LUIGI EINAUDI

Human Values for the Economy and Politics

Introduction by Carlo Azeglio Ciampi

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Luigi Einaudi remembered

by Carlo Azeglio Ciampi [1]
Emeritus President of the Republic of Italy

I did not know Luigi Einaudi personally, even though he was "my Governor" from 1946, when I joined the Banca d'Italia, until May 1948, when he was elected President of the Republic. For someone like me, who spent almost fifty years at the Banca d'Italia, Einaudi was a constant point of reference and an intellectual and moral cornerstone.

The culture of the Banca d'Italia is still steeped in Einaudi's way of thinking and shaped by his values. Einaudi was a true servant of the institutions he was associated with, and his successors have continued to look to him for guidance, though circumstances have changed over time. Einaudi was a model for all the Bank's staff: I still remember how elderly employees who had known him spoke of their admiration for his sobriety and discretion. He was rigorous to the point of severity, but his severity was allied with a depth of humanity that found expression in an almost paternal concern for colleagues in difficulty, especially those of more humble rank and means.

Einaudi's reputation at the Banca d'Italia has survived the march of time. It could hardly be otherwise: monetary stability is part of the genetic make-up of a central bank, and the "stabilization" measures taken by Einaudi and Menichella in 1947, and the convictions and cultural assumptions they were based on, are embedded in the collective memory of the institution. This strong bond was a mutual one. Antonio d'Aroma, Luigi Einaudi's closest collaborator from his days at the Banca d'Italia to his time as President of the Republic, recalled that "until the last day of his life, he never stopped reasoning like the governor of the central bank".

Aware of the role the Bank could play in the reconstruction of the country, on 31 March 1947, when presenting to the participant assembly his report on the 1946 financial year, Einaudi began by pointing out that it contained "an accountant's analysis of the principal items on the balance sheet", and then immediately added that "it is important now to perform an analysis of the events that have occurred, an analysis I would describe as both a moral and financial one". This marked the birth of an institution: from then on, every year the Governor has presented the country with his analysis of the progress of the economy, in the form of a report setting out the "vision" of the Banca d'Italia.

After he stood down as Governor, Einaudi always looked forward to receiving the bank's report "as a rare gift", to be read, commented on, annotated, and then sent back to the reigning Governor, who set great store by Einaudi's observations.

The clear, unadorned prose of his notes also bore witness to a "love for clarity of ideas and expression, dictated by the pleasure he took in thinking, his honesty in pursuing logical conclusions, and his respect for the person he was addressing, whoever it might be".

Einaudi's example has been a constant point of reference for me, first in performing my responsibilities as Governor, and then as President of the Republic.

When I was called to the Presidency, I looked to Einaudi as a model of action and intention, and not just as an illustrious predecessor in whose footsteps I was, by strange coincidence, following. Speaking of him on the fortieth anniversary of his death, I remarked that "in exercising the first seven-year mandate of a President of the Italian Republic, he was responsible for managing the transition from a monarchical form of government to a republican one at the highest level of the State. He thus shaped the institutional style of the Presidency, laying down a model that was to endure". For me, Einaudi was above all a model of impartiality and discernment.

He focused his action on the functions that Constituent Assembly had assigned to him. He himself makes this clear in his preface to *Lo scrittoio del Presidente* [the President's desk], in which he meticulously explains his interpretation of articles 74, 87 and 95 of the Constitution. With reference to the latter article, and in particular the passage

Page I:
Portrait of Luigi Einaudi, President of the Republic.

Left:
Einaudi, Governor of the Bank of Italy (1945-46).

"the Prime Minister [Presidente del Consiglio dei ministri] shall direct the general policy of the Government", he states that he had "interpreted it [...] possibly more broadly than the actual letter of the Constitution, but in a way I believe to be in conformity with the system intended by the Constituent Assembly: national policy is the responsibility of the government, which should have the trust of Parliament rather than of the President of the Republic".

In other words, he never sought to go beyond the powers granted to the president of a parliamentary republic, but at the same time did not give up the prerogatives that were rightly his. He carried out his mandate with firmness and authority, discreetly but without holding back. When necessary he intervened with the persuasive force of advice, suggestion and exhortation.

He was, however, scrupulous in pointing out that, even when his tone seemed most "forceful", his observations were never made in a "spirit of criticism, but in a spirit of cordial cooperation or reflection communicated by one who, partly on account of his age, could be regarded as an elder worth listening to". This was his vocation as a teacher, the vocation behind his work as a journalist on "La Stampa" and the "Corriere della Sera"; as a university lecturer; as a Senator in Parliament. All in all, wherever his role and function took him, whenever he believed he should speak out loud and clear in serving the common good, he was never afraid of engaging in *Prediche inutili* ["pointless sermons"].

In Sicily in April 1940.

Another matter in which I feel I am in Einaudi's debt is Europe. My faith in a united Europe drew strength from Einaudi's "Europeanism". At a very young age, only twenty-three, he expressed his conviction on this subject with great clarity in an article in "La Stampa", stating that only in a united Europe "will we gradually reach a point where the majority can prevail over the minority, and the minority will accept its decisions without recourse to war as the final answer."

In exile in Switzerland in 1944, while World War II was moving towards its tragic conclusion, he saw as unavoidable for the future of Europe the abolition of the "right of the individual federated states to mint coin with their own denominations, weights and names, and to institute central banks with the independent right to issue banknotes". It was necessary to abolish "the sovereignty of the individual states where currency was concerned". History had shown why this was so vital: "The devaluation of the Italian lira and the German mark, which ruined the middle classes and spread discontent among the workers, was one of the causes that gave rise to the gangs of unemployed intellectuals and thugs who handed power over to the dictators. If the European Federation removes from the individual states the possibility of [...] printing banknotes [...], it will, by this act alone, have done a great work".

The work in question is now accomplished: the single currency, which Italy has tenaciously pursued, despite the sacrifices involved, is a reality, as is the European Central Bank. The plan which Einaudi, then in his twenties, sketched out at the close of the 19th century, has taken on clear form and content at the beginning of the third millennium.

Europe must now speed up it progress towards political unification.

I would like to conclude this short memoir by commenting on Luigi Einaudi's strong bond with the Swiss Confederation, of which he admired the institutions, parliamentary system, forms of direct democracy, universities, schools and, in short, "every-

thing which corresponded to his tastes, inclinations and ideals".

In Switzerland, Einaudi and his wife, Donna Ida, were shown much hospitality when, on 23 September 1943, they were forced to seek refuge from the Fascist militia, following the armistice of 8 September. Einaudi has left us a moving account of that journey, so full of difficulties and risks for an elderly couple. It was published anonymously as the *Tagebuch einer Flucht aus Italien*, in the Basel-based "Schweizerische Beobachter" on 15 January 1944.

He always remembered with profound gratitude everything that the Swiss had done to make exile less distressing for him, enabling him to continue his work and studies. His Le lezioni di politica sociale, largely the fruit of the courses he gave at the University of Geneva and the School of Engineering in Lausanne, is a product of this period of Swiss exile.

In recalling, for a visitor, the adventure of his escape to Switzerland, his exact words were: "J'ai été reçu à la frontière, comme si le gouvernement suisse s'était dérangé pour moi" (I was received at the frontier as if the Swiss government had put itself out for me).

On his return to Italy, on 10 December 1944, he immediately paid homage to the country which had given him and his wife so practical an example of friendship and solidarity. He did so, on 13 December, in an article in the "Risorgimento liberale", entitled *Prime impressioni* (First impressions). Describing for the benefit of Italian readers the functioning of Swiss institutions, he explained the way votes were counted after an election, at the end of which "they perform complicated calculations to announce who has been elected; and the next day political life continues in an orderly way. New men step into the shoes of the older ones, slowly; the parties change name and objectives, but not methods".

This, then, is how I remember Luigi Einaudi, a great statesman and a man whom we still regard with gratitude and admiration.

The President at his desk.

[1] To refresh my mind on certain points, I have referred to Antonio d'Aroma's *Memorie di famiglia e di lavoro*. These memoirs were compiled in book form in 1975 by the Rome-based Ente per gli Studi Monetari Bancari e Finanziari Luigi Einaudi.

Luigi Einaudi's native soil

by Roberto Einaudi *

Left:
The Einaudi family home at
San Giacomo di Dogliani.

On this page:
Grandfather and grandchildren
in the woods at San Giacomo
(1949).

Even today, half a century after his death, Luigi Einaudi's writings are still quoted and his thinking is highly valued; politicians of all affiliations today acknowledge his exemplary achievements. Interest in Einaudi is confirmed by a host of conferences and other initiatives exploring his life and work: next year, to mark the sixtieth anniversary of Einaudi's election as President of Italy, a major exhibition will be held at the Quirinale in Rome and will later travel to Milan, Turin and other cities.

Many readers will be aware of certain aspects of Luigi Einaudi's career, such as his role as "saviour of the lira" when, immediately followingr World War II, he served as Governor of the Banca d'Italia and Minister for the Budget. Older readers may remember his mordant newspaper articles, which continued to appear in the "Corriere della Sera" until a week before his death. For others, Luigi Einaudi is the first President of the Italian Republic, or perhaps just a name.

I think it may be helpful to focus on Einaudi the scholar and statesman, before drawing the reader's attention to an important but hitherto little known aspect of his personality, which I shall deal with subsequently. To provide a succinct biography, I will quote my father, Mario, Luigi Einaudi's eldest son, who in 1991 wrote as follows:

Mario Einaudi, son of Luigi, around 1928 - 1930.

Born in 1874 at Carr_, in Piedmont [...], he graduated from Turin University in 1895. He was a professor at Turin from 1902 to 1961, and for almost a quarter of a century at the Turin Polytechnic and Bocconi University in Milan, until he was ousted by the Fascist dictatorship in 1925.

In the same year, he ended his long relationship with the "Corriere della Sera", following the Fascist coup. Ten years later, the regime ordered the suppression of the "Riforma sociale", a periodical which he had headed up since the beginning of the century. From 1936 to 1943, he created and directed the "Rivista di storia economica", recently brought back to life to continue a method of research which has given a new lease of life to studies in the field of economic history. After a period of exile in Switzerland (1943-1944), where he wrote his "Lezioni di politica sociale", he assumed the governorship of the Banca d'Italia in 1945 and for the next ten years was fully engaged in political life at the highest level. Elected to the Constituent Assembly, he was in charge of the Italian Government's economic policy until 1948, when he was elected first President of the Italian Republic.

Having returned to private life as scholar and journalist in 1955, he died in Rome in 1961 and is buried in the cemetery he himself designed on the lower slopes of one of his estates at Dogliani. This biographical outline highlights better and less well-known aspects of his career, some apparently constrasting with others, but which as a whole express the varied complexity of his life [...].

In apparent contradiction are his austere and singularly personal mission as a teacher and researcher [...] and his no less intense activity as a journalist. But, from his scholar's ivory tower, Luigi Einaudi felt a deep need to communicate his opinions on the progress of civil society to the man in the street.

And on both fronts, as scientific researcher and journalist, he exercised great influence. The Italian school of financial science has contributed to the international reputation Italy enjoys in the field of economic studies, and Luigi Einaudi's work in the years 1912-1940 was central to this. His contributions to "La Stampa" and the "Corriere della Sera", and 150 other publications, provide a notable example of Italian journalistic writing in the 20th century.

Finally, there is the phenomenon of a life spent for the most part in an attitude of strict critical detachment from political life and politicians (his appointment as senator being based on his merits as a scholar), but which suddenly in the years following the fall of Fascism saw him take charge of the country's economy and then - despite the fact that he was a *monarchist - become president of the fledgling Republic.*

An explanation for this apparent contradiction in the years 1945-1948 perhaps lies in the fact that his freedom from the normal constraints imposed by political life and the guarantees undoubtedly received, made it possible for him to re-establish a degree of essential economic balance in years of serious crisis.

For the years 1948-55, the explanation may rather rest in a conviction that the historical moment required him to overcome his inhibitions, and that he as a person was in a position to facilitate the shift from the monarchy to the new Republic.

Once he was elected, the quiet but firm application of the Constitution he had sworn to defend became his daily concern. The political class had understood that this was not mere rhetorical posturing. [...] When, on 18 February 1953, it seemed that the existing Constitution might be amended by a legal measure regarding the appointment of Constitutional Court judges, Luigi Einaudi informed the Government that, were this to happen, he would call for a joint session of both chambers of parliament to proceed to elect a new President of the Republic willing to promulgate the new law - "something which I do not intend to do, because of my duty to transmit the powers established by the Constitution intact to my successor".

What sort of background helped form the character and thinking of the man Luigi Einaudi? An absence of information concerning the very earliest period of Luigi Einaudi's life led me to research the parish and municipal records of his and his family's place of origin, where the letters of four generations are still preserved. The documents I consulted, unpublished and little known, show how family background and native soil left an indelible mark on his personality, even during the very first years of his life. Love of his native soil was an integral and fundamental part of his thinking, and of his work as a scholar and statesman. Of the origins of his father's family, Luigi Einaudi wrote with his habitual irony: *The Einaudis come from the Maira Valley, above Dronero, where there are more Einaudis than there are stones. From time immemorial, all have been mountain dwellers, woodcutters, herdsmen and small farmers.* Research in the parish archive of San Damiano Macra, where his father was born, reveals that for seven generations the Einaudis had lived in that small, isolated village in the mountains above Cuneo. Luigi's paternal grandfather had been mayor of San Damiano from 1836 to 1848.

Luigi's father, Lorenzo, was the youngest of fourteen children, only six of whom survived early childhood. He was the first member of the family to leave the valley, when, in 1869, at the age of twenty-nine, he took up the post of district tax collector at Carrù.

