

Luigi Einaudi,
the President Who
Made Europe Move

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By

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To the Laertian Europeanists, wherever they are rooted
Agli europeisti laerziadi, ovunque allignino

The victory of true ideas, profoundly responsive to reality, is irresistible...
—Luigi Einaudi, 1915

... having been deservedly created President, he did everything in the most convenient way for the glory of the highest post and was always excellent in advising.
—Oration for Luigi Einaudi, Doctor of Civil Law, Encaenia, Oxford University, 1955

Although you no doubt know my unreserved adherence to the ideas to which *you try so nobly to give a practical content...*,
—Luigi Einaudi to Jean Monnet, 1955

The United States of Europe [are] the great need and the great hope of our age. *It is an ideal that you have always supported.*
Jean Monnet to Luigi Einaudi, 1955

[The] Ventotene Manifesto,
one of *the foundations of the European federalist political movement.*
—Mario Draghi, 2006

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INTRODUCTION

“Luigi Einaudi, the President who made Europe move” in the successful direction. This is a selective biography, but it has the ambition to be innovative. This book captures specific moments of the public man: when he disappeared, the years of presidency, and his governance of the Bank of Italy and ministry of the Budget. Concerning the scientist, the book focuses on his contribution to the social market economy and the project for a European federation; these are inseparable and closely interconnected with his liberalism, the liberalism of rules. These pages also capture the young liberal professor as they travel through his writings on free trade and migration.

The topicality of his ideas, discussed here, has led us to digressions on economic and political issues that were often subsequent to him. These ideas are still valid today; they are innovative forerunners, whether federalism, the social market economy, migration or the principle of temporal inconsistency. As for the first: Einaudi’s was and remains the only project for a European federation. His writings inspired Jean Monnet. As President of the Republic, he played a discreet but important role in the negotiations for the treaty establishing the European Coal and Steel Community. His voice from the Quirinale (the presidential palace in Rome) urged the rulers of Italy of those years to ratify the European Defence Community Treaty. Many articles of European treaties: Paris, Rome, Maastricht and Lisbon, are due to his view on the European Federation as well as various proposals of the Conference on the Future of Europe. A European army, majority voting and common rules for epidemic diseases, are among his most topical proposals. Even in the monetary policies of the European Central Bank, there are elements of Einaudi’s theories. These are the aspects considered to be innovative. Naturally, the judgment is for the readers.

Einaudi had an extraordinary ability to read the future; certainly not for divinatory attitudes, but by logic, based on this economic, historical and political culture, on the knowledge of the times in which he lived. All of this, and here is the difference from simple “savants”, was elaborated by an extraordinary intelligence.

To make reading smoother we have avoided notes. Sometimes, italics appear in the quotations, to mark the particular importance of certain sentences. Square brackets always appear in the quotations, to indicate the omissis and to facilitate reading, without in any way changing their meaning.

Newspapers and magazines are the sources we have drawn from for the public man. This choice is to show the reader his frankness of character; what he aroused in those who wrote about him, whether they were economic or political commentators. But also, and perhaps above all, reporters are capable of capturing in the detail, the memory and the attitude, so much of the man. The news, the reporting of “small”, simple, everyday things can sometimes say more about a man than an essay about him.

Other documentation was found in the archives of the Luigi Einaudi Foundation in Turin, the Jean Monnet Foundation in Lausanne and the Bodleian Library in Oxford. Sincere thanks to Guido Mones, Vincent Bezençon and Anna Petre, managers of the consulted archives. The pictures at the end of the third chapter have been provided by the Archivio Storico della Presidenza della Repubblica. I thank Laura Curti, in charge for the photographic archive.

I am grateful to Giuseppe Martino for having consented to the publication of the photo, taken by Ivo Chiappelli, of the bust of Luigi Einaudi conserved in the Giuseppe Gabetti Museum in Dogliani. The sculpture is the work of Luciano Condorelli, an artist from Acireale (Sicily), who presented it to Einaudi at the end of his presidential term.

I thank Sue Morecroft for her valuable proof reading.

This is a biography, however, without a real beginning, and without a real end. The reader can start from any of the seven chapters, with the sole caveat that he first reads the last sentence of the previous chapter. This continues into the next. That of the concluding chapter continues into the first, for a re-reading of...

Angelo Santagostino, Milano, October 2023

CHAPTER ONE

30 OCTOBER 1961

“...it’s bad, it’s bad”, then “...give me a smile again”. These are the last words of Luigi Einaudi, addressed to his wife Ida Pellegrini. He passed away, aged 87, a few minutes later. It was just after seven o’clock in the evening of October 30, 1961. Donna Ida caressed her lifelong companion and then closed his last reading, a biography of Charles V, edited by their son Giulio, which he left open on the bedside table.

The following day, the *Corriere d’Informazione*, with the prophetic headline “The last censor of bad governance”, republished an article by Indro Montanelli from 1953. The journalist had been invited to lunch at the Quirinale. In a few lines he painted the relationship between the presidential couple. Einaudi – writes Montanelli – wore blue, but under the jacket “the green of a woollen waistcoat glimmered [...] it seemed to me that Donna Ida – who, even while she seems to be busy with other things, watches over her husband and almost hatches him – was a bit unhappy with that combination of colours”. Journalism referred to Donna Ida with a wide range of adjectives, to describe her virtues and attachment to and concern for her husband. That “hatches him” by Montanelli appears to be the most apt and original of all. Further on, “The waiter had brought us small glasses of ‘vermouth’ and the President, gesturing with him in his hand, had poured a few drops on his jacket. Donna Ida ran over and sitting on her knees on the sofa next to him, she wiped the handkerchief over the outstretched flap. But the husband did not notice it, he continued to quote figures and manage, until the lady gently took the glass from his hand”. Montanelli notes on lunch: “Einaudi is a frugal, but not a poor eater [...] But does he notice what they put on his plate? His eyes [...] never lowered there. They were staring at me. He asked me for clarifications on the monetary reform in Germany (sic!). I replied that Erhard, the creator, was considered ... ‘the German Einaudi – continued the President - I read it in a correspondence of you ...’”.

