general fiscal relationship is important to Borgatta’s explanation of the relationship between extra-economic redistribution and economic activity (examined in subsection 4.3).

4.2 Collective Social Welfare and Fiscal Arrangements

Having adopted the Paretian framework for the sociological interpretation of fiscal events, Borgatta attempted to demonstrate how Pareto’s sociological analysis of collective welfare could be employed to consider the social utility of fiscal redistribution. This was done with reference to Pareto’s work on maximizing social utility for the collective, as outlined in the Trattato and based on “Il Massimo di Utilità per una Colletività in Sociologia” (Pareto 1913...
It suggests that a government can try to maximize social utility logically if it follows a two-step process. Step 1 *individuals assess their view of social utility*: arrange for each individual of the collective to assign coefficients to the utility for each member of the collective. Step 2 *government assessment of social utility*: the government assigns a second set of coefficients to those established in step 1 to effectively weight individuals’ assessments of social utility. In short, Pareto was suggesting a procedure by which the numerous subjective and non-comparable assessments of social utility were transformed into a homogeneous measure of social utility, albeit on the basis of politically determined weights. On this matter, Borgatta makes no original contribution to theory, he only attempts an explanation of how it can be applied:

“The position of each individual and social system in relation to utility entails maximum states and intermediate states more or less close to this maximum. If we assign indices to the state of maximum utility and to that of intermediate utility, where the state of an individual depends on circumstances where variable indices can be assigned and, for each one of these, knowing the index of the overall utility for the individual or the collective considered as an individual, the point at which such utility reaches the maximum can then be known.”

(Borgatta 1920: 18)

However, Borgatta overstates the scientific scope of Pareto’s theory of social utility. Specifically, it is treated as a purely positive, or scientific instrument, with an objective or independent observer assessing collective social welfare, even when such assessments are confined to welfare related to the material prosperity of the collective. In contrast, Pareto only proposed a protocol for governments to follow if they were to implement policy motivated only by the desire to maximise welfare, an event that he regarded as rare. This treatment of social utility is not, as Borgatta appeared to believe, suitable for analysing whether collective social welfare is, or is not, maximised. This is because the adjudicator of welfare is the political elite, not the objective observer. Moreover, even when confining welfare comparisons to issues related to ‘material prosperity’, an independent observer would still face obstacles when making welfare comparisons across different equilibrium states, as demonstrated by the well-known findings of Hicks, Kaldor, Scitovsky, and Samuelson on the significant limitations of the compensation criterion in welfare comparisons.

However, it is true that Pareto described his approach as a “first step in the theory of social utility” ([1913] 1980: 605), suggesting that it may provide a basis for subsequent development of a positive theory of social utility. Interestingly, Guido Sensini, Borgatta’s co-
founder of Paretian fiscal sociology, was to become quite critical of this aspect of Pareto’s work:

“Mathematically Pareto was correct, but it appears to me that sociologically he was too far from concrete circumstances, and this is so for two reasons: first, he assumes that each of the individuals 1, 2, … $\theta$ [the members of the collective] are capable of writing their own [social welfare] equations …, second, he permits the existence of a Government that operates in an exclusively logical mode.”

(Sensini 1953: 227)

In view of these limitations, Sensini only regarded this two-step approach to collective welfare as scientifically relevant when the study of government decisions is undertaken in an historical context. That is, historical studies of government and society may give a good indication of: (i) the diverse individual assessments of social utility for a particular population at a particular time; and (ii) the action of the government. This may permit historians to estimate what hypothetical weights that a welfare maximising government would have applied to individuals’ assessments of social utility during a particular period of history, facilitating comparison of the actual course of history with a counter-factual welfare maximising history. This is a weaker position than that advanced in “Lo Studio Scientifico dei Fenomeni Finanziari”.

