

WORKING PAPER
DIPARTIMENTO DI ECONOMIA PUBBLICA

Working Paper n. 85

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**THE DEBATES ON RIGNANO'S INHERITANCE TAX
PROPOSAL**

Roma, agosto 2005



UNIVERSITA' DEGLI STUDI DI ROMA
"LA SAPIENZA"

Abstract

In the inheritance tax debates of the 1920s the proposals formulated by the Italian philosopher Eugenio Rignano occupied a prominent position. Since then, his contribution has been largely, although not completely, forgotten. This paper reviews the Rignano's ideas by focusing upon its origins and upon the reactions to Rignano's proposal in the 1920s, both in Italy and elsewhere.

J.E.L. Classification: B31, B51, H21, H24, H63

Keywords: inheritance tax debates, economic thought, Rignano's proposal.

THE DEBATES ON RIGNANO'S INHERITANCE TAX PROPOSAL

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* The paper has had a long gestation period. In its present version it has been presented at the ECHE 2004 Conference "The political element in economics", University Reims Champagne Ardennes, 25-27 March 2004. A substantially different earlier version of a paper had been written by Guido Erreygers under the title 'Eugenio Rignano and the Inheritance Tax Debate of the 1920s' and presented at the *21st Annual Conference of the History of Economics Society*, Babson College, Boston, USA, June 10-13, 1994. Some of the material of this older paper has been used in Erreygers (1997). Over the years, discussions with both Walter Van Trier and John Cunliffe have been helpful to ameliorate the paper. We are grateful to Sandro Bulgarelli for his help in consulting the *Biblioteca del Senato della Repubblica Italiana* and to Claudia Rotondi for her search in the *Istituto Lombardo* in Milan. We have greatly benefited from the detailed comments of the two referees of this journal as well as from the remarks of participants of the HES 1994 and ECHE 2004 conferences. Guido Erreygers thanks the *Università degli Studi di Roma "La Sapienza"* for the opportunity to finalise the paper during visits in November 2004 and May-June 2005. As usual, we are responsible for all remaining errors. Guido Erreygers (corresponding author) is at the Department of Economics, Faculty of Applied Economics, University of Antwerp, Prinsstraat 13, 2000 Antwerpen, Belgium: guido.erreygers@ua.ac.be. Giovanni Di Bartolomeo is based at Department of Public Economics, Università di Roma La Sapienza, via del Castro Laurenziano 9, 00161 Roma, Italy; giovanni.dibartolomeo@uniroma1.it.

1. Introduction

In the aftermath of the First World War many industrial nations were facing huge economic problems. During the war public debts had risen enormously, and the service of these debts after the war obliged authorities to search for new sources of taxation. In most countries the inequality in the distributions of both income and wealth was quite high, and especially the extremely unequal distribution of wealth was seen by many as an important cause of social injustice and disorder. In these circumstances the taxation of inheritances and gifts came into focus both as a means to raise new revenues for the state, and as a measure to alleviate the inequality in the distribution of (inherited) wealth. For those who thought along these lines, one of the main challenges was to find a tax which would bring about more social justice but which at the same time would not have adverse effects on production. Put differently, the question at stake was whether it would be possible to reconcile equity with efficiency – or socialism with liberalism.

In the inheritance tax debates of the 1920s the proposals formulated by the Italian philosopher Eugenio Rignano occupied a prominent position. Since then, his contribution has been largely, although not completely, forgotten.¹ In recent years there seems to be renewed interest in his ideas. In two unpublished papers Mario Ferrero (1989, 1990) explicitly stated that he wanted to rescue Eugenio Rignano “from the dustbin of history”. An

¹ In the modern literature on inheritance taxation reference to Rignano has been made by Buchanan (1967, pp. 298-299), Shoup (1969, p. 373), Atkinson (1971, p. 226), Battiato (1974, pp. 290-304, 321-335), Harbury & Hitchens (1979, p. 2), Durbin (1985, p. 221), Van Parijs (1992, p. 32, n. 21), Kiesling (1992), Paladini (1993, pp. 95-96), Stephan (2000, p. 245), and McAffery & Wagner (2000, p. 16), amongst others.

excerpt of one of Rignano's books was included in an anthology of historical writings on left-libertarianism edited by Peter Vallentyne & Hillel Steiner (2000). Very recently Alan Peacock & Ilde Rizzo (2002) have examined the diffusion of Rignano's ideas, with particular reference to their impact on official consideration of financial policies in Italy and Great Britain. And the philosopher Robert Nozick (1989, p. 31n) has defended a position remarkably similar to Rignano's, but without being aware of the similarity.

In our paper we focus upon the origins of Rignano's ideas, and upon the reactions to Rignano's proposal in the 1920s, both in Italy and elsewhere. The paper is structured as follows. In section 2 we give a brief sketch of Rignano's life and work. In section 3 we present the proposals formulated by Rignano with respect to inheritance taxation. In section 4 we trace some of the origins of these proposals, and identify another similar project. In sections 5 to 8 we review the reactions to Rignano's proposals in the context of the debates on inheritance taxation of the 1920s. We conclude with some general remarks about what we can learn from the history of Rignano's ideas.

2. Eugenio Rignano (1870-1930)

Eugenio Rignano was born in Livorno, on 31 May 1870.² He initially studied physics and mathematics at the University of Pisa, but afterwards

² The biographical data in this section come from the obituary signed 'La Rivista' and published in the March 1930 issue of *Scientia*, from the article by Enriques (1930),

moved to Turin where he graduated as engineer in 1893. Apparently he soon realised that he was not a man of practical affairs, and decided to dedicate his life to science. His interests were universal, and so he did not confine himself to one branch of science.³ In the beginning his research fields were mainly economics and sociology, but later on they included biology, psychology, and ethics. He was a prolific writer, who published more than 10 books, many of which were translated into French, English and German (an incomplete list is given by Enriques (1930, p. 384)), and dozens of articles in a wide range of Italian and international journals. In 1907 Eugenio Rignano and the mathematician Federigo Enriques⁴ founded the Milan-based journal *Scientia: Rivista Internazionale di Sintesi Scientifica (International Review of Scientific Synthesis)*. From 1907 to 1915 Rignano was co-editor of that review and from 1915 to 1930 its single editor. *Scientia* was a truly universal scientific review. It published articles in all fields of science, in five different languages, and written by scholars from all over the world. Especially in Italy it had a significant impact upon

which appeared a few months later in the same journal, and from the obituary written by Achille Loria (1930) in the *Economic Journal*. Another obituary was written by Levi (1930).

³ Rignano is however mainly classified and known as a positivist philosopher. He was an important exponent of Italian evolutionary positivism, which was inspired by the British neo-Lamarckian movement. In Italy, evolutionary positivism was eventually overwhelmed by Benedetto Croce's idealism.

⁴ Federigo Enriques (Livorno 1871 – Roma 1946) was professor of projective geometry at the University of Bologna (1896-1922), and then professor of advanced mathematics at the University of Rome "La Sapienza". From 1938 to 1944 Enriques was banned from the academic world because of the Fascist racial laws. Both Enriques and Rignano were, in fact, Jewish (Momigliano, 1985).

intellectual life.⁵ Rignano died in Milan, on 9 February 1930, at the age of 59.

