

***BETWEEN TWO WORLDS:
RICCARDO BACHI'S WORK AS APPLIED ECONOMIST AND SIONIST THINKER
(1875-1951)
(First draft)***

Giovanni Pavanelli (University of Turin) – Letizia Pagliai (University of Turin)

1. Riccardo Bachi (Turin, 1875-Rome, 1951) was an influential Italian applied economist and statistician. He wrote several path-breaking essays and monographs on economic fluctuations and business cycles, on the methodology of Index numbers, on monetary and fiscal policies and on modern Italian economic history. After a brilliant career as civil servant at the Italian Ministry of Agriculture, Industry and Commerce, he started from 1915 to teach statistics and economics at several Italian universities.

From the 1920s, Bachi – who was born into a Jewish family – strengthened his interest in the Jewish culture and religion and in the history of the Jewish people, writing several articles on this subject, whilst continuing to carry on an intense research work in applied economy. At the same time he started to advocate Zionist ideals and the Jewish colonization of Palestine, then under the British mandate.

In October 1938, as a consequence of the enforcement of racist measures by fascist government aimed at discriminating and segregating the Italian citizens of Jewish origin, Bachi was expelled from the University of Rome. The following year he decided to emigrate to Palestine with his wife. He settled in Tel Aviv and started to teach a course of economics at the “School of Law and Economics”, now University of Tel Aviv.

After the defeat of fascism, Bachi was reinstated by the new Italian democratic government in his post at the University of Rome and in 1946 he opted to come back to Italy. He maintained, however, close ties with Israel, to whose economic achievements and problems he dedicated a few of his last essays.

This paper aims at assessing Bachi’s fairly original but now largely neglected work as statistician and applied economist. It then analyses his studies on Jewish culture, on the social and economic consequences of the Jewish emigration in Palestine in the interwar period and on the economic conditions of Palestine, then Israel, from the 1920s to the 1940s. A major point of this research is to analyse Bachi’s intellectual achievements as economist but also the interactions between two crucial aspects of Bachi’s intellectual life and work: on the one hand, as civil servant and scholar, he was member of the post-Risorgimento liberal elite who thrived to consolidate the Italian state and society; on the other hand as an active member of the Italian Jewish community he dedicated some of his best energies to analyse the deep religious and cultural heritage of his community whilst at the same time advocating, as a believer in Zionist ideals, the realization of these ideals in the then British mandate of Palestine.

2. Riccardo Bachi was born in Turin, the former capital of Italy, in 1875 from a Jewish family of modest origins [his father, Israele, was a goldsmith]. Both parents were religious and Riccardo Bachi attended the Jewish primary school. He then enrolled to a secondary school in accounting, which would have paved him the way to a job in the business sector. There he got brilliant results: he emerged as the best student in his class and got an honour medal from the local chamber of commerce.

This opened him the access to higher education. According to the rigid and classist Italian educational system of the time, a secondary degree in business and accountancy was not a sufficient prerequisite to attend the University; it opened access however to the newly created “Regia Scuola Superiore di Commercio” (High school in trade and business). The best of them was the Scuola

Superiore of Venice, founded in 1868 by the Italian economist Francesco Ferrara. Courses there included not only business and accountancy but also political economy, economic policy, law and foreign languages. Bachi enrolled there and graduated very successfully in accounting (1896) and French language (1897).

Immediately after (in 1896) he accepted teaching positions in secondary schools (first near Ancona, than in Vicenza). After three years, in 1900, he became secretary of the “Museo Industriale”, a high school for technical education which later merged in the Politecnico of Turin (University for Engineering and Applied sciences). Turin at that time was a leading centre in social sciences and particularly in political economy, thanks to the catalysing role played by the “Laboratorio di economia politica” a research centre in theoretical and applied economics founded in 1893. Bachi became an active fellow of the “Laboratorio” attending conferences and seminars and he became acquainted with some of the Italian leading economists of the time: Achille Loria, Giuseppe Prato, Luigi Einaudi, Attilio Cabiati.

Even before joining the Laboratorio, Bachi had already published several articles on the history of accountancy. Once in Torino, he focused his research particularly on the first experiments of municipal services in Great Britain, United States and Australia, publishing several articles on this subject on *La Riforma Sociale*. He also analysed the evolution of technical and commercial education in Italy and some aspects of the Italian labour market. His contributions in this field allowed him to enter in contact with Giovanni Montemartini, an economist linked to the socialist movement who in 1902 had become general director of a newly established Labour office (then Labour and Statistical office) at the Italian ministry of agriculture, industry and trade. Montemartini who, amongst other activities, was the author of the first Italian law of municipal service, appointed Bachi as editor of a newly established statistical bulletin of the Ministry.

