From Subjectivism to Constitutionalism. The Intellectual Journey of James Buchanan Through His Italian Heroes

by

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Abstract

Most of the following reflections have been inspired by my conversations with James Buchanan. Three fundamental aspects of the Italian tradition left their marks on Buchanan. The first was the particular emphasis on the role of the state; the second was the analysis of subjective cost and the third the application of the latter to democratic public finance. This paper will focus only on the latter two aspects concentrating on two pioneering works on which Buchanan grounded two of his most important books written during the first part of his long career. The first is Public Principles of Public Debt, which was profoundly influenced by de Viti de Marco, the second is Cost and Choice, where along with de Viti de Marco we find themes echoing Ferrara.
1. Introduction and overview.

A relevant part of the reflections at the heart of this paper owes its genesis to personal conversations with Buchanan for over thirty years, which can be split into three periods. The first two periods are coincidental with my two stints as visiting scholar at the Public Choice Center (1984-1985 and 1989) and a third one during Buchanan’s visit to Rome (2006), when he received a Parchment Award at the Faculty of Economics of Sapienza University in recognition of a fifty-year effort to articulate and disseminate insights central to the Italian School of Public Finance and to build further upon the foundation of its thinkers’ works. The 1984-85 academic year was particularly challenging because I attempted to link some fundamental aspects of Ferrara’s subjectivism with Buchanan’s subjectivism starting, however, from the conclusion, namely, *Cost and Choice*¹. But hard as I tried to find a point of contact, there proved to be a task that left me with gaps that could not be easily filled due to the difficulties I struggled with while studying the book.

I wondered aloud whether I would be so bold as to take upon myself the task of connecting these two great thinkers. The answer was soon forthcoming in the postponement of the project and the decision to translate the book into Italian². With an eye to discovering how to accomplish the task, I decided to proceed a step at a time and to this end I found support in Buchanan (1964)³.

Partly due to that translation and partly to my intellectual maturity, I succeeded in overcoming most of the analytical difficulties both on theoretical and practical grounds. I began to be convinced that Buchanan’s analysis in *Cost and Choice* could be extended to public debt. I then entered a third period that can be appropriately characterized as the most interesting because I attempted to highlight the many common points and the few contrasting points, outwardly at least, between de Viti de Marco and Buchanan.

Over a span of more than thirty years, my conversations with Buchanan are ever present in my mind and have stimulated me to re-read Ferrara and de Viti de Marco, often on salient aspects, in a markedly different way from that of the prevailing readings and interpretations, especially on matter of costs, methodological individualism and public debt.

It is on these three themes that this work focuses. Prior to 1955-56 only a book by de Viti de Marco had been fully translated into English and a book had been published by Burnham (1943) outlining the contribution of several Italian scholars, labelled as the Machiavellians. Prima facie, the book seems a jumble of heterogeneous material, but at a deeper analysis proves to be an important source for understanding the Italian political cultural background, including public finance from the late 19th and early 20th centuries. It was an easy task for Buchanan to separate Ferrara and de Viti de Marco from the Machiavellians because Ferrara and de Viti de Marco developed their theories within the concept of exchange, on which he wholly built his theoretical framework. Undoubtedly, Ferrara and de Viti de Marco became Buchanan’s two heroes: Ferrara helped lay the groundwork for subjectivism, de Viti de Marco for methodological individualism, two concepts that Buchanan expounded and became milestones in public debt theory as developed in Cost and Choice. Through his analysis he provides an important step forward in getting Anglo-Saxon scholars to rethink the Italian theory of the state that after Burnham (1943) was equated with Machiavelli’s political theory.

The principal challenge Buchanan set for himself was to show that behind Ferrara’s “cost of reproduction” there wasn’t any objective view, as the linguistic expression might well lead one to believe. At this juncture, he looked beneath the surface and showed that it is a sensation, in Pareto’s terms. This view clearly clashes with Neoclassical economists’ animating claim of cost subjectivity, which had much to do with their spurious subjectivism and which considered utility as objective and not as an evaluation of choosing individuals. Buchanan offered a compelling reason for this mistaken misinterpretation and remarked that it took eighty years to realize that the cost of reproduction was a wrong expression for a correct concept; that is, the opportunity cost.

