

**Zeitschrift:** Schweizerisches Jahrbuch für Wirtschafts- und Sozialgeschichte =  
Annuaire Suisse d'histoire économique et sociale

**Herausgeber:** Schweizerische Gesellschaft für Wirtschafts- und Sozialgeschichte

**Band:** 36 (2021)

**Artikel:** Waiting for equality : the political economy of progressive taxation in  
republican Italy 1944-1974

**Autor:** Bozzi, Paolo

**DOI:** <https://doi.org/10.5169/seals-958407>

### **Nutzungsbedingungen**

Die ETH-Bibliothek ist die Anbieterin der digitalisierten Zeitschriften auf E-Periodica. Sie besitzt keine Urheberrechte an den Zeitschriften und ist nicht verantwortlich für deren Inhalte. Die Rechte liegen in der Regel bei den Herausgebern beziehungsweise den externen Rechteinhabern. Das Veröffentlichen von Bildern in Print- und Online-Publikationen sowie auf Social Media-Kanälen oder Webseiten ist nur mit vorheriger Genehmigung der Rechteinhaber erlaubt. [Mehr erfahren](#)

### **Conditions d'utilisation**

L'ETH Library est le fournisseur des revues numérisées. Elle ne détient aucun droit d'auteur sur les revues et n'est pas responsable de leur contenu. En règle générale, les droits sont détenus par les éditeurs ou les détenteurs de droits externes. La reproduction d'images dans des publications imprimées ou en ligne ainsi que sur des canaux de médias sociaux ou des sites web n'est autorisée qu'avec l'accord préalable des détenteurs des droits. [En savoir plus](#)

### **Terms of use**

The ETH Library is the provider of the digitised journals. It does not own any copyrights to the journals and is not responsible for their content. The rights usually lie with the publishers or the external rights holders. Publishing images in print and online publications, as well as on social media channels or websites, is only permitted with the prior consent of the rights holders. [Find out more](#)

**Download PDF:** 27.03.2026

**ETH-Bibliothek Zürich, E-Periodica, <https://www.e-periodica.ch>**

Paolo Bozzi

## Waiting for Equality

### The Political Economy of Progressive Taxation in Republican Italy 1944–1974

Waiting for Equality. The Political Economy of Progressive Taxation  
in Republican Italy 1944–1974

This contribution sheds light on the development of progressive taxation in Italy between the post-war period and the Great Reform of the early 1970s. The paper focuses on the historical study of economic ideas and political beliefs, as a prerequisite to tackle the broader problem of Italian fiscal constitution. It consists of three parts, which reflect three turning points in post-war Italian tax history. The first part considers the debates about progressive taxation during the post-war period, focusing on the introduction of the principle of tax progressivity in the 1947 republican constitution on the part of the Christian Democracy party (DC). Secondly, attention will be paid to the implementation of that principle by the DC Finance Minister Ezio Vanoni, stressing the limits of his 1951 reform. Finally, the third part will explore the economic debates which prepared the reform of the 1970s. Under the pressure of Keynesian ideas and in contrast with previous proposals, in the 1960s progressive taxation was suggested as a means to control aggregate demand and to regulate economic cycles.

Tutti sono tenuti a concorrere alle spese pubbliche in ragione della loro capacità contributiva.

Il sistema tributario è informato a criteri di progressività.

(Every person shall contribute to public expenditure in accordance with their capability.

The tax system shall be progressive.)

Italian Constitution, Article 53

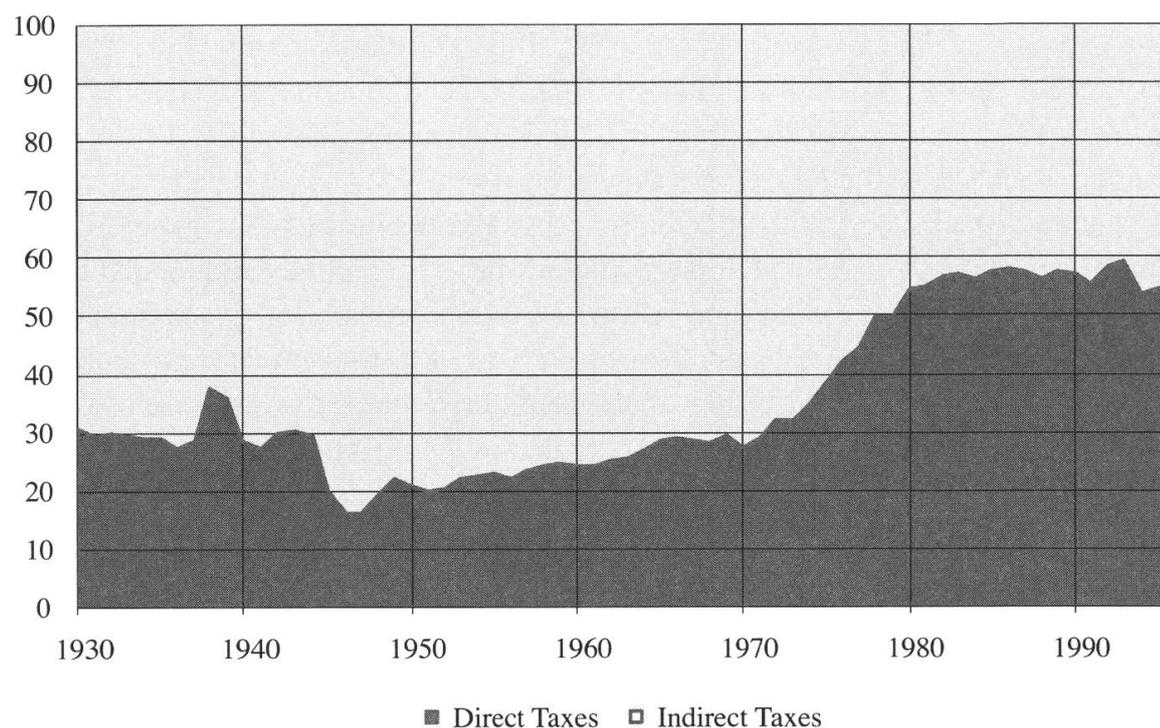
On 23 May 1947, after a surprisingly short debate, the Italian Constituent Assembly unanimously approved Art. 53, which stated that the tax system had to be shaped according to the principle of progressivity. This was a revolutionary provision in

