

MAXIMILIANO BARRIO GOZALO, *Esclavos y cautivos. Conflicto entre la cristianidad y el islam en el siglo XVIII*, Junta de Castilla y León, Valladolid, 2006.

Despite the raucous debates on the so-called clashes of civilisation between Islam and the Christian western world in the media every day, there is still room for calm reflection on the relationships between Christianity and Islam over the course of history which can help dispel the many misunderstandings that have arisen on this subject in recent years. Maximiliano Barrio Gonzalo's *Esclavos y cautivos* is an important contribution to this discussion.

The best twentieth-century historiography had already focused attention on the world of privateering and slavery in the modern era, studying it both from the Christian and the Islamic point of view; in particular, it was Fernand Braudel who shifted historians' interest in these subjects from the Caribbean and the Atlantic to the Mediterranean. Braudel began to outline the complex relations between the North African and the Spanish territories, and he identified the people who were the protagonists in these relations: the captives i.e. the Christians who were prisoners of Islam, the slaves i.e. the Muslims who were prisoners of the Christians and "the renegades", those who decided to abandon their old faith in order to embrace the new one, thus becoming *cristianos de Alà* or *musulmanes de Cristo*.

Maximiliano Barrio Gozalo's recent work belongs to this same area of research, and, with its in-depth analysis of documentary sources, it brings to light the religious, political, social and economic dynamics in Christian and Muslim relations throughout the eighteenth century. In particular, it is the period studied by Barrio Gozalo that constitutes an important new element with regard to earlier studies: there are, in fact, many studies on this same subject in the sixteenth and seventeenth centuries, whereas there is an almost total lack of studies on the eighteenth century. And so Barrio Gozalo's book has, first and foremost, the merit of filling some significant gaps regarding the conflict between East and West in the eighteenth century, and of revealing the events that affected the coasts of Mediterranean countries throughout the modern era, dictating these countries' diplomatic relations and trade.

The book is divided into three parts. The first part analyses the characteristics of Mediterranean privateering, stating clearly the differences between Spanish privateering and Muslim privateering, with an *excursus* which allows the reader

to understand the developments which took place throughout the eighteenth century, especially after truces and peace agreements. In every case and in every period, the most important spoils for the privateers were men taken from enemy fleets, both because they constituted slave labour and because the negotiations for their ransom became an opportunity for the Real Hacienda to collect huge revenues.

The second part of the book is about the men who were captured at sea. By means of an interesting reconstruction of individual examples, Barrio Gozalo presents the reader with extremely detailed profiles of Christians and Muslims who were captured: how old they were, where they came from, how long they were prisoners, where they were imprisoned, what work they did and what they ate. He covers the beginning and the end of a period when the slaves and the captives were forced to sacrifice their identity in the sometimes vain hope of regaining it before they died.

If they fell within the jurisdiction of the king or of the state, the Muslim slaves in Spain generally worked on the galleys as oarsmen, at least until the mid-eighteenth century, after which time they worked in the shipyards, above all at Cartagena, or in building public works. Slaves belonging to individuals, on the other hand, were almost all domestic servants. Christian slaves shared the same fate, being used in the Turkish fleets or else on land to repair and maintain ships, although it was not unusual to use captives to extract salt or to fish for coral, or else to harvest crops and build irrigation canals.

As has been stated already, alongside the slaves and the captives there were the renegades, although in the eighteenth century they were fewer than in previous centuries. Barrio Gozalo points out that apostasy was much more common among Christians who were inclined to embrace Islam, not so much in the strict sense of a conversion but because they were attracted by the possibility of improving their standard of living. Abandoning one's religion, however, always meant giving up one's whole identity: one's name, one's religion, one's dress and one's usual diet. But the new religion was not always closely adhered to, and this holds good for the renegades of both faiths: as Barrio Gozalo points out, there was a clear-cut division between outer behaviour and inner conviction.

The third part of the book examines the process which led to freedom for the slaves and the captives, a process which shows clearly the different way the Christian and the Muslim worlds were run. The Christian world was very much more organised, with institutions and confraternities – founded in medieval times – delegated for this purpose, such as the religious orders of the *Santísima*

Trinidad and of *Nuestra Señora de la Merced* which continued to operate until the nineteenth century, despite having lost their independence during the reign of Philip II when they were subjected to the control of the *Consejo Real* which had to examine and approve every case before freedom was granted.

At all events, the greatest difficulty for these institutions was the need to find the money to secure freedom for as many Christians as possible. This money for the most part came from alms, donations and annuities created especially for this purpose, and had to be sufficient not only to cover the price of individual people (which varied according to the “intrinsic value of the captive”) but also to win over the Muslim officials so that they would issue passes and to pay for the voyage from the Spanish coasts to the North African coasts which involved the charter of a ship, a crew and a captain. Although Christians could rely on an organisation which was committed to engineering their return home, in the mid-eighteenth century it had become increasingly unusual for Muslim slaves to obtain their freedom.

It is true, as Barrio Gozalo points out, that a ransom was not the only means of regaining one's freedom: slaves and captives could hope for exchange agreements which became increasingly frequent during the eighteenth century – both individual exchanges (when one or several prisoners were exchanged with a one-off agreement) and general exchanges (when prisoners were handed back after the signing of a peace treaty). And again, alongside these two “contractual” forms of regaining freedom, Barrio Gozalo reminds the reader of another possibility of avoiding imprisonment: escape was very dangerous but very often deemed the only, or the last, way the individual could avoid the mortification of his body and his soul.

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S. BOTTARI, *Post res perditas. Messina 1678-1713*, preface by M. D'Angelo, Edizioni Dr. Antonino Sfameni, Messina, 2005, pp. 236.

The long period of Spanish rule in Southern Italy is marked by some crucial events which divide it very clearly into periods. One such event is the revolution in Messina between 1674 and 1678 which is particularly important: this rebellion

has been analysed by historians both recently and not so recently in research which, first and foremost, has studied its causes and narrated its main events. What happened in the years following the rebellion and the consequences of the rebellion on life in Messina until the Spanish finally left Sicily for good in 1713 are much less well-known. Hence the importance of this book which, dealing with the “history of cities”, aims to fill this great gap, thanks to its contribution not only of a copious bibliography, but also of hitherto unpublished sources found in archives in Italy and in Spain. In particular, Bottari tries to “understand what happens after the defeat”, as he explains in the *Premessa* (p. 11), turning his attention to local production and the trade connected with it, in this case to one of the key sectors of Messina’s economy, the silk industry.

Complete with a long appendix and an index of names, the book has eight chapters. The first chapter (*La città e la seta tra '500 e '600*) highlights the role which silkworm breeding still played in Messina’s economy between the sixteenth and the seventeenth centuries, whilst acknowledging that the sector had declined compared with the silk sector in previous centuries, both because of increased competition from the other silk centres in Sicily (Palermo and Catania) and because of changes which the silk market had undergone internationally.

It was also through the silk economy that, over the years, Messina’s identity emerged, based on a strong sense of autonomy on the part of the local ruling class – as is pointed out in the second chapter of the book (*L’identità cittadina tra politica e cultura*) – albeit within the broader Spanish system. However, at a certain point, belonging to this system began to be perceived as a limitation that clashed with the interests of the city, or rather with those of part of its ruling class. Economic interests and political conflict both caused relations between Messina and the Spanish monarchy to worsen: this is well described in chapter three (*Verso la rivoluzione: “Merli” e “Malvizzi”*). Soon afterwards this tense climate brought the city into the “whirlwind” of the rebellion: this is the subject of chapter four (*Nel vortice della rivoluzione 1674-78*) which reconstructs the main events of those difficult years.

