

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

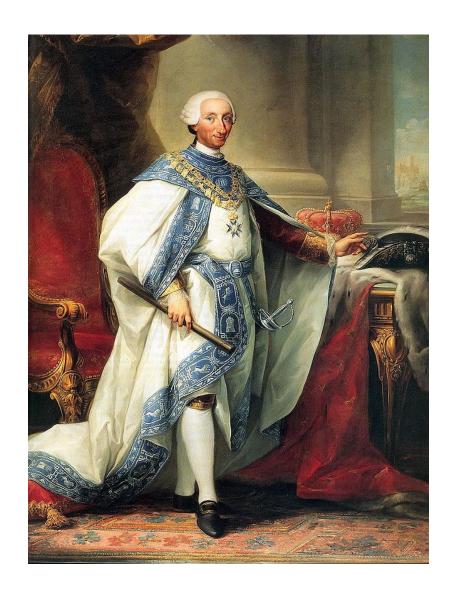
- A prominent author is Carlantonio Broggia (1698-1767), from Naples. He says that currency must remain unchanged in the intrinsic; it can change in its extrinsic, that is the price, according with the relative scarcity or plenty of metals.
- The rule to be followed was different for each case: the cure 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.

- 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

- 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



- "The raising of the currency generates a profit [for the prince] that depends on the <u>slowness</u> 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».

- 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".

• «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".