

# THE DEVALUATION CONTROVERSY IN EIGHTEENTH-CENTURY ITALY<sup>1</sup>

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## ABSTRACT

Following the Succession Wars of the early eighteenth-century, political economists across Italy discussed a range of possible reforms. Among the issues drawing most attention was the complicated problem whether devaluation policies were appropriate means for boosting economic growth. Not only did the issue raise moral and juridical questions, it also triggered profound historical reflections on the evolution of 'commercial societies' out of feudal systems. This article places a number of Italian mid-eighteenth-century ideas of money in their original context of political and intellectual challenges and attempts to draw some of the main dividing lines in this debate.

## 1. Economic decline and the options for reform: the main ideological divide

Around 1750, after the wars of the big Succession Crises of the first half of the century, a number of lawyers, merchants, bankers and political advisors across Italy saw themselves confronted with the challenge to develop strategies for the revival of Italy's commerce.

At the time, the economy of the Italian peninsula was seriously underdeveloped, compared with other parts of Europe, for which there were a number of reasons. During the Spanish, Austrian and Polish Succession Crises, Italy had been a main battleground. Contemporary observers, such as the Neapolitan Ferdinando Galiani and the Milanese government official Gian Rinaldo Carli, noted that although the wars that were fought across Italy had attracted money, they had also upset the population distribution and the normal processes of economic growth.<sup>2</sup> The influx of foreign currencies during this period resulted in great monetary confusion, which harmed the efficiency of domestic markets.<sup>3</sup>

Moreover, while the Kingdom of Naples had become independent in 1734 under Charles of Bourbon, and Tuscany had a new reform government under Francis Stephen and, later, Peter Leopold, in the north of the country the political-military situation was not stable yet after the

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<sup>1</sup> An earlier version of this article was presented at the 2<sup>nd</sup> Workshop on the History of Economics at the Certosa di Pontignano, near Siena, in November 2004. I benefited from comments by Donald Winch, Marco Guidi, Philippe Steiner, Roberto Romani, Giovanni Pavanelli and Maria Cristina Marcuzzo, as well as by two anonymous referees.

<sup>2</sup> GIAN RINALDO CARLI, *Delle monete e delle zecche d'Italia*, parts I and VI, in *Scrittori Classici Italiani di Economia, Edizione moderna* (ed. by P. Custodi, Milan, 1804), pp. 357-66, see also GIAN RINALDO CARLI, *Opere* (Vol. XIII, Milan, 1784-7), pp. 55-6, cited by G. FELLONI, *Il mercato monetario in Piemonte nel secolo XVIII* (Milan, 1968), pp. 12-3. FERDINANDO GALIANI, *Della moneta e scritti inediti* (eds. Alberto Caracciolo & Alberto Merola, Milan, 1963), p. 8.

<sup>3</sup> GALIANI, *Della moneta*, pp. 8-9.

peace of Aix-La-Chapelle of 1748. The Austrian authorities in Italy, eager to expand their rule to the west and south, struggled to maintain the economic order in their Lombard territory, while suffering from the poor state of Austrian finances. Simultaneously, the former realm of Savoy, now the Kingdom of Sardinia, under Charles Emmanuel III, in turn, posed a threat to Genua's independence.

Finally, the economies of Italy had been declining during the seventeenth century. Manufacturing industries increasingly failed to compete with much cheaper and more fashionable northern-European goods. As a result of high labour costs, outdated institutional organisation (industries were often still ruled by guilds) and relatively high taxes, Italian exports went down and the country increasingly became dependent upon its agricultural sector.<sup>4</sup> While imports of manufactured (luxury) goods rose, this put the balance of trade under pressure, which caused governments to alleviate the pressure by devaluing the coin.<sup>5</sup> Thus, Italy lost its position, which it established during the Renaissance, as a dominant manufacturing country and became an exporter mainly of primary products. Consequently, by becoming an old-fashioned agricultural economy, a class of landed property holders assumed political power, which drove Italy back into feudal structures.<sup>6</sup>

In order to turn the tide, a number of eminent reformers across Italy examined the possibilities for small Italian states to develop their economies by means of financial policies by tuning into the main European currents of thought.<sup>7</sup> The English recoinage crisis of the 1690s, in which John Locke was understood to be the main opponent to a proposed devaluation<sup>8</sup>, and, even more so, the French debate on finances in the aftermath of the collapse of John Law's revolutionary Mississippi Scheme, produced a wide range of ideas about how economic growth could be stimulated politically.

The most influential, as well as controversial, work in this French context was Melon's

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<sup>4</sup> CARLO CIPOLLA, 'The economic decline of Italy', in: *Crisis and Change in the Venetian Economy in the Sixteenth and Seventeenth Centuries* (ed. Brian Pullan, London, 1968), pp. 127-45. T. WAHNBAECK, *Luxury and Public Happiness: Political Economy in the Italian Enlightenment* (Oxford, 2004), pp. 83-5, 138-40, 154. D. CARPANETTO & G. RICUPERATI, *Italy in the Age of Reason* (London, 1987), chapters 1-5, D. SELLA, *Italy in the seventeenth century* (London 1997).

<sup>5</sup> CARLO CIPOLLA, *Le avventure della lira* (Milan, 1958), pp. 63-4.

<sup>6</sup> CIPOLLA, 'The economic decline of Italy', pp. 142-5.

<sup>7</sup> The most important study of this debate is still FRANCO VENTURI, 'Il dibattito sulle monete', *Settecento riformatore, Da Muratori a Beccaria* (vol. I, Turin, 1969), pp. 443-552. See also U. TUCCI, 'Moneta e riforme monetarie nell'Italia del settecento', *Rivista Storica Italiana* (1986), pp. 78-119, M. AMATO, 'Dal "dibattito sulle monete" al *Della moneta*: riforme, monete, calcolo e intelletto da Muratori e Beccaria a Galiani', *Rivista Storica Italiana* (1996), pp. 836-56, C. CAPRA, 'Riforme finanziarie e mutamento istituzionale nello Stato di Milano: gli anni sessanta del secolo XVIII', *Rivista Storica Italiana* (1979), pp. 313-68.

<sup>8</sup> J. LOCKE, *Locke on money* (ed. Patrick Kelly, II Vols., Oxford, 1991).

*Essai politique sur le commerce* (1734, 1<sup>st</sup> edition).<sup>9</sup> The book was the fruit of an analysis of how France could overcome the enduring negative effects of seventeenth-century politics on the state's finances under Louis XIV and Colbert. Melon's message was the opposite of the radical (moral and economic) critique of Colbert's pro-manufacturing policies, which was most famously expressed by Fénelon, in his *Les aventures de Télémaque, fils d'Ulysse* (1699).<sup>10</sup> Fénelon proposed a set of reforms that reinstalled a more natural economy, based on agricultural productivity, and reduced the inequality of social status introduced by luxury to a mere difference of people's natural capabilities. Arguing against this heavily moralising type of argument, Melon had reconsidered what went wrong under Louis XIV and drew the conclusion that Colbert's pro-luxury economic policies had not necessitated conquest (as Colbert's critics argued), but rather mitigated the disastrous effects of Louis' territorial military strategies.<sup>11</sup>

Criticising the way in which governments in modern Europe mixed power politics and political economy, Melon argued that modern forms of imperialism as means to increase power and wealth were as self-defeating in the modern world as purely military conquest. Instead, national governments had to focus on their domestic economies. Thus, on Melon's principles, states in the modern world were much more equal than before, when power still ruled wealth.<sup>12</sup> Their future depended on whether politicians managed to induce a popular 'spirit of commerce' [*l'esprit du commerce*].<sup>13</sup>

Melon also made clear that commercial development required decisions about its direction. In his view, the supply of agricultural goods was the basis of any national economy.<sup>14</sup> But, because the growth of agricultural productivity was related to natural resources and therefore strongly limited, it could not be the foundation of superior national wealth. In the modern world competition between states revolved around the productivity increases and technological development of manufacturing industries. Such competition inevitably caused luxury and inequality within societies.<sup>15</sup>

Furthermore, to lift France out of its dire debts situation and boost economic growth,

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<sup>9</sup> JEAN-FRANCOIS MELON, *Essai politique sur le commerce, nouvelle edition* ([Paris], 1736).

<sup>10</sup> FRANÇOIS DE SALIGNAC DE LA MOTHE FÉNELON, *Telemachus, Son of Ulysses* (ed. & trans. Patrick Riley, Cambridge, 1994 [1699]). For the wider movement that Fénelon was part of see L. ROTHKRUG, *Opposition to Louis XIV: The Political and Social Origins of the French Enlightenment* (Princeton, 1965).

<sup>11</sup> See I. HONT, Chapter 14, 'Luxury and Commerce', in *Cambridge History of Eighteenth-Century Political Thought* (eds. M. Goldie & R. Wokler, Cambridge, 2005).

<sup>12</sup> For the wider context of this debate, see the introduction of I. HONT, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge MA, 2005).

<sup>13</sup> MELON, *Essai politique sur le commerce*, ch. 1, 3-11.

<sup>14</sup> *Ibid.* ch. 1-3.

<sup>15</sup> *Ibid.* ch. 9.

Melon proposed a devaluation of the currency. He argued that the government of a state that was facing a great public debt (such as France at the time) might consider taking recourse to devaluationist measures in order directly to relieve its debt and to provide the economy with a boost that was generated through the redistributive effects of debt cancellation caused by a change of the nominal value of money.<sup>16</sup>

Melon's ideas were the outcome of a reconsideration of the options for reform in the aftermath of the crisis following the collapse of John Law's Mississippi scheme. Yet, his interventionist proposal reminded many of Colbert's policies. This, in combination with his defence of luxury, meant that it was no surprise that Melon was seen across Europe as a neo-Colbertist in the worst sense of the word. Critics, initially Dutot and Pâris-Duverney, regarded his policy views as favouring the outright manipulation of people's capacities to provide for their subsistence.

