1 Introduction

This is the story of the development of the financial structures and policies of an institution – the papacy – which in 1850 was an essentially small, semi-feudal and territorial state with fairly loose spiritual authority over millions of Catholics outside of the Italian peninsula, but which in the next one hundred years shed the last remnants of the 'temporal power', became a highly bureaucratic institution, with an increasingly global diplomatic outreach, and which exercised an increasingly rigid, centralised and undisputed control over the world-wide Roman Catholic Church. In the process, the papacy also became a global financial institution, no longer deriving its income from the subjects of the Papal State, but from the offerings of the faithful throughout the world and also from returns on a growing portfolio of investments in agriculture, real estate, manufacturing industry, commerce and finance distributed throughout the financial capitals of the Old and New Worlds – Rome itself, Milan, Geneva, Lausanne, London, New York, Boston, Chicago, Buenos Aires and Rio De Janiero to mention the most important. The Vatican's financial 'journey' from being based on a localised feudal/territorial state, heavily fiscally dependent upon the revenue from the landed economy of an essentially rural agrarian society, to being a capitalist 'holding company' with Italian-wide and world-wide financial interests parallels the rise of the modern papacy as we know it and in part helps to explain that development.

The finances of the Vatican have long been a matter of speculation, and in the last few decades journalists in particular have become fascinated by them.[1] In part, this is quite simply because the Vatican has, until relatively recently, been obsessively secretive about its money, in part for good reason which will become apparent later. It was Cardinal Domenico Tardini, Secretary of State to John XXIII, who first broke the taboo surrounding discussion of the finances of the Vatican in October

[1] See R. Della Cava, 'Financing the Faith: The Case of Roman Catholicism', *Church and State*, 35 (1993), p. 48 fn. 2 for a survey of journalistic articles on the Vatican's finances.

1959, during a dispute over the pay of the Vatican's employees when he held a press conference on the subject with journalists accredited to the Vatican.[2] But it is only since Paul VI's reform of the Roman curia in 1967, and the creation of the Prefecture of Economic Affairs of the Church, to co-ordinate the work of all the Vatican financial agencies except, significantly, the 'Vatican Bank' (see the Conclusion, p. 226) that some of the Vatican's accounts have been regularly available in the public domain.[3] Another reason for the journalistic interest is the discrepancy between the simplicity and poverty of the Christian Church of apostolic times and the splendour, power and apparent wealth of the papacy. One of the consequences of the secrecy surrounding the finances of the Vatican has been the inaccurate and ill-informed speculation about the actual size of its wealth which often fails, among other things, to take into account the fact that the treasures of St Peter's and the Vatican palaces and museums are just that, treasures which the pope is not at liberty to sell any more than the United Kingdom government is at liberty to sell the Crown Jewels or the contents of the British Museum. The most spectacular example of this kind of speculation are the words of George Harrison in the Beatles's song, *Awaiting On You All*:

> While the Pope owns 51% of General Motors
> And the stock exchange is the only thing He's qualified to quote
> But the Lord is waiting on you all to awaken and see
> By chanting the names of the Lord you'll all be free.[4]

Needless to say, while it is almost certainly the case that the Vatican owns shares in General Motors, it is extremely unlikely that it has ever held anything approaching a majority holding.

A further cause of journalistic interest has been the Vatican Bank's involvement in dubious deals, with shady partners – like Roberto Calvi of the Banco Ambrosiano and Michele Sindona's Banca Privata – and Archbishop Paul Marcinkus's alleged role in them as head of the Vatican Bank, has led to a spate of works by investigative journalists like Cornwell, *God's Banker*, Garvin, *The Calvi Affair*, and Raw, *The Moneychangers*.[5] But scandals and crises surrounding the finances of the Vatican and difficult relations with private capitalism are nothing new, as the troubled history of the Vatican's relationship with the Banco di Roma and its president Ernesto Pacelli in the late nineteenth and early twentieth centuries

[2] B. Lai, *Vaticano aperto: il diario vaticano di Benny Lai* (Milan, 1968), pp. 107–8.
[3] T. J. Rees, SJ, *Inside the Vatican* (Cambridge, Mass., 1992), pp. 209–10.
[4] From George Harrison's I-ME-MINE, 'The Lord Loves the One that Loves the Lord' (Richmond, 1980).
[5] R. Cornwell, *God's Banker* (New York, 1983); L. Garvin, *The Calvi Affair* (London, 1984); and C. Raw, *The Moneychangers* (London, 1992).

