

FRANCESCO FERRARA AND VILFREDO PARETO, READERS OF FRÉDÉRIC BASTIAT¹

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Abstract

Frédéric Bastiat (1801-1850) had a considerable influence on Italian debates. In this paper, I will consider how two giants of Italian economics, Francesco Ferrara (1810-1900) and Vilfredo Pareto (1848-1923), read and understood Bastiat.

Both Ferrara and Pareto were classical liberals and shared many of Bastiat's values, but each viewed Bastiat's contributions differently. Both their agreements and criticisms may help us better appreciate Bastiat's originality.

Bastiat had a profound influence on Pareto's basic understanding of government institutions, which he built into a complete political theory. Ferrara investigated in detail the theories of the French economists, including Bastiat, and highlighted points of originality that are still today not properly appreciated.

The influence of Bastiat over European economists of his time not being fully appreciated, I hope this paper may help in understanding the extent he helped his contemporaries and successors to focus their own thinking.

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Introduction

Frédéric Bastiat (1801-1850) had a considerable influence on contemporary Italian economic debates.³ Italian thinkers who commented on his work include economist and statesman Marco Minghetti (1818-1886) and the Jesuit philosopher Luigi Taparelli d'Azeglio (1793-1862).⁴ In this paper, I will confine my work to the analysis of how Bastiat was read, understood, and at times criticized by Francesco Ferrara (1810-1900) and Vilfredo Pareto (1848-1923).

Ferrara and Pareto were, beyond all doubt, the two most prominent Italian economists of the late 1800s and early 1900s, and they enjoy an ideological proximity with Bastiat. Ferrara was the most vocal champion of limited government and free trade in the 19th century. Pareto is the best known of a small and yet pugnacious group of Italian economists who followed in the footsteps of Ferrara (though at times they differ sharply from him in their methodology) in advocating free markets in unified Italy.⁵ Bastiat was a truly important figure in the intellectual development of both Italian thinkers: he embodied the model of an economist deeply engaged in debates of the day for the sake of promoting freedom.

The fact that Bastiat was rediscovered in the 1950s by the American organization, the Foundation of Economic Education, and made a poster child of contemporary conservatism and libertarianism often leads us to forget how well established a thinker he was in his own time. David M. Hart has already pointed out that Bastiat had quite a few “supporters in the late 19th century outside France, especially in Italy, a small group in England, and the United States. Vilfredo Pareto was a great admirer of both Bastiat and Molinari and many very favourable remarks about their work can be found in his writing” (Hart 2004: 17). While Molinari (1819-1912) was always a point of reference for Pareto, his appreciation of Bastiat was more nuanced, and it evolved with the passing of time. Likewise, Ferrara, an admirer of Bastiat, had a number of criticisms of his champion, particularly con-

³ Bastiat's works were promptly translated. As far as I was able to ascertain, in his lifetime there were Italian editions of the *Economic Sophisms* (Florence, 1847; Venice, 1847; Naples, 1848), *Capital and Rent* (Florence, 1849), *Cobden and the League* (Naples, 1849), *The State* (Florence, 1850), *What Is Seen and What Is Unseen* (Florence, 1851), *Economic Harmonies* (Turin, 1851).

⁴ For a critical analysis that includes a summary of Minghetti and Taparelli's critique see Cubeddu and Masala (2001).

⁵ For a summary, albeit short and imperfect, see Mingardi (2017).

cerning his theory of value. But Pareto came to challenge Bastiat's status as a theorist and considered him more of a popularizer, while Ferrara continued to respect him as an original thinker.

Francesco Ferrara and Bastiat

While Pareto's influence reached well beyond Italy's shores, the same cannot be said of Ferrara's. Francesco Ferrara's greatest accomplishment was the *Biblioteca dell'economista*, a collection that included the main texts of classical political economy, which Ferrara edited from 1850 to 1868. The volumes were prefaced by lengthy introductions by Ferrara himself,⁶ which were economic treatises in their own right. The *Biblioteca dell'economista* was Ferrara's magnum opus: a carefully annotated and prefaced collection of everything worth reading in the emerging economic science. This collection was "aimed to one goal: to shape a suitable governing class for the future" (Roggi 2007: 23). In his selections, Ferrara acted in his capacity as both a scholar and a committed classical liberal: he selected authors and works he deemed to be scientifically essential but also recommended ideas that he thought were good and needed to be advanced in Italy. In the *Biblioteca dell'economista*, Ferrara included Bastiat's *Economic Harmonies* in the same volume in which he published Joseph Garnier [1812-1881]'s *Elements de l'économie politique* (1845) and John Stuart Mill [1806-1873]'s *Principles of Political Economy* (1848).

Ferrara was ten years younger than Bastiat and outlived him by half a century. Like Bastiat, he engaged in the political life of his homeland, becoming a senator and –briefly– minister of finance (1867) and member of the Italian Fiscal Court. Regardless of these considerable personal achievements, Ferrara, in spite of considerable personal prestige, did not succeed in firmly establishing a classical liberal tradition in Italy. Also like Bastiat, he did not establish an "academic school" in any meaningful sense, even though Ferrara was widely admired by the economists of the next generation (who include Pareto alongside Maffeo Pantaleoni [1857-1924] and Antonio De Viti De Marco [1858-1943]). Ferrara's true, self-conscious disciple was Tullio Martello (1841-1918), who expanded Ferrara's insights on money and banking.

⁶ With few exceptions, the most notable among which is Adam Smith's *Wealth of Nations*.

