

Italian money doctors: Introduction

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The relationship between economic theory and politics, a long-standing feature of economic debate, is particularly articulated in the figure of the money doctor. But who are these money doctors? From the now extensive literature on the topic, we can extract some characteristics that money doctors share. They are mainly concerned with crises or instability (Flandreau 2003), they make suggestions regarding the use of foreign financing (Drake 1984), and they support political coalitions by proposing possible reforms (Hirschman 1965). They also do much more, however. The history of money doctoring begins not with the 20th century, but much earlier, and money doctors' actions have inevitably adapted to the political and cultural setting in the country where they have operated. While much has been written on the part played by money doctors in specific contexts, there is less literature on the real effectiveness of money doctoring, and on the figure of the money doctor. Little has been written about the sources inspiring the money doctors' actions, which range from abstract theory to technical rules, from ethical principles to mere observation of reality, and more. It is certainly common for money doctors to have a background in economic studies, but it would be wrong to say that their actions stem from the mere application of economic/monetary theories.

In this volume, we have tried to take these aspects into account in a collection of essays on money doctoring in Italy. The country has had a lengthy tradition in this field, beginning in the mid-18th century (a time of economic reforms) and up until the end of the 20th, when Italy became part of the European monetary system. During the 19th century, money doctoring in Italy was done by Italians in an industrially still backward country where monetary experts were called on to advise the ruler or policy-maker. At that time,

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the Italian peninsula still consisted of a number of small, separate states, however, and this exacerbated the monetary problems. Then came the unification and development of Italy, also from the banking point of view, followed by the country becoming part the European economic context, and the monetary and fiscal problems of today. Money doctors have accompanied the various stages of this transformation.

Here we can read about the protagonists of this historic journey, the Italian money doctors, and their attempts to manage monetary and credit initiatives in the public interest in a given context and historical period. The first two articles, *Carlo Antonio Broggia, a Money Doctor in 'Adverse Circumstances'* and *Gian Rinaldo Carli (1720-1795): Diagnosis and Treatment of a Monetary Plague*, give us a cross-sectional account of the monetary experts at work in a century of reform (the 18th) and in a country (Italy) split into 15 different political entities. Broggia, in constant conflict with the authorities of the Kingdom of Naples, takes us to the dawn of the Italian debate on monetary stabilization measures, a topic that was to become dominant in the decades of reforms that followed. Carli takes up the theme of monetary debasement, which – ever since Oresme (1360) – has been a constant feature of the debate on monetary disorder; this goes to show that attempts at monetary reform accompany, or even precede theoretical reflection.

The next article, *Luigi Luzzatti and the Making of the Italian Monetary System*, projects us into the unified but still backward Italy of the latter half of the 19th century. It describes the efforts of the Lombard-Venetian school, with its legal and economic approach, to establish a national monetary system starting from a sustainable credit system. Luzzatti clearly demonstrates that theoretical economics are not enough; policy-making principles must combine ethics with economic expertise.

The money doctors find unanimous recognition in the 20th century. They are the experts asked to unravel complex monetary issues that play out on national and other local, regional and international levels. Monetary knowledge increasingly becomes a matter of political and human experience, with economic theory as one aspect, and not always the most important. Vivid examples are provided in the last three essays that complete this special issue: *Enrico Cuccia, Mediobanca, and the Decolonization of Guinea; Reshaping the external constraint: Franco Modigliani, Tommaso Padoa-Schioppa and the EMS, 1977-1979*; and *Tommaso Padoa-Schioppa as a Money Doctor: Macro-Prudential Supervision and European Integration*. Cuccia emphasized the supranational dimension as an essential component of a multi-level view, a constant feature of the applied money doctoring perspective, in Italy too. Modigliani (a Nobel prize winner) and Padoa-Schioppa

(one of Italy's most famous money doctors) combine theory and policy-making in a project, the Pandolfi plan, that reshaped the role of the Italian central bank. Here, the issue of how to integrate theoretical and applied economics appears more alive than ever, and never definitively solved. Finally, applied economics deals with the issues that money doctors are frequently expected to manage at various levels and in various settings. Padoa-Schioppa is a good example, when we see that his actions were never confined to a single area and a single objective, and the issues he dealt with were never stripped of the complexity that inevitably characterizes them.

In the present historical period, when economic analysis is proposed mainly as data analysis, it is fundamentally important to understand how monetary and economic reforms are decided and applied, and what weight is given to theoretical aspects. Studying past experiences of money doctoring goes in this direction.

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