This paper goes through many of my works dealing with Buchanan’s thought starting from 19874 up to 20195. Through this reconstruction, what emerges prominently is the connection between Buchanan’s dissection of cost and Ferrara’s analysis of cost. My analysis offers a convincing argument that although Ferrara is never quoted in Cost and Choice, Buchanan’s analytical treatment of cost echoes Ferrara and his real individual who thinks and acts. Echoes, one might say, but that have the same great evocative power as the Unnamed in The Betrothed by Alessandro Manzoni.

My focus is on two pioneering works that Buchanan wrote during the first part of his long career. The first is Public Principles of Public Debt, which was not only projected, but

5 G. Eusepi (2019).
mainly written in Italy. What the readers soon realize is the extraordinary influence of de Viti de Marco on Buchanan. The second path-breaking work is *Cost and Choice* where de Viti de Marco’s analytic power plays a major role and where Francesco Ferrara, who must be credited with advancing the notion of subjectivism in political economy in the mid 1850s, is widely echoed in key points of the book.

As I shall try to demonstrate in section 2, Ferrara precedes logically de Viti de Marco and his subjectivism precedes Buchanan’s methodological individualism. It is to Buchanan’s credit to have captured Ferrara’s fine principles and have made them known internationally\(^6\).

Sections 3 and 4 will be devoted to public debt and specifically the connection between cost theory and debt in a democratic system with an emphasis on the relationship between methodological individualism and constitutional Contractarianism. This calls for a critique of Keynes and a rediscovery of the Italian Classical theory (section 3).

Specifically, section 4 inquires whether a contractual constitution can give a satisfactory reason to legitimate public debt. *Prima facie*, de Viti de Marco and Buchanan seem to have a different posture, but at a closer analysis differences tend to fade. The most notable difference is on budget constraints. While Buchanan explicitly makes reference to them, de Viti de Marco indirectly speaks of budget constraints via his combined concept of “quality of public expenditure and efficiency”. Section 5 concludes the paper.


When Buchanan arrived in Italy in 1955-56 academic year, the first work he came across was the newly published first volume of *Opere Complete* by Francesco Ferrara. Although Ferrara was an original economist of great magnitude, he belonged to a generation of scholars that had been obscured by the advent of Marginalism. Quite unlike Ferrara, Marginal theories hinged on a *sui generis* subjectivism, which conceived of utility as something built in things and disregarded the evaluating human being whose evaluations are based on his utility rather than quantity.

Moreover, genuine subjectivism is not only an alternative to the classical theory of objective value, but it is an approach in which exchange is conceived in terms of cost and choice; not simply in terms of utility of things in themselves, but in that they are demanded.

\(^6\) J. M. Buchanan (1960).
Ferrara’s political vicissitudes and the peculiarity of his writings are unique in all history of the Italian public finance and political economy in general. Although Ferrara was the first academician to obtain a chair of political economy in Italy, he remained underestimated or even unacknowledged until Einaudi\(^7\) and Buchanan\(^8\) discovered him.

Ferrara laid the groundwork for Buchanan to elaborate the subjectivist theory of value and the liberal political theory of the state as opposed to the dominant theory of Machiavellian origin. Ferrara’s life was a unique sequence of events due to his peculiar personality that was not particularly appreciated by governments, at least up to the second half of 1860s, when he became minister.

Buchanan (1960) must be credited with advancing the notion that Ferrara was the founding father of the Italian democratic public finance. Equally, Ferrara must be credited with spreading classical Anglo-Saxon fiscal theory in Italy through the publication of an accurate portrayal of its most outstanding authors in *Biblioteca dell'Economista*\(^9\). This prestigious series was designed by Ferrara, who chose the works to be translated, perused the translations and wrote lengthy prefaces for each work.

