

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)

In this major new interpretation of the crisis of democracy in Italy after World War I, Douglas Forsyth uses unpublished documents in Italy's central state archives, as well as private papers, and diplomatic and bank archives in Italy, France, Britain and the United States, to analyze monetary and financial policy in Italy from the outbreak of war in August 1914 until the March on Rome in October 1922. Forsyth argues that the collapse of parliamentary government resulted from the failure of governments after 1918 to balance the conflicting claims of great power politics, social welfare, economic growth, and macroeconomic stability. Liberal reformers, such as Giovanni Giolitti, had performed a difficult balancing act between these goals under exceptionally favorable circumstances prior to World War I; after the war their room for maneuver was drastically reduced; and they chose stability, sacrificing the redistributive and social policies which would have been necessary to secure broad electoral support. Forsyth focuses on four aspects of Italy's political economy which shaped the post-war crisis: large budget deficits, and the inability of liberal governments to reform the tax system; the vulnerability of the Italian banking system to crises, which in turn threatened to undermine the basis of economic growth; persistent tensions between monetary and Treasury authorities in Rome on the one hand, and the leadership of the country's largest commercial banks in Milan on the other; and the collapse of the pre-war equilibrium in Italy's international balance of payments.

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)

---

## THE CRISIS OF LIBERAL ITALY

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)

THE CRISIS  
OF LIBERAL ITALY  
MONETARY AND FINANCIAL  
POLICY, 1914-1922

---

DOUGLAS J. FORSYTH

*Associate Professor of History,  
Massachusetts Institute of Technology*



CAMBRIDGE  
UNIVERSITY PRESS

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)

CAMBRIDGE UNIVERSITY PRESS  
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore,  
São Paulo, Delhi, Dubai, Tokyo

Cambridge University Press  
The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

[www.cambridge.org](http://www.cambridge.org)  
Information on this title: [www.cambridge.org/9780521416825](http://www.cambridge.org/9780521416825)

© Cambridge University Press 1993

This publication is in copyright. Subject to statutory exception  
and to the provisions of relevant collective licensing agreements,  
no reproduction of any part may take place without the written  
permission of Cambridge University Press.

First published 1993

*A catalogue record for this publication is available from the British Library*

*Library of Congress Cataloguing in Publication data*

Forsyth, Douglas J.

The crisis of liberal Italy: monetary and financial policy,  
1914-1922/Douglas J. Forsyth.

p. cm.

Includes bibliographical references and index.

ISBN 0 521 41682 5

1. Finance, Public-Italy-History. 2. Finance-Italy-History.  
3. Monetary policy-Italy-History. 4. Italy-Politics and  
government-1915-1922. I. Title.

HJ1185.F67 1963

338.945'009'041-dc20 92-17789 CIP

ISBN 978-0-521-41682-5 Hardback

ISBN 978-0-521-89161-5 Paperback

Transferred to digital printing 2009

Cambridge University Press has no responsibility for the persistence or  
accuracy of URLs for external or third-party Internet websites referred to in  
this publication, and does not guarantee that any content on such websites is,  
or will remain, accurate or appropriate. Information regarding prices, travel  
timetables and other factual information given in this work are correct at  
the time of first printing but Cambridge University Press does not guarantee  
the accuracy of such information thereafter.

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)


---

 CONTENTS

<i>List of figures</i>	viii
<i>List of tables</i>	ix
<i>Acknowledgments</i>	page x
<i>Introduction</i>	1
<b>Part 1 Giolittian Italy, 1901–1914</b>	19
1 The political economy of Giolittian Italy: the dilemmas of welfare, warfare, and development	21
<b>Part 2 World War I, August 1914–November 1918</b>	61
2 The collapse of the Italian fiscal system	69
3 The limits of state borrowing capacity	101
4 Monetary policy and the banking system	125
5 International accounts: Italy's loss of financial independence	149
<b>Part 3 The post-war crisis, November 1918–October 1922</b>	193
6 A difficult readjustment: the political economy of the Orlando and Nitti governments, November 1918–June 1920	195
7 From Giolitti to Mussolini: monetary and financial stabilization, and political collapse	236
Conclusion	286
<i>Appendix: Tables and figures</i>	295
<i>Bibliography</i>	331
<i>Index</i>	355

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)

---

## FIGURES

1	Commercial portfolios of the issue banks	<i>page</i> 328
2	Italy, exports and imports, 1901–1913	329
3	Lira exchange values as a percentage of pre-war parity	330

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)