In his first book, *Di un Socialismo in Accordo colla Dottrina Economica Liberale* (1901), Rignano advocated a specific type of inheritance taxes as a way to socialise the means of production without destroying the incentives to work and save. As we will explain in the next section, Rignano's proposal was to make inheritance taxes progressive in time. The book was translated into French in 1904 (*Un Socialisme en Harmonie avec la Doctrine Economique Libérale*). One year later Adolphe Landry "composed" a shorter version of it by extracting and rearranging some parts of the original book, and by adding a bit of new material (*La Question de l'Héritage*). This shorter version was translated in German and, together with a preface of Eduard Bernstein, published in 1907 under the title *Los von der Erbschaft!*. It is clear, therefore, that Rignano's proposals were receiving international attention soon after their publication. Although at that time no English translation seems to have been available, Rignano's work was also known in English-speaking countries, as is testified by the (sympathetic) reference to Rignano's 1901-book in Pigou's *Wealth and Welfare* (Pigou, 1912, pp. 376-377).⁶

The discussion on Rignano's proposals gained new impetus after the First World War. Rignano and others presented modified versions of his original scheme in Italian and international journals, as well as in books

⁵ See De Murtas (1988) for a sketch of the broader intellectual context in Milan.

⁶ See also the long review of the French translation by Sidney Ball (1904) and the review of the German translation by Bickerdike (1906), both in the *Economic Journal*.

available in Italian, French, and English. The element which seems to have triggered the renewed interest, was that Rignano's reform proposals were seen as a means to come to grips with the enormous public debts that were created during the war. In sections 5-8 of the paper we will deal in detail with these debates.

Although towards the end of his life Rignano was apparently no longer doing research on economics, he still considered the problem of inheritance taxation to be important. Rignano's will included the donation of a sum of 100.000 Italian Lire for one or more prizes, to be awarded jointly by the *Regio Istituto Lombardo di Scienze e Lettere* of Milan and by the *Istituto Internazionale di Diritto Privato* of Rome, for essays dealing with the reform of inheritance laws along the lines suggested by his work.⁷ In his Rignano obituary, Enriques (1930) reported that Rignano had finally come to the conclusion that his proposals did not resolve the "social problem"; the experience of the war and the heavy fluctuations in the values of currencies made him realise that the introduction of his inheritance taxation proposal might have other effects than the ones he originally thought they would have.

⁷ The will of Eugenio Rignano can be consulted in the Archives of the *Istituto Lombardo*; we thank Claudia Rotondi for finding this document. In 1933 *Scientia* awarded the 'Eugenio Rignano Prize' to the Polish philosopher Zygmunt Zawirski for his book *L'Evolution de la Notion du Temps*, but it seems clear that this is not the prize mentioned in Rignano's will.

3. The Rignano Proposal

Rignano originally formulated his proposal in his first book (Rignano, 1901). He framed his proposal in a critique of the capitalist system based upon the works of Karl Marx and Achille Loria. Rignano broadly endorsed Marx's theory of surplus value, according to which labourers are exploited and capitalists are constantly trying to find ways to keep wages as low as possible. The working class was separated from the means of production and left to the mercy of the capitalist class; in short, workers were alienated. Rignano argued that the existing inheritance systems tend to *perpetuate* the alienation of the working class and to confer an *immortal* character to the fortunes accumulated by the capitalist class. This situation, he continued, could be challenged on three grounds: 1) it goes against the economic interests of the proletariat; 2) it does not coincide with a situation of maximum social utility; and 3) it is unfair. Rignano's goal was to find a modification of the existing situation which would at the same time ameliorate the condition of the labouring class, bring society closer to a situation of maximum utility, and be fair.

Rignano acknowledged that the existing property regimes provided powerful incentives for people to work and save. He believed that private saving was superior to collective saving because private saving led to a more rapid accumulation of capital. Hence, if the accumulation of capital is considered to be necessary and desirable, there is a strong *prima facie* argument in favour of maintaining the existing regimes. But Rignano went further than that. Private saving might very well be the best way to ensure the *formation* of capital, but that does not imply that the *conservation* of

capital, once it is formed, should be taken care of by letting it remain forever in private hands. Society should intervene in order to prevent the creation and perpetuation of a privileged class of inherited property owners.

According to Rignano, an alternative property regime could be devised which incorporated the following principles:

- 1) Ultimately the new system should lead to the nationalization of the means of production and capital in general.
- 2) The new system should de-cumulate private fortunes fairly rapidly, so as to prevent the creation of large differences in private wealth.
- 3) The new system should give powerful stimuli to work, saving and new capital formation.

The first of these conditions required that all private capital would eventually be confiscated by the state. The third, however, implied that the right to bequeath private property should not be abolished completely: if individuals were not allowed to bequeath at least part of the goods they had accumulated by their own work and saving, then they would not have much of an incentive to work and save. The second principle, finally, suggested that the moment at which the final confiscation would take place should not be pushed too far away in the future.

Taking into account these three considerations Rignano came up with the proposal to differentiate the right of bequest according to the “origin” or “age” of the property involved. The Rignano scheme would work as follows. When a man dies, his possessions have to be split up into different parts according to the number of times a property had been transferred (by means of inheritance or gift) to reach its present state. This

means that a distinction is made between the goods and money which constitute the own savings of the deceased (0 transfers), the goods and money which he had inherited from other persons and which came from their own savings (1 transfer), the goods and money which he had inherited from other persons who in their turn had inherited them from others (2 transfers), etc. What is now known as the *Rignano principle* stipulates that the higher the number of transfers a piece of property has been subject to, the lesser the power of the owner to dispose of it by will. In other words, the rate of inheritance taxation levied at each transfer of property increases with the number of transfers, and after a limited number of transfers reaches the level of 100%.

To illustrate things, let the inheritance tax rate at the i -th transfer of property be equal to t_i , i.e. t_i is the tax rate applicable to property which has been transferred $i-1$ times before ($i = 1, 2, \dots$). Any proposal of the Rignano type can then be described by a vector $T = [t_1, t_2, \dots, t_k]$, such that $0 \leq t_1 \leq t_2 \leq \dots \leq t_k = 1$, where k is the number of transfers it takes for a given piece of private property to pass completely into the hands of the State. The following numerical example comes from Rignano himself: let $k = 3$ and $T = [1/3, 2/3, 1]$. When person X dies, $(1-t_1) = 2/3$ of what he has saved himself during his life will go to his inheritors, and $t_1 = 1/3$ to the State. When X 's inheritors die, they hand over $(1-t_1).(1-t_2) = 2/9$ of X 's own savings to their inheritors, while paying $(1-t_1).t_2 = 4/9$ of X 's own savings in taxes to the State. Finally, when the inheritors of X 's inheritors die, $(1-t_1).(1-t_2).t_3 = 2/9$ of X 's own savings will be paid to the State as inheritance taxes, and nothing will be left of X 's own savings to pass on to the new

generation, since $(1-t_1)(1-t_2)(1-t_3) = 0$. So over three generations' time, the whole of X 's own savings is gradually transferred to the State.

Rignano used two interesting images to characterise his proposal. The first is that the suggested reform comes down to the introduction of a new principle of progressiveness in inheritance taxation, viz. the principle of an inheritance tax *progressive through time*.⁸ The new principle could coexist with other principles of progressiveness, such as graduation of the tax according to the amount of bequest or inheritance, or graduation according to the relationship between the testator and the inheritor. The second image is that the limitations to property transfers brought about by the scheme have the effect of giving to private property owners a *temporary patent right in accumulations of capital*.⁹ The purpose of ordinary patents is to encourage inventions, by awarding the inventors the privilege of the exclusive use of their inventions during a limited period of time. The Rignano proposal is meant to encourage individuals to work and save, and it does so by giving individuals the right to own and bequeath private property. The important thing, however, is that these rights should not be absolute, but limited to the extent necessary and sufficient to make people work and save.

⁸ Of course the period of time between two successive transfers can vary widely, but Rignano seemed to believe that on average the number of transfers is a good approximation of the period of time elapsed since the creation of the estate (Rignano, 1901, p. 63).