Italian tax history. Until then, Art. 25 of the constitution of the Italian Kingdom, the *Statuto Albertino* (1861–1946), explicitly declared that taxation had to be proportional to citizens' means. In the 1940s the share of state revenue from income taxes was less than 20 per cent, making taxation highly dependent on regressive consumption taxes (see below Figure 1). A progressive income surtax had also been in force since 1923, but it affected a very limited number of taxpayers and its rates did not exceed 10 per cent.<sup>1</sup> The constitutional endorsement of tax progressivity in 1947 was nevertheless offset by a slow and ambivalent implementation, which found partial completion only in the 1970s.<sup>2</sup>

This contribution intends to shed light on the development of progressive taxation in Italy between the post-war period and the Great Reform of the 1970s, which radically rebuilt the direct tax system around a single progressive income tax. Theoretical fiscal ideas and economic culture cannot, of course, fully explain the development of tax policy, which is deeply embedded in social dynamics and is highly affected by the pressures of interest groups, such as employer federations and trade unions.<sup>3</sup> Nevertheless, the historical study of economic and political beliefs is a necessary prerequisite to tackle the broader problem of the social and political nature of fiscal constitutions. As John Maynard Keynes famously wrote in the final page of his *General Theory*, “the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. [...] I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval. [...] Soon or late, it is ideas, not vested interests, which are dangerous for good or evil.”<sup>4</sup> This contribution aims to look closely at the development of ideas on tax progressivity in Italy.

- 1 On the difficult implementation of a progressive surtax after World War I, see Domenico Antonio Fausto, *La politica fiscale dalla prima guerra mondiale al regime fascista*, in: Franco Cotula (ed.), *Problemi di finanza pubblica tra le due guerre, 1919–1939* (Collana storica della Banca d'Italia. Contributi, vol. II), Roma-Bari 1993, p. 3–138.
- 2 The history of Art. 53 is a clear example of the programmatic nature of the Constitution of the Italian Republic. On this, see Paolo Pombeni, *La costituente. Un problema storico-politico*, Bologna 1995, p. 113.
- 3 Sébastien Guex, *L'argent de l'État. Parcours des finances publiques au XX<sup>e</sup> siècle*, Lausanne 1998, p. 13–14. Just to mention the size of the phenomenon in Italy: during several decades Cesare Cosciani, the author of the 1970s tax reform, provided tax expertise to the *Assonime*, the Italian association of listed companies. See Stefano Micossi, *Il ruolo nell'Assonime e dell'Assonime*, in: Bruno Bises (ed.), *Il progetto di riforma tributaria della Commissione Cosciani cinquant'anni dopo*, Bologna 2015, p. 317–331.
- 4 John Maynard Keynes, *The general theory of employment, interest and money* (The collected writings of John Maynard Keynes, vol. 7), Cambridge 2013, p. 383–384. For a modern contribution to the relationship between economic ideas and actual economic policies, see J. Barber, *The spread of economic ideas between academia and government. A two-way street*, in: David Colander, A.W. Coats (eds.), *The Spread of Economic Ideas*, Cambridge 1993, p. 119–126. On the

Figure 1: Direct and Indirect Taxes as a Share of Total Tax Revenue in Italy (1930–1996)



Sources: Author's elaborations on data provided by Ragioneria Generale dello Stato 1969 and Rendiconto generale della Amministrazione dello Stato, 1967–1996.

