
REVIEW ARTICLES

A Multinational Bank: The Bank of Rome

Antonio Di Vittorio
University of Bari

The Bank of Rome came into being in 1880 and its "internal" history evolved against the background of Italy's "long" industrial revolution. This, as Romeo has established, first took shape in the 1880s, but it was not until the period of reconstruction after the Second World War that for the first time in the country's economic history the numbers employed in agriculture were less than those in industry. In this context, the history of the Bank of Rome reflects many of the fundamental developments that were taking place over this period and at the same time played a direct, and in some cases decisive, role in particular aspects the country's economic growth. The complex interplay between the development of the Bank on one hand and the Italian economy in general on the other is analysed with masterly skill by the authors of these three volumes which in nearly 1400 pages reconstruct the Bank's history from its origins.¹

The Bank of Rome came into being as a result of the initiative of a group of Roman noblemen during the real estate boom that followed the city's elevation to capital of the new Italian state in 1870. In the first decades of its existence both the range of the Bank's activities and the size of its capital reserve increased rapidly, and it soon ceased to be an essentially localised institution engaged primarily in operations within the city to establish itself as a national institution as branches were opened in Genoa, Turin, Naples, Florence and then overseas.

A. Confalonieri has shown that most of the other major Italian credit institutions (the Banca Commerciale Italiana, the Credito Italiano and the Banca Italiana di Sconto, as well as the Bank of Rome) as well as many leading Savings Banks and Popular Banks² followed a similar path. Their development took

¹ L. DE ROSA - G. DE ROSA, *Storia del Banco di Roma*, Roma, Banco di Roma, 1982-84 voll. I (pp. X-396), II (pp. 579), III (pp. 409). The first two volumes are by L. de Rosa, the third by G. De Rosa.

² Cf. A. CONFALONIERI, *Banca e Industria in Italia 1894-1906*. I. Milano, B.C.I., 1974, p. 274 ff.; p. 225; p. 224 ff.

place in the context of the long-run expansion of the Italian economy that began in the 1880s and then after the recession of the early 1890s continued into the start of the following century during the Giolittian period. The early growth of the Bank of Rome owed much to this favourable phase of economic development, and its history in these years provides an important window on the country's first steps towards modernization. In this respect the massive investments that the Bank made in certain sectors of industry, especially the food, engineering, chemical, building and communications industries are of particular interest.

The first phase of the bank's expansion came to a halt with the Italo-Turkish War of 1910-11 and the outbreak of the First World War. However, the Bank recovered quite rapidly after the Libyan War in 1911 and even after 1915 it remained poised to resume its growth as soon as hostilities ended. Before the war ended a new branch was opened in January 1917 in Milan, and there were signs of expansion after the Bank's administrative structures underwent a full overhaul. But this was checked by the problems posed by reconversion, since the Bank had taken a prominent role in financing the efforts of heavy industry during the war. Nonetheless the Bank experienced a marked post-war expansion until 1920, and the number of its branches both at home and abroad increased rapidly. At home, deposits grew as did the bank's investments and profits. In 1919 its capital reserve was raised from 100 to 150 million lire, an important development since only three years earlier this had fallen to only 74 million in contrast to 200 million before the war. In the same year 54 new branches were opened, followed by a further 52 in 1920. Although other banks were also expanding in a similar way in these years, none was growing faster than the Bank of Rome.

In 1921, however, the Banca Italiana di Sconto found itself in heavy difficulties due to over-commitment to industrial investment, the economic crisis quickly affected the entire Italian banking system including the Bank of Rome. This marked the beginning of a period of growing difficulties that saw the Bank's deposits decline, its liquidity diminish, and its network of branches contract while all attempts to raise additional capital proved unsuccessful. These problems continued into the first years of the fascist seizure of power, and resulted in a major reorganization of the Bank's administrative structures and the beginnings of a new phase of expansion. But this only occurred once the Bank had severed its traditional links with Catholic institutions and with the groups that had previously dominated its management. In 1923 a new management team made up of Boncompagni Ludovisi as chairman and Vittorio Vitali as managing director set about reshaping the Bank, whose fortunes thereafter were to be much more closely dependent on the State and its agents in the Bank of Italy which had been given much greater controls over the activities of individual banks.

