THE CRISIS OF LIBERAL ITALY

MONETARY AND FINANCIAL POLICY, 1914–1922

DOUGLAS J. FORSYTH
Associate Professor of History,
Massachusetts Institute of Technology

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INTRODUCTION

This study rests on the premise that a critical analysis of monetary and financial policy from the outbreak of World War I until the March on Rome can illuminate important, even crucial aspects of the crisis of liberal Italy. Monetary and financial policy is a particularly useful prism through which to view political conflict. What is at issue are the manifold forms of state intervention in the economy, including the role of government in accumulating and expending resources, and the role of the central bank as a macroeconomic stabilizer – some of the basic aspects of the state's interaction with society. In particular, this study focuses on real and perceived conflicts and often painful choices in monetary and financial policymaking between great power politics, economic growth, macroeconomic stabilization, and the preservation or strengthening of democratic consensus. The key issue it proposes to explore is why the post-war governments, although headed by prime ministers of the center-left, were unable to press ahead with the democratic reformism which characterized the "Giolittian era," 1901–14.

Rapid economic growth at the beginning of the century allowed political leaders in the pre-war years, most notably Giovanni Giolitti himself, to promote social reform, and broaden the basis of political consensus in the liberal state, while at the same time pursuing an expansionist foreign policy, designed to stake out a claim for Italy as a great power. Giolitti and his associates allowed trade unions organizational freedom, and instituted government neutrality in labor disputes, expanded workers' rights, created an embryonic welfare state, and promoted public works projects. On the eve of the Great War, universal male suffrage was introduced, and parliamentary elections were held with the newly expanded franchise. At the same time, Giolitti maintained the allegiance of the old political elites: the king, the military, the foreign policy establishment, and parliamentarians representing landowners, commercial farmers and business interests. After World War I, however, efforts to resume the cautious reformism of the early century failed, and by 1922 the parliamentary regime was superseded by Europe's first fascist dictatorship. This study argues that Giolitti's reforms rested on rather fragile economic and financial supports. Changes in the international environment, and the economic policy choices of Italy's leadership during the war seriously eroded these supports, and reduced the margins for political and social bargaining. Great power politics, monetary and financial stability, economic growth, and political and social reform proved less easily reconcilable in the post-war era. Particularly after the onset of economic recession in 1920–21, when liberal leaders were confronted with choosing between these objectives, they put stability ahead of reform, contributing in no small measure to parliamentary paralysis and the collapse of the liberal state.

This study focuses on four problems in monetary and financial policy that contributed significantly to undermining the parliamentary regime in the post-war years: (1) large budget deficits and the inability of liberal governments to reform the tax system; (2) the vulnerability of the Italian banking system to crises, which in turn threatened to undermine the basis of economic growth; (3) 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 (4) the collapse of the pre-war equilibrium in the international balance of payments, the emergence of Italian financial dependence, first on Great Britain, and later on the United States, and the difficult process of readjustment produced by the termination of US and British financial assistance in 1919–20. In each of these areas, the options of policymakers were constrained by the central dilemma of the political economy of liberal Italy: the tension between the imperatives of a strategy of economic growth based on tariffs and subsidies designed to encourage the development of strategic or armaments-related industries on the one hand, and the imperatives of generating greater prosperity and wealth on the other. In pre-war Italy, state policies promoting industrial development, to wit, subsidies and tariffs for iron and steel manufacturing, shipbuilding, armaments, and non-competitive shipping lines, required the transfer of resources from non-strategic economic sectors to the strategic sector. Whether liberal Italy's strategic goals could have been reconciled with its economic goals in a more satisfactory manner than actually occurred must remain an open question; in any event, the industrial policies which were adopted tended to constrict the private market for industrial goods, rather than expand it, leading to what Bonelli aptly has called, "the equilibrium of low consumption."[1] The promotion of strategic industries remained the

[1] Franco Bonelli, "Il capitalismo italiano. Linee generale d'interpretazione," in Ruggiero Romano and Corrado Vivanti, eds., *Storia d'Italia*. Annali I: *Dal feudalismo al capitalismo* (Turin: Einaudi, 1978), pp. 1195–255.

