

Where 19th-20th century Italian crises financial crises?

The definition of financial crisis is notoriously slippery. As Kindleberger once-upon-a-time (and in nowadays politically incorrect language) had argued they are like pretty girls: hard to define but easy to recognise (Kindleberger, 1989). According to Kindleberger the number of pretty girls around was enough to conclude – in line with Minsky's view (Minsky, 1977), that financial instability was an inseparable companion to the capitalistic economy. Only a few years later, however, Anna Schwartz (Schwartz, 1986) warned the community of scholars that Kindleberger's aesthetic approach was misleading: there were "pseudo" and "real" financial crises, the latter being characterised by a contraction in money supply. With such a definition Schwartz reduced the number of financial crises observable in history to a handful "sun spots" events, making a frontal attack to the thesis of the structural instability of market-based economies.

What looked like a very dated debate re-took vigour after the 2008 crisis, when the hypothesis of unstable nature of capitalism re-appeared as reality. One night Krugman re-read Minsky and all of the sudden the debate was alive again. At the end, Kindleberger would argue, the study of financial crises is an evergreen, yet countercyclical, activity.

Defining whether a financial crisis is such, is real or pseudo is therefore of key relevance, as such definition would include (or exclude) a big-enough number of episodes of crisis as to support (or to deny) the wider idea of the fundamental instability of capitalist systems.

This paper aims at shading some light on the matter by analysing a series of crises occurred in Italy since the 1880s. Specifically, the paper studies a number of key events (1890s, 1907, 1921, 1930s) and looks at their basic features. The paper concludes that these episodes were real and that, at least from the perspective of 19th-early20th century peripheral economy, the hypothesis of structural instability of the capitalistic system holds.

References

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