Melon's *Essai politique* was criticised first by Dutot, in his *Réflexions politiques sur les finances et le commerce* (1738) and then by Joseph Pâris-Duverney's *Examen du livre intitulé Réflexions politiques sur les finances et le commerce* (1740).<sup>17</sup> Both authors opposed devaluations as unjust and damaging to the economy and the state. Dutot suggested sumptuary laws as an alternative to Melon's proposals. However, from Melon's point of view, sumptuary laws restricted those passions that were ultimately responsible for the acceleration of economic productivity. Pâris-Duverney, in turn, criticised Dutot. He believed Dutot's attack on Melon was a pretext for a general refutation of the French 'ancienne Finance' system and a defence of Law's project. Dutot's views, he argued, could not be reconciled with a critique of Melon.

Set in motion by Melon and his critics, the debate on devaluation, as a means by which governments could influence debt payment within their states and thereby perhaps boost their economies, spread across Europe. The chapters 12 until 20 of his *Essai politique sur le commerce* added a new dimension to the existing debate about economic reform and turned devaluation policies into one of the most hotly debated issues during the late 1730s and 1740s, in France as well as the rest of Europe.<sup>18</sup>

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<sup>16</sup> Ibid. ch. 12-20.

<sup>17</sup> PIERRE DUTOT, *Réflexions politiques sur les finances et le commerce* (The Hague, 1738). JOSEPH PÂRIS-DUVERNEY, *Examen du livre intitulé Réflexions politiques sur les finances et le commerce* (Paris, 1740).

<sup>18</sup> See HONT, *Luxury*, A.E. MURPHY, 'Canons in monetary orthodoxy and John Law', in: *Contributions to the History of Economic Thought* (eds. A.E. Murphy & R. Prendergast, London, 2000), pp. 294-317. For the influence in Italy of Melon see V. FERRONE, *The intellectual roots of the Italian Enlightenment* (New Jersey, 1995), pp. 224-8, 234.

When this debate became influential across Europe, the domestic positions of authors who engaged in these debates were interpreted as directly representing general political ideologies about commerce. This was the case as well in Italy where the mainstream of political economists tried to develop coherent theoretical positions on the value of money that celebrated the benefits of economic growth, but at the same time rejected luxury, as a moral danger to any state's long-term economic development and political strength.<sup>19</sup> These Italian authors preferred agricultural productivity increase to the use of financial policies, and saw Locke and Dutot as the standard bearers of good political economy. Similarly, they considered Melon's *Essai politique sur le commerce*, which brought into focus the positive effects of devaluation policies, to be advocating forms of political abuse of markets that ultimately had to be self-defeating. Yet, as everyone understood, this dividing line, between critics and advocates (under particular circumstances) of devaluation policies, represented a more fundamental ideological schism about the options for economic reform in Italy and across Europe in general in the course of the eighteenth century.

## **2. A cosmopolitan vision of an economic world order**

Among the Italian critics of Melon was Pompeo Neri (1706-1776), a prominent lawyer and government official from Tuscany, who became famous for his role in the census reform in Lombardy in the years after 1750. Neri, born in Florence, studied at the University of Pisa, where he became a lecturer of public law. After having served from 1735 until 1748 in Tuscany as a civil servant, he moved to Milan to accept office under Maria Theresa's Austrian government over Lombardy. As the *Presidente del ufficio del censimento*, Neri immediately became a key figure in a major fiscal and administrative reform.<sup>20</sup> In 1758, Neri moved back to Tuscany, to serve as *Consigliere di reggenza per le finanze* under Peter Leopold. In Tuscany he was responsible, again, for a census reform. Yet, his main achievement was the design of a set of laws that liberalised the grain trade. In support of the reform, Neri published his *Discorso sopra la materia frumentaria*, in 1767, his main work on economic development. Neri's reforms revolved

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<sup>19</sup> See also Italy's literary journals of the time. The *Novelle letterarie* and the *Giornale della letteratura italiana* published long reviews of French and English works, like the French translation by Silhouette of Warburton's critique of Mandeville, that dealt with luxury, commerce and morality. See VIERI BECAGLI, 'L'economia nei periodici del granducato di Toscana. La prima reggenza lorenese (1737-65)', *Riviste di economia in Italia (1700-1900)* (eds. Massimo M. Augello, Marco Bianchini, Marco E.L. Guidi, Milan, 1996), pp. 69-88.

<sup>20</sup> See his work of 1750, NERI, *Relazione dello stato in cui si trova l'opera del censimento universale del ducato di Milano nel mese di maggio dell'anno 1750* (Milan, 1750).

around the idea that agricultural development was the key to economic regeneration.<sup>21</sup> This idea, which harked back to Sallustio Bandini's *Discorso sopra la Maremma di Siena* of 1737, influenced Neri's views on money. In 1751, so during his time in Milan, Neri published his *Osservazioni sopra il prezzo legale delle monete*, a work that has to be seen as a crucial statement in the context of a series of negotiations with the court of Turin to form a 'monetary union'.<sup>22</sup> The *Prezzo legale delle monete* also represent Neri's general theory of commerce and politics.

At the foundation of the work lay Neri's theory of the value of money. Neri adopted the Aristotelean position that the value of money arose out of agreement among people to use gold and silver as representations of goods. 'The metals chosen' to be money enabled human beings to 'communicate their ideas to each other through weights of the materials.' Money prevented a lapse into 'the obscure and confused ancient language' of the pre-commercial 'infancy of the nations', and thereby served the efficiency of people's need satisfaction. According to Neri, precious metals fulfilled 'this function' as money purely by virtue of 'the proportions of their quantity'.<sup>23</sup> In this way, Neri put forward an idea of how quantities of gold, silver and bronze became perfect representations of the values of goods that people traded with each other. Money became an extrapolation of what Neri understood to be pure and true commerce. This was also Neri's interpretation of Locke's position.

Neri argued that states could not arbitrarily fix the nominal value of money, but at their own expense. The authority over the true legal value of money rested forever with the whole of humankind, even after states became the official issuers of coins. Thus, commerce retained its own supra-national character, in spite of any political dimension. Neri considered the popular argument that altering the proportion between the value of gold and silver served to avoid the export of money from a country and argued that if one 'left the proportion at its natural course, without imposing laws to commerce, one would not lose the metals'. Commerce itself 'served as a thermometer' that was 'highly sensitive' and 'readjusts by itself the proportion without any need for laws'. If money became scarce, the price of money would rise, which kept the money from being exported.<sup>24</sup>

The idea that national civil laws were not suitable for fixing monetary relations, reflected

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<sup>21</sup> On Neri, see the obituary published by the *NOVELLE LETTERARIE*, reprinted in *Scrittori Classici Italiani di Economia, Edizione moderna* (ed. by P. Custodi, Milan, 1804), pp. vi-xvi, F. Venturi's introductory note in F. VENTURI, *Illuministi Italiani, III, Riformatori Lombardi, Piemontesi e Toscani* (Milan-Naples, 1958) pp. 945-50, WAHNBAECK, *Luxury and Public Happiness*, pp. 103-4, A. FRANTOIANNI & M. VERGA, *Pompeo Neri: atti del colloquio di Castelfiorentino* (Castelfiorentino, 1992).

<sup>22</sup> POMPEO NERI, 'Osservazioni sopra il prezzo legale delle monete', in *Scrittori Classici Italiani di Economia, Edizione moderna* (ed. by Custodi, Milan, 1804 [1751]).

<sup>23</sup> *Ibid.* pp. 134-8.

<sup>24</sup> *Ibid.* pp. 38-41.

Neri's cosmopolitan idea of the true nature of commerce. Neri believed that in a modern 'commercial nation, everyone who did not live in solitude' had 'his interest linked to foreigners'. The natural 'universal commerce of mankind' united 'the whole society of mankind' into 'one single universal republic'.<sup>25</sup> This understanding of the nature of commerce reflected Neri's belief in that the natural objective of commerce was the satisfaction of people's true physical needs, rather than their acquired luxurious desires. Commerce connected people all over the world in a universal society which had precedence over political societies.

However, the naturally beneficent relation between universal commerce and money had been disturbed, Neri believed, by the eighteenth-century world trade in gold and silver. These metals, especially silver, were still imported in large quantities from South-America and again, especially silver, were exported in large quantities to Asia. This type of trade, which had nothing to do with what Neri considered real commerce, but was inspired by political greed, had already ruined the power and wealth of Spain and Portugal (as was generally accepted at the time). Moreover it confused proper markets. International trade in precious metals led to misrepresentations of the true legal value of gold and silver in relation to each other across the world. Referring to Dutot's tables in his *Réflexions politiques sur les finances et le commerce*, Neri argued that in Spain this proportion was too high, in countries that concentrated on the Asia trade (England, France, the United Provinces) it was too low. Thus, treating gold and silver as real goods disturbed the efficiency of markets, impeded real commerce, and made money a less good instrument for coordinating the processes of economic development than it ought to be by its own nature.<sup>26</sup>

As a potential way to overcome the effects of imperialistic trade by European states, Neri considered the possibility of establishing a concordat between Princes over the value of money. This, Neri realised, required the type of 'European diet' that the abbé de Saint-Pierre had proposed in his plan to reach eternal peace, in which all states gave up their primitive hunger for power. What Neri had in mind was not the establishment of a fixed legal value by fiat, such as people had misinterpreted Aristotle, in order to use his theory to defend political alterations of the value of money. Instead, there should be agreement on, and shared appreciation of, the fact that the establishment of purer, more efficient, forms of commerce was possible if states changed their financial policies.<sup>27</sup>

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<sup>25</sup> Ibid. pp. 121, 40.