(see Chapters 3 and 4) and the 'Cippico affair' of 1948 (see Chapter 9) demonstrate.[6]

The purpose of this book, however, is rather more comprehensive; it is to examine the ways in which the Vatican financed itself between the end of the pope's territorial kingdom in central Italy, with the fall of Rome to Italian troops in 1870, and 1950, the highpoint of the reign of Pius XII. As someone who sat at the feet of Geoffrey Elton at Cambridge in the mid-1960s and heard him expound his theory of the 'Tudor Revolution in Government', and in particular his explanations of how the Tudor monarchs' search for the means for their governments 'to live of their own' helped determine the shape of the English Reformation, I am acutely aware of the impact that changes in institutional financing can have on the institution itself. But one of the key elements in the circumstances which helped produce the physiognomy of the Church of England – financial necessity – had already had a dramatic impact upon the unity of Christendom as a whole. German resentment at the papacy's sale of indulgences in order to finance the re-building of St Peter's in Rome was of course a major factor in the earlier Lutheran reformation in Germany, and the Reformation in the German, Scandinavian and other lands, in its turn, reduced the flow of revenue to the papacy in the long term. It is the argument of this book that the changes in the ways in which the Vatican financed itself after 1870 had a similarly powerful effect on the institutional development of the modern papacy in the period down to 1950.

The rise of the modern papacy

From the beginning of the reign of Pius IX (1846), but more acutely from 1850 onwards, when Pius returned from Gaeta with his 'liberal period' firmly behind him, the papacy underwent a process of development which we can plausibly define as the 'rise of the modern papacy'. That development reached its culmination in the papacy of Pius XII, 'the last real pope', as Alberto Spinosa has described him.[7] And if one single year may be regarded as the apogee of the 'modern papacy', then it must be 1950, the Holy Year during which Pius proclaimed the dogma of the Bodily Assumption of the Blessed Virgin Mary into Heaven. Without quite making the claims to universal temporal dominion of Innocent III with his concept of the *plenitudo potestatis* of the papacy or Boniface VIII's in the bull *Unam Sanctam* (1302), the 'modern' popes succeeded in imposing

[6] For Pacelli, see B. Lai, *Finanze e finanzieri vaticani tra l'Ottocento e il Novecento da Pio IX a Benedetto XV* (Milan, 1979), and for the Cippico affair see C. Pallenberg, *Inside the Vatican* (London, 1961), pp. 194–5.
[7] A. Spinosa, *L'ultimo papa* (Milan, 1992).

their authority upon the Roman Catholic Church and prescribing how clergy and laity should think and act in ways which were without precedent in the history of the papacy. In addition, they gave the world-wide Church a uniform, *Roman* stamp in organisational and disciplinary matters.

The origins of the trans-formative processes which helped create the modern papacy can largely be traced back to the French Revolution and its aftermath, but it can be argued that the Enlightenment of the mid-eighteenth century, and the ecclesiastical movements to which it gave rise, Josephism in the Habsburg lands and Febronianism in Italy, which both sought to free the local churches from papal control, began to stir the papacy from the baroque, Italianate slumber into which it had fallen shortly after the conclusion of the Council of Trent in the late sixteenth century.[8] Diversity and autonomy had been the hallmarks of the life of local churches in that period, with the Gallican privileges of the French Church being the most extreme example.[9] But the French Revolution, with first the establishment of the Civil Constitution of the Clergy which nationalised the French Church to an extent undreamt of by previous reformers and effectively secularised the French state, was a rude awakening indeed for Rome. While later nineteenth-century popes, especially Gregory XVI in his encyclicals *Mirari vos* (1832) and *Singulari nos* (1834), and Pius IX in the *Syllabus of Errors* (in the encyclical *Quanta Cura*, 1864), would do battle with the novel and dangerous political doctrines generated by the Revolution – freedom of the press, freedom of conscience, freedom of religion – and also opposed the movements towards nationalism, liberalism, democracy, republicanism and secularism, and those Catholics like Lammenais and Montalembert who sought to reconcile them with Catholic teaching and practice, Pius VII was immediately confronted by the horrors of the persecution which the Revolutionaries inflicted on France, and the countries which they conquered in their Revolutionary Wars, after he had rejected the Civil Constitution.