Ferrara's body of work is considerable and, though he never completed a single economic treatise cover-to-cover, his collected works count to more than thirteen thick volumes: prefaces to the *Biblioteca dell'economista*, articles, parliamentary speeches, and lecture notes. Bastiat was clearly a hero to Ferrara. He made references to Bastiat widely in his works. His Introduction to Bastiat's *Economic Harmonies* was rich and dense, and shows how moved he was by Bastiat's untimely passing. His essay was republished in the second Italian edition of the *Economic Harmonies*, printed by Utet in 1951.⁷ No less moving is the obituary for Bastiat that Ferrara published in 1851 on *La Croce di Savoia* (Ferrara 1851b). We know from another article in *La Croce di Savoia* that, upon learning of Bastiat's passing, Ferrara gave an "Homage to Bastiat," defining him as "the claim-bearer of supreme providence" (Ferrara 1851c: 195).⁸

Ferrara's obituary and even more so the *Introduction* are thick with biographical details, from Bastiat's childhood onward, using information Ferrara openly gleaned from articles published by Gustave de Molinari and Prosper Paillottet (1804-1878), who was later to edit *Bastiat's Collected Works*. Ferrara frequently praises Bastiat's modesty, his intellectual and personal courage, his moral straightforwardness. He considers Bastiat to have been completely consistent, pointing out that "once only (...) Bastiat seemed to flinch in his principle of non-intervention, when this appeared to him to be stretched to an impossible degree" (Ferrara 1851: 61n). That was when he responded negatively to Molinari's proposal to privatize national defense (Molinari 1849).

In 1858, Ferrara closed his academic course with a stirring paean to economists, including Bastiat. Let the future economist, he said, "take hold of the banner of liberty, and never let go of it; always demand liberty for all, liberty in all, liberty in spite of any challenge; let him teach it, let him demand it without regard of himself; let him be another link in the golden chain which started with Quesnay and

⁷ Utet was the historical follower to the Cugini Pomba's publishing house, which published Ferrara's *Biblioteca dell'economista*.

⁸ At the same time, Ferrara noted that Bastiat, who died in Rome, then under the rule of the Pope, died in the region of Italy "which was perhaps more entitled to meet his death with a grin of satisfaction or a smirk of mockery" (Ferrara 1851c: 194). In replying to the criticism by the editor of the Catholic journal *Armonia*, who apparently pointed out that Bastiat died in the comfort of the faith, Ferrara observed that Bastiat didn't aim to be critical of the Catholic faith but of the authoritarian regime led by Cardinal Antonelli (1806-1876), the Secretary of State of Pius IX (Ferrara 1851d).

ended with Bastiat, that chain which is among the greatest glories of mankind" (Ferrara 1857-58: 240). Bastiat is thus clearly seen as the end of a "chain" of well-thinking people which is "one of the most beautiful glories of the human race." He explicitly prophesied about Bastiat that "his name shall survive his errors" (Ferrara 1851: 70-71), which he saw mainly in the endorsement of the labor theory of value. He openly compared Bastiat to Turgot (1727-1781).

For Ferrara, Bastiat embodied "that philanthropic or affective tendency whose lack leads Political Economy to become barren or corrupt" (Ferrara 1851: 3). He admired the persistence of the publicist, who never let sophistry go unpunished, and maintained that "when one reads again his writings," even apparently repetitive ones, "one cannot fail to be enchanted by his talent" (Ferrara 1851: 32).

Ferrara maintained that the first article that Bastiat published in the *Journal des Economistes* was "one of those articles whence nearly all reputations arise in the world; it came unnoticed and confused in the mass of writings any journalist is fated to receive [but] just reading the first sentences showed the hand of the master" (Ferrara 1851: 11). Yet he thought the turning point in Bastiat's career was the *Sophisms*, a collection of essays, mostly of them originally written for the *Journal des Économistes*. These pieces both revealed the economist and made the author a literary phenomenon. "As long as the *Sophisms* were presented separately in the *Journal des Economistes*, the number of their readers was limited and they remained inconsequential. But when, by the end of the year, a sizeable number had accumulated and Bastiat resolved to publish them in a dedicated booklet, the translator of Cobden's metamorphosed into an original, novel and masterly writer" (Ferrara 1851: 25). Ferrara emphasizes that Bastiat was tremendously productive during the three years before his death. Those were perhaps the years in which he contributed the most to economic theory, while also proselytising for free trade.

Ferrara enthusiastically endorsed Bastiat on a number of issues. He shared Bastiat's idea that "socialism and protectionism were but two faces of the same coin: Thiers and Proudhon, Odier and Blanc, had a common source and one shared intent" (Ferrara 1851: 53). Ferrara, who was himself considered by James M. Buchanan (1919-2013) as founder of that *scuola di scienza delle finanze* that anticipated modern public choice (Buchanan 1960), admired Bastiat's acute diagnosis of political plunder. Bastiat's *Protectionism and Communism* (Bastiat 1849) brilliantly highlighted the fact that both of these ideologies

were motivated by the goal of economic plunder—they were statist ideologies, in spite of their conservative or progressive clothing. “The cardinal and overriding error in both protectionism and socialism is the notion that both coalesce around the State,” Ferrara wrote (1851: 53).

Ferrara quoted Bastiat’s statement that the state is “the great fiction by which everyone endeavors to live at the expense of everyone else” (Bastiat 1848: 97). Then, he said, we can see that:

Protectionists are but a fraction of this *everyone*. They crave laws, but in everything that benefits the interests of their own caste. Communists and socialists—when they genuinely reason from theoretical principles, instead of conspiratorial schemes—are a different fraction of that same *everyone*. They crave laws, but in everything which can exempt them to be subjected to the necessities of human and social nature. And when the notion of law is thus so deeply warped, when it, instead of representing the warden of the liberty and property of all citizens, becomes the source of all charges, recriminations, resentments, usurpations; when it becomes the pretended vessel of all the responsibilities of an individual; we can scarcely be surprised when the sure consequence of this strange distortion is a perpetual state of political convulsions, and of inexorable revolutions. (Ferrara 1851: 55)

Italian liberals of Ferrara’s time tended to have a somewhat uneasy relationship with the issue of educational freedom, what we today label as school choice, since the main provider of private education in Italy, the Catholic church, was also a power deeply opposed to unification and national independence. Pope Pius IX (1792-1878) came to threaten excommunication for those who supported Giuseppe Garibaldi’s expedition, since Garibaldi wanted to proclaim a unified Italian kingdom from Rome. The relationship between the Church and the new state was tense right from the beginning, and it would not ease before fascism took power.⁹

The Church’s skepticism towards liberalism and liberal ideas was matched by a parallel uneasiness on the part of many liberal thinkers.

⁹ In the 1929 Lateran Pacts, Benito Mussolini solved the “Catholic question”: the Pope recognized the Italian state but in turn Mussolini recognized sovereignty over Vatican City and gave some special privileges to the Catholic Church.

