

The 1923 “quasi-abolition” of inheritance tax

A case study on the political economy of “laissez-faire fascism”

Giacomo Gabbuti

St. Antony’s College, University of Oxford,
and Scuola Superiore Sant’Anna, Pisa

World Inequality Conference 2021

Paris School of Economics,
December 8th, 2021



“The abolition of inheritance tax is to defend
family fortunes”

The “quasi-abolition” of 1923

- In the Cabinet meeting of July 9th, 1923, Mr. Alberto De Stefani, Finance and Treasury Minister, suddenly proposed the «abolition of inheritance taxation»;
- The proposal, unanimously approved, did not need parliamentary discussion, given the special powers granted him in October 1922, in order to pursue fiscal balance;
- The Royal Decree August 20, 1923, n. 1802, exempted from taxation all transfers within the «family» (ascendants, descendants, spouses, siblings, uncles/aunts, nephews/nieces) – e.g., most of transfers, with an estimated revenue loss of 250 million lire;
- The abolition was justified by the «defense of the family», «national justice» (the South allegedly paid more) and the idea that it would have promoted savings and capital accumulation – including influx from abroad.



A story still waiting for its history

- Despite the move was partly reverted in the 1930s, the same De Stefani considered it his most iconic measure, and wrote a “celebrating” paper in 1953;
- On the other side, possibly in his very last writing, the socialist Matteotti stressed the abolition of inheritance tax was «the only great financial ‘reform’ of the Fascist Government»;
- Historians have therefore listed the abolition among the most debated measures by De Stefani, but did not give it specific attention.



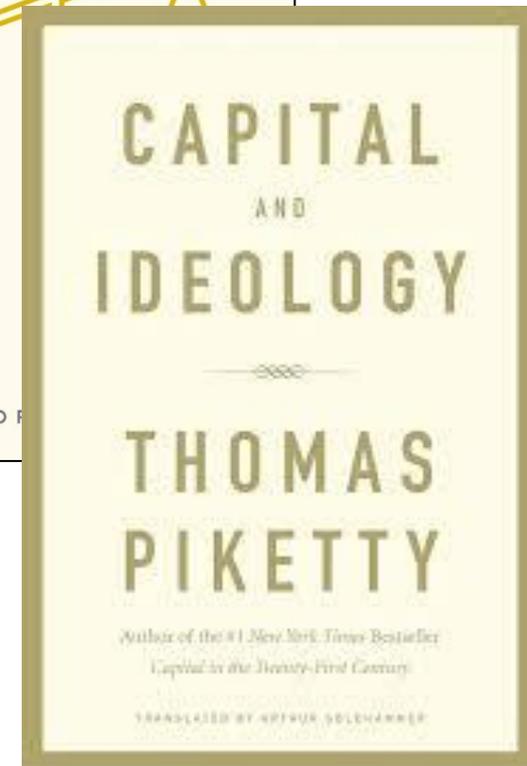
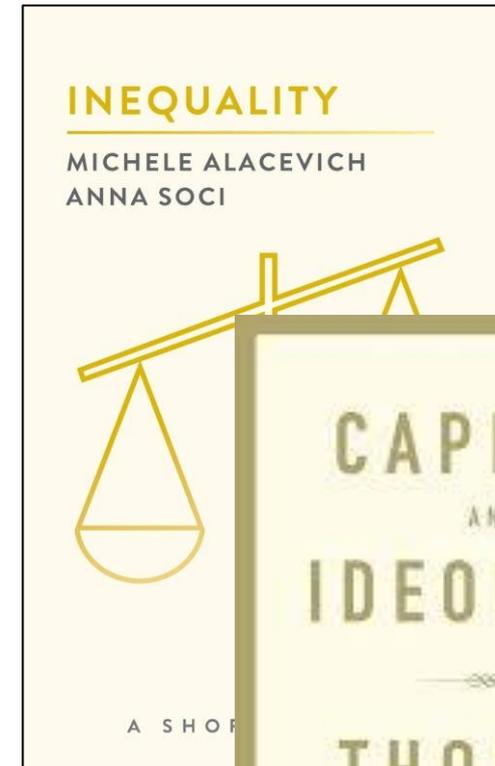
Giacomo Matteotti, MP, killed by
Fascists in June 1924

This paper (and presentation)