In these prefaces, as well as in his *Lezioni*, Ferrara criticized the Anglo-Saxon classical thought, especially the objective theory of value to which he opposed his subjectivist theory based on the individual who feels, thinks and wants. To Ferrara value is made up of utility and cost and it will be ever determined by these two elements. As Buchanan remarked, Ferrara’s most important achievement is his “cost of reproduction”, defined as the cost of a specific good. Equally original was Ferrara’s concept of the state. To him, the state has its origin in the division of labor and its task is to provide public services. This view, fully espoused by de Viti de Marco, has become the most distinguishing element in the democratic tradition of Italian Public Finance. However, Ferrara’s influence, as Buchanan (1960) clinched, was indirect and orally conveyed. Only after the publication of his *Lezioni*, delivered in the 1850s and published in 1934-35, it became clear that neither de Viti de Marco, nor Pantaleoni, but Ferrara was the true founding father of the Italian school of Public Finance. The fact that Ferrara’s works remained unpublished for so longtime left a gap that has postponed the beginning of the

\(^7\) According to Einaudi (1950) Ferrara towered over the economic academy and defined him “Prince of XIX century economists”.
\(^8\) J. M. Buchanan (1960).
\(^9\) Ferrara’s Prefaces are in the volumes II through IV of *Opere Complete*. 
Italian tradition in fiscal theory by three decades. Buchanan filled this gap by giving Ferrara a prominent place in his influential 1960 paper.10

Today we use the term subjectivism to denote that exchange is at the core of the analysis and that the individuals who participate in the exchange process are genuine individuals with different preferences. Buchanan was fully aware of the manifest terminological difficulty of “cost of reproduction”, but perceived it for what it was: subjective opportunity cost. Ferrara was interested in solving the value problem that Neoclassical economics was unable to solve due to the lack of a framework serving as a theoretical basis to even postulate such a problem. Switching from the value-labor theory to the utility-value theory, as Neoclassicists do, does not entail an abandonment of objectivism if utility is supposed to be built in things and not as the result of a genuine evaluation of the individual. Subjectivism is an evaluating or choosing process and not an intrinsic datum or a specific peculiarity of a good. The utility of a good without any choice gives rise to a false subjectivism. Hence, subjective equilibrium is an individual dimension that does not entail the presence of the market. Although in Buchanan’s analysis Ferrara is no longer referred to as a classical theorist, he certainly cannot be confined in the straitjacket of Marginalism. Ferrara’s “cost of reproduction”, which is just a short step to the opportunity cost, emerged from my conversations with Buchanan in full force and pushes me to reemphasize the point that I made at the outset about the unnamed Ferrarian echoes in Cost and Choice. However, it is worth noting that Francesco Ferrara’s works do not appear in the extremely accurate and complete references of Cost and Choice.

What is often claimed is that Ferrara represents more the end of the classical thinking rather than the beginning of a new stream of thought.11 What seems increasingly clear in recent decades, instead, is that he was more than fifty years ahead of his time. He can only be faulted for labeling his theory of value “cost of reproduction”, which might well lead one to believe of a supply theory instead of what it is: a demand theory. It is not too much to say that, in some ways, he foreruns Austrian economics and the London tradition rather than the theorists of general economic equilibrium.

In retrospect, we can say that Ferrara would have offered a more attractive and appealing rationale for his theory if he had used a different expression. In saying this I end

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10 In a comment on a draft paper of mine, Buchanan wrote “As you know, Ferrara is one of my own heroes, and I had as a lifelong project when I got back from Italy to translate some of Ferrara’s stuff into English, notably his prefaces to the classics, but, as many such ambitions, this one got somehow waylaid and I never go around to doing anything with it. But he should be better known among non-Italians and perhaps even among Italians.”