If in England liberalism is rooted in the Non-Conformist reproach of the establishment Church, on the continent liberalism reflects more a sense of “enlightenment” against superstition, custom and, thus, established religious authorities. In a nutshell, in Italy the classical liberals who opposed public (government) education and favored competitive schooling were a rare breed (Mingardi 2016). Most took an activist approach in seizing the Church property¹⁰ and in attempting to regulate its access to public opinion.

Ferrara had great sympathy for Bastiat’s saying that “All monopolies are detestable, but the worst of all is the monopoly of education” (Bastiat 1849b: 134). So, for Ferrara, the idea of freeing people from the influence of the clergy through government education was inimical to a serious conception of individual liberty and could backfire. In Ferrara’s reasoning:

All governments are a minority, whenever they are not one, or even one party; now, any class, any party, even though it may be entirely composed of wise individuals, cannot but be a defective instrument as the custodian of education, as it only represents a group of principles and interests ... The one fruitful education can only emerge from the clash of different ideas in the mass of men; the government cannot be a wise class, all the more so in a free government, where is greater the number of individuals which can participate to it, and where it often happens that what drives men is far from being education. (Ferrara 1857-58: 208)

Ferrara’s way of arguing was perfectly attuned with Bastiat’s. The French economist reminded his readers that “the state” was “more precisely, the party, the faction, the sect or the man who briefly and even very legally takes control of government influence” (Bastiat 1850b: 188). In contrast with the anti-clericalism of his fellow Italian liberals, Ferrara had no problem with the Church: “let the clergy be free to teach, to have seminars and colleges, to have books informed to its ideas, to avail itself of the confessional to make its principles triumph; the nation which finds itself in these circumstances shall still

¹⁰ As minister, Ferrara advanced a plan for liquidating the ecclesiastical estates, aiming at “leaving the Church free to manage the liquidation of its own assets and the disposal of the associated revenues [after] a suitable fee was paid to the State as a one-off duty.” This scheme was deemed to be “too indulgent and obliging to the Church.” This fact played a role in Ferrara’s resignation.

be capable of amassing wealth, establish associations, create institutes, promote other books, spread different ideas" (Ferrara 1857-58: 209).

The Italian economist showed little patience with the idea of monopolizing education. He deemed education to be "progressive," whereas government ought to be "stable": novelty, openness to new ideas, a level playing field for new players are what make intellectual progress. He realized that a monopoly in education would have the effects that monopoly has in all other realms. Teachers "are naturally inclined to rest on the monopoly they are granted; for them all efforts are limited to achieve tenure and become secure in their office; science shall come later, if ever" (Ferrara 1857-58: 209). Ferrara's argument resembles the forceful point made by Bastiat that classical education and official university degrees have "the triple disadvantage of *making teaching uniform* (uniformity is not unity) and of *freezing* it after having imprinted it with the *most disastrous orientation*" (Bastiat 1850b: 185). Bastiat equated bad teaching with socialist doctrines, and Ferrara would have supported the point.¹¹

Ferrara knew that in Europe the government's education monopoly was "welcomed as a blessing" because it was a "cudgel against the Church." He finds it paradoxical that "the remedy against the clergy's monopoly was sought ... not in liberty, but in a broader and stronger monopoly." But he was well aware that "no writer, philosopher or economist refrains from speaking on behalf of the government's monopoly" of education, including classical liberal heroes of his like Turgot (Ferrara 1857-58: 215).¹²

Ferrara particularly appreciated the contribution of Bastiat in favor of the "parents' right to teach and educate their children as they see fit." "Bastiat was the one who dared to write, *Tous les monopoles sont détestables, mais le pire de tous, c'est le monopole de l'enseignement*" (Ferrara 1857-58: 216).

11 Bastiat repeatedly stressed the role of free market economists in educating the general public (Leroux 2011: 96). Ferrara, who was himself a tireless "opinion-maker" on policy matters (Fauci 2014:109), had a similar, high-minded view of the civic mission of economics, a "science which often takes upon itself the task of putting right the injustices that men are led to commit by factions and interests" (Ferrara 1851: 11)

12 Standing against the educational monopoly could indeed be a costly business. The preceding quotations come from a lecture Ferrara gave in 1858, which caused him to be suspended from teaching at the University of Turin.

In his introduction to the *Economic Harmonies*, Ferrara devotes a long footnote to show how broad was Bastiat's concept of freedom to teach "in the very country of university monopoly" (Ferrara 1851: 56-59n). He produced quotations from Bastiat's works on the subject and praised Bastiat's *Baccalaureate and Socialism* (Bastiat 1850b), pointing out that:

Bastiat introduced himself in this ancient struggle between the university's and the clergy's monopolies to proclaim that both are the children of the same error; that the intellectual career, the official teaching, whenever it is compulsory and exclusive, is but a further step to ascend to Utopias and just a different form of confiscation of human rights. (Ferrara 1851: 56)

Particularly among today's Anglo-American libertarians, for whom school choice is a bastion of classical liberal public policies, the extent to which Bastiat and Ferrara, by favoring multiple sources of education, were outliers even in the classical liberal environment of the time may go unnoticed today. But they took a position motivated by their understanding of, and love for, freedom, even when the opinions prevalent among otherwise liberal-minded people favored government monopoly.

The second major point of agreement between Bastiat and Ferrara was their understanding of free trade.¹³ That should come as no surprise, but I'd like to focus on a couple of points that are only apparently peripheral.

Human diversity, for Ferrara as well as for Bastiat, was at the root of the fact that exchange is a characteristic of human beings:

In truth, men are greatly different from each other; different are their physical, intellectual, and moral faculties. Rightly noted, under this respect, Bastiat when he said that it is next to impossible, in the entire length of Creation, to find two men who are perfectly alike; nay, it is impossible to find a man who is perfectly alike his very self in two different times of his life. Strengths, talents, inclinations, everything is different. It is thus no wonder that men must naturally incline to deal with different endeavors (Ferrara 1856-57: 181).

¹³ This list does not, of course, include *all* agreements between the two. Ferrara, for example, appreciated Bastiat's polemics countering Proudhon (1809-1865). Pareto, as we'll see, did not.

Ferrara—like Bastiat—also addressed the question of whether exchange is the cause or the effect of the division of labour.