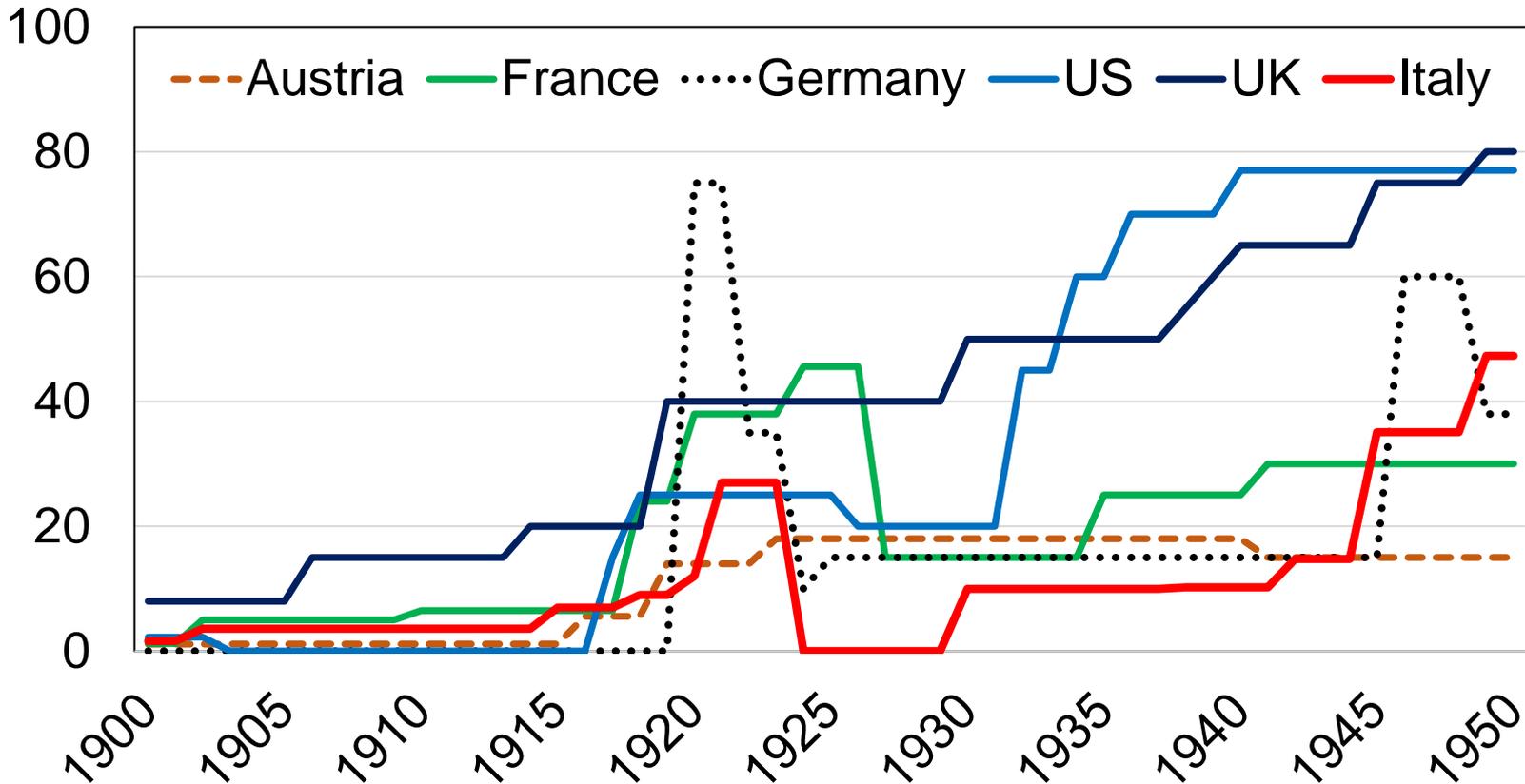
- In the academic year 2020/21, I was awarded a scholarship by the Istituto Italiano di Studi Storici, for a project on the history of the 1923 abolition.
- This paper (a chapter of my recently submitted dissertation) is a first outcome: mostly based on coeval newspapers, journals and the like, it offers a first reconstruction:
 - Of the debate leading to the abolition (c. 1919-23);
 - Of the overlooked campaign for the abolition, carried on since October 1922 by Unione Notarile Italiana (UNI) and Associazione Bancaria Italiana (ABI) among others;
 - Of the impact the move had on the press, in and outside Italy.
- Still in progress: the analysis of Minister De Stefani's personal archives, held at the Bank of Italy, looking for more evidence on the actual "motivations".
- Today, after briefly summarising the paper, I will try to focus on the open issues.

Why inheritance tax matters?