The results of the rebellion were not good for Messina and its need for autonomy. The Spanish set foot in the city again triumphantly and, after a “very cautious” initial reaction (p. 85), they began a period of repression. This period marked the end of all the privileges Messina had enjoyed before the revolt. Once again it was its main economic sector, the silk sector, which was affected. As Bottari reminds the reader in chapter five (*Post res perditas*), the events of the

revolution marked the end of the "golden age of Messina's trade and dealt a harsh blow to the silk sector" (p. 102). Local silk-producers were burdened with new taxes and this encouraged foreign workers and foreign merchants in Sicily to emigrate to more favourable places.

Despite this, after the revolt and still again in the eighteenth century, silkworm breeding continued to occupy an important place in Messina's economy. As is stated in chapter six, (*La seta tra Seicento e Settecento*), the sector was involved in various revival attempts, but it had to reckon not only with the consequences of the War of Spanish Succession and the attempts on the part of Palermo and Catania to play a greater part in silkworm breeding in Sicily, but also with an international market that tended to transform Sicily increasingly into a producer of raw materials for other markets.

The problem of reviving the economy of Messina, however, went beyond the silk sector and concerned more generally the revival of Messina's trade. In order to achieve this very aim, in 1695 Messina was granted the so-called free port which had been requested repeatedly and never granted during the seventeenth century. However, the free port, which was to guarantee greater freedom of movement within the port of Messina, did not affect silkworm breeding: as Bottari states in chapter seven (*Politica e porto franco*), all silks, both raw and woven, together with cloth which came to Messina from the rest of Sicily and from Calabria and which were goods subject to the usual customs dues, were excluded from the free port.

By opening the port to more trade, the free port, however, affected the silk trade indirectly, confirming the end of all the old privileges which until that time merchants from Genoa, Catalonia, Aragon, Malta and Ragusa had enjoyed. On top of this, there were the consequences of the War of Spanish Succession, which sent English merchants away from Sicily: this was a great loss for the Sicilian silk trade and it made trade in general less secure. By now the eighteenth century was dawning, and *Il congedo della Spagna* (the title of chapter eight) was imminent. Messina's economic situation appeared particularly difficult; however, local silkworm breeding was to remain a vital sector in the city's economy throughout the eighteenth century.

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F. CESARANO, *Monetary Theory and Bretton Woods. The Construction of an International Monetary Order*, Cambridge University Press, Cambridge, 2006, pp. XIII - 248.

Globalisation, in particular financial globalisation, gives rise to new opportunities, but also to new risks. Experience, including even very recent experience, teaches us how market integration and the mobility of capital can become disturbing factors at a global level, all the more so in the light of persistent payments imbalances in some of the bigger economies. It is therefore no surprise that, for some years now, economists, economic historians and historians specialising in international relations are increasingly turning their attention to the role of the international institutions and of monetary agreements¹, in other words to the people and the mechanisms that set the rules (*nomoi*) of the international economy (*oikonomia*) game.

Filippo Cesarano, the Director of the Bank of Italy's Historical Research Office and the author of important papers on the relationship between monetary systems and monetary theory², is entitled to a place among these specialists. In this book of just over two hundred pages, Cesarano rediscovers and distils the ideas of dozens of economists – from Keynes to Friedman, from Tobin to Patinkin – by means of an in-depth study of the interaction between economic analysis and the history of the economy.

In 1914, the gold standard was at its height, having guaranteed stability and growth in international economy for several decades. The policymakers' creed was the classical model of automatic adjustment, *omeostatico* (p. 35). For this reason, after the end of the war, the reintroduction of the gold standard was deemed essential for monetary order. But the difference in levels of inflation experienced during the war, the reparations issue and the reduction in gold production made a return to the pre-war exchange rates untenable; this was also because of the social costs that deflation would have imposed (p. 44). This

¹ Cf. B. Eichengreen, *Global Imbalances and the Lessons of Bretton Woods*, (MIT Press, 2006); R. Gilpin, *The Challenge of Global Capitalism. The World Economy in the 21st Century*, (Princeton University Press, 2000).

² F. Cesarano, 'Monetary System and Monetary Theory', *Kredit und Capital*, vol. 32, no. 2, pp. 192-208; idem, 'Competitive Money Supply: The International Monetary System in Perspective', *Journal of Economic Studies*, vol. 26, no. 3, pp. 188-200.

is why the 1922 Geneva International Conference approved the idea of the convertibility of some currencies into gold (gold exchange standard); the price of gold was to be stabilised with the central banks' cooperation.

The transition to the gold exchange standard affected the principal properties of the gold regime, and in particular its credibility, but did not diminish its appeal. Indeed, at least until the Great Depression of 1929, the idea that the gold standard was optimum prevailed because, as well as being immune from political interference, it reflected a model of equilibrium. Not everyone, however, was of this opinion: already in 1925, criticising the return to the gold standard urged by Prime Minister Churchill, Keynes pointed out the difficulties of adjustment and the need for an active monetary policy (p. 48).

More generally, the 1920s witnessed a lively academic debate with radicals and conservatives opposing the mainstream attempt to revive pre-war monetary order by means of the gold exchange standard (p. 83). The radicals maintained that there was incompatibility between price stability and commodity money; for Keynes, in particular, an expected variation in price level was enough to activate a mechanism with cumulative effects on income and employment: monetary control was therefore necessary. The conservatives, on the contrary, had not abandoned the paradigm of commodity money. Cannan, Mises and Hayek were among these conservatives: Hayek was of the opinion that price stability was desirable, but that an epistemological limit (ignorance of the monetary transfer mechanism) made it impossible to achieve, thus paving the way to discretion and government abuse.

The Great Depression of 1929 discredited the classical model, increasing the appeal of currency control. The 1930s brought Keynes' fundamental contributions. There was general agreement on the need to solve the monetary issue but no agreement on the characteristics of the reform. However Cesarano has the merit of showing that "these endeavours did prepare the ground for the drafting of the plans that would be discussed at Bretton Woods" and that "the direction, though not the exact route, of the arduous advance towards monetary reconstruction was, in the main, set" (p. 130).

In this sense, the history of the 1944 agreements becomes the history of the gradual erosion of one model of economic analysis in favour of another.

At the Bretton Woods Conference the more innovative Keynes Plan was compared with the more conservative White Plan. The result was that the

agreements reinstated fixed exchange rates, with the possibility of altering them under particular conditions. The aim was to guarantee the possibility of active economic policies which would achieve full employment and economic stability; in fact, a new gold exchange standard (p.187). In this sense, Bretton Woods was the last attempt to revive a monetary order linked to commodity money. After a quarter of a century during which the system guaranteed growth and stability in the global economy, it ran into difficulties because the USA found it impossible to exchange dollars for gold unlimitedly. The fiat money régime began at global level; this experiment is still continuing and is without precedent in monetary history.

In short, Cesarano concentrates more on the history of ideas than on the history of events. He is convinced that, together with facts (or shocks), ideas are history's driving force, but are also, not infrequently, a powerful brake if they are the equivalent of a "backward theoretical apparatus" (p. 189). "Sooner or later it is ideas, not vested interest, which are dangerous for good or evil", wrote Keynes. This is a lesson for the future of international economic institutions.