⁹ This is how Dalton (1920, p. 132) translated “brevetto di capitalizzazione o d’accumulazione a durata limitata” (Rignano, 1901, p. 93).

Rignano called his approach ‘socialist’, but not without adding that it differed both from the orthodox Marxist, or ‘collectivist’, and from the utopian socialist approaches.¹⁰ Rignano rejected Marx’s mechanistic theory of evolution that is supposed to culminate in a violent revolution, with the proletarians expropriating the capitalists and installing a collectivist regime. Such a revolution would ruin the whole delicate mechanism of economic production, wrote Rignano (1921a, p. 3) a few years after the Bolshevik revolution, thereby repeating the critique of collectivism, which he formulated in his first book. Instead of a brutal expropriation Rignano preferred a gradual nationalisation of private property. But neither did he want to be reckoned among the utopian socialists, who thought that it would suffice to announce socially just proposals to win the support of all social classes. Rignano emphasised that more than that is needed to change society. The laws must change, in particular the laws which regulate property rights. Therefore Rignano (*ibid.*) characterised his approach as one of *legal socialism* (“socialisme juridique”).

4. On the Origins of the Rignano Proposal

Rignano’s sources of inspiration were many and diverse. As already mentioned, he drew upon the works of Karl Marx and Achille Loria, but also upon those of John Stuart Mill, François Huet, Saint-Simon, Emile De Laveleye, Henry George, Herbert Spencer, and many others. It is clear that

¹⁰ Cf. the long chapter on collectivism and other forms of socialism in Rignano (1901, pp: 299-403).

he had a solid knowledge of the scientific literature on inheritance, not only in the field of economics, but also in the fields of sociology and law.

Among the many inheritance reform proposals launched in the course of the 19th century, the one formulated by John Stuart Mill was probably one of the most well-known. Instead of putting limits on what a person might bequeath, Mill proposed to put limits on what on a person might inherit (cf. Mill, 1965[1871], p. 225). Rignano (1901, pp. 54-56) criticised Mill's proposal for a variety of reasons. First, it would reduce the stimulus to work and save, since e.g. parents would be prohibited from giving more to each of their children than legally stipulated. Secondly, it could lead to an increase of fraud, in the form of secret arrangements aimed at transferring more property than legally allowed to certain persons, e.g. children. Thirdly, it could lead to a dissipation of property and a subsequent rise in the number of idle people in society. And lastly, it could stimulate the growth of certain unwanted 'public utility' institutions, such as charities.¹¹

A less well-known proposal, but at the same time more similar to Rignano's, is the one put forward by the French philosopher François Huet.¹² In his book *Le Règne Social du Christianisme* (1853), an attempt to give form to the idea of 'Christian socialism', Huet proposed to treat

¹¹ Later in life Rignano was confronted with similar criticisms of his own proposal. In contrast to Mill, however, Rignano sought to answer his opponents.

¹² From 1835 to 1850 François Huet (1814-1869) was professor of philosophy at the University of Ghent (Belgium), where he headed a group of disciples of which Emile de Laveleye is perhaps the most famous. They gathered regularly to discuss philosophical and social problems. In the aftermath of the 1848 revolt in Paris Huet was forced to abandon his professorship in Ghent. At the end of his life he was the teacher and governor of the young Milan Obrenovitch, Prince of Serbia (cf. Merten, 1887). On Huet see Schumpeter (1954, p. 461n), Cunliffe (1997), and Cunliffe & Erreygers (1999).

inheritances in the following way: property which has been accumulated by its owner may be bequeathed freely, but property which has been inherited by its owner will be confiscated by the State when the owner of it dies. Everything which is confiscated by the State in a given year is then equally distributed among all the young people of a given age, so that all dispose of a certain amount of ‘basic capital’, so to speak.¹³ The taxation part of Huet’s proposal is of course a special case of Rignano’s proposal, as Rignano (1901, pp. 61-63) himself acknowledged: in Huet’s case we have $T = [0, 1]$. What happens with the proceeds of the tax is, however, completely different in both cases.

A remarkable thing is that there exists another proposal, even more similar to Rignano’s than Huet’s, which appeared in print before Rignano published anything on the subject, and to which Rignano, as far as we can see, has never referred. The proposal came from the Belgian ‘captain of industry’ Ernest Solvay.¹⁴ Solvay was a liberal, but one with strong sympathies for the working class. He was twice elected senator (in 1893 and 1897), and it was during one of his speeches in the Belgian Senate that he proposed to replace the existing system of revenue taxation by a system of

¹³ For more details, see Huet (1853, pp. 263-303), Ferrero (1990, pp. 3-5), and Cunliffe (1997); see also Cunliffe & Erreygers (2003).

¹⁴ Solvay (1838-1922), founder of the chemical concern *Solvay & Cie*, was heavily interested in social questions. Although he had had no formal education in economics or sociology, he himself came up with several social reform proposals, and stimulated others, with generous financial support, to do scientific research on social questions. In 1894 he founded in Brussels the *Institut des Sciences Sociales*, and in 1901 the *Institut de Sociologie*, which still exists under this name as part of the University of Brussels (ULB). For more details, cf. De Seyn (1936), Warnotte (1946), Erreygers (1998) and Boianovsky & Erreygers (2005).

wealth taxation (*Annales Parlementaires de Belgique – Sénat*, séance du 24 mai 1894, p. 384). A few years later Solvay gave a more detailed explanation of his ideas on inheritance. He specified that the inheritance tax should be made progressive with the number of generations between the original creator of property and its present owner (Solvay, 1897, p. 407):

Solvay repeated his proposal in many subsequent publications. In 1898 he raised it prominently in the notes which he prepared for *L'Alliance*, a group of politicians who tried to reform the liberal party. He called his new proposal the 'reiterated inheritance tax' ("l'impôt successoral réitéré") (Solvay, 1898b, p. 424). For Solvay the introduction of this new tax had to be combined with the replacement of the monetary system based upon precious metals by a system based upon accounts, the so-called 'social comptabilism'. A good summary of Solvay's views on inheritance is given in his article 'Principes de politique sociale', again of 1898; in this 'draft of a political programme of principles', he proposed with respect to the inheritance tax:

1. Reform of taxation in view of ensuring that taxes would be as justly proportioned as possible to real fortunes, and having as aim the single tax, such that the payment of any kind of tax should take place only at the moment of death of the taxpayer.
2. Distinction to be made between the fortune directly acquired by the efforts of the one who possesses it and the fortune received by means of transmission; between the fortune which has been subject to only one transmission – for instance, the fortune generated by the father and mother – and that which has been

subject to two transmissions – for instance, the fortune generated by the grandparents – and so on, and such that the tax rate should vary in proportion to or in progression with the number of accomplished transmissions. The means to arrive in the following at establishing the distinction between acquired and transmitted fortunes: social comptabilism. (Solvay, 1898a, pp. 1-2: our translation)

Solvay's proposal is essentially the same as Rignano's. Although their analyses of the situation differed (it is doubtful whether Solvay would have completely agreed with Rignano's alienation thesis), they both concluded that if on the one hand social justice is to be realised, and on the other the stimuli to work and save have to be preserved, then inheritances have to be taxed following a new principle of progressiveness.¹⁵

It is clear that Solvay anticipated Rignano's proposal. The dates of publication show that Solvay cannot have taken the idea from Rignano, but what about the reverse: could it not be that Rignano has taken the idea from Solvay? Theoretically this is possible, although we think it more likely that Rignano was not aware of Solvay's proposal when he wrote his 1901 book. Solvay's writings on social problems do not seem to have had much influence outside Belgium. So the fact that there is no mention of Solvay in Rignano's first book is not strange at all; but what comes as a surprise is that Rignano never mentioned Solvay in any of his later works on inheritance taxation. It seems very unlikely that Rignano *never* got to know Solvay's

¹⁵ Georges Hostelet's (1922, p. 56) description of Solvay's proposal comes remarkably close to some of Rignano's declarations.

work, especially so since he was an ‘associate member’ of Solvay’s *Institut de Sociologie* in the beginning of the 1920s, and he even published an article on inheritance in the September 1921 issue of the *Revue de l’Institut de Sociologie* (Rignano, 1921b). This is hard to explain. The fact is that almost nobody has mentioned the two quite similar projects together, with the exception of Aftalion (1923, pp. 165-166n) and especially Warnotte (1946, pp. 239-240, 247-259). As far as the origins are concerned, we think it would be more appropriate to speak of the Solvay-Rignano principle than of the Rignano principle.