centerpiece of state economic policy from the beginning of industrialization in the mid-1880s until the demise of parliamentary government and beyond. The need for Italy to assert itself as a great power, and to build a strategic industrial base was never seriously questioned by left-liberal reformers. The core institutions and ideology of the Italian state – the monarchy, the military, and the primacy of foreign over domestic policy – were bound up with great power politics. Both Giolitti and Francesco Saverio Nitti, his would-be successor as leader of a reformist parliamentary majority, remained loyal to these conservative political institutions and conceptions. Left-liberals promoted social and political reform and favored rising living standards in order to bolster, rather than subvert the conservative institutions and ideology of the Savoian monarchy; but as a consequence of the war it became increasingly clear that an economic policy predicated on military and strategic considerations undermined reform, and limited prosperity.

The budget deficit and tax reform

As the figures in Table 21 (Appendix, p. 326) indicate, on the eve of World War I the Italian state spent more, and taxed its citizens more heavily, as a percentage of gross national product than Britain, Germany, and France. This was an inevitable consequence of liberal Italy's great power and developmental aspirations, and the relatively slender economic base upon which they rested.[2] Despite comparatively high taxes, large budget deficits were the rule during most of the post-unification era. However, beginning in 1899, Italy ran a series of budget surpluses. The extraordinarily favorable condition of public finances allowed Giolitti to refinance the state debt between 1903 and 1906, replacing consols bearing 4% and 5% with new securities bearing 3% and 3.5%. The soundness of public finances was an important precondition for monetary stability and economic growth, and left national savings available for financing industrial development.

In the last years before the war, however, budget deficits reappeared; largely due to the costs of rearmament and the Libyan War; but also due to increased social spending, notably for public works, disability insurance, and pensions. After the Libyan War, the Italian state was constrained to issue 5-year treasury bonds at 4%, and the earlier debt conversion seemed in danger of being undone. Long before the reappearance of budget

[2] Giorgio Brosio and Carla Marchese, *Il potere di spendere. Economia e storia della spesa pubblica dall'unificazione ad oggi* (Bologna: Il Mulino, 1986), pp. 50–51 and passim; Antonio Confalonieri, *Banca e industria in Italia dalla crisi del 1907 all'agosto 1914* (Milan: Banca Commerciale Italiana, 1982), I, pp. 55–67.

deficits left-liberal political leaders had advocated shifting Italy's tax burden, notably by reducing indirect taxes on items of mass consumption, and introducing a progressive income tax. However, parliamentary resistance to tax reform had always proved insurmountable.[3] By August 1914 tax reform was high on the political agenda; it was no longer just an issue of social justice, but also of financial stability.

The enormous growth of state expenditures and budget deficits during World War I only made the problem worse. Unlike France and Germany, the Italian government could not claim to have been the innocent victim of foreign aggression, and could not pretend that Austria should be made to pay the costs of war. The Risorgimento tradition of making fiscal sacrifice for unification also tended to preclude such a policy. Consequently, the government raised existing direct and indirect taxes, at the same time that it imposed heavy taxes on war profits. Nominal Italian tax revenues rose to a level that inspired the admiration even of John Maynard Keynes, at the time a British Treasury official.[4]

But another set of policy goals first complicated and ultimately subverted the line of fiscal austerity. Political authorities sought to use the war to reinforce the financial base of domestic industry and even to promote industrial growth. The desire to favor industrial development made successive governments reluctant to control the prices charged by suppliers and restrict private investment. Italian tax policy was undermined by the lack of rigorous controls on prices paid by the state to private contractors for war-related purchases. High tax assessments were passed back to the state in the form of higher prices, a practice dubbed the *partita di giro* or "circle game" by contemporaries. It was widespread and simple, given that state spending accounted for more than half of gross domestic product by 1917–19. In effect, the policy of fiscal rigor, which was dictated by considerations of high politics, both domestic and international, was undermined by government solicitude for the strategic industrial sector.

