BOOK REVIEW:

“VILFREDO PARETO: AN INTELLECTUAL BIOGRAPHY III. FROM LIBERTY TO
SCIENCE (1898-1923)” BY FIORENZO MORNATI

REVIEWED BY

GIORGIO BARUCHELLO *

* University of Akureyri, Humanities and Social Sciences.

Contact: giorgio@unak.is

This “preprint” is the accepted typescript of a book review that is forthcoming in revised form, after minor editorial changes, in the *Journal of the History of Economic Thought* (ISSN: 1053-8372), issue TBA. Copyright to the journal’s articles is held by the History of Economics Society (HES), whose exclusive licensee and publisher for the journal is Cambridge University Press (<https://www.cambridge.org/core/journals/journal-of-the-history-of-economic-thought>). This preprint may be used only for private research and study and is not to be distributed further.

The preprint may be cited as follows:

Baruchello, Giorgio. Review of “Vilfredo Pareto: An Intellectual Biography III. From Liberty to Science (1898-1923)” by Fiorenzo Mornati. *Journal of the History of Economic Thought* (forthcoming). Preprint at *SocArXiv*, osf.io/preprints/socarxiv

Fiorenzo Mornati, *Vilfredo Pareto: An Intellectual Biography: III. From Liberty to Science (1898–1923)* (Cham: Palgrave Macmillan, 2020), pp. vii + 206. ISBN 978-3-030-57756-8.

Thanks to Palgrave Macmillan’s publication of this English-language volume (V3) dealing with Pareto’s thought in his mature and final years, Mornati concludes his long, careful, “inductive” and “non-linear” account of the oeuvre of the renowned Italian economist and sociologist (199–201; the Italian-language version of the book was also published in 2020). Mornati’s noteworthy account was inaugurated in 2015, when he published a first Italian-language book (V1), entitled *Dalla scienza alla libertà* [From Science to Liberty] (1848–1891), and it continued in 2017 with a second Italian-language book (V2), i.e., *Illusioni e delusioni della libertà* [The Illusions and Disillusions of Liberty] (1891–1898) (both V1 and V2 were translated into English and published by Palgrave Macmillan in 2018).

As patiently mapped by Mornati, Pareto: began his scholarly activities with studies in engineering and the empirical sciences (V1); gained valuable practical experiences and expertise *qua* industrial engineer and manager (V1); abandoned the messy realm of Italy’s ‘real economy’ in order to make a name for himself as an academic economist in Switzerland (V2); sustained about three decades of political activism advocating classical liberalism (V1 and V2); and then dived into the study of politics, history, and social phenomena, in the committed search of a novel empirical science of observable associated human behaviours, i.e., Pareto’s “general sociology” (V3, v). Thus far alone in the history of Western culture, Pareto became eventually a canonical name in economics, sociology and political science—for a long while at least. Whereas his standing in economics is still secure, given the textbook status of Pareto’s mathematical renditions of the concepts of ‘efficiency’ and wealth ‘disparity’, Pareto’s centrality in the other two disciplines has been diminishing over the last few decades, particularly outside Italy and Switzerland.

As far as V3 is concerned, the first chapter addresses Pareto’s 1905 *Manual of Political Economy* and his enduring contribution to “theoretical (or ‘pure’) economics” (1). The second chapter, in line with themes explored already in V2, covers Pareto’s forays into statistical and applied economics, given the enduring “diverge[nces... of] pure economics... from real-world phenomena”, e.g., “international commerce, income distribution, economic crises, the demographic issue, progressive taxation and social welfare”—in a nutshell, actual economies (53). The rest of the book, which reflects Pareto’s own changed priorities *qua* seasoned university professor and hard-working researcher, comprises six eloquent chapters. These constitute the bulk of V3 and focus on Pareto’s pivotal texts about politics (especially, but not exclusively, his two-tome *Socialist Systems*), sociology (i.e., the *Trattato di sociologia generale*, translated into English in the 1930s as *The Mind and Society*), political and economic history, and, to a smaller extent, applied economics, plus some tokens of these key-texts’ critical reception in the first decades of the 20th century (“The Final Phase of Paretology During Pareto’s Lifetime”, 183–99).