But the Napoleonic Concordat of 1804, while not ideal from Rome's point of view, since it left so much power in the hands of the state, nevertheless provided opportunities for papal intervention in the affairs of the local churches which was unprecedented in the history of the papacy. First, it gave the pope the power to depose bishops, and in order to further Napoleon's policy of eliminating the exiled bishops who had opposed the Civil Constitution, dozens were removed. On the other hand, as long as

[8] K.-O. Von Aretin, *The Papacy in the Modern World* (London, 1970), pp. 15–20; and D. Holmes, *The Triumph of the Holy See* (London, 1978), pp. 4–12.
[9] Ibid.

they were in office, bishops in French-controlled territory had considerable powers over the parish clergy, which some of them used ruthlessly in mass movements of parish priests – 3,500 in France in 1837 alone – with consequent appeals to the pope in Rome.[10] In Germany, Napoleon had brought about the abolition of church states (those ruled by bishops and abbots), the abolition of some bishoprics and the downgrading of some metropolitan sees, and his *mediatisation* reform (reducing the number of German states from over 300 to about 35, and merging hundreds of them in the process), plus the territorial changes brought about by the 1815 Vienna settlement meant the subordination of many Catholic areas to Protestant princes. All these developments undermined local church loyalties, and bishops and clergy increasingly turned to Rome for the redress of their various grievances. A further contributory factor in the growth of the prestige and power of the papacy over local churches was the conflicts between the bishops and clergy of those churches and their governments as the nineteenth century progressed. The civil war between Catholic cantons and the Protestant Sonderbund in 1847, with the latter's attempts to limit the power of the Church in Switzerland, was one such conflict that drew the Swiss episcopacy, clergy and laity closer to Rome.[11] Another was the so-called *Kulturkampf* between the Prussian/German authorities and the German Church in the 1860s and 1870s,[12] and a third was the conflict between Catholics and the government in Russian-Poland after 1815 which both welded Catholicism into Polish national identity and provoked a closer affection between Poles and the papacy, despite the popes' condemnation of revolts on the part of Polish Catholics.[13]

One of the longer-term effects of the French Revolution was the emergence in France of the Catholic movement known as Ultramontanism which sought both a monarchist restoration on *ancien régime* principles, but also a Catholic revival under strengthened papal authority. The Ultramontane project of many bishops, priests and laity would thus focus Catholic loyalty, obedience and devotion upon the pope and his government of the Church from Rome. Given France's continuing cultural and political dominance in early nineteenth-century Europe, French religious ideas and devotional practices were very influential elsewhere, and thus Ultramontanism became a powerful force in Catholic circles throughout Europe, and especially in parts of Italy.[14] And the influence of the movement was re-inforced by the pope's triumphant return to Rome in

[10] E. E. Y. Hales, *Revolution and the Papacy, 1769–1846* (London, 1960), p. 153.
[11] O. Chadwick, *A History of the Popes, 1830–1914* (Oxford, 1998), p. 48.
[12] Ibid., pp. 37–8. [13] Ibid., pp. 417–19.
[14] Hales, *Revolution and the Papacy*, pp. 227–30.

