

Lombard Enlightenment and Classical Political Economy.

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Introduction.

Our object today will be to examine Political Economy during the time span from the Mercantilist era to the ‘Classical’ age. That is the age to which the ‘Italian school’, as treated in this paper, belongs and, within the ‘Italian School’, Pietro Verri as the main leader and mentor of the Milanese branch of the School.

Modern Political Economy can be taken to be focussed on the question of aggregate *wealth* (i. e. defining the *nature* of wealth and suggesting ways to *improve* and increase wealth overall). That is why Adam Smith ended up writing an Inquiry on the *Nature and Causes* of the *Wealth* of Nations, rather than a book of *Principles* of Political Economy.

In ancient times, wealth had been originally conceived to be instrumental to happiness: through the modern age instead wealth turns into an end or, rather, *the end of Economic policy*: and it is Economic policy, in modern times, that provides the main source for economic analysis or Political economy proper. That transformation takes place particularly during the 16th and 17th centuries and extends well into the 18th century. It entails a transition from an idea of possessive *acquisitiveness*, based on commerce (Mercantilism), to one of *productivity*, based on primary production and on circulation (Physiocracy), to approach, further, a line of thinking based on *creativity*, founded on learning and on human and social capital: the novelty of the last approach is also the unusually larger space given to the analysis of the motivations to action and to institutions. This last strand of thinking finds its typical personification in Adam Smith: however Smith’s contribution, as the founder of ‘Classical School’ in Economics, can hardly be understood – as I shall argue – independently of the ‘Italian School’.

At the centre of the stage there is a general question which deserves special attention: and that is the nature of the relationship of the *monetary* (and financial) aspects of the economy with the *real* aspects and their respective significance. Indeed, in talking about Mercantilism, we usually focus

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attention on commerce. However everybody knows that commerce historically, both in theory and practice, pre-supposes banking and banking directly leads into finance. It seems better to make this fact explicit. Financial institutions show an extraordinary development during the 17th century, particularly with the creation of Central Banks, the launch of Public Debts and the rise of the Stock Exchange Markets.

It can be said, generally speaking, that Political economy wavered for quite a long time historically on whether monetary and financial aspects should take the lead over real aspects in economic analysis. The famous ‘System’ of John Law is entirely a product of the 17th century in this sense, as a theory which puts finance and growth first, using public credit to increase prosperity. “An Estate in Money – Law declared (1720, p. 42) – does not grow by words, but an Estate in Credit increases by it wonderfully”.¹ The shock of the Great Crash, taking place in Paris in 1720 (which incidentally set the stage for the creation of the Paris Stock Exchange), becomes a crucial passage for the history of economic thought. It certainly is one of the milestones marking the passage from Mercantilism to Physiocracy. It suddenly started to appear evident to everybody, at the time, that it could only have been out of sheer madness that people had been led to take monetary and financial assets as the basic form of wealth. On the contrary, wealth must be *real things* in the first place with money and finance in the ancillary role of *means* to the end of getting real things. The meaning of *physiocracy*, where *nature* rules, is precisely to be found in a complete disavowal and reversal of the disastrous logic based on money and finance in the *first* place.²

In parallel with the Physiocratic School there are a number of authors who indeed take up Mercantilist themes — including monetary and financial aspects — in the context of a different agenda in which real growth, based on a concept of real income, is conceived to take the lead together with an emphasis on creativity in a context of trust and sociality. These authors largely belong to the Italian School, and Pietro Verri is among them together with Antonio Genovesi, Ferdinando Galiani, Cesare Beccaria and a number of other figures. That Italy experienced an extraordinary development of studies on money is rather well-known. *Money* and *trust*, thereby sociality, are bound to go together: the time was coming when talking of money came to mean talking of *reform*, both in theory and practice: the metallic reforms that would historically lead to supremacy of the gold standard. Incidentally we may remark here that of the four authors above the

¹ Here is the ‘weightless economy’ in its purest form!

² Sonenscher, 2007, p. 192: the idea was that the world had reached the stage – in Mirabeau’s words – of “indispensable revolutions, of the collapse and fatal end of the effects of modern politics and their entirely mercantile and fiscal principles”. Physiocracy – the rule of Nature – was to provide the “only barrier against this terrifying prospect”: it merely put in analytic and sophisticated form the “widely shared view that the modern world’s overcommitment to industry, trade, empire, war and debt could not last” (ib., pp. 254-55).

better known are Beccaria and Galiani: which happens for curious reasons, as we shall hint, that have little to do with their actual significance on the construction of the ideas of the School.

The problem of monetary reform is one of the main issues, together with free markets (particularly free market of staples, the so called problem of *annona*), in the economy by mid-18th century. Perhaps the author who best illustrates the case is Ferdinando Galiani (1728-1787, same age as Verri), who belongs to the Neapolitan school at the time. Galiani's main works are in fact *Della moneta* (1751) on one side and the *Dialogues sur le commerce des bleds*, published in French in 1770 on the other.

It is perhaps worth recalling here that particularly Galiani's early treatise *Della moneta* is quite often quoted by historians of the discipline as a precursor of the marginal utility theory of value. Galiani's main purpose in fact amounts to establishing a natural value for money, a value which would not be subject to artificial influences and alterations. That did correspond also to the main purpose of the monetary reforms of the time, designed to get rid of any form of 'ideal' or 'imaginary' money, quite often used as the *numéraire* or 'account money' in current transactions. The metallist philosophy lurks behind the monetary reforms. What is at stake, along with the practical question of the widespread "monetary disorder", so often talked about at the time,³ is the proper scientific standing of the new science of Political Economy as such. Pietro Verri's work falls squarely within the scientific spirit of what Schumpeter would call "theoretical metallism".⁴ It will be a character of Verri's analysis that he combines a metallist philosophy with a fairly strong criticism of the idea of money neutrality, which explains his confidence in the positive effects of monetary policy.

1. *Enlightenment: the Italian case and the 'School of Milan'*.

Schumpeter's *History* is notorious to give considerable attention to the national traditions in economic thought and analysis. In particular Schumpeter entertained a very high opinion of the Italian contribution. A relevant section of Schumpeter's work, concerning the 18th century, is outspoken in its title *High Level of the Italian Contribution*.⁵ Speaking of the Italian economists of the time, Schumpeter observes that they deserve "the honours of the field of pre-Smithian system production". And he adds: "The regionalism of Italian life divides them into groups. But I can discern only two 'schools' in the strict sense of the term ...: the Neapolitan and the Milanese". As

³ Cp. Quadrio Curzio and Scazzieri, 1986 and 2008.

⁴ Schumpeter, 1954

⁵ *History*, 1954, part 2, ch. 3, sec. 4d, p. 177.

we shall see, these two main schools are closely linked together. For some reasons, the Neapolitan school happens to be better known internationally, while of the Milanese school only certain special corners are usually revisited. Antonio Genovesi, the first incumbent to a Chair of Political economy in the world, taught *economia civile* at the University of Naples and he was universally recognized as the leading figure of the Italian school. To Genovesi our discipline was, in fact, *economia civile*, which reflects a special approach to which a number of historians of economic thought are returning to it today.⁶

The idea of *economia civile* conveys a clue to the understanding of the Italian Enlightenment as one of the intellectual achievements in Europe's *siècle des lumières*, contributing powerfully to the development of a common European tradition of civil rights and enlightened governance. The Italian Enlightenment shares the French Enlightenment's interest in rational governance and the Scottish Enlightenment's interest in civil society, especially in the sense that it takes *sociability* as its focal point, much as it happens with the Scottish experience, while in Italy sociability is more clearly embedded in civic traditions.⁷ It is also as a result of that, if a number of contributions of the Italian writers at the time (as it is particularly evident for the Milanese School) have to do with the administrative and economic arrangements of a self-governing polity. In this perspective, economics, justice and legislation are addressed, striking a middle course (as it were) between the Scottish emphasis upon spontaneous conformity in a commercial society and the French attention to the rational design of economic and administrative policy. Italian Enlightenment keeps, at any rate, closer to the former of those two more famous and more studied cases. Both the Milanese and the Neapolitan school in the Italian case, much as the Scottish counterparts, address social coordination by discussing existing civil arrangements and comparing those arrangements with abstract prototypes derived from ethics and philosophy. This leads to a characteristic combination of theoretical ambition and practical outlook. There is a widespread sense today, in many quarters, that we need to focus on Italy and Scotland as signal instances where the Enlightenment ideals produce Classical Political Economy.

This lecture takes advantage also from a number of contributions in intellectual history: particularly the early studies by Franco Venturi, together with more recent research stimulated by scholars such as John Davis, Anthony Pagden and John Robertson. It proposes to reconsider the case of Italian Enlightenment and discover new aspects of the link with Scotland during the 18th century as a pre-condition for an understanding of the whole notion of 'Classical School' in Political Economy.

⁶ See, for example, Bruni and Zamagni, 2007.

⁷ This is treated extensively, with respect to the Neapolitan branch of the Italian School, by Robertson, 2005.

The main focus here is on the Milanese School of Political Economy through the latter half of the 18th century.

The so-called *Accademia dei Pugni*, together with the periodical *Il Caffè*, were the seat of the initiatives and intellectual activity of the Milanese School. Pietro Verri, the founder of the School, explicitly drew from well-known British examples, notably Joseph Addison's *Spectator*. By far the best known and influential personality of the School soon became Cesare Beccaria.

Born in Milan in 1738, ten years Verri's junior, *Cesare Beccaria* was still in his twenties when he acquired a superior worldwide reputation, the highest in the Milanese School, soon after the appearance of his celebrated pamphlet *Dei delitti e delle pene* (Of crimes and punishment) in 1764.

Beccaria – an extraordinarily brilliant mind, combined to a distinctly lazy and ineffective character – was himself surprised by his own success. Invited with great honours in Paris, at the centre of the world, he completely bungled the announcement he could have given about the nature and quality of the research going on within the Accademia in Milan. Even today it is not always readily perceived by scholars that Beccaria's pamphlet is entirely a product of the Accademia and that it is an *economic* pamphlet, more precisely a contribution to the economics of law. The gist of the contribution of the Milanese school goes precisely in the direction of paving the way to Adam Smith's conception, whereby political economy is considered as "a branch of the science of a statesman or legislator". A Professorship of *Scienze Camerali*, meaning Political economy through German-speaking Europe, was created for Beccaria at the *Scuole Palatine* in Milano in 1769.⁸ Beccaria, much as Verri, was also a Consultant Administrator and a member of the *Supremo Consiglio di Economia* since 1771. Both Beccaria and Verri contributed a number of reports, or *Consulte*, within the *Consiglio*, thus giving advice to the Government. However, the founder and leader of the group and the real mentor behind Beccaria was Pietro Verri, which still is insufficiently acknowledged to the present day: Schumpeter himself superficially gives the pre-eminence to Beccaria (he dubs him "the Italian Adam Smith"), even if he seems to have studied Verri quite carefully, as we shall see.

Pietro Verri (1728-97) at an early stage in his career came forward with a short treatise on *commerce*,⁹ a clear sign that he deemed Political Economy to be the field of study more proper to his temperament and ambitions, opening up a way to him to the fulfilment of his theoretical and

⁸ Milan was not yet the seat of a University in the proper sense of the term, but it was the policy of Maria Theresia to foster the development of the *Scuole Palatine* as a kind of 'Institute for advanced studies', designed to outperform existing Universities.