Lunch ended “The pendulum clock struck half past two: the President moved. He still had a few minutes of time because at three he would go to rest, as always [...] and in those minutes he still had many things to say

[...] The pendulum clock had already struck three, Donna Ida was waiting on the door that leads to the study and the bedroom. Einaudi was still talking about articles and newspapers and the need to intervene and clarify to the public... ‘Luigi, it’s almost a quarter past three...’ implored the lady.”

On 16 October, the ex-president of the Republic, suffering from the first symptoms of pneumonia, was transferred from Dogliani to Rome, in a railway carriage reserved for him, accompanied by his wife and other family members. He was admitted to the Sanatrix clinic. He was improving, as bulletins reported his physical condition in detail. Then bronchopneumonia won over the now frail physique. In those days, the family gathered around him in his room. But he had not neglected to read. At least until that Monday when the symptom of his worsening condition was precisely his unwillingness to read.

The news quickly reached the world of politics and the country. It was the president of the Senate (Einaudi was a member as a life senator) Cesare Merzagora who first reached room 33 of the clinic, accompanied by Ferdinando Carbone, who had been secretary general of the Quirinale during the years of Einaudi’s presidency. Then Amintore Fanfani, the Prime Minister, whose message to Donna Ida reads, “Today the long service that, as citizen, teacher, legislator, ruler and President of the Republic, your illustrious consort has always rendered in a noble way to the homeland is interrupted. From today, history shows Italians the warning example of the civic virtues of Luigi Einaudi...”. Gradually, the political and institutional leaders of that time paid homage to him; the ministers Mario Scelba, Giuseppe Spataro, Giuseppe Pella and Emilio Colombo; the governor of the Bank of Italy Guido Carli and the ex-governor Donato Menichella, Einaudi’s successor in Via Nazionale (the seat of the Bank of Italy) after his election as President of the Republic.

The chronicles describe his body as composed in a dark suit, a rosary around his hands, and a thin, sunken but serene face. Giovanni Gronchi, his successor at the Quirinale, sent a message to Donna Ida in the evening in which he recalled the importance of the man who had just passed away “... a friend of great moral and intellectual probity, of simple goodness and still fresh and vigorous intelligence... the country loses a citizen who leaves such an imprint on the studies and in the very life of the nation in these sixty years. A living and present imprint even after the end of the presidential mandate, which he held with such a high sense of responsibility”.

His last hours, the rush of the country’s leaders and their first messages testify to the greatness of the man Einaudi, whose action, at whatever level

it was carried out, was constantly accompanied by moral virtues, commitment to studies and awareness of responsibilities. Ultimately, this was from “knowing to deliberate”, one of his most famous phrases, a synthesis of his way of acting. The country, of course, lost a citizen as a “warning example of civic virtues”. It lost this because, despite the auspices, few followed that example, including those who wrote these words.

Years later, Ennio Flaiano (a journalist and writer), in recalling the President’s invitation to share a pear at a dinner at the Quirinale, commented “After him the Republic of undivided pears began”. His thrifty spirit, as a result of his origins linked to the land (from which he never detached himself), and the liberal doctrine in which he recognized himself and to whose development he devoted so much effort, were soon lost. Everyone wanted their own pear, indeed their own pears, not only for themselves, but for friends and friends of friends. Pears that were promised even before being produced. Pears produced with public debt, to be repaid with taxes on future generations. Metaphor aside, the spirit of Article 81 of the Italian Constitution on public budget balancing, that he had wanted, vanished. It was engulfed by the Keynesian illusion. The myths of deficit spending, whose aims intended to regulate the business cycle, were quickly reoriented towards the political cycle. These are aspects to which we will return several times in this book.

On Tuesday 31 October, the daily press opened with the news and comments. “A scientist, a statesman, a gentleman has died. One of the great Italians has died, the greatest, certainly, of this era: Luigi Einaudi”. The *Corriere della Sera* editorial remembered him as the saviour of the lira. It was 1946-47, inflation was galloping and the exchange rate of the lira was collapsing. Einaudi, Minister of the Budget as well as Governor of the Bank of Italy (although he had delegated his functions to Donato Menichella who then succeeded him when he was elected President of the Republic), issued a circular “inviting” the banks to respect certain articles of the banking law. The fall of the lira came to a halt and Italians’ confidence in their currency returned. “Today, thanks to Luigi Einaudi, the lira is one of the most solid currencies in the world. And this saviour never boasted of his work, his intuition, his genius”. That editorial recalled how his election as President of the Republic, “appeared [to the nation] as a sign of stability and security of the new born Republic. Luigi Einaudi, liberal and monarchist, had been elected head of state by a Parliament made up, in its vast majority, of Christian Democrats, Communists and Socialists, almost all of strict republican denomination”. The country perceived the goodness of that election earlier and in a more convincing

way than those who voted for it; Einaudi's choice, if not the result of compromise, didn't even happen without contrasts, as we will see in the second chapter.

A great economist, Ferdinando di Fenizio, summarized Einaudi's ideals in an editorial in *La Stampa* of 3 November 1961. Those were years in which a strong preference for analysis based on abstract concepts, such as "society", "community" or "social group", was establishing itself in the sociological and economic fields, thereby making the individual, the singular or the person favour the collective. On the other hand, "Luigi Einaudi places the individual at the centre of his world, with his inexhaustible creative abilities. Only the individual, in his opinion, truly 'exists'. He deserves to be protected, supported, freed from the shackles, defended against the strongest and most cunning". These words recall the famous phrase of another great liberal, an exponent of the Austrian School, Ludwig von Mises: "Only the individual thinks, only the individual reasons, only the individual acts". Progress in the economy, continued Di Fenizio, is "mainly due to the individual: saver, farmer, worker, finally entrepreneur and small owner. Einaudi never had much sympathy for such aggregates as national income, investment, and aggregate consumption. Precisely because they hide the individual. His conception of the state is not that of a leviathan aimed at absorbing and annihilating the individual. He looks at the State as a collection of institutions that consolidate the social community and guide its individuals, so that their behavior can reconcile individual profit and the common advantage". The goals of the state must not be grandiose, but immediately achievable. "He prefers a 'good governance' which intends to act day by day; honest government in the varied circumstances of life." Ferdinando di Fenizio then recalls Einaudi's rescue of the lira, making it "a currency so sound that it can now compete with the Swiss franc, the dollar and the mark". At the beginning of the 1960s, the lira, industry, and more generally the Italian economy were solid, innovative, and expanding. The previous fifteen-year period was, in effect, one of "good governance", as long as it adhered to the principles of a liberal economy, based on private initiative and the functioning of competitive markets. Unfortunately, seeds planted by state interventionism quickly sprouted. So, it was no longer an engine of the European economy, but its trailer.