1814 and Cardinal Consalvi's negotiation for of the restoration of the temporal power at the Congress of Vienna in that same year. The papacy, accordingly, enjoyed a new prestige on the international stage, and one which only the policies aimed at repressing national and liberal movements inside the Papal States would eventually destroy. Even before Pius IX embarked upon his classic policies of centralising and 'Romanising' the world-wide Catholic Church, his predecessors – Leo XII and Gregory XVI – had pursued objectives which helped those policies to succeed. Gregory even endorsed the abolition of slavery and the slave trade in 1839 and urged the ordination of native clergy and the consecration of native bishops, a move that was well ahead of its time.[15] Both popes gave a new impulse to Catholic missionary activity in the world, which would be continued by Pius IX, Leo XIII, Benedict XV and Pius XI against a background of the imperialistic expansion of the European powers, and which resulted in the spread of the Catholic Church's influence throughout Africa, Asia and Oceania. During his reign, Pius IX created a powerful and effective Church organisation in five continents, with 206 apostolic vicariates or bishoprics created, and his successor Leo XIII established a further 300, with the consequence that a rich harvest of souls was reaped in the 'missionary' territories of Africa, Asia and Oceania – the Catholic population there rose from 5 to 15 million between 1846 and 1978.[16] This enormously strengthened the authority and power of the papacy over the world-wide Church. The reign of Pius IX, 1846–78, was undoubtedly crucial in the historical development of the papacy. According to Mazzonis: 'It would be no exaggeration to say that the Church of the twentieth century, that which we ourselves have known, saw its foundations solidly laid and its characteristic institutional structures emerge in the difficult years between 1850 and 1870, the period in which the contemporary era of its history began.'[17] Accordingly, a number of factors help characterise the differences between the papacy from Pius IX onwards, and that of the popes who went before. In the first place, there was the development of the *magisterium*, the teaching authority of the Roman pontiffs. The key stages in this development were the proclamation of the doctrine of the Immaculate Conception of the Blessed Virgin Mary in 1854, the proclamation of papal Infallibility at the First Council of the Vatican in 1870 and the proclamation of the dogma of the Bodily Assumption of the Blessed Virgin Mary into Heaven in 1950.

[15] F. Coppa, *The Modern Papacy, since 1789* (London, 1998), p. 79.
[16] F. Mazzonis, 'Pio IX, il tramonto del potere temporale e la riorganizzazione della chiesa' in B. Angloni et al. (eds.), *Storia della Società Italiana*, vol. XVIII: *Lo stato unitario e il suo difficile debutto* (Milan, 1981), p. 266.
[17] Ibid., p. 388.

The decisions about the dogmas concerning the role of Mary in salvation history were taken *in consultation* with the bishops of the Roman Catholic Church throughout the world, but were not dependent on their expressed opinions. Indeed, as Owen Chadwick has pointed out, 'He [Pius IX] was sure that in his office as supreme teacher of the Church he was protected by God from error . . . No Pope in previous centuries had made a definition of doctrine quite like this.'[18] Thus, though the doctrine of Infallibility was only proclaimed after the consent of the bishops had been obtained in an ecumenical council placed under great pressure from the pope and the Roman curia, its principle had already been previously asserted.[19] After 1870, the popes took upon themselves more and more the task of laying down to the Catholic hierarchy, clergy and laity of the world rules and regulations regarding not only matters of spirituality, religious doctrine and discipline, but political, economic and social issues as well: in particular, all the popes from Pius IX to Pius XII; with the exception of Benedict XV, used apostolic letters, decretals and encyclicals to reiterate the absolute obligation of the faithful to accept papal teaching.[20]

Like the *Syllabus of Errors* of 1864, the proclamation of Infallibility in 1870 was meant as a definitive and defensive response to the threats posed to Roman Catholicism by the 'modern world' as it was understood in the mid-1800s. The Enlightenment, the French Revolution and the ideologies and political movements to which they gave rise – rationalism, secularism, anti-clericalism, freemasonry, liberalism and nationalism – had all damaged and disrupted the Church of the *ancien régime*, both in France, but also in the rest of Europe as a result of the French Revolutionary and Napoleonic Wars between 1789 and 1815. The expropriation of ecclesiastical property, the abolition of clerical privilege and power and the introduction of civil marriage, divorce, secular education and the separation of Church and State were all 'insidious novelties' that were introduced in many European states, and in a significant number of American states, North and South, as well after 1789. Later on in the nineteenth century, the papacy would also have to confront the emerging ideologies and movements of Socialism and Communism, and in the twentieth it would be faced by the threat from Fascism and National Socialism. In these circumstances, Infallibility was meant to provide a solid, steely core to Catholic resistance to these developments, and a means of preserving Roman Catholic unity.