4.3 Long Period Economic Growth, Economic Cycles and Fiscal Cycles

Perhaps Borgatta’s most important contribution to Paretian ideas was his enhancement of Pareto’s sociological approach to long period economic growth. In his *Sociologia*, Pareto linked economic growth to the proportion of the economic elite who are speculators and the behavioural characteristics of the working masses:

“In our day, for instance, the enormous development of economic production, the spread of civilisation to new countries, the remarkable rise in the standard of living among all civilized peoples, are in large part the work of speculators. But they have been able to do that work because they came from populations in which class II residues were numerous and strong …”

(Pareto [1916] 1935: 1578)

That is, Pareto linked sustained economic growth to a particular behavioural balance: with the economic innovation and increased productivity the net result of balancing significant access to capital by high risk-taking speculators with very low risk savers and
working masses committed to preserving the economic and social state. Of course, Pareto recognised the role of patron-client relationship between political and economic elites, such as alliances between speculators and the governing classes. However, Borgatta further developed this observation in a particularly novel and original manner. He hypothesised a causal link between growth in public expenditures and the contemporaneous growth in private wealth, arguing that the static economic welfare loss (or destruction of wealth) associated with ‘extra-economic’ redistribution has, over a long period, been more than offset by the increased speculator activity made possible by fiscal events, with speculators being the net recipients of extra-economic redistribution, and rentiers the net payers.

“As by and large, important groups of speculators will manage to make use of the fiscal phenomenon to profit. Specific conditions change from nation to nation, but the same general outlines can be found. The fiscal phenomenon, with all the transfer of wealth that political events determine, has, in all the great modern powers, contributed potently to the formation of the economically well-off classes from the end of the 17th century to the Great War.”

(Borgatta 1920: 84)

At a very broad level, there is a notable similarity between Borgatta’s explanation for economic growth and the surplus interpretation of classical political economy: both emphasised the same general causal order - from distribution of economic goods, to economic growth. However, from a policy perspective, the two approaches represent a significant contrast, as Borgatta’s finding on the importance of fiscal policy to the distribution-growth relationship is inconsistent with general non-interventionist fiscal principles of English classical political economy. Borgatta also emphasised the importance of the relationship between fiscal and economic cycles for the distribution-growth relationship over the very long period:

“… the indisputable fact of the great increase in private wealth over the last 150 years is indirect, but sufficient, empirical evidence that the destruction of wealth resulting from the rise of new governing groups in modern democracies has been compensated, and been superseded, by favourable repercussions from factors that create wealth to which such movement has undoubtedly contributed. The most important explanation of this fact must be found, it seems, in the economic capabilities of groups in which wealth is concentrated as a consequence of fiscal policy and the opportunity this gives to their more active, ingenious, resourceful elements, to organize new efforts and enterprises, to create large industry, to engage in closer relationships with other markets… The fact of substantial economic progress observed above cannot be otherwise explained, other than by the work and merits essentially of the classes to
whom wealth is transferred in times of economic boom, because they are the ones that create and develop industries, the major productive organization that comes with them, trade, banking, and they allow they employment and substantial economic improvement of the masses of workers who, generally, undoubtedly earned far lower material incomes in times of limited distribution of wealth and far more limited public spending.”

(Borgatta 1920: 97-98)

Borgatta regarded the link between economic and fiscal cycles as something that is fundamental because it explained the seasonal pattern of extra-economic redistribution, which is so important in influencing economic growth. Setting matters of inflations aside, Borgatta explained the positive correlation between economic activity and fiscal activity over phases of the economic cycles in terms of the net outcome of two counteracting forces acting on the cost of public debt. In a stable equilibrium, the governing elite may increase expenditure through public loans, but this additional demand for funds may increase the rate of interest.\(^5\) However, if the government wishes to increase spending during an economic boom when real per capita incomes are increasing, Borgatta suggested that the marginal utility of income and savings would fall to a level below most classes of taxpayers’ trend rates of time preference.\(^6\) From this, Borgatta deduced that Ricardian equivalence between an extra-ordinary tax and public debt will necessarily be violated in boom times: as the trend rates of time preference that most classes of individuals would put forward to determine the value of an extra-ordinary tax would be higher than the prevailing market interest rate. Consequently, a loan will meet less public opposition than an extra-ordinary tax.