War loans were also to a considerable degree fictitious. Anxious to secure large nominal subscriptions, the Treasury and the Bank of Italy applied pressure on large banking and manufacturing firms to make subscriptions to the war loans well in excess of the amount of capital they were willing to tie up in government securities. To regain their former liquidity

[3] Constantine McGuire, *Italy's International Economic Position* (New York: Macmillan, 1926); Epicarmo Corbino, *Annali dell'economia italiana*, V, *1901–1914* (Città di Castello: Leonardo da Vinci, 1938); Luigi Einaudi, *La guerra e il sistema tributario italiano* (Bari: Laterza, 1927); Benedetto Croce, *A History of Italy, 1871–1915* (New York: Russell and Russell, 1929), p. 230; Frank Coppa, *Planning, Protectionism and Politics in Liberal Italy: Economics and Politics in the Giolittian Age* (Washington DC: Catholic University of America Press, 1971).

[4] Keynes, internal Treasury memo, 18 November 1916, Public Record Office (PRO), London, Treasury files (T-files), T1/12033/5070/17.

positions, private firms subsequently dumped war bonds on the market, depressing their prices, or used them as collateral for bank loans. Rather than absorbing purchasing power and restraining inflation, the war loans, to a significant degree, stimulated the expansion of bank credit. At the same time, small savers who held on to their war bonds suffered capital losses when the market price of state securities declined, and when the expansion of bank credit produced inflation. Consequently, state borrowing was not only inflationary, but also damaged the interests of middle-class investors, who formed the state's most loyal clientele. Particularly in the post-war years, dissatisfaction with the government's inflationary financial policies proved an important factor in the estrangement of the middle classes from the political leadership and institutions of the liberal state.

The high tax rates imposed during the war only began to have a significant impact on taxpayers in late 1919 and early 1920, when war contracts dried up and the transition to a market economy began. During this period of transition, the incongruities and technical deficiencies of wartime fiscal legislation began to weigh on taxpayers. Two flaws in the tax system were of critical importance. First, assessments for direct taxes were highly inaccurate. In the pre-war period, Italian direct tax rates had been exceedingly high by contemporary European standards. They were in fact so high that the personnel of the Ministry of Finance had long since settled into a *modus vivendi* with taxpayers, whereby taxes were assessed on the basis of a mutually agreed upon figure far lower than the real income. Such arrangements were made on an *ad hoc* and personal basis, so that the true tax burden was distributed in an unsystematic and unequal manner. The second major difficulty with the Italian tax system was that direct taxes were not personal, but real, i.e. they were assessed not on the basis of total individual income, but on single income-earning activities. Such a system of direct taxation should have precluded the introduction of progressivity, because an individual with a given income derived from a single source would pay a higher tax than an individual with an equal income derived from a plurality of sources. And in fact, prior to the war direct taxes in Italy were not progressive. During the war, however, the Ministry of Finance introduced progressive rates on real taxes, creating another significant element of inequality in the direct tax system. In the immediate post-war years, the tax burden on individuals and firms with unfavorable assessments became quite heavy, producing a wave of fiscal bankruptcies.[5]

Tax reform was thus both financially and politically an urgent necessity in post-war Italy. Not surprisingly, however, the question of tax reform

[5] Einaudi, *La guerra e il sistema tributario.*

soon became linked to state spending. When the final liberal governments proposed draconian, even confiscatory tax measures, business interest groups and conservatives successfully mobilized opposition in parliament. It became increasingly clear during the Nitti and Giolitti ministries from June 1919 to June 1921 that the Italian upper and middle classes and their parliamentary representatives would only consent to fiscal reform on the condition that state spending be reduced and a government installed that would not be beholden to pressure for welfare-related expenditure on the part of socialists and Catholics. The final liberal governments progressively cut back budget deficits, but they did so at the cost of alienating their actual (Catholic) and potential (reformist socialist) mass political constituencies. A thoroughgoing tax reform was only implemented by Mussolini's first Finance Minister, Alberto De Stefani, in 1922–25. Significantly, the fascists managed to reduce the size of government as a percentage of GNP to pre-war levels by the mid-1920s; in Britain and Weimar Germany in contrast, both government spending and revenue stabilized at appreciably higher levels, in part due to new commitments in social policy (see Table 21 Appendix, p. 326).[6]