Two years after arriving in Carrù, Lorenzo married Placida Fracchia, a primary school teacher at Dogliani, nine years his junior, who came from a middle-class family of doctors, lawyers and notaries. The couple lived in rented accommodation on the first floor of a house in Carrù (now marked by a plaque as the birthplace of Luigi Einaudi). In 1872, twins were born to them: Benedetta and Felicita. The first died almost immediately, the second after thirteen months. On 24 March 1874, Luigi was born. He was named after his maternal grandfather, Luigi Fracchia, who was asked to be his godfather. The Einaudis were represented by his godmother, Lucia Berardi, Lorenzo's sister (his paternal grandparents had already died).

Subsequently, Costanzo was born in 1876, Annetta in 1878 and Maria in 1879. Luigi attended primary school in Carrù. After the third year, his parents decided to send him to Savona, to study at a Catholic school: the Reale Collegio Convitto of the Scuole Pie. His father wrote to the headmaster: *Luigi [...], having completed the first three-year cycle at the public primary school in Carrù and a private course in fourth-year subjects under parental instruction, is applying [...] to your college to take the entrance examination to the first year of high school.* It is likely that his mother, Placida, a primary teacher before her marriage, took personal charge of her son's private education, to prepare him as much as possible for the demanding studies he would have to undertake. *Luigi remembered: Years later, when I was a university student, we got into the habit, my mother and I, of getting up very early, around four or five in the morning, to* *roam the countryside, by roads and by-ways, in the local area. I then learned that my mother, before her marriage [...], had taught for a couple of years at the primary school in Dogliani. Some of the elderly farmers, on meeting her, would greet her with the words: "How are you, signora maestra?" My mother took pleasure in these memories, telling me that her classes consisted of young lads, often difficult to manage because of the large numbers. The inexperienced young women had to keep control of up to 80 pupils in a class [...].* Luigi's public education, supplemented by what he was taught at home, bore good fruit: a few weeks after beginning his studies in Savona, he was admitted permanently to the first year of high school, effectively skipping the fourth year of primary school.

So, at the age of nine, Luigi left his father's house and moved to Savona. He dealt well with having to live away from Carrù. He wrote to his parents: *This is the first time I have written to you from a town far from where you are. On the evening of our separation, while I was still in Father Pissanello's room, the outfitter came and took my measurements and those of two others. He took us to the hat maker to have us measured up for hats and, on the way, told us amusing stories. Both the outfitter and the hat maker said they wore everything every Sunday. Hearing the blessing, I sometimes wanted to cry and had trouble stopping myself. When I went to bed I cried a little, but then fell asleep and did not wake up until the bell went.* Only the final sentences betray Luigi's young age.

His parents' reply is full of advice. Placida tries to encourage him: *I have just received your dear letter: how much pleasure and good it did us all, and to tell you the truth we really needed it: I have reread it several times, on my own and with your father [...]. Like you, we also feel the distance between us, but we must be brave and not be anxious, since you are in good hands. What faith is reflected on the faces of the Reverend Fathers! [...] We have every reason to be at peace. Listen, my dear Luigi, time too will play its part: you will get used to being away from us, and we from you, without this being a problem or obstacle; it will enable you to be healthy and study without difficulty, and us to attend to our individual affairs. Courage then, my boy, of which I myself must have plenty, needing to pass some on to your good father [...]. When you have got used to your new life, all the rest will follow naturally and well [...].* Placida completely fills the four pages available (over the years, she always used just one sheet of writing paper folded in half to make four pages, sometimes also filling all the margins with her compact, tiny handwriting. Her innate thriftiness never allowed her to use a second sheet). Lorenzo had difficulty finding space at the top of the final page to add a couple of lines of his own. Usually it was Placida who wrote to Luigi, but there are also plenty of letters from Lorenzo, in which he instils the first principles of economics into his young son: *I have put a further 25 lire into your savings account [...] but I have decided to wait and have the interest entered at the beginning of 1884. The delay will not do you any harm because the interest is capitalized half-yearly.*

Two years later, their second son, Costanzo, joined Luigi at Savona. Annetta and Maria, however, remained at Carrù, where they attended the state schools. Luigi's letters and his parents' replies speak of daily life, the courses and teachers, illnesses, the terrible earthquake which struck Savona in 1887. The family was very united, despite the distance separating Luigi and Costanzo from the others. For Luigi's saint's day, his sister Annetta wrote to him: *Long live St. Luigi!!!! Dearest Luigi, accept, dear brother, this token of my affection towards you. I could truly say that every day I nurture for you the feelings of a sister, but rarely do I have the opportunity to give you proof of them in writing. Therefore I am taking advantage of this saint's day of yours, motivated only by the consoling inner satisfaction a sister feels in telling a kind brother that she loves him as tenderly as he deserves [...]. My dear Luigi, come home quickly as I am really lost without you and Costanzo. A hug from Maria, but a big kiss from your most affectionate sister Annetta.*

Lorenzo was extremely busy as collector of taxes for the District of Carrù, assisted by his wife. It was a very demanding job: "immense", as Placida described it. In remuneration, he received commissions on the sums collected, such fines as were paid, and interest on some of the sums deposited with individual municipalities. Out of this, he had to pay his messenger boy and his office expenses. By working hard, Lorenzo managed to set aside significant savings for the future. Every year he drew up an account of his gross receipts and expenditure. In 1886, for example, he received 8,875.70 lire, out of which he had to pay expenses of 6,325 lire. This expenditure consisted of 600 lire paid to his messengers, 900 lire to cover tax office expenses, 2,600 lire for food, including wine and firewood, 325 lire in rent, 250 lire for clothing, and 1,600 lire for Luigi and Costanzo's maintenance in Savona and travel.

During this period, there were frequent contacts with Placida's family in Dogliani. The house of his maternal grandparents and his uncle Francesco Fracchia was a second home for Luigi. The letters provide evidence of continual visiting between the Einaudis in Carrù and the Fracchias in Dogliani. They describe the long walks between the two places, which were about ten kilometres apart, up and down the hills of the Langhe and across the Tanaro valley. They were magical lands for the young Einaudi, and they still are for us today.

The health of Luigi's father, Lorenzo, began to deteriorate in 1886. He suffered from pains in his right foot, which swelled up so much that he had to sleep with it hanging out of the bed. In March 1887, he wrote that he was well, apart from his feet, which were always cold and required hot baths. Later that year, he was forced to take to his bed. He was always cold, despite the fact that the stove was kept at its hottest. On 30 November 1887, Luigi wrote to his mother from Savona: *If father's illness shows no improvement, would you please send for me immediately. I want to come home straight away. As far as I can understand, father's health must be failing, as they have prepared to give him the last rites.* Lorenzo managed to overcome this crisis during the Christmas period, and the boys returned to college in Savona to continue their studies.

A few hours before Lorenzo's death, on 12 January 1888, Placida wrote to her sons: *I cannot give you better news of your father's health; on the contrary, it has got a great deal worse. Since the day you left, the fever has not left him for a moment. I do not know if he will live or what will become of me. Everyone tells me I must be brave and remember that I am the mother of four children. I think I have plenty of courage, but not enough to face the terrible catastrophe which is coming upon us. Pray for your father in the last moments of his life, that he may hope in the peace of the righteous and not be in too much pain. Unfortunately, my dear children, this is what it has come to. Pluck up courage as I do. I assure you that my heart is torn apart at the terrible thought of losing my dear life's companion, the one who is also your most affectionate father. Pluck up courage, I repeat, as I try to do. Farewell, my dear ones, Your most sorrowful mother.*

Lorenzo died that very day, at the age of forty-eight, attended by Placida and his daughters Annetta and Maria. On hearing of his father's death, Luigi wrote to his mother: *with my heart burdened with pain and anguish [...], sadly I have no one left on earth but you, to whom I must now address all the love of which my heart is capable.* He found consolation in redoubling his efforts at school, to the point of winning, at the end of the academic year, the title of best student ("Principe dell'Accademia").

Lorenzo's death was a double misfortune for Placida. As well as losing the love of her husband, she had to single-handedly close the accounts for the 1887 tax year and the

Luigi Einaudi
University professor in 1903.

five-year period 1883-1887, as well as checking and handing over the working fund for that period. Placida signed all the accounts for the year 1887 in the name of the deceased collector, and delivered them in good order to the four municipal authorities in the district.

Luigi Einaudi wrote this about his father in 1961, a few months before his own death: *Every two months, my father, who for twenty years was tax collector at Carrù, made the journey to Cuneo to pay in the instalment of tax monies he had collected, or should have collected, by the 18th of the second month [...]. The interesting thing for me as a boy was not the money, but the journey. We would set out at three in the morning to get to Cuneo in time for the opening of the provincial tax collector's office. The thing that most aroused my curiosity, when I was privileged to make the journey, was that at the "brambles", where the road went through thickets and uncultivated land that no longer exist today, I saw my father take out his revolver, load it and take up position to repel bandits, who were rumoured to frequent that area, while the coachman prepared to use his whip to force the pace of the horses.*

To see Luigi's whole family at Carrù, we need to juxtapose two photographs, taken around 1883. In the first, Lorenzo and Placida are standing, one beside the other. Lorenzo, several inches taller than his wife, has a large, carefully trimmed beard, bushy at the sides, more closely clipped above the lip and under his chin. He is dressed in a dark suit with a starched white collar. His hands are clearly visible, his right hand clutching the lapel of his jacket, his left slipped into his front trouser pocket, a stance which keeps the long jacket open and shows off his waistcoat and the watch chain attached to his buttonhole. On his right, Placida is wearing a dress with a full skirt of heavy material which comes down to her ankles. She is wearing a jacket of the same material, buttoned down the front, narrow at the waist, with wide sleeves that come half way down her forearms, and a pleated white blouse. Only one hand is visible, without jewellery. Shirt and jacket are edged with lighter material, and are apparently home-made.

The other photograph shows Luigi aged around nine, with his brother Costanzo and his sisters Annetta and Maria. All four have their hair cut very short, boys and girls alike. Luigi will continue to have his hair cut in this way throughout his life. The eldest son is in the centre, attentive and serious, and he alone is seated. He wears a dark suit, with the jacket buttoned up to the neck, half-length trousers and polished leather boots. Costanzo is standing behind Luigi, dressed in similar fashion, his head resting on that of his brother, a dreamy look in his eyes. The sisters are dressed in identical garments, of light material with darker stripes and pleated skirts. They are wearing long white stockings and their Sunday-best shiny black shoes. Maria is holding a rose, Annetta a doll, but with the other hand she grasps that of Luigi, in confirmation of the tender love that existed between them. Their lives turned out very differently: of Luigi we have already spoken; Costanzo married and become a doctor in Turin; the two sisters remained single; Maria spent long periods each year with her brother Luigi; Annetta suffered a terrible illness at the age of 21, which left

Lorenzo Einaudi and Placida Fracchia, parents of Luigi (around 1883).

her disabled for the rest of her life.

Luigi remembered the years spent at Carrù with affection. Writing in 1961, he gave a detailed, vivid description of the apartment in Piazza Nuova: *Looking out of the window, we witnessed events in the big square which nowadays can be seen only in the eighteenth-century paintings of Granari [...]. The tooth-drawer would arrive on fair days, when the square was filled with farmers in their best clothes [...]. On the charlatan's cart, gaily decorated and pulled by two large horses, the tooth-drawer, assisted by his little servant, would begin the operation, vaunting the results of his own special remedies, which he handed out in large quantities, in exchange for large copper coins. His sales patter over, the sacrifice was performed in the presence of fearful women and bawling children. The tooth pulled with his big pincers was displayed to the audience, while the patient made off bleeding and in pain and others, encouraged, climbed up on the stage, ready to suffer.*

After leaving San Damiano Macra, Lorenzo had not had time to acquire a new property, a house of his own. When he died, the family was still living in a rented apartment in Carrù, waiting to make better arrangements. With four young children on her hands, and without work, Placida decided to go back and live with her parents and brother Francesco Fracchia, a lawyer, who had also lost his spouse, at Dogliani. Luigi was immediately at ease in his extended family, with whom he had often spent time in the past. His uncle Francesco, described by his mother as an "example of rectitude" and venerated by his nephew as "a second father", soon became a model for young Luigi.

Placida, despite the financial constraints caused by the death of her husband and the move to Dogliani, and without any income from employment, decided to continue to send Luigi to the best possible schools, even if they were far from home. Her son first attended the Convitto Nazionale Umberto I in Turin, then the Reale Liceo Cavour. During this period, Luigi continued to write frequently to his mother, and in 1890 began to keep a diary. By the age of fifteen, the great enthusiasms of his future life were already becoming clear: books,

Young Luigi (seated) aged nine with brother Costanzo and sisters Annetta (standing) and Maria.

writing, agriculture, economics. There is an entry in the diary which sums up this period: *It's shocking; I haven't written for three days; and at this moment I don't seem able to get to the bottom of the page, try as I might [...]. I had decided to set literature aside and [...] spend 2 lire a month on the "Dizionario d'Agricoltura"; but yesterday morning I discovered that 18 issues had already been published = 18 lire. I gave six lire to Zurbil, asking him to get them all for me and undertaking to pay for them in three instalments.* There follows an elaborate financial calculation of how he will manage to repay the debt.

The three years at the Liceo Cavour (1889-1891) were full of academic distinctions, culminating, at the time of the final examinations, with his being awarded the silver medal (that year the gold medal was not awarded, Einaudi explained in a CV drafted in 1899) in the "honours competition", judged by a committee of which Giosuè Carducci was a member. This gives an indication of the maturity he had achieved in his writing, a gift he subsequently developed as a journalist.

