A. Orlandi, *La ricchezza del debito pubblico (secoli XII-XXI)*, Bologna, il Mulino, 2022, pp. 207.

Since the 1980s, the problem of very high debt has captured the attention of scholars and politicians and debates about sustainability took place not only in Italy. At first, the debt crisis concerned several emerging economies; since the great crisis of 2007-08, it involves sovereign debt in Europe, to the point that one wonders whether it still makes sense to speak of a "great recession"[1].

[1] We are justified in using the term 'recession' if we take into account only the decline in GDP in 2009, which was on the order of 5.5% in Italy, 5.1% in Germany, 3.7% in Spain, 3.1% in France, and so on. Yet this perspective ignores measures taken to prevent production from decreasing even more. The growth of public debt with respect to GDP was roughly 24% in the Eurozone from 2008 to 2011, 32% in the entire 27-member European Union, 35% in the US and 20% in Japan. And still these figures fail to consider the surge of liquidity into the principal economies resulting from unconventional monetary policies (quantitative easing) on the part of central banks, which, among other things, sustained the value of financial assets. It has been calculated that the balance sheets of the main central banks tripled from $6 trillion in 2008 to $17.5 trillion

The publication of *This Time is Different* by Reinhart and Rogoff in 2009 sparked significant interest in the question among economic historians, in addition to scholars in the fields of theoretical and applied economics. If nothing else, this work had the merit of going back eight centuries to establish the authors' thesis that one did not need to look that far into the past to provide governments with evidence about the benefits of what they considered as the "healthy" policies of austerity. Criticism to this point of view was more than justified (as Orlandi reminds us on p. 12). Apart from the debate over the quantitative data employed by them, in the view of Reinhart and Rogoff debt non-sustainability was measured by fixed parameters, generally established by international organisations or in various monetary union treaties, to regulate and sanction rigorous management policies for public finances.
Compared to this approach, in which history functions as a pretext, Angela Orlandi's *La ricchezza del debito pubblico (secoli XII-XXI)* ("The Wealth of Public Debt from the 12th to the 21st Century") aims to present an accurate overview of historical experiences and critical economic historiography by means of an unbiased reflection on the role played by sovereign debt over a long timeframe. In doing so, she debunks oversimplified, banal interpretative approaches, such as that which treats public debt in the same way as private debt, which gives rise to the view that the former is a continuous source of problems and a burden on economies. Indeed, the book's title already points in this direction: the concept of "the wealth of public debt" is developed through a historical examination covering nearly a millennium. As Orlandi clearly states, this wealth is obviously conditioned by changes in institutional regimes and by the capability of governments to manage sovereign debt and make its repercussions on taxation and funding decisions acceptable to creditors, savers and taxpayers. The book suggests interpretative strategies and raises a variety of questions by examining tendencies and specific cases. The author succeeds in balancing the need to maintain an overall vision of the rich documentation with necessary and effective references to emblematic cases.
Several considerations may serve to contextualise the overall scope of this work. We have already alluded to the first one, namely the nature

in 2016 to allow for the purchase of public bonds and private stocks to the end of reducing their yields and stabilising their share prices. In spite of all these measures, following the crisis, net investment (that is, without counting capital depreciation) in the US was 4 cents per dollar earned and two cents in the Eurozone. The figures were even lower in Italy and other countries, where productive capacity had already been declining for several years. On these points, see also Orlandi's brief considerations (pp. 192-3).