The vulnerabilities of the Italian financial system

The German-inspired mixed or universal banks were the fulcrum of industrial finance in the Giolittian era. As Gerschenkron and others have demonstrated, the mixed banks, notably the Banca Commerciale Italiana (Comit) and the Credito Italiano (Credit), which were founded by German-led international banking syndicates in 1894 and 1895 respectively, played a leading role in promoting Italian economic growth. These two banks established their preeminence in finance and industry from 1898 to 1907, when the economy grew at 3.4% annually, and industrial output at 5.9%, the highest sustained rate of growth prior to the "economic miracle," 1958–63.[7] The mixed banks not only engaged in ordinary commercial operations, but also made long-term industrial investments. They actively participated in the formation of joint-stock companies by underwriting and purchasing securities. Bank directors commonly sat on the boards of companies with which the banks maintained close financial relations.[8] But the rapid process of growth predicated on mixed banking

[6] See also Brosio and Marchese, *Il potere di spendere*, pp. 61–63.

[7] Istituto centrale di statistica (ISTAT), *Sommario di statistiche storiche dell'Italia 1861–1955* (Rome: ISTAT, 1958), pp. 212–13; cited in, Gianni Toniolo, *Storia economica dell'Italia liberale, 1850–1918* (Bologna: Il Mulino, 1988), p. 163.

[8] Alexander Gerschenkron, "Economic Backwardness in Historial Perspective," and, "Notes on the Rate of Industrial Growth in Italy," in, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge MA: Harvard University Press, 1962), pp. 5–30, 72–89.

bore with it significant costs. The close relationship between banking and manufacturing firms left the former vulnerable to insolvency in periods of industrial recession. Banks made commercial loans against industrial securities deposited as collateral, making their loan portfolios vulnerable to fluctuations in stock prices. Further, nominally commercial loans were often used to finance fixed investments; in good times, manufacturing firms would repay such credits by issuing stock or bonds on the securities markets; in bad times, however, the banks' commercial portfolios tended to become illiquid. The vulnerability of the mixed banks to a decline in industrial activity meant that a recession in manufacturing would ripple rapidly through the banking system and the economy as a whole. Relatively minor shocks on the securities markets could produce crisis and stagnation for the entire economy. Such was the case in 1907, which saw the failure of a third mixed bank, the Società Bancaria Italiana (SBI), which had been modeled on the Comit and the Credit. The SBI's failure provoked a general collapse of industrial securities prices; thereafter the stock markets remained volatile and smaller savers turned to safer, but less productive forms of investment. As a consequence, Italian firms had great difficulty raising substantial sums of capital on the securities market. In the period 1907–13, industrial output grew at the more modest rate of 2.0%. In the years just prior to World War I, Italy appeared to face economic stagnation, in no small measure because of the decline in industrial investment.[9]

The role of the state in favoring investments in non-competitive heavy industries tended to exacerbate the problem. The mixed banks favored industries that enjoyed tariff protection, subsidies and state contracts. A significant proportion of the total share capital invested in Italian joint-stock companies was tied up in iron and steel, shipbuilding, armaments, and companies exploiting subsidized shipping lines. Such investments represented resources drained off from the consumer-oriented sectors of the economy, and the overall multiplier effect of strategic investments was probably modest.

For industry, the war served as a financial *deus ex machina*; old debts were paid off and huge war profits permitted new and sometimes daring investments. Between 1915 and 1918 Ansaldo began building the pharaonic iron and steel works and electricity generating facility at Cogne, in the mountains of the Val d'Aosta; Fiat built a steel-making plant and the mammoth Lingotto automobile factory in Turin, modeled after Henry Ford's facilities in Dearborn; Silvio Crespi rebuilt his cotton textile works in Upper Lombardy; and Franchi Gregorini, the Brescia based steel and

[9] Franco Bonelli, *La crisi del 1907. Una tappa dello sviluppo industriale in Italia* (Turin: Fondazione Luigi Einaudi, 1971).

armaments concern, embarked on an ambitious program of investments and expansion. The government actively encouraged new industrial investments during the war, even though private firms competed with the military for scarce raw materials and labor. Construction of new plant was undertaken with public encouragement, even when it was clear that new capacity would not come on line until well after the war was over, and that such investments would therefore detract from, rather than enhance the war effort.[10]

Meanwhile, large war profits allowed manufacturing firms to repay their debts to the commercial banks. The commercial banks, in turn, were able to redress their troubled liquidity positions and improve their relative position within the banking system at the expense of more conservative financial institutions, notably the savings banks. The banks were induced to recycle their profits and the liquid resources they accumulated through an influx of deposits in new industrial investments. This was particularly the case in 1919–20, after war-related state contracts dried up, and manufacturing firms once again looked for external financing, often to complete ambitious projects begun during the war.