<sup>26</sup> Ibid. pp. 64, 55-6, 36, 45-51.

<sup>27</sup> Ibid. pp. 44, 49-50, for the passages on Saint-Pierre. Here Neri also referred to Scaruffi (see footnote 44). See pp. 119, 327-353 for the sections on Aristotle. Here Neri defended the theories of the ancient jurists, as opposed to Roman practice, notably the devaluation of the *asse*.

With regard to devaluation policies, another biting critique emanated from Neri's views on modern commercial politics. Neri believed that all reforms that interfered with the economy were political attempts to manipulate the commerce of the human race for the sake of reaching global hegemony. Neri regarded pro-luxury policies and a willingness to consider inflationary recoinages as morally depraved neo-Colbertist views that sustained 'jealousy of trade', as Hume famously called the dominant form of competition between states. On the other hand, Neri also regarded radical monetary reforms that counteracted luxury and economic inequality, such as Law's *système*, as entirely unsuitable tools for restoring the state's finances and inspiring people's industriousness. These legitimate objectives required different reforms. Thus, Neri presented Melon and Law as fellow 'projectors' [*progettisti*] who lured governments with chimerical schemes offering them 'lucrative prospects'.<sup>28</sup>

In fact, devaluations disturbed people's perception of the monetary value and were an 'attack' on the 'clarity' of human interactions.<sup>29</sup> Neri referred to John Locke's contribution to a large English debate in the 1690s on inflationary recoinage.<sup>30</sup> He cited Locke and agreed with Dutot's criticisms of Melon that, through devaluation policies, 'the law did [by authority] what clippers did tacitly.'<sup>31</sup> Neri even argued that devaluations affected the well-being of humankind by relegating gold and silver to luxury goods.

"As soon as money acquires some value unrelated to its quantity, that is, for its rarity, its antiquity or its particular beauty, it leaves the category of money and becomes a non-exchangeable good; and who has found himself in countries where arbitrary price reductions have been practised, knows very well that they immediately stagnate the monetary system".<sup>32</sup>

Neri considered the utility of money purely related to it being a sign of wealth. It was true that people could easily value money like any other good, but this meant a degradation of the nature of money that affected its functioning as an institution that confirmed the unity of humankind. Inflationary recoinages had exactly this effect. Thus, Neri's view of the coincidence of markets and sociability entailed an opposition between money (the conventional institution by which people took care of each other's needs) and gold and silver having a value of their own (which was destructive to a natural commercial order aimed purely at direct needs satisfaction).

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<sup>28</sup> Ibid. p. 167.

<sup>29</sup> Ibid. pp. 140.

<sup>30</sup> See LOCKE, *Locke on money*. I will discuss Locke's monetary theories in comparison to Galiani's in the last section of this paper.

<sup>31</sup> NERI, 'Prezzo legale delle monete', p. 166.

<sup>32</sup> Ibid. p. 346.



The political context for Neri's cosmopolitan argument about commerce and his theory of money in his *Prezzo legale delle monete* was the proposal for an eighteenth-century Italian monetary union between Lombardy, Piemonte, and Neri's own Tuscany.<sup>33</sup> The plan entailed a unification of the coinage processes, for which a number of experiments (involving the refinement of the material and the *cementazione*) were performed, of which Neri reported the outcomes in his *Prezzo legale delle monete*. The idea of the monetary union was a reform plan which had as its purpose to make sure that the north of Italy would not slip back any further into a state of economic underdevelopment. By making sure that the prices of gold and silver in the whole region were accurate for a country that was not involved in the abusive trade of gold and silver one precondition would be created for triggering an economic regeneration, first of all by agricultural development. Neri hoped he could persuade the government in Turin.

Neri's reasoning was that if the abbé de Saint Pierre's 'European diet' was impossible, states might still in their own interest accept the same monetary standards and regulations. Yet, with international values of gold and silver being influenced by the international trade in gold and silver this was an illusion. More realistic was the creation of such a unity in Italy alone. However, even this plan was criticised for being naïve. Girolamo Costantini, otherwise someone who shared Neri's ideas, judged that it was a vain illusion to believe that governments would give up their sovereignty to join in a monetary union, whereas they had the responsibility to govern their own economies through monetary politics. The alternative was to restore the old values by recoinage new money at the old standard, such as Locke had proposed in the English Recoinage Crisis of the 1690s.<sup>34</sup> In any case, the Piedmontese government was not persuaded by Neri's arguments and decided to maintain their own standards, in order to be able to profit financially from the geographical advantage of being placed in between France and the rest of Italy. Under Carlo Emmanuel III, the Kingdom of Sardegna instead chose to carry out a major recoinage of the present coin and clean the monetary system that had existed since the great monetary unification of Piedmontese currencies in 1717.<sup>35</sup> Simultaneously, in Piemonte, bills of credit, which had been introduced for the first time in 1746, were seen as the future of monetary reforms.<sup>36</sup> Thus, Neri's cosmopolitan vision was disrupted.

Neri's plans were supported, in practice as well as theoretically, by Gian Rinaldo Carli (1720-

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<sup>33</sup> See VENTURI, 'Il dibattito sulle monete', pp. 468-72.

<sup>34</sup> Ibid. pp. 513-4.

<sup>35</sup> See FELLONI, *Il mercato monetario in Piemonte nel secolo XVIII*, for the reforms of 1755, pp. 3-8, 97-9, 108-11, 152-3, 239-43.

<sup>36</sup> For the reforms of 1746, ibid. pp. 7, 171-94. See also VENTURI, 'Il dibattito sulle monete', p. 473.

1795). Carli studied in Padua, where he dedicated himself to a large variety of subjects and became a scholar of classical antiquity. In 1744 he became a professor of nautical science and astronomy, before he moved to Turin in 1753, and immediately thereafter to Milan, where he immediately became friends with Pompeo Neri; an intellectual and political friendship which resulted in 1754 in the publication of the first volume of *Delle monete e delle zecche d'Italia*, of which a first part had already been published, in Venice, in 1751. In 1764, after completing his work on money and various other economic writings (e.g. *Saggio politico ed economico sopra la Toscana fatto nell'anno 1757*, and a moral treatise *Istituzione civile, ossia elementi di morale per la gioventù*, published in 1754), Carli was elected by the court of Vienna *Presidente del Supremo Consiglio di Economia*, over his competitor, and later rival, Pietro Verri. From 1771 onwards he became *Presidente* of the new *Magistrato Camerale*, until 1780.

As a government official Carli took part in the census reform and continued to play an important role in the field of financial politics following the failed attempt to establish an Italian monetary union. After publishing his earlier works on money in the context of Neri's plan for a monetary union, in later years Carli would design new proposals for the reform of the Lombard currency system, e.g. in his *Osservazioni preventive al piano intorno alle monete di Milano* (1766), which was followed in 1776 by a new reform proposal for the cleansing of the money supply, dedicated to the State Chancellor, Kaunitz.<sup>37</sup> In those years Carli contributed to the journal *Il Caffè* led by Pietro Verri. His most famous article, of 1765, was the patriotic manifesto *Della patria degli italiani*, which Verri intensely disliked. Carli, in turn, wrote a number of critical notes of Verri's *Meditazioni sull'economia politica*, which were published anonymously in 1774. Retired from service in the administration, Carli still produced a number of books. He returned to the favourite subject of his youth in his *Antichità italiche* (1788-1790), and, interestingly, published his *Della disuguaglianza fisica, morale e civile degli uomini* (1794), a major moral philosophical critique of neo-Hobbesian arguments in Rousseau, whom Carli accused of not having understood anything of equality in antiquity.

Carli was a cosmopolitan reformer who shared the same ideological affinities with Neri. Yet, although he believed that free grain trade was crucial for economic development and that agricultural productivity was key, he disagreed with the physiocrats' idiosyncrasies and their moralising dogmatism. Similarly, Carli rejected radical egalitarianism as a political option. In sum, Carli was, like Neri, an economist-politician who held a number of moderately conservative notions of the nature of commerce. These notions one finds expressed in Carli's works on money,

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<sup>37</sup> Both published with CARLI, *Delle monete e delle zecche d'Italia*, pp. 5-180.

where they served to support, first, Neri's proposal for monetary unity, and later ideologically similarly oriented reforms.<sup>38</sup>

In the opening lines of *Delle monete e delle zecche d'Italia* Carli defined money as the 'soul of society' and 'the chain connecting all nations'.<sup>39</sup> The existence of money was upheld by the rules of the society of humankind, not by those of any single republic. At first, before money existed, men used silver and gold not for the satisfaction of their natural appetites, but for the adornment of their women and children (they brought social status). Yet, once these metals became money they started to serve the true commerce of mankind.<sup>40</sup> Neri emphasised that throughout history states had often tried to hide from these commercial mechanisms, and 'close the gates to money'. Sparta, the Hebrew Republic of Israel, as well as Rome at various stages, tried to promote frugality and suppress inequality by means of sumptuary laws and by only allowing bronze metal to be a medium of exchange. Yet, these measures were at the expense of these states themselves. If gold and silver were not allowed to be a national money, there could be no commerce and no development of the arts, Carli judged.<sup>41</sup> At the same time, even these nations had some form of foreign trade, in which gold and silver had by then become the standard means of payment. In this early ancient context one single international monetary system had emerged where local appreciations of gold and silver converged into one standardised set of ideas of the value of money; simultaneously, local economies became interlocked in one system of global commerce. With this system in place, once particular states chose to alter the official value of either of these metals in relation to each other, other states would profit from their costly mistake.<sup>42</sup> Carli linked the collapse of the ancient Israel and even of the Roman Empire, far more directly than was usual at the time, to the abuse of the money by the rulers of these states.<sup>43</sup> Subsequently, he connected these abuses to the time of Louis XIV and Colbert, in order to argue that the same mistakes that were made in antiquity were the one that were made by modern states that tried to manipulate the true orders of commerce in order to obtain power over other states. The message was that devaluations were not only no real option for curing debts and

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<sup>38</sup> On Carli, see the biographies in Custodi's *Scrittori Classici: CARLI, Delle monete e delle zecche d'Italia*, pp. 5-12, by FRANCO VENTURI in *Illuministi Italiani, III, Riformatori Lombardi, Piemontesi e Toscani* (Milan-Naples, 1958) pp. 419-37, and the slightly less reliable one by SERGIO ROMAGNOLI in *Illuministi settentrionali* (Milan, 1962), pp. 1001-18. There are a few notes on Carli in WAHNBAECK, *Luxury and Public Happiness*, pp. 92, 146-7, 160, 172. See also various pages in F. VENTURI, *Settecento riformatore, Da Muratori a Beccaria*, in the chapter on *Il Caffé*.