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LUIGI DE ROSA, *Il Banco di Napoli tra fascismo e guerra, 1926-1943*, Napoli, Istituto Bank of Naples – Fondazione, 2005, pp. 415.

Reconstructing the history of one of the great banks of Italy from 1861 to 1943, from the Unification of Italy until the years of the second world war, means following the transformation of a mainly rural country, with very little manufactured production and which was, on the whole, a non-entity on the international scene, into an industrialised country, ready to be one of the major global economic powers when the war was over. This is the spirit with which Luigi De Rosa (1922-2004) has reconstructed the history of the Bank of Naples in four volumes which have left their mark on the story of banking history studies in Europe.

After his three volumes - published in the late 1980s and the early 1990s - on the history of the Bank of Naples, when it had the privilege to issue paper

money (from 1863 until 1926)¹, we now have the posthumous publication of the volume which begins with the banking reform that made the Bank of Italy the central bank. The book examines the following fifteen years which saw the implementation of the Fascist reforms in the Italian economy, reforms which included banking and monetary reforms, with the stabilisation of the lira and the reintroduction of the lira's convertibility into gold in 1927, and the founding of the state's great finance companies, and then the proclamation of autarchy and the preparation of the war economy. We shall try to follow the salient moments of this period of the Bank of Naples in De Rosa's reconstruction.

The Bank of Naples' transition from an issuing bank to an ordinary bank involved a radical transformation, conducted under the government's, and therefore Mussolini's, direct control because it was carried out by dismissing the administrative bodies and by appointing an external administrator who came from the Ministry of the Treasury. The government intended thus to reorganise the Bank's activity, especially with regard to jobs, envisaging a gradual withdrawal from Italy's other geographical and productive regions in order to concentrate its operations in Southern Italy, where it was to proceed in concert with government intervention. In particular, the government asked the Bank to incur debts to save seriously crippled small and medium-sized local banks and to provide capital for southern Italian enterprises. At the same time, a reorganisation project for the branches of the bank was launched.

In his reconstruction of the complex plot of contacts with the local authorities, Luigi De Rosa shows how delicate the mission the government was charging the Bank with was, bearing in mind that instructions from Rome had to harmonise with the political, administrative and economic interests of southern Italy. Simultaneously, the Bank was undergoing internal reorganisation which also involved old and new authorities.

In this context of large-scale exposure on several fronts, the deflation which followed Mussolini's monetary policy decisions hit the Bank of Naples heavily. In 1929, before the great crisis reached Italy, the Bank of Naples had put its name to numerous agreements in an attempt to avert greater losses than those

¹ L. De Rosa, *Storia del Banco di Napoli Istituto di Emissione nell'Italia Unita*, vol. I, *L'espansione, 1863-83*, (Naples 1989); vol. II, *La crisi, 1883-1896*, (Naples 1989); vol. III, *Rinascita e fine del privilegio di emissione, 1896-1926*, (Naples 1992).

already recorded. As far as the consequences of the Wall Street crash are concerned, it is very interesting to read Luigi De Rosa's opinion about how slow the Bank's top management were in realising just how far-reaching and how serious the crash was. Most other Italian banks were also very slow to realise this. Cultural and political factors, together with the relative isolation into which the Italian economy had withdrawn, prevented them from seeing what was before their very eyes, despite the fact that the crisis in the Bank's overseas branches, starting with its branches in the U.S.A., due to there no longer being any movement of remittances because immigrants lost their jobs, revealed the harsh reality very quickly.

With his documentation Luigi De Rosa shows that, compared with other Italian banks, the Bank of Naples suffered in a particularly difficult situation, with returns which, even on the unexciting nationwide scene, were exceptionally low. Nevertheless, the government continued to use the Bank as an instrument of economic policy for Southern Italy, especially for implementing credit measures in agriculture's favour. Such measures were related to the government's choice of the southern regions of Italy as the area to put into practice the regime's unfortunate grain policy and, more generally, to exalt the rural character of Italian identity.

During this period the Bank of Naples was involved in the setting up of *Imi* and *Iri*, the huge government financial bodies which were supposed to solve the problems facing the Italian economic system since the end of the second world war; however, it was not until after the last prescriptive intervention in the banking sector in 1936 that the Bank of Naples played a decisive role. Following this intervention, the Bank of Naples, practically single-handed, had to revive the local banks which had their head offices in the South. In parallel to his account of the relationship between the bank's top management and the government, Luigi De Rosa examines in detail the life of the Bank's branches during the 1920s and the 1930s: this proves a rich vantage point for understanding how, in the Italian economy between the two world wars, orders received from above were put into practice in everyday life.

Italy's entering the second world war is the last period examined: once again the Bank of Naples was strictly bound to government policy, and so was involved in supporting southern Italian industries engaged in the war effort and in taking over small local banks.

Luigi De Rosa's reconstruction of the Bank of Naples's vicissitudes from 1926 until 1943 confirms the interpretation of banking history that has always been peculiar to this brilliant economic history scholar: an evolutionist, almost Darwinian, interpretation where the positive and negative vicissitudes of many banks – we could say the organisation and the fortunes of the entire Italian banking system – prove to be determined, for the most part, by flexibility and by the capacity to combine the concrete problems of the day-to-day management of credit with the directives issued by the public authorities in the various historical situations.

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MASSIMO FORNASARI, *Finanza d'impresa e sistemi finanziari. Un profilo storico*, G. Giappichelli, Turin, pp. 183.

Financial matters are of absolute importance in today's capitalist systems. A superficial analysis could lead to the belief that they have become important only recently. In fact, this is not the case: as Fornasari demonstrates, this is only the last stage of a tale which began a long time ago. This book, whose fluid style makes it accessible to the general public, produces a very precise overview of the important stages in the history of business finance. The author aims to identify the financial aspects of economic development in the western world, including the institutions and the environmental factors connected with methods of financing. The wide-ranging reconstruction deals, firstly, with the founding of those institutions which, as well as contributing to ensuring an expansion cycle of several centuries, became an integral part of the capitalist system. In particular, the book begins with the institutional innovations seen from the eleventh and twelfth centuries onwards, when company organisations, precursors of more modern forms of enterprise, appeared in the more economically advanced regions of Europe. This was a crucial period, as is seen in the three important aims which Fornasari summarises nicely: "to increase significantly the mobility of capital, to increase investment yield, and to diversify and split the business risk among numerous investors" (p. 20).

The transition to the limited company constitutes a leap forward: this new form of a company spread among businessmen in North Sea coastal countries, the most financially important area on an international level. The increasing importance of the stock exchanges, which had become well-established especially in the seventeenth century in England and Holland, was another significant innovation. Lastly, still in the pre-industrial era, Fornasari highlights the role of the state-owned banks which had a two-fold function: on the one hand, they contributed to the system of clearing payments, on the other, they took part in financing the national debt.

The first industrial revolution had a weak financial impact. Family resources, self-financing and the hiring of means of production were the main means by which the manufacturing system was financed. With the spread of railway "manias", much more substantial capital had to be found. The crash of 1847 brought important correctives which aimed to reduce the asymmetries which emerged during the crisis. However, it was in the second half of the nineteenth century that managerial capitalism developed, involving an increase in the rate of financing industrialisation processes. Introducing the subject, Fornasari does not agree with the general opinion that market-oriented systems are better than systems based on intermediaries: he believes this superiority to be schematic and incomplete in that "the banks and the financial markets are in actual fact complementary, not alternatives" (p. 71-72). And, in fact, the rest of the book is in line with this observation.