Between 1924 and 1928 the Bank of Rome's internal administration was once again fully overhauled in order to reduce expenditure and this provided the basis

for recovery. After a long sequence of deficits, 1924 was the first year that the Bank's activities closed with "a tangible and effective profit". By 1927 the Bank had been rescued, its managerial staff completely restructured and its accounts once more began to show a profit, although the margins remained narrow. But no sooner had this recovery taken place than the Bank was struck by the international crisis.

The scale of the crisis that broke in 1929 was such that it overwhelmed all the defences that had carefully been constructed to make the Bank's management more efficient and to reduce running costs. Although the situation of the Banca Commerciale Italiana and the Credito Italiano was in fact much worse, like them the Bank of Rome was only spared from collapse by the intervention of IRI (the Institute for Industrial Reconstruction) in 1934. But this rescue also transformed the structure of the Bank's activities, since IRI's intervention brought to an end the links that had previously existed with industry (the same occurred at the Banca Commerciale and the Credito Italiano) and forced the Bank to specialise in commercial credit operations alone. In the national interest the banks were also subjected to closer state control, while the State also took over a series of industries in which the rescued banks had major investments in order to create the nucleus of a new public sector industrial complex.

The measures taken to reconstitute the three major banks culminated in the Banking Law of 1936. Defined as "national interest banks" they were permitted to engage only in commercial credit operations and prohibited from making any form of industrial investment since this was generally held to have been the cause of the crisis. Thereafter, the Bank of Rome again thrived and continued to expand until 1942. But when the fortunes of war began to change for Italy, after the Armistice of September 1943, the Bank's two headquarters in Rome and Milan were separated by military action, like Italy itself. Yet even during the terrible years between 1943 and 1945 the Bank still continued to function. Once the war was over, the task of reorganization was entrusted to Ugo Foscolo as managing director and Costantino Bresciani Turrone as chairman, while important representatives of Catholic institutions returned to the Board Room. The Bank's recovery in the years that followed went hand in hand with that of the Italian economy.

The Bank of Rome's "internal" history in this period bears witness to the institution's remarkable resilience in the face of circumstances that on more than one occasion threatened its very existence. But its "external" history is no less fascinating, since it was closely related to the overseas expansion of the Italian economy which also dated from the first phases of industrialization in the late XIXth century.

The relative fragility of Italy's industrial development has tended to divert attention away from the attempts to expand the Italian economy overseas, while the process of decolonization that has occurred since the Second World War has put the more positive aspects of that expansion in the shade. As a result there are relative few studies of Italian economic imperialism, other than Webster's

analysis of the early phases of Italy's overseas expansion³ and the recent book by M. Petricioli on Italian expansion in Asia Minor.⁴

From its foundation until the Second World War, the Bank of Rome played a major role in Italy's overseas economic expansion, particularly in the eastern Mediterranean. As early as 1882 the Bank invested in the bitumen mine at Valona in Albania, a country which at that time attracted the attention of a financier of the calibre of Giuseppe Volpi.⁵ The Bank's first overseas branch was opened at Paris, and this was the first foreign branch opened by any Italian bank since the Middle Ages. In 1906 the Bank of Rome also acquired shares in banks of issue in Abyssinia and Morocco. But it was after the opening of a branch in Cairo in 1905 that the Bank's programme of overseas expansion really got under way, and was concentrated in the eastern Mediterranean region in particular. In the years after the consolidation of British power, Egypt was experiencing a genuine demographic boom and a considerable expansion in commercial activity.⁶