This new position allowed Bachi to improve his knowledge of the statistical techniques needed to measure economic fluctuations and particularly the price movements. In this period Bachi started his work of systematic collection and interpretation of the statistical data related to the Italian economic conditions which set the basis of many of his publications in the followings years. Amongst those writings, we mention here *L'Italia economica*, a systematic survey of the economic conditions of Italy published yearly from 1909 to 1921 who was highly praised by scholars and policy makers and circulated also outside Italy. In a review to the 1911 edition of *L'Italia economica*, published on *The American Economic Review*, R.F. Foerster wrote:

«This annual compendium of economic and social developments in Italy deserves wider use [...]. To students who, for their knowledge of Italian affairs, have been forced to cull from scattered and ill-edited sources, the volume should be of signal utility» (Foerster, 1912, p. 888)

A very positive comment was also expressed by Gaetan Pirou on *Revue d'économie politique*. Commenting on the 1919 edition of the work, Pirou wrote that *Italia economica* was become «an essential instrument of work and references for all those who are interested in Italian economic life». His work, which he carried on mainly without the help of a statistical institution, enabled him to elaborate an index number of wholesale prices (the ‘Bachi’s Index’). This was a weighted price index, based on an increasing number of goods (140 in the early 1930s). The Bachi index was frequently quoted, as the only reliable wholesale price index in Italy, by the *Bulletin* of the US Federal Reserve Board and largely used by scholars in Italy and abroad during interwar period (cf. amongst others, Snodgrass, 1922; Warren-Pearson, 1935; Miller, 1938).

Thanks to his strenuous effort in this sector, in 1914 Bachi won an open contest as professor of statistics and in 1915 started to teach this discipline at the University of Macerata. In 1924 he moved to the University of Parma and two years after at the University of Genoa. In 1927 he became full professor of economics at the “Istituto Superiore di Scienze Economiche e Commerciali” of Rome.

During there years he broadened his field of research, writing several essays on the consequences of the World War I for the Italian economy and society (Bachi, 1918a; 1918b; Bachi 1918c). In 1926 he wrote on this subject a monograph which was published in the collection promoted by the Carnegie Foundation (*L'alimentazione e la politica annonaria in Italia*). He also wrote

methodological and theoretical essays on economic fluctuations and stabilization policies (Bachi, 1919 and 1929) and on the economic history of Italy during the XIX century, particularly the history of the Italian savings banks and the financial and fiscal problems during the Risorgimento.

To this intense research work he added a complex work as economic advisor, at first during the Peace Conference of Versailles and later with Alberto de Stefani, at that time minister of finance.

From the second half of the 1920s, Bachi – partly as a consequence of a familiar tragedy (the loss of his oldest son) – strengthened his interest in the Jewish culture and religion and in the history of the Jewish people, writing several articles on this subject. These contributions will be analysed in the section 2 of this paper.

These new interests did not hinder his work as economist and statistician. In the 1920s and '30s he wrote several entries for the *Enciclopedia Italiana*, promoted by Giovanni Gentile, probably the most ambitious cultural achievement in the interwar period. He also continued his work on the wholesale price index, publishing a monthly survey of the available data on *Rivista di Politica Economica*.

At the end of the 1930's he published the *Principii di scienza economica* (1937-39, in 2 vols.) a well documented and theoretically up to date textbook of economics. The first part of this textbook included three sections: "individual economics" (the economic activity of an isolated individual); "social economics" (the analysis of price formation in the market) and "corporate economics".

The second volume dealt with money and credit, international economics and economic crises.

This text was commented very favourably by Oskar Lange in a lengthy review on the *Journal of Political Economy*. Bachi's work, wrote Lange was written «with admirable lucidity and simplicity of style. The exposition is illustrated by very skilfully chosen diagrams and where necessary by some simple mathematical symbols» (Lange, 1939). Bachi, argued Lange, combined successfully the Marshallian, the Austrian and the Walras-Paretian tradition: «The exposition is far from being eclectic. The three different traditions of modern economic theory are thoroughly assimilated [...]».