The last chapter of the book deals with business finance and the banking system in Italy. Fornasari reconstructs "the inherent financial instability" – as Maffeo Pantaleoni calls it – of the first decades after the Unification of Italy, an instability caused by the composite structure of the banking system, and which came to an end with the banking law of 1936. But it was a system in which two poles were evident: on the one hand the large banks and on the other the smaller banks and the local banks, which Fornasari analyses in great detail, agreeing totally with Confalonieri's observation that this latter category represented "the most positive trait of banking affairs in the decades following Unification" (p. 133). The part about the period following the second world war when the former mixed banks set out to become merchant banks again is very interesting. In April 1946 this project led to the founding of Mediobanca which was to condition the fate of Italian capitalism for several decades. But the years following the second world

war was also the time when local banks connected with production systems rooted in a circumscribed local environment showed a good level of dynamism. In the meantime, the special public-law banks established the state's function as a trustee.

Fornasari's reconstruction is complete with graphs, tables and various explanatory diagrams, which examine aspects and peculiarities regarding his subject. However his most important contribution is his insistence on the necessity of a profound knowledge of history: "a greater humility concerning the past" – Fornasari concludes – "would have obviated repeating fatal mistakes which have had serious repercussions in many fields of civilian life" (p. 174). This is one of life's fundamental principles that can certainly fit the world of finance, which is so often surrounded by an aura of impenetrable mystery.

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G. MAIFREDA, *La disciplina del lavoro. Operai, macchine e fabbriche nella storia italiana*, Mondadori, Milan, 2007, pp. 346.

With this volume, Maifreda continues the tradition of books about labour, which has not been the subject of such in-depth research recently as it was in the past, despite its having been an influential area of research in Italian economic history.

Maifreda examines the transformation that places, cultures and procedures underwent over a period of about two hundred years in order to establish a factory regime. Although the connections with types of regimes experienced in other contexts (the family, the military and the Church) are obvious, the fact that the factory regime became established shows that it was capable of developing its own characteristics. In particular, its distinctiveness lies in the interdependency of scientific knowledge and practice. The principle that binds these two spheres is obedience directed to creating submissive people, enslaved to increase production. Such an operation involved high costs, and tended to differ within individual national contexts. And this is the area of research that Maifreda analyses carefully, choosing the growth of the labour regime in Italy as his observation point. This sort of approach does not mean making a separate

analysis within the context of a single nation, nor is it something that relegates Italy to a rearguard role. During the early post-Unification decades, industrialisation was regarded with suspicion. The position of Giuseppe Colombo, a pioneer of Italian industrialisation is emblematic: he sided with adopting cottage industries “because working at home guaranteed morality and peace”. But the end of the nineteenth century and the beginning of the twentieth century saw the start of a new era, whose rise was favoured by the fact that Italian industrialists travelled more frequently and more widely in the USA and in Western Europe. Thus a positive view of the centralised factory, the fundamental elements of which were cleanliness, job standardisation and physical and social security, became widespread.

In this context, the need to formalise conduct, including moral conduct, with regulations which went beyond mere factory life seemed essential. At the same time, closed production units which were socially homogeneous, geographically well-identified and separate from other inhabited areas were becoming established.

More importantly, however, people were transformed in accordance with the imperative requirements of the factories, and this was evident right from apprenticeship: this transformation aimed to instil in the would-be worker a model of mental and physical conduct that embraced operative capacity related to the machine system of mass production, the invariability of the processed raw material and the uniformity of labour conditions.

The paradigm of this profound change was the early twentieth-century automobile factory, which was at the forefront as regards the urban workforce and an obligatory model for the entire Italian working class. In this production sphere, a new culture of labour evolved with the founding of the *Federazione Italiana Operai Metallurgici* (FIOM- Italian Federation of Metal-workers) in 1901.

The first world war reinforced the supremacy of mechanisation with the aim of exalting “techno-scientific nationalism”. These were also the years in which occupational medicine was developing. Such transformations resulted in the clear-cut emergence of the era of modernity: its symbol was, yet again, the Fiat works which, alongside the Lingotto, was the most advanced factory in Europe in the 1920s, from the point of view both of its organisations and its rules.

Later, the first decades after World War II saw the development of projects which aimed at a greater social integration of the factory worker, regarded also

as a consumer of the goods he produced. The era of mass consumption had dawned: the same decades saw a hard-and-fast rationalisation of jobs. This was a transition which affected most of the Italian textile industry, irrespective of the size of the factory. But it was a system which was soon to show its inelasticity: the impact with the crisis of the 1970s revealed the cultural and social failure of the Taylorist production system a long time before its technical and production failure. However, the trade unions, in particular, did not manage to propose a valid plan as an alternative to the one which had hitherto been implemented.

At the end of this brief review, it must be pointed out that Maifreda shows that books which cover a broad time-span need not necessarily have recourse to simplifications which risk losing sight of the complexity of the course of history. Maifreda has succeeded in bearing this in mind, as he follows with intelligence the evolution, over the past two hundred years, of the working class in Italy, one of the protagonists of Italian economic history.

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CHERYL SCHONHARDT-BAILEY, *From the Corn Laws to Free Trade. Interests, Ideas and Institutions in Historical Perspective*, The MIT Press, Cambridge Massachusetts, 2006.

This is a book on a well-known subject, but it is conceived and written in a very original way. It deals with the repeal of the Corn Laws in Great Britain in 1846, a subject which has been extensively studied and discussed by economists and nineteenth-century economic and political historians. It is deemed one of the most important events in nineteenth-century British politics and in the development of international economic policy in the nineteenth century.

In general, when the Corn Laws are mentioned, the historian is referring to a long series of legislative and statutory acts of various kinds which aimed to defend landowners' interests when there was an abundant corn harvest with low prices. Legislative acts with this aim go back to the fifteenth century, but a clearly recognisable policy, in this sense, did not take shape until a law of 1663.

However, this political decision did not attract too much attention among the commentators of the time, both because the influence of mercantilism was still strong and because international economic policy was not devised to maximise trade, but rather to achieve the aim of the power of the state. It was not until about 1750 that the matter began to be the subject of specific deliberation among politicians and economists, both because new schools of thought appeared and because of entirely new economic scenarios.

It was at the end of the eighteenth century that the subject became very fashionable. Shortly before, the 1795 famine and then the publication of Malthus' *Essay* had made people think; and the Napoleonic wars had made the English fear of a corn shortage very real.

It was the Corn Law of 1815 that made it clear why English agriculture was being favoured with the introduction of import duties on corn in order to guarantee a fair price. Provision was also made for forms of subsidies for the export of these products. In short, corn could be imported into England only when it had reached the price of 80 shillings per quarter. Of course this legislative measure did not please consumers. But manufacturers who produced particularly competitive and much-demanded goods were against it too. The classical economists played an active role in arousing this criticism. Adam Smith was the first to condemn these policies in that they were contrary to the principle of free trade; but it was Ricardo who stigmatised it as a means of increasing income and lowering the profit rate: it was, therefore, a measure which was opposed to national interests and favourable only to the class which, in the end, gained from the law of decreasing returns. On the other hand, the workers were hit by it because food prices were high and this affected wages.

