



BANCA D'ITALIA
EUROSISTEMA

The Debate on Money in the XVIII Century

The Case of Italy

by

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Introduction

- This work reviews the lively debate on monetary issues that took place in Eighteenth Century Italy.
- The plethora of new coinages, widespread coin clipping and tinkering with the value of money: all resulted in a confused monetary landscape which hindered the development of trade.
- Monetary reform (i.e. stability of money) was considered by most scholars a remedy to the *monetary Babel* that had grown up over time.



Alzamento

- One of the most discussed topics was *alzamento*; it consisted in “raising” the face value of the coinage (vis-a-vis some ideal or effective currency), without increasing its gold or silver content .
- It is basically equivalent to a debasement i.e. the reduction of the specie content of the currency.

Italian scholars against

- The marquis **Girolamo Belloni**, from Rome, was against manipulations and recurring monetary devaluation....”*I have seen too many "alzamenti" to believe in this panacea*”.
- He focused on the **distributional effects** of the resulting inflation: “*the greatest number of people... who live of wages, i.e. who sale their labor, are damaged by the alzamento: it is the profit of the shopkeepers and the ruin of the poor*”.

Italian scholars against

- A prominent author is **Carlantonio Broggia** (1698-1767), from Naples. He says that currency must remain unchanged in the intrinsic; it can change in its extrinsic, that is the price, according with the relative scarcity or plenty of metals.
- The rule to be followed was different for each case: the cure for rainy days was an **extraordinary (progressive) taxation rather than dangerous monetary maneuvers**. (He was confined to the small island of Pantelleria!).

Italian scholars against

- Gianrinaldo Carli, Geminiano Montanari, and many other.

Ferdinando Galiani

- One voice stands out from the pack: that of **Ferdinando Galiani** (1728-1787). Brilliant economist, he is credited to have anticipated crucial economic concepts like that of marginal utility.
- He wrote his masterpiece, *Della Moneta*, when he was 21. It was published in 1751

Ferdinando Galiani

- He claims that **alzamento** is, in some circumstances, useful.
- It must be used only in **exceptional circumstances** and by a government that has firm authority, an illuminated monarch, such as (guess who?) Carlo di Borbone, ruling in Naples



Ferdinando Galiani

- *“The raising of the currency generates a profit [for the prince] that depends on the slowness with which people change the connection of the ideas concerning the price of goods and money”.*
- *The effect of alzamento is temporary: «after the alzamento the prices of goods do not change immediately to adapt to it, but slowly, this being the arrangement of the human mind. **Any impact of the alzamento is in the lapse of time that runs between the change made by Prince and that of the people**».*

Ferdinando Galiani

- Minimizes the distributional consequences of the alzamento, and claims that:
 - The really poor people are not the wage earners: “*The true poor is the industrious farmer, the craftsman, the merchant. Of these must one have compassion; and they are the ones who earn from the alzamento*”.

Ferdinando Galiani

- *«The alzamento is akin to bankruptcy, but its damage is spread above all, and is therefore less pungent and acute.»*

Conclusions

- Galiani may be considered the founder of economic dynamics.
- He is deeply aware of the danger of economic depression.
- His arguments lie on the binding hypothesis that the Prince is virtuous : *his virtue fully assures me that he will never manipulate the currency without extreme, almost desperate need.*
- Venturi (1969) is tough on him: “*Galiani was hiding his apology of the official policy of his country*”.