Of the house in the village of Dogliani and of his family, Luigi Einaudi wrote as follows in 1922: *My mother and my uncle, with many other brothers and sisters, were born in a house where everything promoted the cult of antiques and austere traditions: my most industrious grandmother, whom I saw constantly active until the day she suddenly died, my grandfather who religiously preserved objects and souvenirs, even in the storerooms and roomy attics, where the old folk hung out the linen to dry in the sun and fresh air, the family furniture dating back several generations, the beamed ceilings which shook when we children ran about the house, all bore rigor-*

ous testimony to the customs of eighteenth and early nineteenth-century provincial life in Piedmont that are now dying out. We, with the unwitting insolence of children, addressed our aged grandparents using the familiar form "tu"; they greeted us with smiles as we behaved in a casual, noisy way quite foreign to the old house. But our parents only ever greeted and spoke to our grandparents using the polite form "Lei", which was a sign of respect and devotion. At table, only the parents sat down: the children, until they were young men and women, always stood in a respectful circle round the table.

When Placida returned to her native village, Luigi identified with his "second father", Francesco Fracchia, the new properties they acquired and his place of adoption, Dogliani. From his natural father, Lorenzo, Luigi had inherited a love of figures and arithmetic, and had been directed onto the path of study and research. His adoptive father reinforced his natural intellectual bent, and in addition impressed on him a love of the land. Lorenzo had had to leave his native land and had not yet acquired a new property before his premature death.

The great value Luigi came to ascribe to the land is evinced by this memory of the torment in the Fracchia household caused by the loss of their land: *When my grandfather, due to an unforeseen succession of bad years occasioned by the curse of oidium, and in order to meet the expense of educating his children, had to sell his two vineyards at a knock-down price, there was great suffering in the household. I remember seeing eyes swollen with tears, even years later, not so much on account of the financial damage as for the loss of land that bore the family name and was strongly identified with it. And how joyful my grandparents were when they saw their son, loved and esteemed by the whole village, invest his savings in another estate, with whose fortunes the family could again be identified! A man, a family, could not be conceived of uprooted from their land, their home, their village. And these are sentiments that nurture attachment and devotion to one's homeland and to the spirit of sacrifice, in which alone healthy nations can grow up.*

In 1897, this love of the land drove Luigi Einaudi, aged only 23, to buy the eighteenth-century farmhouse and lands of San Giacomo at Dogliani for 32,351 lire, most of which he borrowed. The purchase of San Giacomo was facilitated by the serious crisis that had hit Italy and the whole of Europe, pushing down the value of agricultural holdings. From the research he had done for his degree thesis on the agrarian crisis in England, Einaudi was convinced that the time had come to invest in agriculture. The new estate he had acquired was badly neglected. He replanted the vineyards decimated by phyloxera, restored the farmhouse of San Giacomo, and transformed the holding into a model estate.

The person who had most influence on the education of the young Luigi Einaudi was Placida. This is how Luigi remembered his mother, who died of the Spanish flu in 1919: *She lived [...] not for herself, but for those who were dear to her, above all her children. How she managed to live in the years when, having lost her husband, she provided for our education and had us attend schools far from home, and how she finally managed to pass on to us intact our father's small legacy, is a miracle that can be explained only by the capacity that some people have of making themselves nothing, of suppressing every desire of their own, even for needful things, when duty calls them to work for the good of others.*

An examination of the income and expenditure items of the family account that Placida kept for the period 1895-1913 shows that, each year without exception, she spent less than she received from her meagre income, consisting of interest from her husband Lorenzo's savings. In 1895, when she was still supporting her children, the family's overall expenditure was 2,806.06 lire for the whole year, which is less than 1,000 euro a month in today's monetary terms, according to ISTAT calculations.

Of Placida, Luigi wrote: *From her children, when they had embarked on their careers, she never asked anything, as she would have been entitled to, given the slight resources at her disposal, perhaps instinctively feeling that any demand on her part would tie them too soon to occupations which might have become repugnant to them. However, she was determined that they should complete the intellectual training for which she held herself responsible out of conscience. She understood life as being* *justified by work. And on one occasion when the writer mentioned to her the economic doctrine of work as a means not an end, and of the minimum effort to obtain the maximum result, she judged it immoral and absurd, since it seemed to her that work, even if hard and humble and poorly remunerated, was a law to which men owed obedience.*

From the Carrù period, Luigi Einaudi jealously preserved two objects, not for their intrinsic value, but for their emotional and symbolic associations. The first is a large volume on the Crusades purchased in 1888, illustrated with over a hundred engravings, bearing on the cover the note: *Book purchased by me on the occasion of a visit from my mother, with money she gave me, while I was at the Scolopi College in Savona [...]. First volume in my library.* His library was to grow to more than fifty-thousand volumes at his death, when it then was given by the family to the Luigi Einaudi Foundation in Turin. The second of his prized objects is a wooden bowl with a large crack in it. Nowadays, an object of this kind would be thrown out without a second thought. The bowl, however, had been repaired by his father, stitched together with a piece of string. Symbolically, it represented the hard, often lowly, work done by his parents to make progress in life, and the high value placed on saving, even if demonstrated in small actions constantly repeated over time.

Ennio Flaiano, a writer known for his lucidity and irony, told of a dinner at the Quirinale with Einaudi. When the fruit was served, brought in on an enormous tray, the President asked, to everybody's surprise, and to the dismay of the butler: "I'll have a pear, but they are too big; is there anyone who would like to share one with me?" Flaiano offered immediately to have the other half. Years later, remembering that dinner, he wrote: "a few years later another man rose to the presidency, and we know what happened then. For Italy, it marked the start of the republic of the unshared pears".

From the wide windows of the staircase-studio built by Luigi Einaudi in 1950 at San Giacomo at the centre of his library, where I am writing these final lines, among furniture *familiar to several generations,* I can see the undulating hills of the Langhe with their beloved and well-ordered vineyards and, in the background, the chain of the Alps, dominated by the Monviso, where on clear days you can clearly make out the entrance to the Val Maira. On the left, the succession of hills above the Tanaro points to the location of Carrù. This is the setting in which the young Einaudi was brought up. A love of his native soil accompanied him throughout his life and was an integral and fundamental part of his thinking and of his work as scholar and statesman. The words he wrote in 1934 to mark the death of the historian and jurist Francesco Ruffini can be read as if he were referring to himself:

Einaudi walking in his native countryside with his wife, Ida Pellegrini, in a photograph from the early 1950s.

His moral authority derived, of course, from his studies, the offices he held and his irreproachable way of life, but also from the fact that he was always attached to the land where he and his people had been born. Where the farmer is tenacious in preserving his ancestral home, and the distinguished scientist seeks in it comfort for his declining years and his final rest, there is no sunset, but perpetual rebirth.

** Architect, director of the three existing foundations named after Luigi Einaudi and chairman of the Rome-based institution.*

Einaudi and Switzerland

by Giuliana Limiti *

Left:
In Zurich on 14 April 1949.

On this page:
Einaudi with his wife and friends
during his Swiss exile in Basel
(September 1943 - December 1944).

Switzerland holds a place of importance in the life of Luigi Einaudi, largely on account of the time he spent there in exile, from 26 September 1943 to 10 December 1944, during one of the most fraught periods of Italian history. In fact, Einaudi's interest in Switzerland goes back even further and was a formative influence in his intellectual development.

As a young student, he studied Swiss institutional life, with a special focus on the referendum as an example of the direct democracy possible in smaller countries.

Sismondi's work on the medieval Italian republics, Pellegrino Rossi and Guglielmo Ferrero's teachings on freedom, the economic tradition of Maffeo Pantaleoni and Vilfredo Pareto, Léon Walras, William Röpke, William E. Rappard and Maurice Battelli, the historical writings of Jacob Burckhardt and Werner Kaegi, all formed a dense fabric of Italo-Swiss cultural references, with which Luigi Einaudi was fully conversant.

It is not surprising, then, given this intellectual background and outlook, that he considered the possibility of taking up an academic post in Switzerland in the early years of the 20th century.

In 1902, on the advice of Adrien Naville, Head of the Faculty of Arts and Social Sciences at the University of Geneva, and with favourable opinions from Pantaleoni and Pareto, Einaudi – then just twenty-eight – applied for the chair of Political Economy there, which Pantaleoni had recently vacated.[1] Despite his glowing academic references, his appointment was initially blocked by the cantonal political authorities, which seem to have been put off by Einaudi's youthful socialist sympathies, in particular his having contributed to Filippo Turati's periodical "Critica sociale". Naville wanted to pursue the matter, partly in the name of university freedom, but at a certain point Einaudi – after a short stay in Geneva – withdrew his application, preferring not to leave his home country and environment, as he confessed to Naville in a letter dated 3 July: "I really did not think, when I left Italy for the first time, that I would suffer so much from homesickness [...] I began to be so overcome with melancholy and such a desire to return to Italy that the minutes seemed like centuries".

Destiny had decreed that he would remain in his homeland, and in the very same year (1902) he was selected for the post of extraordinary professor of finance and financial law at the University of Pisa. Not long afterwards, he was able to transfer to Turin. Through his professorship there, he acted as a source of cultural enlightenment for forty years. Even under the Fascist regime, Einaudi was one of the few beacons of freedom and resistance, despite the severe restrictions imposed by the dictatorship.

On 3 September 1943, after the fall of the Fascist regime (25 July), Einaudi was appointed rector of the University of Turin. He lived at Dogliani, in his beloved house at San Giacomo, among his vines and books, commuting once a week to Turin.

Meanwhile, the political situation was deteriorating. On 8 September 1943, an armistice was announced.

Luigi Einaudi in San Giacomo in 1933 with Mario, Manon, Giulio, Ida and Maria.

On 22 September, he was preparing to go to the university to receive instructions, but three Fascist militiamen and two German soldiers were there waiting for him, in front of the rector's office, representing the RSI (Repubblica Sociale Italiana, the German puppet regime headed by Mussolini), which had been quickly established in the meantime.

The news had spread that many anti-Fascists and political and administrative leaders were being arrested, so Einaudi was urged to escape capture by leaving

Monument at Col Fenêtre commemorating a visit by Einaudi on 23 September 1943 during his Swiss exile.

Italy and taking refuge in Switzerland. 26 September 1943 marked the start of his Swiss exile, the events of which he painstakingly recorded in a diary, the principal historical source for this period.[2]

With his wife, two porters and two mules, he undertook the arduous climb, on foot, to the Col Fenêtre and the Swiss border. Luigi suffered from a bad leg. The Swiss soldiers offered them tea and a hot meal. They spent the night on camp beds.

On 27 September, they continued their long march, Ida on foot and Luigi on muleback, as far as Fionnay, where they stayed at the Hotel des Alpes. The owner was sympathetic to their plight and would not accept payment. The following day, they took the mail coach to Martigny. Here Luigi was recognized by some of his students from Turin, who carried their luggage to the Casa del Gran San Bernardo. With the help of the provost of the religious order, Monsignor Nestor Adam, they were given the best room in the house and were fed and lodged for four days. The local gendarmerie officer had them fill in the prescribed forms in duplicate and asked a lot of questions. They had to change their money and get photographs taken ("both of us very unsightly and me with three or four days' growth of beard"). They met Italian army officers who had disbanded after 8 September and fled to Switzerland.

On 1 October, a Swiss soldier collected them for a medical examination and kept them waiting for a long time. Their arrival in Lausanne was a tearful affair, with two bags on their shoulders and the rest of the luggage on a cart.

In these circumstances, they encountered people of every race and nationality. "Fleeing before the barbarian", was Einaudi's comment. They were constantly being asked to show documents and complete questionnaires. Einaudi noted: "Questionnaire. Always the same. But one office does not communicate with another. The one in Martigny was the territorial army office of the Canton of Valais. This is the Vaud cantonal office. Since they are sovereign states, each acts on its own account. This time they are also asking for our physical characteristics: height, eye colour, build and fingerprints. The ten fingers one by one, then the five fingers of each hand together. All twice over on two different sheets of paper. Fingers sticky with special ink. Then washbasin with special soap".

Fortunately, at the orphanage in Lausanne they met up with their son Giulio, who "saved us from having to sleep on straw" and got them a bed in the infirmary: men and women in separate quarters. Luigi then sought help and wrote to Professor Rappard, his friend and colleague at the University of Geneva, and also to the President of the Swiss Confederation, Enrico Celio, and to Maria José of the royal house of Savoy.

Don Jean Ramuz, rector of the Catholic parish of Ouchy-Lausanne, saw them on 2 or 3 October and recognized what a sad state they were in. But the steps they were taking themselves to seek relief would take too long. So Don Ramuz went to the bishop of Fribourg. The bishop contacted Louis Gautier, head of the cantonal police, and sent him to Berne to speak with the head of the federal police force. As a result, on 5 October an order arrived by telephone for their immediate release. Don Ramuz picked them up and took them to the "rectory", where he gave them a twin-bedded room with adjacent bathroom. A hot bath and bowl of milk revived their spirits. "We are free", Einaudi wrote at the time. They stayed there on 6 and 7 October, and the following day moved to the Printanière guest house.