It was, therefore, a law which many people opposed, and the governments of the time on several occasions tried to make it less severe, but they achieved only modest results, until, in 1846, the second Conservative government, under the leadership of Robert Peel, repealed the law. The decision caused a serious political crisis which split the Conservative Party, that had been returned to power in 1841 with a programme of openly defending the interests of farmers and of the aristocracy. Only one third of his party followed Peel, whose government very soon went into crisis. The Conservatives were blamed for this change in policy, and consequently they remained excluded from government for several decades.

Even though the repeal of the Corn Laws did not lead to a reduction in the price of corn, as had been predicted, but merely to a stabilisation of the corn market, that "turning point" very soon took on the symbolic significance of the ultimate triumph of free trade.

Henceforth, historical opinion has swung from one extreme to another in judging the repeal of the Corn Laws. And historiographical debate on the subject has been very lively. Some historians are of the opinion that the origins of the repeal of the Corn Laws and the final decision to repeal them lay in the triumph of an ideology; others identify the reasons for the repeal in the institutional and structural changes seen in international trade. Here Schonhardt-Bailey opts for a third reason: it was concrete interests which caused the Corn Laws to be repealed. And, up to this point, the only novelty is the clarity of the conclusion. The book's real novelty lies in the diverse and consequential research methods the author used.

Schonhardt-Bailey has knowledge of political studies, and handles the theoretical categories of this discipline with ease and elegance. In addition, she has a marked tendency to use empirical analysis to verify hypotheses and conclusions. It could be expected that statistical-quantitative instruments would be used in the book, but they are accompanied by instruments of formal logic, by linguistic analyses and common narrative techniques.

Schonhardt-Bailey begins by verifying the three possible explanations for the repeal of the Corn Laws, distinguishing between ideas, interests and institutions, and by posing in analytical terms the problem of the causality between them, dwelling in particular upon interests understood both in economic and political terms.

This path leads the author to carry out research on how the Conservative Party and the Anti-Corn Law League were organised.

If the main aim of those who hold power is to hang on to it, Schonhardt-Bailey needs to show how Members of Parliament proposed to satisfy their electors' interests. Since Members of Parliament had to vouch for different interests according to the economy of their constituencies, they are identified according to the groups of interests they represented, both with reference to farmers and with reference to manufacturers who exported goods. The founding of the Anti-Corn Law League is explained as the establishing of specific economic interests.

A technique similar to that of connecting MPs with their constituencies is applied to "ideas". As was to be expected, the geographical concentration of the textile industry and of export industries played a decisive role in bringing to the fore certain interests and certain doctrines (see pp. 69-70).

As though the analysis were not already complicated in itself, Schonhardt-Bailey introduces a further distinction between two possible interpretations. The first, in line with Ricardo-Viner, tends to identify two opposing groups of interests. The second, proposed by economic historians, on the contrary considers that the shift in interests rendered the distinction between constituencies less rigid, in that agricultural constituencies were diversifying into manufacturing (see p. 107). In order to become a historically valid theory, this outline of interests and ideas needs to be linked with the Members of Parliament who must be differentiated both according to the parties to which they belong and according to their interests and idealistic trends. Members of Parliament are divided into four categories (Non-Peelite Conservatives, Peelites, Liberals and Reformers), and these are examined over the period from 1841 to 1846, putting each MP into a group according to every significant vote. It is shown that the breaking up of the Conservative Party was the consequence of the behaviour of the MPs in urban areas who did not follow Peel in his decision to repeal the Corn Laws.

This shift in interests was also responsible for a reappraisal of doctrine among MPs which led to the disappearance of the deep disagreements between the two alignments. Schonhardt-Bailey examines every speech made in Parliament (a total of 587 speeches made by 205 MPs) and analyses them according to some key words which are processed with a specific programme. Almost one million words are processed to see how words such as wages and prices, electoral connections and the market, and international trade are used in order to show the validity of the hypothesis.

The book ends with a historical analysis of the reasons why the aristocracy voted in favour of the repeal of the Corn Laws, together with a study of the way in which the local press influenced MPs' votes. There are several appendixes which provide all the data for judging the techniques used in the book.

The way in which the book is structured deserves praise. The main argument had already appeared in a paper which Schonhardt-Bailey had written in Los Angeles in 1987, and, at times, the search for ways of corroborating this

argument appears to be almost a desire to endorse a theory she was already convinced of. The wealth of instruments used also sometimes seems overdetermined. But we have to admire Schonhardt-Bailey's imagination in using the most varied research, and the competence with which she masters certain techniques.

The issue which this book aims to address is the fundamental methodological one concerning the connection between political decisions, interests and doctrines. We are not given to understand what exactly drives the chain of events, nor which events are determined by it, and why and by what. In some respects, the techniques used render the historical analysis somewhat rigid and lacking in persuasiveness. But the evidence which is supplied is entirely new and, for the most part, convincing.

Probably the "ideas" component is rather undervalued. At least that is our opinion, mindful of the lesson taught by the classical economists like Adam Smith and J.S. Mill which was very popular at the time. Schonhardt-Bailey is familiar with these writings but, on the whole, this is not the aspect which interests her most. In this respect she is consistent, but she does leave some room for our curiosity.

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J. SHOVLIN, *The Political Economy of Virtue. Luxury, Patriotism and the Origins of the French Revolution*, Ithaca and London, Cornell University Press, 2006.

This book is a fascinating and interesting comment on eighteenth-century France and on the origins of the social and political changes which took place shortly before the outbreak of the French Revolution. In a decidedly original way, Shovlin analyses the changes in French society (and consequently in European society) over two centuries.

In particular, Shovlin aims to show that, in the eighteenth century, the French élite (high-ranking bureaucrats, the aristocracy of trade, the bourgeoisie and the big financial lobbies) were "anxious" to experience the effects of French power and international competitiveness in everyday life, and thus to enjoy

the privileges of a new economic and social position, together with all the advantages connected with their status.

In Shovlin's opinion, this enabled French society to evolve along two parallel paths: on one hand, towards the development of a culture of "bourgeois" values (devotion to the family and to work, together with the possession of certain status symbols and prestigious benefits) and, in the cases of greater economic prosperity, towards the development of a luxury culture (the love of and the taste for beauty, for the refined and for the sophisticated, both in the basics of daily life and in leisure, both in the arts and in knowledge generally); on the other hand, towards the reinforcement of patriotism, understood as devotion to and defence of Mother France – not only the richest and most powerful state in Europe at that time, but also the principal body responsible for this real advantage her citizens enjoyed.

Starting with an analysis of France's economic policy in the eighteenth century, Shovlin shows that with the growth of a new affluent bourgeois-type society, the well-educated and highly qualified *élite* began to criticise the model of economic development the institutional authorities promoted, a model they accused of being outdated in that it was still a seventeenth-century mercantilist model.

From this perspective historians have reached two conclusions: academic production, and therefore literature about French economic policy at the end of the eighteenth century, is strongly imbued with a patriotic spirit, and is based on the observation and the analysis of commercial flows and of the exchange of goods and services for a luxury-driven, increasingly affluent society.

Indeed, according to Shovlin, between 1750 and 1760, French economic policy authorities devised a trend aimed at the marketing of luxury products and quality products, in accordance with the firm belief, passed on to them by the new *élites* of a wealthy France, that the affluence of its citizens was essential to consolidating and maintaining the power of the state, and that its continuation would foster the development of a public-spirited commitment and of "good manners" throughout the entire country. This was essential so that France could evolve from a still "rural" society to a more complex and sophisticated society, a mirror of the great French state which, at that time, was the greatest power in Europe and in the world.