---

 TABLES

1	Italian government expenditure and revenue 1862–1925	<i>page</i> 297
2	British government expenditure and revenue 1912–1925	301
3	French government expenditure and revenue 1912–1925	302
4	German government expenditure and revenue 1912–1925	303
5	Nominal direct tax revenues 1913/14–1924/25	304
6	Direct tax revenues to the central government 1914–1925 in 1920 prices	305
7	Subscriptions to the six war loans	306
8	Market quotations of consolidated government securities 1914–1922	307
9	Italy's internal public debt 1914–1922	308
10	Money supply and prices	309
11a, b	Total assets of banks by sector	310
12a, b	Total deposits of banks by sector	313
13	Assets of the largest commercial banks	317
14	Own to outside resources ratios of the major commercial banks, 1895–1925	318
15	Italy's principal trading partners 1909–1913	321
16	Jannacone's estimates for emigrant remittances 1907–1923	321
17	Stringher's estimates for Italy's international accounts, as represented in tabular form by C. McGuire (about 1910)	322
18	Italian coal imports 1913–1925	323
19	Italian raw cotton imports 1913–1925	324
20	Gross domestic product in Italy 1897–1929	325
21	Central government expenditure and revenue as a percentage of gross national product	326
22	Italy's tax revenues by category 1914–1925	327
23	Italy's tax revenues by category 1914/25 in 1929 prices	327

---

## ACKNOWLEDGMENTS

In the course of researching and writing this study I have incurred many obligations. This study began as a Ph.D. dissertation at Princeton University, and my primary debt is to my doctoral adviser, Arno J. Mayer, who is largely responsible for whatever elements of conceptual and stylistic clarity it has come to possess. I also learned a good deal from the comments and criticisms of the other three members of my Ph.D. committee: Harold James, Anthony Cardoza, and Marta Petrusiewicz. Other readers and critics at Princeton from whose advice I benefited include David Abraham, Michael Bernstein, and my colleagues in the Graduate School: David Noble, Astrid Cubano, James Searing, Alice Conklin, and Greg Dowd.

In Italy my primary debt is to Professor Franco Bonelli of the University of Rome. My intellectual debt to Professor Bonelli will be evident to readers of this study on almost every page. In addition, Bonelli encouraged me to embark on a study of monetary and financial policy despite my professional formation as an historian rather than as an economist. He has discussed practical and conceptual problems with me repeatedly over the years, and also facilitated my access to Bonaldo Stringher's papers prior to their deposition at the archive of the Bank of Italy. In this regard, I would like to express my thanks also to the Stringher family. Professor Antonio Confalonieri, of the Catholic University of Milan and formerly President of the Cassa di Risparmio delle Provincie della Lombardia, discussed my dissertation with me, and put the historical archive of his institution at my disposal. The late Professor Rosario Romeo, of the University of Rome, Professor Adrian Lyttleton of the University of Pisa, Professor Gian Giacomo Migone of the University of Turin, Dr. Giuglio Sapelli of the Feltrinelli Institute, and Professor Peter Hertner of the European University in Fiesole have been patient in listening to me explain my dissertation project at various stages, and in giving me advice. Professor Leonardo Paggi of the University of Modena read most of my thesis manuscript and offered stimulating criticism. While working on my dissertation I benefited also from interchanges with several Italian scholars of my own generation, who have revived interest in the economic and



Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)*Acknowledgments*

xi

diplomatic history of the World War I and post-war years, including Luciano Segreto, Anna Maria Falchero, Marta Petricioli, Marina Storace, Bruno Bezza, Duccio Bigazzi, Amilcare Montegazza, and Ferdinando Fasce.

While I was writing my dissertation in Ann Arbor, Michigan in 1985–86, I benefited from the criticism of Raymond Grew, and members of his graduate seminar on modern Italian history at the University of Michigan. Richard Bosworth, Victoria De Grazia, Richard Drake, Roland Sarti, and Alice Kelikian also offered me assistance, advice, and encouragement on various occasions. In Britain, Professor James Joll offered me useful advice.

Since coming to MIT as an assistant professor four years ago, I have incurred additional obligations, as I have reworked my dissertation into a book manuscript. Professor Charles S. Maier, of Harvard University made invaluable suggestions as a reader for Cambridge University Press. I also would like to thank Cambridge's second, anonymous reader, as well as my very supportive editor, Mr. Richard Fischer. Professor Alexander De Grand of North Carolina State University read a draft of my entire manuscript, asked challenging questions, and saved me from making several embarrassing errors. Professors Franco Modigliani, Peter Temin, Suzanne Berger, Charles Sabel, Carl Kaysen, and David Ralston of MIT, Ambassador Sergio Romano, Drs. Pierluigi Ciocca and Fabrizio Barca of the Bank of Italy, and Professor Marcello De Cecco of the University of Rome read and discussed all or part of my book manuscript or related work with me.