11 See G. H. Bousquet (1960).
where I began: the heuristic accounts of the foundations of Ferrara's theories are to be found in his Prefaces to translations and this did not contribute to the success of his thought. Even in Italy most academics ignored Ferrara and if Ferrara's work became popular later, it was when his collected works began to be published at Einaudi's express wish on the occasion of Benedetto Croce's eightieth birthday. It is, thus, no wonder that Ferrara was practically unknown among his peers abroad. After all, who could be interested in translating prefaces?

Despite the ambiguities and difficulties associated with Ferrara's theory of "cost of reproduction", a clear outline was set forth in the preface to Senior and the concept was brought out fully in the preface to Ricardo in 1856. Ferrara states that any object is useful and accordingly an effort is required to obtain it. In his view, value must be regarded as a relative concept associated with the level of one's own knowledge, quite apart from the intrinsic qualities of the object. He enquires about the measurement of value by distinguishing the exchange of an object against money, which is equal for everybody, from a psychological sensation, which differs from one individual to another, and, in doing so, he emphasizes that value is a mental event. Furthermore, Ferrara highlights the limits within which subjective values can be operational. There is an upper limit of value, which occurs when an individual is required to undergo a pain to satisfy a certain need that is higher than the expected utility; there is a lower limit, which is the "cost of reproduction". Marginalism, which started to dominate economic theory 20 years after the publication of Ferrara's writings, somewhat changed this vision by introducing two fundamental laws, namely, the law of decreasing marginal utility and that of equality in the equilibrium point of final utilities of traded goods. The Marginalists' views won the day and successfully unified the economic science. Nobody noticed, but Buchanan that Ferrara's concept of "cost of reproduction" was more general than that of final utility because it incorporated also disutility. The equilibrium Ferrara had in mind was therefore connected to the utility and effort, namely, disutility or obstacle that is required to obtain such utility.

In his very definition of cost, Buchanan seeks a grounding in Ferrara's works. In this vein he wrote\textsuperscript{12}:

1. Most importantly, cost must be borne exclusively by the decision-maker; it is not possible for cost to be shifted to or imposed on others.
2. Cost is subjective; it exists in the mind of the decision-maker and nowhere else.
3. Cost is based on anticipations; it is necessarily a forward-looking or ex ante concept.

\textsuperscript{12} J. M. Buchanan (1969), p. 46.
4. Cost can never be realized because of the fact of choice itself: that which is given up cannot be enjoyed.

5. Cost cannot be measured by someone other than the decision-maker because there is no way that subjective experience can be directly observed.

6. Finally, cost can be dated at the moment of decision or choice.

As Buchanan emphasized, what emerges most clearly is that here the equilibrium does not depend on market values or prices as being an internal motivation of the individual. Hence, Ferrara’s equilibrium finds its logical foundation in choice, which precedes market equilibrium. There is much reason, it seems to me, to think that if the Italians had not felt the full impulse of Marginalism and Ferrara would not have retired from the academic scene forty years before he died, they surely would have realized that the cost of reproduction was but a short step to subjective opportunity cost.

Ferrara’s vicissitudes provide the most visible example of how the language may be a barrier to fully convey new lines and theories. Indeed, his “cost of reproduction” of the middle of the 1850ies would have required a shorter period than the eighty years that elapsed to be refined and developed as opportunity cost.

3. Buchanan, de Viti de Marco and Keynes on public debt: a marginal vs. a categorical distinction.

Buchanan sets a remarkably ambitious goal for a rediscovery of the classical fiscal theory, essentially de Viti de Marco, as a way to contrast the dominance of the Keynesian theory, which he labels as the new orthodoxy.