It is both, Ferrara argues:

It is the effect of the division of labor, insofar as the notion of exchange entails the notion of different products and the hands of different men, that some have a surfeit [of some quality], and others have a deficiency. But, on the other hand, it is no less true that exchange is a cause of the division of labour, which is broadened and strengthened by the awareness that one's circumstances can be changed (Ferrara 1856-57: 211).

The mutually reinforcing effect of exchange and division of labor is another way of restating that “the division of labour is limited by the extent of the market.” This Smithian truth has much to do with Ferrara’s great fondness for a term used by Bastiat but seemingly neglected by all other commentators. The term is *l’appareil de l’échange*, which Bastiat used in the *Economic Harmonies*. The translation used in the English editions is “the machinery of exchange,” which, as David Hart kindly pointed out to me, is consistent with how mechanical or clock metaphors were typically translated. The Italian translation by Ferrara is “l’apparecchio del cambio.”

So, writes Bastiat in the fourth chapter of the *Economic Harmonies*:

When exchange thus comes to a halt because it ceases to be advantageous, the least improvement in the commercial machinery gives it a new impetus. A certain number of transactions are carried on between Orléans and Angoulême. These two towns exchange whenever this procedure brings more satisfactions than direct production could. They stop exchanging when production by exchange, aggravated by the costs of the exchange itself, reaches or exceeds the level of effort required by direct production. Under these circumstances, if the machinery of exchange is improved, if the middlemen lower their costs, if a mountain is tunneled, if a bridge is thrown over a river, if a road is paved, if obstacles are reduced, exchange will increase, because the inhabitants wish to avail themselves of all the advantages we have noted in exchange, because they desire to obtain gratuitous utility. The improvement of the commercial machinery, therefore, is equivalent to moving the two towns closer together. Hence,

it follows that bringing men closer together is equivalent to improving the machinery of exchange. And this is very important, for it is the solution of the problem of population; here in this great problem is the element that Malthus has neglected. Where Malthus saw discord, this element will enable us to see harmony (Bastiat 1850c: 77-78).

In his university lectures, Ferrara clarified the point:

[A]ccomplishing exchange requires a two-fold order of means. Some tend to make the products available to the men who need to purchase them; others tend to make possible the dual transfer of the two things that are to be exchanged. The first constitute what Bastiat called the machinery of exchange, the second embrace measures, money and their surrogates.

The machinery of exchange is a collection of objects men prepare to bring the product closer—in space or time—to its consumer. This includes the means of communication and transportation, and the means of preservation. Its use is tantamount to the last phase of production as, once the system of exchange is introduced, any product can be deemed as unfinished until it is made available to those who need to consume it (Ferrara 1856-57: 214).

We may perhaps say that the translation of *l'appareil de l'échange* as “the machinery of exchange” is a bit misleading. What Ferrara and Bastiat referred to was the complex of actions that are needed to bring products to markets: they highlighted the importance of the means of transportation and the means of communication as devices necessary to make for a wider division of labor (“the machinery of exchange includes the means of communication and transportation, and the means of preservation of merchandise” [Ferrara 1857-58: 96]). But they also thought of financial instruments, like insurance (Ferrara 1857-58: 106-107), which spread the risks for international transport and thus help in growing the nexus of exchanges. Ferrara clearly had a sense of how technological and communications improvements may have an effect comparable to the widening of international exchange, lighter tariffs, or the abolition of “protection.” Bastiat had likewise pointed out that “the fewer obstacles an

exchange encounters, the less effort it requires, the more readily men exchange." Obstacles are removed if political barriers are lowered and likewise with technological progress ("if a mountain is tunnelled, if a road is paved"). Indeed, "the improvement of the commercial machinery, therefore, is equivalent to moving the two towns closer together" (Bastiat 1850c: 78).

Ferrara truly had an "exchange-centric" vision of economic life, as he stressed that "any product can be deemed to be unfinished *until it is made available to those who need to consume it.*" This is why each and any trade can be considered part of a wider "system of exchange" (perhaps an alternative translation could be "framework of exchange"), which serves the purpose of facilitating trade. This theme may have became apparent to Bastiat and Ferrara because of the great international fairs: Bastiat praised the privately funded 1851 London Exhibition in *What is Seen and What is Unseen* (Bastiat 1850). For Ferrara, these fairs were the modern equivalent of medieval fairs, which played so crucial a role in bringing demand and supply together. In particular, "fairs are an excellent means of advertising, and—since advertising is an enormously powerful instrument of industrial progress—fairs... can be deemed to be an indirect organ of international trade and be thus included in the means of communications" (Ferrara 1857-58: 118).¹⁴ Ferrara particularly admired the London 1851 exhibition, as did Bastiat, "as the British government took no part whatsoever into the Universal Exhibition" (Ferrara 1857-58: 113).

Their emphasis on the system of exchange signals that Ferrara and Bastiat understood the role of searching and information costs and the costs of bargaining in making commercial transactions possible. By referring to a "system" (or structure), they—though profoundly committed to the *political* lifting of protections—showed an understanding of the fact that the efficiency of such a "system" may increase also for purely technological reasons.

Ferrara was not, however, an uncritical admirer of Bastiat. Perhaps the most remarkable element in Ferrara's thinking is his subjectivist approach: he had the intuition of the decreasing utility of suc-

14 Ferrara even fantasized about a day when the great exhibitions "become an everyday occurrence in the central nodes of international trade. Let us imagine a place where the several industries present a sample of their wares, where anybody can find a brief of the things that interest him and the means of any production *without the need of correspondence and expense*" (Ferrara 1857-58: 118). A contemporary parallel is the Internet, which dramatically lowers information and search costs.

cessive quantities of a good. According to him, value is determined by individuals' choices on how to achieve equivalent utility by substituting between different goods for the least cost possible or between producers of the same good, either in space or over time.¹⁵ Ferrara's approach to the issue of value is markedly anti-Ricardian and as such he doesn't condone what he regards as Bastiat's shortcomings, which he thinks Bastiat has derived from Henry Charles Carey (1793-1879). He considered Bastiat almost a plagiarist of Carey's theory of rent.