Professor Gianni Toniolo of the University of Venice, Vera Zamagni of the University of Casano, and Roberto Vivarelli of the Scuola Normale Superiore in Pisa have been highly critical of my work. Indeed, their criticism has been so fundamental that more than the usual disclaimers apply in their regard. But even though none of them would approve of the contents of these pages, they have forced me to review my arguments and re-examine my evidence, and I believe for my part that a better study has emerged as a result.

It would be impossible to recognize all of the people who have helped me with my research in libraries and archives. At the Bank of Italy I was accorded very gracious support by the director of the historical archive, Dr. Benedetto Valenti, along with his staff, among them Filomenilde Castaldo, Bruno Capozzi, and Bernardino Mazzetta. Dr. Ann Maria Biscaini-Cotula of the Bank of Italy's Servizio Segretario Particolare put important documents at my disposition, which during the early 1980s had not yet been deposited in the bank's archive. Dr. Francesca Pino-Pagolini has done students of the economic history of modern Italy a great service by reorganizing the archive of the Banca Commerciale Italiana. She put her extensive knowledge of the Commerciale's papers at my disposition during my stay in Milan in January

Cambridge University Press

978-0-521-41682-5 - The Crisis of Liberal Italy: Monetary and Financial Policy, 1914-1922

Douglas J. Forsyth

Frontmatter

[More information](#)

xii

*Acknowledgments*

1990, greatly facilitating my work. Dr. Ubaldo Sassone of the Credito Italiano was an equally accommodating host. At the Archivio Centrale dello Stato, Dr. Giovanna Archangeli helped me find my way through the Nitti and Schanzer archives, both in the process of being reordered. Dr. Gaetano Contini helped me gain an overview of material there of relevance to my study. The staff of the study room in the Archivio Storico del Ministero degli Affari Esteri greatly facilitated my research. Dr. R. De Longis of the Biblioteca di Storia Contemporanea helped me locate difficult to find publications, as did Dr. Maria Fraddosio of the Biblioteca della Camera dei Deputati. At the archive of the Fondazione Einaudi in Turin I was assisted by Dr. Dorrigo-Martinotti and Dr. Fadini; at Harvard University's Baker Library by my former student José Alvarez; at Amherst College by Ms. Daria D'Arienzo; at Princeton University's Mudd Library by Mrs. Holiday, and Mrs. Brester; and at the archive of the New York Federal Reserve Bank by Ms. Rosemary Lazenby and Mr. C.W. Backlund. I am also grateful to the staffs of the National Archives in Washington, the archive at Quai d'Orsay in Paris, the Public Record Office, and the Bank of England in London. The staffs of the Firestone graduate library at Princeton, the Hatcher graduate library at the University of Michigan, the Dewey and Hayden Memorial libraries at MIT, and Harvard University's Widner Library gave me invaluable help. I wish to acknowledge in particular the efforts of the inter-library loan departments at Princeton, Michigan, and MIT, for without their efforts this study could never have been written.

My dissertation research was assisted by a Fulbright Fellowship, a summer research grant from the Council for European Studies, and various grants from Princeton University. It is a particular pleasure to acknowledge the assistance of Dr. Cipriana Scelba and Mr. Luigi Fildoro of the Commission for Educational and Cultural Exchange Between Italy and the United States, who helped me in so many ways in Rome. Since defending my dissertation I have received travel grants for additional archival research from Princeton University and MIT. MIT reduced my teaching load during one semester so as to enable me to complete this project expeditiously. Naturally, the responsibility for any shortcomings or errors is my own.

MIT undergraduates, Kathryn Alexis Black, Furio Ciacci, Emil Dabora, Eugene Lin, and Sheetal Shah, aided my research under the auspices of the Undergraduate Research Opportunities Program.

Friends, Luisa Torchia, Armando Trio, Saro Lo Turco, Susan Taylor, Susanna and Massimo Cretara, and Ruggiero Vitriani in Rome, and Alan Deyermond in London, often made me feel more at home abroad than in the United States. Only Mercedes Vaquero knows how much this dissertation and its author owes to her.