The only criticism raised by Lange was Bachi's presentation of Fascist corporative economy. In Bachi's view, wrote Lange, corporatism was presented as a «liberal institution», in terms of «good old Pigouvian welfare economics»:

«About the role of the corporative system in preparing the country for autarky and war the reader is scarcely informed [...] nor he is informed about the utilization of the corporative system as a means of political domination of the whole economic and social life of the country by a single political party» (Lange, 1939, p. 594).

3. Historiographic debate have been focused hitherto almost exclusively on Bachi's warfare economics (Bientinesi, 2012; Santillo, 2016), leaving out his contributions with reference to Jewish issues, despite it may be considered a relevant legacy. If we closely examine his contributions on Jewry, we count 36 articles from 1914, when he reviewed a book of mitteleuropean culture, *Die Memoiren* by Glückel von Hameln, a seventeenth century German businesswoman born from a family of Jewish origin. This first book review threw a light on his origin and religious identity. Since 1926 have begun his systematic articles on subjects as linguistic researches, biographical sketches, cultural and business problem in the Land of Israel, or in economic and statistical literature of Palestine. He had published them on journals like *Israel* (Rome-Florence), *Madregoth: revue de la vie juive* (Tel Aviv), *Zion* (Jerusalem), the *Bulletin of the Economic Research Institute of Jewish Agency for Palestine* (Tel Aviv), *Giornale degli economisti*, but mostly on *La Rassegna mensile di Israel* (Rome), to which he collaborated also as book review editor.

These contributions represent both a strengthened of Bachi's religious belief and his Zionist vision which features his works on Jewry since 1928, as we will explain further, until the end of his life.

The relevance of these works is supported by his human and academic experience, entangled both the Italian history, from the start of Mussolini's prime ministership through the end of the Second World War, and Palestine. During this period the main aim of Bachi was to understand the historical and religious conditions that make possible the foundation of a forthcoming Jewish state

in British mandate and attempt to provide some answers to the question posed by new Palestinian political economy (Bachi 1940; 1941).

To articulate guidelines for understanding how the political movement, founded by Theodor Herzl with booklet *The Jewish State* (*Der Judenstaat*, 1896), traverses the permeable borders of economics and religious perspective, we frame his first academic years rooted in a socialist worldview. For Italian Jewry, constituted a minority with a rich and multifaceted history, the half of eighteenth century didn't have delineate an inevitable secularisation in the country's modernization, but rather an assimilation to the legal and political Italian practice.

Indeed, the emancipation of the Jews, that is, their attainment of equal rights, had already been promoted in Tuscany by the Lorraine rulers and by Napoleon's armies. It was reconfirmed in 1848 by the first Italian constitution, the Statute of Charles Albert of Sardinia, and then fully established when the Kingdom of Italy was proclaimed in 1861. Having been active participants in the major events of the Risorgimento, the Jews of Italian diaspora, full-fledged citizens, made significant contributions to the country's economic, cultural, social and political life (Toscano, 2005). The post-emancipation ultra-liberal climate of the early twentieth century reduced Judaism to a simple and personal religious phenomenon. World War I marked the period of the greatest assimilation of Italian Jews and their greatest sense of closeness with the rest of the population. Jews shared the patriotism of the majority of Italians both on the battlefield and at home. They often volunteered for military service and some rabbis served as their chaplains. After World War I, Jewish attitudes toward fascism were much like those of other Italians, due to the unclear attitude Mussolini displayed toward the Jews in the 1930s, prior to 1938: some were for it, i.e. like the outspoken fascist professor Gino Arias (Ottonelli, 2014), some against. In addition to this, in the early 1930 Fascist foreign policy used the organizations of international Zionism as «pawns in the Mediterranean» (Levi, 2005). Patriotic and nationalistic feelings made it easy for some to join the Zionist movement and new associations and newspaper, despite the integration, were created to strengthen the bonds with Israel. According to the statistician and academic demographer Livo Livi, the European war had brought to the fore the political question of Zionism. In his work (1920), where he confers a large statistic data set, Livi asks himself, after Sombart (1911), the physical anthropologist Fishberg (1911) and Jacobs (1919) about the formidable rise of the Jews in the administrative elite of Western Europe in respect to their small number. Though this statistical evaluation and premise, amongst Jewish scholars who were active in Italy teaching Economics as full professor in the interwar years, only Bachi fully joined to Zionism. Considering the previous period, at the turn of the twentieth century, one who adhered to the national political movement, was Carlo Angelo Conigliani (1868-1901), professor in the field of Finance in the University of Modena (Bellanca, 1988) and founder of the monthly magazine *L'Idea Sionista*, inspired by «the promotion and explanation of the Zionist ideals». The second economist was prof. Arias, already mentioned, but despite its many publications, his adhesion to Zionism was limited in time.