In the following decade, Shovlin argues, the idea of patriotism linked to the "affluent society" was even more accentuated. However, a few years later, the

effect was not the same as it was between 1750 and 1760. By now, the ideas of the Enlightenment were exciting the whole country, including the élite. And so there was a break in economic policy which divided into currents, each one with a different direction.

Finally, after 1770, in pre-Revolutionary and the Revolutionary period of French history economic policy was even more oriented to the trade and exchange of "luxury" goods and goods which made life more comfortable. However, since these goods were in essence concentrated at the magnificent courts of Louis XV and Louis XVI, they became an anti-Revolution emblem and in a society like French society, which at that time was inspired by anti-aristocracy ideas, they were perceived as defending class interests which had to be rejected.

On the basis of these considerations, Shovlin concludes his research with an analysis of the concept of a lifestyle based on luxury and affluence which was prevalent in France at the end of the eighteenth century. Whereas the aristocracy and the nobility claimed that these values were innate to their status and therefore dated from earlier times and took priority over any other aim, be it public or private, the affluent classes and the "bourgeois aristocracies" bitterly criticised the privileges the aristocracy continued to enjoy undeservedly and anachronistically more than they criticised the extravagant luxury of the royal court.

Lastly, the working classes and the rural and agricultural world of the provinces had adopted an essentially republican attitude, condemning, therefore, the squandering of public money, the nobility's ineptitude and their privileges.

It would have been opportune to point out that France's subsequent experience of the Thermidor and of Napoleon gave notables and the *nobilità di toga* plenty of scope, adding a new dimension to the concept of luxury: it was no longer connected with "class" or status, but with consumption.

The substantial reference bibliography, comprising articles and original papers dating from the eighteenth and nineteenth centuries, will be very useful for stimulating further research into the tenuous connections between new forms of consumption, the increasing influence of the bourgeois classes and their alliance with the traditional aristocracy against the complex multi-faceted background of France in the second half of the eighteenth century.

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Edizione Nazionale delle Opere di Pietro Verri. Volume II. Scritti di economia, finanza e amministrazione, vol. I edited by G. BOGNETTI, A. MOIOLI, P. PORTA and G. TONELLI, Edizioni di Storia e Letteratura, Rome, 2006, pp. XXV-831.

As part of the official Italian series devoted to the works of Pietro Verri (1728-1797), an eminent figure of the reforming enlightenment in Lombardy, and following the volume of Verri's literary, philosophical and satirical works, we now have the first volume of his economic works. This weighty volume of more than eight hundred pages is made up of three sections, which are about trade, trade balances in the State of Milan, and taxes, money and excise duty. All these papers were written between 1760 and 1772, the decade that was crucial to the development of Verri's economic theory, which, in 1771, resulted in his famous *Meditazioni sull'economia politica*.

Each section is preceded by a comprehensive detailed introduction (the first two are by Angelo Moioli and the third by Giuseppe Boggetti) which sheds light on the contents of each individual document, on the context in which it was written, and on its connections with the basic themes of Verri's writings, which stem from the complementary nature of the theoretical considerations of the scholar and the Lombard patrician's actions as a high-ranking government official of the Hapsburg Empire.

Both in quantity and quality, this is a remarkable production in a period in which, under the influence of the reforms in Europe and of German cameralism, aimed at administering and consolidating the sovereign's finances and providing social unity, the Empress Maria Theresa (1740-1780) continued to modernise the state machinery with major economic reforms.

The first part of the book begins with the *Estratti da Hume*, a series of notes, published here for the first time, which comment on Hume's *Political Discourses*: from currency to the balance of payments the focus is always on trade, an eminently dynamic factor by means of which the "circulation of wealth", a consequence of freedom, is achieved. Political preoccupations are more to the fore in *Mie considerazioni sul commercio fatte in Vienna*. Verri suggests selective measures for imports, in line with the mercantilist goal to obtain a trade surplus. In his *Considerazioni sulla proposizione di restringere il lusso nello Stato di Milano*, Verri dwells upon the counterproductive effects of the sumptuary laws, luxury being the source of a demand for goods needed to develop trades.

The paper *Considerazioni sul commercio dello Stato di Milano* is considerably more wide-ranging. Verri examines the period from 1400 to 1750 and, by studying "the series of facts", aims to carry out a historical investigation into the causes of the State of Milan's original prosperity, the economic decline during its incorporation into the Spanish monarchy and, lastly, the possible remedies under Austrian rule. This is a far-reaching enquiry in which, in Angelo Moiola's words, "the echoes of Muratori's annalistic tradition, the historical-juridical interest which Verri's father had passed on to him and the pressure to apply the historical method to economic facts" (p.24) all converge. Verri recommends "good management" of trade, with the founding of a Chamber of Commerce based on those operating in Vienna and Trieste. The new Chamber of Commerce was supposed to bring about the transition to a) direct management of both internal and frontier excise duties and of the salt and tobacco monopolies, b) a reform of customs tariffs in line with mercantilist policies, and c) the implementation of a systematic survey of the flow of goods. The last document in this section is the *Memorie sulla economia pubblica dello Stato di Milano* where Verri considers the constraints institutions impose on economic activity, such as the despotic nature of its organisation and the degenerating influence of the guild system.

The second section of the book deals with the State of Milan's balances of trade. The foreign-trade balance is deemed to be the parameter *par excellence* of a state's power and "happiness". Although Verri met with accounting difficulties tied to the availability and the reliability of his sources, the bulk of his research is still remarkable, as can be seen in the tables which follow the text. Although he admits that, beyond a certain limit, a state cannot continue to win or lose in international trade because of currency or price adjustments, Verri recognises that this sort of re-equilibrium must not be taken for granted: left to its own devices, it could happen over a period which could be lengthy, during which time the state becomes impoverished and there is a fall in the population. What matters is not so much the final balance, in other words knowing whether a state's trade is active or passive, in that this is "a curious and sterile enquiry"; what really needs to be known is "which articles are profitable and which articles cause losses", in other words, a detailed product analysis. This is the only way to gain useful information on consumption, production organisation and customs duties, after which it is easy "to pass on this enlightenment and to encourage the promotion of those branches that are the most interesting for the wealth of the nation" (p. 544).

The third section of the book is about taxes, currency and duties, and consists of a collection of documents which, as Giuseppe Bognetti writes, have in common the fact that they are “research on applied economy: there are no economic considerations which are not then applied to real situation in Lombardy, with great attention to institutional and historical data” (p. 651). Here again, Verri’s interest in taxes, which he considers one of the central points in the study of economics, reflects his work in government administration. Verri’s basic theme is that taxation has a limit determined by the system’s overall production capacity which can be increased and modified when boosted by trade expansion, and this will lead to an increase in population; once this limit has been passed, the nation must decline because excessive taxation erodes the taxable base, which, in turn, necessitates a further increase in tax rates. Taxation is something which spreads through the production system and produces unexpected, and at times undesired, consequences.

The dialogue *Ironimo e Simplicio*, probably distributed together with the first piece written by the young Cesare Beccaria, *Sul disordine delle monete*, has a different origin; in this piece of writing, using language which most people could understand, Verri aims to explain the position of his young protégé, the subject of a local *querelle* as part of a “debate on currency” which was being held in several states.