⁹ *Meditazioni mie sul commercio*, 1760. The first draft of this work was produced by Pietro Verri during his stay in Vienna in 1760. The work was then first published in 1763 in *Il Caffè*, the periodical founded in Milan by Verri himself. As hinted above *Il Caffè* became a product of the intellectual group established by Verri under the name of *Accademia dei Pugni*.

practical objectives. He indeed was keen on qualifying to enter the public service in the local administration of Milan, which was part of the Hapsburg Empire at the time.

In his so-called *sincere memories*, Verri himself described that particular period of his own life. In December 1760, at the end of a year's stay in Vienna, he made clear how significant it was to him to be considered as a Political Economist:

“I shall be employed then. But, what for? Here I am going to open up my plan to you. In Milan there are no other luminaries but those of the judicial practice. The mint, the regulation of staples, the waters, the manufactures and commerce: all is in the hands of the Doctors, who, imbibed with opinions going back to Bartolo, actually either do not have the slightest idea of political economy or the ideas they have are such that it would be much better they had none at all. Marquis Carpani years ago did think of the same course as a way-out, but he got lost out of imprudence; nor would I be able to say whether or not he really was possessed of the principles for a reasonable reform. That is now the road I see open to myself. But it is not without reflection that I have made the decision. Without reading any one of the latter-day authors, I have dared, months ago, to draft the elements of commerce. Through definitions, propositions, consequences and the like I have drawn what seemed reasonable conclusions to me from my own thoughts. When the work had thus been drafted, then I walked to the Imperial Library and started reading on the subject. I have read Forbonnais, Melon, Du Tot, Hume and now I find that my own elements stand up, nor do I feel ashamed of them”.¹⁰

The special characters of Verri's inclinations, as here described, *did* in fact produce practical fruits, both in deeds and in writings, through the years of Verri's activity after his return to Milan. However, the full potential of his own Political economy has hardly been recognized to the present day. Pietro Verri remains comparatively little known as an economist and his continuing life, in intellectual terms, is rather that of a writer, a middle rank philosopher and a local historian. Peter Groenewegen, who published (1986) the very first English edition of Verri's main economic treatise, the *Meditazioni sulla economia politica*, noted (p. ix) that there seems as yet to be no *variorum* or critical edition of the *Meditazioni*.

In fact I am happy to report here that the present Lecture is, in fact, a by-product in parallel with the work – now in progress under the general editorship of Carlo Capra and published by the *Fondazione Raffaele Mattioli* of Milan – for the preparation of the *Edizione Nazionale delle Opere di Pietro Verri*. The *Edizione Nazionale* is designed to offer a critical edition of the texts and it includes published items together with a very considerable amount of unpublished papers and documents, preserved in the Verri Archives at the *Fondazione Mattioli*.¹¹ The *Edizione Nazionale*

¹⁰ Verri, 2003, p.104. My translation. This *pseudoletter*, as it is called, contains inaccuracies, probably designed to make the story more attractive, as Verri's biographer Carlo Capra has shown (Capra, 2002, p. 157). This fact, however, does not change much of the true nature of Verri's original vocation as a political economist, such as it emerges from this document.

¹¹ Verri's archives provide an outstanding example worldwide among economists. They are fully described in Panizza and Costa, 2000.

See also the ASE-SIE: ARCHIVIO STORICO DEGLI ECONOMISTI, accessible through the website of the Società Italiana Economisti.

is planned to extend over six volumes of which three (namely vol. 2, 3 and 5) have appeared in print.

In particular vol. 2 of the *Edizione Nazionale* deserves most of the attention in the present context. It is divided in two separate tomes and it includes the bulk of the economic writings of Pietro Verri. Tome two in particular gives the text of the *Meditazioni sulla economia politica* and contains extensive documents and proof of the debate around Verri's book and of the revisions he made as a consequence in 1771-72. As mentioned, the *Meditazioni sulla economia politica* are the most significant economic contribution of Pietro Verri. The *Meditazioni sulla economia politica* have only recently been translated into English for the first time, as "Reflections on Political Economy" under the editorship of P. D. Groenewegen's.

It is worth mentioning here that vol. 3 of the *Edizione Nazionale* contains Verri's *Discorsi* of 1781, a book of Verri's maturity which offers an important overall view of Pietro Verri's scientific interests and method of analysis, from which we shall start here for a full appreciation of the drift and significance of Verri's Political Economy.

The book of *Discorsi* is a collection of previously published works which are put together by Verri himself in order to give the overall pattern of his own conception. Through the *Discorsi* the reader can appreciate how and why *Political Economy* really was Verri's core concern. It is in fact a special character of Verri's analysis, as hinted above, that it was precisely the need to develop the *economic* discourse to lead Verri into the Philosophy and the Psychology of happiness and into the study of the nature of pain and pleasure. The point will be briefly examined by following up the construction of the three texts in the *Discorsi* of 1781 through Pietro Verri's thought and activity.

Both Beccaria and Verri, following Claude-Adrien Hélivétius, effectively contributed to launch the famous *dictum* that laws are to be considered – as Beccaria writes in the introduction of his 1764 pamphlet by making use of the formula of Scottish origin (formulated by Francis Hutcheson in 1725) – from the standpoint of "the greatest happiness of the greatest number". Jeremy Bentham would later stress the importance of Beccaria along with Hélivétius and Maupertuis in the development of utilitarianism.¹² Beccaria, in Bentham's opinion, pursued and completed in an important way Maupertuis' work on Moral Philosophy of 1749.

¹² Beccaria's quotes are reported by Venturi in his 1965 edition of Beccaria's work (see Beccaria, 1965, pp. 562-63).

2. *Pietro Verri: the drift to economics.*

2.1 *Verri's Discorsi: philosophy, psychology and economics.*

Verri's volume of *Discorsi* of 1781, mentioned in the above (now vol. III of the *Edizione Nazionale*, published in 2004), includes three parts which can be briefly described as follows. The *first part* (pp. 1-100) is the *Discorso sull'indole del piacere e del dolore*, a revised version of Verri's own former 1773 pamphlet on the nature of pleasure and pain. There follows a *second part* consisting of a substantial revision of Verri's own early 1763 pamphlet on happiness, the *Meditazioni sulla felicità*. Finally the *third part* (pp. 185-394) includes, as already mentioned above, a revised version of Verri's *Meditazioni sull'Economia politica*. These *Meditazioni* had first been published in 1771, had aroused great interest and had gone through several editions.

In assessing the significance of Verri's *Discorsi*, the first point is to notice that Verri's reflections on happiness date from a very early stage and that his thinking on happiness proceeds *in parallel* with his economic thought (leading to his *Political Economy* 1771) at least since 1760. That parallel development also appears to coincide with Pietro Verri's study of Montesquieu and of Helvétius.¹³ We are confronted with a carefully thought-out *logical* ordering, going from the nature of pleasure and pain (1781), to happiness (in the edition of 1778) and ending up with the political economy of 1771. What the chosen order makes absolutely clear is that precisely to *happiness*, Verri's early subject for reflection, a pivotal position is secured in his intellectual development. In this way the reader comes to be guided by Verri's analysis – starting from an assumption on the central function of *pain* in human life – to *conceive* of ways in which, by minimizing the sum of pains, men can live an existence as little painful as possible and, further, to *translate* those conceived ways into politico-economic principles, thus approaching the achievement of *public* and collective happiness.

In the Italian context, through the latter half of the 18th century, *public happiness* is well-known to be *the* really fundamental concept of economic thinking. The line of thought developed by the two major politico-economic branches of the School in Italy at the time in fact revolves around that concept.

The *Milanese school*, in particular, works on the eudemonistic 18th century issues starting from a hedonic perspective. Thereby individual happiness is the starting point. The canons of the 'new science' are of course – according to the spirit of the age – weaved into the political and economic discourse, which comes to be shaped precisely by making use of those canons. It is because of that intellectual drift that scientific and technical matters acquire prominence also among the contributions to *Il Caffè*. The triumph of natural science in all its applications stands out as

¹³ The point is highlighted by Gianni Francioni in his introduction to the *Discorso sulla felicità* (the *Discourse on Happiness*), in the *Edizione Nazionale*, vol. III, pp. 155-94 (see in part. p. 165 and p. 189).

typical of the Italian Enlightenment. This is particularly true of the Milanese School, while the Neapolitan side is more distinctly philosophical.

Especially with Genovesi we have an original reinterpretation of the Aristotelian and Scholastic tradition, thus leading the Neapolitan school to provide an attempt at updating that tradition and bringing it in line with the new scientific method: *civil economy* is the main fruit of that effort. It is perhaps the special character of the Italian tradition, generally speaking, that the study of the polity in the light of the principles of the 'new science' is *not* conducive to any mechanical view of the economy and society. It rather leads to a *civic* conception implying a rather sophisticated blend of institutional interactions which is aptly described by Antonio Genovesi's term of *economia civile*; it is a conception, the spell of which can be traced through the Italian tradition well into the 19th century and which can provide a clue to the study of the Italian tradition in Political economy also in a more general sense.¹⁴

Pietro Verri's *Discorsi* do provide a signal instance of what *civil economy* or *economia civile* means in 18th Century Europe together with an early program of research on Psychology and Economics.

2.2 *Pleasure and pain analysed.*

For a rational reconstruction of Verri's contribution to Political economy, it becomes necessary to draw attention to a philosophical element with a psychological content in the first place, i. e. Verri's discussion the nature and effects of pleasure and pain. He makes clear the influence of Pierre-Louis Moreau de Maupertuis on his own reflections. Without going into the extremes touched in La Mettrie's *Homme machine* or *Discours sur le bonheur*, nor in Holbach's *Système de la nature*, nor even of such later works as de Sade's *Philosophie dans le boudoir*, Maupertuis had indeed proceeded sufficiently along the road of materialistic and deterministic sensationalism to endorse the reduction of all forms of happiness to pleasure and to think of it as measurable.

The frame of reference for Verri's treatment on the nature of pleasure and pain is twofold. On the one side there is the large current of thinking which may be termed *moral Newtonianism*; on the other side we have the developments of *sensationalism and materialism* in 18th century thought. These two currents of thinking develop their influence all over Italy and they are a driving force in the flourishing of economic thought especially during the latter half of the 18th century. No wonder then that the Political economy that spreads in Italy, within that frame of reference, is largely a development of the theme of happiness, and of *public happiness* more precisely, within a

¹⁴ For a comparison of the Milanese and the Neapolitan schools, see Bruni and Zamagni, 2007.

‘constitutional’ framework, which justifies the view of Political Economy as the Science of the Legislator.

