

## **Political powers and institutional commitments: State finances in Italy 1350-1700**

Renaissance and baroque Italy offers an excellent field to verify the model linking institutions to financial efficiency. Republics, monarchies and principalities actually present different financial and economic structures and performances. A long-period approach, furthermore, allows us to both highlight major changes in financial development and control for relations – if any – with political structure. The paper deals with the government debts of Genoa, Florence, the state of the Church, and the kingdom of Naples. The first part outlines the main features of deficit financing over time and shows how governments had to face increasing need for cash in order to finance their political and military engagements. During the later middle ages, Genoa and Florence resorted largely to voluntary and compulsory loans, while the popes and the Neapolitan kings relied on short-term loans provided by merchant-bankers, courtiers, and officials. From the early sixteenth century on, however, also the papal government and the Spanish rulers of Naples increasingly sold annuities and securities on the open market. The second part examines analogies and differences by using also quantitative comparisons.

The cases considered in this paper do not support the well-known model of North and Weingast. The few institutional changes that occurred in early modern Italy did not influence financial markets and the governments' means of borrowing. The process toward the establishment of developed public debts proved to be quite slow and complex; innovations were permitted by the states' increasing capability of collecting taxes that in turn both enhanced the fiscal foundations of public debts and widened the social basis of creditors. Thus, as in England and Holland, also in Italy the institutions of state finance gradually evolved, according to an evolutionary pace rather than a revolutionary one.

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