Let's go back to the *Corriere della Sera* of 31 October 1961. In a long article, Libero Lenti, economist and statistician, recalls the pseudonym, *Junius*, with which "he also collected in the 'Political Letters' writings of more precise political content, intended to propagate, among other things, the ideal of European unity". Lenti was the only one commenting in those

days to recall Einaudi's commitment to European unity. The forgetfulness of the n-1s of those days continued into the following days, months, years and decades. The European federation, another ideal of Einaudi, is in fact the least remembered and recognized. It is often deliberately ignored. We will return to it on various occasions in this book, with some (supposedly bitter) surprises for those who wanted to ignore it.

In the economic newspaper, *Il Sole*, Giulio Goehring, entrepreneur and later parliamentarian for the Italian Liberal Party, wrote: "Today this newspaper [...] has the duty to remember and make people remember the thought of Luigi Einaudi on free initiative and entrepreneurs. [...] Staunch defender of the man who knows how to 'create' wealth, Luigi Einaudi had no indulgences for those who asked for protection and aid [...] and gave signs of wanting to serve themselves for their own benefit or that of a small circle of initiates". Rather, he continued, the interest of the community is in "a fruitful competition between the best gifted, the most enterprising, the readiest to accept the often very tough apprenticeship required to entrepreneurs".

In fact, it was precisely the Einaudi-style entrepreneur who steered the economic miracle; entrepreneurship with an eye to the future, determined to redeem itself from the destruction and poverty caused by the war, proud and self-confident. Not only did he not ask for protection, but he supported the opening of the economy to take advantage of the opportunities of the European Common Market, a great innovation of that period, whose formation was in its infancy. By a singular coincidence, the first adjustments, downwards, of the Italian customs tariff to the common external tariff of the then European Economic Community (EEC) took place on that very day. In short, it was the first step towards the creation of that single European market imagined by Junius some forty years earlier. Three more decades were necessary for Einaudi's idea to materialize for the first time. But the tariff adjustment was coincidental as October 31st was Savings Day. Thus, alongside the news of the postponement of the ceremony in the Campidoglio (the Roman palace hosting the municipality), *Il Sole* reported the message of Giuseppe Pella, Minister of the Budget, who was the most (it would be better to write the only) Einaudian among the Christian Democrat leaders of that time. Pella first thanked the Italian saver. "Without the progressive internal formation and accumulation of new capital it would not have been possible for economic operators and workers to rebuild the pre-war economic resources (1945-50 Editor's note) in five years, doubling them in the following ten years. Our internal accumulation of new capital derives for a very large part from private monetary savings, freely formed, without recourse to direct or

indirect forced saving formulas”. The virtue of saving goes hand in hand with other virtues, Pella continued. The world of the saver is healthy, but not that of the squanderer. Saving is the basis of the expansion of investment, without which there is no growth. There were more Einaudian tones than Einaudi himself. Then he launched into an “economic policy unchanged” forecast as we would say today. “The goal of thirty trillion gross national income at the end of 1970 will easily be reached (and it would mean having tripled pre-war income) if the savings curve continues in the next decade to follow the trend of the past fifties: and this will certainly happen”. It was the liberal economic policy, gradually abandoned in the 1960s; but on its drive, on its inertia, that goal was achieved. In 1970 gross national income at current prices was 53 trillion liras. In real terms it was more than double that of ten years earlier. Savings were 3,000 billion in 1960 and 8,700 billion in 1970.

Another economic newspaper, *24 Ore* (*Il Sole* and *24 Ore* merged in 1964, to become *Il Sole24Ore*) wondered, “What really dies today, together with the economist, the teacher, the writer, the honest man Einaudi?” The response was, “... it will not be in vain to compare Einaudi’s death to the completion of the first century of unitary life for our country. On the threshold of the second century, with the celebrations of the uniting of Italy concluded in Turin, the death of the great Piedmontese almost assumed the symbolic value of a seal and a pledge. It is true: another great, irreplaceable part of ‘yesterday’s world’ dies with him. The best part [...] the ‘religion of freedom’ [...] We wish today’s Italy, *tomorrow’s Europe* – because he belongs by right to both – to know how to listen to the word that remains to us [...] May your children know and not forget how much they owe Professor Einaudi”. The concept of the religion of freedom is due to Benedetto Croce, but fully accepted by Einaudi. His death marked for Italy the progressive archiving, i.e., the confinement to yesterday’s world, of the religion of freedom. Starting with the economic one. Today’s Europe or tomorrow’s Europe of that time, has embodied so much of his thought: competition, a free internal market, commercial openness, and then the single currency: all Einaudi’s battles. Thus, Europe more than Italy was capable of listening to his words; however, without ever acknowledging his merit.

“Maestro of order in thinking, and maestro of human and civil dignity in living”, said Giovanni Malagodi in *La Nazione* (the newspaper of Firenze) of October 31, 1961. In his teachings, recalls the then secretary of the Italian Liberal Party, Einaudi urged us to get rid of the “polemical puppets”. They are shortcuts of thought and our adversaries can use them, to easily counter “our ideals of freedom”, but we too can create them, out

of mental laziness, in the illusion of “making our cause easier or more popular”. With him, continues Malagodi, “...against the pernicious illusions of nationalism, autarky, dirigisme, manipulated money, the concepts of collaboration between peoples, freedom of trade, market economy, intrinsically stable, which he always defended, illustrated, advocated [...] Periodically he said he didn’t want to write anymore, and then he took up his pen again, liquidated some new polemical puppet, indicated some new solution”. Malagodi then recalls Einaudi’s participation in the XII meeting of the Mont Pèlerin Society in Turin in the first days of September of that year.

