

Money and Trust: From the Renaissance to the Digital Age

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The palace that hosts us today – Palazzo Vecchio – is an extraordinary symbol of history and of the continuity of our institutions.

Today it houses the Municipality of Florence, but between 1865 and 1871 it was home to the national Parliament, when the city served as the capital of the young Kingdom of Italy.

Its roots, however, extend much further back in time. It was built more than seven centuries ago to house the Signoria of the Florentine Republic, the governing body that brought together the representatives of the Guilds of Arts and Crafts – a *de facto* Governing Council of its times, the expression of an autonomous, prosperous and dynamic city.

In those centuries, Florence experienced exceptionally rapid growth, establishing itself as the economic, cultural and financial capital of Europe.¹ Though much time has passed since then, that legacy continues to inspire us as we face the new challenges of the present.

The florin: a prestigious and stable international currency

Florence became Europe's foremost financial centre also thanks to the creation in 1252 of its own coin: the florin. This was the first sovereign gold coin minted in the West after the fall of the Roman Empire.² Its success rested on its stability: for three centuries its weight and composition remained unchanged – 3.53 grams of pure 24-carat gold. That stability demonstrates how the Signoria resisted the temptation to finance its

¹ C.M. Cipolla, *Il fiorino e il quattrino. La politica monetaria a Firenze nel 1300*, Bologna, Il Mulino, 2013.

² There is an ongoing dispute as to whether the fiorino or genovino can stake this claim – a question that academics have not yet fully resolved. See, for example, L.F. Signorini, 'Gold and Silver' – Dante and money: food for thought', speech delivered at the Prospettiva Dante Festival, Ravenna, 14 September 2023. Out of respect for our host city, today I find myself inclined to agree with those who support the primacy of the florin!

expenditure through inflation.³ Such discipline contributed to the fortune of Florence and of its currency.

The florin earned universal trust – a precondition for any solid currency – and became the preferred means of payment in European trade,⁴ securing for Florence more than two centuries of economic supremacy.⁵ Over time, it came to embody the city's strength, credibility and authority, helping to shape its identity.

Florence's prosperity, in turn, reinforced the international role of the florin,⁶ in a virtuous cycle between the real economy and finance common to every global reserve currency – from Caesar's aureus to the Carolingian pound, and from the pound sterling to the dollar.

Today the euro is for Europe what the florin once was for Florence: a symbol of stability, supporting economic development and drawing renewed strength from it. But it is also something more: a symbol of unity, supporting political cohesion among the member states.

The European Union was founded 'to make war not only unthinkable but materially impossible,'⁷ cementing the interests and aspirations of peoples who had fought each other for centuries. From this perspective, European integration has been an unprecedented success, granting us eighty years of peace.

But in a rapidly changing world – marked by geopolitical tensions and accelerating technological progress – Europe must consolidate and strengthen its role if it is to continue to reap the benefits of this success. It must complete its economic and financial union and implement, with determination and timeliness, the reforms needed to sustain growth.

The prosperity of Florence also made possible an unparalleled cultural renaissance. The wealth of its merchant bankers – notably, the Medici – fostered an enlightened

³ In the days of metallic currencies, whenever a government wanted to increase the amount of money in circulation – and thereby generate inflation – it simply reduced the precious metal content. The stability of the florin was unmatched among contemporary currencies, many of which were regularly devalued.

⁴ Accepted from London to Constantinople, by the end of the fourteenth century the florin had already become the benchmark currency of the great international trade routes.

⁵ In the fifteenth century, Florence's real per capita GDP was significantly higher than Spain's and England's, and higher than that of the Netherlands; see J.L. van Zanden and E. Felice, 'Benchmarking the Middle Ages: fifteenth century Tuscany in European perspective', *European Review of Economic History*, 26, 4, 2022, pp. 535-554. The Florentine textile industry was a leader in Europe, employing 30,000 workers, with annual production and exports of woollen cloth three times that of other major European manufacturing centres; see J.H. Munro, 'I panni di lana', in F. Franceschi, R.A. Goldthwaite and R.C. Mueller (eds.), *Il Rinascimento italiano e l'Europa. Volume IV. Commercio e cultura mercantile*, Vicenza, Angelo Colla Editore, 2007.