<sup>39</sup> CARLI, *Delle monete e delle zecche d'Italia*, p. 15.

<sup>40</sup> *Ibid.* pp. 36, 19-20.

<sup>41</sup> *Ibid.* pp. 42-68.

<sup>42</sup> *Ibid.* pp. 70-92

<sup>43</sup> *Ibid.* pp. 107-15.

restoring the balance of trade, but were also morally wrong. Carli criticised Melon and praised Locke for correcting the English monetary system.<sup>44</sup>

In a slightly different way from Neri, Carli rejected the idea that all states might join in a league where they agreed on the values of gold and silver, as a result of which true commerce would be served better by a purer, a-political monetary system. Whereas Neri believed that Saint Pierre's 'European diet' was to be hoped for, even though it was not realistic to expect states to join such a league at the time, Carli thought the very idea was 'chimerical and absolutely useless' just like 'the German diet and the Italian diet proposed by Scaruffi<sup>45</sup> were useless'. Because the real values of the metals was in a perennial flux 'the power to fix the terms of the proportion between the metals is not in the hands of anyone'.<sup>46</sup>

Thus, what ought to be done, which was what Neri's proposals came down to, was to make sure that the values of gold and silver money were at the exact level at which they ought to be in a state that aimed at developing its domestic market and its potential for foreign trade in accordance with the true nature of commerce. In other words, a state whose commerce was completely separate from the type of trade that Europe's dominant states engaged in by means of colonisation, trade companies, protectionism, financial schemes and building up public debts. In order to revive the Lombard economy in this particular way Carli himself launched various proposals that had as their objective the cleansing of the monetary system in Milan.<sup>47</sup>

Carli's views of the history of Italy's economic decline were coloured by his moral ideas about economic development. According to Carli, the old system of economic and political organisation that brought Italy glory in the time of the Renaissance was still alive and impeded the growth of commerce. Instead, it promoted feudalism and had caused the contemporary situation in which Italy's main foreign commerce was the 'commerce of warfare'; local economies appeared to benefit from the money that warfare drew to Italy, which had a positive effect on the balance of trade, but this in fact hampered normal economic growth.<sup>48</sup> Thus, from Carli's point of view, Italy was still paying the price of mixing luxury commerce and the warfare of the crusades in the Renaissance. Rather than to repeat the same errors by joining the quest for

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<sup>44</sup> Ibid. pp. 116-7, 120, 49-50, 155-8, 219. See p. 147 for praise of Locke, repeated in CARLI, *Osservazioni* of 1766, see CARLI, *Delle monete e delle zecche d'Italia*, p. 8.

<sup>45</sup> In G. SCARUFFI, *Alitinofo*, of 1582, which had just been republished in *De Monetis Italiae*, (eds. F. Argelati & C. Casanova, IV, Milan, 1752. Scaruffi's work was reprinted, more recently, in *Economisti del cinque e seicento* (ed. Graziani, A., Bari, 1913).

<sup>46</sup> CARLI, *Delle monete e delle zecche d'Italia*, p. 248.

<sup>47</sup> Ibid, pp. 5-180.

<sup>48</sup> Ibid. pp. 357-66.

commercial empire, it was crucial to concentrate on the real development of the economy, and turn one's back on the dominant mode of commercial politics in Europe.

### **3. The history of commerce and the critique of the Aristotelean theory of money**

The historical perspective of commercial politics that Neri and Carli developed was not the only available one. There was at least one possible alternative approach to the history of commerce, from which the economic decline of Italy could be considered in a rather different light. In 1751, in Florence, Giovanni Francesco Pagnini (1715-1789) and Angelo Tavanti (1714-1782) published a translation of Locke's writings on money.<sup>49</sup> Both authors were government ministers in the grand duchy of Tuscany, where they held offices in the field of financial administration. Pagnini was born in Volterra, and wrote, besides on various erudite subjects, several works in economic history. Tavanti, who came from Arezzo, was a lawyer who became the secretary of the *Consiglio delle Finanze*, under Francis Stephen, and served as director of the *Segreteria delle Finanze*, as well as *Consigliere interno di Stato*, under Peter Leopold. In the latter function he was responsible for a custom tax reform.

By publishing Locke's works on money in Italian, Pagnini and Tavanti made available to an Italian audience a structured version of what had originally been a few long letters, written to give advice on a specific issue that belonged to late seventeenth-century English politics. Yet, in the following decades Locke's letters had risen to fame abroad, where a myth had been formed of Locke as the defender of an honest commercial order of humankind. If Locke's letters contained a general message about commercial politics, the work by Pagnini and Tavanti was supposed to bring it out. This was the same project that the Neapolitan Ferdinando Galiani had embarked on in the mid 1740s.<sup>50</sup> Yet, whereas Galiani abandoned the project, because he increasingly found he disagreed with Locke, Pagnini and Tavanti completed the work a few years later.

Thus, Pagnini and Tavanti considered whether the gap that Locke had left in his *Treatises of Government*, of 1690, when he touched upon the issues of the origin, morality and functions of money and inequality (in the famous chapter V of the second treatise), could be filled by inserting ideas from Locke's slightly later letters on money. This did not mean that Pagnini and Tavanti shared all of Locke's ideas. In fact, their disagreement with Locke in places makes for an interesting comparison between Pagnini and Neri and Carli. It is tempting to regard

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<sup>49</sup> JOHN LOCKE, *Ragionamenti sopra la moneta, l'interesse del danaro, le finanze e il commercio. Tradotti la prima volta dall'inglese con varie annotazioni e con un discorso sopra il giusto pregio delle cose e della moneta e il commercio dei romani* (eds. & intr. Giovanni Francesco Pagnini & Angelo Tavanti, Florence, 1751).

<sup>50</sup> GALIANI, *Della moneta*, pp. 307.

the Florentine project on Locke as a deliberate counter project to Neri's and Carli's works. Tuscany was a projected partner in the Milanese scheme of an Italian monetary union, and Pagnini and Tavanti were government officials who dealt with the issue. The Florentine publication of Locke's letters, in the same year as Neri's *Prezzo legale delle monete* came out, presented a set of moderately divergent ideological views from the ones that inspired the initiative that came from Lombardy.

In an essay appended to the translation of Locke's texts, entitled *Saggio sopra il giusto pregio delle cose, la giusta valuta della moneta e sopra il commercio dei Romani*,<sup>51</sup> Pagnini, like Neri, described 'commercial society' as 'a type of society' that created 'universal' ties between people and which was '*supereminente*' – it transcended all categories of political power. This type of society emerged when, in the course of history, the 'needs and desires of people' extended, and more people, as well as more complicated organisational structures were necessary to satisfy them. This was the occasion on which a 'new sort of society [...] was formed between people far away from each other' who were already 'reunited by the universal of their relations in various different bodies and societies'.<sup>52</sup> Pagnini also saw Dutot and Locke as the standard bearers of good fiscalism and advocates of a world order of peaceful commerce. He agreed that if rulers changed the nominal value of money this often was at their own expense, rather than that it repaired any problems, and might even be considered at odds with the universal laws of commercial society.<sup>53</sup>

However, Pagnini approached modern commerce, differently from Neri and Carli, as the outcome of the political dynamic in Europe after the fall of the Roman Empire and the dissolution of the feudal system. One of the starting points of Pagnini's introduction to Locke's writings was a comparison between Roman and modern commerce. Pagnini judged that in antiquity rulers had much more authority over the value of money. Because states were not interlocked in a global economic network, devaluations for example could have their desired domestic political effects (debt cancellation) without damaging the states position internationally through the balance of trade. In those times, Pagnini suggested, commerce was a very different thing.<sup>54</sup> In fact, ancient politics did not revolve around commerce, but around warfare. In the Roman Empire, the whole culture, education, and economy (Pagnini discussed the grain

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<sup>51</sup> G. F. PAGNINI, 'Uno Discorso sopra il Giusto Pregio delle Cose, e della Moneta e il Commercio de' Romani da G.F. Pagnini,' in: *Scrittori Classici Italiani di Economia* (ed. P. Custodi, vol. II, Milan, 1806 [1751], pp. 155-315.

<sup>52</sup> *Ibid.* pp. 160-3.

<sup>53</sup> *Ibid.* pp. 200-8.