The historiography of 20th century Italian taxation is surprisingly scarce and incomplete.<sup>5</sup> It has been predominantly written by public economists and tax lawyers with little interest in any broader historical explicative framework. Technical

Italian case see Marcello De Cecco, *Keynes and Italian Economics*, in: Peter A. Hall (ed.), *The Political Power of Economic Ideas. Keynesianism across Nations*, Princeton 1989, p. 195–229.

- 5 The dearth of historical scholarship on modern Italian taxation was already stressed at the beginning of the 1980s by Mario G. Rossi, but no significant contribution has been published since then. See Mario G. Rossi, *Il problema storico della riforma fiscale in Italia*, in: *Italia contemporanea* 170, 1988, p. 5–19. Economists Domenico Fausto and Antonio Pedone have written extensively about specific issues such as taxation in wartime and the tax reform of the 1970s, but from a public finance perspective. See Antonio Pedone, *Evasori e tartassati*, Bologna 1979; Antonio Pedone, *L'evoluzione del sistema tributario italiano e il ruolo di Assonime*, in: Antonio Pedone, Franco Gallo (eds.), *Imposte e sviluppo economico*, Roma 2011, p. 5–124; Domenico Fausto, *Intervento pubblico in Italia (1946–1964)*, in: Franco Cotula (ed.), *Stabilità e sviluppo negli anni Cinquanta (Collana storica della Banca d'Italia. Contributi, vol. 7)*, Roma-Bari 1998, p. 541–652. The recent history of Italian taxation written by tax lawyer Gianni Marongiu limits itself to a general account of previous economic and juridical scholarship and ignores both historical primary sources and economic-historical literature. See Gianni Marongiu, *Una storia fiscale dell'Italia repubblicana*, Torino 2017. In the same vein, see: Fondazione Bruno Visentini, *Bruno Visentini. Passato, presente e futuro della riforma tributaria del 1971*, Viterbo 2016, which is the result of several years of research by tax lawyer Andrea Di Gialluca.

aspects overshadow political and economic analysis, and long-term interpretation is entirely lacking. Moreover, this scholarship fails to provide a comparative perspective and presents Italian taxation policies in artificial isolation from the contemporary global debates on fiscal institutions, social expenditure, tax progressivity, and income redistribution. For example, no attention has been paid to the diffusion of foreign models or to the impact of Keynesian thought.

By contrast, the history of taxation has become a field of study of growing importance on a global scale. Several interpretations have been proposed to explain the redistributive goals of tax systems. Based on a large amount of quantitative evidence, political scientists Kenneth Scheve and Steve Stasavage thus argue that progressive taxation developed thanks to compensatory arguments that arose in Western countries after both world wars.<sup>6</sup> According to their explanation, lower income groups demanded compensation for the disproportionate sacrifice which they endured in wartime mass conscription and subsequently required the rich to pay their share. The interpretation appears quite convincing in the case of the United States. However, in the Italian case, the model proposed by Scheve and Stasavage falls short on two elements. First, despite high marginal tax rates on top incomes, until the 1970s, Italian progressive surtax affected only a small group of taxpayers because of tax evasion, and thus accounted for a marginal share of the state revenue. Second, Italian political reformers rarely resorted to deploying compensatory arguments. In the following pages, I will argue instead that a large-base progressive income tax was adopted in Italy in the 1960s due to efficiency issues, such as revenue flexibility and aggregate demand control.

This article consists of three parts, which reflect three turning points in post-war Italian tax history. The first part focuses on the debates concerning progressive taxation during the post-war period. The introduction of the principle of tax progressivity in the new constitution had been the result of the pressure of the left-wing members of the *Democrazia Cristiana* (Christian Democracy, DC), the main Italian political party of the time. Secondly, attention will be paid at how that principle was implemented by the DC Finance Minister Ezio Vanoni at the beginning of the 1950s, stressing the limits of his 1951 reform. Finally, the third part will explore the economic debates which prepared the great reform of the 1970s. In contrast with previous proposals, progressive taxation was presented during the 1960s as a means to control aggregate demand, and, through this, to regulate economic cycles. Although the text focuses on a qualitative approach to analyse Italian public finance, a

6 Kenneth Scheve, David Stasavage, *Taxing the Rich. A History of Fiscal Fairness in the United States and Europe*, Princeton 2016.

brief outline of the distribution of the tax burden will provide a quantitative description of budgetary dynamics in the post-war period.<sup>7</sup>

## The principle of tax progressivity and the republican constitution

Art. 53 of the Italian constitution, which stated that the new republican tax system had to be progressive, was proposed by Salvatore Scoca (1894–1962), a DC deputy from the South.<sup>8</sup> At that time, the DC was the largest Italian party in terms of electoral results. It had the official recognition of the Holy See as the political party of Italian Catholics and had the full support of the *Confindustria*, the federation of Italian industrialists. The party thus had an ambiguous dual nature.<sup>9</sup> On the one hand, the DC represented industrialists and the petty bourgeoisie, who saw it as a bulwark against Communism. On the other hand, it was also the party of Catholic social reformers supported by the Catholic trade unions, who asked for a drastic change in Italian post-war society. Although Scoca was not one of the leading figures of the party, he was definitely close to the latter current.