⁶ In the first half of the fourteenth century, the volume of florin coinage in Florence averaged 250,000 pieces per year. Its predominance – both among the coins stored during the pontificate of John XXII (1316-1334) in the coffers of the Apostolic Chamber (the papal financial body) and in the private treasures discovered by archaeologists in various countries – confirms the extraordinary prevalence of the Florentine coin's circulation in Western Europe; see C.M. Cipolla, 2013, op. cit. In the fourteenth and fifteenth centuries, the major Florentine banks financed sovereigns and states, from the English monarchy to the papal court, demonstrating how the florin was not only a currency of trade but also an instrument of international credit.

⁷ Excerpt from the celebrated declaration made by France's Foreign Minister, Robert Schuman, on 9 May 1950.

patronage that gave rise to an incomparable heritage of art and architecture. It also facilitated an extraordinary creative season, animated by such great figures as Brunelleschi, Donatello, Botticelli, Leonardo, Michelangelo, and many others besides.

The Florentine Renaissance, the heart of the Italian Renaissance, transformed material wealth into an artistic and cultural legacy, one of the greatest gifts Italy has given to Europe and to the world.⁸

Florence as a laboratory of financial innovation

The financial success of Florence rested not only on the stability of the florin but also on a remarkable capacity for innovation, creating institutions and instruments that would shape finance for centuries to come.

Florentine merchant bankers started out as family companies. Through trade and manufacturing they accumulated wealth, refined their accounting skills, mastered the use of multiple currencies and built solid international networks.

At first, they operated with their own capital. Soon, however, they began to collect money *fuori corpo* – that is, outside family wealth – in the form of deposits. With these they financed merchants and sovereigns, opening branches in the main economic centres of Europe and establishing themselves as the forerunners of modern banking.

Another decisive innovation was the development of bills of exchange (*lettere di cambio*). These instruments emerged at international trading fairs to settle transactions without the risks of transporting gold and silver.⁹ They rapidly became both a secure means of payment and, at the same time, a form of credit.¹⁰ Florentine bankers were their main architects, spreading a model that would profoundly transform international trade and finance.¹¹

Financial and institutional innovation in pre-modern Italy

In pre-modern Italy, financial innovation was not confined to Florence. From the twelfth century onwards, Venice, Genoa and Naples also experimented with instruments such as

⁸ R.A. Goldthwaite, *L'economia della Firenze rinascimentale*, Bologna, Il Mulino, 2013; L. Sebregondi and T. Parks (eds.), *Denaro e bellezza. I banchieri, Botticelli e il rogo delle vanità*, Florence, Giunti, 2011.

⁹ *Lettere di cambio* enabled merchants in different cities to transfer money without the risky transportation of coins. Merchants deposited money with a banker in their own city and in return received a bill of exchange that they then sent on by courier. In the destination city, the banker had a local correspondent bank: upon presenting the bill, the beneficiary obtained the sum in coins, often in a different currency from the original. The earliest *lettere di cambio* date back to around 1150, although similar instruments were already in use in China and the Arab world. See R. De Bonis and M.I. Vangelisti, *Moneta: dai buoi di Omero ai Bitcoin*, Bologna, Il Mulino, 2019.

¹⁰ While the first bills of exchange were issued solely to transfer money to settle a commercial transaction, over time the practice of issuing them without requiring an initial deposit for the payment became widespread.

¹¹ C.M. Cipolla, *Viaggi e avventure della moneta. Una conversazione con Thomas J. Sargent e Robert M. Townsend*, Bologna, Il Mulino, 2025.

deposits, loans and bills of exchange, progressively reducing the use of metallic money. Such developments required public institutions capable of guaranteeing trust and stability.

Italy became a crucible of innovation that, over time and with the contribution of other peoples, paved the way for modern financial systems and, ultimately, for central banks.¹² Let me recall a few significant examples.