At this point, I shall make a short detour on the concept of "cost of reproduction," which is so central to Ferrara's theory and his criticisms of Bastiat. Ferrara's theory of value is at the heart of his understanding of exchanges, of his "exchange-centric" economics. For Ferrara anything "shall be valued 100 liras or 1, whenever the man who assigns either value is convinced that the value of reproduction—namely, the sum of the pains needed to procure it—corresponds to the sum of the cares subsumed into the amount of metal styled as 100 or 1 liras" (Ferrara 1856: 351).

Ferrara thinks that each party is willing to perform the exchange if the price of the good he wishes to obtain is less than the *reproduction cost* of the good itself. This latter amounts to a mental calculus concerning the costs that the buyer would have to pay if he attempted to obtain the good in some alternative way—for example, by producing it directly, or by resorting to a surrogate. This last element becomes apparent in thinking about works of art or design: a "physical" reproduction by the buyer of a specific painting would have a cost that is practically infinite for somebody lacking the skills and ability of the painter, and yet such goods can be exchanged, as the buyer would estimate its reproduction costs through the purchase of surrogates, that is by comparing the painting in question with less rare works.

Ferrara sees the market as the place where innumerable evaluations are continually made concerning the reproduction of goods, these evaluations being the result of subjective evaluations concerning pleasure and pain. The theory has clear distributive implications. Ferrara thought there was no "unearned income," no "surplus value," precisely because he saw exchanges as the nexus of intersubjective evaluations of "reproduction costs."

Thus, we can see what Ferrara rejected from Bastiat: his theory of value. Ferrara didn't "understand" how Bastiat "never discerned

15 For an analysis of Ferrara's subjectivism, see Bonaccorsi di Patti (2001).

in the labour theory of value the doorstep to communism, on the one hand, and despotism on the other" (Ferrara 1851: 117-118). He thought that "the economists who have advocated the perfect rehabilitation of the individual" should think differently: "I do believe in contrast that science's most urgent need is to rehabilitate the notion of ownership, and to rehabilitate it exactly in its less conciliatory and most harsh aspects. *No one owns what he has labored for.* This is a palpable fact, ancient and, I believe, probably fated to be eternal" (Ferrara 1851: 119).

In reading the *Economic Harmonies*, Ferrara thought Bastiat considered the harmonies the effect rather than the condition, so to say, of liberty,¹⁶ but he saw Bastiat was at times ambiguous on the matter, creating a possible misunderstanding. All in all, Ferrara was puzzled by the emphasis on the tendencies toward equilibrium that he found in the book. According to Ferrara, in Bastiat's treatise he

leads us to surmise ... that wherever liberty obtains, a balance is reached between labor and value, and for this reason harmony is engendered; such as, in his system liberty is not the cause of harmony, but insofar as it occasions balance. The condition of harmony is no longer ... liberty, as instead the balance between labor and value (Ferrara 1851: 116-117).

For Ferrara, then, "science would incur a woeful mistake, were it to endorse the principle that injustice reigns wherever monopoly obtains, in its most generic sense," because:

For us monopoly, privilege, the happy accident of birth shall not be odious, shall not be an obstacle, if it stems from nature, if extinguishing it does not depend on human efforts. If property and inheritance are unavoidable occurrences, we are ready to suffer them in our system, as they are in actual fact, we shall not endeavor to disguise them under the cloak of labor-value. We shall keep paying the rent to our landlord, the interest to the owner of capital, exactly as we pay for a double price of admission to a theatre to see the performance or listen to the sublime voice of a Rachel or a Talma (Ferrara 1851: 117).

¹⁶ Ferrara's interpretation is similar to Salin's (2012: xxv).

In short, Ferrara's criticism of the *Economic Harmonies* is rooted in his dread that any endorsement of the labor theory of value may turn into an indictment of the market process. With the benefit of hindsight, it's hard to argue with that.

Vilfredo Pareto and Bastiat

Vilfredo Pareto is often celebrated as a central figure in the development of social science, neoclassical economics, and sociology alike—but he is seldom associated with the free market radicalism that marked his essays as a young man and pops up in his later writings, too. Yet libertarianism was no small part in Pareto's life. He was profoundly influenced by Gustave De Molinari, whom he addressed in private correspondence as “dear Master” (*cher Maitre*) and, like Herbert Spencer, was very frequently and respectfully quoted by Pareto.

Pareto's appreciation of Bastiat is a somewhat different matter. Pareto was born in 1848 and read Bastiat for the first time in 1864, when he was 16. The French economist's works left a permanent impression on Vilfredo, who, as a young man, extolled the virtues of free exchange and pacifism.

Pareto himself stresses how substantial was Bastiat's influence on his own thinking, and on his decision to embrace the social sciences:

I was approximately sixteen when I chanced to read two authors of a completely opposite nature, Bossuet and Bastiat. I heartily disliked the first, whereas the second fully pleased my sentiments, which under this respect were in utter contrast with those of the people who surrounded me at that time, such as I can state that they weren't acquired, but were a consequence of the temperament I had since my birth. (Pareto 1907: 807)

Pareto's father was deeply influenced by the nationalism of Giuseppe Mazzini (1805-1872). Therefore, as he found himself in deep disagreement with Bossuet and in strong agreement with Bastiat, Pareto thought that reading Bastiat had stirred his deepest political sentiments, which were aligned with a desire for freedom. The young Pareto's liberalism was deeply influenced, as shown by Mornati (2015), by John Stuart Mill (1806-1873)'s works. And yet, having to trace the origins of his thinking, Pareto mentioned this fundamental choice, between Bossuet and Bastiat.

To have a sense of where Pareto stood in his thirties and forties, let's quote an 1892 letter to Maffeo Pantaleoni, a friend and recipient of a lifelong stream of letters. Pareto proclaimed that "I believe, with Spencer, that human society progresses by distancing itself from the military type, to draw near to the industrial. As far as I am concerned, I shall ally myself with whoever endeavors to undermine militarism, regardless of their *motives*" (Pareto 1892: 255).

With the passing of time, Pareto's opinions on Bastiat, and liberalism, evolved. The young Pareto was an enthusiast for peace, retrenchment and reform. He thought a more limited government and thus a more ample space for liberty were at hand—and that the movement needed courageous and committed men. For this reason, he sympathized with Bastiat, both as a thinker and as a political activist. Later in life, Pareto abandoned his youthful hope and developed a realistic if not cynical view of politics and social affairs and scorned those whom he labeled the optimist economists. Yet he maintained, as we will see, an appreciation of Bastiat as a scholar who understood the nature of politics as plunder—a view, as it has been pointed out, that was a forerunner of public choice (Leroux et al. 2013).

