Preface

The idea for this book has been in my mind for most of my professional life. I began working on the history of the creation of the central bank in Italy while studying at Brasenose College in Oxford in 1984–85. However, I soon realized that the time was not ripe for the sort of research I had in mind. At that time, the Bank of Italy was considering setting up a Historical Research Office, primarily in order to give scholars access to documents pertaining to the history of money in Italy; there were enormous gaps in the existing data, but everything suggested they would soon be filled. The experience left me convinced that large tracts of the history of central banking were still very much unexplored, and prompted various observations and considerations that would prove useful in the years to come. During those months I also read Benjamin Klein’s 1974 essay on the link between money and trust, which was to become a constant point of reference over the next years. Upon my return to the Bank of Italy I soon found myself involved in a project that helped greatly to forge my ideas about the evolution of central banks. That project was the drafting of the White Paper on the Payment System in Italy, published in April 1987. Nowadays, it may seem unimportant, another technical paper on one of the many aspects of central banking. At the time, though, its publication was a major event. The prevailing opinion in both academic and banking circles was that central banking began and ended with the conduct of monetary policy, and that this had always been more or less the case. According to this approach, the other functions, from management of the payment system to supervision, were merely coincidental, deposits left by history on the main body of the institution of the central bank. In reality it was an anachronistic view, or worse, an opinion without justification even when it was formed. The White Paper shed light on the many complex interactions linking payment system, structure of the banking system, conduct of supervision and monetary policy management. Taking part in drafting it was an exceptional and highly formative experience, with many exciting moments. Traces of analytical contributions remain in two articles already outlining many of the ideas I put forward in this book.¹

I came back to those ideas while attending the University of California at Berkeley in 1992–93. During my stay I was able, through Oliver
Williamson’s lessons, to broaden my knowledge of neo-institutionalist theory, which was gaining currency in academe thanks to the contributions of Williamson himself, along with Douglass North, Richard Langlois and other scholars. At the end of that year of study I published two articles in which I expanded the idea that central banks had developed and evolved around the function of ensuring trust in what were beginning to be known as ‘payment technologies’.2

During the next years I worked on other topics, ranging from European monetary integration to the reform of monetary institutions in the 1980s and 1990s and to the role of the International Monetary Fund as international lender of last resort. Some of the studies I undertook, often in collaboration with other economists from the Bank of Italy and the International Monetary Fund, form the backbone of the third part of the book.3

Inevitably after such a long gestation, I have accumulated numerous, profound debts of gratitude during the writing of the book. My greatest debt, however, is not to a person but to an institution, the Bank of Italy. It may resemble old-fashioned anthropomorphism to attribute a conscious role to an institution, but anyone who experienced the intellectual atmosphere in the Bank of Italy in the 1980s and 1990s (I cannot speak for the years before) will have no difficulty agreeing with the anthropologist Mary Douglas that ‘institutions think’. In my case certainly much of what I am and what I think in the field of economics, as elsewhere, is the fruit of 20 years in the Bank. When I re-read my work I often find it difficult to trace the real source of a particular idea, a particular empirical result or a particular idiosyncrasy.

I also owe much to the people who contributed in various ways to my intellectual development: Cesare Caranza, Guido Carli, Pierluigi Ciocca, Anthony Courakis, Tommaso Padoa-Schioppa, Franco Passacantando, Ezio Tarantelli and Ignazio Visco. Over the years I have also had discussions with numerous friends and colleagues on the issues that were researched in preparation for this volume. Regrettably, I cannot thank them all here, but I would like to mention in particular Carlo Cottarelli, with whom I co-authored a number of papers, Paolo Angelini, Lorenzo Bini Smaghi, Claudio Borio, Marco Commiteri, Renato Filosa, Marc Flandreau, Andrea Gerali, Giorgio Gomel, Carlo Monticelli, Fabrizio Palmisani, Giovanni Battista Pittaluga, David Pyle and Fabrizio Saccomanni. Ignazio Visco read the whole manuscript and provided many useful comments. Special thanks also go to Maria Teresa Pandolfi for her unfailing kindness to this often wayward user of the Bank’s library, which she manages with knowledgeable and loving care. I also have fond recollections of my dear colleague and friend Stefania Tortiello, without whose
help and encouragement I would never have found the strength to resume a project that professional commitments and family responsibilities had forced me to give up. Maria Rosaria Lazzarini not only showed me constant affection, which never hurts, but also provided diligent editorial assistance over many years. I am also grateful to Chiara Mariani, Angela Di Maria and Giorgio Trebeschi for their help with tables and graphs.

Personal problems have prevented me from revising the text as I would have wished, or indeed as would have been appropriate with a view to publication. In this sense it is unfinished. I have decided to publish nonetheless, in the hope that others will find inspiration and encouragement to formulate a convincing institutionalist theory of central banking.

I dedicate the book to my companion Vera and our two children, Dara and Damjan, in gratitude for the love they have given me and in the hope that they will always remember that in a world without certainty only trust in oneself and one’s neighbour can bring serenity.

C.G.
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