A *locus classicus* of moral Newtonianism is to be found in Adam Smith’s *Essays on Philosophical Subjects* and more particularly in his essay on the history of Astronomy. Following Hume on the method of the new science and on the connection or association of ideas, Smith is led to emphasize the idea of *connection*, thus turning a treatment on the physical world into something of interest in the realm of morals and politics. He, in fact, professes to be dealing with *philosophy*: “Philosophy is the science of the connecting principles of nature” (HA, sec. 2, par. 12, p. 45). He would, in due course, go on to state the same of *moral philosophy* in the *Wealth of Nations* (WN, V.i.f.25, p. 769)¹⁵. It is really the implications of the use of analogy, together with the application of Ockham’s razor, that form the bases for Smith’s admiration of the Newtonian system “as the greatest discovery that ever was made by man, the discovery of an immense chain of the most important and sublime truths, all closely connected together” (1983 [1778], IV, 76, p. 105). It evidently is in that sense and in view of that use that Smith insists on such a great discovery as a product of imagination as well as an unveiling of truths.¹⁶

In their turn the developments of the materialistic branch of Enlightenment can take either a mechanistic (*homme machine*) or a vitalistic (*homme sensible*) drift.¹⁷ The use of analogy, either mechanical or biological, signals the distinction. We take such and kin offshoots to represent the French-continental branch of Newtonianism which links up with 18th century *sensationalism and materialism*. A typical intellectual figure, whose significance also extends to highlighting also the influence of Newton on the moral and political sciences, is Maupertuis (1698-1759). Other significant authors include Condillac, d’Alembert, d’Holbach, Diderot, Helvétius, La Mettrie, Sade. In discussing Verri, some general characters of the Italian case should be borne in mind; the above ramifications of Newtonianism work their way through the Italian 18th century context and spread their influence on the rise of the major schools of Political economy: Pietro Verri emerges as the leading character of the Milanese school, while Antonio Genovesi is the outstanding figure of the Neapolitan school.¹⁸

¹⁵ “The beauty of a systematical arrangement of different observations connected by a few common principles, was first seen in the rude essays of those antient times towards a system of natural philosophy. Something of the same kind was afterwards attempted in morals. The maxims of common life were arranged in some methodical order, and connected together by a few common principles, in the same manner as they had attempted to arrange and connect the phenomena of nature. The science which pretends to investigate and explain those connecting principles, is what is properly called moral philosophy” (WN, V.i.f.25, p. 768-69).

¹⁶ This is what Cohen (1980, esp. ch. 3) calls ‘Newtonian style’. See also Cremaschi, 1984.

¹⁷ See Giannetti da Fonseca, 1991.

¹⁸ See also Bruni & Porta, 2003. Schumpeter – in his treatment of 18th century Italian economic thought – is basically correct to say that “only two ‘schools’, in the strict sense of the term, can be identified: the Neapolitan and the Milanese” (1954, ch. 3, § 4d, p. 177), as mentioned above. The same approach is shared by Beccaria: see, e.g., his “Frammento sullo stile”, in *Il Caffè*, (1764-66), pp. 277-84.

Two characteristics of Pietro Verri's analysis on pleasure and pain need to be stressed here. The first point concerns the *nature of pleasure*: pleasure *does not exist* by itself; it consists in the rapid vanishing of pain. This leads to Verri's insistence on the *primary* role of pain in human life. He inclines to exploit the human capacity of making comparisons in this field and thereby achieve *some kind* of measurement, taking into account the *two* fundamental dimensions of pain and pleasure, namely *intensity* and *duration*. The reality and the dynamics of human life has its source and motive in pain, while pleasure is made of a temporary – and to some extent uninteresting and static – suspensions of pain. Therefore the total sum of pleasures can never exceed the total amount of pain.¹⁹ The second relevant aspect of Verri's treatment concerns his emphasis on the distinction of *physical and moral* pain and pleasure. The distinction is already extant in Maupertuis; however Verri's discussion leads him to stress the importance of sensitivity over the mechanics of pain and pleasure and thereby the *qualitative* aspects of the problem. Following probably Helvétius and also Adam Smith²⁰ Verri ends up very far from La Mettrie's *Anti-Sénèque* in spirit and develops a more cautious, though extremely effective, form of scientism in the 18th century context.²¹ Verri insists (cp. the *Discorso sull'indole del piacere e del dolore*, § II) that *physical* pleasure and pain are based on actual and direct sensation, while *moral* pleasure and pain are rather a matter of memory and expectation.

It is at a more fundamental level that Verri's *Discorso sull'indole del piacere e del dolore* introduces the distinction between *physical and moral feelings*.²² Moral feelings or sentiments are indirect or higher order feelings, which cannot be experienced unless a *reflecting faculty* is sufficiently developed, i.e. an attitude to consider a mirrored reality and to evaluate one's feelings in relation to it. Verri makes a distinction between *immediate* experience and *mediate* (or indirect) experience, where the mediation occurs mainly through memory. A *moral* dimension is characteristically associated with the mediate experience by Verri. Our sensations (both pleasant

¹⁹ The idea that the *only* real thing is pain – while happiness is, in fact, negative pain – was debated through the 18th century; it appears to embody a neo-stoic view on self-control. The contrary view of two principles, pleasure and pain (comparable in algebraic terms), bears a more neo-epicurean imprint. Differently from Verri, Bentham would side with the latter view. Verri's line of descent came from Locke's analysis of 'uneasiness' and was shared by Genovesi and other authors. The issue is discussed by Guidi, 2007; cp. also the Introduction by S. Contarini to Pietro Verri's *Discorso sull'indole del piacere e del dolore*, in the *Edizione Nazionale* (2003-), vol. III, pp. 25-61. It is in the same context that Verri insists (sec. VIII, ed. cit., p. 112) that – contrary to the common saying that the silly are happy – it is (as he writes) the happy who are silly, for they lack the goad of pain to overcome inertia. 'Healthy' happiness, as it were, cannot be a permanent state, but requires some source of continuous arousal.

In Verri's analysis there is also the novel remark that, in measuring pleasure and pain, of the two fundamental dimensions of intensity and duration it is intensity that matters more to the subject compared with duration (see Verri's *Discorso*, sec. X, in *Edizione Nazionale*, 2003-, vol. III, pp. 123-25), which appears to correspond closely to the phenomenon of 'duration neglect' discussed by Kahneman in various places (see, e.g., 2003, p. 1465).

²⁰ Verri read the *Theory of Moral Sentiments* in the French translation by Marc-Antoine Eidous of 1764 under the title of *Méthaphysique de l'âme*.

²¹ The point is stressed in the *Edizione Nazionale*, vol. 3, esp. p. 31 and 165.

²² More on the issue in Porta and Scazzieri, 2002, pp. 95 ff.

and painful), Verri argues, depend on three principles: the immediate bodily *action*, *hope* and *fear*. The first principle is the origin of *physical* sensations; the two others of *moral* ones. In this way Verri establishes a close link between the degree of development of moral sense of individuals and groups and the cultural ingredients of their relational network. This same analysis also provides the foundation of his economics: trade is the product of sophisticated moral sensations.²³

2.3 *On Happiness and Economics.*

As explained above, the ‘Accademia dei pugni’ and the review *Il Caffè* are the institutions through which the Milanese school of Political Economy came into existence during the early 1760s. Pietro Verri, as was explained above, is the founder, the leader and an active contributor to both. *Il Caffè* appeared between 1764 and 1766 in successive sheets (*fogli*) made in two volumes. Volume one (Foglio XIX) has an article by Pietro Verri (devoted to thoughts on the spirit of Italian literature) discussing Galileo-Newtonianism at the philosophical level as a force of renovation, providing a new connecting frame for scientific reasoning, in the spirit of what has been mentioned above as *moral Newtonianism*.²⁴

The ‘new science’, or the Galileo-Newton tradition, does indeed provide the frame of reference to illustrate the sources and the methods of enlightened thinking. In his *Enquiries*, Hume mentions – as “Newton’s chief rule of philosophizing” – the idea, “where any principle has been found to have a great force and energy in one instance, to ascribe to it a like energy in all similar instances”.²⁵ This is sometimes called the principle of the ‘analogy of nature’, which postulates similar hidden forces behind parallel phenomena in different fields of experience.²⁶ Hume, for example, singles out ‘usefulness’ as a principle of that kind as a basis for Justice. The Italian thinkers, Pietro Verri among them, are ready to make large use of the principle of ‘usefulness’ in their explanations in the field of Morals, Political Economy and Political Science. In the case of Verri, this line of thinking is conducive to a dynamic view of society, as a system of motions or movements which are studied in order to find an *equilibrium* of them. ‘Interest’ takes the place of ‘force’; ‘sympathy’ and ‘passions’ act in the place of ‘attraction’. In the British experience Smith made use of the analogy of gravitation in the dynamics of natural and market prices. Hume’s *Treatise* (I.1.4) aimed at extending the notion of *attraction* from the natural to the moral universe.

²³ The opening sentence of the *Discorso sulla economia politica* declares that “[h]uman societies which know no other needs than the physical have, of necessity, little or no reciprocal trade” (cp. Groenewegen, 1986, pp. 4-5).

²⁴ Verri, P. “Pensieri sullo spirito della letteratura d’Italia”, in *Il Caffè*, ed. Francioni-Romagnoli, Torino 1993, pp. 211-22. In the absence of other indications, quotations from Italian texts are translated by the author in this paper. On Verri, see also Porta and Scazzieri (2002).

²⁵ Hume, 1975 [1777], sec. III, p. 204.

²⁶ Cremaschi, 1984, esp. chs. 1 and 2, discusses the influence of Newtonianism beyond Physics and Astronomy.

Among the Milanese, Verri develops his own philosophy from the premise that searching pleasure and shunning pain are the great engines of human action, as he writes in introducing the *Discorso sull'indole del piacere e del dolore*, discussed in the preceding section.²⁷ The mechanical analogy seems *prima facie* dominant; but the biological analogy is also pervasive, particularly as political systems are compared to bodies which can experience corruption and decline but also healing and recovery. It is in that connection that the *sensationalistic and materialistic* components of 18th century thought acquire their significance.

Before examining Verri's works on Happiness on one side and Political Economy on the other, it is worth mentioning that a number of contributions published in the volumes of *Il Caffè* touch on one or the other of the two strands, as described in the above, of the Galileo-Newton tradition, namely the application of the 'analogy of nature' on one side and the 'sensationalistic views' on the other. In particular Cesare Beccaria, Pietro Verri, Alessandro Verri, Paolo Frisi are among the main authors. To these men other related figures should be added, among whom Gian Rinaldo Carli and Alfonso Longo. As an example Paolo Frisi's "Saggio sul Galileo", which was published in 1765 in *foglio III* of the second volume of the journal,²⁸ takes its place in the context of the scientific inspiration of the journal, which does include contributions entirely devoted to problems of applied Mathematics, Physics and Astronomy.²⁹ At the same time Frisi's essay on Galileo should be considered in conjunction with similar essays in which the author approached d'Alembert, Cavalieri and, above all, Newton.

The case of Cesare Beccaria, the best known worldwide, certainly deserves a special treatment in the reconstruction of the formative years of Political Economy in Milan at the time of the Accademia dei Pugni. But it is certainly the works of Pietro Verri which afford the best opportunity to examine the sources and the fundamental ideas of the Milanese school, including the influence of the 'new science' or the Galileo-Newtonian tradition on Political economy. Particularly Pietro Verri's works on happiness and on political economy – echoed in the second and third of the *Discorsi* of 1781 – develop his views on value and money, market equilibrium, together with his conception of the dynamics of the system. They provide probably the most interesting analysis of the working of the economy within the Milanese school. We shall here summarize Verri's view of economy, bringing into light a) his view on the working of forces of

²⁷ Verri praises M. de Maupertuis (particularly his *Essai de philosophie morale* of 1749) for giving a rigorous mathematical theory and a practical measure of pleasure and pain.

²⁸ Frisi, P. "Saggio sul Galileo", in *Il Caffè*, cit., 1993, pp. 431-42.

²⁹ Examples are R. Boscovich's "Estratto del Trattato astronomico del sig. de La Lande" (cit, pp. 344-49), Frisi's "Degl'influssi lunari" (291-95) and Beccaria's "Tentativo analitico su i contrabbandi" (173-75), famous as an early example of Mathematical Political Economy. Cp. also Theodoris.

attraction and repulsion b) the basis and development of his hedonistic philosophy and c) his constant concern to speak of measurable phenomena.