Conceived by Friedrich von Hayek and born in 1947, the MPS brought together – then as now – the liberal intellectuals. Einaudi had been a member since its constitution. In the inaugural meeting of April 1, 1947, Hayek recalled, with regret, that Einaudi was unable to attend. There had been an exchange of letters between the two in the early months of 1947 [Archive of the Bank of Italy]. Einaudi was supposed to chair the session “Prospects and Chances of the European Federation.” As we will see in the third chapter, the General Assembly of the Bank of Italy was held on 31 March of that year, in which Einaudi read the Final Considerations. In 1954, from 6 to 11 September, the MPS held its VI meeting in Venice. Einaudi had in mind to take part in the event, but the commitments of the office did not allow him. Hayek expressed himself thus in his presidential address: “I am particularly sorry that President Einaudi who, after not being able to open the conference, had hoped to visit it later, was unable to do so”. Einaudi participated in only one meeting of MPS la XII, precisely, from 3 to 9 September 1961. That was the last international event he took part in.

In the chronicles of *La Stampa* of those days, we read: “One hundred and fifty of the most acute brains of the world economy gathered at the headquarters of the Industrial Union for the 12th congress of the Mont Pèlerin Society [...] There is Luigi Einaudi, lucid penetrating speaker, accompanied by the smiling Donna Ida [...]. Senator Einaudi gave the first report on ‘Democracy and liberalism’ which is today’s theme. ‘Italian economists are currently limited to being experts, no longer adhering to one or the other political, social, or economic opinion. Instead, it is necessary that Italian economists return to inspire and guide public opinion, as happened a century ago, adapting to speaking in the common language and abandoning the so-called scientific jargon that makes their words inaccessible even to the vast majority of politicians’”.

The following day he presented the essay *Politici ed economisti* and it was also his farewell to the academic and scientific community. It was

polemical and provocative writing. Malagodi recalls it in the article in question. “With few strokes he flogged economists who, to escape their responsibilities, cover themselves in a false guise of impartial technicians and limit themselves to judging whether or not a policy or a law is suited to the purposes of those who propose it, instead of discussing, evaluating, to fight openly for or against such ends. A ruthless discourse for hypocrites and conformists...”. Politicians and economists are also his moral legacy. It was prophetic and unheard.

As mentioned above, the 1960s saw a gradual dissolution of Einaudian-style economic policy. The exact kind of economist feared by Einaudi arrived at the court. The policy hungry for consensus wanted to occupy more space in the real economy, as well as in the monetary one. Hosts of Keynesians flocked to the Palace and became pages to the princes, forgetting the principles, precisely to tell politics, a certain politics, what they wanted to hear.

Thus, having exhausted the liberal propeller at the end of the 1960s, the Italian economy entered a phase of stagnation, dubbed stagflation. Productivity inefficiencies, caused by both nationalization of many companies and the many constraints and red tape placed on the freedom of enterprise, produced a perfect anti-industrial policy. This entirety caused *stagflation*, in a scenario of growing public debt with its effects on interest rates, to which was added the increase in oil prices, causing *inflation*. Italy was not the only case. The United Kingdom was in even worse conditions, trapped in “stop and go” policies. However, the British were luckier than the Italians: they found Margaret Thatcher. In the 1980s, we timidly rediscovered Einaudi; not only his liberal policies but also his European thought. In that decade the single market for goods was, in fact, completed and the monetary union was launched, policies he designed in 1943-44.

Einaudi’s disappearance was not ignored, and could not be, by the socialist and communist left. *Avanti!* (the newspaper of the Italian Socialist Party) posted, on 31 October, a long unsigned comment. It was probably an article with two authors. The first part reveals a deep knowledge of Einaudi’s thought and works, especially those in public finance (was it perhaps Francesco Forte? It is possible). The author recalls the “socialist” inclinations of the young Einaudi, placing them in the right perspective; as a liberal observer of the new social reality due to industrialization and the formation of a working class, wondering what challenges this brings to liberal thought, and what renewal it imposes. When Einaudi “turns to the history of economic thought (1902), a study that had been largely neglected in Italy until then, it is his merit for having valorised, starting from ideological premises diametrically opposed to

Marxism, the economic phenomenon as the substrate of many historical events and above all to have highlighted the connection of local events with general laws of the economy". The author, realizing that he had perhaps been biased towards Einaudi, hastens to conclude: "However, the interpretation he gives of social reality is often tainted by the limits of his liberal approach". Perhaps it was in those early years of the 20th century, when liberalism, an impulse by Einaudi, advanced its first reflections on the social question. But then it evolved to become mature in the early 1940s, when, in *Lectures on Social Policy*, he laid the foundations of the social market economy. It was drawn up by the German liberals, including Ludwig Erhart, the finance minister in the 1950s. The social market economy will be the subject of the fourth chapter. The second part of the article is purely political and strongly aligned. The writing style also changes. He is reproached for not having taken an active part in the "Resistenza" against the Nazi invasion of Italy, as if a septuagenarian and lame man could have joined the partisan brigades. About his financial policy action, we read how this "... resulted in an economic immobility that ignores the great social problems of the new times and plays into the hands of the most conservative interests...". We will see in the third chapter what kind of "economic immobilism" was taken up by Einaudi when he was at the top, first at the Bank of Italy and then in the Ministry of the Budget. However, on the first page of the *Corriere della Sera* we read: "... the Hon. Einaudi applied that policy of weighted credit restriction and the reduction of unlimited printing of paper money, which marked the beginning of a new cycle of the post-war Italian economy".

It was Paolo Spriano, a communist historian, who signed the article in the pages of *L'Unità* (the newspaper of the Italian Communist Party) on that October 31. Similar to the anonymous author of the article that appeared in *Avanti!* Spriano evokes Einaudi's youthful interest in socialism. "Is he the nineteen-year-old student, Luigi Einaudi, a freshman in the Faculty of Law at the University of Turin, who in 1893 sent to Turati's *Critica Sociale* a letter to urge the autonomous organization of socialist students? [...]." He urges the party to create university clubs "as selection tools to draw the best young people out of the sloth and apathy to which the school systems and the vacuous university life predispose students to call them to the scientific investigation of the social problem". Already, from these few sentences, Spriano noticed, "his way of looking at men and of understanding a social commitment" emerges.