The pell-mell industrial expansion of the war years caused the post-war recession to be far more severe in Italy than in the other victorious powers, and the peculiar relationship between industry and banking transformed the recession into a devastating financial crisis. Industrial expansion had taken place without reference to post-war markets, and much of the new capacity built up during and just after the war became idle. Not surprisingly, the iron and steel, armaments, shipbuilding, and shipping industries were hardest hit in the post-war recession. In 1921–22, the two largest heavy industry conglomerates in Italy, Ilva and Ansaldo, and two of the four largest private banks, the Banca Italiana di Sconto and the Banco di Roma, essentially failed and had to be restructured financially with state support. In effect, the enormous public contribution to industrial expansion during the war – through armaments contracts and the toleration of tax evasion – was continued after the war in the form of government-

[10] On Ansaldo: Richard Webster, "La tecnologia italiana e i sistemi industriali verticali: il caso dell'Ansaldo," *Storia contemporania* (1978), 2, pp. 205–39; Thomas Row, "Economic Nationalism in Italy: The Ansaldo Company, 1882–1921," Ph.D. dissertation, Johns Hopkins University (1988); on Fiat: Valerio Castronovo, *Giovanni Agnelli. La Fiat dal 1899 al 1945* (Turin: UTET, 1971); on Crespi: Roberto Romano, *I Crespi: Origini, fortuna e tramonto di una dinastia lombarda* (Milan: Angeli, 1985); on Franchi Gregorini: Alice A. Kelikian, *Town and Country under Fascism: The Transformation of Brescia, 1915–1926* (New York: Oxford University Press, 1986). See also, Alberto Caracciolo, "La crescita e la trasformazione della grande industria durante la prima guerra mondiale," in, Giorgio Fuà, ed., *Lo sviluppo economico in Italia*, 3rd ed., vol. III (Milan: Angeli, 1978), pp. 195–248; Luciano Segreto, "Armi e munizioni. Lo sforzo bellico tra speculazione e progresso tecnico," *Italia contemporania* (1982), nos. 146/7, pp. 35–66.

sponsored rescues of troubled banks and manufacturing firms. This policy has been described appropriately by Bonelli as, "the retroactive state financing of industry."[11]

The severity of the economic and financial crisis in post-war Italy tended to circumscribe the policy options of left-liberal political leaders. The tax base collapsed at a time when drastic tax increases were being considered. Public institutions, including the Bank of Italy, were constrained to rescue insolvent financial and industrial firms, thereby diminishing the resources available for other purposes, including public works. The panic engendered by the collapse of prominent banks increased pressures on the government to cut welfare-related expenditures and return to financially orthodox policies so as to restore international confidence, at a time when maintaining or increasing such expenditures would have been necessary in order to obtain broad political support for the liberal state. At the same time, high unemployment exacerbated social and political conflicts. The deflationary fiscal policies as well as the rescue of heavy industry and speculative mixed banks, contributed to the erosion of the parliamentary base of the last liberal governments, engendering growing hostility among the Catholics, and strengthening the radical element within the Socialist Party.

The Milan–Rome conflict and the "war between the banks"

The structural vulnerabilities of Italy's financial system were aggravated by a long-standing, bitter conflict between officials of the Treasury and the Bank of Italy in Rome and the leadership of the largest commercial banks in Milan. The conflict had its origins in the financial crisis of 1893. At that time, the two largest commercial banks in the peninsula, the Credito Mobiliare and the Banca Generale, along with an important Roman issue bank, the Banca Romana, failed. It was in the wake of this crisis that the Banca Commerciale and the Credito Italiano were founded by German-led international banking syndicates. Meanwhile, parliament enacted legislation consolidating three of the six issue banks which the Kingdom of Italy had inherited from the predecessor states to form the Bank of Italy. The Bank of Italy, which continued to share the privilege of issuing bank notes with two smaller southern banks, the Banco di Napoli and the Banco di Sicilia, was envisaged by the legislators as an instrument of stronger public regulation and intervention in the financial markets. However, the new issue bank was constrained to absorb the stricken Banca Romana, and emerged from the crisis with a portfolio of bad loans and