<sup>54</sup> *Ibid.* pp. 209-221.

provisioning system) were geared towards territorial expansion. Pagnini described Roman government as contrary to commerce; rather than that it promoted economy and profit, it sustained a set of political preferences and the luxury consumption of a small elite. This pernicious style of government ultimately proved fatal to the state. Yet, in modern times such political abuse of commerce would be punished immediately, and states would not be able to become wealthy and powerful by means of warfare. As an indicator of the different type of aggressive competition between states then and in modern times Pagnini cited Montesquieu, who argued that ‘the Romans never knew jealousy of trade. They attacked Carthage as a rival nation, instead of as a commercial nation’.<sup>55</sup> Thus, Pagnini criticised the Roman spirit of conquest and warfare. But when, in doing so, Pagnini echoed Melon’s dictum that the spirit of conquest and of commerce were mutually exclusive, he meant not, as Neri and Carli would have argued, that conquest was morally wrong, but instead that aggression in the modern world was simply a backfiring strategy for the acquisition of wealth and power.<sup>56</sup>

Pagnini’s understanding of the nature of modern society was grounded on a historical theory of the rise of commerce after the collapse of the Roman Empire. The feudal system that replaced Roman supremacy was disorganised, weak and divided. These were no conditions for commerce to flourish, as there was not the degree of security that trade required. However, as a side-effect of the crusades, formerly divided rulers suddenly found themselves together up against a common enemy in Asia, which in Europe resulted in peace, lawfulness and new modern politics of commerce. After Charles V had brought Europe together under one universal monarchy the political side of this commercial unity slowly disintegrated and competition between states hardened.<sup>57</sup> Nevertheless, Pagnini accepted the modern world as it was. Desire for political supremacy and ambition had not disappeared, but in the modern world commercial activity had replaced warfare as the means by which hegemony could be established. At least, commercial competition did not require bloodshed.

These were ideas that Neri could not accept. Pagnini, in contrast to Neri, had, however, at the beginning of his introductory essay already defined the relation between political society and universal commercial society differently from Neri. Pagnini argued that political societies had the same purpose (rather than opposite ones) as cosmopolitan social interaction: to bring together people with the same interests under the same laws. Commercial interaction in a supra-national sphere was complementary to ‘the provincial society of the nation and the kingdom’.<sup>58</sup>

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<sup>55</sup> Ibid. pp. 223-64.

<sup>56</sup> Ibid. p. 260.

<sup>57</sup> Ibid. pp. 266-71

<sup>58</sup> Ibid. pp. 161-3.

To underline the way in which the laws of commerce complemented the laws of political societies, Pagnini stated that ‘because the governments of our time can no longer derive the same advantages from war, they have the orders of commerce as their object’.<sup>59</sup> The way in which commerce changed the world ‘obliged’ governments ‘to compete with others for the society of commerce, in order to attain their own conservation, their wealth and power’.<sup>60</sup> Whereas strategy used to be crucial in warfare, now ‘one watches with the same eyes at those citizens who by means of arts and manufactures, no less than soldiers, contribute to’ the conservation of the state. This new international order had civilised humankind in all its aspects.<sup>61</sup> It was in the interest of states to pursue ‘not the maximum extension of one’s territory, but the maximum of people engaged in the arts and manufacturing industry’ as this ‘constitutes the force and wealth of the state’.<sup>62</sup>

The decay of Spain and Portugal were a case in point of what happened if one did not manage to adapt to the modern world and kept confusing conquest and commerce. Pagnini gave an economic explanation for why Spain and Portugal were the new Rome. The import of gold and silver had drive price levels up to a degree that it became impossible for domestic industries to compete internationally. In his discussion of the fate of Spain Pagnini followed (and referred to) Hume’s analysis.<sup>63</sup>

In fact, Pagnini’s entire historical analysis of history of commerce was the same type of analysis that writers like Melon, Montesquieu and also David Hume had made. Such an analysis entailed a notably different outlook on the relation between politics and commerce from Neri’s. Pagnini allowed himself to treat of commerce as a historical phenomenon; commerce was where human nature and political necessity came together, so to say, rather than an ideal image of humankind united directly for the purpose of universal need satisfaction. Consequently, by recognising that modern commerce emerged within the contingencies of power struggles between feudal rulers and, later, absolutist monarchs, it was much easier for Pagnini to accept the divisive aspects of commerce itself, rather than to ascribe them to the political abuse of commerce. For Pagnini, unlike Carli and Neri, commerce was not simply the eternal universal means by which humanity united.

In that sense, Pagnini also realised that the nature of commerce could not so easily directly be related to the satisfaction of bare physical needs. Referring to Hobbes’s definition of

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<sup>59</sup> Ibid. p. 266.

<sup>60</sup> Ibid. p. 272.

<sup>61</sup> Ibid. pp. 273-4.

<sup>62</sup> Ibid. pp. 276

<sup>63</sup> Ibid. pp. 290-3.



*commercium* in *De Cive* (first published in 1642), he argued that people not only wanted to preserve themselves, but also to obtain profit and glory and possess luxury goods.<sup>64</sup> Based on the spread of personal interests, which themselves were ‘the objects of relations’ between people, the natural unity of the family turned into a different sort of entity whose coherence rested on individual interests.<sup>65</sup>

“These [shared objects of interest] being first gathered by persons of only one family, there was no other society of any sort, apart from this one; then they were passed on to cities, they permeated the nations and finally they spread among the whole immense cycle where needs, desires, avarice and luxury extended commerce”.<sup>66</sup>

Pagnini did not see humankind as either naturally inclined, or easily persuaded politically, to act in markets that were geared only towards the preservation of the human race, which Neri and Carli saw as the main function of markets. The point that represented their differences was the fact that Pagnini’s theory led to gold and silver being recognised as luxury goods with a value independent of their use as money. This idea of Pagnini undermined the validity of the critique of devaluation that Neri put forward, because Neri based himself there on his theory of the value of money. In contrast to Neri, Pagnini recognised that the value of gold and silver as luxury goods was more fundamental than their value as money; when silver and gold became money, they were still luxury goods, rather than that humankind shook off its earlier mistakes and invented a means by which they communicated ideas of value to each other. These views of Pagnini stood in stark contrast with Neri’s outlook on commerce.

Thus, Pagnini saw money as the agency that brought order in a world in which states competed with each other to bend the balance of power to their advantage and in which people tried to distinguish themselves from others. Pagnini’s idea of the history and nature of commercial societies spilled over into his ideas on international politics. He realised that commercial competition took place according to specific rules and that regulating its monetary dimension would require entirely different institutional solutions from ones that were designed to limit conquest. Pagnini did not claim to have a solution, but he pointed to the fact that commerce created international orders that effectively were confederations. This had happened in ancient Greece and at various other moments in history before and after the rise and fall of the Roman Empire.<sup>67</sup>

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<sup>64</sup> Ibid, p. 162; T. HOBBS, *De Cive* (II vols, ed. Howard Warrender, Oxford, 1983 [1642]), I.2.

<sup>65</sup> PAGNINI ‘Giusto Pregio delle Cose’, pp. 176-9. Here Pagnini invoked Pufendorf, Mandeville as people who held this idea of money and opposed them to Locke and Erasmus who saw money as the root of evil.

<sup>66</sup> Ibid. p. 162.

<sup>67</sup> Ibid. pp. 294-8.

Parallel to the differences between Neri's and Pagnini's notions of commerce, the discussion in Italy in the early 1750s focussed on theories of the value of money in relation to the (il)legitimacy of devaluation policies. Virtually all Italian authors of the time agreed that Melon's neo-Colbertist approach to devaluation and economic growth was wrong; that instead agricultural productivity increase was the key to a resurgence of the Italian states' economies (which required institutional and tax reforms), and that agricultural development, in turn, would trigger the establishment of new industries and promoted the arts and exports. However, grounding their reform proposals on a solid foundation required a solid theory of money.

At this point, a number of Neri's Italian contemporaries questioned the validity of his distinction between money as a human invention and money as a (luxury) good, which as Neri had suggested, was created in modern times through political violation of the consensus of humankind. The attraction of this type of distinction was clear: it separated the goods gold and silver, which could not 'satisfy the appetites by themselves', from the institution that measured the value of really useful goods in relation to each other.<sup>68</sup> But, as Pagnini saw it, the obvious fact that gold and silver could not themselves be consumed often turned too quickly into an Aristotelean theory of money, such as in Locke's writings.<sup>69</sup> Yet, such a theory left unexplained how quantities of gold and silver had in fact come to be generally accepted as representing goods. Thus, Pagnini compared Locke's and Pufendorf's theories of money with Aristotle's and showed that not much theoretical progress had been made.<sup>70</sup> Pagnini also noticed how authors like Locke aimed at putting together an argument that on the one hand rejected greed, luxury, inequality and people's love of money, while money was also seen as the answer to the problem of uniting a divided mankind.<sup>71</sup> Consequently, it was the case that their theories of money would end up looking very similar to the arguments (which were their ideological opposite) that defended devaluations on the basis of Aristotle's definition of money as a legal agreement, which made determining and altering the nominal value of money a political privilege. Apparently, it was still too difficult to align the fact that a fundamentally divided humankind united by means of self-interest with a realistic theory of money, even if the practice of human interaction had fundamentally changed since antiquity, as Pagnini had argued.

In fact, not only Pagnini, but most participants in this Italian debate recognised the huge difficulties that existed if one wanted to develop a realistic theory of the value of money that

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<sup>68</sup> Ibid. p. 190, Pagnini associated this idea with Locke, but also with Montesquieu, Pufendorf.

<sup>69</sup> Ibid. pp. 182-3.

<sup>70</sup> Ibid. pp. 181-3.