- Thanks to the work on the history of taxation, we know now that this was a crucial tax in the post-WWI tendency towards progressivity (Scheve and Stasavage 2016) – Italy is a **major international exception**;
- An interesting **case of «politics of inequality»**, revealing the explicit, regressive nature of De Stefani's policy – interesting in its links with the Italian tradition of both political economy and inequality;
- Among De Stefani's reforms of the early 1920s, the only one that was **not anticipated** by Fascist statements and programmes throughout 1921-22, nor when taking office – and in fact, it seems to reflect the **interaction with pressure groups**.



«The universal tendency»



- In the introductory Report, the Minister stressed that the abolition of inheritance tax «distance[d] Italy from the universal tendency of our times».
- Indeed, as documented by Scheve and Stasavage (2016), after WWI «conscription of capital» – although there are national histories within this trend.
 - Weimar will be a reference point in the Italian debate, that might have influenced France?

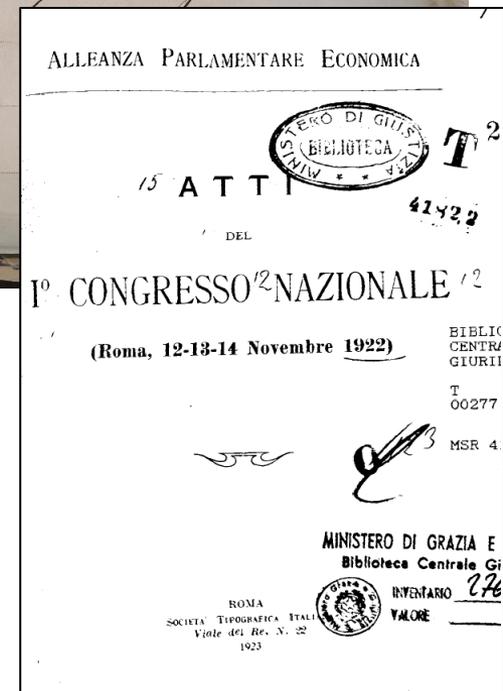
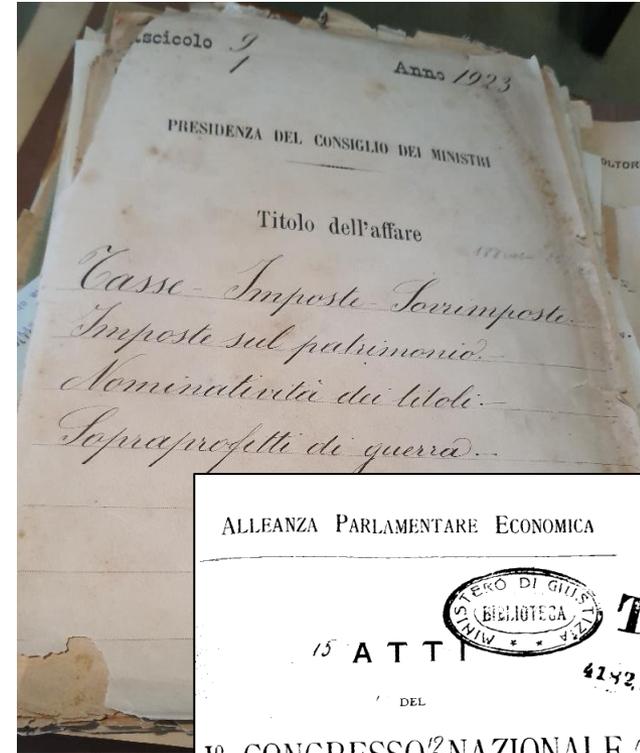
The «Bolshevik finance» of 1919-20

QUOTE da Lire una a Lire	Aliquote percentuali delle tasse di successione a favore di:						
	Ascenden- ti e discen- denti in 1° grado	Ascenden- ti e discen- denti in altri gradi	Coniuge	Fratelli e sorelle	Zii e nipoti	Prozii pronipoti cugini	Altri parenti, affini, estranei
1,000	esente	esente	esente	8,40	10,80	13,20	21,60
5,000	1,80	1,80	5,40	9,60	12,—	14,40	22,80
10,000	2,40	2,40	6,—	10,80	13,20	15,60	24,—
25,000	3,—	3,60	7,20	12,—	14,40	16,80	26,40
50,000	3,60	4,80	9,60	14,40	19,20	28,80	42,—
100,000	4,80	6,—	12,—	18,—	21,60	32,40	48,—
250,000	7,20	8,40	15,60	21,60	25,20	36,—	55,20
500,000	10,80	12,—	19,20	25,80	28,80	39,60	62,40
1,000,000	16,80	18,—	26,40	32,40	36,—	48,—	70,80
2,000,000	19,20	21,60	28,80	36,—	40,80	52,80	74,40
5,000,000	21,60	25,20	32,40	39,60	45,60	57,60	78,—
10,000,000	25,20	28,80	36,—	43,20	50,40	62,40	81,60
20,000,000	28,80	32,40	39,60	46,80	54,—	67,20	86,40
oltre 20,000,000	32,40	36,—	43,20	50,40	57,60	72,—	90,—