“Public loans therefore represent a way of least resistance for governing classes and allow them to spend in a proportion that they would not have been able to in different circumstances in the economy generally. But the possibility of using large incomes is concomitant with the growth of the drive and cause of high levels of spending.”

(Borgatta 1920: 93)

\(^5\) Borgatta appears to have recognised the initial or ‘static’ effect of public debt involves a crowding out private capital accumulation: “The great developments in the issuing of public loans have been verified in economies where the overall flux of incomes has grown extensively and the mass savings continually produced has grown. However, such loans have entirely reduced … the forms of pure accumulation of capital, and the development of banking institutions have emerged that facilitate the meeting of savings and their offering to the more needy public institutions.” (Borgatta 1920: 90-1) However, as noted earlier, he also recognised that the longer term economic benefits from capital accumulation influenced by fiscal redistribution funded from public debt may (but not necessarily) offset, or more than offset, the economic losses from crowding out ‘pure’ capital accumulation.

\(^6\) Borgatta also emphasised rates of time preference vary for individual classes of taxpayer, and will not equal the market interest rate for many classes of taxpayer even when actual and trend growth are equal.
Conversely, during depressions the trend rates of time preference will be lower than prevailing interest rates used to determine the capital value equivalent of the extra-ordinary tax. A loan in such circumstances will generate more public opposition than the extra-ordinary tax. In summary, during the phase of economic cycles associated with economic prosperity, there is an increased propensity for Government’s to go into debt, although this is moderated by the growth in tax bases (growth in income and value of sales) which increases the tax yield, and also by inflationary pressures later in the expansion phase. During the depression phase of the economic cycle, the decline in the tax base reduces the tax yield with downward pressure on prices. It is during the expansionary phase that the rentier bears a disproportionately large share of the fiscal burden, either through taxes or debt, and speculators become the main beneficiaries of fiscal arrangements.

Borgatta’s analysis of public debt is interesting for its parallels with the approaches to fiscal sociology associated with the Austrians Goldscheid and Schumpeter, who investigated the relationship between public debt and the tendency of the ‘tax state’ (states whose public activities are funded by taxes, either directly or indirectly through the servicing of public debt) to fall into crisis and ultimately collapse. Borgatta used general sociology to study movement in economic activity, both cyclical movement and trend growth in economic activity, and (like Pareto) recognised that instability in the social equilibrium is a long run regularity of the general relationship between elites and the masses, and not as something that is unique to the so called ‘tax state’. Moreover, if Borgatta’s findings are specified in the language of the Austrians, the ‘tax state’ is presented as positively related to long period economic prosperity. Consequently, the relative emphasise of the Austrians and Borgatta is reversed: with the Austrian focus on the collapse of political and fiscal constitutions replaced by a focus on long period prosperity. However, this observation requires two important qualifications. First, even though Schumpeter’s investigated the hypothesis that the tax state will necessarily collapse, his conclusion, that “there is no ‘crisis in the tax state’” (Schumpeter [1918] 1954: 37), is broadly consistent with the Borgatta position, as is their respective assessments of the importance of cycles and innovative use of capital, by economic elites, in achieving material prosperity. In contrast, Borgatta’s position is not consistent with Goldscheid’s position that fiscal exploitation complementary to, and accentuates, exploitation by capitalists and the collapse of the state. Second, the Austrians definitive works on fiscal sociology were written at during World War I, when public finances were approaching crisis.

