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*The Rise and Fall of the Italian Economy*. By Carlo Bastasin and Gianni Toniolo. Cambridge: Cambridge University Press, 2023. Pp. xii, 175. £22.99, paper; £70.00, cloth.  
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Gianni Toniolo has been one of Italy’s leading economic historians. Just before suddenly passing away in November 2022, Gianni managed to complete two last major contributions, each one reflecting his longstanding interest in central banking and economic growth: respectively, one synthesis of historical research on the Italian monetary system (*Storia della Banca d’Italia*, vol. I: 1893–1943. Bologna: Il Mulino, 2022), and this synthesis of historical research on the country’s economic performance. Co-written with another eminent commentator of Italian economic issues, Carlo Bastasin, *The Rise and Fall of the Italian Economy* consists of a revised and updated translation of a volume originally published in Italian before the COVID crisis (*La strada smarrita: Breve storia dell’economia italiana*. Rome: Laterza, 2020).

Aimed at a public of non-specialists, Bastasin and Toniolo’s book endeavors to explain why Italian economic growth displayed a particularly spectacular parabola over the last century—viz., a very rapid convergence followed by a new great divergence with respect to the most advanced countries. Italian GDP per capita passed from being 46 percent of the U.S. level in 1913 to 64 percent in 1973 and 70 percent in 1995, but then started to decline rapidly, falling back to 53 percent in 2016 (p. 14). Why? Bastasin and Toniolo do not wish to propose a strictly monocausal explanation but rather highlight a list of political and social issues that apparently contributed to such an outcome. In a nutshell, they argue that Italian politics and society have constantly been crippled by inherent inconsistencies, which, while not impeding a classical catch-up during the “Fordist” era of industrialization, did prevent the economy from adapting to the new era of digital capitalism. According to this view, low human capital formation and poor institutions were compatible with post-war development but not with the much more factor-intensive growth of the globalization era. Institutional weaknesses were best embodied by the macroscopic problem of public debt: its considerable mass, piled up during the 1970s and 1980s by a political class willing to appease lobbies and social discontent, left the State with no margins for maneuver in face of the challenges

of the subsequent decades. It must be underlined that the view defended by the book is not fully original: to the contrary, it is now well-established among economists as the consensual explanation of Italy's economic ailments (see, e.g., *Meritocracy, Growth, and Lessons from Italy's Economic Decline*. By Lorenzo Codogno and Giampaolo Galli. Oxford: Oxford University Press, 2022).

The narrative underwritten by Bastasin and Toniolo undoubtedly contains many elements of truth. However, it also leaves a number of open questions. The book provides extensive evidence that Italian institutions started to display serious cracks as early as the 1960s and that the 1970s, in particular, were an era of total political and social chaos. And yet, Italian hourly productivity continued to grow at a sustained pace well after the end of the post-war golden era and, as late as in 1998, it was as high as in the United States—only to regress to two-thirds of the U.S. level in 2020 (p. 73). Can this be attributed only to Italy's failure to accelerate its accumulation of human capital?

As the authors notice (p. 149), while the share of Italy's GDP in the world economy shrank dramatically in recent decades, its share in global trade remained remarkably constant, and the country managed to maintain very large trade surpluses throughout. This impressive hiatus can be explained by the fact that since the 1990s, Italy has let go of a number of home-grown factor-intensive sectors (such as chemicals or information technologies) to refocus exclusively on its exporting champions (mostly light manufacturers). This increasing specialization took place precisely at the moment in which globalization put these light manufacturers under heavy competitive pressure, to which they reacted by cutting costs. As a result, Italy's crisis might be possibly characterized as an adverse terms-of-trade shock, to which the country reacted by increasing its specialization in the suffering sectors—that is, by exporting increasing quantities of goods with decreasing value added.

To what extent can this alternative narrative *à la* Bhagwati plausibly describe Italy's fate? To date, this question has not really been addressed by researchers. Still, it is surprising that Bastasin and Toniolo do not discuss at all the crucial issue of the inherent vulnerability of the Italian economy's specialization. To the contrary, they seem to believe that trade surpluses were the product of the Schumpeterian genius of individualistic Italian entrepreneurs, while, in fact, they were the outcome of a voluntary economic policy disproportionately aimed at helping middle- and small-sized exporters to cut costs (including taxes and social charges) instead of investing in innovation. It is a pity that, under this respect, the authors abide by the now-consensual narrative, which does not challenge the fundamental premises of Italy's "mercantilist" economic policy nor questions the tacit political consensus that has been sustaining it for long.

Despite these limitations, *The Rise and Fall of the Italian Economy* is a required reading for all those wishing to know more about the paradigmatic history of Italian growth, which should actually speak to many other countries (think of Japan or Germany). Across its millennial history, the Italian economy has been among the most advanced in the world at least three times (during the high times of Roman expansion; in late medieval and Renaissance times; and the second half of the twentieth century), only to decay shortly afterward. Bastasin's and Toniolo's book provides many precious elements that allow putting these very-long-term trends in perspective and identifying continuities across episodes—above all, the role of political and social factors in bringing economic progress to a halt.