[18] Chadwick, *A History of the Popes*, pp. 199–214. [19] Ibid., p. 121.
[20] P. Levillain (ed.), *The Papacy: An Encyclopedia* (3 vols., London, 2002), II, p. 964.

In the longer term, Infallibility gave the Roman pontiffs an enormous moral and spiritual authority over the world-wide Roman Catholic Church and thus created the premiss for the practice of increasingly frequent public interventions of the popes in a wide variety of subjects of importance to the clergy and laity. There was an enormous increase in the 'output' of the most important of all papal public documents in this period, encyclicals, as well as of less formal statements like the *motu proprio*: whereas Gregory XVI published nine encyclicals in his fifteen-year pontificate, Pius IX wrote in thirty-seven in a reign of thirty-two years and Leo XIII a staggering eighty-six in just under twenty-five years. Other modern popes were less prolific, but Pius XII returned to the practice of Leo and produced forty-one in nineteen years.[21] Leo XIII wrote three encyclicals on freemasonry, Benedict XV and Pius XII issued encyclicals on the themes of peace and war during the First and Second World Wars respectively, Pius XI published an encyclical on marriage, *Casti Connubi*, in 1930, Leo XIII wrote *Graves de Communi Re*, on political institutions in 1901, and on particular national situations like those in France, *Aux Milieu des solicitudes*, 1892, on the *Ralliement*, while Pius XI wrote *Non Abbiamo Bisogno* on the dispute with Fascist Italy in 1931 and *Mit Brennender Sorge* of 1937 on his dispute with Nazi Germany. In addition, two popes wrote major encyclicals on economic and social doctrine, Leo XIII's *Rerum Novarum* of 1891 and Pius XI's *Quadragesimo Anno* of 1931. Not all were actually written by the popes themselves: increasingly, they relied upon experts in theological and other matters, but these documents, taken together with some of their public utterances, constituted a formidable corpus of papal teaching. As Zambarbieri has pointed out, papal teaching was then passed down to the clergy and laity by means of bishops' pastoral letters, especially those issued during Lent.[22]

This tendency of modern popes to give regular guidance and direction to Catholics on every conceivable aspect of their lives was re-inforced by the establishment of two Vatican press organs whose pronouncements soon came to be regarded as the mouthpieces of the Vatican 'oracle'. In response to the rise of a combative, anti-clerical press, especially in Italy, the daily newspaper *L'Osservatore Romano* was established in 1861, and the Jesuit fortnightly, *La Civiltà Cattolica*, was founded in 1854, but only brought under the direct control of the Vatican in the 1880s. With their editors appointed either by the Cardinal Secretary of State, or often the pope himself, their key articles scrutinised by both in advance, and in

[21] See C. Carlen (ed.), *The Papal Encyclicals* (5 vols., Raleigh, N.C., 1990), I.
[22] A. Zambarbieri, 'La devozione al Papa', in E. Guerriero and A. Zambarbieri (eds.), *La chiesa e la società industriale (1878–1922)*, Storia della Chiesa, XXII/2 (Milan, 1996), pp. 41–3.

some cases with articles written by the pope himself, along with *Acta Apostolicae Sedis*, these publications became the authoritative 'voice' of the papacy to the whole Catholic world and a guide to its bishops.