<sup>71</sup> Ibid. pp. 176-9.

reflected a moral defence of markets. Gianrinaldo Carli judged that this would be tantamount to the impossible job of reconciling Dutot's ideas and Melon's, which, Carli claimed, was what François Véron de Forbonnais had tried to do in his *Elémens de commerce*.<sup>72</sup>

Another Italian commentator on these issues, the Tuscan lawyer Giovannantonio Fabrini, who published a work on money in Rome in 1750, saw himself confronted with this very problem. Fabrini agreed with Dutot and Locke (against Melon) on the moral and economic downsides of interventionist financial politics, but did not know how to construe a valid argument that proved this, for he first needed a proper theory of the value of money. Yet, no such theory existed, Fabrini found. He disagreed with Neri by asserting that money was essentially a good, even if human history had turned it into a special good, and that it never stopped primarily deriving its value from the 'permutability' of gold and silver against other goods. On top of that, Fabrini declared that Locke's theory was chimerical and failed to explain how money, as a 'human invention', functioned so perfectly and had such creative powers that it managed to transform 'the primitive state of mankind' into 'the cultured and proper state in which we now live.'<sup>73</sup> No one claimed to have a good alternative explanation.

In that context, Neri attempted to save Aristotle's theory (and Paul's legislation) through an analysis of the 'public' nature of the consensus that gave gold and silver a value. The term 'public', Neri stressed, denoted the natural rather than political character of the creation of money. This could be proven, Neri claimed, if Aristotle's theory and those of the Roman jurists were seen in terms of the law of nations, instead of as a product of civil law; that is, it regarded not one nation but 'the public of all the nations that form the human species'.<sup>74</sup> Neri's defence of Aristotle's theory of money along these fictional juridical lines was exactly what Fabrini had objected to. It did not provide the debate with an idea of money that served the wider issues of reform. The main Italian literary journal of the time, the *Novelle letterarie*, subscribed to Fabrini's critique. Its editor, Giovanni Lami, agreed with Fabrini that money had to be seen as a good.<sup>75</sup> In that context, Lami appreciated the fact that Aristotle's theory of money was not actually meant to oppose money to goods (thereby giving rulers the authority to change the nominal value of money by fiat), but emphasised the contrast in economic efficiency between a

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<sup>72</sup> Quoted by VENTURI, 'Il dibattito sulle monete', p. 461.

<sup>73</sup> GIOVANNANTONIO FABRINI, *Dell'indole, qualità naturali, e civili della moneta e De' Principj istorici e naturali de' contratti* (Rome, 1750), pp. 11, 14; also quoted by VENTURI, 'Il dibattito sulle monete', p. 446.

<sup>74</sup> NERI, *Prezzo legale delle monete*, pp. 327-9.

<sup>75</sup> Review of Fabrini's *Dell'indole della moneta*, in *NOVELLE LETTERARIE*, 1750, N°. 49, 4 December, pp. 769-777. Also 1751, N°. 30, 23 July, pp. 465-470, and review of Galiani's *Della moneta*, 1752, N°. 22, 2 June, pp. 347-50. On Lami, see the introductory note by ERIC COCHRANE in *Dal Muratori al Cesarotti, Politici ed Economisti del Settecento* (vol. v., Milan, Naples, 1978, pp. 451-65, WAHNBAECK, *Luxury and Public Happiness*, pp. 115-9. FERRONE, *Roots of the Italian Enlightenment*, pp. 263-73.

household economy and chrematistics, because money somehow became a special good.<sup>76</sup> Yet, neither Aristotle nor anyone else had ever sufficiently explained how money had become this special good, which was in fact the crucial point.

Nevertheless, in spite of the absence of a satisfactory theory, the issue of the value of money had become the focal point of the Italian reform debate. The challenge identified by Fabrini of devising a proper theory of money represented the need among Italian eighteenth-century political economists to construe a theory of commercial development that was an appropriate basis for the financial, agricultural and institutional reforms they supported. As long as the money debate was not resolved, the direction of reform policies, on which most Italian authors agreed by sharing the same ideological affinities, could not be fixed. What was lacking was a solid theoretical foundation that tied together the nature of money and the idea of commerce that these Italian writers preferred.

#### **4. A new commercial ideology: against moralistic reasoning in political economy**

Notwithstanding the fact that Neri's and Carli's cosmopolitan ideology of an economic world order had its theoretical imperfections, its critics were easily condemned for misunderstanding its true nature. The most contested contribution to the Italian devaluation controversy was Ferdinando Galiani's anonymously published *Della moneta* (1751), which was an inquiry into the history, morals and politics of commercial society, as well as a treatise on money and financial politics.

Ferdinando Galiani (1728-87), born in Chieti, was sent to Naples in 1735 to be educated by contacts of his uncle Celestino, who was the *Capellano maggiore* and head of the Neapolitan University.<sup>77</sup> Among these contacts was Bartolomeo Intieri who, in the 1740s, began teaching Ferdinando and other promising youngsters in the field of political economy.<sup>78</sup> Intieri admired Melon's political economy, which, in the late 1730s, formed the inspiration for a moral and political vision he developed together with Celestino of how Naples could preserve its independence by developing a basis for foreign trade. In tune with his praise of Melon, Intieri was also critical of the ideas of northern-Italian reformers, like Carli, Neri and Costantini, who

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<sup>76</sup> *NOVELLE LETTERARIE* (1751), N° 16, 16 April 1751, pp. 241-2; N° 42, 15 October 1751, pp. 657-662. See also N° 30, 23 July 1751, pp. 465-470.

<sup>77</sup> F. NICOLINI, 'La puerizia e l'adolescenza dell'abate Galiani 1735-1745, Notizie, lettere, versi, documenti', *Archivio storico per le province napoletane*, 43[4], (1918), pp. 105-132.

<sup>78</sup> Intieri set out to teach a generation of Neapolitan scholars the art of political economy, in order to catch up with the dominant states who had cultivated this knowledge at an earlier stage. This he wrote to Celestino Galiani in a letter dated 30 December 1738, Biblioteca della Società Napoletana di Storia Patria [BSNSP], ms. xxxi.a.7, f. 23r.

Intieri considered ‘a school of barbaric men more ignorant than the night and more petulant, arrogant and disparaging than ignorance itself’.<sup>79</sup> Inspired by Intieri, Ferdinando Galiani took lower church orders, in 1745, to accommodate his scholarly activities. In the following years he gave a number of lectures on various antiquarian and moral philosophical subjects. During this period, Ferdinando had secretly been working on a treatise called *Dell’arte del governo*, an overview of the ruling manners and institutions in human history as well as a theoretical analysis of the principles of government in relation to commerce. *Della moneta* was derived from this project, as Galiani’s response to the condition of the Neapolitan reform debate in the late 1740s. Galiani believed his Neapolitan contemporaries did not understand the nature of commerce and money well enough, which led them to misinterpret signs of economic development for causes of panic and radical interventionist measures. *Della moneta* was written to discipline this debate. Later, after having served as a diplomat in Paris for ten years, Galiani became famous as the author of the *Dialogues sur le commerce des bleds* (1770),<sup>80</sup> a work commenting on arguably the most hotly debated policy issue of the eighteenth century, the liberalisation of the grain trade (the last serious attempt to prevent the French Revolution), in which he criticised the physiocrats.<sup>81</sup> Yet, as he himself testified, his political economy had been fully developed already by the time he wrote *Della moneta*.<sup>82</sup>

*Della moneta* offered a reconsideration of Melon’s *Essai politique sur le commerce*. Galiani claimed Melon’s book had ‘been read only to confute him by those whom heaven did not give the sharpness of mind to understand him.’<sup>83</sup> Unsurprisingly, when Neri evaluated the positions adopted by all the Italian writers on money in the early 1750s, he noted that Galiani was the only one who ‘defended Melon’s sentiments on arbitrary devaluations of the price of money against the by now common opinion.’<sup>84</sup> However, Neri was puzzled by how Galiani’s theoretical positions on money and commerce, which he believed did not significantly ‘disagree with the common opinion’, could be coherent with his tolerance towards Melon.<sup>85</sup> In the same vein, Girolamo Costantini, declared: ‘I am convinced that any [...] follower of the opinion of Melon, like [...] the author of [...] *Della moneta* [...] will change sentiment and will eventually subscribe to

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<sup>79</sup> VENTURI, ‘Il dibattito sulle monete’, p. 516.

<sup>80</sup> FERDINANDO GALIANI, *Dialogues sur le commerce des bleds* (ed. Fausto Nicolini, Milan-Naples, 1958 [1770]).

<sup>81</sup> See I. HONT & M. IGNATIEFF, ‘Needs and justice in the wealth of nations’, in: *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment* (eds. István Hont & Michael Ignatieff, 1983), pp. 1-44, for an analysis of the size and importance of this debate in eighteenth-century Europe.

<sup>82</sup> GALIANI, *Della moneta*, pp. 334-5.

<sup>83</sup> *Ibid.* p. 13.

<sup>84</sup> NERI, ‘Prezzo legale delle monete’, pp. 366-7.

<sup>85</sup> *Ibid.* p. 367.

the sacred and true defence of Locke and Dutot and many other worthy men, both foreigners and Italians'.<sup>86</sup>

Thus, even his Italian critics recognised that Galiani was not sceptical about the beneficent character of modern commerce. Galiani's positions *were* also by no means a defence of economic Machiavellianism (as Italian historians of political thought have argued), but rather a critique of it. On the other hand, his contemporaries were puzzled that Galiani could agree on so many points with Melon, whose outlook on the functioning of markets was filled with moral scepticism and whose politics clearly revived Colbertism. In fact, Galiani's main contribution both to the devaluation controversy and to the general debate on economic reforms was to point out that many received views were mistaken because they derived from a moralistic perspective on commerce and political economy. To understand Galiani's positions we need to go to the core of *Della moneta* and compare his theory of value with Locke's.