The evolution of Pareto's attitude toward Bastiat can be clearly discerned by comparing his treatment of Bastiat in his different works. Bastiat is a point of reference in numerous occasional writings of the 1890s, when Pareto was still a free market economist who paid close attention to the contemporary political debates. In the 1896 *Cours d'Économie politique*, Bastiat is criticized but also sometimes mentioned with admiration, and Pareto recommends to the reader *Protectionism and Communism*, "Property and Plunder", "The Physiology of Plunder" (Pareto 1896: 420n, §483n). In contrast, in Pareto's 1902-1903 *Les systems socialistes* criticism prevails, and in his 1911 *Manual of Political Economy* the name of Bastiat doesn't even appear.

In his sixties, Pareto satirizes what he saw then as his youthful *credo*:

Political economy, as it was established by the so-called classical economists, was a perfect, or almost-perfect, science; it only remained to put into practice its principles. It was thus required to imitate Cobden's League, the most fruitful and loftiest example for mankind in centuries. In politics, the sovereignty of the people was an axiom, liberty a universal cure-all (Pareto 1907: 809).

Pareto suggests that his intellectual positions evolved toward the ideas of a “liberal conservative, more or less in the mould of G. de Molinari.” Much speculation has taken place over Pareto’s enthusiasm for fascism and Benito Mussolini (1883-1945). In this context, suffice to remember that Pareto died in 1923, when the Fascist regime was far from consolidated and could hardly be said to have shown its most worrisome products.¹⁷ Yet it is true that Pareto came to disregard his youthful hopes in liberty as somehow childish.

As a young man, as we could deduce from his own self-satire, Pareto nurtured profound admiration for Bastiat as a political organizer as well as a thinker. He found Bastiat’s efforts to mobilize French free traders admirable and yet doomed to failure, not because Bastiat lacked merit or passion, but by virtue of the structure of French society. Unlike in England, what mattered in France were arguments *ex autoritate* rather than the force of the arguments; social rank, not reasoning, prevailed. Pareto sympathized with Bastiat as he thought the same was true in Italy.

British liberals were men of commerce and enterprise, practical men who entered politics for the sake of easing constraints on trade and economic freedom. In France and Italy politics was closer to a court affair, monarchical in its bones, a stylistic exercise in dressing up special interests. Even liberals joined the political game quite often as a vanity project. “In England, men served a principle. In France, principle served a few men. And the end matched the means: the English league was strong and triumphed, the French feebly trudged by, to die an undignified death” (Pareto 1872: 102).¹⁸ It is worth remembering that Pareto was born in France and French culture was deeply important for him; for example, he explains the Dreyfus affair as the *casus belli* that spurred his disillusionment with democracy.¹⁹

17 For a proper contextualization, see Raico (1996).

18 Pareto was concerned with the attitudes toward political matters. By looking at tariff revenues as a percentage of the value of imports, John Nye (1991) has disputed “the myth of free trade England and fortress France.” For a critical comment on Nye see Irwin (1993).

19 The outrageous conviction of Captain Alfred Dreyfus (1859-1935), a young French officer of Jewish descent, for allegedly communicating French military secrets to the German Embassy in Paris, shocked Pareto as it did many other liberals throughout Europe. And yet, “after the triumph of the Dreyfusards I was astonished in seeing them use against their opponents no less evil arts than those they complained of. I then fully realized that, if a few naïve individuals, such as myself, followed their principles, a much greater number only cared for their interests. And the same lesson I learned when workers won the long-denied freedom to associate” (Pareto 1907: 810).

Pareto was strongly influenced by Bastiat's essay, "Protectionism and Communism" which he frequently quoted in his journalism as well as in the *Cours* (Pareto 1896). Given Pareto's temperament, one could speculate that the essay was particularly congenial to him, as Bastiat had set out to teach something about the nature of protectionism, and his understanding of freedom, to historian and prime minister Adolphe Thiers (1797-1877). Bastiat's point was that protectionism "is communism of the worst kind," which "begins by putting the skills and the labor of the poor, their sole property, at the disposition of the rich" (Bastiat 1849: 222). This was obviously relevant to the young Pareto, who often satirized the Italian right-wingers.

An 1895 letter to Pantaleoni is even more telling. In order to praise Walras (1834-1910) and the highly formalized economics Walras and he were developing (which Pareto was to perfect), Pareto commented that "those formulas develop" Bastiat's *What Is Seen and What Is Not Seen* (Bastiat 1850) (Pareto 1895: 424). In the *Course* Pareto argues that "it is still useful to read, and re-read, that work, written with an admirable clearness. Once the principles there expounded are fully assimilated, once the dependence of economic facts thus illustrated is well understood, the time will come to advance a further step and to come to a greater exactness, replacing the consideration of a number of isolated occurrences with a general understanding of economic equilibrium" (Pareto 1896: II, 9n §581n).

Still, the more he engaged in developing neo-classical economics' formulas, allegedly implicit in Bastiat's work, the more Pareto reasoned that previous economists had not been *fully* or *properly* scientific. The attitude has primarily to do with economists' recourse to mathematics,²⁰ but it also has to do with the value judgments and the classical economists' willingness to take sides (for example, for free trade).