Buchanan starts by recalling the distinctive elements of Anglo-Saxon public finance, based on the sacrifice theory - in particular the Ricardian equivalence theorem, and compares them with de Viti de Marco’s democratic public finance. This allows one to analyze the impact that the non-equivalence theorem has on the relationship between de Viti de Marco and Buchanan. In the afore mentioned 1960 essay, Buchanan sharply distinguishes Anglo-Saxon public finance, based on the sacrifice theory, from the Italian public finance, based on the benefit principle. While Ricardo’s equivalence is a mere accounting equality, de Viti de Marco considered the equivalence as a possibility arising from the hypothesis that efficiency in the public sector is on the same theoretical plane as in the private one. Somewhat surprisingly, de Viti de Marco, who defines himself as the Italian Ricardo, criticizes Ricardo’s analysis for considering only private relations and for

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13 On this point see Eusepi (1989), especially section 2.
totally overlooking public goods. In describing the democratic model in *Cost and Choice*, Buchanan explicitly refers to de Viti de Marco and does not bother to mention Ricardo, a mention that was to be expected if he had followed the then dominant vulgate in the academia. In sum, to Buchanan there is no room for considering de Viti de Marco an Italian Ricardo. This leads to conclude that differences between de Viti and Buchanan are on the face and similarities substantial.

In Buchanan’s democratic model the choosing individual is both a prospective consumer of public goods and a prospective taxpayer. Here, the analogy with choices made by the individual in the market place is palpable. Yet, public goods cannot be purchased individually, consequently individuals cannot choose the quantity they desire. In choosing public goods, the individual faces a choice-influencing cost, which can be measured in terms of individual tax share only in the limiting case in which he values the relief of someone else’s sufferings to be zero. Buchanan underlines that if this applies to one participant, it may be extended to all other individuals taking part in the collective choice. Accordingly, the full amount of anticipated taxes expressed in money terms can be a wholly erroneous evaluation of the social cost of a specific item in the budget. Likewise, any measure of expected benefits deriving from the simple sum of single items can be highly questionable because it overlooks the benefits that will be enjoyed by other individuals. We see clearly enough that the cost-benefit analysis reveals all its weaknesses when applied to social costs and benefits and loses all its meaning when applied to dictatorship because no part of the anticipated outlay is expected to be borne by the dictator.

Those who are not thoroughly familiar with de Viti de Marco and Buchanan are too prone to hold that their different cultural backgrounds put serious obstacles in Buchanan’s way and impeded him a thoroughgoing attainment of de Viti de Marco’s Principles. However, schematic arrangements involve fast judgments. In my opinion, the influence of de Viti de Marco himself on Buchanan’s elaboration of fiscal theory has been so huge as to be hardly overrated. No two great scholars have ever had so many similarities and linguistic affinities on fundamental aspects such as the protective and productive state, the centrality of exchange, tax price and, more importantly, the subjective theory of opportunity.

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14 I tried to find a reason for de Viti de Marco’s contradictory statement in Eusepi (2019). See also Eusepi & Wagner (2018).
15 It is somewhat surprising that not even Wicksell is mentioned in *Cost and Choice*. J.M. Buchanan (1968 [1999]), p. 57. See also G. Eusepi (1991).
cost applied to public debt\textsuperscript{17}. In \textit{Public Principles of Public Debt} \textsuperscript{18} he rails against the following three points that are at the core of the Keynesian theory:

(i) resorting to public debt does not entail a shifting of the primary real burden to future generations;
(ii) the analogy between private and public debt does not hold.
(iii) internal and external public debt are substantially different.\textsuperscript{19}

In questioning such points, Buchanan clarifies that the primary real burden of public debt is shifted to future generations, that the analogy between public debt and private debt is fundamentally correct and that external debt and internal debt are fundamentally equivalent.\textsuperscript{20}

De Viti de Marco and Buchanan share the same view on internal debt, external debt and intertemporal shifting of the debt. For granting what has been said as to their similarities, let’s examine the above three points. Despite the enigmatic saying “we owe it to ourselves”, the fact that in the case of internal debt interests received and taxes paid are identical in the aggregate does not equal to saying that public debt does not exist. In fact, tearing or burning debt bonds would give rise to default and would not be neutral from a contractarian viewpoint. According to Samuelson, de Viti de Marco’s famous statement on self-extinction seems to share the conception of that saying; this is true in a cooperative state, it is not conceivable in a monopolistic or democratic state, where debt default, not self-extinction applies\textsuperscript{21}.