In Venice, as early as the late thirteenth century, the State introduced the *giro*,¹³ a payment system based on transfers from one deposit to another without the use of coins,¹⁴ which was then widely adopted for transactions of any size.¹⁵ In the sixteenth century, the Banco di Rialto was established: over time, it became a public bank, whose deposits were declared legal tender and made mandatory for large transactions.¹⁶

Genoese bankers developed a network of fairs dedicated to the settlement of bills of exchange¹⁷ – an *ante litteram* clearing system supported by operators with functions comparable to those of today's central counterparties.¹⁸ The Banco di San Giorgio, founded in 1407, became the most important public deposit bank in Europe: it collected deposits, transferred money, offered clearing services and granted overdrafts. Its deposits acquired the status of legal tender; the shares it issued – known as *luoghi* – were traded in a primitive capital market, the precursor of modern stock exchanges.

The semi-public banks of Venice and Genoa served as models for similar institutions later founded in Amsterdam and Hamburg. They strengthened the resilience of the payment system, spreading *giro* technology – the large-scale use of fiduciary money with legal tender status.

¹² S. Ugolini, *The Evolution of Central Banking: Theory and History*, London, Palgrave Macmillan, 2017; U. Bindseil, *Central banking before 1800. A Rehabilitation*, Oxford, Oxford University Press, 2019; G. Toniolo, *Storia della Banca d'Italia. Tomo I. Formazione ed evoluzione di una banca centrale, 1893-1943*, Bologna, Il Mulino, 2022.

¹³ In 1282 the Venetian State centralized most of its financial operations in the Camera del Frumento, a state agency that provided payment services and collected deposits, while also managing the issuance of the Republic's debt. See S. Ugolini, 2017, op. cit.

¹⁴ In Florence too, 'dematerialized' payments were widespread among interconnected firms, but the balances of market transactions remained anchored to physical money. See J.F. Padgett and P.D. McLean, 'Economic Credit in Renaissance Florence', *Journal of Modern History*, 83, 2011, pp.1-47.

¹⁵ R.C. Mueller, *The Venetian Money Market: Banks, Panics and the Public Debt, 1200-1500*, Baltimore, Johns Hopkins University Press, 1997. In Venice, as in Amsterdam and Hamburg, the circulation of deteriorated foreign coins created uncertainty. The *giro* banks were created with the express purpose of guaranteeing safe and reliable payments. See also, S. Ugolini, 'The Historical Evolution of Central Banking', in S. Battilossi, Y. Cassis, K. Yago, *Handbook of the History of Money and Currency*, Springer Nature, 2018, and R.C. Mueller, 'The Role of Bank Money in Venice, 1300-1500', in *Studi Veneziani*, 3, 1979.

¹⁶ Large transactions were those above 50 ducats, equivalent to about 10,000 euros today. The Banco di Rialto was absorbed by the Banco di Giro, created in 1619 as a public bank by the government of Venice. See Bindseil, 2019, op. cit., and W. Roberds and F.R. Velde, *Early Public Banks*, Federal Reserve Bank of Chicago, Working Paper Series, 3, February 2014.

¹⁷ By the mid-1400s, Genoa had overtaken Florence as the leading financial centre thanks to its role in managing the finances of the Spanish Crown, bolstered at the time by the inflow of silver from the Americas.

¹⁸ R. De Bonis and M.I. Evangelisti, 2019, op. cit.

In seventeenth-century Naples, the public banks introduced the *fedi di credito*: transferable certificates of deposit, payable on demand and backed by the issuer's reputation, which circulated as instruments for daily payments. These instruments have often been likened to the banknotes convertible into precious metals¹⁹ later issued by the first *banks of issue* – the precursors of central banks.²⁰

The history of the public and *giro* banks marked the beginning of the long process that would ultimately lead to the creation of central banks: public institutions entrusted with the issuance of money, responsible for the stability of payments and, ultimately, for safeguarding collective trust in the currency.

In later centuries, Italy failed to build on the achievements of its Renaissance splendour.²¹ It remained politically and economically fragmented, burdened by inadequate rules and by guilds that stifled innovation.