In *I sistemi socialisti*, Pareto distinguishes between "a scientific and a metaphysical part" in the thought of liberal economists:

[T]he scientific part is, as a rule, quite good: it is the foundation of the modern economic science ... The metaphysical is certainly not much worthier than other speculations of this

²⁰ Actually, Bastiat himself was keen on using mathematics to demonstrate the harmful effects of tariffs, namely how protectionism creates losses for society beyond the companies and individuals directly involved. Bastiat appealed to mathematician François Arago (1786-1853) for help in such an endeavor (Bastiat 1847). On this matter, see Hart (2016: 456-461).

kind. In some authors, such as Adam Smith, it is entirely lacking; in others, such as Ferrara, it is a separate part, that can be removed without altering the sense of his work; and last, in others, such as Bastiat, it is an integral part of their doctrines, and cannot be separated without greatly reshaping them. (Pareto 1902: 294)

In fact, Pareto deems Bastiat's emphasis on "harmonic interests" as woolly metaphysics. He refers to Ferrara's critique of Bastiat, but he is not content with Ferrara's criticism. He doesn't buy into the idea that Bastiat, as Ferrara wrote, considered harmony the effect and not the cause of liberty. For Pareto, when it comes to metaphysics and utopianism, Bastiat is on par with 18th century philosophers:

Nature, the great Laws of Providence, or some other such being, clearly wish our good; if we suffer, it is because we disregarded this good will: by establishing private property, says Mably; by not adopting liberty, asserts Bastiat; and, if socialists were inclined to adopt this kind of argument, they might say: by failing to institute collectivism. Men are fond of finding solace from the miseries of this life in reveries of a golden age; some find it in the past, others in the future; Bastiat would find it in the present, provided economic liberty is established. (Pareto 1902: 296)

Clearly Bastiat is taken here as representative of the entire doctrine of classical liberalism. Pareto's indictment may remind us of some criticisms of the minimal state by anarcho-libertarians, who consider limited government hopelessly unrealistic. Pareto thinks that liberalism, insofar as it insists on limiting power, resembles collectivism because "If it were possible to reform men, so that they showed less attention to their own interests, and a greater one to the public's, collectivism would be relatively easy to implement. If it were possible to reform men, so that they renounce to plunder each other by means of the laws, the liberal Utopia might well become reality" (Pareto 1902: 301).²¹

For Pareto, this "liberal utopia" can be predicated on either a mistaken optimism on the prospect of reforms or on a naive tendency to prize the triumphs of markets and the private sector over the expan-

²¹ Pareto concedes that the second change is "easier to implement than the first, as it demands from men a smaller sacrifice of their interests."

sion of governments. Pareto condemns the “optimist” economists²² as “liberal utopians” because “they often overlooked what, in their master’s teachings, concerns plundering, and the modern political plundering in particular—most likely lest they incur the displeasure of the rulers *du jour*—thus insisting on the optimistic side of the doctrine. Thus emerged what might be called a liberal utopia” (Pareto 1902: 300).

Pareto seemingly accuses liberal economists of becoming utopian insofar as they do not take into account Bastiat’s lesson on legal plunder. Claiming the triumph of free trade while neglecting the issue of the nature of the state is, in his eyes, a short-cut to avoid dealing with the transfers of wealth which go with government intervention even in allegedly market economy countries.

Pareto’s use of the locution “liberal utopia” is not without ambiguities: in *I sistemi socialisti*, a “liberal utopia” is also defined as an attempt to conjure up a political order in which the occasions for class struggle are minimized. Liberalism “judges a regime less in view of its form, than taking into account the safeguards it offers its citizens against their being dispossessed, plundered and oppressed” (Pareto 1902: 535). Pareto quotes Molinari on the point, but this sketching of the “liberal utopia” is clearly reminiscent of Spencer’s *Man versus the State*.²³

What is “utopian” in the set of ideas so summed up? For once, Pareto seems to rely more on his personal experience than on his analytic powers. Liberalism “a priori, does not appear to be a utopia. Nonetheless, we must acknowledge that, in practice, at least for the time being, it could not be established. Further, instead of moving closer, we are currently drawing away from it” (Pareto 1902: 536).

Note therefore that Pareto’s evolution “out” of libertarianism does not imply that he changed his opinion on the *nature* of government. What he changed was his view on the possibility of softening such a nature, in short, on the possibility of reform.

While Pareto considers Bastiat’s “metaphysics” (the natural rights foundation of liberty and property) an oddity that keeps the French

²² It should be noted that, in Bastiat’s times and when Pareto was a young man, the word “economist” basically implied the adjective “liberal” (Hart 2012: xii).

²³ In *The Man versus the State*, Spencer makes the point that democratic forms are not tantamount to a political order: “the real issue is whether the lives of citizens are more interfered with than they were; not the nature of the agency which interferes with them.” (Spencer 1884: 24).

economist out of the club of true economic scientists, he acknowledges that “the notion of a natural and providential order which was disrupted by man did probably help in drawing Bastiat’s attention to spoliation” (Pareto 1902: 299). So, if he disdained what he calls Bastiat’s “moralistic” approach, Pareto credited it with Bastiat’s intuition that he holds most dear: the fact that legal plunder is a constant feature of human societies. Bastiat’s adherence to natural law, and his belief that it was possible to distinguish between “legitimate” interactions and “illegitimate” ones, led him to detect with clarity the nature of power relationships. Bastiat’s belief in the power of morality and public opinion led him to maintain that education can produce better policies. The mature Pareto would not go that far any longer, but he still thought that Bastiat got plunder right. He quotes approvingly from the *Sophisms*:

Yet however well disposed or optimistic one may be, one is compelled to recognize that plunder is practiced in this world on too vast a scale, that it is too much a part of all great human events, for any social science—political economy least of all—to be able to ignore it (Bastiat 1845: 129).

“It could not be better stated,” Pareto acknowledges, and considers as an “important truth” Bastiat’s understanding that “plunder not only redistributes wealth; it always, at the same time, destroys a part of it” (Bastiat 1845: 131). The difference between the positive, scientific approach and Bastiat’s approach lay in the latter’s hope of bringing society onto another track. “By a singular contradiction, after noting that plundering obtained in all times and all places, Bastiat judges it can cease, by means of the propagation of the truths of the economic science” (Pareto 1902: 300). This is the *utopian* element in the liberal utopia: the belief that liberalism can be successful, which Pareto came to think it could not.

Another criticism of Bastiat by Pareto concerns his theory of labor and interest. For Pareto, Bastiat’s attempt to claim that the interest of capital was “natural, just, and lawful, and as useful to the payer as to the receiver” (Bastiat 1849c: 137) showed a certain “disposition to condone distribution” (Pareto 1902: 298), that is the status quo in wealth, an idea with which Pareto had little patience. “There is well nigh no economist who does not feel the urge of deciding whether ‘interest’ (namely, the rent of savings) is just, fair, legitimate, moral, natural” (Pareto 1896: I, 377, § 441). In contrast to Ferrara, Pareto

considered the debate on the nature of interest between Bastiat and Proudhon as an example of “debates founded on terms which are not rigorously defined” (Pareto 1902: 235). He thought that “the cause of Bastiat’s vacillations is the error in his general theory of value”²⁴ and pointed out that the French economist lacked Bohm-Bawerk (1851-1914)’s understanding of the issue of *time*, so crucial in coming to grips with the notion of the transformation of economic goods.