Infallibility also assisted the development of two other major characteristics of the modern papacy, their efforts to centralise and 'Romanise' the world-wide Church. Throughout the reigns of Pius IX, Leo XIII, Pius X and Benedict XV and beyond, twenty-eight institutions were established in Rome for the education of the clergy and, primarily, future bishops of the local churches. In the reign of Pius IX eight of these institutions were established, including the French, German, Latin and North American and Polish colleges; under Leo XIII another eight, including the Armenian, Canadian, Czech, Portuguese, Ruthenian and Spanish colleges; under Pius X and Benedict XV only three; but under Pius XI another six, including the Beda (English), Dutch and Russicum (Russian); and under Pius XII three, including the Hungarian and Lithuanian colleges: in addition, commencing in Pius IX's reign, the major religious orders, whatever their national origins, began to set up educational institutions for their members in the Eternal City.[23] The popes were particularly anxious to supply bishops to the 'younger' churches, those of Canada and the USA, Australia, New Zealand and Oceania, and later Asia, especially China, who had been trained in 'Roman ways' in Roman institutions.[24] It was fairly easy to do this as these countries were still essentially 'mission territories', under the control of the Congregation of Propaganda Fide, as were the restored hierarchies in England and Wales, Scotland and the Netherlands, until the mid- to late 1800s, and therefore without established traditions of local election by cathedral chapters. It was frequently the case that 'Romanised' bishops sent the best of their clergy to Rome for training, and upon their return set them on the ladder of ecclesiastical preferment, thus ensuring that Roman influences in the local church would establish and perpetuate themselves, a very clear example of this being William O'Connell, who was rector of the North American College in Rome from 1898 to 1905. He became bishop of Portland in 1905 and started sending his trainee clergy to Rome, including Francis Spellman, later cardinal archbishop of New York. Finally, after 1878, the Jesuit-run Gregorian University in Rome took over from the Sorbonne the role of the premier Catholic university and the chief arbiter of ecclesiological thinking.[25]

[23] *Annuario Pontificio*, 1948, pp. 911–14; and Levillain (ed.), *The Papacy*, 1, pp. 380–6.
[24] For an example of the impact of 'Romanisation', see J. N. Molony, *The Roman Mould of the Australian Catholic Church* (Melbourne, 1969).
[25] Zambarbieri, 'La devozione al Papa', p. 14.

From the 1880s onwards, the Eternal City became the centre of scholarly and popular attention. In 1883, Leo XIII opened up the Vatican Secret Archives to Catholic and non-Catholic scholars alike, thereby prompting a new interest in the history of the papacy. In addition, he gave renewed impetus to the archeological excavations of Christian Rome, especially the catacombs. These developments helped focus attention upon Rome and the papacy: as well as scholarly histories of the papacy, historical romances such as *Fabiola* and *Quo Vadis* explicitly or implicitly suggested comparisons between the ways in which the early popes had suffered persecution at the hands of the Roman Empire and their treatment now at the hands of the Italian state. In this way, a strong cultural and literary component was added to Roman Catholic identity.[26]

The increasing intervention of Rome in the life of local churches was intensified by the appointment of papal representatives in more and more countries: apostolic delegates, that is envoys without formal diplomatic functions, in the case of mission territories like the USA and Canada, Australia, etc., and apostolic nuncios, that is envoys who acted as papal representatives to both local hierarchies *and* governments, in most Catholic countries. Following the achievement of independence by various Latin American states in the early nineteenth century, the missionary congregation of Propaganda under Cardinal Cappellari, later Gregory XVI, extended the Vatican's diplomatic net by encouraging recognition of them – initially Chile, Colombia, Ecuador and Mexico and later the rest.[27] A century later, as a result of the First World War, and the Versailles Peace Settlement which followed it, there was again a substantial increase in the number of states with whom the Vatican had diplomatic relations. Many of them were not even predominantly Catholic in population; some like Finland had virtually no Catholic populations, but as 'successor states' to the Austro-Hungarian and Russian empires, they desired recognition from one of Europe's oldest powers as a way of establishing their existence as independent, sovereign states.[28] Not surprisingly, the decision to appoint apostolic delegates and nuncios was frequently resisted by national hierarchies precisely because it was seen as constituting interference in the affairs of local churches; the response to such decisions in the cases of the USA,[29] Canada,[30] the Irish Free

[26] Ibid., pp. 47–51. [27] Chadwick, *A History of the Popes*, pp. 47–8.
[28] J. F. Pollard, *The Unknown Pope: Benedict XV and the Pursuit of Peace* (London, 1999), pp. 157–8.
[29] G. P. Fogarty, *The Vatican and the American Hierarchy from 1870 to 1965* (Collegeville, Minn., 1982), pp. 115–30.
[30] R. Perin, *Rome in Canada: The Vatican and Canadian Affairs in the Late Victorian Age* (Toronto, 1990), pp. 47–55.