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**Money as a device to limit social hardship:
Luigi Einaudi's economic policy 1945-48.**

Luigi Einaudi _ from economics scholar
statesman

- L.i Einaudi (1874) was for the entire first half of the nineteenth century an economist; from 1945 to 1948 – although no more young, he took up statesman positions, he was:
- Central Bank Governor, Minister for the Economy, Member of the Constituent Commission.
- In these roles he contributed decisively to define:
 - The stabilisation of the value of the Italian lira – that allowed to curb a two-digit inflation;
 - The reorganisation from an administered economy (that of the totalitarian fascist regime) to a market one;
 - The Constitution norms on the defence of property and savings, enterprise law, competition, public expenditure management.

L Ei : scholar 1

Einaudi wrote thousands of pages in his activity as economist and critic remaining anchored at two ideas:

1. The defence of a competitive market warrants a Pareto optimum. Its destruction leads to wealth destruction.
2. The optimum – the series of individual preferences – is given by the intervention of fiscal authorities who, with sanctions and incentives, warrant a just redefinition of resources (purchasing power) distribution across generations.

L Ei : scholar 2

- On the basis of these principles, for example, he asserted
- *The primacy of the economy on politics*
- E.g. in “my plan is not Keynes’ one”
- He underlined “that public works financed with public debt lead to price increases ... [until the] equilibrium is reached ... Is it in the order of things?”
- It can be acceptable, but it can renew the 1918-1920 disorders [...] **Price stability** is and will be the best guarantee for success in individuals’ and people’s lives.”

L Ei: statesman

- The statesman's experience changed radically his perspective:
- He believed that it was to be sought not only the defence of a competitive market, but: *every institutional setting able to play a transitional role towards that function.*
- He stated: *"how can one have an ideal and a wish to affirm it ... if he is not able to choose the methods **to reach it**".*
- and also: *"the economist's need to study the means is **inseparable** from that of studying also the aims."*

Ei: institutionalist ?

Cause - Agent – Behaviour – Procedure

Court	Power
Claim	Duty
Liability	Liberty
Privilege	Incapacity

L.Ei

from safeguarding prices to safeguarding transactions

- Ei perceived the break of the second half of the nineteenth century with respect to the history of previous societies ... An epoch-making change, greater than the Industrial Revolution, that had led to the centrality of collective actions on individual ones – the economic actions of mass political parties and trade unions – and to the survival of “representation” corporative associations.
- It had initiated a course of change that gave pre-eminence to politics over market forces. As a consequence, economists needed to get involved in politics not to defend the new full employment principle but to warrant the
- “reconstruction “ of “the moral and intellectual” health of the people living in our Country; purposes for which it is needed first of all the “reconstruction of schools”.

L.Ei : money doctor

- The attention to “norms as source” as opposed to “norms as frame”
_today we would say to “norms as process”
- led Einaudi to assert that the shared use of a unique money (of account) allows all those who “desire it” to participate “a bit” to the collective choices and thus to limit the “monetary illness” of each agent (that is the drive to enrich himself/herself) and therefore also inequalities.

Bibliografia_ minima

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