Book I, chapter 2, of *Della moneta* was the theoretical backbone of Galiani's argument. Here he opposed Aristotle's derivation of the institution of money from a social contract of mankind. Galiani questioned the view that 'the common consensus of men caused them, for their greater convenience, to adopt the common use of money' by 'giving metals a value they do not intrinsically possess'.<sup>87</sup> Instead, which 'few understand', it was the case, Galiani, declared, 'that the just price and value of the metals has been fixed and firmly established by their very nature and by the disposition of human minds'.<sup>88</sup> Galiani pointed to the fact that the obvious weakness of the Aristotelean theory was that it was both untrue and unrealistic in historical terms.

"Where then were these congresses, those conventions of mankind; in which century, what place, who were the delegates, through whom the Spanish, the Chinese, the Goths and the Africans agreed on ideas which, for many centuries, even when peoples ignored each others existence, never changed? [...] When all people for many centuries share the same sentiment, this is not the result of deliberations or congresses held at the foot of the Tower of Babel or right after leaving Noah's Ark".<sup>89</sup>

But Galiani's more profound reason for rejecting Aristotle's theory was that it opened the way to the principle that the value of money could be altered politically, by fiat.<sup>90</sup> Here, Galiani was still

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<sup>86</sup> Quoted by VENTURI, 'Il dibattito sulle monete', p. 517.

<sup>87</sup> GALIANI, *Della moneta*, pp. 36-7.

<sup>88</sup> Ibid. p. 37.

<sup>89</sup> Ibid. pp. 67-8.

<sup>90</sup> Ibid. p. 37. 'Demand has come to be conventionally represented by money; this is why money is called *nomisma* (customary currency), because it does not exist by nature but by custom (*nomos*) and, can be altered and rendered useless at will' (quoted from, ARISTOTLE, *The Nicomachean ethics*, in: Aristotle in twenty-three volumes (XIX, Cambridge MA., 1968), p. 285, Bk. V, Ch. 6, §8. See also ARISTOTLE, *The Politics* (transl. Ernest Barker, introd. by R.F. Stalley, Oxford, 1998), Bk. I, Ch. 9, § 8-11, for a similar statement on the nature of money, which Galiani referred to as well (p. 37).

on the same side as everyone else in the debate. However, Galiani noted that the influence of Aristotle's principle was more pervasive than was commonly assumed. Even those who disagreed with the practice of rulers of changing the value of money failed to correct the basic Aristotelean mistake.

“But these opinions cannot be contradicted without destroying their very basis. Hence I do not know, or even begin to understand, how it could be possible that such writers as John Locke, Davanzati, Broggia, Melon and Montesquieu, among others, could have had contrary sentiments so firmly established on so false a foundation, without ever denying the first principle. They were not aware either of the weakness of the latter or the instability of the former”.<sup>91</sup>

This failure was the direct target of Galiani's argument. He suggested that the real cause why the true principles of the value of money were never revealed was that other political theorists came to analyse its nature from distorting ideological perspectives.

“It would be wrong to consider me responsible for revealing so great a truth, should anyone be inclined to do so. The responsibility belongs instead to the infinite number of writers who have either failed to understand this, or have not wished to demonstrate it”.<sup>92</sup>

Unlike all other political writers before him, he claimed, Galiani set out to construct a theory of money that accepted the factual history of the institution of money. In the case of Locke, the ultimate reason for Galiani's critique of Locke's theory of money was the moral philosophy that lay behind it. Locke had argued in his famous chapter *Of property* that money was a sort of agreement and paved the way for economic growth. But he had also made strong assumptions about man's moral being that Galiani rejected.

Locke's theory was in a complicated way related to his philosophy of the law of nature. According to Locke, the earth had been given to mankind in common. Before they created money people were unable to acquire more goods than they could use. Thus, the condition of common ownership under which God had placed mankind was monitored by the nature of creation. This changed when people among each other consented ‘tacitly and voluntarily’ to ‘the use of Money’.<sup>93</sup> Gold and silver, previously virtually useless, came to represent goods and enabled the more industrious to become wealthier than the slothful or less talented. Locke, famously, was highly ambivalent about the consequences of the creation of money. Money unleashed man's

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<sup>91</sup> GALIANI, *Della moneta*, p. 38. For the definitions of money of these authors, see J. LOCKE, *Locke on money*, p. 410, see also pp. 181, 233, 249, 265, 326, 412, 423), B. DAVANZATI, *Lezione delle monete*, in: *De Monetis Italiae*, (eds. F. Argelati & C. Casanova, IV, Milan, 1752[1588]), p. 162, MELON, *Essai politique sur le commerce*, p. 166, BROGGIA, *Trattato delle monete*, II, 176, and MONTESQUIEU, *L'Esprit des Lois*, Part IV, Bk. 22, Ch. 2, see also Ch. 3 and Ch. 10.

<sup>92</sup> GALIANI, *Della moneta*, p. 38.

<sup>93</sup> J. LOCKE, *Two Treatises of Government* (ed. Peter Laslett, Cambridge, 1988), p. 302 (§50).

natural 'desire of having more than' he needed and it created luxury, which Locke loathed and regarded as utterly destructive to society.<sup>94</sup> On the other hand, Locke believed that God intended mankind to cultivate the earth and live in ever more convenient ways.<sup>95</sup> For Locke, economic development was justifiable as the product of both the way in which God created man and the way in which man developed himself within the boundaries of the law of nature. But the fact that Locke took this approach to justifying commerce was not by itself the reason why Galiani distanced himself from him.

From the perspective on the law of nature that Locke set up in the *Essay concerning human understanding* it transpires that man's task on earth is to develop the best possible understanding of God's law of nature and to live in accordance with it. In that respect, for Locke, money and government were the vehicles by which mankind shaped the conditions within which each man should dedicate himself to obeying God's law of nature. Accordingly, all of man's pleasure-seeking was to be considered from this angle. In contrast, for Galiani the emergence of money and the moral properties of man's value judgements were not in any way instrumental in the realisation of a moral objective. Instead, commerce had its own morality that already brought out precisely the way in which God had intended humankind to operate; there was no higher goal. Another difference was that whereas Locke's social philosophy has been described as an 'applied theology' that left open the possibility of politics grounded on true knowledge, Galiani's theory of commercial sociability was profoundly sceptical about the relation between man's moral beliefs and their epistemic content.<sup>96</sup> According to Galiani shared beliefs were inevitably based on 'self-deceit'.<sup>97</sup> Therefore, it could not even be the case that people agreed on any institution in order to bring humankind closer to its true goal. But ultimately it was not the notion of agreement by itself that made Galiani reject Locke's theory of money; it was the fact that the moral principles behind Locke's theory of economic growth relegated it to a function of moral self-determination.

Locke's ideas about justice in relation to monetary politics differed from Galiani's for

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<sup>94</sup> J. LOCKE, *Political Essays* (ed. Mark Goldie, Cambridge, 1997), pp. 326-8, the short essay entitled 'Labour'.

<sup>95</sup> HONT & IGNATIEFF, 'Needs and justice in the wealth of nations', pp. 39-40.

<sup>96</sup> J. DUNN, 'From Applied Theology to Social Analysis: The Break Between John Locke and the Scottish Enlightenment', in: *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment* (eds. István Hont & Michael Ignatieff, Cambridge, 1983), pp. 119-36; I. HONT, 'Commercial society and political theory in the eighteenth century: the problem of authority in David Hume and Adam Smith', in: *Main Trends in Cultural History* (eds. W. Melching & W. Velema, Amsterdam, 1994), pp. 54-8.

<sup>97</sup> This did not mean that Galiani was a moral sceptic, as I argue in chapter 3 of my PhD, STAPELBROEK, 'Moral Philosophy in Galiani's Early Political Economy' (unpublished PhD, Cambridge, 2004). See also STAPELBROEK, 'Galiani's concept of commerce in *On money* and the eighteenth-century Neapolitan languages of commerce and liberty', *History of Economic Ideas*, (2001/ 3), pp. 137-170.



similar reasons. In the chapter *Of property*, Locke insisted that money was ‘made practicable *out of the bounds of Societie* and without compact’.<sup>98</sup> Thus, governments did not have jurisdiction in this field; it was a pure matter of pre-governmental, or extra-governmental, mutual trust. Only extreme necessity could justify meddling with monetary standards or otherwise intervening in the economy by altering money.<sup>99</sup> Accordingly, in his letters on monetary politics written in the 1690s Locke was adamant that debts had to be satisfied according to the standard and that devaluation policies, by changing the standard of the nominal value of money, destroyed public faith.<sup>100</sup> People had consented to the creation of money and to the creation of government as institutions that shaped the environment within which man determined his own moral personality and his actions. It was inappropriate for governments to extend their mandate themselves beyond that which was given to them. In fact, in the worst case this could even cause a return to the state of nature.<sup>101</sup>

Galiani did not disagree with Locke that only in cases of necessity should governments intervene with the functioning of money. But he conceptualised political justice in a very different way from Locke. The basis for his idea of political economy was his belief that it was impossible to improve the mechanisms of the self-regulating order of human passions and beliefs. The task of politics was to align itself with man’s utility-seeking. This was exactly what Galiani in the few pages of the manuscript that bears the title *Dell’arte del governo* recommended: ‘good government should sustain and promote the strongest and most universal pleasures’.<sup>102</sup> The key for successful political economy was simply to abstain from imposing any moral constraints onto man’s natural utility-seeking or artificially to direct people’s efforts to certain political targets.

However, in the case of necessity, which Galiani interpreted - much more broadly than Locke - as including the possibility of increasing the wealth of the state, or (which came down to the same thing) increasing its population, governments had to act. In such cases, justice was a mere political economic calculation that had no moral dimension other than that the good of the people was identical with the outcome of the calculation. Moreover, justice itself was an

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<sup>98</sup> LOCKE, *Two Treatises of Government*, p. 302 (§50), italics added.