of sovereign debt, which over time is more clearly distinguished from the debt of private persons, the royal treasury or the city-state. Honouring private debt (*pacta sunt servanda*) entails following the management criteria of a *bonus pater familias*; such debt can be contracted for an amount corresponding to property collateral and regular income flows that are able to service the debt. Yet the difference between public and private becomes evident only in the wake of profound structural changes, such as the transition from the patrimonial state to that of modern finance, to borrow the concepts of historical and economic sociology. This involved a series of transformations that resulted from the pressure of increasingly compelling needs to cover extraordinary expenditures, above all for wars, when these began requiring greater manpower and more and more sophisticated and expensive means of combat. At the same time, governments had to accumulate trust, that is, the ability to provide guarantees and reassurances to creditors of sovereign states that radical debt restructuring would be avoided at all costs. The mosaic of Orlandi's volume is made up of these tiles, which in the history of western Europe would constitute the main factors behind changes in state tax systems, budget management and the modes of relating to the mass of taxpayers and real and potential creditors. As the book demonstrates, this was a complex process, for the most part far from intentional, which played itself out well before we were able to speak of public debt in the modern sense. Italian city-states effected the first technical innovations in account management while implementing the institutional changes that made it possible to apply them. Only between the 12th and 16th centuries did the various European governments begin to move beyond traditional forms of deficit financing. The first forced loan evidently dates to 1172: this was to cover expenses for outfitting a fleet in the expectancy of a war, which, as it turned out, was not fought (p. 53). Forced loans were the means of meeting extraordinary financial needs that tax revenues could not cover. They amounted to a prepayment of taxable income (which would be reimbursed when redeemability was stipulated in the loan) by means of a pro rata transfer of resources; if necessary, taxpayers were required to take on debt themselves to satisfy the obligation. In return, citizens received bonds with a certain annual interest established by the authorities; these bonds could be transferred or offered as collateral. As a result, procedures for ascertaining property values were reorganised, amortisation schedules were established, and revenues needed for interest payments were reapportioned. As Orlandi reminds us, the transferability of bonds and the formation of a secondary market depended on the entirety of the existing financial and fiscal architecture. Continuous refinement of the system of forced loans was

common in Italian cities and went hand in hand with the reordering of finances by means of the establishment of *monti* ("mounts") and *depositerie* ("public treasuries") in Venice, Genoa – with the Casa di San Giorgio – Florence and other cities. The author provides a precise description of these developments, with extensive references to the rich bibliography (in the notes) to allow the reader to analyse the topics in greater detail.

A crucial problem was how to manage liquidity, often the principal source of dangers created by situations of insolvency and of the adoption of measures for debt restructuring. Between the end of the 14th century and the first decades of the following one, the need to resort to short-term loans in Florence led to the implementation of practices which evolved into methods for managing floating debt. Initially these were secondary forms of financing. The Chancellor of Florence Leonardo Bruni – mentioned by Orlandi (pp. 78-79) – observed that the sale and purchase of such bonds also provided private individuals with a convenient means of regulating liquidity and those public and private banks were becoming increasingly involved in such transactions.

From the end of the 16th century, Italian cities and the Mediterranean basin on which they depended witnessed the effects of a realignment of the main axes of European geopolitics, in part as a result of the formation of the first territorial states and their growing economic and financial power. Finally, as Orlandi notes (pp. 33 and 151), the Thirty Years' War also marked a threshold in fiscal management, primarily on the part of the great European states: for powerful nations, fiscal reforms represented an indispensable condition to meet growing financial requirements for wars and in view of acquiring wealth from colonial possessions. These possibilities were far out of reach of small states, for which the new general conditions represented an insurmountable obstacle, one more factor which prevented them from halting their relative decline. Orlandi in fact devotes several pages to the debts which burdened these states in the early modern era, precluding the possibility for their renewal. These territories were further held back by their maintenance of traditional fiscal and financial institutions. Often, they were plagued by the inability to order income flows to pay interest on state debts; they further failed to supply adequate guarantees and tax revenues that would provide the regular funds necessary to avoid collapse and debt restructuring.