On external debt, de Viti de Marco and Buchanan have a similar posture. Although moving from a slightly different point of departure, they reach similar results. In criticizing the new orthodoxy, Buchanan concentrates his efforts on internal and external debt to demonstrate their continuousness. Conversely, de Viti de Marco extends his cooperative model straight out to external debt; this involves that the owner of liquid assets and the taxpayer are to be regarded equally. Eusepi and Wagner (2018) contend that government cannot treat an internal taxpayer, who is forced to pay taxes, in the same way as an external bond buyer. On matter of intertemporal transfer, analogies between de Viti de Marco and Buchanan are palpable. Buchanan gets rid of the spurious concept of

\textsuperscript{17} Buchanan himself explicitly confessed that initially he was not fully aware of how deeply de Viti de Marco influenced his analysis. On this see Manuela Mosca (2016).
\textsuperscript{18} J. M. Buchanan (1999 [1958]).
\textsuperscript{19} J. M. Buchanan (1999 [1958], p. 5).
\textsuperscript{20} J. M. Buchanan (1999 [1958], p. 26).
\textsuperscript{21} To have more on this, see G. Eusepi, R. E: Wagner (2013), (2018).
generations in *Cost and Choice*\(^{22}\) and replaces it with a genuine individual. De Viti de Marco claims that future individuals feel to be in a better position if they inherit a large amount of liquid capital, even if this would entail a lower amount of public goods or public goods of lower quality. This leads us straight to *Cost and Choice* and Buchanan’s subjective theory of opportunity cost. It is in fact, the ownership of liquid capital that allows individuals to make a choice consonant to their opportunity costs. According to the theory of opportunity cost, if choice were made by past individuals, present individuals would experience objective utility losses. In this connection, I cannot help but note that the distinction between “before choice” and “after choice” emerged only in *Cost and Choice*. In *Public Principles of Public Debt*, Buchanan carried out his analysis in terms of maximization of taxpayers’ costs and government’s costs. The link between de Viti de Marco and Buchanan on this is unmistakable. The problem Buchanan faced was that of clarifying who bears the objective cost of a public good financed through public debt. Buchanan clearly indicates that the objective cost is borne by all individuals living after the choice has been made. In the absence of the distinction between “choice-influencing cost” (subjective opportunity cost) and “choice-influenced cost” (objective cost), it was practically impossible to identify the one who chooses and the one who pays for the choice. Thus, utility losses are borne by all individuals, no matter whether they took part in the expenditure decision-making process or not. It concludes from this that utility losses are not intergenerational transfers.

4. **Contractarian constitutionalism: illegitimate public debt and legitimate default or the other way around?**

Contractarian constitutionalism can be looked upon as providing the grounds for balanced budget requirement. While Buchanan involved himself deeply in such an exercise, de Viti de Marco seemed much less so. The reason for this diversity of interest is to be found, at least in part, in their cultural backgrounds. Buchanan lived in a context permeated by the Keynesian happy theory of deficit spending while de Viti de Marco was living in a pre-Keynesian setting where the old principle of sound finance still prevailed. As a result, Buchanan considered public debt as an expenditure to finance current consumption; conversely de Viti de Marco conceived of public debt as an instrument to enhance expenditures on investments. This leaves us with the overriding question regarding the equivalence of the two alternatives. If we regard them as equivalent, then

the reasoning and lines of argument advanced by Buchanan go a long way towards accounting for a theory of general value. But if they are not, the validity of Buchanan’s argument would be undermined because what is well-grounded in the case of expenditures to finance current consumption cannot be equally applied to expenditures on investments. There is, to put these concerns differently, a legitimacy problem that involves ethical and political considerations. Bearing this in mind, there is every reason to believe that the interposition of bureaucrats and politicians may turn productive expenditures into unproductive ones and, hence, public debt no longer remains an alternative.