The lesson for today's Europe is clear: to preserve its economic weight and to have a voice in the world, it must overcome its institutional rigidities, invest in innovation and complete the single market.

A glance toward the future

Today we are witnessing a wave of financial innovation no less profound than that which once transformed the Italian city-states – but much faster and truly global in scope. The digital revolution is challenging the very notion of money,²² now far removed from its historical forms – from gold to the *fedi di credito*, to banknotes.

This is a natural process, but one that demands both understanding and vigilance. Some digital innovations risk, paradoxically, taking us backwards: the proliferation of private digital pseudo-currencies, outside the remit of supervision, can generate financial instability, shift seigniorage to a few actors and facilitate illicit activities.

The role of central banks is crucial: they must ensure that technology drives us forward, towards a more integrated, efficient and secure monetary system – and not backwards,

¹⁹ The *fedi di credito* differed from banknotes in one essential respect: they were registered in the name of the holder, whereas banknotes were bearer instruments. It is therefore more accurate to describe them as a kind of cashier's check issued by banks. See also L. Costabile and E. Nappi, 'The Public Banks of Naples between Financial Innovation and Crisis', in L. Costabile and L. Neal (eds.), *Financial Innovation and Resilience*, London, Palgrave Macmillan, 2018, pp. 17-53; F.R. Velde, 'The Neapolitan Banks in the Context of Early Modern Public Banks', Working Papers, 5, Federal Reserve Bank of Chicago.

²⁰ The Sveriges Riksbank, founded in 1668, and the Bank of England, founded in 1694. The term 'central bank' did not come into use until the 1920s; see G. Toniolo, 2022, op.cit.

²¹ C.M. Cipolla, 'I decenni del declino (1620-80)', in Id., *Storia facile dell'economia italiana dal Medioevo a oggi*, Milan, Mondadori, 1995, pp. 69-73.

²² P. Cipollone, 'Shifting payment landscape: what a digital euro will bring', speech delivered at the Central Bank of Slovenia, Ljubljana, 10 July 2025.

towards a fragmented and fragile order. To achieve this, public authorities must take an active role in the technological evolution of finance and payments.²³

This is the purpose guiding the work of the ECB, Banca d'Italia and the other national central banks: to ensure that, even in the digital era, citizens have access to efficient and reliable financial services, centred on public money, for both retail and wholesale payments. This is the goal underpinning the projects on the digital euro and on the integration of the TARGET system for wholesale payments with distributed ledger technology (DLT).²⁴

Conclusions

From Florence's golden florin to Europe's single currency, and now to the challenges of digital finance, the journey of money has spanned centuries of technical, institutional and cultural innovation.

Since the abandonment of gold as an anchor, fiduciary money has become the foundation of modern economies. Yet because it rests on trust, it requires institutions that are solid, credible and – above all – independent: the central banks.

In Europe today, the task of preserving that tradition and carrying it into the future falls to the Eurosystem. In a world shaken by technological revolutions, geopolitical tensions and new uncertainties, the ECB and the national central banks are called upon to guarantee monetary stability and sovereignty, and to safeguard collective trust.

In this age of great transformations, public money remains a public good – a cornerstone of economic democracy, a symbol of shared trust. It has been described as 'the most universal and most efficient system of mutual trust ever devised'.²⁵

Public money is not just an economic instrument: it is the bond of trust that holds every community together.

From Florence – the cradle of so many monetary and institutional innovations – we renew the Eurosystem's commitment to preserve, strengthen and pass on that trust, so that each generation may receive it intact and adapt it to the challenges of its own time.

²³ C. Lagarde, 'Earning influence: lessons from the history of international currencies', speech delivered at the event on Europe in a Fragmented World, organized by the Centre Jacques Delors in the Hertie School, Berlin, 26 May 2025.

²⁴ For further details, see ECB, 'ECB commits to distributed ledger technology settlement plans with dual-track strategy', press release, 1 July 2025, and the ECB's Pontes webpage.

²⁵ Y.N. Harari, *Sapiens: A Brief History of Humankind*, London, Vintage, 2015, p. 201.

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