Yet even in the case of the great states, conflicts for hegemony, which continued to hamper diplomatic relations into the next era, necessitated far-reaching reforms. These were, however, carried out only piecemeal and with all the uncertainties that such changes could entail for the in-

ternal dynamics of their societies; at the same time, each state had to take into account those reforms effected or attempted by its national rivals. Montesquieu believed that the strength of a country depended on the public credit which it enjoyed, without overlooking the potential danger that excessive debt could also bring ruin. For his part, Hume contested Melon's notion that public debt represented no more than a simple clearing entry and therefore left a country neither richer nor poorer than before. On the contrary, the Scottish philosopher found that the question of debt had to be treated with great caution, given the not unlikely possibility that interest payments could burden a budget to the point that debt ran out of control. And this possibility concerned England as well, where – as Hume recognised – public bonds functioned as a sort of paper money: while they provided liquidity to commercial operators, their circulation could – here as well – contribute to pushing the price of commodities upwards. Yet neither the veiled optimism of the Frenchman nor the very prudent pessimism of the Scotsman could provide an indication of how things would actually turn out. Here again the book provides readers with points for reflection, which we have touched upon briefly.

Upon the death of Louis XIV, the successor to the throne still had the prerogative of not recognising the debts of his predecessor. In 1715, therefore, a complex mechanism was contrived to deal with France's dire financial situation, resulting in the recognition of existing debts and partial payments towards them. By the mid-18th century, Great Britain had done away with a series of *ancien-régime* fiscal policies which had still been in effect only several decades before. Orlandi clearly summarises the role of the *Bill of Rights* and the important fiscal reforms – including the institution of the Bank of England – in managing a debt which was finally public in both fact and law. Equally relevant in their similarities and differences, as the author emphasises, were the two financial disasters of the South Sea Company and Law's System. The ruinous outcomes of these two instances of contagious speculative euphoria served as warnings for how precarious power balances could be when subject to further shocks caused by rash financial schemes. Hume's apocalyptic view of debt could in many ways be considered as justifiable if we consider that during his lifetime Britain's budget deficit rose from £20 million to £140 million. Hume himself had seen that bonds which represented this debt "furnish merchants with a species of money that is continually multiplying in their hands"[2]. At the end of the Napoleonic Wars, British public debt was over 200% of

[2] Hume had no doubts on this score: "It must, indeed, be one of these two

GDP. What worried Ricardo was the doubling of interest payments between the beginning of the century and 1816, by which time it had reached £31 million, as against £57 million in revenues. Yet reasons for concern soon disappeared.

Orlandi rightly insists on the "wealth" of debt, as it constituted a leverage effect for those countries which managed to find ways of handling it without incurring in the great risks that it could entail. An important theme of the book is the growth of public debt over the course of the decades, which emerges both in the repeated references to the connection to war debt and in the various graphs and tables which the author manages to provide even within a work which aims at synthesis. The persistence of high debt in post-war periods is made evident through the example of post-unification Italy in the final chapter. Both in Italy – over the last century and a half – and in France and Britain in the immediately preceding ones – high debt as a result of war had quite different absorption times before returning – if at all – to "normal" levels. We can perhaps affirm that even in expenditure conditions which are either totally unproductive or destructive, public debt can be reckoned as sustainable or unsustainable depending on whether it is treated as a tax which sooner or later will be paid. We might add that the fears of Hume – like those of many others – were a result of looking at past history without considering that the realities that made up the modern fiscal state had rendered public debt much more liquid than other financial operations. While expenditures not covered by the budget grew, debt contributed to increasing capital goods and private savings, in part because interest rates had been kept at relatively low levels.

This seems to be the sense of that pair of phrases to which Orlandi calls the attention in the conclusion, namely "sovereign debt" and "sovereign decision": ultimately the art of governing is also the art of debt management. Today this often involves bringing a country out of conditions of underdevelopment and dependence as well as maintaining social consensus, without which public debt – like public credit – becomes a burden. Debt can also represent a way of disciplining weak states and keeping them in a position of subordination. Nonetheless, the power of – and control over – debt consists in keeping it on a path of sustainability that does not at all depend on winning or losing wars.

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events; either the nation must destroy public credit, or public credit will destroy the nation". In either case, the political solution was Oriental-style despotism.