Stated in today's terms, Einaudi, while referring to a specific case, indicates meritocracy as the method of selection for advancing scientific

research. His approach is exquisitely liberal. In the mid-1930s Einaudi did select deserving students for a scholarship, but he did so on behalf of the Rockefeller Foundation. In Italy he was not listened to, either by the nineteenth-century socialists or the socialist and communist left of the 1950s, who were always wary of merit, apart from that in ideological fidelity. Over one hundred and thirty years after those words, meritocracy is still a chimera in Italy. Spriano almost reproaches Einaudi for having remained “on the side of the bourgeoisie”, then acknowledges him with the merit of having claimed “in those times – times of crisis around the turbulent 1898 – not only the legitimacy, but the necessity for the good of the ruling class, of free workers’ trade unions”. With intellectual honesty, Spriano recognizes how this mentality of Einaudi, his search for freedom, is the fruit of his “sympathy for England, for its cultural and social world, the ideal influence of economic and political, liberal and liberalist thought, of the classical school of Smith and Ricardo, undoubtedly decisive in the formation of Einaudi”.

However, where Spriano’s intellectual honesty stops, but where he would have incurred the arrows of the communist inquisition with the accusation of heresy, is Einaudi’s judgment of Marx. Einaudi’s knowledge of Marx is “superficial”, shielding himself from Gramsci. Sure, recurring to delegitimization, typical of the left at all times (including today’s), is an indication of the incapacity to find solid arguments; however, Spriano ignored, or preferred to ignore, the essay *Liberismo e comunismo* of 1941 [«Argomenti», December 1941; Good governance. Essays in economics and politics (1897-1954), Laterza, Bari, 1954]. Just as he forgot a passage of *Myths and Paradoxes of Tax Justice*, where we can read. “Things have value because they are useful; but if a useful thing is abundant, the value decreases and at a certain point, as for air, the value becomes zero. Paradoxes, exceptions, sub-exceptions. Marx has to write a second and a third volume to explain how it doesn’t happen that the value of things is given by the work that has been consumed on them; and the more he writes the more he gets confused. The great discovery of the past century, known under the name of Gossen – but we could go back to Galiani – was in having seen that economic phenomena do not proceed by total masses, but by successive additions. Dosimetry and marginalism were the keys which revealed the mysteries of the price of goods, the laws of wages, interest, rents, and profits”.

Einaudi could not tackle a subject without having studied it in depth and this emerges from everything he wrote including that essay. He put his finger on the sore of Marx’s theory of value on the transformation (of value into prices). In short, he stung the Marxists to the quick.

In 1920, writing in the *Corriere della Sera* on 15 February about the book by John Maynard Keynes, *The Economic Consequences of Peace*, he wrote: “The politicians of the communist parties will come later, to plunder, without entering into the spirit of the book, figures and reasoning of Keynes, as did all their most famous champions, starting with Marx, a modest plagiarist and rabid denigrator of the Ricardos, the Seniors and the Malthuses”.

State funerals were solemn and well attended. The burial chamber was set up in Palazzo Madama. Thousands of citizens paid tribute to him. Among these, the chronicles of the time mentioned a 93-year-old woman who bent down to kiss his hands. Then the coffin, placed on a cannon carriage, reached the church of Santa Maria degli Angeli, with military honours in the Piazza della Repubblica. “Despite the leaden sky threatening with rain, thousands of people gathered in the square in front of the Basilica of Santa Maria degli Angeli to pay their last respects to the remains of Luigi Einaudi. The crowd gathered along the arcades of Piazza della Repubblica, along the sidewalks, in the adjacent streets and along the sides of the Church. As the procession passed, the public establishments lowered their shutters as a sign of mourning”. Thus writes *L’Italia* of 2 November 1961. From Termini station the body was sent on a special train to Turin. At the University, where he had taught for many years, there was a ritual stop. The hearse then continued to Dogliani, where it first passed along the country roads among the vineyards, those he loved and cared for so much, and then crossed the portal of the cemetery, designed in 1872 by another illustrious son of Dogliani, Giovanni Battista Schellino: a red gloomy building with sharp spires, in a very original neo-Gothic style, recognized by scholars as the most beautiful in the world. No less original is the tomb, a sort of patio to welcome family members within its walls, designed by the “old gentleman who every morning at seven, and invariably, was at his desk to study, learn and teach”, as Mario Cervi wrote in the *Corriere della Sera* of November 1, to then conclude: “The vineyards are bare, the trees are yellow with dried leaves. The saddest season has come. But when the trees will turn green again, and the vineyards will be covered with bunches, it will be as if the good sewer were still at Villa San Giacomo with his many books, his meticulous accounts, his infinite wisdom and patience”.

The last act of Einaudi’s funeral was the commemoration in the Senate on 7 November. It was pronounced by Cesare Merzagora. The hall was packed with senators and members of the government. Donna Ida was in the gallery with other family members and many ambassadors and other

representatives of the diplomatic corps. Merzagora recalled the commitment to defend freedom. “That freedom which, in scrupulous respect for the rights of others, is the only companion of every true conquest, for men and for peoples, which fights privilege and arbitrariness, injustice and misery, as so many of its negations”. “That freedom,” continued Merzagora, “which does not admit ambiguity and demagoguery, constraint and violence – tools, these, proper to those who oppose it – which stands in defence of culture and fights ignorance, obscure and mortifying of human dignity”. This defence of freedom made him a “conservative and progressist at the same time, without ever being in contradiction with himself, but in function of the defence of freedom, when and in whatever form it was offended [...] All of us, from the fourth and fifth De Gasperi Cabinet we remember him at the end of the sessions of the Council of Ministers, in the pre-electoral periods, when his colleagues crowded around him to wrest from him, in the confused haste and presumed tiredness, the latest increases in appropriations and expenses. I see him again, energetic and fresh, more than ever, with a stern gaze, elbows pointed on the table, holding the already approved bills with hands that seemed to have become claws (almost as if he feared they would take them away to make them even more expensive than if they weren’t), like an old olive tree that holds the earth blown away by a dissipating wind between its gnarled and twisted roots”. Merzagora doesn’t hesitate to put his finger on a developing sore. Those he refers to were the first years following the war. The country had to be rebuilt. Our new democracy was taking its first steps. And yet, the worm of spending to scrape together electoral consensus had already crept in, was already digging its own holes. Yeah, holes, because most of the time those expenses were propaganda as they would have contributed nothing to the development of the country, only generated budgetary waste. It was thanks to Einaudi that so many woodworms remained on a diet. Einaudi’s parsimony...