3. *Political economy: Preparation.*

As we have already mentioned, for a full understanding of Verri's views on *commercial society*, we have to turn to his formative years. As early as 1763, in his *Meditazioni sulla felicità* Verri spells out the foundational pieces of his approach to civil life. He argues, in particular, that the excess of desires over and above possibilities or “power” is a measure of *unhappiness*.³⁰ The search for happiness in the form of the *removal of unhappiness* is a core-issue in Pietro Verri's political philosophy. He appears from the start as one of the leading representatives of 18th century eudemonistic views. The great object of *happiness* – Verri argues – can be pursued in two ways. Happiness, in fact, consists in the reduction of the *difference* between the two elements of *desires* and *power*; achieving that reduction can be effected by acting upon either one or the other of the two elements. It can be said therefore that the object of happiness, being reduced to a difference, it can be conquered either by “addition” or by “subtraction”: addition of power or subtraction of desires. Verri declares, in a typical utilitarian vein, addition to be superior. An *addition* in the form of the *enlargement of power* provides the main route to happiness as compared with a check on desires.

Verri however lays a special emphasis upon *creativity*, rather than mere enjoyment of what is already in our possession, as a condition for happiness. Anyone who has reached the possession of a moderate fortune – Verri argues ever since the opening sentences of his Happiness pamphlet, the *Meditazioni* of 1763 – will tend either through lack of prudence to prefer present whims to future needs or through ill-considered distribution to postpone present needs to future whims; both ways, the mistaken calculation of the extravagant on one side as well as that of the miser consist in pre-ordaining chimerical to real needs. When the fortunes of an individual or a family exceed the limits of subsistence, a lust for more is generated and the sum of our desires is multiplied.³¹ The appropriate concept to be used in order to clarify Verri's point of view in this context is *ambition*, to

³⁰ ‘L'eccesso de' desiderj sopra il potere è la misura della infelicità’, in *Introduzione to the Discorso sulla felicità, Edizione Nazionale*, vol. 3, p. 198. Verri's theory, as hinted above, explicitly moves from Maupertuis, who proposed to measure pleasure and pain and argued that the total amount of pain exceeds the total amount of pleasure, as we have seen above in the previous section.

³¹ Le ricchezze ‘portano seco la sete di accrescerle, – moltiplicano la somma de' nostri desiderj’. See also ‘Sulla spensieratezza nella privata economia’ (on prodigality in the private economy), in *Il Caffè*, cit., pp. 322-30. Cp. also Verri's treatment of wealth, as it is developed in the *Discorso sulla felicità*, sec. 2, Edizione Nazionale, vol. 3, esp. pp. 201-08.

which sec. 3 of the text of 1781 is devoted. Ambition is described as an ambivalent passion, liable to turn equally into the most ruinous and the most deserving of passions.

Verri's own moral approach leads him to attribute an algebraic sign to the content of passions. Ambition can bear both signs: there exists a positive ambition, which coincides with creativity and the continuous search and desire of a person to better his or her condition;³² however, much as we owe any great achievement to it, at the same time – Verri argues – we derive from ambition that peculiar desire for rank and distinction that easily turns into extravagance and prodigality, a delusive drift into ruin not infrequently exciting sneer and contempt in the hearts of the multitude.³³ Therefore, sheer enjoyment is to be distinguished from *creative enjoyment* or the *pleasure to make and create*. Virtue – in Verri's own words – is every *useful* act. Verri's definition of *utility* is that of a disposition to *perform* good acts: '*utilità*' è '*attitudine a far del bene*'.³⁴ Utility to Verri has an *active meaning* which provides the basis for his view of society in its formative steps as an industrious gathering of co-operating forces, founded upon a compact the end of which is the participants' well-being or public happiness. What is meant by that is, of course, the greatest possible happiness distributed with the greatest possible equality.³⁵ Verri invites a reflection on how “la beneficenza puramente umana sia una emanazione dell'amore del piacere” [purely human beneficence is a by-product of our love for pleasure]. Love for pleasure, in turn, operates through the “secret connection” - *la secreta connessione* - between our own pain and the pain of others. To Verri³⁶ good arises from evil, sterility produces abundance, poverty generates wealth, burning needs spur ingenuity, blunt injustice arouses courage. “In una parola il dolore è il principio motore di tutto l'uman genere” [pain is the moving principle of the whole mankind]; without it man would turn into “un animale inerte e stupido”. Pain excites labour, leads to the perfection of trades, teaches us to think and reflect: it creates sciences, induces the imagination of arts and the desire to refine them.

³² We purposely echo here a Smithian expression, significantly close to the wording used by Verri himself. Cp. also, e.g., the passage on *ambition* in *Il Caffè*, vol. I, cit., p. 200.

³³ ‘Sulla spensieratezza nella privata economia’, *cit.*, p. 323.

Much as *ambition* is an ambiguous force, so are *riches*, as Verri argues in sec. 2 of his *Discorso sulla felicità*: greater riches do not *necessarily* mean greater happiness. Verri's argument here appears to contain the principle of *focussing illusion* (e.g. Kahneman *et alii*, 2006), for – he writes (sec. II, *Edizione Nazionale*, vol. 3, p. 202) – the art of knowing how to enjoy riches is much rarer than the art of materially winning them.

³⁴ P. Verri ‘Gli studi utili’, *Il Caffè*, vol. I, sheet xxviii; *cit.*, pp. 311-18 (See p. 315). Concerning utility, we shall see presently that Verri's thinking can be encompassed within what has been called ‘an accomplished rendering of the Italian utility-cum-scarcity version of the natural-law theory’ (Hutchison, 1988, p. 304) within limits only. In particular the *active meaning* of the term “utility” should never be forgotten. That undoubtedly makes of Verri a rather more interesting animal than a mere precursor of the marginal utility theory.

³⁵ Society, in fact, is analysed, ever since the *Meditazioni* of 1763, as ‘industriosa riunione di molte forze cospiranti’ based on a “patto”, the end of which is “il ben essere di ciascuno -, il che si risolve nella felicità pubblica o sia la maggiore felicità possibile divisa colla maggiore uguaglianza possibile”.

³⁶ *Discorso sull'indole del piacere e del dolore*, in Verri, 1781, sec. xi (‘Il dolore precede ogni piacere ed è il principio motore dell'uomo’); cp. *Edizione Nazionale*, vol. 3, pp. 131 and 134-35.

4. *The Meditazioni sulla economia politica: Pietro Verri's Reflections on Political Economy.*

4.1 *An Overview of Verri's Economic and Related Writings.*

Let us now turn to Pietro Verri's work on *political economy* proper.

Our discussion here takes advantage from the work for the National Edition of Verri's Works and Correspondence. As already hinted above, the first critical edition of Pietro Verri's Works is in the course of publication under the general editorship of Carlo Capra, Professor of Modern History at the University of Milan.

The edition has been rated as an 'Edizione Nazionale', a label which is reserved for comprehensive critical editions of the complete works of the most significant authors of the Italian cultural tradition. The Edition is published by the *Edizioni di Storia e Letteratura* in Rome.

Let us recall here what was mentioned above. Volume two (in the total of six) of the edition, in two tomes, is devoted to Verri's economic writings under the title *Scritti di economia, finanza e amministrazione*. The tomes are jointly edited by Giuseppe Bognetti, Professor of Public finance, Angelo Moioli, Professor of Economic history (both at the University of Milan), Pier Luigi Porta, economist and historian of economic thought at the Bicocca University of Milan and by Giovanna Tonelli, Lecturer of Modern History at the University of Milan. It should be mentioned that particularly the second tome of volume two of the edition has close links with volume three of the edition itself, devoted to Verri's *Discorsi* under the editorship of Giorgio Panizza: Verri's *Discorsi* in fact, as already hinted above, also include the last 1781 edition of his Political economy.

A brief, though somewhat more extended, summary description of the contents of Vol. II of the National Edition is now in order.

We shall then concentrate the analysis mainly on Verri's *Reflections on Political Economy*.

Tome one of volume II is divided in three sections.

The *first section* contains Verri's writings on *Trade or Commerce*. It documents the early studies of Verri during the late 1750s and early 1760s, when commerce really meant political economy to him as a view of the commercial society. Commerce indeed provided the pivotal issue for a new conception of society in general and, more particularly, of the drive to reforms. Verri's science is empirical and he draws inspiration from the facts in front of him; so, particularly his early works were putting a special emphasis on the characters and the problems of economy of the State of Milan.

The works included in this section span from Verri's early excerpts from Hume to some of his first more substantial treatises, such as his "Considerations on trade of the State of Milan" of 1763 and his "Memoirs on the economy of the State of Milan" of 1768.

The *second section* reproduces Verri's famous works on the actual drafting the *trade balance of the State of Milan*. Verri's empirical work was gigantic and had an immense impact on the analysis of the situation of the State of Milan first and consequently on the discussion of the policy implications on the basis of the facts.

Both sections are introduced by Angelo Moioli, who contributes in particular a painstaking analysis on Verri's work on the trade balance sheets, prompting Schumpeter (p. 212) to single out Verri as an outstanding Econometrician, Pamphleteer and Consultant administrator.

The *third section* is devoted to *duties, taxes and contributions, and money*. It includes, besides his dialogue between Fronimo and Simplicio on monetary questions, some of the most relevant proposition of Verri on his ideas of how the fiscal system should work, combining duties with direct taxation. As a *supplement* to this section the volume reprints a few unpublished documents, written while Pietro Verri was an official of the Austrian administration, which show how his theory is strictly combined and influenced by his own experience as an administrator. Giuseppe Bognetti in the introduction to the section gives the coordinates of Verri's stance on fiscal policy and provides a clue to link these documents with Verri's works at large.

Tome two of Verri's economic writings includes two sections.

In the *first section* the reader finds a series of papers on *staples policy and prices*.

Together with a number of smaller items, this section reprints some of the better known works by Verri, such as his essays on "The staples policy of the State of Milan"³⁷ of 1767 or his "Reflections on the corn laws" of 1769. Both works concern directly the situation of the State of Milan.

The *second section* reproduces Verri's main economic treatise, his "*Reflections on political economy*", the *Meditazioni sulla economia politica*, first published in 1771. This treatise went through a number of editions: in this tome the Edition gives, with substantial editorial annotations by Pier Luigi Porta, the text of the so-called *sixth edition* of 1772 of this work, which has special significance as it reflects Verri's reaction (involving considerable re-writing) to the annotations of his authoritative opponent Gian Rinaldo Carli. The *sixth edition*, given here, also includes a series of Notes by the Mathematician Paolo Frisi and an Abstract of Henry Lloyd's 1771 book on the theory of money. Carli's annotations are entirely given in the footnotes.

³⁷ The Latin word *annona* migrates intact into Italian. It does not seem to have any corresponding term in English. We are translating it as *staples policy*.

Tome two is completed by an *Appendix*, which includes mostly unpublished materials giving evidence on the impact of Verri's "Reflections on political economy". Among them a series of counter-annotations by Verri on Carli, originally meant for publication.

Tome two has a general introduction by Pier Luigi Porta.

As mentioned above the National Edition gives the first comprehensive variorum edition of Verri's economic writings. Its predecessors are to be found, first of all, in the *Collezione Custodi, Scrittori Classici Italiani di Economia Politica*, which at the beginning of the 19th century devoted three volumes (out of the total of fifty volumes) to Verri; then also in Francesco Ferrara's *Biblioteca dell'economista*, during the 1850s, volume three of which reproduces Italian treatises on political economy. Luigi Einaudi's outstanding work during the 1930s on Verri's trade balances should also be mentioned.