In his *Diario dell'esilio* (Diary of Exile), Einaudi described the people he met, showing real human understanding. In each person, he sought a human quality that the sad events of the time seemed to have obscured. He also found cause for enjoyment in small things. For example: "We made up for the meagre meals at the guest house with a dinner on Friday 8th at the home of federal judge Pometta"; or: "Wednesday 13 and again on Sunday 17, at the home of federal judge Plinio Bolla". Their description of the functions and alternation of judges in the Swiss judicial and institutional system gave him an appreciation of their cultural interests and individual characters. All of them, emphasized Einaudi, admired the eloquence of Vilfredo Pareto. Both judges were comfortably off, connoisseurs, collectors of Barolo and Barbaresco wines. Einaudi noted with nostalgia: "Let us hope that we and they will be able to taste our Barolo at Dogliani".

The Einaudis had at last found a warm and affectionate welcome in Switzerland. Professor Rappard, Don Ramuz, Judge Bolla and others personally offered them financial assistance if the funds they had requested from Italy via the Banca Commerciale Italiana or from their son Mario in the United States failed to arrive.

Bernardo, the son of Gaetano Mosca, counsellor at the Italian Embassy in Berne, also contacted them and offered his help. He invited them to dinner and made them a loan of 300 francs ("Who knows when I shall be able to pay it back", commented Einaudi). Bernardo suggested that they move to Berne, where he could also find them accommodation.

On 15 October, they went first to Vevey, then continued their journey in the little red train, to be guests of Mr. Ruegger, former Swiss minister in Rome, at La Chance, his villa in Blonay. Here Einaudi met Princess Maria José of Savoy and other Swiss VIPs, diplomats and politicians. The princess was hoping to be able to return to Rome in the near future. On 18 October, their Swiss guardian angel, Don Ramuz, came to fetch them in his car, helped them send their luggage on ahead, and gave them tickets for Basel. They interrupted their journey in Fribourg, where Gianfranco Contini, a professor of romance philology and editor of the 1939 Einaudi edition of Dante's *Rime*, was waiting for them. He took them on a visit to the university, where they were received by the rector, vice-rector, chancellor and librarian for legal seminars.

On 19 October, they arrived in Basel, where they were to lodge with their son Mario's sister-in-law, widow of the son of Roberto Michels. At the station, they had to wait two hours for the usual bureaucratic form-filling to be completed. They were given their residence permits, without obligation to report in each week, or to provide photographs. On 22 October, Einaudi recorded that it was now a month since they had fled from Turin. He had news of Italian politicians who had emigrated to Switzerland: Gustavo Colonnetti was in Lausanne, Ernesto Rossi in Lugano, Ettore Janni in Locarno, as were Filippo Sacchi and Stefano Jacini; Luigi Gasparotto, too, was in Lugano ("Here" – noted Einaudi – "in a German-speaking canton and so far away, no one").

Finally, on 26 October, the money sent from the United States by their son Mario arrived at the Banque Suisse: "We are fine and our expenditure is modest. [...] We can live until about the middle of February [...] without touching the 360 francs loaned by Bernardo and proviseur", wrote Luigi, now with a load off his mind. But they continued to receive offers of help from a number of Swiss friends.

On 30 and 31 October 1943, Einaudi met the great medieval historian Werner Kaegi, and also Max Adolf Ras, director and editor of the fortnightly "Schweizerischer Beobachter", which was shortly to publish, in German, his account of crossing the frontier.

On 11 November, the Einaudis continued their travels, this time to Berne, where they were welcomed with great affection by Bernardo Mosca. The day after, they went to Thun for an interview with Princess Maria José, also meeting her children. Einaudi reported that he found the princess very worried about the future of the monarchy, and with the impression of being shut up in a prison. They discussed the king's abdication: Maria José said she was opposed to the regency of the Duke of Aosta; she was fearful, whether the regency was military or civilian in character. She told Einaudi: "It is Acquarone who has sent me here. He is the damned soul of the Royal House. [...] He enjoys the king's trust. Listens only to him" – and continued:

Einaudi and his wife at Alp Grüm in August 1944.

"Sforza must have persuaded the British and Americans that the people no longer want the monarchy". Finally, she asked Einaudi: "Why do they not want the Prince of Piemonte?". He replied: "He has compromised himself".
Returning to Berne, on 16 November he received his refugee's *carnet* from the police. He therefore now satisfied all the security regulations. The next day he drafted a "memorandum" for the princess (which Ida copied). Then he noted that he had not received any reply. There were further meetings with Maria José, especially after her husband Umberto was named lieutenant of the kingdom, a formulation the princess criticized because it was addressed to the nation, not the sovereign. With reference to these contacts, Alessandro Galante Garrone later revealed that Einaudi was persuaded of the pointlessness of efforts to restore the monarchy, while the example of republican Switzerland had allowed him to acquaint himself with the new institutional form.[3]
Meanwhile, Einaudi had resumed his work as a journalist[4] and was considering taking up teaching once again. In Switzerland, there were some two hundred camps housing roughly 20,000 Italians who had taken refuge in Geneva between September and November 1943 to avoid military service under the Nazi invaders. He was informed that, after the Christmas holidays, a further four university camps were to be opened (Geneva, Lausanne, Neuchâtel, Fribourg), with plans to train 500 students in each camp, giving them lessons in civics and preparing them for the university examination they would eventually take in Italy.
Shortly before Christmas, Ida and Luigi Einaudi celebrated their fortieth wedding anniversary. To mark the occasion, Luigi was able to give his wife a gold watch. They received good wishes and gifts from a number of Italian and Swiss friends. Eugenio Balzan, former administrative director of the "Corriere della Sera" sent them a box of chocolates. Among the Italian exiles in Switzerland were several university teachers who had not sworn loyalty to Fascism, with their wives, and many Jewish colleagues who had been forced to leave Italy on account of the iniquitous race laws of 1938. Also resident in Switzerland was Jolanda of Savoy, wife of Carlo Calvi di Bergolo, who was in exile in Fribourg.
Meanwhile, they were receiving alarming news of the violence being perpetrated in Italy, especially in Rome. They learned of the allied landing at Nettuno, the persecutions and the transportation of civilians to Germany.
On 9 January 1944, thanks to the influence of Professor Rappard, Einaudi learned that the Rockefeller Foundation was willing to fund his academic work for one year to the tune of 4,200 francs. This was an excellent piece of news, providing him with financial security for a whole year. On 30 January 1944, Einaudi measured the house in which he was living: "Our loft [at home] measures 2.50 in height x 2.77 x 4.50. The rooms of our lodging here are just 2.55 high" – how nostalgic they were for San Giacomo at Dogliani.
So, having survived the initial period of adaptation to the material conditions of exile, Einaudi could dedicate himself more energetically to the intellectual occupations to which he had devoted his whole life and which at that moment were destined to contribute to the democratic rebirth of Italy.
Most importantly, he resumed regular teaching. He willingly accepted invitations to give lessons in the university centres set up for Italian refugees in Geneva and Lausanne. As a result, he taught in the two university camps in Geneva and at the School of Engineering in Lausanne, looking after Italian students enrolled in the faculties of law, economics and engineering. The fruit of this teaching was *Lezioni di politica*

sociale (Turin, Einaudi, 1949), a straightforward course in social policy that was much appreciated by his Italian listeners in Switzerland, who flocked to his lectures. His concern for the training of the young people who would have to face the problems of the post-Fascist era was the driving force behind the creation of the Study Centre for Reconstruction Italy-Switzerland, which Einaudi founded in Lausanne with his colleague Gustavo Colonnetti. The initiative had the support of the Italian Prime Minister, Ivanoe Bonomi.

It was certainly an emotional moment when, on 24 February 1944, he began his course in Lausanne, growing in confidence thanks not only to the applause he received, but to the good results of his pupils. His teaching at the University of Geneva began on 21 April, coinciding with his move to that city ("Tonight for the first time we are sleeping in our own bed"). He wound up the course on 4 July, finally allowing himself time for an excursion with his wife to the confluence of the Rhone. He was also always willing to give public lectures on matters Italian, through the Dante Alighieri Society and the *Corda Fratres* organization.

His resumption of teaching was accompanied by renewed journalistic activity. He wrote many unsigned articles for the prestigious "Basler Nachrichten" (the centenary issue of which he contributed to after his return to Italy). And under the pseudonym Junius, he made frequent contributions to the "Gazzetta ticinese" weekly supplement for Italians.

Obviously, his stay in Switzerland enabled him to deepen his knowledge of Swiss institutional and social life, especially the country's federal system. Thinking of a new order for Italy, he even noted down the idea that the national deputies from each region should be members of the regional legislative assemblies, to create a connection between the two levels. Another significant experience was a visit he made to the Canton of Vaud's penitentiary, where the detainees were set to work not only in the prison's own workshops but also in the fields, and did not try to escape because they received remuneration for their activities, varying according to the type of work performed. He also became familiar with Steiner schools, much admired by the dean of the faculty of philosophy in Basel, Walter von Wartburg, who regarded Rudolf Steiner as being centuries ahead in the field of education. Another enthusiast of Steiner's methods was the exiled Assunto Zamboni, a doctor, whose sixteen-year-old brother Anteo, from Bologna, had been lynched by the Fascists after a failed attempt on the life of Mussolini.

Einaudi's stay in Switzerland also gave him the opportunity to fill the gaps in his cultural knowledge resulting from the intellectual isolation to which Fascism had condemned Italy. He borrowed books and periodicals from all his colleagues and planned to give an account of them in a forthcoming edition of his "Rivista di storia economica", so that the new ideas could be disseminated in Italian universities.

The Einaudis, who moved between Geneva, Lausanne, Basel, Zurich, Lugano and St. Moritz (each time having to seek permission from the Swiss police), were frequently invited to the homes of Swiss teachers, Italian diplomats and families which had been in exile for a long time, in particular those of Jewish teachers who had refused to swear loyalty to the Fascist regime or had been forced to leave their posts following introduction of the race laws of 1938. The homes of Röpke, Wartburg, Rappard, Kaegi, Alessandro Levi, Mario Toscano, and Carrara's widow were often visited by the Einaudis.

In this atmosphere of waiting, but also of willing participation, Einaudi celebrated his seventieth birthday in February 1944, agreeably surprised to find a notice of congratulations in the columns of the "Basler". Easter of that year was an opportunity for an excursion to the Sanctuary of Oltigen, where they enjoyed a good meal in the convent/guest house.

But Einaudi's main concerns were political, in particular the future of Italy after Fascism. The exile closest to him was Ernesto Rossi, with whom he had begun to hold discussions in the years when Rossi was in prison, then in internal exile in Italy. Their shared aspiration was for a European federation. On 10 May, they met at Einaudi's house to plan for a meeting between representatives of the French, German, Dutch and Yugoslav resistance movements. Together they rejected a proposal made by the Czechoslovak delegate that the URSS should be included in the initiative.

Luigi and Ida in a family setting in Basel (1944).

Einaudi's writings while he was in Switzerland in fact express a strong distrust of the Soviet model and its influence on Italian communism. The true face of Stalin's dictatorship had been clearly revealed to him on 20 April by a conversation he had with Ernesto and Yvette Anagnine. The words of the Italianized Russian writer, an expert on the religious and philosophical syncretism of Pico della Mirandola, deeply disturbed Einaudi and his wife. Politically, therefore, he did not forgive the celebrated latinist Concetto Marchesi for spreading communist propaganda, though he had appreciated his lecture on Livy and Tacitus on 13 May.

He was troubled on the one hand by the increasing proselytism of the communists in Italy, on the other by the supine attitude of the Socialists, including Pietro Nenni, who, in the opinion of Rossi, would always do whatever the communists wanted. He was also influenced in an anti-Communist direction by Modigliani and Spinelli. His fears of a communist coup in northern Italy were not relieved until he received the encouraging news of the liberation of Rome in June.

Einaudi's political position in this area also had a painful personal aspect due to the decision by his son Giulio to become a member of the Communist Party and join the resistance movement in the Val d'Ossola. The letter he wrote to him on 17 August is typical of this thinking: "Nobody knows the real truth; we only know it is not the truth we are required to believe. Whatever the constitution of our society in the future, seek in what you are doing today to preserve, in letter and in spirit, in the ideas that inspire you, and in the legal and economic conditions that implement those ideas, the supreme good of freedom to deny the official truth". Returning to the subject ten days later, he summed up the problem by wondering how a young man who had created "so beautiful a thing" in his publishing business could agree to run the risk of "losing, on the orders of a party, his spiritual independence, which is his most precious possession".

Throughout his exile in Switzerland, he took an active part in the meetings of Italian political émigrés, and considered the different positions of all the political parties then being re-formed. His contacts ranged from the trusted Rossi to Partito d'Azione members such as Raimondo Craveri and Adolfo Tino, liberal Catholics like Tommaso Gallarati Scotti, Christian Democrats like Edoardo Clerici and Amintore Fanfani, Socialists like Giuseppe Emanuele Modigliani, Republicans like Egidio Reale, Liberals like Manilo Brosio and Edgardo Sogno, and Communists like Concetto Marchesi. He also met artists and intellectuals, such as the poet Diego Valeri and the sculptor Marino Marini. His lessons were attended by members of the younger generation; one of his pupils in the education camps was the future theatrical director Giorgio Strehler. With Adriano Olivetti he discussed the political and social ideas that later gave rise to the "Comunità" project.

Personally, Einaudi remained faithful to the liberal idea, clarifying his understanding of it partly through his celebrated polemic with Benedetto Croce on liberalism and laissez-faire (*liberalismo* and *liberismo*). After the liberation of Rome in June 1944, they began counting the days until their return to Italy, which was still split in two, concerned as to how exactly they would return and what authorities they would have to deal with (the Allies, the partisans, the military?). Einaudi still managed to meet with American leaders, such as Allen Dulles (in Berne), as early as 28 February.