CHAPTER TWO

THE PRESIDENT “INFLUENCER” OF THE EUROPEAN TREATIES

...it wasn't just a matter of pears. It was also about glasses. It happened when Parliament elected him to the presidency of the Republic. It was the evening of 11 May 1948, as stated in a chronicle-memoir in *La Nazione* dated 1 November 1961. Einaudi was in Rome, in his workroom where he lived at the villa in Via Tuscolana, owned by the Bank of Italy. He was moved and a little dazed. About thirty cheering family and friends surrounded him. Among these was the anonymous correspondent of a Turin newspaper, who was complimented by the new president because he had predicted his election.

“You”, he said, “anticipated the events. I must tell you that, in reading your predictions, I was the most incredulous of all. Albertini would have appreciated your acumen ...”. Indeed, Einaudi's name had cropped up between those of De Nicola and Carlo Sforza. We will return to this shortly. For now, let's deal with the toast and insufficient glasses. There were a dozen glasses in the house, but more than twice the guests. “A new ‘wedding at Cana’ miracle was imposed, applied to glasses, and not to wine: but miracles are not permitted to the presidents of the Republic”. Donna Ida did not lose heart: “The waitresses carried twelve full glasses of the President's red Barbera on the tray, went back to the kitchen, rinsed the empty glasses, reappeared with the full tray. We drank in instalments, in two full ‘series’, and a series chunk”.

This episode had also been reported by the *Corriere della Sera* of that 12 May. The glasses were blue and the wine a Barolo. Then we read: “... he was a collaborator of *The Economist*, who recently wrote that two great men count in the world today, Einaudi and Stalin”. On December 20, 1947, the editorial of the *Economist*, entitled “Money's Revenge” argued that only Stalin and Einaudi were taking care of inflation in their respective countries. “Russia in suffering from exactly the same disease as the rest of the world, the inflation aftermath of the major war [...] Mr. Stalin has been much keener in his analysis of the trouble and much more

forthright in the steps that he has taken than any economic statesman of the Western victors. Indeed the only other Government that is conducting an equally purposeful campaign against inflation is that of Italy, under the leadership of Signor Einaudi, on whose experiment our Rome correspondent reported last week. The Russian measures certainly have plenty of brutal logic, and the logic at least is to be admired. Is there too much money chasing too few goods? Very well, let all money lose nine-tenths of its value. Once again Mr. Stalin shows how little he cares for the doctrines of Marx [...]. Indeed, Mr. Stalin is much more of a capitalist than a socialist. [...] Mr. Stalin, when he sees what harm inflation is doing to his country, can take effective action against it. So can Signor Einaudi”.

Einaudi, or more generally, liberal anti-inflationary policies, as a guide for Stalin! Those in Italy who took Stalin as a model, or rather as an idol, defined Einaudi’s monetary policies with expressions that can now be referred to as “social butchery”.

Let’s go back to the glasses and wine. The least festive, in that toast, was the one celebrated. Anguish and regret shone through his attitude. What worried him was how he could review the lined-up troops, as he limped so much that he needed help from his stick.

In the following days, he must have conveyed his concern to Giulio Andreotti, the then undersecretary to the Prime Minister, who with his usual wit, suggested. “President, you can do it by car”. This was the regret of the journalist and the academic: “I will no longer be able to write ... I will no longer be able to write ...” he kept repeating. Someone suggested that he use a pseudonym. “Einaudi gave a start: ‘No, he said, never that’; and in this refusal was reflected his loyal disposition as a man who did not like subterfuge. He thought that a Head of State should neither speak in public nor write”.

Einaudi’s virtues would accompany him for the seven-year period. Unfortunately, they did not survive him.

If that was the main news absorbed by the comments, the newspapers also devoted attention to an event far from Italy: the Congress of Europe, a meeting of European federalists, had opened in The Hague on Friday 7 May. Winston Churchill presided over it. *La Stampa* reserved the opening headline for Congress: “Churchill’s Appeal to Europe”. The long unsigned article carried large excerpts from his speech, including: “The movement for European Unity, must be a positive force, deriving its strength from our sense of common spiritual values. It is a dynamic expression of a democratic faith based upon moral conceptions and inspired by a sense of mission. In the centre of our movement stands a charter of human rights, guarded by freedom and sustained by law. *It is impossible to separate*

economic and defence from general political structure. Mutual aid in the economic field and joint military defence must inevitably be accompanied step by step with a parallel policy of closer political unity”.

In *Le Monde* of 11 May, we also read these words of Churchill: “We have come here to proclaim to the world the mission, aims and designs of a united Europe whose moral conceptions will win the gratitude of humanity and whose material strength will be such that no one will dare to molest its peaceful soil [...] The delegates to the congress have come to try to take a step forward in accord with the policy of their freely elected governments to revive Europe’s former glories and help this famous continent, parent or custodian of so many great ideas and so many great states across oceans, to resume its place as an independent member of a world organization [...] As part of this world organization we hope that a Council of Europe will soon be formed which includes the governments and peoples of all European states who share our convictions and accept the freedoms of democratic life established by the free will expressed by the peoples [...] This is the Europe we want to see, strong enough to be safe from any attack from within or without. We hope to achieve a united Europe free from the slavery of ancient times, in which men will be proud to say: *I am a European*”.