(A) had already become in Pareto’s lifetime—also as a result of his significant contributions—a deductive aprioristic discipline, built upon the apt, but also empirically unwarranted, axioms and assumptions inherited primarily from British political economy. Among these axioms and assumptions stand out: (A1) “free competition” (11 *et passim*) *qua* paradigm of economic ‘normality’; (A2) a providential tendency to “equilibrium” in economic exchanges (*ditto*); and (A3) the peculiar philosophical anthropology whereby human beings are to be thought of as “*homines oeconomici*” (2), i.e., unrelenting “pleasure machines” (V2, 83) enjoying: (A3i) information allowing them to take “into account all the obstacles” that there can be with regard to these “perfect hedonists” (V2, 80) making “an equilibrium choice” (7); (A3ii) under

inexorable conditions of scarcity (aka “the economic problem” *par excellence*, id.); (A3iii) in order to “satisfy [their] own desires” for material amenities (aka “preferences”, 12, or “selfish interests”, 68).

Presupposing all these notions as starting points, Pareto could then proceed to design a grandiose formal symbolic system, in which each “individual” economic agent is to “operate in a manner such that all his fellow citizens attain the greatest possible level of well-being without anyone being sacrificed” (33; i.e., the canonical Pareto “optimum” of today’s textbooks, which justify on its basis wealth disparity for efficiency’s sake; 91). Cast in abstract terms that do not distinguish, say, between the vital need for bread and the ephemeral preference for a new type of chewing gum, such an ‘optimal’ and ‘efficient’ order of things can be consistent with the “lasting pauperism of the greater part of the population”, as pointedly remarked by one of Pareto’s early critics, i.e., Knut Wicksell (186).

This deep-seated axiological blindness, which can still be identified with ease in subsequent versions of (A) up to the present day, is further reinforced by Pareto’s allegedly value-neutral “ordinal” logic of economic “choice” (2–7), which is supposedly exercised by moneyed consumers operating in competitive “markets” (59). On the one hand, it should be obvious—but it is not, if one just takes a second look at (A)’s textbooks—that there can be scores of living beings that cannot exercise any such choice because of their lack of money. On the other hand, even when some living beings can make choices in the competitive markets, these choices extend uncritically to all kinds of nominally valued ‘goods’, which can be as life-destructive as armaments, opium or tobacco, all of which are “economic goods” (92), insofar as no deeper evaluative criterion than subjective assessments of “pleasure” and “pain” is ever suggested by Pareto in his writings about “pure economics” (2).

Additionally—and this time by means of a sleight of hand that too can still be found in today’s textbooks of (A)—“enterprises” seeking “maximum cash monetary profit... [by] pay[ing] the lowest amount possible for its purchases and obtain[ing] the highest amount possible for what it sells” are treated by Pareto as functionally equivalent to atomic individual agents (12). This equivalence is endorsed despite the fact that Pareto knew well, particularly as a former industrial manager (V1), that managers themselves and workers too can become “plunderers and thieves” of the companies for which they work (60). Pareto’s writings, instead, reserve these scathing epithets to public authorities applying heavier “progressive taxation” in order to finance “public expenditure” (60–61). Repeatedly, in his works pertaining to (B), Pareto attacks all such public-sector “plunderers” who, had they really been such “thieves”, would have incarnated, quite prosaically, the *homo oeconomicus* of Pareto’s own (A).

Moreover, as a reasonable, if not even rational, barrier against abuses of this perplexingly paradigmatic self-interested character, Pareto never provides in either (A) or (B) any ethics whereby to promote a different, positive line of conduct, as Mornati observed already in (V2). On the contrary, whenever touching on the subject of ethics, Pareto dismisses moral principles and ideals as non-logical mental-linguistic constructs (i.e., examples of “derivations”, 113) based ultimately upon irrational inclinations of the human psyche (i.e., the unobservable substratum of the “residues” derived from the study of communicative action in society, id.), if not as cunning decoys aimed at defrauding unsuspecting victims (i.e., “material appetites dressed up in fine idealistic garb”, 150).

Perhaps unsurprisingly, Pareto’s study of (B) reveals a very different world than the one depicted *a priori* by (A): (B1) private oligopolies and “government monopoly systems” had become more and more common by the end of the 19th century (85); (B2) “disequilibrium” had also turned into a standard and ever-growing feature of economic life, especially at the macroeconomic level (159); and (B3) people could be seen: (B3i) acting relentlessly upon opaque knowledge (“ignorance”, 155), in view of (B3iii) opaque gains (e.g., “national prestige”,

153), spurred by opaque motives (B3ii; i.e. “habit... feelings, prejudice, passions”, V2, 80 and 205).