5. The Italian Debate of the 1920s

The publication of Rignano’s book in 1901 and of its translations shortly thereafter provoked some discussion in Italy and elsewhere,¹⁶ but did not lead to any practical results. The Rignano scheme, interesting as it may have been, seemed destined to slowly fade away. The Great War, however, profoundly changed the economic situation, and the Rignano proposal got a second chance. Immediately after the end of the war Rignano as well as others reformulated and modified the original proposal. Especially in Italy and in Great-Britain, debates were taking place during which both the weak

¹⁶ Peacock & Rizzo (2002, p. 555) point out that apart from an anonymous negative review in the *Rivista Internazionale di Scienze Sociali* (1901, pp. 542-544), Rignano’s proposal received little attention from the economics profession in Italy before the First World War. It should be added that in 1904 Ugo Broggi reviewed *Un Socialisme en Harmonie avec la Doctrine Economique Libérale* in the *Giornale degli Economisti*, and in 1905 Giovanni Vailati *La Question de l’Héritage* in the *Rivista Italiana di Sociologia*.

and the strong points of the proposal were examined, and which lasted at least until the 1930s. In this section we focus upon the Italian debate, and in the next sections we turn our attention to the international scene.

In Italy, the economic situation immediately after the end of the war was dramatic. Widespread unemployment and huge public deficits created an environment in which radically new proposals could be given a chance. Rignano himself played an important role in reigniting the debate on his ideas. In 1919 he argued both with Achille Loria (in the newspaper *Il Secolo* of Milan) and with Augusto Graziani (in the *Supplemento Economico del Giornale Il Tempo* of Rome). In the same year Angelo Mariotti discussed Rignano's proposal in the *Rivista Italiana di Sociologia*, stressing the potential beneficial impact of the scheme because its long term gains would overwhelm the short term costs, whereas Luigi Einaudi criticised it in a series of lectures on post-war financial problems.¹⁷ In January 1920, Rignano sent a long letter to Filippo Turati, the leader of the Italian Socialist Party. The letter was published under the title "Bisogna Decidersi!" in the party's journal, *Critica Sociale*, which had been founded by Turati himself.¹⁸ The editors of the journal stressed that although Rignano had been promoting his ideas for many years, he now advocated them in a new form and with new arguments, presenting them not so much as a theoretical idea but as a practical programme. Rignano urged the Socialist Party to

¹⁷ See his book *Il Problema della Finanza Post-Bellica* (Einaudi, 1920, pp. 161-166). Already in an earlier book Einaudi (1916: p. 273) had briefly referred to the Rignano scheme, but apart from hinting to the practical difficulties which its introduction might cause, he did not discuss the scheme

¹⁸ Rignano (1920a).

incorporate a simplified form of his taxation scheme into a project of law to be submitted in Parliament when it discussed the Government's Finance Law. He outlined the main points of such a draft proposal based on the principle that the first transfer of property (e.g. when a person bequeaths his own savings to his children) would be subject to the existing inheritance taxes, the second transfer subject to a tax of 50%, and the third to a tax of 100%.

The editors of the *Critica Sociale* explicitly invited criticism of Rignano's ideas. Although they were somewhat disappointed by the reaction of its readers, throughout the year 1920 they published several comments on Rignano's proposals, as well as replies by Rignano. The first intervention was made by Antoine Penier, who expressed a number of doubts and raised a few questions on the Rignano plan.¹⁹ But the debate began in earnest only with the contribution of Benvenuto Griziotti, professor of Finance.²⁰ He criticized Rignano's proposal on the grounds that the Rignano tax, like any other tax, would stimulate neither production nor savings. Griziotti was convinced that taxes were appropriate to raise revenue for the State, but lacked the power to fundamentally alter the economic behaviour of economic agents. Rignano immediately replied by sending a

¹⁹ Penier (1920); we have not been able to find out who Penier was.

²⁰ Griziotti (1920); see also Griziotti (1953, p. 58). Benvenuto Griziotti (1884-1956) was a very influential economist and researcher of finance and financial law. He was professor in Pavia and Catania, member of the Lincei Academy and the Istituto Lombardo. He founded the National Institute of Finance (1940) and the *Rivista di Diritto Finanziario e Scienza delle Finanze*.

‘passionate defence’ to *Critica Sociale*, to use the words of the editors.²¹ Rignano tried to counter the specific points raised by Griziotti, and more generally deplored the purely negative attitude Griziotti had adopted towards his proposal, which revealed a somewhat ‘bourgeois’ (“borghese”) inclination. Rodolfo Mondolfo, a Marxian professor of philosophy, was the next to intervene.²² In a cautious comment on both Rignano’s and Griziotti’s positions, he questioned that one instrument – the Rignano scheme – could both provide a solution to Italy’s urgent economic problems of the aftermath of the war and lead to a socialist society. Mondolfo feared that the introduction of Rignano’s taxes would paralyze the capitalist system at a time when it had the heavy duty to lead humanity towards economic prosperity. In his reply Rignano of course dismissed Mondolfo’s fear and maintained that his system would spur economic activity, and hence facilitate the solution of Italy’s economic woes.²³

The editors of *Critica Sociale* decided to close the debate after Turati’s long and important discourse ‘Un programma di azione socialista’ to the Italian Parliament, held on 26 June 1920, in which he had urged the socialist deputies to carefully study and to appropriate Rignano’s ideas.²⁴ The editors had the last word by offering their own reflections to the

²¹ Rignano (1920b).

²² Mondolfo (1920). Rodolfo Mondolfo (1877-1976) was professor of history of philosophy at the University of Bologna (1914-1938); before that he had been professor in Turin (1910-13). He wrote an influential book on Marxism, *Sulle Orme di Marx*, which went through different editions. During the war he migrated to Argentina, where he was professor first in Cordoba and then in Tucuman. He died in Buenos Aires.

²³ Rignano (1920c).

²⁴ Turati (1920, pp. 199-200).

readers.²⁵ Although they clearly had much sympathy for Rignano's attempt to bring about Socialism by legal reforms, they did not believe that Socialism could be attained by the way proposed by Rignano. In their view, he was much too optimistic about the willingness of capitalists to surrender to Socialism by allowing a process of gradual nationalisation to take place without resistance. As an alternative, the editors proposed to nationalise certain 'mature' branches of production and to bring them under some kind of collective management.

One of the reasons why the review had put an end to the discussion was that Rignano planned to publish a book with his reactions to the main critiques of his plan. The book was published later that year under the title *Per una Riforma del Diritto Successorio*. It not only contained his replies to the contributions in *Critica Sociale*, but also to other comments which had been made on his proposals, such as those of the economists Augusto Graziani (1919) and Luigi Einaudi (1919), and the trade unionist Rinaldo Rigola (1920). At the same time, Anselmo Bernardino (1921), the statistician Corrado Gini (1921), and the law professor Mario Rotondi (1920) offered further criticisms of Rignano's proposals.