[11] Bonelli, "Il capitalismo italiano."

over-valued real estate assets, which it was obliged to liquidate over the following two decades. The Bank of Italy was thus in no condition to pursue an active monetary policy during the early years of sustained economic growth, when the Banca Commerciale and the Credito Italiano were consolidating their positions in Italian finance and industry. As the Bank of Italy became stronger after the turn of the century, it sought to play a more active role on the financial markets; however, the leading Milanese banks were unwilling to submit to its authority.[12]

Sharp conflicts developed between the leadership of Italy's largest private banks and the premier issue bank in two key areas: the Milanese institutions resisted the Bank of Italy's efforts to regulate interest rates and the volume of bank credit; and they refused to participate loyally in syndicates headed by the Bank of Italy to rescue other banks in distress. The central difficulty of the Italian banking system was that it was particularly vulnerable to liquidity crises, given the involvement of deposit-taking banks in industrial promotion, while at the same time tensions between the commercial banks and the Bank of Italy made it difficult for the latter to regulate the credit markets effectively, and exercise its lender-of-last-resort function in the event of a crisis. This problem was manifest in the crisis of 1907, and it was particularly devastating in the financial crisis of 1921–22.

The largest Milanese commercial banks also often found themselves at odds with the Italian government over foreign policy. Before the war, they were frequently reluctant to participate in overseas investments urged by the government to reinforce Italy's colonial and imperial policy when such investments promised indifferent or uncertain economic returns. Although the foreign interest in the Banca Commerciale and the Credito Italiano declined to a modest proportion of share capital after the turn of the century, a substantial number of foreigners still sat on the boards of both banks, where they could oppose investments in Balkan and Mediterranean projects suggested by the Italian Foreign Ministry. In addition to foreign board members, many of the executive directors of the two banks were foreign-born, making the two institutions vulnerable to charges of lack of patriotism. Such charges seemed to be confirmed by the imperiousness with which the commercial bankers resisted the efforts of the Italian government and the Bank of Italy to regulate the credit markets, behavior reminiscent of European bankers in Latin America or other semi-colonial environments. But while the major commercial banks resisted pressures to further the Consulta's aims in foreign policy, they were at the same time deeply involved in financing firms in the strategic sector that enjoyed tariff

[12] Bonelli, *La crisi del 1907*; Antonio Confalonieri, *Banca e industria in Italia (1894–1906)*, 3 vols. (Milan: Banca Commerciale Italiana, 1977–80).

protection, subsidies and government contracts. The largest commercial banks thus found themselves in the contradictory position of being simultaneously financiers of rearmament at home, and opponents of adventurism abroad. In the process, the Milanese commercial bankers made important political enemies on the left and on the right: left-liberal reformers criticized the power of the banks, favoring more active government intervention in the economy, while conservatives accused the banks of undermining Italy's great power aspirations due to their association with foreign financial interests, and lack of enthusiasm for the imperial program of the Consulta.[13]

The tensions between the Milanese commercial banks and the government led the Bank of Italy and successive governments of both the left and the right to challenge the financial predominance of the Banca Commerciale and the Credito Italiano. Prior to the war, Bonaldo Stringher, the General Director of the Bank of Italy, sought to bring the two commercial banks to heel by favoring the growth of the Società Bancaria Italiana. Meanwhile, the Consulta cooperated with another commercial bank, the adventurist Banco di Roma, which established subsidiaries and financed enterprises in Libya, opening the way for the Italian invasion. However, neither the Società Bancaria nor the Banco di Roma were well managed: the SBI, as was noted, was badly hurt in the financial crisis of 1907, and only salvaged *in extremis* by the Bank of Italy; and the Roma was also on the verge of bankruptcy by 1914. Another contradictory aspect of the tensions between Milan and Rome, therefore, was that the public authorities were driven to cooperate with the more speculative and corrupt banks in their efforts to gain greater control over the financial markets, thereby further destabilizing the banking system.[14]