Concerning (B3ii), Pareto’s (B) ends up cataloguing twenty-seven empirically inferred psychological drivers of human agency that have little or nothing to do with the economically ‘rational’ self-maximisation presumed throughout (A). They are, in short, all the aforementioned “residues” of observable linguistic usages, which are the “manifestations of... feelings and instincts” buried deep in the human psyche (113). Exemplarily, recurring “economic crises”, which Pareto deemed to be the result of the “rhythmic” irrationality of “excesses of confidence” and “pessimism” among real economic agents, were taken by him to pose a manifest challenge to the aprioristic rationality of (A). And equally did the commonplace practice of “squandering fortunes” in unsuccessful colonial wars and the costs of political clientelism, both of which are recurrent game-changers in the history of international and national economies that theoretical economists cannot even begin computing (58). In parallel, Pareto’s historical studies, conducted in connection with (B), conclude invariably that the predatory use of “force” and wilful rapine are the unchanging undercurrents of great varieties of “power struggle[s]” inside human societies, even when these struggles are conducted behind “the appearance of a confrontation over the great principles of liberty, law and equality.” (116) Yet, despite his extensive writings about “the apparently irresistible rise of socialism” in the modern age (v), Pareto never states clearly that the scarcity presupposed in (A) can be, to a significant extent, the result of the liberal institutions themselves, and of “private property” in particular (11), as done, e.g., by liberals such as Cesare Beccaria or Adam Smith. As witnessed again and again in ancient as well as modern history, armed groups instituting private forms of ownership seized life-enabling resources from countless “inferior races” (189) that had held and administered them in common, and in the process turned these now-privately held resources into commodities reserved to those who can afford to pay for them. Reading V3, one is led to think of the rural commons belonging to the Berbers in Italy’s 1911 colony-to-be, i.e., “Libya”, the occupation of which Pareto favoured openly in his writings (99). Thus, while Marx’s concept of “class struggle” is commended by Pareto as sociologically acute and historically correct (89), no analogous appreciation is shown by Pareto with regard to the socialist condemnation of colonialism and/or Marx’s theory of primitive accumulation.

Whilst admiring Pareto, Mornati does not shy away from tracing the many frictions and divergencies emerging out of Pareto’s (A) and (B), when not out of either alone. For example, on a revealing and endearing personal level, Pareto is reported to have been working *pro bono* for the “mutual aid society Winkelried” in Switzerland (62). Seemingly, as Pareto stated, people have a duty to “give each other a hand, when possible”, thus ignoring (A)’s *homo oeconomicus* altogether (id.). Analogously, Pareto is recorded to have been against “price controls on bread” (163), while favouring “the abolition of the requirement for identification of bond-holders”, henceforth “ending the oppression of savers in order to finance consumption on the part of the majority”, which would however be desirable in the basically utilitarian terms assumed in (A) (164; see also 167). In another curious instance, Pareto acknowledges that the post-war situation was “a complex phenomenon”, and then finds immediately the recipe for its resolution in run-of-the-mill liberal praxes that had already been tested and that, at the very least, had not stopped the world from plunging into said war: “[unhampered] production... less waste on the part of the governments and private individuals... [unpenalised] savings... free circulation of goods, capital and labour... increased working hours and reduced salaries” (160–61).

There may be clever exegeses whereby to resolve some, if not all, of these tensions and contradictions. In spite of everything, all sorts of perplexing reasonings and dubious courses of action can be justified in the name of a future “social equilibrium” (98) and attendant “collective prosperity” (33) that, by definition, cannot be observed empirically in the here and now—hence neither “objectively” (116) nor “scientifically” (11). Christians, Adam Smith and Marxists are

known to have taken full advantage of the immense power of unfalsifiable hypotheses about some greater good to come, whether it is cast *qua* Jesus' second coming, the bountiful wealth of nations trading freely with one another, or the peaceful classless society that, inevitably, will follow the socialists' bloody revolution and the proletariat's dictatorship. Nonetheless, on more than one occasion, Pareto himself admits, or presents with greater candour, the likely infelicities and inherent limitations of his uneasy two-pronged approach—if not even of his favoured liberal policies, which he seems, now and then, willing to suspend and/or modify.