4. As for the new setting in Palestine, Bachi spell out the new state established in colonies by Israelitic groups from east Europe in "La Palestina ebraica", series of relevant articles published in *La Stampa* (1928), a diary of his trip in the Land of Israel, as member of Italian Zionistic Federation. Only three years before, the economist Charles Gide made a similar trip to inaugurate the University of Jerusalem and then tell about it at the conference organized at the Sorbonne on the initiative of Keren Hayesod (see *Israel*, X, 13, 26 March 1925, p. 2).

In the summary of his trip, Bachi informed about the possibility of creating source of both profit and social value. The new society also would create comprehensive modern Jewish statistics to help matters run smoothly. This program will then be pursued in Palestine by his son Roberto, statistician at the University of Genoa.

References

- Bachi, R. (1914), *Una autobiografia ebraica*, «Coenobium», a. VIII, marzo, pp. 21-23.
- Bachi, R. (1940), *Peculiarities in the economic life in Palestine*, Tel Aviv, School of Law and Economics.
- Bachi, R. (1941), "Palestine foreign Trade: variations in quantities and price level from the year 1939 to the year 1940", *Bulletin of the Economic Research Institute of Jewish Agency for Palestine*, V, n. 4, pp. 1-4.
- Bellanca, N. (1988), "Il «duplice carattere» della finanza pubblica in Carlo Conigliani", in *Annali della Fondazione Luigi Einaudi*, vol. XXII, pp. 307-342.
- Bientinesi, F. (2012). "Una svolta difficile. Il passaggio dall'economia di guerra all'economia di pace negli articoli di Riccardo Bachi sulla stampa quotidiana", *Il pensiero economico italiano*, XX, 1, pp. 85-90.
- Fishberg, M. (1911). *Jews: A Study of Race and Environment*, New York, The Walter Scott Publishing.
- Foerster, R.F. (1912), Review of *L'Italia economica nel 1911*, by Riccardo Bachi, *American Economic Review*, vol. 2, n. 4, p. 888.
- Herzl, T. (1896). *Der Judenstaat. Versuch einer modernen Lösung der Judenfrage*, Leipzig and Wien, M. Breitenstein's Verlags-Buchhandlung.
- Lange, O. (1939), Review to *Principii di scienza economica*, vol. I by R. Bachi, *Journal of Political Economy*, vol. 47, pp. 592-5.
- Levi, F. (2005), *Anti-Jewish Persecution and Italian Society*, in *Jews in Italy under Fascist and Nazi Rule, 1922-1945*, ed. by J. D. Zimmerman, Cambridge, Cambridge University Press, pp. 199-205.
- Livi, L. (1920). *Gli ebrei alla luce della statistica: evoluzione demografica, economica e sociale*, Firenze, Vallecchi.
- Miller, H.S. (1938), "Techniques of Price Control in Fascist Italy", *Political Science Quarterly*, vol. 53, n. 4, pp. 584-98.
- Ottonelli, O. (2014), "Zionism, fascism, racial laws: The case of Gino Arias", *Research in the History of Economic Thought and Methodology*, vol. 32, pp. 83-125.
- Santillo, M. (2016). "Riccardo Bachi: La «città assediata» come metafora dell'economia di guerra", *Il pensiero economico italiano*, XXIV, 1, pp. 51-69.
- Snodgrass, K. (1922), "The Federal Reserve Board's Price Index for Great Britain", *Journal of the American Statistical Association*, vol. 18, pp. 241-7.
- Sombart, W. (1911) *Die Juden und das Wirtschaftsleben*, Leipzig, Duncker.
- Toscano, M. (2005), Italian Jewish Identity from the Risorgimento to Fascism, 1848-1938, in *Jews in Italy under Fascist and Nazi Rule, 1922-1945*, ed. by J. D. Zimmerman, Cambridge, Cambridge University Press, pp. 35-54.
- Warren, G.F. – F.A. Pearson (1935), "Monetary Policy and Prices", *Journal of Farm Economics*, pp. 219-34.