The National Edition, besides providing for the first time a critical edition of the texts, includes a large number of unpublished items which qualify and document Verri's scientific and practical work in an essential way. All the texts are preceded by substantial introductions and supplemented by editorial annotations. Indexes and bibliography have been specially prepared for the edition.

The National Edition of Verri's Works is sponsored by the Raffaele Mattioli Foundation in Milan, today the owner of the Verri Archives, a worldwide unique and remarkable set of archives of an economist.

The edition is a fundamental step for the knowledge of Pietro Verri, whose fame has been considerably and unduly overshadowed by Beccaria: Verri was indeed the real master, founder and leader of the *Accademia dei Pugni* in the Milanese enlightenment.

It can be added immediately that in Political economy, the 'Classical canon' – based on value theory, which became currency for decades, – coupled with the decline of interest for the Italian School especially in the post-Napoleon period, contributed to an insufficient appreciation of Verri's work. In another way, it is also unduly reductive merely to see Verri as a mercantilist epigone. Schumpeter's sparse but extremely perceptive insights on Verri prove today fruitful for a proper reading both of known and of newly published materials.

This edition, by the careful study of the whole set of the extant works and papers, fully highlights the significance of *dynamic analysis* in Verri's economic thought. Focus on Verri's dynamics contributes does make much better sense of his writings; it also casts his contribution to the Italian tradition, of civicness and science of the legislator, in a much more convincing perspective.³⁸

³⁸ See Barucci, 2008.

Verri's work on political economy, among other influences, owes something to Henry Lloyd, whom Verri had met in his early years and with whom he would remain in contact through the years.³⁹ Lloyd (see Sraffa, 1931; Theocharis, 1983) is sometimes revisited as a pioneer of mathematical economics and for his 1771 book on the theory of money. The special significance of the *Meditazioni sulla economia politica* – a work of his maturity, as we know, published anonymously in 1771 – is that Pietro Verri lays great stress on *creativity* as the source and origin of the formation of wealth and the real object of the science of Political Economy.⁴⁰ “In a country made rich through industry – Verri writes (1986, p. 44)⁴¹ – machines and tools are perfected to such a degree that the workman in a single day will produce an article which in a less industrious nation would take several days to make; such are the resources available to a country which has grown rich through its industry, resources that are lacking in a country whose riches have come spontaneously from the land”. Of course (ib., section I, p. 4) “[n]eed or, in other words, the sensation of pain is the goad used by nature to arouse man from the indolent state of stagnation in which he would otherwise languish. ... *Need* – he continues – sometimes leads men to plunder, sometimes to trade. For trade to exist there must be both *want* and *plenty*”. Concerning plenty – Verri explains (ib., section III, p. 9), outspokenly contentious with the “sect of the economists” – “[r]eproduction applies as much to manufacture as it does to work in the fields”, so that we should speak of “this highly fruitful *sterile class*”, on the product of which entire cities and states survive. Such and similar concepts crop up time and again through Verri's writings.

Particularly noticeable, as we have anticipated, is the *unity* of three works, all of them drafted or redrafted by him during the 1770s and collected by the author himself under the heading of *Discorsi* in 1781: his work on happiness, on the nature of pleasure and pain, and on political economy.⁴² In any treatment of Verri's Political Economy we should include at least three related elements which give life to his approach as an economist. The *first* is the ‘philosophical’ element, which finds a significant expression in Verri's *Discorso sull'indole del piacere e del dolore*. In that work Verri acknowledges, as mentioned above, the influence of Maupertuis on his own reflections. As we know, Maupertuis is mentioned in that *Discorso* (section VI) on account of his attempts to calculate pleasures and pains. Although we do not possess an instrument of measurement in that case, Verri observes (sec. XIV), still in the practice of our actions we

³⁹ See Capra, 2002 and cp. National Edition, vol. II.2, (*Nota introduttiva*), esp. pp. 28, 39, 40, 45, 49, 71.

⁴⁰ An important example of Verri's emphasis on creativity occurs in section XIII of his political economy. Under the title ‘Of the value of money and its influence on industry’, the section basically focusses on the power of industry in increasing what the author calls ‘annual reproduction’. This provides the essential premise on which his argument rests on the value of money. It is, however, quite common to focus merely on the argument's implicit criticism of Hume on money in that section (see below): this is unfortunate as the criticism cannot in fact be understood without the premise.

⁴¹ We quote here from the Groenewegen English edn. of Verri's *Economia politica*. The corresponding passage is to be found in the *Edizione Nazionale*, vol. 3, p. 341.

⁴² Verri, 1781, now in the *Edizione Nazionale*, vol. 3.

continually tacitly make precisely that kind of comparison of good and evil and of pleasure and pain. The *second element* has to do with Verri's attitude as a civil servant. Political economy to him consists in intellectual challenges for the solution of practical problems. The *third element* finds expression in his bent for 'political arithmetic', both in terms of the use of mathematical logic and in terms of measurement and statistical inquiry. Since the very start of his own activity as a writer, particularly through his drafting and discussion of the balance sheets of foreign trade for the State of Milan, it is clear that Political economy, to him, is an empirical science. Verri is thus the clear representative of a school which, along with the Neapolitans, at the Italian level, best illustrates the fruits of the new scientific attitude in moral philosophy.

Public happiness, in Verri's system, must be the object of *policy*. Verri's system is based on free trade and on competitive markets: however, without an appropriate context determined by the institutional setting, there is little presumption that the effects will be progressive. Verri is perhaps the best representative of a generation which had been acutely aware of the dangers of *decline* in a civilized country; his own reading of Lombard history (in his historical works) provides a signal illustration of this attitude. It is easy therefore to understand the duplicity he constantly stresses in most of the concepts he analyses. At the same time his insistent elaboration on the significance of intermediate bodies and on the rule of law does not contradict his lifelong struggle against those particular bodies and institutions which had come into existence and were in power in the State of Milan as a result of the Spanish rule.

The roots of Verri's understanding on the 'progress' of civilization and society are to be found in his *Discorso sull'indole del piacere e del dolore* and more particularly in his introduction of the distinction between physical and moral feelings.⁴³ As we have recalled above, moral feelings or sentiments are indirect or higher order feelings, which cannot be experienced unless a *reflecting* faculty is sufficiently developed, i.e. an attitude to consider a mirrored reality and to evaluate one's feelings in relation to it. Although there is, in Verri's conception, a direct association between the degree of development of 'moral sense' of individuals or social groups and the cultural complexity of their relational setting, however the historical evolution of 'moral sense' is far from being monotonic. Wealth, happiness and *incivilimento* are unfortunately not bound to go together. Verri's study of the 'connecting principles of nature', applied to the polity, is designed to show that the achievement of *public happiness* is a complex process, which cannot be the effect of the work of simple mechanical devices.

⁴³ See also Porta and Scazzieri, 2002, esp. pp. 95 ff.

4.2 Verri's Political Economy. A Political Economy of 'Effective Supply'.

Pietro Verri's 1771 *Reflections on political economy* has been the object of inquiry from several points of view. His analysis on value and price soon became a privileged object of attention and criticism, while other equally (perhaps *more*) important aspects have stayed hidden in the shadows. An interesting positive remark appears in Schumpeter's *History*. When Schumpeter's *History* comes to deal with Milanese School of Political Economy in his treatment of the 18th century "Cheapness-and-Plenty" new doctrine, he includes a revealing remark, to the effect that "Verri is the most important pre-Smithian authority on Cheapness-and-Plenty". In this Lecture I propose to show that a careful canvass of the texts fully substantiates Schumpeter's suggestion and therefore points towards Verri emerging as an important precursor of Adam Smith and standing out as a key figure in the transition from Physiocracy to the Smithian system. I shall also argue that the conventional consumer sovereignty version of Verri's (and Smith's) systems can be misleading, given that the Cheapness-and-Plenty view of the competitive economy embodies a conception of growth mainly focussed on creativity in production.

Along the line of descent, traced here, it will be apparent that, while the traditional construction of the 'Classical School' built upon a unified conception of value has Verri and Smith on opposite sides, the 'new view' of Economic Classicism, proposed in this Lecture, rooted in *wealth* shows instead significant elements of continuity between the two authors.

This is the view of the 'Classical School' which is gaining momentum today and has a positive prospects of flourishing and producing relevant new fruits.

Through the forty sections of the *Meditazioni sulla economia politica* Pietro Verri lays great stress on *creativity* as the source and origin of the formation of wealth and the real object of the science of Political Economy.

"In extending communication to the new continent, – Verri writes⁴⁴ – Columbus changed the politics of Europe. The discovery of fabulously rich mines, the endless profusion of precious metals that flow from there each year, the increase in money, the creation of new wants and new hopes all ... have promoted greed'. 'Industry [has been] shaken up' and 'men's activity [has received] an impetus it had never before known'. At the same time, new relationships 'have emerged between states; the wealth of kingdoms is calculated to better know their level of security and prosperity; trade has now come to be considered a public objective, and finance part of the law'. The result is that 'reason is occupied with illuminating these matters, whose importance and

⁴⁴ *Meditazioni sulla economia politica*, preface to the 6th edn.; cp. Verri, 1986a, pp. 2-3.

influence on the happiness of human kind is generally known and a body of knowledge called *Political Economy* is created”.

Verri’s works predictably moves from an analysis of *trade*, which had been the starting point of his economic analysis back in 1760. At this point trade is indeed the subject which links up in a perfectly natural way with a treatment of needs, pursued already through his former and parallel studies on happiness and on pain and pleasure. “Need, — Verri argues (sec. I) — or in other words the sensation of pain, is the goad used by Nature to arouse man from the indolent state of stagnation in which he would otherwise languish. ... *Need* sometimes leads men to plunder, sometimes to trade. For trade to exist there must be both *want* and *plenty*: want of goods sought, and abundance of suitable goods offered in exchange”. Concerning *plenty* — Verri explains (sec. III, p. 9), outspokenly contentious with the “sect of the economists” — “[r]eproduction applies as much to manufacture as it does to work in the fields”, so that we should speak of “this highly fruitful *sterile class*”, on the product of which entire cities and states survive.

The notion of creativity involves, in the first place, a definite view of human labour, whereby labour is conceived first of all as an *idea* or a project rather than the performance of specific operations, manual or otherwise.⁴⁵ This is indeed the scientific spirit of discovery lying at the root, as we have seen, of *Il Caffè* and of the Accademia dei Pugni.

“Human societies — Verri writes in the *Reflections* (sec. 1, p. 4) — which have no other needs than the physical have, of necessity, little or no reciprocal trade ... Man does not act unless a need exists, and no need arises unless an idea exists; and ideas, among isolated and savage peoples, are limited indeed”.

Verri’s Political economy definitely goes beyond the logic of Robinson Crusoe: culture, refinement, education, ideas, need and trade are closely linked together. “All man’s most worthwhile inventions, — the author adds (sec. 2, p. 8) — and those which have most stretched the ingenuity and power of our minds, are those which bring men closer to one another, facilitate the communication of ideas, wants and feelings”. He insists in clarifying the concept, especially as this implies distancing himself from the purely physical notion of creativity entertained by the masters of the Physiocratic School: “It should be noted, that although I use the term creation, it is not intended to be understood here in its strict sense, but with a more general meaning”.⁴⁶

⁴⁵ This is akin to the distinction made by Hannah Arendt, 1958, where the author separates *labor* from *work* as ingredients (together with *action*) of her *vita activa*. Similarly *animal laborans* is different from *homo faber*, in Arendt’s language.