For instance, despite all the gargantuan efforts thrown into developing (B), Pareto had no clue on how World War One would end while in progress and which exact solutions to offer *vis-à-vis* its aftermath (138–39). He recognised in earnest the many inescapable unknowns affecting crucial domains of economic agency at all times (e.g. future “growth in gold production” and related “inflation” of “prices” and “nominal salaries”, 65), as well as those pertaining to demographic forecasts (e.g., the actual number of war casualties, the resulting mass emigration, possible increases in abortions, etc.; 59), which too have immense economic implications. Pareto, at least for a while, wondered honestly whether the Bolsheviks' “sociological experiment will confirm, modify or shatter existing scientific consensus” (153). As he mused, many times in history “proprietors have... changed while property has remained” (155). Thus, Pareto entertained as well the plausibility of “cooperative” ownership and “management” of “the Italian railways”, i.e., by the workers themselves, or perhaps their “trade unions”, *in lieu* of (A)'s theoretically presumed private one or (B)'s historically practiced public one (67–69). Methodologically self-aware, Pareto wrote even that theoretical economists should abstain from “issu[ing] precepts”, given the abstract and aprioristic level at which (A) operates (77; see also para 1.5). By itself, (A) remains so abstract and aprioristic, that Pareto went so far as to state that it “does not supply us with truly decisive criteria for choosing between a system of private property or free competition and a socialist system” (93). To reinforce this critical point, the whole science of “finance”, as this is presented by “pure economics”, appears to have “no connection with [reality]”, according to Pareto (61). Indeed, in light of (B), Pareto ended up casting doubts on the tenability of several core principles of classical liberalism, which he had championed so ardently in the public sphere for so many years (as *per* V1 and V2).

Therefore, while tariffs and “customs protection” may be “damaging” in terms of pure economic analysis, their broader social rationale should be scrupulously acknowledged, e.g., their ability to increase “social mobility” domestically and/or “preserve wealth” that is already present (56). Theoretically, it is impossible to assert *a priori* “whether ‘free trade or protectionism is more beneficial’” to a nation (*id.*; see also 119). Similarly, insofar as some groups benefit because of any concrete economic policy, while others do not, how each such policy is conducive to widespread social wellbeing cannot be predicted with scientific exactitude *ex ante*, but only assessed empirically *ex post*. Hence, as Pareto grudgingly concedes, some instances of leftist social “reform” may be acceptable after all (57).

Pace the liberalism of his youth, studying phenomena pertaining to (B) had showed Pareto how the most central liberal principles, and “free trade” *in primis*, when practically realised in actual societies, could produce even stronger illiberal reactions therein, e.g., “the Paris commune”, insofar as the benefits generated by increased commerce fail to reach the population at large to a significant level, fuel understandable social resentment, and accrue chiefly to the fortunes and the “triumph of certain interests”, e.g., “the Cobden leagues” in the UK (80–81). As Pareto quips: 19th-century “liberals were detrimental to liberty” (81). Anticipating Karl Polanyi's 1940s insights on these matters, Pareto is recorded as stating, quite surprisingly, that “liberal principles” themselves “harbour something which is distasteful to existing human nature” (81). Still, in spite of all his candid doubts and pained soul-searching, Pareto could never bring himself to imagine, suggest or call for something truly new, untested, genuinely creative and/or experimental. There is no “Russian soviet” to be dreamt of in his works for (B) (154), nor is

there one of the engineers, as prefigured by Thorstein Veblen in the same tumultuous years of European history. If anything, as far as Russia was concerned, there will be only a “red form of Tsarism”, as Pareto writes laconically (id.). The future may be unknown in many crucial respects, as Pareto himself admitted, but it is bound to end up functioning and looking pretty much like some past point in history. If lucky, in its *modus operandi*, it may resemble the glory days of Smith’s commercial societies, whether they had really existed or not. Despite having started (B) by studying human “events as he would observe the movements of a population of ants”, i.e., without any “humanitarian ethos” (79), and having concluded that human societies are nevertheless infused with powerful “religious sentiments” and animated by “non-empirical principles” (86) that ants do not possess, Pareto could not derive any positive inspiration from all of this.

Quite the opposite, Pareto reached the desolate conclusion that “force alone controls the world”, and certainly not (A)’s economic self-interest, and that, as a result, there will arise the necessity “to shed blood” at some future point, in order to maintain the only commendable principle that he could detect: dynamic, enduring social equilibrium (79). “Force” meaning also the black shirts’ “white terror” unleashed by Mussolini, whom Pareto saluted as “a statesman of exceptional merits” (156–57). Such is Pareto’s wisdom, even after noting that people, under the appropriate circumstances, are capable of cultivating “altruistic sentiments” (86) and exhibiting “strength, discipline and the will to sacrifice the present to the future” (139). Calling himself “the most nominalist of the nominalists” (184), in an echo of an earlier self-description *qua* “the most positivist of the positivists” (V2, 207–208), Pareto had become pessimistic in his old age. He no longer had any “faith”, i.e., the passionate commitments required for political activism (78). All that he could find in his heart, apparently, were the cold “rationality” and the action-impairing “scepticism” that are constitutive of empirical science, in Pareto’s understanding of it (id.). Whether this is “the perfect path to existential fulfilment” (201), as Mornati writes in the only unfocussed statement in his three books, each reader must decide for him/herself.