Foreword

Curzio Giannini, 1957–2003, was a brilliant economist. He was a passionately dedicated scholar of central banking, having worked most of his life, since 1983, at the Banca d’Italia. In the last months of his life he fought against his illness, supported by Vera, his wife, while working on this book in which he collected his published and unpublished works on the evolution and functioning of central banking. He was able to finish it only a few weeks before his death; entitled L’età delle banche centrali, ‘The Age of Central Banks’, it was first published in Italian by Il Mulino in 2004.


Curzio was born in Chieti in 1957, and studied at LUISS Guido Carli in Italy, at the London School of Economics (LSE) and Oxford University in the UK, and at the University of California, Berkeley in the USA. In 1983 he joined the Research and International Relations Department of the Banca d’Italia and in 1999 was appointed Deputy Head of the Bank’s newly created International Relations Office. He died of cancer in 2003.

Curzio had one of the most fertile and original minds ever to be deployed on questions relating, first, to the interactions between the central bank, private sector financial intermediaries and the government, and second to the working of the international monetary system in general, and to the role of the International Monetary Fund (IMF) specifically within that.

Until a couple of years ago, the concept had taken hold that the central bank could, and should, largely separate itself from the hurly-burly of the financial system, setting official interest rates in Olympian macroeconomic
solitude, leaving market developments to the beneficent workings of efficient markets on one side, while maintaining complete independence from government on the other. As that concept has become discredited, so we need to return to the much more nuanced and subtle institutional analysis that Giannini presents here. As Giannini states: ‘The mistake that neo-classical theories make is to consider money as a commodity. Instead, it is really an institution that is held up by trust: trust in its future purchasing power and trust in the continued convention that payment is complete when money changes hands.’ What Giannini outlines here is the essential institutional role that central banks should play in each country in maintaining that trust, a role that gives the financial stability objective at least equal billing to their price stability purpose.

Whereas the role of central banks within each country had seemed, mistakenly, to be settled and clarified a few years ago, the international monetary system, if it can be properly so called, has remained defective. International imbalances remain and fester. The IMF has no capacity to exert much influence, if any, on the most important countries whose policies really drive global developments. Curzio was a clear-sighted observer of all this, even if he had no blueprint for overcoming such intractable problems.

His approach has been to apply a ‘theory of history’, which provides a beautifully written and illuminating book, much easier and nicer to read and more rounded than the limited mathematical models that have so monopolized academia in recent decades.

Overall it is a privilege to present and to recommend this book to, I hope, a host of new readers.

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