On 9 November, Einaudi summarized his position on the future of Italy in a lecture he gave in Lugano entitled *Le due vie della ricostruzione* (the two roads to reconstruction), in the assembly hall of the high school there,[5] having taken part a few days earlier in a meeting arranged by the Allies with leaders of the various political formations. The following day, orders arrived from Rome for the imminent transfer to Italy of some of the principal political exiles. Luigi agreed to go, provided Ida, too, was included. However, their departure, though supposed to be imminent, was postponed more than once, while preparations were being made. A minor tragedy for Einaudi was a reduction in their baggage allowance, after he had got his hands on an original edition of Montesquieu's *Esprit des lois*. Finally, on 7 December 1944, without passports or visas, the Einaudis and other exiles left Switzerland for France. From Lyon, on 10 December, they arrived by plane at Rome Ciampino, managing to find temporary accommodation at the Grand Hotel!

His exile in Switzerland had prepared Einaudi spiritually to face the great test of rebuilding the nation from the ruins of war and dictatorship – a task in which he played a key role, first in the economic field as Governor of the Bank of Italy and Minister for the Budget, then in the institutional arena with his election to the Presidency.

Even after he was elected President of the Republic, Einaudi continued to develop the relationships formed during his exile. His first message to Italians in Switzerland was given at the request of the Secretariat for Italian Emigrants in Lugano to mark "Homeland Day" (Giornata della Patria), on 9 October 1948. The following year, on 24 September 1949, the President again expressed his solidarity and affection during "Homeland Week", and yet again on 6 October 1950.

An outing in the Alps at By in 1947; it was from here in the Aosta valley that Einaudi and his wife had set out four years earlier for exile in Switzerland.

Luigi Einaudi is awarded an honorary degree from the University of Basel (1956).

Luigi Einaudi also took an interest in the charity event organized by the Italian colony in Zurich, and on more than one occasion sent his best wishes for its success. The first occasion was on 14 September 1949, and he again expressed his support on 12 September 1950, 8 September 1951, 19 September 1952 and 6 September 1953 and 1954.

Another vehicle of communication between Einaudi and Switzerland during his seven-year term of office was his relationship with Radio Lausanne, which broadcast his traditional New Year greetings to fellow Italians living in the country on 27 December 1947, then on 31 December in 1952, 1953 and 1954.

Luigi Einaudi had a special affection and respect for Switzerland, connected with the liberal and federalist ideas he had cultivated since his youth. Particularly significant in this context was the memory of Giuseppe Mazzini, who had also been an exile in Switzerland. The decision in favour of a republic marked a triumph for the ideals of Mazzini and of Carlo Cattaneo, another political exile in Switzerland and an honorary citizen of Lugano, where he died and was buried. As an admirer of Swiss civic virtues and organization, Cattaneo had foreseen the European federalist ideal and looked forward to a "United States of Europe". His reasons for cherishing these ideals were made clear by Luigi Einaudi in a speech he gave on 7 November 1948 to the Roman Congress of the European Union of Federalists, which was an important act on the way to the future realization of federalist ideals. In his speech, he referred back to the Act of Brotherhood of the Giovane Europa (Young Europe) movement, which had been drafted in four languages (Italian, Polish, German and French) and signed in Berne, in 1834, by representatives of the national organizations associated with Giovane Italia (Young Italy).

Luigi Einaudi also inspired Ernesto Rossi, later his companion in exile in Switzerland, in conceiving the so-called Ventotene Manifesto, as is evident from the letters they exchanged when Rossi was still in prison in Rome and later banished by the Fascist regime to Ventotene. Ernesto Rossi dictated the Manifesto and Eugenio Colorni[7] wrote it up and drafted a preface. It was then signed by Altiero Spinelli.

It is unusual for a President of the Republic to celebrate the fiftieth birthday of a friend in the solemn way Luigi Einaudi celebrated that of the great Swiss thinker Wilhelm Röpke. But Röpke, because of what he had meant for Switzerland and for Einaudi's economic thinking, deserved to be treated as an exception. Therefore, in 1949, Einaudi eulogized him in these terms: "For his 50th birthday, my friend and colleague Wilhelm Röpke deserves something more than this brief greeting. His thinking has had a profound influence on liberal currents in my country. No one in the younger generations now thinks of liberalism as it was understood before Röpke's books and essays

demonstrated that liberalism, as applied in Europe and in Italy, should seriously implement the principles of liberal doctrine. Those who in Italy, from 1877 to 1922, gave economic policy a protectionist character; those who, without any preparation, improvised state management of the railways; those who initiated rescue operations for banks and industrial companies – they all could be regarded as precursors of interventionism and state socialism, they were certainly not liberals. The Fascist experience taught us something, and many were convinced that, travelling the road of false liberalism, we had arrived, without yet knowing it, at totalitarianism. Röpke demonstrated that liberalism is not something idealistic, nor did he accept the theory that the state should not get involved in economic policy, that it should "laisser faire" and allow private interests to do whatever suits them. Following in his footsteps, there are now many who think that the state's task is the very difficult one of laying down the framework of rules within which private interests may freely operate. It is far more difficult for the state to establish limits for the action of individuals than to intervene directly and ruin the work that should rightly be done by private interests. Unfortunately, even after the fall of Fascism, Italian policy continues to be interventionist, with a tendency towards nationalization and corporatism. The exception is monetary policy, in which the classical rules of acting through the objective instruments of credit, the discount rate, maintaining the lira at a given rate of exchange, resisting inflation, are attenuated. This exception is of vital importance and so far has staved off the damaging results of interventionism and state planning, that dominate so much of general economic policy. The hope that the doctrine of

Luigi and Ida Einaudi at the Italo-Swiss Association on 26 November 1954.

new realism expounded so shrewdly and tenaciously by Wilhelm Röpke may inform not only monetary policy but all aspects of Italian economic policy is the finest homage that can be paid in my country to this exceptional thinker, whose work lends honour to contemporary economic science."

Luigi Einaudi, in turn, also played an important role in Swiss culture. The best comment on his influence is in the dedication, written in Italian (though the book is in German)[7] that the great historian Werner Kaegi wrote in 1956 in the preface to the third volume of his biography of Jakob Burckhardt. Remembering his meetings with Einaudi in Basel, he says: "When you, illustrious President, gave me permission to inscribe your name on the first page of this book, I could not foresee that it would be so long before the work was completed. Now, writing these lines, I remember the day in 1943 – in November, I think it was – when you called me on the phone in Basel and I, hearing your name, remembered another voice that stays with me, that of Huizinga, who in December 1926, if I rightly recall, returning from a journey to America with you, told me of your conversations on the high seas and said: 'Do not forget this name. Einaudi is an independent scholar, who perfectly understands our situation'. Then, shortly after the armistice, when you returned to Basel for the first time, the place of your exile, and I, seeing you had procured the first volume of this newly published work of mine, realized you had purchased it with Italian *lire*, which had not yet undergone the magnificent treatment of your therapeutic wisdom, I conceived the idea of dedicating a future volume to you. It had to be this third volume, which speaks so much of things Italian. I was still hesitating whether to put my idea into practice, when the reborn republic conferred on you the highest honour. But the sense of gratitude towards your country, which I have felt for more than thirty-five years now and have had to shut up in my heart for two hard decades of silence – at a certain point in this work that feeling became so strong that I overcame my hesitations and asked you to consent to the dedication as now printed. That was in the spring of 1955: you were preparing to leave the Quirinale and return to private life. You gave your consent and agreed that, on the same page, I should express my gratitude to three friends, companions and teachers in the same area of historical studies: Delio Cantimori, to whom Switzerland is in debt for so valid a contribution to its own history; Federico Chabod, a generous "neighbour" from the Val d'Aosta and friend of our Swiss laws; and Raffaello Morghen, illustrious custodian of Palazzo Corsini and Villa Farnesina, who offered me brotherly hospitality when I was just one among so many other foreigners in Rome. It is the support of friends that has made the hard work of these recent years easy to bear; I felt welcomed into that scholarly community which has always been the second and no less real citizenship of those who devote themselves to knowledge. I would like to confess, by way of con-

Einaudi dressed for sport during a mountain walk (1955 - 1956).

clusion, that this book has been written with the sincere intention of commemorating the glory of Italian art. But I would wish to have done it in that spirit of universal responsibility towards the past of all peoples that I think I recognize in Burckhardt's writings. A spirit of responsibility that animates your books, venerated President, and your daily labours".

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The institutional “style” of Luigi Einaudias President

by Giuliana Limiti *

Left:
The President of the Republic in the gardens of the Quirinale Palace in July 1948.

On this page:
Greeting the crowds from the presidential car.

The first President of the Italian Republic, Luigi Einaudi – the successor of Enrico De Nicola, who had become provisional Head of State immediately after the institutional referendum – was elected by Parliament in joint session in accordance with the new Constitution, which came into force on 1 January 1948. He served his full seven-year presidential term, from 1948 to 1955.

The choice of Einaudi was motivated by Italy's dramatic situation in the post-war period, which required a climate of confidence for the work of reconstruction.

Luigi Einaudi, with his established reputation for scientific rigour, had already become a point of reference for all concerned. After the fall of the Fascist regime, he had performed delicate political and financial functions, as Governor of the Bank of Italy, member designate of the National Council and elected member of the Constituent Assembly, Deputy Prime Minister and Minister for the Budget. He was just the right person to oversee Italy's transition from monarchy to republic.

Appointed Senator in 1919, he had taken an active part in the work of the Italian Senate, and in 1938 had voted against the Fascist regime's race laws.

In the referendum held on 2 June 1946, a majority of Italians voted for a republic, though there was still a large minority in favour of the monarchy, particularly in southern Italy. Luigi Einaudi, by ensuring continuity in the life of the nation, evoking the unifying values of the Risorgimento and favouring openness to Europe and the wider world, fostered unity and laid the foundations for national recovery in every field.

He made no secret of the fact that he himself had voted for the monarchy, but respected the majority choice of a republic, to which he had already demonstrated loyalty in performing various political functions. This he made perfectly clear when he was sworn in as President.

Physically, he was frail, halting, undemonstrative, viscerally opposed to the image-building rhetoric of the dictatorship from which the country had so recently emerged. Though he did not have the powers associated with a presidential system (to which he could not but be opposed, if only because of the populist aberrations exemplified by

The President in Venice on 7 June 1948.

some Latin-American countries), in exercising the supreme office, Luigi Einaudi claimed to be the representative of national unity and guarantor of the constitutional system, not only for himself but for subsequent presidents.

For this reason, the institutional style of President Einaudi was characterized by jealous protection of his constitutional prerogatives. In practice, he felt obliged to behave in conformity with the concept of a republic as understood by Mazzini, of which Montesquieu had foreseen that virtue was the foundation.

This defence of his presidential prerogatives led to not a few conflicts, arising from the demands and claims made by party machines, parliamentary groupings, business and trade-union interests, the media and leaders in technology, as Italian politics hardened into a pathologically corporative system.

It has been written that Luigi Einaudi and Prime Minister De Gasperi, choosing to work together for the general public good, were the only ones to try to stem the rising tide of the party-based power system. It is true that De Gasperi had to deal with many conflicts, within his own party and in his coalition governments, to oppose the principle of power being distributed according to the presumed strength of different factions, rather than on the basis of merit, while distinguishing between constitutional powers and contingent and particular political necessities.

De Gasperi was therefore able to give the President of the Republic political support in his stand for constitutional correctness.

For example, Luigi Einaudi, acting firmly and consistently, refused to negotiate in respect of his powers under Article 59, subsection two, of the Constitution, which stipulates that: “The President of the Republic may appoint as life senators five citizens who have brought honour to their country on account of their outstanding merits in the social, scientific, artistic or literary field”.

Such appointments were the business of the President of the Republic, and him alone. The Constitution clearly set out the fields of competence and the nature of the

Einaudi and De Gasperi at the Teatro dell'Opera, Rome, December 1952.

outstanding merits that the appointees were required to possess. There were many pressures on Einaudi to depart from these criteria, but he chose none but the truly great. In fact, during his term of office he appointed only the following as life senators: Pasquale Iannacone, economist; Don Luigi Sturzo, sociologist; Umberto Zanotti-Bianco, archaeologist; Arturo Toscanini, conductor (who turned down the honour); Trilussa, poet – people of international reputation.

This meritocratic criterion has not always been followed by subsequent presidents. Even the restriction on the number of appointees has been superseded.

Einaudi was similarly rigorous in applying Article 135 of the Constitution, whereby the five presidential appointees to the Constitutional Court are replaced every nine years. The task of this court is to deliberate on disputes regarding the constitutional legitimacy of national and regional laws, and disputes between regions, as well as accusations made against the President of the Republic, in accordance with the Constitution.

Einaudi was adamant that Parliament and the high courts should make their choices first, to enable him to take the political and institutional balance of the Constitutional Court into account in making his own appointments. But, failing to come to agreement on a particular candidate, Parliament dragged its feet in making its appointments. Einaudi had come to the end of his term of office, and, consequently, he was unable to appoint the people he had chosen.

Sub-section five of Article 135 of the Constitution stipulates that the office of Judge of the Constitutional Court is incompatible with the holding of other political, parliamentary and professional offices; here again, Einaudi interpreted the Constitution very strictly.

Luigi Einaudi regarded his relationship with Parliament as the natural anchor for his liberal outlook, because of the plurality of opinions, personalities, characters, personal histories and backgrounds it represented. The freedom to speak and criticize, and disagree with others, was a bulwark against the conformist way of thinking that would tend to regiment the nation under a single ideology and banner. In the free pre-Fascist parliament, Einaudi had learned the value of debate, observing that it sometimes resulted in people changing their preconceived opinions.