In 1944, Scoca had sketched out a general reform of Italian tax system. His 47-page pamphlet soon became the foundation of DC's post-war taxation platform. In it, Scoca strongly argued that taxation had to be used as a means for redistribution: "we declare that taxation can be used as an adequate tool for a more even distribution of wealth. [...] The reduction of social differences is a postulate which ultimately draws on our faith, on our being sons of the same Father."<sup>10</sup> Such a goal had to be attained both through a broad-based and highly progressive income taxation and by means of progressive wealth and inheritance taxation. Scoca proposed a top income tax rate of 50 per cent, much higher than the 10 per cent tax rate that was in force before the Second World War.

This project was deeply embedded in the post-war Christian Democratic economic ideology. Progressive taxation had been a traditional demand of Italian political Ca-

7 For these different methodological approaches to the study of the history of public finance, see Jean Bouvier, *Histoire financière et problèmes d'analyse des dépenses publiques*, in: *Annales* 33/2, 1978, p. 207–215.

8 The figure of Salvatore Scoca has suffered a serious lack of historical attention. See Marcello Buono, *Ricordo di Salvatore Scoca*, n. p. 1972; *Gli uomini della Costituzione. Salvatore Scoca*, Roma 1994.

9 On this issue see Paolo Pombeni, *Il gruppo dossettiano e la fondazione della democrazia italiana (1949–1958)*, Bologna 1979; Andrea Riccardi, *Il partito romano. Politica italiana, chiesa cattolica e curia romana da Pio XII a Paolo VI*, Brescia 2007.

10 Salvatore Scoca, *Appunti per la riforma tributaria (I problemi della ricostruzione, vol. 3)*, Roma 1944, p. 8. Translation of the author.

tholicism since the end of the 19th Century.<sup>11</sup> In the post-war period, the most prominent DC intellectuals, the so-called *Professorini* (Young Professors), came from the left wing and strongly advocated social reform. The group eventually founded the *Cronache Sociali* (Social Chronicles), a review which aimed at discussing political and economic issues. As stated in the first issue, printed in May 1947, the group supported broader cooperation with the Socialist and Communist parties to implement social reforms.<sup>12</sup>

Finally, the role of DC economists merits greater attention, as it reveals just how pivotal tax reform was in the post-war Catholic economic culture. Between the 1940s and the 1950s, the economic leadership of the DC was inspired by three scholars: Sergio Paronetto (1911–1945), Pasquale Saraceno (1903–1991), and Ezio Vanoni (1903–1956). Their economic approach mixed neoclassical economics and Catholic solidarity. They also recognised market mechanisms as a pivotal element of economic development. Nevertheless, in their view, a market economy did not entail a fair distribution of income among individuals, as was held by liberal economists. For this reason, the redistributive effects of progressive taxation were underlined as a means to hinder excessive inequalities and to secure economic growth based on free market principles. In 1943, these three scholars, together with other Christian Democrat economists, developed a manifesto of Catholic economics, which has been dubbed the *Codice di Camaldoli* (Camaldoli Code), from the name of a monastery near Arezzo where the first draft was discussed. In this manifesto, taxation was taken into account not only as a source of revenue but also as a means to reduce inequality: “in addition to its direct function of supplying revenue for public expenses, taxation has an indirect function which aims at modifying the distribution of wealth and the organisation of economic and social life, according to the principles of social justice.”<sup>13</sup>

Progressive taxation was also popular among the Socialists and the Communists, the two main parties of the Italian left. In 1944, Antonio Pesenti, a Communist economist, singled out progressive taxation as a pivotal step towards a democratic reform of the tax system<sup>14</sup> and the idea was inscribed in the Communist Party’s program of 1946.<sup>15</sup> A general tax reform aiming at introducing tax progressivity was also proposed by the main trade union, the *Confederazione Generale Italiana del*

11 Gabriella Fanello Marcucci (ed.), *Documenti programmatici dei democratici cristiani (1899–1943)*, Roma 1983, p. 38. On the fin-de-siècle Italian Catholic Movement, see Gabriele De Rosa, *Dalla restaurazione all’età giolittiana (Storia del movimento cattolico in Italia, vol. 1)*, Bari 1966.

12 *Radici di una crisi*, in: *Cronache Sociali* 1, 1947, p. 1–3.

13 *Per la Comunità Cristiana. Principi dell’ordinamento sociale a cura di un gruppo di studiosi amici di Camaldoli*, Roma 1945, p. 112. Translation of the author.

14 Antonio Pesenti, *Ricostruire dalle rovine*, Milano 1946, p. 66.

15 Luciano Barca, Franco Botta, Alberto Zevi (eds.), *I comunisti e l’economia italiana. Antologia di scritti e documenti*, Bari 1975, p. 84.