Tensions between public authorities and the major commercial banks were an essential element in the "war between the banks" that rocked the Italian financial system between 1918 and 1922. In 1915 a new commercial bank, the Banca Italiana di Sconto, was formed through mergers among several smaller banks, including the greatly diminished Società Bancaria. From the beginning the Bansconto, which made its headquarters in Rome, was envisaged as a nationalist Italian alternative to the allegedly foreign-dominated Milanese institutions. It established close relations with Ansaldo, the only firm engaged in iron and steel production and shipbuild-

[13] Bonelli, *La crisi del 1907*; Confalonieri, *Banca e industria (1894–1906)*; Confalonieri, *Banca e industria, 1907–1914*, 2 vols.; Richard A. Webster, *Industrial Imperialism in Italy, 1908–1915* (Berkeley: University of California Press, 1975); Brunello Vigezzi, "Otto Joel, il principe di Bülow e i problemi della neutralità," in *Da Giolitti a Salandra* (Florence: Vallecchi, 1969), pp. 203–62.

[14] Bonelli, *La crisi del 1907*; Luigi De Rosa, *Storia del Banco di Roma*, II (Rome: Banco di Roma, 1983, published privately, restricted distribution).

ing that was outside the orbit of the Commerciale. Armaments contracts allowed both the Bansconto and Ansaldo to expand rapidly during the war, enabling the new financial-industrial trust to challenge quickly the domination of the Milanese banks.

From the beginning, the *banca italianissima* enjoyed broad political support. The Ansaldo–Bansconto group maintained close relations with radical groups, through its financial support for *Il Popolo d'Italia*, Mussolini's interventionist newspaper, and *L'Idea Nazionale*, the newspaper of the radical-rightist Italian Nationalist Association. But its intimate relationship with Francesco Saverio Nitti was of even greater importance. Nitti, a corporate lawyer, professor, and influential left-liberal deputy from Basilicata, had served as Minister of Agriculture, Industry, and Commerce in Giolitti's fourth government, 1911–14. Thereafter, in 1914–15, he acted as legal counsel to the interests that established the new bank. Nitti later exercised a dominant influence on government financial policy as Minister of the Treasury from November 1917 to January 1919 and Prime Minister from June 1919 to June 1920. The southern Italian political leader believed that continuing the reformist policies of the Giolittian era in the post-war period would require firmer government control over the banking system and the financial markets. In public, Nitti and the financial press close to him advocated "bank cooperation," or the suppression of bank rivalries and the submission of the commercial banks to the leadership of the Bank of Italy and the Treasury. During Nitti's tenure at the Treasury in 1918 and again during his tenure as Prime Minister in 1920, the Bansconto made two unsuccessful hostile take-over bids on the Banca Commerciale. Although historians sympathetic to Nitti have confirmed the southern politician's denial of complicity in the Bansconto's "escalades" of the Commerciale, Falchero has argued recently, more convincingly, in my view, that Nitti considered the Bansconto's actions as being in conformance with his program of bank cooperation.[15]

In any event, the rivalry between the Banca Italiana di Sconto on the one hand, and the Banca Commerciale and, to a lesser degree the Credito Italiano, on the other, added an additional element of turbulence to Italy's political economy in the World War I and post-war years. The severity of the post-war recession, and in particular the spectacular collapse of the Bansconto in January 1922, was a direct product of what Mori has called

[15] Alberto Monticone, *Nitti e la grande guerra (1914–1918)* (Milan: Giuffré, 1961); Francesco Barbagallo, *Nitti* (Turin: UTET, 1984); Anna Maria Falchero, "Banchieri e politica. Nitti e il gruppo Ansaldo–Banca di Sconto," *Italia contemporanea* (1982), nos. 146/7, pp. 62–92; Anna Maria Falchero, "Il gruppo Ansaldo–Banca Italiana di Sconto e le vicende bancarie nel primo dopoguerra," in Peter Hertner and Giorgio Mori, ed., *La transizione dall'economia di guerra all'economia di pace in Italia e in Germania dopo la prima guerra mondiale* (Bologna: Il Mulino, 1983), pp. 543–71.