From a historical and political point of view, parliamentary debates should have been valued as a historical source, invaluable but often forgotten. The freedom to contradict or refute proposals was for him a vital function of the republican system. Einaudi had the greatest respect for Parliament as representing national sovereignty. But he was firmly opposed to the making of fashionable laws which, quite apart from their merits, tended to involve *ope-legis* magistrates in state roles, without contest, or inflated public spending with welfare provisions.

On no less than four occasions, he sent Messages to Parliament calling for the revision and amendment of draft laws already approved by the legislative body. Moreover, in expressing his contrary opinions he frequently bypassed official channels, writing articles for major daily newspapers using a pseudonym. Keeping the state's finances in order required consistency in public spending, but this was unfortunately subject to the appetites of the various corporative interests.

The formation of party groupings led to the sharing out of the political "spoils", and therefore to the overriding of constitutional safeguards. A factional system prevailed, rather than the principle of separation of powers and a right balance between them, and faithfulness to the Constitution itself.

At a particularly delicate moment politically, because of the international problems associated with the Territory of Trieste, a major controversy affected the formation of the Government of Prime Minister Giuseppe Palla. Palla had chosen his team in accordance with the provisions of Art. 9 of the Constitution, which stipulates that the Prime Minister is appointed by the President of the Republic, who then appoints government ministers in accordance with the PM's proposals. The said ministers swear an oath to the President, before taking up their functions (Article 93). In this particular case, the parliamentary groups of the majority party asked PM Palla to dismiss and replace the Minister of Agriculture (Hon. Aldisio), who had already sworn his oath before the President. Prime

Luigi Einaudi and
the Hon. Giuseppe Pella
at Caprarola
(13 August 1953).

Minister Palla explained to them that it was difficult for him to grant their request. However, his own parliamentary group insisted and Hon. Palla resigned rather than be forced out of office. President Einaudi then summoned the leaders of the parliamentary groups of the majority party to the Quirinale, had them admitted to his office and, without inviting them to sit down, read them a short declaration regarding the powers of the Prime Minister, which he firmly intended to uphold against any anti-constitutional manoeuvre, such as the one regarding the Government presided over by Hon. Palla. He then dismissed them without further ado.

Another aspect of Einaudi's relations with Parliament was the research and enquiries he performed, in application of Article 87 of the Constitution, before authorizing parliamentary discussion of Government-inspired draft legislation.

He was meticulous in assessing and seeking to understand the scope of the measures submitted to him, and in ensuring they were constitutionally and financially balanced and harmonious. While acknowledging the primacy of the Prime Minister's political function, he demanded maximum clarity in this respect. Because he shared responsibility for the Government's lawmaking initiatives, Einaudi was aware of the limitation of any Message he might send to Parliament. This was permissible only if a draft law deviated substantially from the initial text.

Luigi Einaudi's presidency was characterized by good relations with the public administration, their different functions being clearly understood. The reports he requested and received from these sources were carefully read and weighed by the President, assisted by his Secretary General, Ferdinando Carbone.

The bureaucratic structure of the Quirinale was obsolete, riddled with court intrigue, nepotistic. Einaudi did not want to set up a structure of his own. However, he noted that the institution lacked even a historical archive to preserve a record of its dealings. He took care to rescue the documents remaining from the time of the monarchy, handing them over, with an interpretation in favour of the archive funds, to the

At the Vatican with Pope Pius XII during the only official visit abroad of his seven-year term of office (15 December 1948).

Central State Archive, because they belonged to the archive of the Minister of the Royal House.

As for the documents from his own term of office, Einaudi brought them to Turin, where the foundation that now bears his name has preserved and classified them. When the Archivio Storico della Presidenza della Repubblica was finally created in 1966, the Einaudi Foundation generously made this documentary heritage available to the new body.

During his presidency, Einaudi's frugality was legendary. The estates of San Rossore and Castelporziano produced agricultural income which he also applied to the management of the presidential residences and expense account.

The limitations on international relations imposed by the peace treaty prevented President Einaudi from making foreign visits. The only one he undertook was to the Vatican.

Einaudi lived at the Quirinale with his wife, Donna Ida Pellegrini, a former pupil of his, who ensured he enjoyed the warmth and intimacy of a private home. She was close to him, but never on an equal footing. She was involved in her husband's affairs only in a secondary position, partly to underline the recognized individual representative function of the holder of the highest office of state. The only time Donna Ida spoke officially was over the radio link with Italian communities living abroad, when she joined the President in expressing New Year greetings, as a woman and a mother, to Italian women and mothers living in other countries.

At the Quirinale, Ida and Luigi Einaudi exemplified the profound difference between the luxury and formality of the former royal

court and the dignity, decency and simplicity of the new presidency in its service of the state.
On his desk, Einaudi kept a letter written by Giuseppe Mazzini from which he drew inspiration during his seven-year term, especially regarding the educational dimension of republicanism. When inaugurating the monument to Mazzini on the Aventine, to mark the centenary of the Roman Republic of 1849, he reinterpreted and developed the great man's thinking, with reference to the shared ideal of a European union.
As early as 1919, Einaudi had written an article for the "Corriere della Sera", looking forward to a United States of Europe. Ernesto Rossi, his dear friend and correspondent, even under the Fascist regime, drew inspiration from that article – and from the writings of Carlo Cattaneo and Giuseppe Mazzini – in dictating at Ventotene the Manifesto subsequently signed by Colorni and Spinelli.
In 1943, after the fall of the Fascist regime, Luigi Einaudi was appointed Rector of the University of Turin, but had to flee and seek asylum in Switzerland to avoid Fascist and Nazi reprisals. In the land where Cattaneo and Mazzini had also been exiles, he studied and prepared for a United States of Europe. Einaudi wanted a true federation - of which Switzerland, with its cantons, provided an example - in which the states concerned would have to give up some of their sovereignty by transferring it to the new federal body.
On his return to Italy, when the Second World War was over, Einaudi chaired the Italo-Swiss Association, which had been set up in Rome immediately after the fall of Fascism and the liberation of the city. The Swiss flag was the first to fly from the Palazzetto di San Marco (now headquarters of the S.I.O.I., Società Italiana per l'Organizzazione Internazionale) in the name of the United States of Europe.
In his book *Lo scrittoio del Presidente* (the President's desk), Luigi Einaudi summed up his term of office. To really understand the *style* of his presidency, you have to read the report which, at the end of his term of office, in 1956, he presented to the Accademia dei Lincei, entitled: *Di alcune usanze non protocollari attinenti alla Presidenza della Repubblica italiana* (regarding some non-protocolar customs pertaining to the presidency of the Italian Republic). In it, he described his experience of the transition from a monarchy to a republic and the establishment of rules to ensure that departments of state behaved with republican consistency. His

His wife assists Luigi Einaudi at work in his private study.

Einaudi in the vineyard at San Giacomo in 1952.

conclusion is still as valid as ever: at times of historic decision-making, military men, diplomats, magistrates and everyone else must do just one thing: “obey” the decisions of their civil leaders, “who by constitutional law and the free vote of the citizens are placed at the highest levels of the state”.
After exercising the highest office, the anti-rhetorical Luigi Einaudi was determined to be once more called and regarded simply as “Signor” Einaudi, finding refuge in his books and the Piedmontese countryside he loved so much.
Only at the end of his mandate was he able to collect the honorary degree conferred on him by the University of Oxford. The text explaining the award of this degree provides an excellent summary of his life’s work.
Professor Einaudi nevertheless continued his work as educator, encouraging young people to enjoy, as he had done with such profit, the cultural and spiritual heritage of both books and wine. For he was both bibliophile and oenologist!
Meminisse juvabit.

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Luigi Einaudi's theory of money and his message

by Francesco Forte *

Luigi Einaudi at the
Budget Ministry in 1947.

1. Luigi Einaudi, as Budget Minister, saved the lira sixty years ago in the autumn of 1947 by introducing new restrictions on bank liquidity in July, effective from 1 October, imposing an overall 25% compulsory reserve requirement for bank deposits, with a 10% retention of deposits existing prior to 1 October and 40% of those placed after that date, until the figure of 25% was reached. Additionally, the Bank of Italy's discount rate was raised from 4 to 5.5%.

This tactic produced monetary stability: in the early months of 1947, wholesale prices had soared by 50%. From the autumn, inflation was halted in its tracks. The annual inflation rate calculated as the arithmetic mean of wholesale and retail prices, with 1947 = 100, was + 5.5% in 1948, -2% in 1949 and -4.45% in 1950; it rose by 11.86% in 1951 but fell by 0.01% in the subsequent year, rising again by 0.81% in 1953. In six years, the price index had risen by only 12% – an annual average of just 2%. This was Einaudi's monetary cure: an average annual inflation rate at the same level as that now considered by the European Central Bank as constituting monetary stability.

It is argued that the immediate consequence in 1947 was a slump in industrial investment. However, despite the monetary restrictions, GDP growth was spectacular. In 1948, based on the latest data from the national accounts (see Bibliographical note, F. Forte and others, 2003) growth, expressed in terms of the real purchasing power of the 2001 lire, was 10.1%. In 1949, GDP grew by 6.2%; in the following year, it rose by 12.15% and in 1951 it added a further 15.7%. In 1952, the figure slowed to 3.68%, but in 1953 it again bounded by 7.33%. Overall, in the six years from 1947 to 1953, GDP grew by 72% – an annual average of 12%. Based on calculations in 1990 lire made by Di Palma and Carlucci in 1997 (see Bibliographical note) there was still GDP growth of 6.02% from 1947 to 1948. Subsequently, from 1948 to 1949 there was a further rise of 7.95%. In 1950 compared to 1949, GDP added 6.84%; in 1951 compared to 1950 the rise was 12.31%; in 1952 versus 1951 it was 8.33%, and in 1953 compared to 1952 it was 6%. In the six-year period between 1947 and 1953, growth was 58%, an annual average of 9.6%. According to the 1954 Istat *Annuario*, in 1953 based on figures available at the time, the national income in real terms, calculated using the currency's purchasing power index based on the average of wholesale prices and the cost of living, had increased by 60%, or 10% per annum. Based solely on the cost of living index, national income in 1953 in real terms was 44.3% higher than that in 1947, an average annual rate of growth of 7.38%. Using the purchasing power index for the currency calculated as the average of wholesale prices and the cost of living, national income in real terms increased by 10% in 1948 compared to 1947. Using the purchasing power index based on the cost of living index, national income in real terms in 1948 was still 8.1% higher than in 1947.

Thus, even using official Istat figures produced in the 1950s, there was no justification for the claim by economists close to the Communist Party at the time, and by a group of US Keynesians or US-based Italian émigré economists such as A.O. Hirschmann and Bruno Foà (see Bibliographical note) that Einaudi's strategy had produced monetary stability at the expense of economic growth. In support of this view, it was also argued that the government had been forced to increase public investment spending and had deferred the introduction of a wealth tax as a way of alleviating the deflationary effects of the monetary squeeze, using fiscal policy to bolster growth. It was alleged that, by so doing, Einaudi who was coordinating the government's economic policy was acting in a way inconsistent with his own recent actions. Thus, the liberal Einaudi was simultaneously criticized both for an old-style *laissez faire* ideology as regards monetary stability, and for displaying interventionist tendencies. In the post-war reconstruction, a selective approach to investment was necessary, since war damage was not distributed evenly and the market had suffered the impact in different ways. A proper equilibrium also had to be found between monetary policy and fiscal policy. Having halted the spiral of rising prices by a strict monetary policy, it was possible to relaunch growth through higher investment spend-

ing and lower taxes on the main holders of savings, without the danger of a recovery being "drugged" by inflation.
Critics arguing on the basis of incomplete information that the Italian economy had been damaged by the monetary restrictions were disproved by contemporary data. However, they paid little attention to the figures – unlike Einaudi. There was perhaps some justification for arguing at the time that official statistics were not telling the whole truth. But even in the 1970s, criticism of Einaudi's monetary policy resurfaced, without any reference to data, in an important collection of papers edited by no less an economist than Augusto Graziani (see Bibliographical note). The view at the time was that without the "squeeze", Italian GDP could have grown more strongly. However, recent calculations of the dynamics of GDP at the time disprove this view. GDP growth of 10% per annum with low inflation is a world record which has still not been beaten today.