From this brief overview it emerges that in the years following the Great War, Rignano's ideas did get substantial attention in Italy. When Rignano first launched his proposal, his outspoken socialist stance might have played a role in the lukewarm response he received in Italy; but apparently this had changed after the war. Some critiques were obviously

²⁵ *Critica Sociale*, 1920, Vol. 30(13), pp. 234-235.

more destructive than constructive, but on the whole Rignano's proposal was the subject of a serious economic and political debate. It is fair to say that Rignano did not succeed to convince his Italian critics of the merits of his proposal, in particular of its feasibility.²⁶ He remained somewhat of an outsider in the Italian economic profession.²⁷

6. Economists Supporting Rignano's Ideas

Rignano by no means confined himself to promoting his proposal in his native country; he actively contributed to the international diffusion of his ideas. Immediately after the war he publicised his taxation plans in articles in leading international economic journals. In his article "A plea for a greater economic democratisation", which appeared in the 1919 volume of the *Economic Journal*, Rignano explained why he found it appropriate to return to his almost two decades old proposal: "If here we take the liberty of recalling conclusions then come to, it is because the very gravity of the crisis which threatens us, and the urgent need of putting ourselves on our defence, invite us to inquire whether those conclusions might not be capable of passing over from the field of mere theory into that of practical application." (Rignano, 1919, p. 306)

For Rignano the "crisis which threatens us" was a crisis of the *capitalist régime* as such. As a result, "everywhere is to be seen a

²⁶ An echo of this can be found in Steve (1947, pp. 130-131).

²⁷ Maffeo Pantaleoni noted the 'bolshevist appetites' of 'intelligent writers like Eugenio Rignano' (Pantaleoni, 1921, pp. 33-34).

revolutionary ferment”, which could lead to violent revolutions as the one in Russia. But according to Rignano an alternative existed: “(...) the problem arises whether it be in the interests of the bourgeoisie to defend all its class rights, and thus incur the danger of a violent Bolshevik revolution, which would represent for all the countries of the world and all the social classes a catastrophe a hundred times worse than the war; or to come forward itself, so to speak, to meet the chief desiderata of the working masses, so as to open the way for a peaceful and legal transformation, radical though gradual, of the economic order, which would succeed in modifying in the direction of greater justice the distributive process, without violent and disastrous crises in the productive process, or, rather, with an increase in the output of the latter.” (*ibid.*, p. 302-303)

Rignano then summarized his proposal, and stressed “(...) how much more effectively such a reform would impel people to save, as compared with the present kind of bequest full and entire” (*ibid.*, p. 307). Moreover, it would lead to a gradual extinction of public debts, and therefore, it “(...) would allow the State to pass gradually from a finance on the basis of taxes to a finance on an exclusive base of income” (*ibid.*, p. 308). In another article, “Un programme socialiste libéral”, which appeared in the January 1921-issue of the *Revue d’Economie Politique*, Rignano emphasized the socialist character of his proposal, but also carefully noted that it differed both from the orthodox Marxist and from the utopian socialist solution (Rignano, 1921a). It is also interesting to note that in the same year Rignano wrote a review article of Hugh Dalton’s *Some Aspects of the Inequality of Incomes*

in Modern Communities in which he related his work on inherited wealth to that of Ely and Cannan (Rignano, 1921b).

In addition to these articles, Rignano published modified versions of his 1920 Italian book *Per una Riforma Socialista del Diritto Successorio* in other languages. A selection of the book was translated into French by Georges Bourgin and published as *Pour une Réforme Socialiste du Droit Successoral* (1923). An English translation and adaptation was made by William J. Shultz; it was published in the United States with an introduction by Edwin Seligman under the title *The Social Significance of the Inheritance Tax* (1924), and in a modified form in Britain with an introduction by Josiah Stamp²⁸ under the title *The Social Significance of Death Duties* (1925).²⁹ The French translation seems to have been the first in which Rignano introduced the distinction between a maximum and a minimum project. The maximum project consisted of the original proposal, characterized by the confiscation of property after two or three transfers; the minimum project, on the other hand, concentrated on the fiscal aspects of

²⁸ Lord Stamp was at that time Chairman of the Special Committee on Inheritance (see Fijalkowski-Bereday, 1950, p. 193n). He was also Chairman of the L.M. & S. Railway and President of the Executive, Director of the Bank of England, and Member of the Court of Enquiry into the Mining Industry. It is interesting to note that Lord Stamp was one of the richest men of the United Kingdom.

²⁹ Reviewing the book in the *Economic Journal*, Edwin Cannan (1926, p. 235) complained about the lack of bibliographical data (no date of publication, and no precise indication of the original title of “Professor Rignano’s work” which was translated by William Shultz). In a contribution to the *Encyclopaedia of the Social Sciences* Shultz (1932, p. 49) indicated that he translated *Per una Riforma Socialista del Diritto Successorio*. Some authors have cited *The Social Significance of Death Duties* as a joint work of Rignano and Stamp (see Fijalkowski-Bereday, 1950, p. 195n; and Atkinson, 1971, p. 226).

the scheme and did not aim at (rapid) confiscation. The minimum project would apply the existing inheritance taxation rates to the own savings of the deceased, but two or three times those rates to everything which the deceased had inherited or received by gifts *inter vivos* (Rignano, 1923, pp. 105-112; 1924, pp. 112-120; 1925, pp. 126-134). The distinction was clearly made in order to increase the chances of the proposal ever being realized. Apparently the prospect of a large-scale nationalization of private wealth frightened too many of those who were interested in the practical realization of the scheme. Despite this concession, Rignano remained committed to the maximum version of his project, and worried about how it could be practically realized. To this end, the French and English translations incorporated modified versions of the law project on inheritance taxation which was already present in the Italian book.³⁰ Moreover, in appendix they included an endorsement of the Rignano principle by the Belgian socialist leader Emile Vandervelde.³¹

Partially as a result of this stream of publications, a number of economists picked up Rignano's idea and gave it favourable comments. The list includes Hugh Dalton, Josiah Stamp, Corrado Gini and Giovanni De

³⁰ For the French project, see Rignano (1923, pp 93-103). This was drafted by the Milanese lawyer R. Limentani, and destined for the members of the French *Parti Socialiste Unifié*, also known under the name *Section Française de l'Internationale Ouvrière* (SFIO). In the American edition Shultz revised and adapted the draft in order to bring it into harmony with the American legal tradition (Rignano, 1924, pp. 95-111). Stamp's version combined the French and the American proposals (Rignano, 1925, pp. 113-125).

³¹ This is not surprising in view of the fact that Vandervelde had been a close collaborator of Ernest Solvay in the period 1894-1900 (cf. Erreygers, 1998, p. 229). The remarkable thing, however, is that Vandervelde did not refer to Solvay in his letter.

Francisci Gerbino. Dalton did perhaps the most to promote Rignano's ideas. In Dalton's book *Some Aspects of the Inequality of Incomes in Modern Communities* Rignano's work was cited several times, and described as "remarkable" but also as "curiously little known" (Dalton, 1920, p. 316). As far as the principle is concerned, Dalton judgement was very favourable (*ibid.*, p. 133):

A more detailed analysis of the scheme, especially of its practical applicability, was made towards the end of the book (*ibid.*, pp. 316-327).