That congress had two precedents, both in 1946. Benelux was born in The Hague and presented as a first step towards the European federation. In a scathing article in the *Corriere della Sera* of 28 July, entitled “Will the European Federation be born in The Hague?”, Indro Montanelli first deprecated the treatment reserved by the Dutch to the Italians residing there during the war. Treated “as subjects of an enemy country, while Rome continued to treat the Dutch residing in Italy as subjects of a friendly country...The Hague Government did not limit itself to seizing the assets of the Italians, it even confiscated them, which no rule of international law authorized him to do”. He then wrote “Next year the North-West Anschluss will enter into force, a customs union with Belgium and Luxembourg. It is not considered an end in itself, but the first stage towards a more intimate federalism with these countries, which in the intentions of many Dutch exponents also includes the proud intention of constituting the first nucleus of a more extensive European federalism”. A little less than two months later, Churchill, in his famous speech at the University of Zurich, supported the cause of a United States of Europe, the continental one, because the British Empire had other interests. Seventy years later, a referendum showed how sensible Churchill had been.

However, the position of the then British premier was by no means new, but rather old; in fact it had a precedent of about thirty years. It was

1917 when an article appeared in the *Corriere della Sera* on 1 February in which Einaudi, discussing the balance between powers, limited a possible European federation to the Continent using the same reasons put forward by Churchill three decades later. Einaudi concluded: “The British empire is indeed the type, alive today and strengthened by the war, of these free federations of states, nor can we see the reason why political ties cannot be established between the British empire and the eventual European federation in forms that today it is not possible to imagine, but that the politicians of the future will be able to devise”.

Margaret Thatcher’s 1980 rebate on the agricultural policy, John Major’s and Tony Blair’s opting out of the Maastricht (1992) and Amsterdam (1997) Treaties, the Withdrawal Agreement (2020) and the Trade and Cooperation Agreement (2021) by Boris Johnson, as well as the Windsor Framework by Rishi Sunak (2023), testify to the fact that, whether the United Kingdom was a member country, an outgoing member country or a third country, politics had to invent new schemes to regulate its relations with the EU. That is exactly what we have been able to do with Einaudi’s project for a European federation. Thirty-three years later, commenting on the Schuman Plan [*Lo scrittoio del Presidente*, The President’s desk, Giulio Einaudi Editore, 1956], he wrote: “The plan may well work even without England [...] there is really no need to complicate it with the factor of England’s non-participation. If this participation were indispensable to the success, the concerns in this regard would be well founded, but participation is not necessary...”

1917 was neither the first nor the last occasion on which he anticipated the future. The first was about the Turkish-Greek war of 1897 and we will talk about this in the fifth chapter.

Churchill, as he said in The Hague, first conceived the federation as a bulwark against the communism of the Soviet Union, and therefore, for defence reasons. The second motivation was of an economic nature: integration as a driving force for trade. Only in third place did he position the political aspect. This was unlike pure federalists, Italians included. They envisaged something stable, not linked to security conditions that change over time, and far beyond the aspects of economic integration. “They say,” as we read on the front page of the *Corriere della Sera* of 8 May, “that nothing will be done until the dogma of national sovereignty is overthrown, and until there is thought of a government and a European parliament”. That article reported the (Einaudian) position of Nicolò Carandini, a diplomat and member of the Italian Liberal Party. *Dogma of national sovereignty, European government and parliament... themes on*

which Einaudi had spoken in 1918, 1943 and 1944 and in subsequent opportunities. We will return to this in the fifth chapter.

Let's go back to that second week of May 1948. The parliament, which came out of the elections of 18-19 April, held its inaugural sessions on 8 May. The first act was the choice of the two presidents. Ivanoe Bonomi was elected to the Senate and Giovanni Gronchi to the Chamber. Already, that morning, the names of the candidates for “il Colle” were circulating: De Nicola, Carlo Sforza (a candidate of the DC, indeed of De Gasperi) and Luigi Einaudi were the most prestigious, but not the only ones. In fact, two days later, the Chambers would start voting to elect the President of the Republic.

De Gasperi had bet on Sforza, a foreign minister in his government. He hadn't spared himself any lectures to support him. But the results were useless. There was resistance in the DC. He failed to converge the votes of his party's parliamentarians on Sforza. The snipers, who would characterize the entire history of the DC, did not intend to give up. Einaudi was only voted for by the parliamentarians of his party. Sforza, given his failures, had withdrawn his candidacy after the third ballot. At that point, unitary support for Einaudi by the DC began to take shape. From the fourth ballot, then as now, a simple majority was sufficient.

Meanwhile, the Congress of European federalists continued in The Hague. As *Corriere della Sera* reported, the myth of a united Europe was being heralded against the myth of communism as an instrument of Soviet imperialism. History subsequently indicated that at that event began the process from which the ECSC and the EEC arose. The simultaneous launch of the Einaudi presidency and the political process for the construction of Europe is an important coincidence. We will find another, further on.

In the fourth vote on May 11, Einaudi obtained an absolute majority: 518 votes, against the 320 of Vittorio Emanuele Orlando, with votes from both the front and the Italian Social Movement. Thus, ever since the first election of a President of the Republic, which was then repeated in almost all subsequent elections, the votes expressed by this or that party, or by their members, in dissonance with the official indications, have expressed contradictory choices and unlikely alliances.

The *Corriere della Sera*, in a short article on the front page of 12 May, talked of him in this way: “... for many years Einaudi gave to the *Corriere della Sera* assiduous, often daily, collaboration which honoured Italian journalism for its frankness and his independence and made our pillars a chair and a school of truth. [...] The *Corriere della Sera* cannot help but

salute in him [...] the man who felt like few others the importance and dignity of the journalistic profession”.

In the family, the presidency had been celebrated with a bottle of Barbera and with toasts made in instalments, due to the scarcity of glasses, that is, with the virtue-imprint of parsimony. When Gronchi and Merzagora officially informed him of the appointment, he said: “The voice of Parliament is the voice of the people. Voice of the people is the voice of God. May God’s will be done, and may the Lord forgive me the pride of this acceptance”. This demonstration of humility was not long in repeating itself, with the oath and the inauguration speech. It was May 12, 1948.