*Lavoro* (Italian General Confederation of Labour) in 1950.<sup>16</sup> However, the economic platforms of the left primarily focused on nationalisations and structural social reforms, and neither the Socialists nor the Communists elaborated a consistent framework to push progressive taxation, since it meant an acceptance of the capitalist mode of production. Moreover, from 1947 onwards, left wing parties were excluded from government under pressure from the U.S. Department of State, which dramatically reduced their influence on Italian post-war economic policy.<sup>17</sup>

## The Legge Vanoni of 1951

The first attempt to implement Art. 53 emerged at the end of the 1940s, thanks to the work of Finance Minister Ezio Vanoni. Because of the precarious conditions of post-war tax administration, Vanoni declined to launch a general tax reform and opted instead for a set of gradual modifications aiming at reducing taxation unfairness and evasion. The main provision approved by Parliament in 1951 established a strong overall tax-rate reduction and made tax returns compulsory for all taxpayers.<sup>18</sup> However, since the structure of the tax system had not changed, indirect taxes and proportional income taxes remained the primary source of state revenue (see Figure 1 above). The modest progressive income surtax only accounted for about 2 per cent of state revenue and was paid by only 10 per cent of Italian households.<sup>19</sup> Nevertheless, the tax-rate reduction and the increase of tax allowances reduced tax pressure on lower incomes, thus raising progressivity in a sense.

Parliamentary discussions mainly focused on the modification of progressive income surtax. Originally, Vanoni proposed a scale ranging from 2 to 65 per cent. The top tax rate affected incomes above half a billion *lire*, which was almost 1000 times higher than the average household income, which in 1948 was around 624,000 *lire*.<sup>20</sup> According to tax records, only *one* taxpayer reported an income above half a billion *lire*.<sup>21</sup> Nevertheless, during parliamentary debates, Vanoni's party, the DC, voted to reduce the top marginal tax rate to 50 per cent. The left proposed a differ-

16 Conferenza economica nazionale per il piano del lavoro, Roma 1950, p. 284–286.

17 Such an exclusion did not affect the small Italian Socialist Democratic Party, which separated itself from the Italian Socialist Party in 1947 and then joined Christian Democratic parliamentary majorities.

18 Law of 11 January 1951, N. 25, also known as “Legge Vanoni.”

19 Ministero delle Finanze, Dati statistici relativi alla II dichiarazione annuale dei redditi, Marzo 1952, Roma 1953, p. 10. I would like to thank Giacomo Gabbuti for drawing my attention to this source.

20 Paolo Luzzatto Fegiz, La distribuzione del reddito nazionale, in: *Giornale degli Economisti e Annali di Economia*, 9.7/9.8, 1950, p. 341–354.

21 Ministero delle Finanze (note 19), p. 10.

ent progressivity scale. According to the Communists, the highest tax rate should have been applied to an income of 150 million *lire*, which meant much higher progressivity and revenues. Nonetheless, the left-wing amendment was rejected and the DC proposal prevailed.

Vanoni's reform had only a limited effect on the Italian tax system, as shown by the data regarding state revenues (see Figure 1). The share of direct taxes remained below pre-war levels, with indirect taxation providing three fourths of state revenue. The reorganisation of the tax administration was soon frustrated by the appointment of the right-wing Christian Democrat Giulio Andreotti to the Ministry of Finance in 1955, and by Vanoni's death in 1956.<sup>22</sup> Furthermore, thanks to the newly-established external convertibility of the *lira* in the late 1950s, a growing amount of cash illegally flew to Ticino, to be converted in Swiss francs and re-exported to Italy, thus avoiding the progressive surtax.<sup>23</sup> In conclusion, the predominance of indirect taxes, coupled with widespread tax evasion and weak progressivity, remained substantially unaddressed.

## The Centro-sinistra and the project for a large-base progressive income tax in the 1960s

At the beginning of the 1960s, the conservative political formula of *Centrismo* which characterised the 1950s, was replaced by the centre-left government of DC reformist Amintore Fanfani, supported by the Socialist Party. One of the main policies of centre-left reformism was tax reform, and a commission, led by Keynesian public-finance economist Cesare Cosciani (1908–1985), was appointed in 1962 to develop a preliminary draft.<sup>24</sup> During the 1950s, Cosciani had developed two economic arguments to support progressive taxation. The first one highlighted progressive taxation as a means to control aggregate demand and to stimulate coun-

22 Significantly, Andreotti immediately interrupted the publication of ministerial reports containing data from tax returns. See Ministero delle Finanze, *L'attività tributaria dal 1949–50 al 1954–55. Relazione al Presidente del Consiglio del Ministro per le Finanze* (Tremelloni), Roma 1955; Ministero delle Finanze, *L'attività tributaria nel 1964. Relazione al Presidente del Consiglio del Ministro per le Finanze* (Tremelloni), Roma 1965.