Dalton identified the division of the inheritance into different parts according to the number of transfers as the main practical problem. This division could be made only on the basis of monetary values. But then, Dalton remarked, it seems desirable to take into account changes in value for which the proprietor is not responsible (*ibid.*, p. 318)

The problem would be less severe, however, if the division only related to the distinction between a person's own savings, on the one hand, and his or her inheritances and gifts on the other. Two tax rates would then suffice, a low one for own savings and a higher one for inheritances and gifts, i.e. $T = [t_1, t_2]$, with $0 < t_1 < t_2 < 1$. This is what Dalton called the "simplified Rignano principle" in contrast to the original "full Rignano principle" (*ibid.*, p. 320); the distinction coincided more or less with the distinction between the minimum and the maximum project. Another aspect of Dalton's examination was that he compared the effects on inequality and on production of the Rignano principle and of other principles of inheritance taxation. With respect to inequality the results were "speculative and uncertain", but with respect to production the Rignano principle definitely

appeared to be superior. The argument was that with a Rignano tax the will to save may be diminished less than with other inheritance taxes, as Pigou maintained, or that the will to save, and also the will to work, may even increase, as Rignano believed (*ibid.*, pp. 322-325). All in all, Dalton was quite enthusiastic about the Rignano proposal. This is also clear from the fact that in the penultimate chapter of the book, containing his own suggestions for a reform of the law of inheritance, Dalton made room for the Rignano principle: one of his propositions was to combine a tax on the simplified Rignano principle with a graduated tax on individual inheritances (*ibid.*, pp. 339-341). In other publications, such as *Principles of Public Finance* (first edition 1923), Dalton regularly returned to the Rignano proposal and formulated modified versions of it (see below).

Compared to Dalton, the support of Josiah Stamp for the Rignano proposal has always been more conditional as he pointed out in the Newmarch Lectures which he delivered in February 1921 (Stamp, 1922, p. 190). Stamp further commented Rignano's proposal in the introduction written for the English translation/adaptation of Rignano's *Per una Riforma Socialista del Diritto Successorio*, which was also published in Rignano's journal *Scientia* under the title "The influence of death duties on the socialisation of wealth".³² In it, Stamp identified three goals for which Rignano's ideas could be of interest: 1) to raise a given sum by taxes "on principles which will have less harmful economic influences either upon savings or in the direction of fiscal avoidance" (Stamp, 1925, p. 31) than

³² See Stamp (1925); a modified version of this essay appeared as Addendum I to Chapter II of Stamp (1929).

other taxes; 2) to raise revenue for the redemption of the national debt; and 3) to realize socialistic aims (nationalization of wealth). Then he pointed out: “It is not necessary for one to share Professor Rignano’s ambitions under the third head – indeed one may be quite hostile to them – in order to assess the value of his principal idea for the purposes of the first two objects above mentioned.” (*ibid.*, p. 31)

According to Stamp, three questions had to be answered to assess the value of the Rignano proposal: 1) is it “unnatural”?; 2) is it against fiscal or economic principles?; and 3) is it administratively practical? Stamp’s answers to the first and second questions seemed to be a qualified ‘no’, the qualification being “unless in so doing the State goes to such a length as to commit economic suicide by thwarting individual initiative, and drying up the springs of social action” (*ibid.*, p. 36). The third question, “perhaps the most vital aspect for consideration”, he hardly discussed at all; he only gave a list of the most important problems related to it:

- a) Changes in the value of money, or rate of interest, where the same real fortune may show a fictitious increase or decrease for taxation purposes.
- b) The succession of life interests.
- c) Changes in valuations of variables, etc., such as mines depending upon an estimate of length of life.
- d) The impossibility of stereotyping the forms of wealth received as inheritance, and of holding to original valuations where the forms into which exchange has been made exhibit changes.

- e) Rapid successions horizontally along the same generation, i.e., from brother to brother. (*ibid.*, p. 40)

A year later, in his Presidential Address to Section F of the *British Association*, he still maintained the same position (Stamp, 1926, p. 368).

Finally, mention must also be made of two Italian writers who in this period have favourably written about Rignano's proposal. In the last of a series of three articles dealing with post-war financial problems published in *Scientia* in 1921, Corrado Gini examined in detail Rignano's ideas on inheritance taxation. Even more than Stamp Gini was sceptical of Rignano's political aims (Gini, 1921, pp. 128-129). The main problems identified by Gini were the changes in the value of an inheritance due to variations in prices (the use of index-numbers could be of some help here, Gini suggested), and the great diversity of intervals between two successive transfers of wealth (which e.g. in the case of young children losing their parents could be socially unacceptable). As Dalton before him, Gini preferred the minimal interpretation of Rignano's scheme, in view of the principle that "what is acquired by less effort can be disposed of with less pain" (*ibid.*, p. 134). Gini also drew attention to the practical problems associated with the introduction of the Rignano principle at a given instant of time. It might be very difficult to trace the origin of a person's savings at death; Rignano somewhat arbitrarily proposed to treat a fixed proportion (e.g. 1/3) of each person's savings as inherited, but this could be very unjust.

Giovanni de Francisci Gerbino, professor at the University of Palermo, wrote a number of articles in *Scientia* (1923a), *Giornale degli Economisti* (1923b), *Revue d'Economie Politique* (1924) and *Economic*

Journal (1925), to promote the idea to use the Rignano proposal as a new means to extinguish national debts, which had reached peak levels after the First World War. Critical of Rignano's maximum project as a social reform proposal, Gerbino was nevertheless in favour of the minimum project "as being a proposal of an exclusively financial character" (Gerbino, 1925, p. 237). Gerbino's plan was to use the revenue generated by a Rignano-inspired inheritance tax for the amortisation of the national debt. Gerbino stressed that the proposal "seems perfectly applicable in England", is "opportune at the present moment", and "would also be a very *practical* measure" (*ibid.*, p. 240). He concluded that his proposal would be a better means to extinguish the national debt than alternative methods (*ibid.*, p. 244).

7. The British Policy Debate

Summarising we can say that in the mid-twenties there was a lot of support from economists for some aspects of the Rignano proposal, in particular for the 'new' fiscal treatment of inheritances implied by the minimum project. Even among those who had little or no sympathy for Rignano's ultimate aim of nationalization, his ideas were well received. The huge financial problems with which many national states were struggling certainly created a demand for this type of proposals, which promised to raise additional revenues with a minimum of negative economic side-effects. Especially in Great Britain the situation seemed fertile for the introduction of a kind of Rignano tax. The moment of truth for the resuscitated Rignano project

arrived in 1924, when a committee was appointed “to consider and report on the National Debt and on the incidence of existing taxation, with special reference to their effect on trade, industry, employment and national credit” (Report of the Committee on National Debt and Taxation, 1927, p. viii). But instead of bringing the Rignano project closer to application, the committee – or at least a majority of its members – did just the opposite: it judged the Rignano plan to be impractical. In the years thereafter, additional contributions tilted the balance squarely in the direction of a rejection of the proposal. Let us briefly consider these documents.

The *Committee on National Debt and Taxation*, also known as the *Colwyn Committee* (Lord Colwyn was its chairman), worked from March 1924 to November 1926, and published its report in 1927. In fact two reports were delivered, a majority report and a (much smaller) minority report. Both of these reports discussed the Rignano proposal, and their appreciations of it differed considerably. In the majority report the Rignano proposal was examined in a section entitled “Schemes of Taxation and Debt Repayment” (*ibid.*, pp. 313-316). The fiscal aspect of the proposal was first of all separated from its “social and political” background, and then submitted to three tests, viz. (a) practicability, (b) equity, and (c) the effect on savings. The assessment of the practicability of the proposal rested chiefly upon a memorandum of the Board of Inland Revenue. The conclusions of this memorandum were framed very cautiously; it was said that “on a first examination, and subject to some important considerations, [the proposal] would not seem impracticable” (*ibid.*, p. 314). As far as equity is concerned, the principle underlying the Rignano proposal was not

immediately rejected: “From the point of view of theoretical equity the distinction between wealth saved by the testator and wealth inherited by him, or received by way of gift, is one which might well enter in some degree into the graduation of the death duties.” (*ibid.*, p. 314)

There was considerable doubt, however, about the fairness *in practice*; the main problem here came from the alterations in value of the different kinds of property. Rignano’s suggestion to introduce some exceptions in order to correct the most crying inequities (e.g. when a property has lost its value by *force majeure*) was not seen as an adequate solution (*ibid.*, p. 315).