- In 1919 and 1920, draconian marginal rates have been approved by the last Liberal governments - together with surtaxes, up to **102%**;
- However, they applied to marginal (irrelevant?) cases (La Loggia 1923);
- As declared by the same Giovanni Giolitti, these rates (together with other financial measures) were meant to buy socialist support for abolishing the political price on bread, first step towards a balanced budget.

«Fiscal psychology» in post-WWI Italy

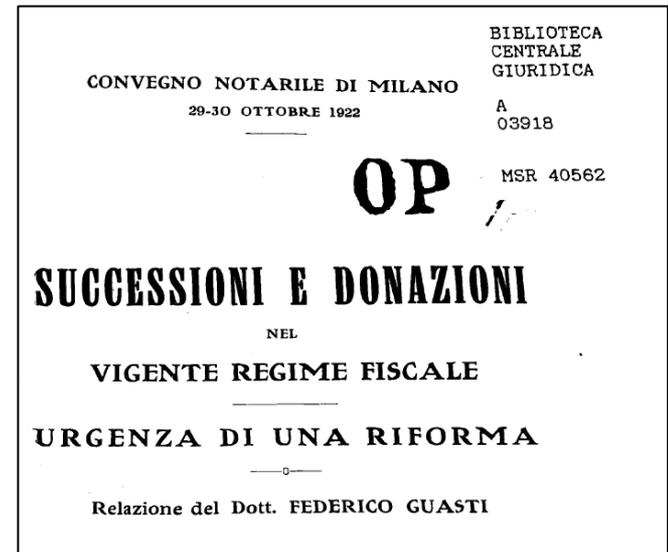
- As noted by the economist Gino Borgatta (1922), fiscal pressure had not grown during the war, but the 1919-20 reforms created a detrimental “fiscal psychology” among taxpayers;
- The correspondence of the Prime Minister’s Office files show how 1921 and 1922 witnessed growing protests from local associations of shopkeepers, industrialists, ..., all around Italy:
- These demands were well represented by the Economic Parliamentary Alliance – of which fascist MPs like De Stefani were founders, and whose demands were soon to be enacted by the fascist government;
- But nobody had asked the abolition, and in November 1922, the government simply promised to downward revise the rats.



A successful, forgotten lobbying

Federico Guasti's *Unione Notarile Italiana (UNI)*

- Founded in Oct. 29-30, 1922, UNI promoted a campaign for reforming inheritance tax. Guasti's opening report was printed, and republished by ABI and others, becoming the source of the debate;
- In July '23, Guasti revealed a «committee» with him, ABI's (the banker association) Director general, Bianchini, three Finance Ministry Director Generals, and prof. Jannaccone, had been meeting since January 23;
- A proposal of “surrogate” tax – a normal levy on financial assets, to exempt them from the inheritance tax – was announced on February 22 by Bianchini, but provoked criticism;
- UNI (and ABI) clearly had a role: but in summer 23, everybody was still talking of a revision, and most of all, one that would not harm the fight for “pareggio”.



«Nobody would have imagined...»

- Since October 1922, the new Fascist Government had promised to lower the tax rates, in line with the 1921 Fascist manifesto;
- As testified by Rocca (1925), within the same Fascist party there were focus groups on the matter;
- The press reported rumors since Christmas 1922, but in Summer 1923, they announced the imminent resignation of De Stefani for the unsatisfactory record on public finances. Moreover, crucial contrasts with Catholics and Liberals over electoral reforms.
- Notably, Mussolini's own newspaper, *Popolo d'Italia*, is the first one to report the news, also interviewing Jannaccone.