2. It is worth pointing out that Einaudi, who wrote so extensively on the defence of the currency against inflation (see a recent collection entitled *Il Mestiere della Moneta* referred to in the Bibliographical note) was no monetarist – defined as an economist who believes in the quantity theory of money which states that, given real GDP growth, there is a constant relationship

between the quantity of money in circulation and the level of prices.
Einaudi was unconvinced by the quantity theory of money, but he did believe in the equation of exchange (for references please see the Bibliographical note). This equation states that the quantity of money in circulation is not necessarily linked to growth in real GDP and to the level of prices, because there is another variable – the velocity of circulation of money – which depends partly on government regulations but is also very significantly dependant on the market.
The difference between the quantity theory of money and the exchange equation from the monetary standpoint can be seen clearly from a simple example. Under the quantity theory of money, the quantity, referred to as M, is constantly directly proportionate to annual prices P and inversely proportionate to the volume of real income produced during the year, which we can refer to as R. In other words, M=P/R, or P=M/R. This is because if M increases without an increase in R, prices must rise. Conversely, if R increases and M increases by a percentage equal to the increase in R, prices do not rise. And if M increases by a higher percentage than the increase in R, the difference between the two percentages results in an identical rise in prices. Now, let us suppose that the volume of transactions T which generates GDP is constantly double the resulting GDP. Hence, if M circulates 20 times in a year between the various economic operators, with GDP_{t0}=1000 in year t_0 giving a volume of transactions T_{t0}=2000, a quantity of money M_{t0}=100 is required. If in year t_1 we have GDP_{t1}=1050, an increase of 5%, which gives rise to a volume of transactions T_{t1}=2100, the quantity of money in t_1 is M_{t1}=105 and there is no increase or reduction in prices – i.e. we have a variance in prices of P_{t1}=0 and there is no inflation or deflation since the quantity of money M_{t1} has increased by 5% compared to M_{t0} in the same way as GDP_{t1} compared to GDP_{t0} and transactions T_{t1} compared to transactions T_{t0} in the base year. In fact, 105x10 gives 1050=GDP_{t1}, which when multiplied by 2 gives T_{t1}=2100. If however the quantity of M between year t_0 and t_1 increased from M_{t0}=100 to

M_{t1}=110, there is necessarily an increase in prices of 5% in year t_1 (shown as P_{t1}) compared to prices in year t_0 (shown as P_{t0}). This is because 110x10=1100, which multiplied by 2 gives P_{t1}=2200. And since real GDP_{t1} has increased to 1050 with a volume of transactions T_{t1} of 2100, the difference of 100 must be an increase in price, taking monetary GDP to GDP_{t1}=1100, and consequently T_{t1}=2200.

3. The distinction between the quantity theory of money and the equation of exchange, in which Einaudi believed, is that the latter incorporates – in addition to the quantity of money M, real income R and the level of prices P which is dependent on them – the velocity of circulation of money V, which can vary, whereas in pure quantity theory it is fixed. Variations in the velocity of circulation of money occur in two ways: through changes in the behaviour of economic operators in relation to their preference for liquidity, which tends to increase as their incomes rise and to reduce in periods of inflationary concerns; and via bank credit mechanisms which through a variety of instruments (cheques drawn on bank current accounts, overdrafts, etc.) provide fiduciary currency in addition to the physical currency of banknotes and coins.

The volume of transactions needed to produce a given income is also fixed in pure quantity theory, while it can vary in the exchange equation. In general, when income R increases there is a tendency to increase the volume of transactions, as there is a reduction in income in kind which does not require any transaction as compared to the income produced by transactions in the market, and the contribution of labour to the production of income on the market increases. This phenomenon is however relatively stable in relation to economic expansion.

The same does not apply to the velocity of circulation of money V. This can vary both because the central bank and the government can change the rules on the deposits-to-loans and equity-to-loan ratios which banks are required to maintain, and because market operators may hold smaller or larger liquid deposits in their portfolios and in the bank and make their payments in cash, or via bills of exchange or bank cheques. Payment by cheque is facilitated or accelerated by the granting of overdrafts and hence by the regulations governing the ratio between bank deposits and loans or between bank equity and bank exposure of various types. Thus, in addition to money represented by banknotes (M) we have bank money M1, which can vary for any given M both as a result of the rules set by central banks and the government and of the behaviour of the various market operators, companies and families. In general, when there is the risk of inflation, V increases because people tend to reduce their holdings of money to avoid erosion of their purchasing power. Bank deposits are run down and goods not likely to lose value are purchased. Thus, in a situation of inflation, we can describe money as being "hot" because people refuse to hold it and instead pass it on as quickly as possible as if it were burning their fingers.

The higher the velocity of M the lower the amount of M required to obtain a certain income R at a given level of prices P. Thus, the exchange equation is MxV=PxR or P=MxV/R and replacing T for R, which for ease of calculation can be assumed to be constant over time, we have P=MxV/T or alternatively M=PxT/V. In other words, if we increase the quantity of money by a percentage higher than the increase in GDP and therefore the volume of transactions, which are assumed to be in a constant relationship to it (in our example a ratio of 2 to 1), we can avoid an increase in prices if the velocity of circulation is reduced by a percentage equal to the "standardized" difference between the percentage increase in the quantity of money and the percentage increase in GDP. In the above example, the quantity of money had increased from 100 in year t_0 to 110 in year t_1, while R_{t1} and T_{ti} had risen from 1000 and 2000 respectively in t_0 to 1050 and 2100 in t_1. Assuming that the velocity of circulation, which was in a ratio of 10 to GDP and 20 to T, reduces by 5% – i.e. becomes 9.5 times GDP and 19 times T – we have to reduce the velocity of circulation V over GDP by the standardized percentage of 5% to the difference of 1/10 of GDP versus V, or in other words to reduce it to a rounded figure of 9.55. Multiplying

9.55 by 110 we have 1050.5 and, ignoring the decimal by rounding, we have 1050 as in the case where the quantity of money had increased by only 5% and V had not changed.


BANCA D'ITALIA

ADUNANZA GENERALE ORDINARIA

DEI PARTECIPANTI

TENUTA IN ROMA IL GIORNO 31 MARZO 1947

ANNO 1946 (LIII)

ROMA

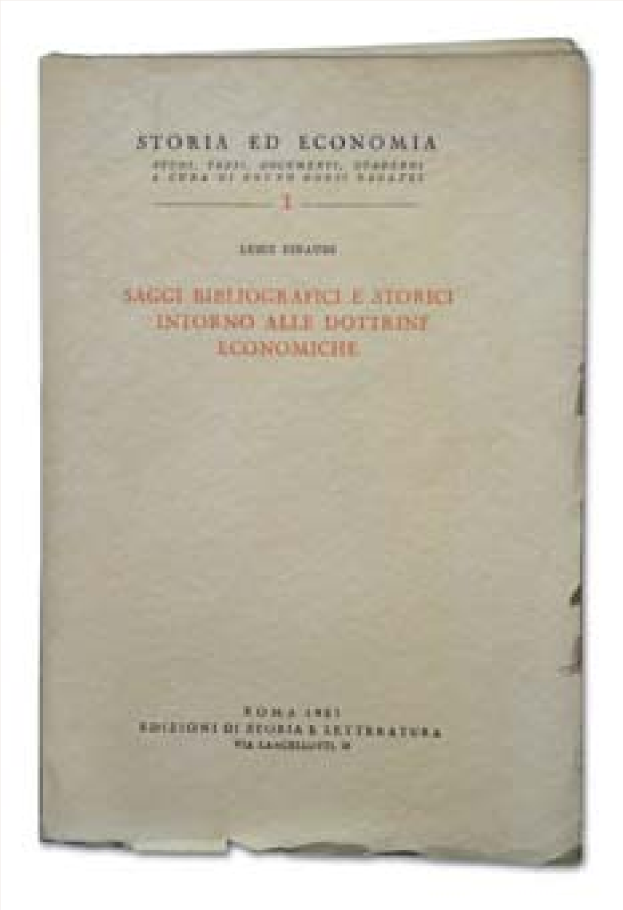
TIPOGRAFIA DELLA BANCA D'ITALIA

1947

4. This is no mere subtle academic argument. It is Einaudi's basic monetary premise underlying the imposition in the autumn of 1947 of the 25% compulsory reserve requirement on banks which reduced the velocity of circulation of money in order to reduce galloping inflation to the more benign level of 5.5% and then cut it further, as we have seen above, with sensational positive effects on growth. While there is an explanation in terms of einaudian monetary theory, his fight against inflation sought to give companies, families and the State accurate signals on prices in order to ensure that the market economy and public finances operated properly and to provide incentives to save.

One possible objection to Einaudi was that the exchange equation is only valid if there is no shortage of consumer demand or excess of unutilized production capacity, since if the opposite situation applies – a situation of unutilized production capacity and surplus labour – the expansion of the money supply can fuel economic growth without achieving significant expansion. This was, in fact, the position of the Keynesian economists who were particularly influential in the US mission in Italy and who were influenced by the experience of the recent US economic boom triggered by State demand for military expenditure. It was also the view of the CGIL and Communist Party (see Bibliographical note).

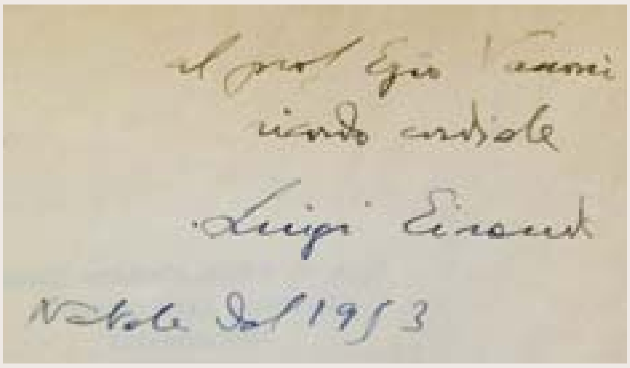
However, in May 1947 Einaudi, as Governor of the Bank of Italy, had firmly rejected that argument in the *Closing Remarks* of the Bank's 1946 annual report. To rebut Keynesian objections to his view that the excess of money in circulation due to the budget deficit financed in various ways by the Bank of Italy's recourse to printing money would be inflationary, he argued: "I am unshakably sceptical of the real value of modern theories which suggest that there are countries and circumstances in which saving can be harmful, and believe that the grain of truth in that doctrine is no more than the old and generally-accepted argument about the need to strike the right balance between consumption and saving. However, in Italy, there is a probably unanimous view that the relative proportions of consumption and savings, of the production of direct goods and capital goods, now has to be adjusted in favour of savings and capital goods [...]. However, saving depends on confidence in the currency [...]. Normally, savers will only undertake the deliberate act of saving if they expect it to give them some moral and economic satisfaction. They may be satisfied – and frequently are – with modest returns of 0, 2 or 3 percent, but it is doubtful whether they would be particularly encouraged to save by threats of expropriation, abuse or coercion. As far as the currency is concerned, savers are positively discouraged by fears of its losing value, and associate that loss of value with excessive public spending giving rise to the printing of money". As we can see, Einaudi was conscious of both objective factors and of the psychological factor of confidence in the stability of the curren-



cy, linking it to the distinction between the issuance of money for the needs of the market as a result of the workings of the economy and the issuance of money to finance budget deficits. When there was no limit to bank credit, that deficit could be financed without reducing financing for the economy. That fuelled higher prices, and savers lost confidence in the currency, thereby increasing the velocity of its circulation and causing further inflation. If the process could be stopped, the currency would stabilize, savings would increase, credit would be channelled to those needing it for genuine economic reasons, and the State could selectively provide finance for public companies at a standstill to relaunch their activity without creating inflation, since in those particular cases there was unutilized production capacity – which Keynes viewed in macroeconomic terms whereas it was in fact the result of microeconomic problems specific to certain sectors. And indeed stability of the currency allied to these selective policies in the years following Einaudi's credit squeeze fuelled a high propensity to save and a high level of investment, thereby enabling strong economic growth to occur in a context of monetary stability. By increasing the money supply in line with the expected growth in the volume of transactions, it was possible to guarantee monetary stability and provide the resources for growth.

We should also add that, viewed in retrospect, it is an exaggeration to use the term “monetary squeeze” to describe Einaudi’s 1947 credit restrictions and the subsequent selective measures to foster investment. He had introduced a rapid, robust and carefully-calculated measure which cannot be described as restrictive, merely as a tempering strategy within the framework of a policy with a significant psychological component aimed at restoring confidence in the currency and in saving.

5. Luigi Einaudi’s ideas, examined above, on money in relation to the equation of exchange, and on the distinction between overall and sector imbalances, are also relevant to the current crisis in financial markets caused by excessive real estate lending in the US. The problem has been transferred from the real estate market and from the specific mortgage market to the banking system as a result of the new techniques of financial derivatives, which have transformed those loans into bond instruments financed on a short-term basis and managed by parabanking SIVs (Special Investment Vehicles), owned by the banks, partly to make profits on the arbitrage between short- and long-term finance and partly to generate fee income and capital gains on the sale of these instruments to clients. Given this vast amount of derivative finance operating outside the Basel banking regulations which set compulsory loan-to-equity ratios, mortgage loans



Signed dedication by Einaudi to Ezio Vanoni in a volume devoted to the Valtellina politician (Public Library, Morbegno (SO).

expanded strongly in the USA and Europe. Moreover, expansion through these financial techniques also extended to borrowing on credit cards, hire purchase and other loans. At a certain point, with the increased cost of money and the expansion of this mass of derivative finance, a crisis occurred. This could have been avoided if the operations in question had been brought onto the balance sheet and if the supervisory authorities had brought them within the scope of the Basel regulations. However, that did not happen. The crisis has affected major banks such as Citibank which, in the third quarter of 2007 unveiled 6.9 billion in writedowns (effectively 7 billion), a figure which only represents part of its real losses. Bear Stearns has admitted to 4.98 billion and there is still no certainty as to its total losses. Merrill Lynch announced 5.8 billion in the third quarter, but the loss is presumably much higher. Based on 3rd quarter figures, Unicredito had losses of 4.91 billion, UBS 4.4 and Credit Suisse 3.72. The crisis has also hit some smaller German banks such as Landesbank Sachsen Girozentrale, the State Bank of Saxony, which collapsed under the weight of bad investments in US subprime loans totalling EUR 17 billion by five of its investment funds, as well as Deutsche Industrie Kredit Bank and UK banks such as Northern Rock. Fears of further collapses, fuelled by this constant trickle of bad news, initially paralysed the short-term credit market – the money market – and later created widespread nervousness in the financial sector generally and a reluctance to lend money. This situation has left the central banks of the US, Europe and Great Britain since the summer of 2007 wrestling with the problem of whether to reduce interest rates (and if so by how much) to alleviate the crisis.