But this latter critique of Bastiat *as an economist* fits in the same class as Ferrara’s. As we have seen, Pareto’s most pointed criticism concerned Bastiat’s “moralistic” approach, his emphasis on the *justice* of the market system. This was a way of thinking which Pareto enthusiastically endorsed in his youth and abandoned in his maturity, both because he developed a more systematic understanding of politics and because his hopes for the future dried up. And yet Pareto continued to find value in Bastiat’s writings that denounced legal plunder. While the mature Pareto was fed up with denouncing, he was content to take it into account. In short, as Pareto became more of a *positive* scientist and a disillusioned commentator of reality, he found the rich moral fabric of the Bastiats of this world to be odd.

Less interesting but highly influential was another criticism he made of Bastiat. Having dismissed Bastiat’s “metaphysics,” Pareto thought it safe to do away with Bastiat as a theorist altogether:

Bastiat’s works, his pamphlets in particular, are admirable from a literary perspective; great truths clearly expressed are often found in them; they are excellent tools of advocacy, but it needs to be acknowledged that scientifically rigorous proof is often lacking, and that his theories are frequently shallow. They are writings of popularization, not a scientific work. (Pareto 1902: 295)

Pareto’s dismissal of Bastiat as a theoretical economist was not novel or unique. Joseph Schumpeter (1883-1950) later expressed pretty much the same view (Schumpeter 1954: 500). Even Gustave De Molinari downplayed his friend’s accomplishments in his obituary of Bastiat. Molinari, says David M. Hart, wrote that “the French economists had lost their ‘Benjamin Franklin’ (a popularizer of ideas) not another ‘Jean-Baptiste Say’ (an original economic thinker)” (Hart

²⁴ Pareto claims that “Bastiat’s theory of value is wrong, but not more than Marx’s” (Pareto 1902: 306).

2014: 13). By virtue of judgments such as Pareto's and Schumpeter's, even free marketers came to believe that Bastiat was at best a brilliant journalist, not an economist. The very few Italian free marketers were not immune from this belief.²⁵

This blunt dismissal of Bastiat was in some respect a form of self-complacency on the part of the great positivist scientist. The issue of plunder was no minor insight, and Pareto knew that. When it came to democracy, "with penetrating spirit Bastiat evidenced the serious flaws of this regime" (Pareto 1896: II, 49, § 637). To Pareto, social scientists tend to shy away from the problem of the nature of government, as they do not like to deal with the inconvenient truth of the nature of politics and exploitation. Writes Pareto in the *Cours*:

The reproval of plunder caused economists to frequently refrain from investigating it, thus imitating amateur entomologists, who restrict themselves to only catching the most attractive butterflies. A naturalist, in contrast, does not flinch from any insect, not even the most repugnant. Plundering always existed in human societies; we can hope to considerably decrease it, but it is not certain we can ever succeed to make it entirely disappear. (Pareto 1896: II, 423, § 1042)

Bastiat and De Molinari are mentioned as "brilliant exceptions" to the general rule of economists playing amateur entomologists (Pareto 1896: II, 423, § 1042n).

Conclusion

This paper has aimed to present evidence of the influence Bastiat exerted on two intellectual giants—perhaps *the* two intellectual giants—of Italian classical liberalism in the 19th century. Pareto profoundly influenced generations of scholars around the world. Though less internationally recognized, Ferrara had a substantial impact: his *Biblioteca dell'economista* set the tone of the economic discussion in Italy, making the best of contemporary scholarship available to the

25 For the sake of providing an example, this is the case with Sergio Ricossa (1927-2016), a contemporary Italian economist who shared Bastiat's libertarianism and brilliant writing. Brilliant writers are often prone to hostility based upon the prejudice that you can't be profound and yet avoid being obscure. And yet Ricossa, influenced by Pareto, pointed out that "for the excessive eagerness of his broadsides, Bastiat is often expelled from the guild of economists" (Ricossa 1991: 109) and, even in an otherwise laudatory preface to a collection of Bastiat's pamphlets, that "he did not produce significant theoretical insights" (Ricossa 1994: 11).

Italian reader. The attention and respect both these authors paid to Bastiat is in itself a powerful testimony to the influence the French economist exerted, well beyond the boundaries of his own country.

Perhaps the fact that Pareto ended up with a less favorable appreciation of Bastiat than Ferrara is due to the methodological difference between the two, with Pareto buying into (or, actually, establishing) modern, formalized economics. Or perhaps it is due to the fact that Ferrara, who had his own disagreements with Bastiat, was—because of his editorship of the *Biblioteca dell'economista*—a better historian of thought than Pareto was. He weighed Bastiat's shortcomings against his accomplishments, and thought the balance leaned toward the second.

Regardless of his later discontent with “optimistic” economics, Pareto was deeply influenced by Bastiat’s theory of exploitation, which is in a sense the backbone of Pareto’s own political realism. That is, Pareto himself recognized that Bastiat’s influence was far from negligible in the development of his thinking.

We may also argue that Ferrara and Pareto can help us in reading Bastiat as we are still struggling to properly appreciate his most valuable contributions. Bastiat’s points on plunder are well known and yet they are not often viewed as constituting a fundamental anticipation of insights later fully developed by Pareto, and, in an even greater degree, by modern public choice. Ferrara’s appreciation of Bastiat as an advocate of competition in education highlights their common departure from the views of the contemporary liberal establishment. The fact that the Sicilian economist so strongly emphasizes the notion of *l'appareil de l'exchange* points to a seldom noted insight in Bastiat’s work, his understanding that trade blossoms when *sensu latu* transaction costs are reduced. By reading thinkers like Ferrara and Pareto as historiographers of other economists, we may better understand the most original contributions of the thinkers they read. This may well be true in the case of Ferrara and Pareto as readers of Frédéric Bastiat.

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