7 While income taxes may be ‘progressive’, the net impact of the tax system, especially after sales taxes are considered is anything but progressive, falling mainly on middle class rentiers.
state and when investigating pessimistic, or negative, propositions should not be surprising. “Lo Studio Scientifico dei Fenomeni Finanziari” was written a few years later, in a more optimistic environment, and this may explain Borgatta’s focus on growth.

Borgatta’s analysis is also important because it provides a plausible explanation for Pareto’s own view that debt is just another means by which the governing elite can extract more from the masses. However, it is not an explanation that Pareto would necessarily accept, because it is based on an application of hedonistic deductions, from a subjective premise, without providing an indication of how the hypothesis can be verified. Pareto repeated many times that scarcity is not the ‘cause’ of value because there are interdependencies between many factors (Pareto [1918] 1980). In contrast, Borgatta’s deductions on the impact of economic cycles and divergences between market rates and individuals rates of time preference depend entirely on linking utility as a consequence of scarcity. For example:

“The increase in average income creates far larger categories of individuals whose marginal quantities of income present ophelimities that are more or less diminishing, where the possibility of absorbing other quantities of income with little hedonistic sacrifice and little economic and political resistance among numerous classes.”

(Borgatta 1920: 92)

The numerous other factors that would also impact on the propensity for public debt, such as forces associated with economic elites that may influence governing elites to act contrary to the diverse and subjective views of the masses’ diverse rates of time preference, are ignored.

4.4 The Scope of Economics: Economic Equilibrium as an Aspect of Fiscal Sociology

Borgatta re-emphasised that the ‘starting point’ of fiscal analysis is a given social state, and that that state is sociologically determined. Furthermore, economic movement from this starting point is influenced by, and influences, movement in the social equilibrium which alter the individuals’ subjective assessment of the social utility function:

“… sociological utility varies with changes in these conditions [the social hierarchy, economic links between the governed and the governing classes and the concrete economic conditions sustained within the social hierarchy] which vary in the course of history …”

(Borgatta 1920: 17)
Borgatta recognised that, to the extent that fiscal events influence economic activity, fiscal events may also influence social utility and that the potential for endogenous changes in social utility increased when there is substantial movement in social equilibrium. In this regard, substantial movement in social equilibrium can be expected over the long period. There is also potential for short period variations in social equilibrium during changes in the phase of social and economic cycles, or in the lead up to constitutional change. In recognition of this, Borgatta considered economic movement related to fiscal events between two points in time, which he does in two complementary ways: first, using comparative economic statics to consider the economic impact of specific fiscal events on the presumption that the social equilibrium, and consequently social utility, remains stable and is unaltered by the fiscal events under consideration; second, using comparative sociological statics to consider whether fiscal events have altered the sociological equilibrium and social utility. This second step is intended to determine whether extra-economic redistribution attributable to fiscal events has altered either individual’s or the government’s assessment of social utility.

At the broad level, this is a standard application of the Paretian approach to utility, where analysis of logical action, associated with the economic phenomenon undertaken on the presumption that ophelimity is given exogenously (a sociologically determined starting point, using Borgatta’s terminology) and analysis of non-logical action undertaken on the presumption that utility, is endogenous and path-dependent (McLure 2001). When utilising sociology to explain economic movement, Borgatta uses the term non-logical action in a manner that is in complete accord with Pareto. That is, the endogenous and path-dependent attributes of action influenced by sociological matters is clear. However, when discussing the difference between what we now refer to as the economic incidence and legal incidence of a tax, Borgatta contended that some aspects of fiscal conduct could be considered logical – a sort of logical part that is mixed within the general context of non-logical action. In this regard, he observed that the non-logical aspect of residues and derivations:

“… does not prohibit a certain group of relationships that are influenced by residual sentiments or derivations being constituted of logical acts. The fiscal phenomenon is one of these. It has its origins in residues, in heterogeneity and social hierarchy, in the necessity of a certain quantity of wealth passing from some individuals to other individuals, so that they realize the relationship between government and political supremacy of certain groups upon the majority.”