The impact on the Italian press

Il Popolo d'Italia

Fondatore: BENITO MUSSOLINI

Anno X - Num. 161 Milano - Martedì 10 Luglio 1923 Centesimi 20

GERARCHIA Il Lavoro del Popolo d'Italia
AMMINISTRAZIONE UFFICIO DI PUBBLICITÀ
TELEFONO 2100

Un altro importante Consiglio dei Ministri

1800 milioni di maggiori entrate - L'abolizione della tassa di successione

Il Popolo d'Italia

Fondatore: BENITO MUSSOLINI

Anno X - Num. 164 Milano - Mercoledì 11 Luglio 1923 Centesimi 20

GERARCHIA Il Lavoro del Popolo d'Italia
AMMINISTRAZIONE UFFICIO DI PUBBLICITÀ
TELEFONO 2100

Il Parlamento inizia la discussione sulla riforma elettorale

"Il Governo, presentando questa riforma, ha dimostrato di voler assicurare, insieme alla costituzione di una salda maggioranza, la più ampia libertà di voto.", afferma l'ex Sottosegretario di Stato on. Petrillo

A proposito di successioni

La seduta di ieri alla Camera

La Camera ha discusso e votato la legge di riforma elettorale. Il progetto è stato approvato con 300 voti contro 100. La riforma prevede il sistema proporzionale con liste bloccate e voto segreto.

Notevoli provvedimenti del Consiglio dei Ministri

Il Consiglio dei Ministri ha approvato diverse leggi, tra cui la riforma elettorale e la legge sulla successione. Le decisioni sono state prese all'unanimità.

Il Messaggero

Martedì 10 Luglio 1923 Sette Pratali martedì - Mercoledì 11 e 12 P.I.

Il Governo abolisce le tasse di successione e donazione tra congiunti

Le entrate superano di un miliardo e 795 milioni le somme previste

Il Governo ha annunciato l'abolizione delle tasse di successione e donazione tra congiunti. Questa riforma è parte di un pacchetto di misure per semplificare il sistema tributario e aumentare le entrate dello Stato.

L'IMPERO

Quotidiano politico - Direttori: MARIO CARLI, EMILIO SETTIMELLI

Quarta Edizione

L'ABOLIZIONE DELLA TASSA DI SUCCESSIONE RINSALDA E SANTIFICA LA FAMIGLIA

Dio - Patria - Re - Famiglia:

i concetti che - a dispetto dei molti Albertini, turati, sturzi

di Pri

L'IDEA NAZIONALE

La moralità e la funzione del risparmio nazionale restaurate dal Governo fascista

Alle basi: famiglia e proprietà

ANNI DI MALINO

LA STAMPA

La politica finanziaria del Governo fascista

Abolizione della tassa sulle successioni e donazioni famigliari

Circa 13 miliardi di entrate nell'esercizio 1923-24: 1.800 milioni in più del previsto - Riordinamento dell'imposta sul vino

IL SOLE

Giornale del Commercio, dell'Industria, della Finanza e dell'Agricoltura

CONDIZIONI D'ABBONAMENTO

GLI AVVENIMENTI DEL GIORNO

10 Luglio

Consiglio dei Ministri

Esposizione dell'on. De Stefanis sui nuovi provvedimenti finanziari

CAMERA DEI RAPPRESENTANTI

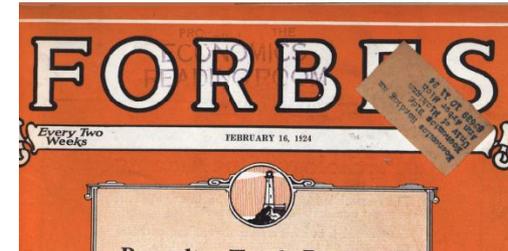
La Camera ha approvato la legge sulla successione.

LA SUCCESSIONE

La riforma abolisce le tasse di successione e donazione tra congiunti.

The foreign press

- Issued in four languages, the Decree aimed at attracting foreign investment, and for sure foreign attention;
- Einaudi is the enthusiastic reporter for the *Economist*, while both Times and Forbes pay much attention to De Stefani's figure;
- The French press is possibly the most celebrating one, until 1924, when De Stefani's public finance is indicated as an example;
- Interesting in the light of the 1926 reduction in French top rates.



34^e Année. — N° 10. Prix de Numéro: 1 Fr. 8 Mars 1924

LE MONDE ÉCONOMIQUE

Journal hebdomadaire d'Économie politique internationale
PARAISANT LE SAMEDI

FINANCE — COMMERCE — INDUSTRIE — ÉCONOMIE RURALE — TRANSPORTS — NAVIGATION

ANNONCES: France, 216 fr. par an. — Union postale, 40 fr. — Rédaction et Administration: PARIS, 37, rue Louvet, PARIS

Directeur: **Leon BOURDILLON** Fondateur: **Paul BEAUREGARD** Rédacteur en Chef: **Robert DOUCET**

— COMITE DE PATRONAGE SCIENTIFIQUE —

Adressé ARTHAUD, Député, Président de la Chambre de Commerce de Marseille. Georges BLONDEL, Professeur à l'École des Sciences Politiques. DENICHAUPS, Professeur à la Faculté de Droit de Paris. Membre de l'Institut. Louis DUBOIS, Député, Ancien Ministre, Président de l'Institut du Commerce et de l'Industrie pour la Défense Sociale.