23 Martin Kuder, *Italia e Svizzera dal 1945 al 1970. Commercio, emigrazione, finanza e trasporti*, Milano 2012, p. 207. On the role of Ticino as a tax haven for Italian fortunes, see also Martin Kuder, *Portare i soldi in Svizzera. Contrabbando di capitali ed evasione fiscale nell'Italia del boom*, in: *Contemporanea*, 7/4, 2004, p. 609–621; Luciano Segreto, *Le relazioni finanziaria tra l'Italia e la Svizzera (1945–1971)*, in: *Rivista di storia economica* 17.2, 2001, p. 201–233.

24 There is no historical scholarship on Cosciani's biography. For the purposes of this research, we have used an unpublished account of his life and works written by his pupil Giuseppe Campa. The text can be found at the Archivio Storico dell'Università La Sapienza di Roma, Cosciani, Cesare, Fascicolo Personale, Box N. AS4946, Folder 2.

ter-cyclical effects, drawing upon Keynesian macroeconomics: during inflationary periods, state revenues would have increased thanks to progressivity, thus reducing inflation; during depressions, state revenues would have decreased, thus leaving income available to the private sector to foster demand.<sup>25</sup> Secondly, redistributive taxation both on income and on wealth would have stimulated economic growth, since it would have rewarded successful entrepreneurs and penalised idle owners and rentiers.<sup>26</sup>

These two ideas were at the core of the reform draft produced by the commission in 1963.<sup>27</sup> The report outlined a general reform of the tax system. 19th century proportional income taxes would be replaced by a single personal progressive income tax (IRPEF),<sup>28</sup> devised to affect a large base of taxpayers. Moreover, in order to maintain the differentiation between capital income and labour income, Cosciani introduced an ordinary wealth tax, to be administered according to assessments of financial assets and real estates. Finally, he also suggested a tax on capital gains.

In the 1963 general election, the DC suffered a significant erosion in support, which was attributed to the discontent of the electorate with the centre-left experiment.<sup>29</sup> Therefore, Fanfani was removed and the new government presided over by the moderate Aldo Moro substantially limited centre-left reformism. A much-altered draft was presented to parliament in July 1967 by Finance Minister Luigi Preti, a Social Democrat.<sup>30</sup> The new project resulted from the works of a new commission led by tax lawyer Bruno Visentini,<sup>31</sup> who took the direction of tax reform after the resignation of Cosciani.<sup>32</sup>

25 Cesare Cosciani, *Vecchie e nuove impostazioni della finanza pubblica*, in: *Giornale degli Economisti e Annali di Economia* 19.7/19.8, 1960, p. 443–461.

26 Cesare Cosciani, *L'imposizione progressiva nei paesi sottosviluppati*, in: *Moneta e Credito* 53, 1961, p. 3–16.

27 Cesare Cosciani (ed.), *Stato dei lavori della commissione per lo studio della riforma tributaria*, Milano 1964. About the 'Cosciani proposal', see Antonio Pedone, *Origins, Design, Implementation and Shortcomings of Cesare Cosciani's Tax Reform Proposals*, in: Bruno Bises (ed.), *Tax Design. Lessons From the Italian Commission on Tax Reform Fifty Years Later*, 2014, p. 25–38.

28 *Imposta sul Reddito delle Persone Fisiche (Natural Persons Income Tax)*.

29 Paul Ginsborg, *A History of Contemporary Italy. Society and Politics 1943–1988*, London 1990, p. 273.

30 Law 24 July 1967, N. 4280.

31 A leading figure of the Republican Party, Visentini was at the time the vice-president of IRI, the Italian holding of state-owned companies and banks. Between 1972 and 1995, he was a member of parliament for the *Partito Repubblicano Italiano*.

32 Cosciani complained about the lack of political will to implement an effective tax reform. See Cesare Cosciani, *La riforma tributaria. Speranze e preoccupazioni*, in: *Moneta e Credito*, 79, 1967, p. 243–264. Despite the change in the presidency, most of Cosciani's commission members sat also in Visentini's commission. Quite interestingly, both commissions consisted of public finance experts, with the very limited participation of politicians. Trade unions and employers' federations submitted written reports presenting their proposals. See Cosciani (note 27), p. 7.

During the parliamentary discussion, the Communists argued that the reform had rather negative consequences for workers.<sup>33</sup> The new progressive income tax had much lower allowances for labour incomes than Vanoni's proportional tax, thus enlarging the number of taxpayers among the lower income groups. Furthermore, the new system reduced the difference in tax rates between capital income and labour income, mostly at the expense of the latter. In fact, as Communist MPs maintained, workers had no way to avoid the higher tax rates, while the self-employed and entrepreneurs could easily under-report their income when filling the tax return. After some minor technical changes and cross-examinations in parliamentary commissions and despite the criticism, the reform was finally approved in October 1971 with 239 votes to 179. The bill was supported only by the DC and the Socialists, within the framework of the moderate centre-left government of the Christian Democrat Emilio Colombo. Quite significantly, the reformist *Partito Repubblicano Italiano*, a member of the government coalition and party of Visentini himself, decided to abstain.