(Borgatta 1920: ) p3
Different patron client arrangements may yield benefits to both parties, and on this basis, Borgatta treats such action as logical. In contrast, Pareto only classed action as logical when the subjective intent and objective outcome conform perfectly. As the political intent of actions by governing elites to vary the burden/benefit of fiscal decisions across different classes of taxpayers is not always realised, Pareto would class fiscal arrangements as the outcome of non-logical action. Since Borgatta and Pareto use the term non-logical action consistently in regard to the analysis of economic and social movement, this definitional difference has no significant impact on the application of sociology to fiscal studies. However, it is symptomatic of a methodological difference in the research objectives of the two scholars. In this regard, Pareto’s research program sought to advance pure economic and general sociological theory by enhancing the relationship between each theoretical field and fact. Borgatta, in contrast, took the theory developed within each field as given, and attempted to exploit the insights of these theories to enhance the understanding of fiscal phenomenon by making deductions from existing theoretical postulates.

In particular, Borgatta’s considered acceptance of a broader definition of logical action than that adopted by Pareto implied that he did not insist on the strict experimental approach to economic theory advocated by Pareto. He did not consider Pareto’s choice theory in the context of fiscal theory, preferring to consider the ‘hedonistic’ aspects of fiscal decisions when economic decisions influenced by fiscal factors are made by individuals. Furthermore, notwithstanding his clear appreciation of Paretian economics, Borgatta had no special attachment to the general economic equilibrium when considering fiscal events. When reviewing economic problems in fiscal theory in “Lo Studio Scientifico dei Fenomeni Finanziari”, he distanced himself from Pareto, instead associating Guido Sensini’s work on the incidence of taxation in a general equilibrium framework as a contribution from the ‘Lausanne School’ (Borgatta 1920: 105), and highlighting that this approach, like others, does not deal with the dynamic economic phenomenon.

Having accepted Pareto’s sociology as providing the primary basis for considering issues related to economic movement, Borgatta considered that the economics of public finance could consider the effect of any particular fiscal event on equilibrium, such as the incidence of taxation. Pareto, in contrast, insisted on considering the full range of related fiscal events on economic equilibrium. That is, consider general economic equilibrium before, and after, the related fiscal events are considered together: e.g. (i) raising a particular sum of revenue by a particular means; (ii) spending some or all of that revenue; and (iii)
funding (investing) any consequent fiscal deficit (surplus). Of course, this does not suggest that Borgatta ignored related fiscal events, indeed his broad notion of fiscal sociology was an attempt to integrate all sides of fiscal arrangements. However, in regard to the static economic equilibrium, he accepted that a more complete picture could emerge by considering the component parts of related fiscal events in isolation if necessary, and then relating them together.8

We therefore have the curious outcome where Pareto and Borgatta insist on the importance of considering both economic equilibrium and social equilibrium, but with Pareto only exerting a significant influence on Borgatta’s specification of social equilibrium. In regard to economic equilibrium and fiscal theory, Borgatta adopted a much more generic approach than that advocated by Pareto.

5) Borgatta, Pareto and Fiscal Sociology

The case for classing Borgatta as a direct follower of Pareto largely rests on “Lo Studio Scientifico dei Fenomeni Finanziari”. The similarity is evident in many aspects of their work. They both rejected the ‘hedonistic’ line and treated the defining character of fiscal activity as fiscal, or extra-economic, redistribution. Furthermore, Borgatta used Pareto’s general sociology to study the relationship between fiscal redistribution and: (i) movement in social equilibrium, which leads to endogenous changes in social utility, and (ii) the cyclical and trend movement in economic activity. In doing so, Borgatta enhanced aspects of Pareto’s work, especially his observations on the relationship between speculators, the masses extra-economic redistribution and economic growth.