With respect to the effect on savings, the authors did not blindly believe that the introduction of the proposal would be beneficial. Some property owners might “be impelled to work and save”, or “be drawn to speculative investment”, or “be induced to squander the capital”, or “be strongly tempted to evade the duty” (*ibid.*, p. 316). It was necessary, therefore, that the scheme be “introduced in a form commending it to the taxpayer”. The overall conclusion was that there was something good in the idea, but that its practical translation left much to be desired: “The principle of the Rignano scheme – differentiation between saved and inherited wealth – has not yet been embodied in a form promising reasonably fair treatment to the individual taxpayer, while the administrative problems are very formidable and the risk of evasion is serious. Some of us, however, find the principle in itself attractive, and think it possible, from such consideration as we have been able to give of the idea, that it may in course of time have useful

developments and enable some improvement to be effected in the existing death duties system.” (*ibid.*, p. 316)

Surprisingly we find Josiah Stamp among the members of the Committee who signed the Majority Report. The Minority Report (*ibid.*, pp. 418-423), signed by J.W Bowen, Fred Hall, H.B. Lees-Smith and Barbara Wootton, was much more favourable to the Rignano proposal. The administrative problems were considered not to “present any insuperable difficulties” (*ibid.*, p. 423), and the authors “agree with Professor Rignano that the effect of a duty graduated on this basis would be positively to stimulate enterprises and saving” (*ibid.*, p. 421). The authors also considered the objection made in the Majority Report concerning the risk of unfairness due to the depreciation or appreciation of property for which the owner is not responsible: “While we see some force in this objection, we do not think that it is sufficient to outweigh the merits of the whole proposal. *The inequality, in our view, lies not so much in differentiation of the rates of duty as in the fact that some people’s property appreciates while other’s does not*; and for this no system of taxation is to blame.” (*ibid.*, p. 422). And they concluded: “The result of such consideration as we have been able to give to this proposal is certainly to suggest that the principle of graduation according to the ‘relative age’ of estates might, with great advantage, be introduced into the British system of death duties.” (*ibid.*, p. 422)

On February 16, 1926, while the Colwyn Committee was doing its work, H.C. Scott³³ read before the Royal Statistical Society a

³³ A senior official of the Inland Revenue.

communication entitled “Some administrative aspects of the Rignano scheme of inheritance taxation”, which together with a summary of the discussion following the presentation was published in the *Journal of the Royal Statistical Society* of the same year. In his paper Scott examined the maximum project of Rignano, especially the administrative aspects of it. Among the issues touched upon by Scott we find the problem of valuation (already mentioned by Dalton, Gini, and the Colwyn Committee), the problem of payment (in particular the difficulties when payment in kind is allowed), the problem of ‘legal’ evasion, “i.e. the prevention, by transfers *inter vivos*, of property from becoming liable to the tax” (Scott, 1926, p. 266), and the yield of the tax. A very original aspect of Scott’s paper is that he constructed a model which enabled him to make a forecast of the yield of the Rignano scheme in Britain over a fifty-year period. His calculations showed:“(…) that while the annual yield would be considerable after some thirty or forty years, no great increase would result for many years after the commencement of the scheme. This is not, of course, an argument against the scheme as part of a complete fiscal system operating over a long period, but it does rather militate against its immediate utility and political possibility.” (*ibid.*, p. 270).

Although he admitted “the solid economic sense behind the Rignano idea” (*ibid.*, p. 281), his overall judgment of the scheme appeared to be rather negative: “The general line of criticism in this paper may seem to be mainly destructive. It is not, however, put forward for that reason, but rather, if anything in it is of value, to drive inquiry more into the line of

administrative practicability, which is, after all, the final consideration in connection with any proposal of taxation.” (*ibid.*, p. 270)

The discussion ended with the following enigmatic reply of Scott: “Someone asked for my own ‘carefully concealed’ opinion on the scheme. I feared I had not concealed it enough. But, very briefly, it is that if Rignano’s historical thesis is correct, then by the time the property-owning classes are sufficiently concerned to be willing to concede such a solution to their relations with the proletariat, much bigger things are likely to happen than the Rignano scheme.” (*ibid.*, p. 282)

Scott’s study certainly did not help to make Rignano’s proposal more acceptable as a realistic policy measure in Great Britain. The final blow was dealt in 1929, when Josiah Wedgwood published his *The Economics of Inheritance*.³⁴ The last chapter of the book, “Recent proposals for the reform and extension of the death duties”, was almost entirely devoted to Rignano’s proposal and modified versions of it. Wedgwood recapitulated and discussed a lot of the critiques made by previous writers (cf. the problems of valuation, of evasion, and of payment in kind). What was new, however, was Wedgwood’s critique of the Rignano proposal on the basis of the distinction between ‘earned’ (or ‘saved’) and ‘inherited’ property: “(...) when one comes to try to apply this distinction in practice, it seems anything but clear and definite. ‘Inherited’ property is clearly intended to cover all property received either by inheritance, bequest or gift

³⁴ In 1939 a paperback edition was published by Pelican; interestingly, in the introduction to this edition Wedgwood asked the reader to “pardon the references in the book to now almost forgotten writers like the Italian liberal Rignano, or the German Jew, Walter Rathenau” (Wedgwood, 1939, p. 10).

during life; and all such property is to be taxed at a higher rate than property acquired in other ways, which is described by Rignano as ‘earned’ and by others as ‘saved’. But to describe all property acquired otherwise than by gift or inheritance as ‘earned’ or ‘saved’ is rather misleading, if one accepts the usual interpretation of those terms. For a good deal of property is not the result of the owner’s effort or thrift; and not all that is the result of his efforts represents an economic service to the community.” (Wedgwood, 1939, p. 260)

One of the effects of the introduction of a Rignano tax might then be that speculation is encouraged. Wedgwood concluded: “There is bound, therefore, to be a large element of luck in the assessments of ‘earned’ and ‘inherited’ property. (...) In general, the tax will differentiate in favour of those who are fortunate in their investments and speculations and against those who are unfortunate.” (*ibid.*, p. 262)

Another problem mentioned by Wedgwood had to do with the “difficulties of tracing gifts *inter vivos*” (*ibid.*, p. 263). When a person dies, his total wealth is assumed equal to his estate at death augmented with the gifts he made during his lifetime. The Rignano tax might well exceed the value of his estate at death since that tax is due when this person dies, not when he made his gifts. In that case it would be necessary to trace all the donees and to make them pay the remaining tax. This, observed Wedgwood: “(...) might prove an impossible task. The only way to obviate this difficulty would be to insist on the settlement of all large gifts and inheritances so that they were not alienable during the beneficiary’s life-time – in other words,

to make it incumbent on a man to stick to what he has got while he is alive in order that the State may take its dues when he is dead.” (*ibid.*, p. 264)

One of the reform proposals made by Dalton (1920, p. 337) – to drastically extend the functions of the Public Trustee – seemed to go in this direction. In the end, Wedgwood appeared to be very sceptical of the Rignano proposal since it may have adverse effects (*ibid.*, pp. 264-265).