Illustration: **Torch Bearer of French Industry**
By O. D. Foster
of Metric Move for Press and Nation
A. Guyot Cameron
'Will Pay Her Debts,' Says De Stefani
By Maria Sermolino

SOMMAIRE :

La politique financière italienne, par Robert Doucet. 109
Le cours du franc. 110
Les groupements économiques régionaux. 111
La caisse de pensions pour la vieillesse et d'épargne de Barcelone (suite et fin), par André Vovard. 119

Informations écor
Bibliographie.
Informations fina
Bourse de Paris..
A travers la Bas
Bilans des banqs

LA POLITIQUE FINANCIÈRE ITALIENNE

Nous pouvons mesurer tous les jours les pénibles conséquences du système qui consiste à se servir de l'impôt pour agir sur la répartition des richesses, et à faire de l'Etat une sorte de redresseur de torts, d'essence quasi-divine, chargé de transférer les biens de ce monde d'un individu à l'autre, suivant les règles d'une morale supérieure dont il a le monopole et dont il détient seul le secret.

Cette morale supérieure est baptisée « solidarité », les formules employées pour sa mise en œuvre sont dites « lois sociales » ; quant au mode de récoltement des fonds destinés à matérialiser cette solidarité, cela s'appelle fréquemment « prendre l'argent où il est ». L'expression n'est pas heureuse, car elle suggère involontairement les plus lâcheux rapprochements et contraste par trop avec la haute moralité dont le divin Etat se croit imprégné.

« Prendre l'argent où il est », cela consiste à

multiplier sans trêve : cela coince ceux qui commencent à prévoir ; cela consiste à ne pas attendre l'impôt que l'Etat que de la tributive des impôts ; les résultats existant dans un bazar point ; pas au-delà de met sans protester l'impôt pour u « prend l'arge La France e aux financiers pas la seule qui a dé-

“Italy Will Pay Her Debts,” Says De Stefani

“But She Asks the Powerful American Republic to Grant Liberal Facilities,” Says Finance Minister

By Maria Sermolino

Alberto De Stefani

“UNREASONABLE taxes are suicidal,” says De Stefani. “The Fascist administration is planning to reduce taxes and it has already made some notable reforms.”

“We are going to make Italy an oasis for those with capital to invest. We have already abolished all taxes on inheritances in the family group. We have passed a law exempting foreign capital invested in Italy from paying an income tax and we have abolished the compulsory personal ownership of titles.”

“To the lay mind these provisions may seem too protective of capital, and, therefore, anti-democratic, but that is an old notion which modern experience has proved unsound. The Italian people have learned, by experience, that when capital is persecuted

experience has proved unsound. The Italian people have learned, by experience, that when capital is persecuted poverty ensues. Capital is the instrument of labor. Reduce its power by excessive taxation, hamper its movement by too strict control, and labor suffers in the end. The Fascist government is decidedly capitalistic which does not mean anti-democratic.”

Such a straightforward, honest statement from a diplomat made me gasp, but really I should have been prepared for this attitude. I had met several of the Fascist leaders, including the Duce (as Premier Mussolini is called), and every one of them was characterized by this unusual, frank way of saying explicitly what he thought. None of them has been schooled in the way of diplomacy. Most of them were men of action before they assumed their ministerial tasks, and they brought the manner of the field with them to their tasks.

A Prodigious Worker

Alberto De Stefani, professor of political economy in the University of Padua, wore the black shirt of the Fascist and actively fought, combatively worked and struggled for the cause of Fascism for nineteen months before he became Minister of Finance. Back in the spring of 1921 he was elected Fascist representative from the district of Vicenza, but instead of wasting his time in the deadening atmosphere of the Chamber of Deputies in Rome he became the organizer of Fascist bands in many cities and the leader of numerous punitive expeditions against the enemies of Italy. At the end of October, 1922, when Mussolini was asked by the King of Italy to form a cabinet, he wired at once to Alberto