When Fasiani (1931-32 and 1932-33 [1980]) wrote his assessments of the political – sociological approach of Borgatta and Sensini, their Paretian heritage was foremost in his mind. However, in the course of Borgatta’s academic career, the direction of his research altered significantly. A body of work in fiscal theory emerged that covers issues ranging from methodology, dynamics, applied statistics and the theory and policy of extra-ordinary finance (Scotto 1950). For the purpose of this study it is adequate to note that the first book of his Principi Generali di Scienza delle Finanze: Appunti di Scienza delle Finanze e Diritto Finanzario (Borgatta 1934) reports on public needs in a manner consistent with the hedonistic

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8 Boccaccio and De Bonis (2003: 20) point out that Borgatta was one of the first in the Italian public finance tradition to develop a general equilibrium study of tax and expenditure – but this appears to be a reference to .Borgatta’s sociological approach to dynamics and not his approach to static economic equilibrium.
approach, and treats many aspects of the fiscal phenomenon in terms of marginalist analysis. Furthermore, his final major study, *La Finanza della Guerra e del Dopoguerra* (Borgatta 1946), was developed more within a more generically political context, with extra-ordinary fiscal measures introduced in pursuit of extra-fiscal ends of the State. Bellanca (1993) places this latter work as a high point in Borgatta’s original fiscal sociology. However, while *La Finanza della Guerra e del Dopoguerra* is certainly a very important study in public finance, it is not a Paretian study. Furthermore, it has much more of a ‘political’ character than a ‘sociological’ character.

There appear to be several aspects of “Lo Studio Scientifico dei Fenomeni Finanziari” that may suggest why Borgatta did not continue developing a fiscal sociology along Paretian lines. First, his incorrect positive interpretation of Pareto theory of social utility suggests that he believed the impact of fiscal events on collective welfare could be assessed, whereas such positive assessments were simply beyond the scope of Pareto’s treatment of the subject. Consequently, enhancements here were not possible without first adding to welfare theory. Second, he constructed ‘fiscal sociology’ on an essentially deductive basis, with little or no consideration on how hypothetical explanations should be verified to make the study an ‘experimental science’. This meant that fiscal sociology could be Paretian only to the extent that it relied on theory derived from Pareto’s sociology, but provided little scope for developing that theory by partially disconnecting it from Pareto’s experimental methodology. Third, he regarded his most original observations and deductions on the very long period relationships between fiscal events and economic growth as ‘irrefutable’, so no further development was required. Although, given his less strict interpretation of the scientific method, the matter could not be considered as settled. Forth, Borgatta relied extensively on Pareto’s dualistic illustrations of theoretical concepts (e.g. speculators and rentiers), which provide very limited scope for theoretical development of fiscal events. Finally, the scope that Borgatta assigned to economic analysis was much wider than that of Pareto. There was no commitment to: a general equilibrium study of the effects of fiscal events on economic equilibrium; or prohibition on considering the effects of single fiscal events on economic equilibrium in isolation from related events (so the incidence of tax could be considered, rather than the Paretian position of considering the net effect of related fiscal events – tax, debt and public expenditure – on general economic equilibrium). The net effect of these observations is the there were relatively more obstacles to further developing a Paretian fiscal sociology than Borgatta had appreciated in 1920.
Interestingly, in spite of Borgatta’s subsequent and more obvious deviations from the Paretian approach, he is still mainly remembered for his contribution to the Paretian stream of Italian fiscal sociology. Consider the influential assessment of Buchanan:

“All certain theorists, especially Borgatta, the most direct follower of Pareto, reject any attempt to use economic analysis in the explanation of fiscal activity. To Pareto and to Borgatta, state decisions are made by a different sort of calculus, and there is no such thing as a ‘science of finance’ analogous to economic science. The explanation for fiscal activity should be sought instead in the murky science of sociology.”

James Buchanan (1960: 36).