The progressive scale of the new income tax ranged from 10 to 72 per cent, with very limited tax allowances. However, the rest of the reform was very different from Cosciani's 1963 proposal. The envisioned wealth tax was transformed into a proportional surtax on capital incomes (ILOR),<sup>34</sup> and the capital gains tax was limited to real-estate price increases. Moreover, a few months after the enactment of the reform, income from bonds and stocks was exempted from the progressive income tax and subject to a flat rate tax.<sup>35</sup> In the following years, many other types of income (such as artisans' incomes and real estate rents) were subtracted from progressive taxable income. Nowadays, in fact, the progressive income tax affects only wage earners and pensioners. In 2016, entrepreneurs and self-employed taxpayers accounted for only 8 per cent of progressive taxable income.<sup>36</sup>

Even though the purpose of the reform was a fairer distribution of tax burden without any increase in the total amount of tax revenue, the new tax system produced a sharp increase in the tax yield (see Figure 2 below). This is mainly explained by the large base of the new income tax, and by the fact that tax brackets and tax allowances were not indexed to inflation.<sup>37</sup> Between the 1970s and the 1980s, the Italian economy witnessed an average rate of inflation higher than 15 per cent, with peaks over 20 per cent. The rapid increase in nominal wages, which after 1975 were in-

33 Legge 9 Ottobre 1971, n. 825. Delega legislativa al Governo della Repubblica per la riforma tributaria e Relazioni Parlamentari, Roma 1971, p. 252.

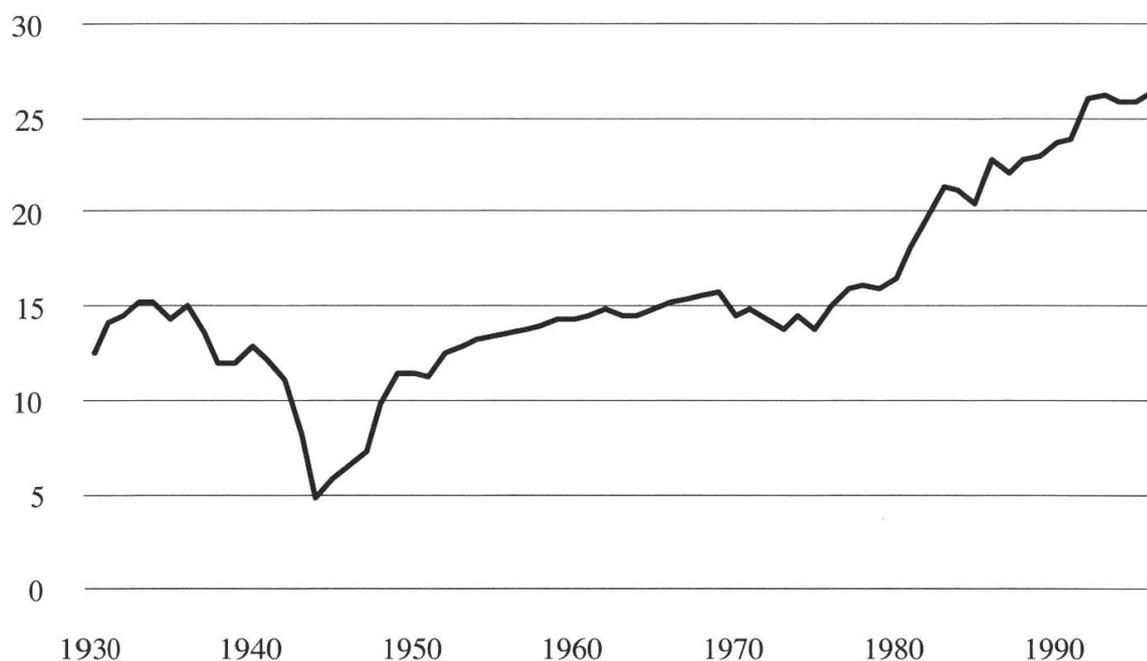
34 Imposta Locale sui Redditi (Local Income Tax).

35 Pedone, L'evoluzione del sistema tributario italiano p. 55.

36 Massimo Baldini, Leonzio Rizzo, Flat tax. Parti uguali tra disuguali?, Bologna 2019, p. 100.

37 Giorgio Fuà, Emilio Rosini, Troppe tasse sui redditi, Roma 1985, p. 24–25.

Figure 2: Tax Revenue in Italy, 1930–1996 (as a percent of GDP)



Sources: Author's elaborations on data provided by Ragioneria Generale dello Stato, *Il Bilancio dello Stato Italiano dal 1862 al 1967*, Roma, 1969 and *Rendiconto generale della Amministrazione dello Stato*, Roma, 1967–1996. Data on GDP are from Alberto Baffigi, *National Accounts 1861–2011*, in Gianni Toniolo (ed.), *The Oxford Handbook of the Italian Economy since Unification*, Oxford 2013, pp. 631–712.

dexed to inflation,<sup>38</sup> resulted in a dramatic increase in the tax rates for low-income workers. In less than a decade, the share of direct taxes dramatically increased from 30 per cent to almost 60 per cent. Ironically, during parliamentary debates, the Communists complained that the reform did not address enough the imbalance between indirect and direct taxation.<sup>39</sup>