Fascist Views on Taxation

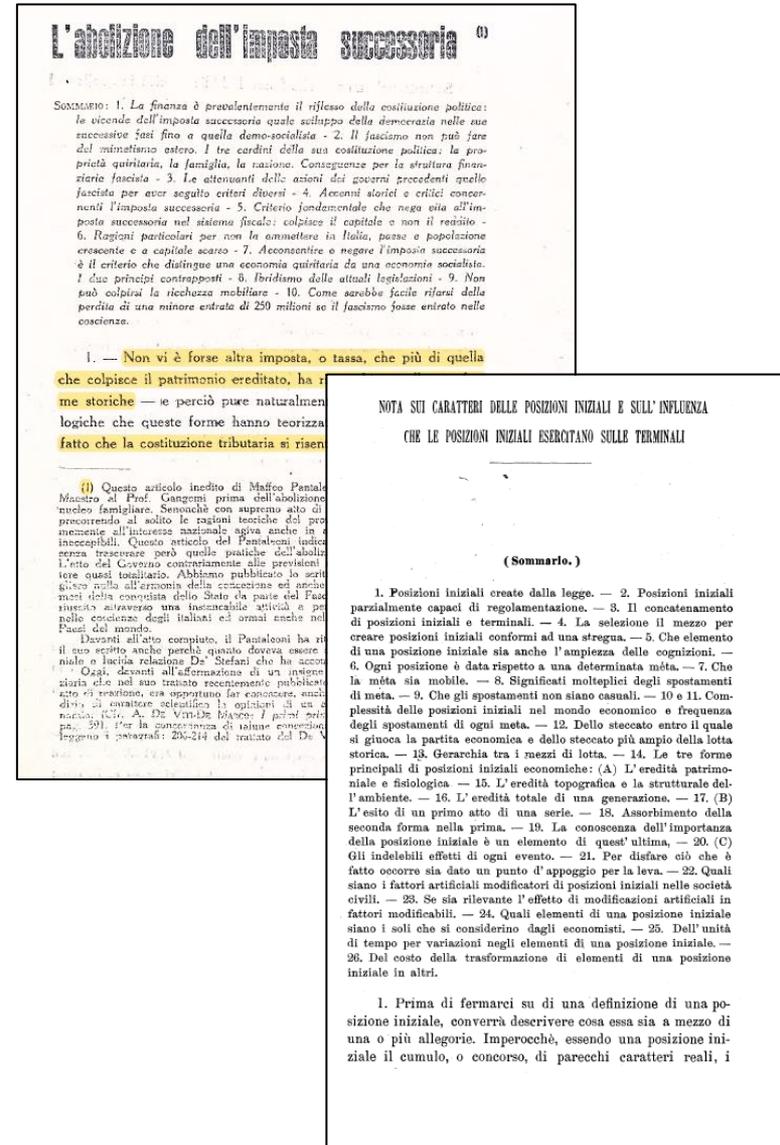
When I had left the United States one of the foremost topics of interest was the Mellon tax reduction plan. I wondered what this new, young Italian government thought about taxes and tax reduction and so I asked the Minister for his opinion.

“Unreasonable taxes are suicidal,” he answered. “The Fascist administration is planning to reduce taxes and it has already made some notable reforms.”

“We are going to make Italy an oasis for those with capital to invest. We have already abolished all

An illustrious ghost writer

- Another “proof” of the sudden, unexpected nature of the 1923 abolition comes from the history of economic thinking;
- Maffeo Pantaleoni – the main advisor of De Stefani – had written a paper asking for its abolition, posthumously published in 1928;
- Large parts of the paper were clearly copied into the Ministerial Report to the Decree. But it was a broader, more radical argument against inheritance tax – the most socialist tax!
- In a separate chapter of my dissertation, I discuss how Pantaleoni’s regressive positions can be retraced in his previous work – and in particular, in the 1901 article against the concept of equality of starting points;
- While arguing for complete abolition, Pantaleoni acknowledged “fascism lacked support for that” – and was, therefore, taken by surprise by the move.



An early example of 'middle-class politics'?

- Among De Stefani's measures (see also Bel, 2011, on privatisations), the abolition was the only one that could really appeal to a broader public – the 'middle classes', the backbone of fascist support:

- Inheritance linked both the «moral» and «economic» values of the middle classes;
- The measure was presented as a tax break in favour of those hit by the post-war turbulences;
- Again in the electoral week of 1924, *Popolo d'Italia* would celebrate De Stefani's 'financial restoration', and the abolition.
- Working hypothesis, to be verified by archival work: Mussolini's political intuition, in a crucial period for the consolidation of the regime.

Il Popolo d'Italia

Fondatore: BENITO MUSSOLINI

ANNO XI - NUM. 80 - Milano - Mercoledì 2 Aprile 1924 - Contesimi 20

DIREZIONE - REDAZIONE - TIPOGRAFIA: GERRARCHIA

FASCISTI ALL'OPERA!