<sup>99</sup> Locke argued that the nominal value of money had been ‘settled by public authority’ then ‘grown into common use’ and ‘should not be alter’d but on absolute necessity if any such there can be. LOCKE, *On money*, p. 375. See also LOCKE, *Political Essays*, pp. 339-343, the short essay entitled ‘Venditio’ for Locke’s perspective on markets and morality.

<sup>100</sup> LOCKE, *On money*, pp. 417, 419.

<sup>101</sup> J. DUNN, *The Political Thought of John Locke: An Historical Account of the Argument of the ‘Two Treatises of Government’* (Cambridge, 1969), ch. 10-13, analyses Locke’s theory of the state and his ideas on legitimate political action and resistance.

<sup>102</sup> GALIANI, *Della moneta*, p. 391.

inadequate concept in some parts of political economy. Galiani held that, with regard to the payment of debts, ‘most writers’ believed that ‘restitution of the same weight is in conformity with natural justice’, whereas in fact ‘time renders the just unjust and transforms justice into injustice’.<sup>103</sup> Similarly, under circumstances in which a devaluation was necessary everyone would accept it as justice.<sup>104</sup> And when governments raised taxes these were only ‘just’ if they led to greater ‘tranquility’ and gave ‘sustenance’ to those who governed the people well. ‘Tyranny’, the opposite of justice, Galiani defined as ‘poor rules by means of which riches are acquired by those who are either of no use to others or even harmful to them’. It was a ‘law of nature’, Galiani claimed, ‘that wealth must be obtained only by one who brings utility or pleasure to others’.<sup>105</sup>

In *Della moneta* Galiani treated his theory of the value of money as a premise for his entire political economy. Galiani believed that money and modern commercial societies emerged as a result of a transformation process that turned people’s shared beliefs into configurations that made them predisposed to act as commercial beings. First silver and gold had religious and particular social meanings, which developed into ones that matched the culture of modern commercial societies. Such a theory was in tune with the history of mankind approach that the greatest European thinkers (like Montesquieu and Hume) were developing in those years, and which Pagnini too, for example, had adopted.<sup>106</sup> Thus, Galiani also felt that commercial competition between states was to be accepted as the best possible form in which the whole of humankind interacted with each other.

Rather than to impose any artificial moral constraints upon commerce, Galiani argued that commerce had its own morality, which by itself embodied the way in which God intended humankind to operate. Galiani’s theory of value revolved around his famous concept of utility, by means of which he justified pride, luxury and self-interest, in a neo-Hobbesian key: ‘Our passions are not only the desires to eat, drink, sleep. [...] Man is constituted in such a way that as soon as he has silenced one desire another pops up that motivates him with equal strength.’<sup>107</sup> Man’s utility judgements provided him with a yearning to ‘distinguish himself from others’. This passion was so strong that man often valued its gratification more than ‘the security of life

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<sup>103</sup> Ibid. p. 300.

<sup>104</sup> Ibid. p. 201.

<sup>105</sup> Ibid. p. 159, see also p. 201, where Galiani repeats his definition of tyranny.

<sup>106</sup> Galiani discussed the history of commerce and money in book I, chapter 1 of *Della moneta*, in which he seems to have used a lot of material from his project *Dell’arte del governo*. I have discussed Galiani’s moral philosophy and his history of the commerce of humankind in my PhD thesis, STAPELBROEK ‘Moral Philosophy in Galiani’s Early Political Economy’ (unpublished PhD thesis, Cambridge, 2004).

<sup>107</sup> GALIANI, *Della moneta*, p. 40.

itself.’<sup>108</sup> Galiani called this passion *amor proprio* and argued that because of its ‘supremacy’ over all other passions it was man’s ‘principle of action’.<sup>109</sup> Rather than a source of moral corruption and social disintegration it was an innocent product of human nature: ‘if the feeling of pleasure derived from the reverence and esteem in which others hold us were to be ridiculed this would constitute a reproach against our nature, which created this disposition of mind, not us ourselves.’<sup>110</sup>

Within this commercial order it was the case that gold and silver had a value because they were generally esteemed luxury goods that had risen to the status of money, because everyone recognised social status. As Galiani put it, gold and silver ‘are used as money because of their value, they do not have a value because they are used as money’.<sup>111</sup> According to Galiani ‘the good moral order of the universe’ was ‘completely maintained by money’ and the ‘Author of nature’ guarded over it.<sup>112</sup>

None of this meant that commerce was immoral. Galiani argued that markets regulated their own moral dynamic. He claimed that ‘wealth does not fall to a person except as payment for the just value of his work’.<sup>113</sup> Markets forced people to honestly use their talents in order to maximise their utility: thus, ‘men regard as meritorious only the use of the talents which one may have. Anything else will either not be virtuous or will not require any skills.’<sup>114</sup> Eventually, Galiani concluded that the ulterior mechanisms of man’s utility-seeking ‘*contain within* them the ideas of justice and stability’.<sup>115</sup> From his perspective, inserting the notion of agreement into a theory of value allowed people to impose mistaken moral principles onto political economy, which could only have negative effects on actual policies. Galiani believed that this was the case in the devaluation controversy as well.

In his treatment of devaluations in book III of *Della moneta* Galiani refused to share in the general rejection of Melon’s views by his contemporaries, which, from his point of view, confused political economy and moral argument. To correct a great number of misconceptions about the effects of devaluations, Galiani gave a detailed analysis, based on his own theory of money, of what they actually were. Here, Galiani did not completely agree with Melon’s technical analysis of the effects of devaluationist policies either, but he shared most of his ideas.

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<sup>108</sup> Ibid. p. 41.

<sup>109</sup> Ibid. p. 41.

<sup>110</sup> Ibid. p. 41.

<sup>111</sup> Ibid. pp. 58-9.

<sup>112</sup> Ibid. pp. 79-80.

<sup>113</sup> Ibid. p. 50.

<sup>114</sup> Ibid. p. 51.

<sup>115</sup> Ibid. p. 51, italics added.

It was important to leave the option of taking recourse to inflationary policies open, Galiani concluded, since they had advantages over other alternatives once a state was in danger: ‘one will see that in certain circumstances, in certain times and places, [...] the utility of a devaluation exceeds the damage’.<sup>116</sup> Galiani considered devaluations ‘an affront committed upon nature which is rendered necessary by state calamities’.<sup>117</sup> Compared with alternative options that a ruler might choose from in case of necessity – such as directly defaulting on the state’s debt or running up more public debt – devaluations had the advantage that the negative effects were rightly, that is progressively, spread out over the whole nation. Moreover, devaluations were slower and ‘less biting and clamorous’ than bankruptcy and less likely to incite ‘tumult and rebellion’.<sup>118</sup>

Thus, Galiani did not believe monetary interventions were morally prohibitive on principle. In his view, international monetary regulation was not only not a possibility, but also not desirable. The authors who followed Locke, instead, would argue that money was agreed upon ‘out of the bounds of Societie’, which placed it outside the jurisdiction of governments. They felt that devaluations were simply unjust, only practised by abusive governments and were a legitimate source of resistance. Nevertheless, devaluations, Galiani argued at the end of his whole discussion of the subject, could only be allowed under exceptional circumstances of ‘desperate necessity’.<sup>119</sup> He feared situations in which ‘the coinage’ would be ‘tampered with without any necessity’, but was reassured by the virtue of his own King and ‘his grand and deserved good fortune’, which themselves would prevent Naples from arriving at ‘such a state’.<sup>120</sup> Naples was fortunate in this respect because the King was not, as in other parts of Italy, deceived by mistaken ideas about commerce and its morality that inspired disastrous reform projects.

One of the main reasons why bad reforms were in fashion, from Galiani’s point of view, was that people did not understand the true nature of monetised commerce. With regard to money, they were inclined, ever since money emerged, to imagine that they had invented it themselves for particular reasons. This was Galiani’s explanation of the persistent popularity of Aristotle’s theory of money. These imagined reasons for the invention of money were based on mistaken ideas of justice and, in turn, led both to a categorical rejection of devaluations and inspired a spirit of economic reforms that Galiani thought were dangerously naïve and a threat to Italy’s wealth and power. To get his message with regard the spirit of reforms in general across in

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<sup>116</sup> Ibid. p. 187.

<sup>117</sup> Ibid. p. 299.

<sup>118</sup> Ibid. pp. 212-3, see also the chapter on public debts, pp. 296-8.

<sup>119</sup> Ibid. p. 215.

<sup>120</sup> Ibid. p. 215.

the most provocative way, Galiani concluded *Della moneta* by appropriating the words of Petrarch that Machiavelli had used at the end of *Il Principe*:

“It pains and distresses me that while the Kingdoms of Naples and Sicily are rousing themselves and recovering with the help of their own sovereigns, the rest of Italy fails in insensible degrees from day to day, and declines. Although the signs of this decay are many, the greatest is, in my opinion, the endless discussion and the innumerable quantity and types of improvements, laws and institutions on government and trade, and on all the orders of the civil state – all so universally sought and competitively pursued. As in our older men, great ideas and a continuous, breathless pursuit, born of internal anguish and organic deterioration, are always indices of an imminent and irreversible end. And this to me is why it no longer seems possible to uphold the words of our ancient poet

That the ancient valour  
In the Italians hearts is not yet dead

But at the same time, I doubt that, finally, given peace, it will be necessary to say that

Italy is old and inclined to barbarism”.<sup>121</sup>

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<sup>121</sup> Ibid. p. 305: ‘Conclusion of the work’.

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