⁴⁶ Sec. 3, p. 10. The sentence continues: “because if we wished to express ideas precisely, we could not apply the term creation to what we do in cultivation, both this and the work of human hands being nothing but different modifications of the matter, achieved by bringing together or separating its elements”. No less significant, as a pithy anti-Physiocratic mood, is the close of the Section: “But the political obstacles which result from that fatal (even if respectable) love of what is excellent and perfect ... can always intervene to a greater or lesser degree ... to delay and

An important example of Verri's emphasis on creativity, which in Verri's language is a synonym of *industry*, occurs in section xiii of his political economy, where the author argues about the positive effect of an increase in the supply of money, for "where unflagging industry and flourishing trade in a nation gradually add to the universal commodity [Verri's definition for *money*], this will be a new spur to industry ... and lead to the introduction of new comforts and conveniences, a refinement of the arts and crafts and the invention of ways of perfecting them and speeding up their production": as a result "good living and prosperity will be diffused"⁴⁷

"In a country made rich through industry – Verri goes on to argue (1986a, sec. XIII, p. 44) – machines and tools are perfected to such a degree that the workman in a single day will produce an article which in a less industrious nation would take several days to make; such are the resources available to a country which has grown rich through its industry, resources that are lacking in a country whose riches have come spontaneously from the land" It is noticeable that such and similar concepts crop up time and again through Verri's writings, especially across the *Discorsi*.

Want and plenty are the immediate grounds of demand and supply, or consumption and reproduction. "Tutte le operazioni di pubblica Economia – aveva scritto Verri in un precedente scritto sull'annona – debbon tendere *ad accrescere l'annua riproduzione al maggior grado possibile col minore possibile travaglio*. Quest'è il canone fondamentale della Economia pubblica. In ogni Nazione si consuma e si riproduce. La ricchezza vera d'una Nazione si è l'eccesso della riproduzione annua sopra l'annuo consumo. Mantenere costante quest'eccesso, ingrandirlo, sono i fini dell'Economia".⁴⁸ The same concept appears also in the *Reflections on Political Economy* (sec. III, p. 8): "two things are to be noted: annual reproduction and annual consumption". The real wealth of a nation and its condition (progressive, stationary or declining) is to be judged by means of the comparison between the two magnitudes. There is a clear parallel to be noted here between Verri and Smith. Particularly close is the resemblance of Smith's and Verri's expressions, taking for example a famous passage at the close of ch. III (book IV) of the *Wealth of Nations*:⁴⁹

"There is another balance indeed – Smith argues – ... very different from the balance of trade, and which, according as it happens to be either favourable or unfavourable, necessarily occasions

obstruct that equilibrium towards which all things, the moral as well as the physical, tend". The emphasis on notion of creativity in the present context occurs also as a result of his debate with Gian Rinaldo Carli, who maintained the Physiocratic notion. The National Edition, vol. II.2, gives a full account of the important debate with Carli.

⁴⁷ Section XIII (here quoted, p. 42) is often quoted by commentators. Under the title 'Of the value of money and its influence on industry', the section basically focusses on the power of industry in increasing what the author calls 'annual reproduction'. This provides the essential premise on which his argument rests on the value of money. It is, however, quite common to focus merely on the argument's implicit criticism of Hume on money in this section (see below): that is unfortunate as the criticism cannot in fact be fully understood without the premise.

⁴⁸ *Riflessioni sulle leggi vincolanti* (Reflections on the corn laws), parte I, § 77, in Edizione Nazionale, cit., vol. II.2, p. 262.

⁴⁹ The similarity is noticed by P.D. Groenewegen, 1999, pp. 702-3.

the prosperity or decay of every nation. This is the balance of the annual produce and consumption”.

This is what we may call Verri’s political economy of ‘effective supply’, as a translation of his own idea of the *abbondanza apparente* (sec. IV): the ingredients of this conception are close complements: plenty, creativity, sociality. Supply, industry and civil economy would be another way of saying the same thing.

4.3. *Monetary policy and price of commodities.*

It is now appropriate to turn to some aspects of Verri's theory of price. There are two aspects in price theory. The former is macroeconomic and concerns the absolute *level of prices* expressed in what Verri calls the “universal commodity”, i.e. *money*. The latter is a microeconomic aspect and directly involves his theory of the working of the market and of the formation of *relative prices*.

The former aspect touches on the question if, as a result of the increase of the amount of the universal commodity, “the prices of products will gradually rise until other countries cease to buy and look elsewhere for their supplies”.⁵⁰ What we have here is an application of what would become the standard theory that involves the so-called ‘automatic mechanism’ of the balance of trade.⁵¹

However at this point Verri also takes a new and original standpoint on the issue, as it has sometimes been noticed.⁵² He, in fact, *corrects* (Verri 1986a, § iii, p. 12) the classic Humean argument and concludes that *annual reproduction* may expand: “Particular commodities will multiply proportionately as the increase in the universal commodity becomes widespread and the number of contracts of sale and purchase will increase as there are more means to implement them”. Thereby will the universal commodity, acquired via industry and divided amongst a large number of people, compensate for the otherwise undesirable effects that would follow from the sudden injection of a single large amount of money. Verri returns to the issue, even more clearly, in § xiii of his political economy. The “superabundance of the universal commodity – he writes – will become noticeable when it enters the country in large amounts, without allowing industry time to accumulate sellers by adding gradually to their number. Money which mounts up imperceptibly in a

⁵⁰ Verri, 1986a, § iii, p. 11. Here, as well as elsewhere in same book (See in part. § xiii, ib., pp. 43-44), Verri clearly, though implicitly, seems to refer to the standpoint taken by David Hume on the issue, particularly in the latter's *Essays* of 1741-42. On the precise identification of Verri's reference on this point, the English edition of *Meditazioni* has a useful footnote (Verri, 1986a, p. 43, n. 17). It should be recalled that Verri's *Meditazioni* do not include the usual set of references and quotations, which would be expected in a fully worked out scientific treatise, which the *Meditazioni*, by open admission of the author, certainly are not.

⁵¹ On the notion of ‘automatic mechanism’, cp., e. g., Schumpeter, *History*, part. I, ch. VII, §§ 4 and 5a.

⁵² For example by Schumpeter. See Schumpeter, 1954, II.6.1, p. 287. It should be mentioned, however, that Pietro Verri – differently from Hume – was familiar with Cantillon’s *Essai*, in which the effect had been noted.

State is like the dew that revives and invigorates vegetation; but it is like a raging torrent, uprooting, muddying and inducing sterility if it enters the country as accumulated treasure”.⁵³

It is, in other words, *il moto dell'industria*, or “active industry”, which forms the *primum mobile* of the virtuous circle. An increase of “circulating money, when it is achieved gradually and through industry and is shared generally among the people, leads to a proportionate increase in consumption; ... and the more sales a commodity finds, the more the sellers of it increase and the livelier its reproduction” (*ib.*, p. 44).

It is interesting that, in a perceptive remark deserving notice in the present context, Schumpeter himself finds reason to single out Verri as “the most important pre-Smithian author on Cheapness-and-Plenty”. Cheapness, or *low price*, as the result of industry, can well be brought about via an *increase* of the quantity of money.

Schumpeter (*History*, Part II, ch. 6, § 1d: pp. 285ff.) discusses the contrast between “Dearness and Plenty versus Cheapness and Plenty”. “The scholastic doctors – he writes – associated prosperity with cheapness; dearness they associated with famine and mass misery”. Later however most of the “English businessmen-economists of the seventeenth century ... associated Dearness and Plenty”. In the course of the years, “the high-price argument proved difficult to beat and was, at least in some respects, upheld by front-rank men, such as Boisguillebert and Quesnay, but it was beaten eventually”. A significant turning point is marked by Adam Smith, who “cast his vote for Cheapness and Plenty”. In this whole story, Verri stands out in the connection he establishes between that argument and “Monetary Analysis in the sense of analysis in terms of monetary aggregates. ... Verri’s argument to the effect that an increase in the supply of money, owing to its stimulating effects on production, may induce a fall in prices (Verri is the most important pre-Smithian authority on Cheapness and Plenty) could be worked up into a piece of Monetary Analysis that would be allied to a low-price philosophy”.

It is worth noting that Verri’s Cheapness-and-Plenty argument cannot be fully understood without taking its *microeconomic* foundations into account, and, in particular, without considering his theory of relative prices. Pietro Verri makes a distinction between price and value. Much in the same way as Smith would do a few years later, Verri states that the calculation of ‘how many ounces of metal were given in exchange for a certain commodity’, i.e. its *price*, cannot be used to

⁵³ Again, as noted in the previous section of this Lecture: wherever “unflagging industry and flourishing trade in a nation gradually add to the universal commodity, this will provide a new spur to industry and will increase the number of contracts, encourage the flow of internal circulation and lead to the introduction of new comforts and conveniences, to a refinement of the arts and crafts and to the invention of ways of perfecting them and speeding up their production. Everywhere cultivation, good living and prosperity will be diffused” (Verri, 1986a, p. 42).

indicate ‘the true *value* of it, if by the term value is meant the degree of esteem it had in the common view, for the esteem in which the precious metals are held has varied with the passing of time’ (Verri, 1986a, § xv, p. 50). Verri’s *prezzo comune* is by definition a *relative* price. As a matter of fact, *prezzo comune* is in ordinary practice expressed in units of specie; thus the *prezzo comune* is expressed in terms of *another commodity* (specie itself, or the ‘universal commodity’). Price, in this sense, comes to depend – in Verri’s view – on *utilità* and *abbondanza*, or – specularly – on *bisogno* coupled with *rarietà*.

The above provides the foundation to Verri’s well-known proposition that ‘[i]f the number of *sellers* increases (other things being equal), *plenty* will increase and the *price* will fall; if the number of *buyers* increases (again, other things being equal), so will the *want* grow and the *price* increase. Thus the *price* is deduced from the *number of sellers* in comparison to the *number of buyers*’. Therefore, in Verri’s own words, ‘*the price of things will be in direct proportion to the number of buyers and in inverse proportion to the number of sellers*’ (Verri, 1986a, § iv, pp. 17-18). He adds in the sixth Livorno edition (1772) of *Meditazioni* (the text of which is given in the Custodi Collection⁵⁴) that “these proportions are approximate, because strictly speaking, to satisfy mathematical precision all buyers should purchase equal quantities”. In the same edition an appendix is added, in which the mathematician Paolo Frisi gives a summary of General Lloyd’s essay on the theory of money and compares Lloyd and Verri on price.⁵⁵

Verri’s formula shows that what he had in mind was a theory of *effective supply*. This is the true core, in our reconstruction, of Verri’s political economy. Verri himself speaks of *abbondanza apparente*. “Abundance of a commodity – Verri argues (Verri, 1986a, § iv, p. 14) – has a bearing on its price; by the term *abundance*, however, I do not mean the absolute quantity of it in existence, but rather *the amount offered for sale*”. *Extant* abundance or plenty – as the force actually and effectively determining price – increases and decreases with the size of offers, approximately measured by the number of sellers (see *ibid.*, p. 16)⁵⁶.

As “[i]ncreased annual reproduction – Verri states (Verri 1986a, § v, p. 19) – must be the aim of political economy”, “*the proportion of sellers to buyers* must be as *high as possible*”. A necessary condition for that to happen – following an argument already sketched in the earlier *Meditazioni sulla felicità* – is *some* equality in the distribution of wealth: in his own words, the “number of

⁵⁴ It should be noted that the English edition (Verri, 1986a) is based on the 1964 (De Felice ed.) reprint of the *Discorsi* of 1781, where the text of Verri’s political economy contains revisions compared to the 1772 sixth Livorno edition.