Domenica si vota pro o contro il Governo Nazionale

Cavour e la Costituzione

Un coperto degli emigrati italiani

Una miserabile truffa elettorale progettata dall'Opposizione

Il passaggio da Ancona della salina di Nicolo Bonar

Una commovente e feroce del Padre al Presidente

Le mani neri

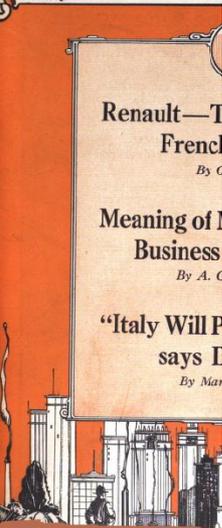
L'opposizione allegerita



Il Popolo d'Italia nel suo recente sviluppo, è un giornale che ha saputo unire in sé la nobiltà di un'alta cultura e la vitalità di un'alta politica. È un giornale che ha saputo unire in sé la nobiltà di un'alta cultura e la vitalità di un'alta politica. È un giornale che ha saputo unire in sé la nobiltà di un'alta cultura e la vitalità di un'alta politica.

Mr. De' Stefani: an overlooked figure

The “laissez-faire” Fascism and his Minister



“Italy Will Pay Her Debts,” Says De Stefani

“But She Asks the Powerful American Republic to Grant Liberal Facilities,” Says Finance Minister

By Maria Sermolino

EXCESSIVE taxes on capital and inheritances constitute a form of robbery on the part of the state. The persecution of capital, no matter what form it takes, is anti-democratic. Capital must be protected for the welfare of the people, therefore Fascismo intends to and does protect capital and if, because of this, there are those who call us a capitalistic government we are proud of the epithet.

There in plain, blunt words is the way the Fascist government views the question of taxation. The quotation marks enclose a statement made to me by His Excellency Alberto de Stefani, Minister of the Treasury and Finance of Italy, in the first exclusive interview he ever gave to a representative of the foreign press. For weeks I had been trying to see the Minister, and I had always been met with a “Sorry, Miss, the Minister does not grant interviews.” Finally one day the Minister relented. (Frankly I think his curiosity was piqued by the persistence of this American girl who, despite the many rebuffs, kept on calling. Furthermore, who, in Italy, ever heard of a woman being interested in finance?)

Fascist Views on Taxation

When I had left the United States one of the foremost topics of interest



Alberto De Stefani

“UNREASONABLE” taxes are suicidal,” says De Stefani. “The Fascist administration is planning to reduce taxes and it has already made some notable reforms.

“We are going to make Italy an oasis for those with capital to invest. We have already abolished all taxes on inheritances in the family group. We have passed a law exempting foreign capital invested in

experience has proved un sound. The Italian people have learned, by experience, that when capital is persecuted poverty ensues. Capital is the instrument of labor. Reduce its power by excessive taxation, hamper its movement by too strict control, and labor suffers in the end. The Fascist government is decidedly capitalistic, which does not mean anti-democratic.”

Such a straightforward, honest statement from a diplomat made me gasp, but really I should have been prepared for this attitude. I had met several of the Fascist leaders, including the Duce (as Premier Mussolini is called), and every one of them was characterized by this unusual, frank way of saying explicitly what he thought. None of them has been schooled in the way of diplomacy. Most of them were men of action before they assumed their ministerial tasks, and they brought the manner of the field with them to their tasks.

A Prolific Worker

Alberto de Stefani, professor of political economy in the University of Padua, wore the black shirt of the Fascist and actively fought, campaigned, worked and struggled for the cause of Fascismo for nineteen months before he became Minister of Finance. Back in the spring of 1921

- Academic economist, Minister for Public Finances and Treasury in Mussolini’s Cabinet (1922-26);
- Early 1920s normally considered the “liberal”, laissez-faire phase of Fascism, before the “corporatist”, protectionist turn.;
- The abolition (and its Decree) were a sort of “manifesto”: the explicit aim was to foster capital accumulation, “transforming [Italy] in an oasis in which capital and private enterprise could find the best conditions for productivity, and protection”.
- In its various aspects, the episode calls for a reassessment:
 - Historically, of De Stefani’s role and figure;
 - Economically, the role of (regressive) distributive concerns (cfr. Alacevic and Soci, 2017), and the issues of ‘continuity’ with Liberal and ‘corporatist’ economics (Mattei, 2017; Michellini, 2019).
 - While clearly distinct from the Austrian experience, the international impact of Italian ‘authoritarian neo-liberalism’ (Marcoaldi, 1986) deserve some historical scrutiny, within the broader literature on the origins of neoliberalism (Slobodian 2018)