The progressive reform had then a rather regressive impact, well beyond the intentions of its authors. Some elements of criticism were foreseeable already before its final approval in parliament. The low level of allowances for labour incomes were already stressed by Communist MPs, while the missed indexing of tax brackets to inflation was pointed out as a problem in the non-binding technical report of the *Consiglio Nazionale dell'Economia e del Lavoro*.<sup>40</sup> However, other elements were

38 Emanuele Felice, *Ascesa e declino. Storia economica d'Italia*, Bologna 2015, p. 288.

39 Legge 9 Ottobre 1971, n. 825. Delega legislativa al Governo della Repubblica (note 33), p. 271.

40 Consiglio Nazionale dell'Economia e del Lavoro, *Parere sul disegno di legge recante delega al governo per la riforma tributaria*. Assemblea 26 luglio 1968, 101/70, p. 182.

not foreseeable. The 1973 oil crisis, which led to a dramatic price-wage spiral, came as an unexpected external shock. Finally, it has to be noted that revenue increased at no expense for the government. Thanks to inflation, the system automatically produced a growing revenue. There was no reason for the government to stop it, especially considering the swelling budget deficits of the 1980s.

Although Italy was among the first countries to introduce a modicum of tax progressivity in the interwar period, she was definitely a latecomer in the establishment of a broad-base progressive income tax. At the end of the Second World War, the US, Britain, and Germany all had a large and steep progressive income tax. On the contrary, Vanoni's system still relied on proportional taxes with a mild narrow-base progressive surtax. Italy did not have her 'Era of Easy Finance' – to use Elliott Brownlee's category – until the 1970s, after the implementation of the Cosciani-Visentini reform.<sup>41</sup> By this time, however, most of the Western countries were already reforming their tax systems in an opposite direction.

## Conclusion

Although tax progressivity was stated in the Italian constitution, such a principle remained far from being implemented in the first decades of the Republic. Vanoni's reform of 1951 redistributed the tax burden in a fairer way but did not modernise Italian taxation, which remained rigid and inefficient. Direct taxes continued to account for less than 40 per cent of state revenue and progressivity affected only the very small-base surtax. An attempt to implement a modern tax system appeared only in the 1960s, within the reformist program of Fanfani's centre-left government. However, the change in political equilibria soon altered the original proposal, resulting in a confused reform, which eventually increased the revenue but reduced the progressivity of taxation.

Both the weakening of Vanoni's reform and the failure of Cosciani's proposal were the result of the opposition from within the leading party in Italy, the DC. Since the Communist Party, the main opposition party, was not allowed to take part in the majority because of the pressure from key Western allies, Italian reformists had to rely on the DC's left wing. However, DC social reformers were only able to gain

41 On the 'Era of Easy Finance' see W. Elliot Brownlee, *Federal Taxation in America. A History*, Cambridge 2016, p. 149. The concept refers to the period between World War II and the 1970s, when US tax revenue increased thanks to economic growth and inflation, without any legal increase of tax revenues. On Britain, see Martin Daunt, *Just Taxes. The Politics of Taxation in Britain 1914–1979*, Cambridge 2002, p. 176–177. On Germany, Marc Buggeln, *Die Debatten um staatliche Zugriffsmöglichkeiten auf den privaten Reichtum. Der Einkommensteuerspitzenatz in Deutschland 1871–1955*, in: *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, 105/3, 2018, p. 354.

the leadership of the party on a few occasions. For most of its history, the party was led by a moderate centre which opposed radical reforms to preserve the support of the conservative electorate, which was a fundamental element of DC political consensus.

In conclusion, compensatory arguments did not constitute a primary factor for the Italian tax reforms of the 1950s or 1970s. On the contrary, the main arguments for increasing tax progressivity relied on equity, but equity was limited to the redistribution of the existing tax burden. Taxation as a means for income redistribution in order to tackle inequalities was rarely considered, either in the theoretical debates or in actual reforms. Reforms of progressive taxation during both the 1950s and 1970s were not intended to increase revenue but motivated by economic efficiency. Once progressivity became a potential tool for fostering economic growth, even DC moderates supported tax reform, as long as it did not jeopardise the electoral consensus. In this, a crucial role was played by the diffusion of Keynesian economic thought. This diffusion permitted to move from Vanoni's mild demand for social justice to Cosciani's steeply progressive scheme. However, the theoretical embrace of tax progressivity was not sufficient to implement an actual progressive tax system. The 1970s tax reform succeeded in introducing broad-base progressive taxation but, as a matter of fact, progressive taxation primarily affected labour income. Tax progressivity for capital income was much more modest, and was implemented without any real effort to tackle rampant tax evasion. To conclude, the principle of progressive taxation, in the spirit of a fairer distribution of tax burden as stated in the 1947 Italian Constitution, has therefore mostly remained on paper.