8. The Aftermath

These criticisms torpedoed the Rignano project, at least as an immediate practical programme. Although by the end of the 1930s Rignano’s name was, indeed, “almost forgotten”, his ideas survived for some time in a few modified inheritance tax proposals, in writings of socialist reformers, and in academic circles.

During the 1920s and 1930s Rignano’s ideas inspired a number of modified proposals, none of which were realized. In various places Dalton (1925, p. 298; 1945, pp. 117-118) proposed a variant of Rignano’s plan which had the advantage of avoiding the valuation problem. The basic idea was to collect the inheritance tax due on the *second* transfer (i.e. the tax on inherited wealth) at the moment of the *first* transfer. This is how the system would work: “On any person’s death, a certain part of his estate, after payment of the Estate Duty, might be required to be paid over to the Treasury in exchange for the issue of terminable annuities yielding during their currency the same annual income. (...) These annuities would run for, say, twenty years and then cease altogether. (...) Those who inherited the

annuities would enjoy the same income for the next twenty years as they would have enjoyed in any case, but, knowing that the annuities would only run for this period, they would have an incentive which would otherwise be lacking to work and save, so as to provide an income for themselves or their children at the end of this period.” (Dalton, 1925, p. 298)

This proposal was referred to by the authors of the Majority Report of the Colwyn committee (Report of the Committee on National Debt and Taxation, 1927, pp. 316-318), who rejected it, and by Pigou (1928, pp. 166-167), who described it as “an ingenious alternative plan”. Wedgwood (1939, pp. 268-269) further modified the proposal. The Rignano-inspired plan to establish a ‘re-inheritance duty’, elaborated independently by Hubert Henderson (1926), was essentially the same as Dalton’s proposal.

The Dalton variant of the Rignano proposal resurfaced in 1935, when both Colin Clark (cf. Durbin, 1985, p. 221) and James Meade (1988[1935], p. 52) mentioned it in memoranda for the British Labour Party. It was also advocated by Douglas Jay³⁵ in his book *The Socialist Case*, first published in 1937. Immediately after the Second World War a golden opportunity presented itself for the Rignano proposal, when Hugh Dalton became Chancellor of the Exchequer in Clement Attlee’s Labour Government.³⁶ Dalton later admitted his failure to adopt a Rignano type of reform of death duties: “I was particularly anxious to reform the death duties and pondered long as to the political possibility of introducing what I have

³⁵ Douglas Jay (1907-1996) was a British Labour politician.

³⁶ Dalton served from July 1945 to November 1947, when he was forced to resign.

called (...) the simplified Rignano principle, and (...) a gradual Capital Levy, whereby a certain part of an estate passing at death should be compulsorily exchanged for a terminable annuity of equal annual value. But I reached the conclusion that it would be politically very difficult to put this scheme across in view of its novelty, when there was so much else going on. I put it on the list of good deeds to be done, if ever I got into smooth water. But this never happened.” (Dalton, 1957, p. 232)

After the departure of Dalton as Chancellor of the Exchequer, George Fijalkowski-Bereday (1950, p. 196n) suggested in the *Oxford Economic Papers* that “It might be a good time to revive the Re-inheritance Tax projects as proposed by Dr. Dalton (...) or by Sir Hubert Henderson”. In 1956 Anthony Crosland³⁷ once again argued that there was a strong case for a reform of the death duties along the lines suggested by Rignano and Dalton (Crosland, 1956, p. 309). But in spite of these calls in favour of the introduction of Dalton-Rignano inheritance taxes, nothing happened. This inspired Shoup to the following comment: “No practical support has developed for the Rignano plan or its variants, which would tax especially heavily and eventually confiscate inheritances that came from inheritances, after two or three generations. It is instructive to recall that an inventor of one of these variants, Hugh Dalton, made no move to introduce it into British law while he was Chancellor of the Exchequer in the late 1940s.” (Shoup, 1968, p. 558)

³⁷ Charles Anthony Raven Crosland (1918-1977) was a British Labour politician. From 1976 to his death he was Britain’s Foreign Secretary.

On the purely academic level, apart from the already mentioned analysis of Josiah Wedgwood two important studies of Rignano deserve to be mentioned. The first was the PhD dissertation *Erbschaftsteuer und Soziale Reform. Kritische Betrachtungen anlässlich des Rignano-Plans*, which Bruno Antweiler submitted to the University of Köln in 1933. He came to the conclusion that the adoption of Rignano's maximum project would lead to an impossible cohabitation of a private enterprise economy with an expanding state-owned sector (Antweiler, 1933, pp. 171-176). With regard to the minimal project, however, his judgment was a bit more positive: the distinction between own and inherited property could eventually be introduced in the existing tax system. But he warned that the impact of a tax along these lines would be limited, and more generally that in modern societies death duties would have little effect as means of social reform (*ibid.*, pp. 176-180). The second analysis of Rignano's ideas was the one by Cesare Brasca in 1952-1953. Although he acknowledged the 'genial' and 'fertile' character of the Rignano proposal, he concluded that so much difficulties and uncertainties surrounded it that its introduction would be highly doubtful.

9. Concluding Remarks

At the end of our paper let us briefly and tentatively indicate some ways in which the reconstruction of the Rignano story might be useful today. The Rignano proposal – or more correctly the Solvay-Rignano proposal – was originally formulated as an ambitious social reform proposal, allegedly

providing a means to combine equity (or socialism) with efficiency (or liberalism). Edwin Cannan described it eloquently as follows: “Professor Rignano conceived that the outcome of his plan would be an economic paradise in which nobody would have to pay any taxes, and the individualist lamb would lie down with the socialist lion, both being content to see private property passing steadily into the hands of the State.” (Cannan, 1926, p. 236)

Over the years, however, the means (an inheritance tax progressive in time) became separated from the aim (the gradual nationalization of the means of production) of the project, and the original, or ‘maximum’, project was more and more reduced to a purely fiscal, or ‘minimum’, project. Even this minimum project was never adopted. There is some irony in the fact that one of the critiques which were levelled against a project which was originally devised as a step towards more social justice, was that in practice it might create more inequities.

In the beginning Rignano relied on a mixture of arguments of an economic (more incentives for production and saving), ethical (more fairness) and political (emancipation of the labouring class) nature. Realizing that there was very little support for the full application of his proposal, he decided to make a case for a diluted version of his original plan, hoping it would be a small, but decisive step towards the full realization of his ideas. But even after stripping the plan of its sharpest political and ethical edges, the practical application remained a far way dream. The reduction of the plan to the introduction of a simple principle like the differential treatment of ‘earned’ and ‘inherited’ wealth already

seemed to involve important ethical issues. This probably shows that the question of inheritance taxation is not a question which can be tackled by purely 'economic' arguments alone.

In general one can say that transfers of property by means of inheritances and gifts continue to play a very important role in the processes which determine the distribution of income and wealth. Moreover, the legal and fiscal frameworks in which these transfers take place have not changed drastically since the beginning of the 20th century. The arguments which have been used in the inheritance tax debate of the 1920s are, therefore, not completely outdated and may continue to be relevant for those who want to study the systems of inheritance in today's societies (as also pointed out by Atkinson, 1971, p. 226). At the same time the fate of the Rignano proposal teaches us that existing inheritance mechanisms appear to have very strong roots, which suggests that those would like to change them drastically should equip themselves with powerful arguments.

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Publicato in proprio
Dipartimento di Economia Pubblica
Facoltà di Economia
Università degli Studi di Roma "La Sapienza"
Via del Castro Laurenziano 9 – 00161 Roma

**Working Paper del Dipartimento di Economia Pubblica
Università degli studi di Roma “La Sapienza”
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