⁵⁵ A thorough discussion of Verri’s formula and of the debate involving Paolo Frisi, Pietro Ferroni and Augusto Montanari is given by Theocharis, 1961, pp. 27-40. For a recent reconsideration of the whole issue, with a special emphasis on Frisi, see Luini, 1996. On Verri’s important friendship with General Henry Lloyd, the man who had first introduced Verri to political economy, see Venturi, 1979.

⁵⁶ We differ here from the otherwise valuable work by L. Pesante, 1994. Pesante argues (see in part. p. 62) that the role of demand prevails in Verri’s view on the formation of wealth.

sellers will always be greater in a nation according as wealth is more evenly distributed there among a greater number of people. ... When a nation's wealth is concentrated in the hands of a few ... [n]o abundance and no civil liberty will be found there". That is an instance in which the resulting "[c]areful adherence to permanent uniformity would remove competition". In conclusion, when "there is too much inequality in the distribution of wealth, just as in the opposite case of perfect equality, annual reproduction is restricted to the bare necessities and industry is destroyed" (Verri, 1986, § vi, pp. 21, 22, 23). That completes the set of conditions which justify and support an invisible hand explanation in Verri's own eyes: "Nature, – he argues – if left to itself, would be a benevolent mother to all men, correcting excesses and defects wherever they occurred, distributing good and ill according to the wisdom and activities of the peoples, and leaving only sufficient inequality between them to keep desires and industry moving" (ib., § iii, cit., p. 12). Concerning the order of society Verri has in mind, it is only natural that some of the most typical features of his experience as a practical reformer should surface. "Let any man be free to practise his business wherever he chooses. Let the legislator permit sellers in every category to multiply, and in a very short time he will see competition and the desire for a better life reawaken creative capacities and quicken the hands of his people; he will witness a refinement of all the arts, a fall in price levels and the spread of plenty everywhere in the wake of competition its inseparable companion" (ib., § vii, p. 26).

Keeping the proportion of sellers to buyers on a high level is in fact the object of the policy of effective supply or *abbondanza apparente* and the real practical aim of Verri's political economy. There are two ways of achieving that high proportion, that is "by increasing the number of sellers, and by reducing the number of buyers" (ib., § xi, p. 36). In Verri's own view, it is by choosing the former that progress is possible, while the latter "calls for extreme caution". Whenever then the policy of effective supply "is achieved by addition, the State moves towards prosperity; and conversely moves away from it when the attempt is made by subtraction". "[R]emoving constraints on sellers and encouraging their unlimited numbers" is the sole policy coherent with the view of a commercial society based on liberty and competition (see ib., § xi, pp. 36, 38, 39). To Verri the concern for effective supply amounts to a plea against any kind of privilege, and in particular against monopoly, that, by restricting supply, would bring about higher prices and directly counter his own philosophy of Cheapness and Plenty.

It is to be noted, in particular, that Verri's idea of competition is one of a free and fair *contest for excellence*.⁵⁷ It is much more important to his notion of competition the lack of substantial concentration of resources, giving rise to monopoly power, than the actual absence of duties and

⁵⁷ Going deeper on this important point is beyond the scope of this Lecture. For the significance of this concept of *competition* in the Italian tradition of economic thought, see Einaudi, ...

subsidies, which he admits in cases outside grain trade. On grain trade and the trade in staples, Verri is adamant to maintain that any limitation of trade, far from securing abundant supplies, becomes the incentive to restrictive practices. He is in favour of outright globalization and ‘corn laws’ are to be avoided altogether: they are, in Verri’s view, the result of irrational fear and produce effects contrary to expectation.

His formula of price, by emphasizing the *number* of agents (of sellers in particular), is precisely designed to cover also the case of fewer sellers possessed with larger amounts of supplies, which is an instance where *effective* supply would in fact be *reduced* and price *increased* by monopolistic practices.

5. *Verri and Smith.*

Cheapness or low price can be the effect of an increase of the quantity of money. This proposition of Verri’s emphasizes the question of the non-neutrality of money and of the effects of monetary expansions on real incomes and on the potential for growth. This is an interesting issue in the transition from Mercantilism to Classicism in Political economy: Verri’s view of growth is one of real and civil growth; at the same time, differently from Smith, Verri’s drift to growth is essentially working via monetary mechanisms.

Such an analysis is part of a general view of a sort of spontaneous order of the economy, which is also a natural order, for nature (as we have just seen) is described as a “benevolent mother to all men”. This is an essential part of Verri’s conception: the ideal economy, as it is conceived by Verri, falls squarely within the realm and the largely Italian canon of *economia civile*.

Verri’s great problem is that of preventing the establishment of privilege or unjust power and freeing from privilege – which was the practical case at hand – societies which might have fallen under its dominance. As a matter of fact, “trade and craft guilds do not yield the benefit for which they were established, but tend to lower annual reproduction”. The “spirit of monopoly and conspiracy” leads “to reduce the number of local sellers” with the result of increasing the price of commodities, diminishing the number of contracts, checking industry and annual reproduction.⁵⁸

Verri’s radical remedy is to open wide and free the field and let everyone be free to practise his own business wherever he or she chooses; this will awaken industry and produce abundance and low price. Let every person be driven by the desire to improve his or her own lot and general improvement will ensue. Society ruled by good laws is likened to a tree left free to grow: “Everything gains strength and vigour and warmth when there are no obstacles in the way of our

⁵⁸ See Verri, 1986, esp. § vii, pp. 24-26.

desire to improve our destiny and that is left to rule securely everywhere” (Verri, 1986, § vii, p. 26).

Although the general therapy consists in the promotion of good and wise laws, if and when privilege is firmly rooted, it may well be necessary a special temporary initiative on the part of the governing authority, aimed at restoring the functioning of the system and repairing damaged relationships. But, as a general rule, far from forcing and prescribing, laws should invite and guide; “a law which is against the interests and instincts of many, can never be continually and peacefully observed nor can it achieve favourable results for the city” (ib., § xii, p. 40). The great art of the legislator – Verri writes – is and will always be to let the private and the public interests coincide.⁵⁹ The above principles are best illustrated by the historical reconstruction, Verri gives on the State of Milan. He shows that responsibility for arbitrary rule rests with a large accumulation of power and privileges in the hands of *degenerate intermediate levels of government*. In particular – Verri argues – the code issued under the Spanish rule was permeated by principles inimical to liberty and industry; senators and magistrates had turned into masters of the nation rather than serve the country. The final upshot, as Verri saw it, had been the entire elimination of that civic security which had provided the foundation for the prosperity of former times: everything had turned more contentious, precarious and uncertain; the arbitrary power of the judge had started to prevail over the law. The state had ceased to flourish under the rule of law and had come to be subdued under the rule of men.⁶⁰

The evil denounced by Verri can be reformulated in the following terms: against the principle illustrated by Montesquieu, within the *same level* of government both executive and legislative powers had been added together. It is not, therefore, on the *existence* of intermediate bodies that we should put the blame; rather a proliferation of intermediate *degenerate* powers had been the source of decline.⁶¹

Admittedly, Verri adds, “just as in Roman times a dictatorship was successfully adopted when things were difficult”, in political economy “particularly when it needs to be simplified, involving the reform of old abuses, I say it is worthwhile to create a despotic system to last as long as is necessary to set in motion a provident system” (Verri 1986a, § xxxviii, pp. 113-15). But, again, the *general rule* is the following: in “enlightened countries, the people advance in a direct line and the laws move obliquely; but the fewer luminaries there are in a population, the more will the laws

⁵⁹ See Verri, 1796, in Edizione Nazionale, II.1, pp. 249-50.

⁶⁰ See Verri, Edizione Nazionale, II.1, esp. pp. 374-78. The Spanish code, or *Nuove Costituzioni*, was enacted in 1541 and became effective from 1 January 1542.

⁶¹ Verri’s own quote from Montesquieu’s book xi, ch. 6, runs as follows: “Lorsque dans la même personne ou dans le même corps de magistrature la puissance législative est réunie à la puissance exécutive, il n’y a point de liberté; parce qu’on peut craindre que le même monarque ou le même sénat ne fasse des lois tyranniques pour les exécuter tyranniquement”.

move in a direct line and the people obliquely” (ib., § xxvii, p. 80). Verri accordingly castigates the misplaced ambition of the vulgar man to reconcile to the limited scope of his own mind the entire life of civil society. The vulgar man – Verri argues in his pamphlet on the policy of provisions (Verri, 1796; cp. also Verri, 1986a) – is ever more desirous to impress motion and make of society something which can appear to be his own creation, rather than channel the actions of men to some common purpose in an indirect way. Thereby he is prone to fall into a clumsy handling of the great machinery of civil society; he is bound thereby to disrupt its delicate devices, which he is unable even to see. Against that picture the image of the reflective man is contrasted, who appreciates that in the polity it is much more appropriate to *let do* rather than do: no country will be stolid enough to deprive itself of the necessities, unless a very artificial system of prohibitions can produce that most unnatural outcome.

It is from that kind of philosophy that Pietro Verri, in concluding his own reflections on political economy, draws the ideal characteristics of a “Minister of the economy”. His first duties are the “[r]emoval of obstacles, abolition of restrictions, smoothing the way to the competition that inspires reproduction, increasing civil liberty, leaving a wide field open to industry, protection of the reproducing class especially with good laws, ... ; ensuring easy, rapid and disinterested movement in contracts of sale and purchase; spreading good faith in trade and never allowing fraud to go unpunished”. The formula “active in destroying and most cautious in building” – properly understood – summarises his own brand of political moderatism as well as his conception of the social order.

Verri's contribution to the moral and economic theory of civil society thus makes selective use of different strands in eighteenth century thought, and suggests a careful blend of 'active' intervention and reliance upon the 'spontaneous' emergence of new orderly structures. In particular, the attention for legislation as the constitutional framework of social interaction under given historical conditions is combined with the idea that excessive concern for details is seldom effective and is indeed likely to bring about undesired outcomes.

In Verri's view, the effectiveness of direct policy in social affairs is impaired by the epistemic limitations of human beings: as “the insight of everybody is limited, and narrow its confines for the greatest part of human kind, so, of the great social machinery, only a small set of moving devices may be discovered”.⁶² Such an epistemic weakness of social knowledge suggests an indirect approach to policy issues: ‘a new outcome is unwisely sought by means of command; and citizens are incautiously compelled to a new course of action by means of constraints’ (ib., p. 247). On the other hand, the principle of liberty suggests an effective means by which policy goals may be

⁶² In *Reflections on the corn laws*, Edizione Nazionale, II.2, p. 248.

sought. The reason is that ‘the reluctant will of the human being wants to be solicited without disruption, and guided without violence, if we are to achieve a constant goal not compensated by worse evil’ (ib. , p. 248).

The above general principle finds support in Verri's theory of personal interest, which is associated with the performance of useful actions and includes both the ‘actions that law has left free’ and the actions conforming to virtue, which are identified with ‘actions useful to human beings in general’ (Verri, *Sulla felicità*, sec. V, Ed. Naz., pp. 235-6). Effective policy, in Verri's view, coincides with the introduction of laws by means of which ‘the private and the public interest are made to coincide’ (II.2, p. 249). The upshot of the above criterion is the liberty principle: ‘*to invite and guide* is the distinctive mark of a beneficial and enlightened legislator, whereas *to force and prescribe* is the mark of an ordinary legislator’ (Verri, II.2, p. 247).