There are other perspectives from which we may view similarities and divergences between de Viti de Marco and Buchanan. De Viti de Marco’s justification of public debt does make sense on two grounds. The first of these is the quality of expenditures; the second relates to the mix private goods/public goods that ancestors bequeath to their heirs. What is interesting in this connection is the absence of this issue in Buchanan’s analysis, and for good reasons, for he conceives of expenditures to finance current consumption and expenditures on investments as being equivalent. However, while current consumption financed through debt violates the constitutional logic because it brings benefits forward and postpones costs, investments do not violate the constitutional logic and satisfy the benefit principle. And the question that still remains has to do with the size of public debt. De Viti de Marco’s solution is in his own words: “…when the total tax burden is at the upper income-brackets, recourse to borrowing is the only way to meet the urgency of new public needs” (own translation)23. And in taking this stance, de Viti de Marco claims that futile expenditures could be avoided by prohibiting governments’ indebtedness. Yet, de Viti de Marco cautions that such a provision is double-hedged: governments could avoid being involved in choices that enhance public infrastructure and social services.

One might even suggest that de Viti de Marco considered the creation of public debt - when tax rates are particularly high and new public needs arise - as a practice that does not put constitutional principles in jeopardy. However, it is crucial to keep in mind the stringent limits that de Viti de Marco sets to legitimate deficits. The overall effect of quality and efficiency is considered legitimate only if public expenditures are more efficient, or equally efficient at the margin than the private expenditures that they replace. On the contrary, Buchanan’s endorsement of default may be considered as a violation of constitutional principles. It seems clear enough that according to Buchanan consumption

23 De Viti de Marco, A. (1893, p. 1).
expenditures financed through debt is bad, defaulting on debt is good. It seems to me that each of the two notions conflicts with the other. We cannot achieve any positive good by disregarding contractual agreements. As Brennan and Eusepi (2002) made explicit, the cure for an unethical behavior cannot be unethical in its turn. Buchanan's rejoinder to this observation was that ethical constraints tend to fade through time, thus reducing the binding force of the contract. Although one might have this perception under specific political conditions, there still remains the problem that facts and promises of the past are not equivalent. In short, past promises cannot be fitted in Jevons' bygones. In the credit market, bygones are really bygones only after a debt has been repaid.

An important observation is called for regarding quality and efficiency. The mechanism of quality and efficiency of expenditures imagined by de Viti de Marco plays a role that is close to Buchanan's balanced budget requirement. The endeavor to find differences between de Viti de Marco and Buchanan would prove to be successful if the comparison dealt with tax treatment of private consumption and investments only. For standard economic policy, current consumption should be financed through taxation, and investments should deserve exemptions for they are postponed consumptions. Resorting to debt for current consumption has a different temporal impact from running into debt for investments. The former is incompatible with contractarian constitutionalism, the latter is not. If this were all, Buchanan's and de Viti de Marco's positions would be, at least partly, different. But since we are dealing with public consumption and public investments, a deeper analysis is de rigueur. On this point, I take the liberty to employ semantic variations of the Buchanan repertoire. Specifically, I shall use the couple signifier and signified, which Buchanan employed in Cost and Choice. In Cost and Choice, a single signifier, cost, has two signifieds: subjective opportunity cost and objective cost. It is exactly the presence of two signifieds that makes Buchanan's analysis splendidly original and persuasive.

In the case of debt for public consumption and investments, dualism is asymmetric, hence we have two signifiers and one signified. This because asymmetry is generated by

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26 In an unpublished rejoinder, Buchanan accepted the validity of our critique.
27 Bondholders, conceived as rentiers, is an issue on which all schools of thought agree. See Salsman (2017).
28 One might think that we are facing a case of extraordinary public finance and as such it would involve a temporary deficit that does not conflict with the budget constraint, but with the annuity of such constraint. See Einaudi (2012), Steve (1977), Eusepi (2018).
29 Although de Viti de Marco was not in favor of a double taxation of savings, he justifies exemptions on the grounds of the benefit principle. Investments ensure future benefits, thus there would be a violation of constitutional principles if present investors were taxed.
political action and who decides on whether to finance current consumption or expenditures on investments is the parliamentary assembly itself, where politicians and bureaucrats are prone to follow their incentives.