From this brief summary of the book’s contents, it is clear that we have here a very rich edition of Verri’s works, an almost inexhaustible source of ideas for economic theory and practice. One of Verri’s characteristics is the logical way in which, starting with a detailed analysis (historical, economic, political and demographic) of particular conditions, he then moves on to general propositions which are of use only if applicable to the study and the reform of real and specific institutions. For example, as a member of the committee for the reform of indirect taxation contracts, in 1770 Verri was instrumental in bringing indirect taxation under direct government administration once again. And so the clarifying, reforming intent of Verri’s economic writings is very apparent. These writings are all the more interesting in that they were produced in the second half of the eighteenth century, the final stages before the birth of economics as an autonomous science.

In short, this is a fundamental work which, owing to the choice of documents and the editors’ notes to help the reader, gives Pietro Verri both an Italian and

a European dimension. While we await the second volume, this book is a lasting contribution to the study of the development of economic theory and to economic history at the end of the early modern era.

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R. WALTER (ed.), *Innovationsgeschichte. Erträge der 21. Arbeitstagung der Gesellschaft für Social- und Wirtschaftsgeschichte. 30. März bis 2. April 2005 in Regensburg, VSWG Beihefte 188*, Stuttgart 2007, Franz Steiner Verlag.

The proceedings of the 2005 annual meeting of the German Association of Social and Economic History (Gesellschaft für Sozial- und Wirtschaftsgeschichte, GSWG) deal with a new topic in history – it could be said a new historical discipline – the history of innovation. For some years, economists as well as politicians have stressed the importance of innovation in thriving economies and societies. Thus, the history of innovation, understood as the analysis of the historical process of innovation, could become a field of study in its own right, just as environmental history did. However, the development of the history of innovation as a discipline apart is hampered by the claims of other disciplines dealing with innovation, namely, general economic history, the history of technology, the sociology of technological development, economic theory and entrepreneurial research on business strategy.

The twenty-six papers collected in the 2005 proceedings deal with many aspects of the history of innovation. In order to clarify the meaning of the term “innovation”, the proceedings began with a paper on the importance of innovations in the long term, focusing on economic development in two regions over a number of decades. Another paper deals with modern economic opinion on technological innovation and enterprise, starting with Schumpeter’s “creative destruction” and leading to Christensen’s “disruptive technologies”. The next papers concern the sources of the history of innovation, and this discipline’s potential to create new insights. These theoretical papers are followed by some case studies in which historians present some empirical findings on the processes of invention, innovation and imitation/dissemination following Schumpeter’s

well-known (and often criticised) linear scheme. The various case studies range from medieval times to the present day, and include medieval weapon technology, mining and metallurgy, the agrarian and food sector and the automobile industry. There are new empirical insights into invention, innovation and the diffusion of technological innovations, as well as into organisational innovation in the distribution of goods and services. However, the most important aspect of most of the papers is the presentation and critical discussion of different research methods (heuristic, analytical and empirical) for this discipline. Furthermore, some papers show that there can be a strong interdependency between the push of technology and the pull of demand in complex institutional frameworks, which have given incentives to propagate or block innovations. The analysis of the role of the guilds, a multi-faceted analysis of the incentives to innovate caused by different patent regimes, an analysis of how innovation can be quantified, the importance of technological knowledge and how it is used, and the development of innovation systems where one innovation causes others, leading to the creation of a new industry are important issues to illustrate the complexity and the scientific potential of the history of innovations as a new (sub-) discipline. It must, however, be noted that the authors of the papers do not always use a "common language": some papers are presented with "classical" research by pure historians, whereas others are presented more analytically by economic scientists. For the future of the history of innovations, this gap should be closed in order to find a common identity and a common "language" in this field of research.

And so, using a wide range of methods, these papers reveal interesting insights into a new field of research. However, in order to establish the history of innovation as a new historical (sub-) discipline, future research must be interdisciplinary. It would be fatal if any of the established disciplines involved were to try to claim exclusive rights to this area of research, thereby reducing the plurality of research methods presented in these proceedings.

In conclusion, the GSWG must be thanked for having chosen the subject of innovation in a historical context as the theme of their 2005 meeting. The published proceedings represent an important step in the creation of a new, interdisciplinary field of research.

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DAVID WARSH, *Knowledge and the Wealth of Nations. A Story of Economic Discovery*, W.W. Norton and Company, New York – London, 2006, pp. 426.

There are many differences between knowledge-based society and industrial and post-industrial society, and the greatest implications are to be found in economics and culture. Economic value is increasingly produced by intangible assets, whereas material goods no longer offer great opportunity for profit and indeed, on the contrary, come up against serious limits of sustainability for the planet. Today's basic means of production is knowledge, that intangible asset which therefore is to be amassed. This change in society, and hence the new paradigm associated with it, has brought many advantages, but many contradictions as well. Dealing with these contradictions is difficult and involves all branches of human learning such as chemistry, physics, mathematics, economics and social sciences. One such contradiction concerns the work force which, on the one hand, is subject to flexibility and uncertainty and, on the other hand, is regarded as the real "capital" which should receive all necessary care and attention. It is the essential element for the creation of wealth, whereas globalisation, by exacerbating competition among all the existing economic subjects, encourages us to constantly strive to improve product, process and organisation.

The connection between human capital and growth has been analysed in many publications, especially in relation to endogenous growth theory. Although experts agree on the fact that human capital supply is a vital component in the dynamics of both the industrialised economies and the developing economies, the means by which the dynamics of industrialised economies influence the dynamics of developing economies are still widely debated. In particular, it is not clear whether the accumulation of human capital or its stock influences growth and what is the causal relation between the two variables. In this book, David Warsh examines the different approaches to the problem, sketching astute portraits of the many economists involved: Smith, Marshall, Keynes, and then Solow, Arrow, Lucas and Romer. In order to do this, he retraces the history of economic research, claiming, in his own way, that the history of economics is American. He writes that, although before World War II the leading centres were in England (Cambridge and the London School of Economics) and in the United States (Harvard, Columbia and the University of Chicago), nowadays there are only two places which are

centres of excellence at a global level and both are American: the University of Chicago and MIT in Cambridge, Massachusetts.

At least from the time of Henry the Navigator, governments understood the importance of supporting the production and the dissemination of knowledge, the practising of arts and crafts, the importance of making education available to more people, of protecting intellectual property and promoting free trade. Great confidence in man's ability was expressed right from the early seventeenth century in England with Bacon's dictum: "knowledge itself is power". The French Revolution and Napoleon stimulated education and made it more democratic, by spreading the study of calculus in the *grandes écoles* and state schools. German investment in university studies from the nineteenth century onwards resulted in Germany being the most powerful industrialised nation in Europe in the years preceding World War I.

The Americans, for their part, adopted a technological policy right from the start, even though they did not call it that. The English colonisers founded Harvard College in 1636 and patents law was included in the American Constitution. The beginning of the Civil War saw the Morrill Act (1862) which set up universities in the various regions of America, taking higher education to the furthest frontiers. At the end of World War II, the GI Bill opened the doors of colleges to all veterans while the Bayh-Dole Act was a government incentive for the development of medical research.