Let’s go back to the toast made in instalments of the previous evening. Among the attendees was the British Ambassador Victor Mallet. He arrived at Villa Tuscolana with a very welcome gift for Einaudi: a rare edition of an ancient economic history book. Einaudi immersed himself in it as he had been looking for it for some time. That night he read those pages, forgetting the flaming commission and the inauguration speech. In the morning, as usual, he got up at seven. He walked in the park. Returning to his studio, he attended to the duties of the domestic economy, noting the expenses of the day before in the notebook. Only after this task, in his minute handwriting did he draft the speech to be addressed to the Chambers. Arriving at Montecitorio that morning, he had taken the trouble to ask Ivanoe Bonomi: “Am I right?”, in the sense of whether he had been punctual. “Perfectly, there was no doubt about it,” was the reply. Punctuality was an Einaudi custom.

The formula of the oath was read by Gronchi. The “I swear” by Einaudi was dry; the tight mouth almost hid his emotion. Who knows if in those moments he ever thought about the sharp answer given to Mussolini. It was 1923 and the Duce of Fascism sent him a warning, “Tell that old man that I will remain in government for twenty years”. His response was, “Tell that young man that I will wait”. Perfect prediction on both sides, but with one big difference: the first was taken away in an ambulance (on 26 July 1943 when he had been summoned by King Vittorio Emanuele III after he had been dismissed as head of government by the Gran Consiglio del Fascismo the night before) and the second went up to “il Colle” in the presidential car.

He directed his gaze towards the stands, looking for Donna Ida’s encouraging eyes and smile. That look, in addition to the search for his beloved wife, was a tribute to the Italian people, represented by the simple citizens filling that grandstand. Then he addressed their representatives. Facing a Parliament dominated by non-liberal alignments, with a strong democratic component only on the surface (the communist one), he made

a speech as a liberal and as a democrat, as the *Corriere della Sera* editorial remarked. “Liberal because it does not deny, indeed it explicitly asserts, that without free discussion and open frank debate of ideas there can be no coexistence of civilized men today in that common ethnic and historical entity which is today a modern Nation; democratic because it does not fear the push from below. The collaboration of the popular forces in the solution of the great question that the future will have to solve and which the President has posed with great clarity: *freedom of the individual and of all in democracy and not against democracy* [...]. As the President of the Republic recalled, our country has given itself a Constitution which affirms two fundamental principles: conservation of what in the old social order guarantees *the free human person, the citizen against the oppression of his fellows, against the eventual excessive power of the State*; and a guarantee to everyone, whatever the privileges and fortunes of birth, of an equal starting point, that is, of an equal right to culture and assistance from the community.” Einaudi added that he had “before June 2, 1946, repeatedly used the right to express an opinion rooted in the tradition and feelings of his villagers, on the choice of the best regime to give to Italy; but, as I had promised myself and the voters, I then gave the new republican regime, wanted by the people, something more than mere support”. Einaudi had manifested his promise to the voters in the electoral speeches for the Constituent Assembly, in which he certainly supported the monarchy, but he also repeated it, perhaps alone among the candidates in the elections for the Constituent Assembly (they were held together with the institutional referendum), as whatever the result, the citizens should have accepted it.

In his speech there was also a reference to the European unity being built, which was being discussed, on that same day in The Hague, when he referred to “... our ability to cooperate, equal among equals, in the forums in which we want to rebuild that *Europe from which so much light of thought and humanity came to the world*”.

He therefore manifested the courage of his own ideas, aware and proud of their strength. Humility consisted not only in submitting to the will of the majority, but in committing himself, a monarchist, as the first citizen of the new Republic. Perhaps he felt a certain embarrassment at having to reside in that same Quirinale Palace of Vittorio Emanuele II, in whose reign he was born in 1874; of his nephew Vittorio Emanuele III, from whom he had received the nomination as senator of the Kingdom of Italy in 1919; and of Umberto II, whose place he was to take. Even the reigning Pope in 1874, Pius IX, had lived in that building up to the breach of Porta Pia. In an article in *La Stampa* dated 6 May 1948, Domenico Bartoli

reported a curious historical fact about the capture of Rome: “The Savoys in 1970 [...] immediately opened the palace; the Pope’s men, retiring to the Vatican, had taken the keys with them; then La Marmora [the general commanding the Piedmontese army] had the door forced open and acquired the nickname of ‘general of lock picks’ from the papal men. The President doesn’t need lock picks. He enters the palace carried by two popular votes. He enters as master to express the authority of the Republic and the historical continuity of the regimes”. However, it was not Einaudi’s intention to move in, it was just supposed to be his office, intended to be reached by bus. As a presidential privilege, he requested the bus stop to be nearer to the Quirinale gate because he was lame. Then he gave up, thanks to De Gasperi’s insistence. Bartoli concluded that article in this way: “... the President will go to live not in the main building [...] The accommodation is almost at the Quattro Fontane, in a building prepared for Vittorio Emanuele II, but inhabited only by Vittorio Emanuele III and from the last Vittorio Emanuele, with the three sisters, until the referendum”.

The future of Europe was not only being discussed in The Hague during the days of his election. It was happening in Paris too, as fallout from that Congress. “The unification of Europe, the first goal to be achieved”, is the front-page title of *Corriere della Sera* heading the article by the Paris correspondent, journalist and novelist, Guido Piovene. First a fascist, then a partisan, the author of *Lettere di una novizia* (Letters from a Novice) had also arrived at federalism, perhaps thanks to Eugenio Colomi (we will meet him in the fifth chapter) whom he met in Rome in 1943. Piovene commented that prior to the dialogue between the United States and Russia, there were fears in the French government, which did not intend to be excluded from the negotiations, that considering a world divided into two zones of influence was dangerous. A Western Europe united in a federation was to be inserted between the United States and Russia. “On this idea” Piovene writes, “the Christian Democrat and Socialist circles, are insisting. Blum sees the possible opening of negotiations between Russia and America and the hope of a European federation at the Hague Congress not as two antithetical terms, but as two connected aspects of the same situation [...]. The dialogue of the two Powers must not be in antithesis with the unification of Europe, but rather accelerate it: the attempt to unify Europe must be the starting point, the *sine qua non conditio*”. There was then a not entirely surprising conclusion: “Paris demonstrates with this that it possesses a strong European conscience and that it has made the idea of unification its own. Not for nothing, when commenting on Einaudi’s appointment as President