In terms of the sociology of scientific knowledge, this dominant legacy can be explained by many potential factors. Three of the most important are:

1) Interest from Pareto scholars: “Lo Studio Scientifico dei Fenomeni Finanziari” is a particularly important document for historians of economic thought investigating Pareto’s intellectual legacy in Italy. It was published just four years after Pareto’s *Trattato di Sociologia Generale*, when interest among economists in the relevance of Pareto’s *Sociologia* to understanding economic activity was at, or close to, its highest point.

2) The fundamental issues considered in Borgatta’s fiscal sociology: “Lo Studio Scientifico dei Fenomeni Finanziari” provided a critique of the hedonistic approach to public finance and introduction to fiscal economics as an aspect of fiscal sociology. As such, the reaction to fiscal sociology among Borgatta’s peers, and commentators on Italian fiscal studies, was strong especially given the polemical aspect of Borgatta’s early work. His more mature, and generally less well-remembered, works provided more incremental advances and were less polemical.

3) Borgatta’s on-going reference to fiscal sociology and Pareto: while there is little doubt that the character of Borgatta’s work evolved away from its Paretian roots, it is evident from many sources, including “Vilfredo Pareto” (1923), *Principi Generali di Scienza delle Finanze: Appunti di Scienza delle Finanze e Diritto Finanziario* (1934) and *La Finanza della Guerra e del Dopoguerra* (1946), that he did not repudiate either the Paretian approach or the general need for a sociological perspective on public finance, even though the contents of these works bear less and less sign of either Paretian fiscal sociology. For example, the *Principi Generali di Scienza delle Finanze: Appunti di Scienza delle Finanze e Diritto Finanziario* indicates that the science of public finance considers economic, technical and sociological aspects of fiscal activities (1934, p11) and that politico-sociological inquiry into
fiscal activities along the lines inspired by Pareto is important (1934, 59). Also, *La Finanza della Guerra e del Dopoguerra* suggests that the study of extraordinary public finance offers a grandiose confirmation of the sociological nature of the fiscal phenomenon (1946 p.22) and that considerations raised by Pareto, on the selection of research method and the causes of the political and social order, need to be taken account (1946, p.233). Notwithstanding this, it was the economic-technical, and legislative, characters of relations that came to dominate his analysis of essentially political ends, with the more profound, and more difficult to treat, ‘sociological’ character of finance noted, rather than developed.

6) Conclusion

The fiscal sociology that emerged in “Lo Studio Scientifico dei Fenomeni Finanziari” is historically significant for: (i) highlighting the relevance of Pareto’s general sociology to the study of the fiscal phenomenon; (ii) enhancing aspects of Pareto’s work, especially the more complete explanation of the relationship between fiscal redistribution, speculators, innovation and long term economic growth; and (iii) deviating from Pareto’s strict experimental methodology, which contributed to an enlarged role for an economics of fiscal events within fiscal sociology. In view of these three factors, together with Borgatta’s general influence on the Italian fiscal tradition, “Lo Studio Scientifico dei Fenomeni Finanziari” is an important moment in Pareto’s intellectual legacy in Italy. Historical reviews have generally treated Borgatta’s fiscal sociology in the context of the first, and occasionally the second, of the above points; although Bellanca (1993) is a notable and important exemption.

Finally, some reasons why Borgatta did not advance fiscal theory along the Pareto line subsequent to “Lo Studio Scientifico dei Fenomeni Finanziari” have been considered in this study. It is tentatively concluded that the deviation from Pareto’s experimental methodology provided ready scope for more economic analysis (given the state of economic and fiscal theory) while the scope for further sociological analysis was constrained by: the need to develop a positive approach to collective welfare, which would require a considerable advance in the theory of social utility, before meaningful sociological assessments of welfare could be made; and Borgatta deciding that some important sociological aspects of fiscal theory advanced in “Lo Studio Scientifico dei Fenomeni Finanziari” were already settled, such as the very long period relationships between extra-economic redistribution and economic growth.
References


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