The strategic use that politicians and bureaucrats make of dual budgeting\(^{30}\) may lead to classify under the rubric of expenditures on investments for the enhancement of future public services what in reality is a rent-seeking activity. De Viti de Marco contended that restrictions on unproductive expenditures should be extended also to investments. And, if this be so, investments can be considered as additional consumption. From this it would seem that de Viti de Marco and Buchanan were remarkably close because the distinction between consumption and investments is irrelevant.

It should be noted that a sharp distinction between expenditures on current consumption and expenditures on investments means to strain *Cost and Choice* and thwart its main message. As it might seem at first glance, shifting from theory to facts, would require the introduction of an element external to the chooser. If it were so, the methodological purification process would fail because choice does not allow to fully separate current consumption and investments and actions depend on an actor’s purposes. Hence, the same activity could be classified as current consumption or investments depending on how the activity mapped into the actor’s purposes\(^{31}\). In any case, the distinction should be made by the chooser and not by the observer. It is difficult to reconcile a rigid disjunction between current consumption and investments with *Cost and Choice*. The opportunity cost, rigorously interpreted, is descriptive of a purpose, an intention that if it is induced by external elements necessarily involves a falsification to which we may apply by analogy Buchanan’s critiques of the Pigouvian theory.

5. Concluding remarks.

Shifting from subjectivism to constitutionalism presupposes self-government. This emerges clearly well in Buchanan who belongs to the American democratic tradition based on self-government, but less clearly in de Viti de Marco due to the political context in which he lived permeated by a Machiavellian view of government. This aspect has not been touched here because I do not deal with the Italian theory of the ruling class, which has nothing to do with Ferrara’s and de Viti de Marco’s classical liberalism. As I have taken


\(^{31}\) I owe this point to R. E. Wagner.
care to point out, in classical liberalism there did exist a theoretical framework to accommodate the shifting from subjectivism or methodological individualism to contractualism. This is the reason why I have discarded the treatment of the role of the state as envisioned by the Machiavellians or ruling-class theory.

My paper has been a journey through a democratic scenario populated by Buchanan’s “heroes”. I use Buchanan’s expression not for a sort of slavish imitation, but because his “heroes” have to be regarded as thinkers of the first order. I tried to highlight de Viti de Marco’s and Buchanan’s similarities even on those points that the prevailing literature considered as incompatible. Retracing these similitudes not only lends a theoretical understanding to Buchanan’s works, but it is a way to honor a great economist who engaged in reading the original works of the Italian classicists in public finance with an intensity and thoroughness that has no parallel in the Anglo-Saxon circles. He has the great merit of having injected ideas and theories that would have otherwise been ignored into the Anglo-Saxon tradition. If one hundred years after Buchanan’s birthday, de Viti de Marco is still studied all over the world, and particularly in the USA, is due to the mesmeric appeal that Buchanan still exerts on his pupils, on Richard E. Wagner most of all. Alas, Ferrara, Buchanan’s other hero, will continue to remain in the shadow due to the format of his publications, mainly consisting of prefaces to translations of foreign books. I have spoken at some length that no mention of Ferrara is made in Cost and Choice, but it is worthwhile to recall that he figured prominently in my conversations with Buchanan. His remarks unfailingly pointed to Ferrara as the forerunner of the idea, not yet formulated, of the opportunity cost as a mental event. There is no safer way to evaluate a cost than to see it as an “unpredictable mental event” strictly connected with choice.

REFERENCES


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32 See section 4.
33 R. E. Wagner published many works on Buchanan, I limit the list to the following latest two: R. E. Wagner (2017), (2019).