In the 1930s, after the crash of 1929 and the subsequent depression, Luigi Einaudi clashed with Keynes on a comparable issue of the best way out of the crisis. Keynes wanted to solve it with massive injections of money though a state budget deficit financed by the central bank with recourse to the printing of money. It was irrelevant whether the expenditure was to "build pyramids" or for useful works. What counted was that the supply of money from the budget deficit should fuel an increase in prices. That would have increased profits and triggered a return to economic expansion, in turn increasing the purchasing power of consumers who with the money obtained would have pushed up overall demand, consolidating the economic recovery. There was no need for taxes to finance this expenditure since there was unutilized production capacity and numbers of unemployed workers. And the money to be lent by the central bank to the government to finance this spending on public works would have produced a structural increase in prices without causing an inflationary spiral. Einaudi disagreed, arguing that such a massive programme of monetary expansion through the budget deficit would create inflation without solving the problem. This was because the crisis was not caused by a general situation of unutilized production capacity exceeding overall demand, but rather by a sectoral distortion. There was an excess of investment in particular sectors of production owing to mistaken decisions in the granting of credit, leading to an expansion of lending which had caused bankruptcies when borrowers were unable to repay. The way out of the crisis would have required restructuring to rectify these sectoral mistakes. Having done that, economic growth could resume with policies to attract effective savings on the basis of investments which met the needs of the market. In this context, Einaudi did not deny that policies to stimulate the economy, such as public works programmes, would be helpful, but he argued that recourse to the printing of money for the treasury to finance indiscriminate deficit spending could not solve the problems. Instead he believed that this would produce a "drugged recovery" with prices rising dangerously and a burgeoning of non-viable companies encouraged by easy credit and by the devaluation of their own debt, to the detriment of savers and of the labour force as a whole. This constituted an unfortunate precedent for further unjustified intervention in the future. In fact, the 1929 crash in the USA was due to excessive expansion of credit which had given rise to over-production of industrial goods and real estate, which in turn had not been matched by adequate demand in the market. This had led to unemployment and bankruptcies, and with falling wages, profits and stock prices, the entire US economy had collapsed into a depression. Similar phenomena had occurred in Europe.

6. This was a slightly – but not significantly – different situation from the remedy of injecting large amounts of liquidity into the economy, with rapid and very substantial cuts in interest rates, proposed in financial circles in 2007 in response to the sub-prime crisis which has proved so toxic to the banks trading the huge volumes of derivatives whose market price has plummeted. Once again in today's situation, such monetary expansion is intended to push up the prices of these financial products: that would allow the banks to avoid or contain losses on these securities, thereby enabling them to resume providing finance for investment as if nothing had happened. This is the way out of the crisis being recommended in financial circles by banks in difficulty and by some experts. However, central banks have been far more cautious. They have refused to confuse sectoral distortions and a fall in the prices of financial derivatives with any general need for credit linked to global deflation. This situation has nothing to do with the relationship of banks with industry but rather that of banks with the financial market. But even that issue is a sectoral one, because it concerns only certain banks and certain financial products where over-expansion has occurred. It does not concern the entire credit sector, merely one part of it which has made wrong decisions. That implies specific problems of restructuring. The fact that the nervousness has spread right across the entire banking system and into the economy does not appear to be a justification for a general amnesty through inflation. Undoubtedly the 2007 crisis is far less serious than that of 1929, which has made it easier for central banks to be cautious and reluctant to take measures likely to fuel inflation. Instead, they have refused to follow a permissive strategy, as on other occasions in the past, and have acted in accordance with "Einaudi's lesson".

7. At the time when Einaudi first began dealing with monetary issues, the currencies of the various countries still operated in a system based to a large extent on the link with gold. Over time, that link was loosened or abandoned altogether. Einaudi long argued in favour of the need to return to the gold standard, although acknowledging that it could give rise to imbalances. Although it is true that when there is a shortage of gold in relation to demand, its price tends to rise thereby making it attractive to step up mining production, this does not guarantee that production will match economic growth. And one of the variables of the exchange equation which governs the purchasing power of the currency is also the velocity of circulation and the relationship between the volume of transactions and the creation of income. However, Einaudi argued, the link with gold is an objective fact. On the other hand, when the currency has no other foundation than the decision of the central bank on whether or not to print banknotes, guaranteed by the signature of the governor, this requires a far greater act of faith. The heads of central banks have to be able to act responsibly, and governments must not pressurize the monetary authority to print money to finance budget deficits, either openly or using more obscure means.

Einaudi, reflecting in 1944 from his exile in Switzerland on the *Economic Problems of the European Federation* (see reference in the Bibliographical note), identified the substantial devaluations undertaken by Germany and Italy to finance the war and reconstruction as one of the causes of the subsequent dictatorships. These devaluations had fomented unrest in the working class and had ruined the middle classes, giving rise to groups of unemployed intellectuals and thugs who had delivered the country into the hands of dictators.

Defining the characteristics of the future European Federation, Einaudi argued that one of its benefits would be that monetary powers would be handed over to the Federation. The theoretically ideal situation would be for the federation to adopt the gold standard, in which banknotes and coins would be fully convertible into gold. However, Einaudi viewed a return to the gold standard as unlikely, believing instead that the European central bank would be based upon a new unit of paper money which he termed the *lira aurea* – not convertible into gold but backed by gold reserves. This, in fact is what happened. For him, adopting a single European currency would have two advantages. Firstly it would facilitate trade between countries

since the problems of exchange rates between the various currencies would be solved. However, that advantage, although significant, would be of secondary importance to the fact that monetary inflation – caused by financing the budgets of national governments through recourse to their national central bank – would become impossible. Certainly this would not provide the "miracle" of "guaranteeing the people a sound currency" since any system not anchored to gold is subject to a degree of arbitrariness. However, the ending of the war between European countries would have eliminated one of the causes of inflation due to excessive money supply. At the same time, the opposition of regional interests to an inflation policy designed to favour particular areas, combined with vigilance on the part of the representatives of the member States, would have kept inflationary policies under control. This forecast proved accurate. However, the single currency was only achieved half a century after the end of the Second World War.

8. In the meantime, national currencies remained in place, based upon the power of the central banks which were not always institutionally and politically independent of national governments.

Einaudi himself was appointed Governor of the Italian central bank in 1945, immediately after liberation of the North, in an extremely challenging period due to the economic and political effects of the emergency. The Bank of Italy, although legally independent of the State, was bound by a series of legal requirements to finance activities in the national interest, such as the stockpiling of wheat, and the management of the exchange rate under a system of exchange controls. The government held a current account with the Bank of Italy through which it could obtain overdraft finance within a substantial limit. Moreover, the Government held the power to control credit. The Governor was therefore hamstrung in his role of protecting the lira. However, in the final remarks in the Bank of Italy's 1946 annual report, issued in March 1947 (see Bibliographical note) he sounded a warning about the potential risks to the country if the State failed to intervene using its powers to limit the money supply. The message was not in vain. A few months later, Einaudi was asked to join the government as Budget Minister to introduce the mechanism we referred to at the start of this paper to obviate the disorderly circulation of money. We should perhaps therefore conclude this article by quoting from that historic message: "On a number of occasions in recent days and months people have asked what the Governor of the Bank of Italy is doing – that person who is still repeating the old warning from 1920: 'let us stop printing money', but in the meantime continues signing an unending supply of series W banknotes. I have told you candidly what he cannot do. But in addition to having the privilege of knowing a few days in advance of the rest of you the amount in circulation (which is virtually his sole privilege) he would also like to claim the privilege of issuing a warning here today: at the end of the road which we follow through convenience and a desire for popularity, there lies the abyss of the destruction of the currency and social chaos. But at the same time he also wishes to proclaim aloud the certainty that nothing obliges us to choose that route".

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UNIVERSITÀ DI TORINO
MEMORIE DELL'ISTITUTO GIURIDICO

LUIGI EINAUDI

SCIENZA ECONOMICA
ED
ECONOMISTI
NEL MOMENTO PRESENTE

G. GIAPPICHELLI — EDITORE — TORINO

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§ 8
(see §4)

The foundations named after Luigi Einaudi

by Roberto Einaudi *

There are three long-standing foundations named after Luigi Einaudi, and others are on the point of being formed. One might well ask: why so many? Luigi Einaudi's many interests and the breadth of his activities have led some very dissimilar institutions to identify with his work as scholar and politician.

The first to promote a foundation was the Partito Liberale Italiano [Italian Liberal Party], of which Einaudi had been an active member. In 1962, only a few months after Einaudi's death, Giovanni Malagodi was the prime mover in setting up the *Fondazione Luigi Einaudi per studi di politica ed economia* [Luigi Einaudi Foundation for Political and Economic Studies], based in Rome.

At the same time, Einaudi's wife, Donna Ida, and his three sons, Mario, Roberto and Giulio, began thinking of donating the large specialized library of 70,000 volumes compiled during a lifetime of study by their husband and father to a new, politically neutral foundation. They wanted to make this cultural wealth available to the community, not just to preserve Einaudi's legacy, but as an active resource to promote development and renewal in the social and economic sciences. The original idea was to establish a single foundation with premises in Turin and Rome, the principal spheres of Einaudi's activity, but this proved difficult to implement, and in 1964 two distinct institutions were formed.

The *Fondazione Luigi Einaudi* [Luigi Einaudi Foundation] in Turin, built upon on the great library, was formed with financial help from institutions in Turin, academic input from the Università degli Studi di Torino, and the tireless efforts of Professor Mario Einaudi, its first President.

The *Ente Luigi Einaudi per gli studi monetari, bancari e finanziari* [Luigi Einaudi Organization for Monetary, Banking and Financial Studies] was formed in Rome, supported by the Banca d'Italia and the Associazione Bancaria Italiana (ABI), a body being promoted by Donato Menichella, at that time the Governor.

The three foundations are independent of one another and exist for quite different purposes.

The Rome-based *Fondazione Luigi Einaudi*, initially established as a cultural adjunct to the Partito Liberale Italiano, has since been transformed into a foundation which promotes study, research and cultural initiatives contributing to the knowledge and dissemination of liberal thought, independent of any political party.

The Turin-based *Fondazione Luigi Einaudi*, located in the historic Palazzo d'Azeglio, is the largest of the three institutions, specializing in economic, historical and social studies. It has concentrated its efforts on keeping the library up to date, which now houses more than 220,000 volumes, and creating and organizing a historical archive of more than 400,000 documents.

The library and archive, consulted by around ten thousand scholars each year, are dedicated to post-university research, making the foundation one of the most important institutions in the world in its field of specialization.

The purpose of the *Ente Luigi Einaudi* is to promote the teaching and training of young people in the monetary, banking and financial spheres, and to encourage related research.

One strength of all three foundations is that they support and encourage the most capable young people by granting scholarships enabling them to attend specialized courses abroad. In the early years of the foundations' work, these scholarships were among the few available in Italy for assisting in training the future governing classes. The young scholarship holders of those days have since become well-known university teachers, famous journalists

Left:
Luigi Einaudi's library
in Dogliani.

On this page:
Ida Einaudi Pellegrini
in 1953 surrounded
by books in the library
of her husband Luigi.

and senior managers of large financial and industrial enterprises. In recent years, when young people trained abroad have had difficulty finding jobs in Italy commensurate with their qualifications, "homecoming bursaries" have been created, to ensure that capable young men and women can return to and find work in Italy. The Banca d'Italia has now decided to establish a new foundation named after Luigi Einaudi with the aim of creating a high-level academic institution in Rome specializing in the monetary, banking and financial field. This means that there will be five Einaudi foundations, once the Centro Einaudi [Einaudi Centre] in Turin, currently a private association for research and documentation, has completed the process of transforming itself into a foundation.

The three existing foundations have a very full programme of publications, conferences and courses.

Countless "Scuola di Liberalismo" courses are held in towns all over Italy by the Rome-based foundation, and these are often published in volume form. Also popular are the "Incontri con gli Amici" [Meetings with Friends], held in Rome.

Forty volumes of the "Annals of the Luigi Einaudi Foundation" (Turin) have been published, with contributions by scholars and scholarship holders in the historical and socio-economic fields. Also an essential resource for research into Einaudi's thought is the *Bibliografia degli scritti di Luigi Einaudi* [Library of Luigi Einaudi's Writings], containing references to almost four thousand titles.

The Ente Luigi Einaudi publishes the *Temi di Ricerca* collection, disseminating the research of scholarship holders and studies presented at specialized seminars on monetary, banking and financial topics, as well as research promoted by the Ente itself, such as studies of competition in the banking system.

Leaders of the three foundations over the years have included Gaetano Martino, Vittorio Badini Confalonieri and Valerio Zanone for the Rome-based foundation, Mario Einaudi, Luigi Firpo and Norberto Bobbio for Turin, and Donato Menichella, Paolo Baffi and Carlo Azeglio Ciampi for the Ente.

As we have seen, the three foundations act independently of one another. But recently they have engaged in some joint initiatives. Each foundation is to produce a volume of selected writings by Einaudi translated into English. The first, *Luigi Einaudi. Selected economic essays*, produced by the Ente and published by Palgrave Macmillan, was presented in London last year; the other volumes will be published in the near future.

In May 2008, to mark the sixtieth anniversary of Luigi Einaudi's election as President of the Republic, a major exhibition on the statesman and scholar will be organized at the Quirinale. It will then travel to Milan and Turin.

** Architect, director of the three existing foundations named after Luigi Einaudi and chairman of the Rome-based institution.*

On this page:
A view of Palazzo D'Azeglio in Turin, the headquarters of the Luigi Einaudi Foundation.

Right:
The ex-President in 1958 during a moment's quiet contemplation in his house at San Giacomo.

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