It remains to be seen whether there are cultural or historical prerequisites to be met for the principle of liberty to become a suitable guide in policy and in legislation. In this connection Verri maintains that it is possible to identify a close relationship between the state of any given society and the general character of its legislation. I ‘believe it is true – he writes – to say that in civilised nations human beings are straight, whereas laws take an indirect course; and [that, on the contrary] in corrupted nations human beings take an oblique course, and laws a direct one’ (Verri, 1964c, p. 267). As observed above, the constitutional implications of Verri’s view of the polity are clear.

Verri's science of the legislator presupposes the contribution of Montesquieu. At the same time he adds a peculiar historical awareness on cultural development, which is rooted in his philosophical investigation on human desires. Verri's distinction between the two different courses which legislation may take seems to suggest a dual path open to nations during the process of civilisation. If society is 'barbarous and corrupt' ('barbara e corrotta') as a result of the development of artificial needs much beyond available means, legislation is forced to take a direct course in order to 'circumvent' the roundaboutness of moral sentiments and the widespread mistrust that is associated with it. If, on the other hand, society is civilised and lawful ('colta e legittima'), artificial needs are balanced by industry and moral sentiments are less likely to get entangled in a vicious circle of unbridled desires and mistrust. Under these circumstances, legislation may take a different course, by taking advantage of the unimpaired state of mind of free human beings. For 'moral sentiments' would in this case be characterised by 'brevity and simplicity', and the actions of individuals are more likely to be influenced by incentives and indirect legislation⁶³.

⁶³ An interesting implication of the above principles may be found in the field of monetary policy. In particular, Verri's contributions to the 1762 debate on monetary disorders (Verri, 1986b,) and the 1772 *Consulta* (Verri, 1986c) are worth considering. Here, Verri explicitly relates the principles of monetary policy with the principles of trade between countries closely intertwined by economic linkages. Such a perspective leads Verri to criticise the common association between monetary standards and national sovereignty, and to maintain that the goal of monetary policy should be ‘to

6. Concluding Remarks.

6.1 Civil economy.

Verri's contribution to the economic and moral foundations of civil society appears to draw upon extensive and perceptive reading of classical 18th century sources. At the same time, on a number of critical issues, Verri suggests a fresh perspective and identifies 'conceptual solutions' of remarkable originality.

In Verri's 'società colta e legittima' moral sense and legislation are the prerequisites of the 'producers' competition' discussed in *Meditazioni sulla economia politica* (Verri, 1771). This provides the basis for Verri's conception of civil society and a comprehensive reading of Verri's economic and philosophical writings suggests a perspective on the interplay between moral sentiments, legislation and the competitive framework of a market economy which is probably relevant to the understanding of the same relationship in other 18th century writers including Adam Smith.

Civil society thus becomes an essential prerequisite of industry and indirect legislation. At the same time, however, the evolution of moral sentiments is not necessarily compatible with the formation of the 'società colta e legittima'. The progress of civilisation may indeed be associated with the development of roundabout feelings and the formation of artificial needs that could impair human industry and act as a check upon the growth of wealth. Under these circumstances indirect legislation is seldom effective, so that laws tend to be particular rather than general, and government activity ends up being associated with command more often than incentive. The duality between the *barbarous and corrupt* and the *civilised and lawful*, as possible states of society, brings to the fore the variety of alternative paths open in the course of the civilising process.

The same duality also suggests that the "structure" of moral sentiments may be of critical importance in determining the character of legislation and the possible development of industry in any given society. Industry is, in Verri's analysis, closely related with the intertwined activities of production and trade. In trade as in production, the most essential (or 'primitive') tasks are 'bringing together' and 'separating' (Verri, 1986a, p. 9), that is, operations associated with the

have *good money*, and to evaluate it correctly, without paying attention to the imprint that such money might have: this is the course of action taken in Hamburg and Frankfurt am Main, as it may be seen in Bielfeld's *Institutions Politiques*, tome I, ch. xiv, paragraph 29' (Verri, 1986b, p. 114). A general evaluation of Verri's monetary thought is presented in Quadrio Curzio and Scazzieri, 1992 (see also Meacci, 1996). Verri's criticism of monetary sovereignty (under the form of the so called 'provincial money') may be related to the conception of an international civil society based upon trade and division of labour (see Porta and Scazzieri, 1997).

transformation of matter from one state to another. In this connection, the *relational* features of wealth formation are highlighted, since it is primarily by means of the free interaction of individuals and social groups that material objects (as well as immaterial ideas) may be brought together or separated from each other. Such a “relational” dimension leads in turn to a characteristic emphasis upon “proximity” as a necessary condition for the development of wealth. Verri clearly distinguishes between physical and “economic” proximity, and suggests that, as interaction between individuals (or groups) gets easier, ‘so will it be easier to accomplish this [proximity] without people having to move their homes’ (Verri, 1986a, p. 76). Decreasing “costs of interaction” (that may be associated with decreasing transaction costs) are considered to be at the root of a complex process, in which “civilisation” (particularly under the form of developed moral sentiments and artificial needs) is a prerequisite of economic progress.

Our investigation has shown the effect of linking together Verri's pre-analytic framework with what are generally considered to be his analytical contributions. The distinction is indeed artificial and distorting. The two sides of Verri's intellectual character cannot be sharply separated and it emerges that his critical contribution lies in the analysis of the relationship between civil society, moral sentiments and legislation. Indeed Verri appears as perhaps the leading theorist of the process through which – by means of a careful blend of “need sophistication” and “moral simplification” – human beings could become responsive to the 'indirect government' characterizing civil society.⁶⁴

6.2. *The Italian School.*

Four elements qualify Political economy as the most remarkable product of the Italian Enlightenment. 1. A conception of spontaneous order derived from Montesquieu and from the British tradition; 2. A criticism of the principle of money neutrality; 3. A support of what Schumpeter calls the Turgot-Smith line on saving and accumulation;⁶⁵ 4. A design of taxation conceived to provide a spur to industry especially in agriculture and manufacture.⁶⁶

On the basis of the above elements this Lecture proposes a new reading of the Classical School based on a line of descent from the Italian School to Adam Smith. In particular, as far as the contribution of Pietro Verri is concerned, the themes of a probable influence of Verri on Smith (the analysis is based on a comparison of Verri's *Economia politica* with Smith's *Wealth of Nations*)

⁶⁴ Verri occasionally makes use of the expression *economia civile*: see, e.g., his letter to his brother Alessandro, 20 Jan. 1780.

⁶⁵ This is closely connected with the balance of production and consumption and it should be more properly called the Turgot-Verri-Smith line of thinking on the matter. Verri is in favour of frugality and distances himself increasingly from a number of enthusiastic positions on luxury of his own times.

⁶⁶ This has not been treated in this Lecture.

can be summarized as follows. 1. A strong emphasis on the balance of consumption and production, which finds an echo in Smith's text (see above); 2. A Political economy of effective supply based on a theory of price and on a criticism of the idea of money neutrality; 3. A notion of a spontaneous order – the result of human action but not of human design – which Verri discovers from an analysis of the perverse effects of the corn trade prohibitions; 4. The canons for an effective tax system.⁶⁷

Adam Smith personal library included two copies (1771 and 1772) of Verri's Political economy. Adam Smith's catalogue also includes a copy of Beccaria's essay (in the French translation). However, no works of Genovesi, Ortes or Galiani are included. Adam Smith's command of the Italian language is well-known and mentioned by his biographers. On the matter reference should be made also to a famous essay by Luigi Einaudi on the Italian items in Adam Smith's library.

Italy is the case of a country – some, at least, would argue – where the interest, economists have shown for the history of the discipline, has been stronger than perhaps in any other country; and this is a tendency that continues today.

Riccardo Faucci, in his book on Italian Economic Thought, (Faucci, 2000) is explicit in bringing out some of the general lines of his own reconstruction. Two characters of the Italian background stand out in Faucci's opinion: a strong connection between *thought and action*, economics and policy, positive and normative seems to be typical of the Italian tradition; further, another character of the tradition is the link between *political economy and ethics*. It is interesting to see the large extent to which these two 'styles of thought', as Faucci writes, are pervasive through the narrative. The characteristics brought out by Faucci's book mean that in the Italian tradition there are strong forces leading to *contextualize*, i.e. putting the analysis in its proper empirical and historical context, on one side; further there is the widespread need to *go beyond* pure economic analysis in order to understand the real motivations of economic action. Under both respects economic analysis appears to intersect historical interests, whether of factual or intellectual history. It could be documented that such and similar characters of the Italian tradition emerge also from the numerous studies of the Florence group through the studies of Alberto Bertolino to the developments by Giacomo Becattini and Piero Barucci and their associates.⁶⁸

Introducing the reader to the Italian tradition generally, Faucci then lists three economists – Ferdinando Galiani, Vilfredo Pareto and Piero Sraffa – among the greatest: these are names, in a sense, *beyond good and evil*; names *from the Italian tradition* which also belong to political

⁶⁷ This point has not been treated in this Lecture: it is the best known element to prove that Smith did gain something from his reading of Verri, as also Schumpeter confirms.

⁶⁸ See Bertolino, 1979; Becattini, 2002.

economy *as such*; still, even to a full understanding of them, it is important to put them also in their proper context and analyse their background. It would be interesting to discuss the extent to which those names embody and give actual expression to the characteristics just mentioned as typical of the Italian tradition.

This Lecture has dealt with yet another case of the same kind. Moreover the Italian tradition, in the sense outlined here, appears to have been historically active – as we have seen also for the case of Verri – in establishing the ‘Classical canon’ in Economics. It is a canon that springs jointly from the Italian and the Scottish Enlightenment.⁶⁹ It is based on a well-defined notion of *wealth* and proposes itself as a discussion of the *dynamics* of the wealth of nations.

Finally this is a view that also links up with Piero Sraffa and the Cambridge school in Economics, particularly during the postwar years. In speaking of the Cambridge school a normal attitude has constantly been to stress its Anglo-Italian character, meaning by that (in general) an influence going from Britain to Italy. I think one of the upshots of this lecture is that there is a positive influence from Italian tradition in the construction of the Cambridge School and I wish to submit this idea to your consideration and reflection.⁷⁰ Luigi Pasinetti more particularly develops the Cambridge tradition in the form of a dynamic system, which gives space to the analysis of institutions and takes historical stylized facts as its basis. It would be difficult to trace the roots of Pasinetti’s contribution and of his original interest for a dynamic approach if one chooses to ignore his Italian background and the indirect influence of the Italian school. Of course the spell of Verri is itself indirect, but substantial. The study of the Italian tradition, in the sense of the *economia civile*, is thereby essential to the understanding of one of the most creative strands of the Cambridge school active today. More generally the significance of the notion of ‘Classical School’ today requires to grasp the motives and the effects of the mutual contact of the Italian Enlightenment with the Scottish Enlightenment.⁷¹

⁶⁹ Barucci, 2008, expresses stimulating criticisms toward the interpretation outlined here.

⁷⁰ In particular, for example, it should be recalled that Sraffa developed a Classical-Marxian model by taking inspiration from an Italian tradition of Marxism in which the labour theory of value had no role.

⁷¹ Robertson, 2005. The continuity of the Italian School and Adam Smith has certainly a much more persuasive basis to justify itself compared to the traditional supposed continuity of Smith, Ricardo and Marx.

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