Warsh supports the theory that education determines growth, even though we know nowadays that a policy of education and training may not be sufficient. We need to create conditions which enable human capital's production potential to be exploited more efficiently. Opening up wider markets may be a solution, but it is equally important to improve research and development operations, making them more appealing to young talents. By interacting with the evolution of technological knowledge, human capital becomes the driving force behind continuous growth, which is totally determined by the decisions of the economic agents, in other words, endogenous growth. An educated experienced work force is a vital input in basic and applied research. It is necessary to invest in human capital to generate new ideas and new technology, in other words, knowledge, the true wealth of nations.

The most influential model in the theoretical debate on growth and the one that ascribes a central role to human capital is Paul Romer's model (1980) which

is fundamental to Warsh's considerations. The endogenous growth theory described by Romer, by means of sophisticated mathematical models, attempts to justify what is not considered in traditional theories, in other words, increasing yields, where the crucial factor is no longer the scarcity of resources but the abundance of knowledge.

Although Smith had unwittingly created the problem of the contradiction between competition and specialisation, a consequence of the division of labour, according to Romer the distinction was now not between public goods and private goods but between rival goods, which could be consumed by one person at a time, and non-rival goods which could be used simultaneously by an unlimited number of people, for example, a file or software. In short, ideas and knowledge (plentiful) instead of raw materials (scarce).

In other words, the production of knowledge can grow boundlessly and is the key to growth in capitalist economies. It has two fundamental inputs: the stock of already accumulated knowledge and researchers' capabilities. According to Romer, someone with education and experience is the crucial input in the process of trial and error, testing, intuition, forming and pronouncing hypotheses which in the end generate a valid new idea that can be passed on and used by others (goal-idea). It follows that the more people involved in research (and the greater their capabilities), the quicker will be the pace of the creation of new knowledge and, consequently, the growth rate of the economy. In this case, the crucial factor is not accumulating human capital but rather allocating it to research activities.

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B. YUN, *Marte contra Minerva. El precio del imperio español, c. 1450-1600*, Crítica, Barcelona, 2004, pp. 623.

The central role Spain played in the early modern era, both in Europe and in the world at large, has prompted many scholars to carry out research on this subject and on the deep-seated reasons for the rise and fall of such a vast and varied empire. This has resulted in various interpretations, all on the whole valid, but necessitating further research. This is the opinion of Bartolomé Yun who in

this book sets out the main aim of his complex work of research and observation: “*reviser no pocos tópicos y de animar a que otros historiadores rebatan los planteamientos de conjunto aquí expuestos*” (*Introducción*, p. XV). Yun’s book, divided into four sections and eight chapters, with an extensive bibliography and an index of names, reviews the history of the Iberian kingdoms from the late fifteenth-century crisis through the sixteenth-century recovery to the seventeenth-century crisis. By means of analysing events over the centuries, Yun tries to identify the reasons for the crisis in the seventeenth century: he is not totally convinced by the numerous explanations which have hitherto been suggested, all of which blame the monarchy’s policy for Spain’s economic difficulties during those years and its having imposed excessive financial and economic strains on Iberian society in order to sustain the huge costs of the empire.

Yun is of the opinion that the reasons for the crisis are much more profound, and originate in the peculiarities of Spanish society, especially in the élite’s urge to expand, and in the close connections this élite managed to establish with the monarchy. In fact, from the period of economic growth in the fifteenth century, in Spain the ruling classes’ attempt to increase their own economic power resulted in many clashes between them and the monarchy. As is seen in the first section of the book (*De la crisis bajomedieval al imperio. Un rincón central de Europa*), in particular in the first two chapters (*Hispania en el contexto europeo. De la crisis a la expansión* and *Dinámica sensorial, patrimonio real, guerra y conflicto social*), these clashes were particularly violent between 1450 and 1475, and did not disappear until Isabella and Ferdinand the Catholic rose to power towards the end of the fifteenth century. It was only then that the first signs of a compromise between the monarchy and the local élite were seen.

A closer relationship between the Crown and local forces was the basis of sixteenth-century expansion with which Yun deals in the second section of the book (*Ciudades, campos y mares*), in particular in chapters three (*Entre el viejo y el nuevo mundo*) and four (*Minerva en España. Expansión, economías regionales y economía peninsular*). Yun stresses the fact that in the sixteenth century growth affected Spain as well as other European countries. This brings him to reconsider, at least in part, the interpretations of some authoritative scholars in the past, such as the idea that Spain was a “semi-peripheral” power in the “world economy”, or that Spanish economic growth was connected only with population growth and agricultural growth, without taking into consideration

the regional differences within Spain. Yun is totally convinced that Spain did see economic growth, and that growth had complex social effects, which were closely dependent on political and institutional development in Spain.

It is on the basis of these ideas that, in the third section of the book (*El imperio*), Yun focuses attention on institutional issues. He deals with the reign of Charles V in chapter five (*España en el imperio Habsburgo, 1522-1556*), and of his son Philip II in chapter six (*Marte en Hispania, 1556-1598*); this was a period when the empire was involved in affairs on various fronts, both on a European and world scale, which required considerable military and financial efforts, without doubt greater than in the past. The ensuing strain fomented new conflicts among local powers, and conflicts between them and the Crown, but, at the same time, facilitated new forms of compromise and very close connections between the monarchy and the élite, especially in Castile which played a leading role in the Spanish Empire, being the region which was the monarchy's greatest source of finance.

Institutional developments were bound to influence Spain's future development, and eventually led to the crisis in the seventeenth century. This is the subject of the fourth and last section of the book (*El precio de la primacía*), with chapter seven (*Poder y economía*) and chapter eight (*Sociedad, Guerra y economía en el Occidente europeo*). Here again Yun criticises many interpretations of the seventeenth-century crisis, and identifies political and institutional factors as being at the heart of the Iberian crisis. By the seventeenth century, relations between the Crown and local powers were very close indeed, and were capable of dictating Spain's economic development. Over the centuries, the monarchy had legitimised a series of increasing economic claims on the part of the élite. This had happened because the court relied on this class to further its imperial policy.

Similar situations also arose elsewhere in Europe, but in Spain the situation was more complex, because Spain was part of a complex "imperial system". The fact that the Spanish kingdoms belonged to the "imperial system" was a key element in favour of social and political cohesion: with its many needs, the empire facilitated closer connections between the monarchy and the élite. With the great war effort, the war further reinforced these connections. Similarly, the war affected economic growth, not so much in the way that is traditionally understood – by taking resources away from the economy and increasing fiscal

pressure – but because the war contributed to redefining the power relationship between the Crown and the local authorities, often strengthening the latter, with long-term negative consequences for economic development.

In short, during the sixteenth century, like the economy of other European countries, the Spanish economy, with the due differences that existed in the various Spanish kingdoms, was very dynamic, and the fiscal pressure caused by the war was not much greater in Spain than elsewhere. The Iberian peninsula's problems were quite different, and were closely connected to its institutions which had emerged gradually over the centuries. The fact was that in Spain, on top of increased taxation, the élite exerted more pressure on the land and on the country's economic resources: this pressure was legitimised by the monarchy and ended up by restricting the growth of trade and the early forms of rural industrialisation.

In the long run, the crisis was inevitable and was even more marked because of the greater international economic integration achieved in the seventeenth century. This integration forced the Spanish economy to compete rather unsuccessfully with the more dynamic economies of other European countries.

In short, the Spanish system appeared increasingly weak, but it continued to survive because of its very weakness (a weakness which, in some ways was, therefore, also its strength), namely thanks to the close relations between the Crown and the élite. It was this very close relationship, however, which in the course of time was to bring Spain to a slow decline.

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