It should be noted, however, that the activities of the Bank of Rome in the eastern Mediterranean and North Africa were not isolated but were paralleled by patterns of emigration which, even if not comparable with the great trans-Oceanic exodus, were still considerable. The Italian community in Egypt, for example, which was the largest in the eastern Mediterranean, grew from 10,679 in 1871 to 38,000 by 1901.⁷ But there had also been a marked increase in the number of Italians in European Turkey, where the Italian community (based almost entirely in Constantinople) had grown from 6,520 in 1871, to 11,781, 15,321 in 1901 and by 1911 reached 19,000.⁸ There were a further 10,000 Italians in Asiatic Turkey as well by 1911, while even in Malta the Italians had increased from 1,150 in 1901 to 2,000 by 1911.⁹

The Bank of Rome opened an agency on the British possession of Malta in 1906 with the aim of attracting the savings of the Catholic community and associations on the island and also of conducting international currency exchange operations. In 1911 the bank also opened a branch at Constantinople, with active encouragement from the Italian government which provided certain

³ Cf. R. A. WEBSTER, *L'imperialismo industriale italiano 1908-1915*, Torino, Einaudi, 1974.

⁴ Cf. M. PETRICIOLI, *L'Italia in Asia Minore. Equilibrio mediterraneo e ambizioni imperialiste alla vigilia della prima guerra mondiale*, Firenze, Sansoni, 1983.

⁵ Cf. S. ROMANO, *Giuseppe Volpi - Industria e finanza tra Giolitti e Mussolini*, Milano, Bompiani, 1979.

⁶ Cf. AA.VV., *L'Egitte d'aujourd'hui. Pervance et changements 1805-1976*, Paris, C.N.R.S., 1977, pp. 157-178.

⁷ Cf. *Annuario Statistico della Emigrazione Italiana dal 1876 al 1925*, Roma, Commissariato Generale dell'Emigrazione, 1926, p. 1539.

⁸ *Ibid.* p. 1538.

⁹ *Ibid.*

economic and financial incentives. In the same year the Credito Italiano and the Banca Commerciale Italiana also opened branches for the first time in London, thereby opting for a pattern of expansion that was directed more towards Europe than the Mediterranean, although their overseas activities were more limited than those of the Bank of Rome.¹⁰

The Bank of Rome's agency in Constantinople opened on the eve of the Italo-Turkish War and at a moment when the rivalry between the Great Powers (especially Germany, Great Britain and France) for economic advantage in the Turkish Empire was particularly acute and focussed above all on the projects for new railways through European Turkey and its Balkan dependencies.¹¹ Although the political situation was extremely delicate, since the Turkish Empire was on the brink of internal collapse, and the economic situation equally complex because the Turkish state was virtually bankrupt, the opportunities that this vast area between Europe and Asia offered for foreign capital and manpower were immense. If the rapid expansion of the Bank of Rome's agency in Constantinople, which quickly grew to a staff of 40, is anything to judge by, there must have been a considerable discrepancy between the real situation of the country and the political crisis of the Turkish state, in which the opportunities offered by its mineral wealth, its agricultural resources and commercial activities contrasted with a government that was increasingly incapable of governing for want of modern administrative or financial institutions.¹²

Given the traditional hostility between Turkey and Italy and the fact that as recently as 1910-11 the two countries had been at war, the expansion of Italian commercial and financial interests in this period also says much about the importance of emigration as a magnet for economic expansion. The Italians who emigrated to Constantinople and to Asian Turkey between 1900 and the First World War included not only railway navvies, miners and cement-quarry

¹⁰ Cf. A. CONFALONIERI, *Banca e Industria in Italia dalla crisi del 1907 all'agosto 1914. I. Il sistema bancario in un'economia di transizione*, Milano, Banca Commerciale Italiana, 1982, p. 393.

¹¹ Cf. H. FEIS, *Finanza internazionale e Stato. Europa banchiere del mondo 1870-1914*, Milano, Etas Libri, 1977 (ed. or. 1972), pp. 233-269. Also J. THOBIE, *Intérêts et imperialisme français dans l'empire ottoman (1895-1914)*, Paris, Publications de la Sorbonne, 1977; F.H. HINSLEY (ed.), *British Policy under Sir Edward Grey*, Cambridge, Cambridge University Press, 1977. See also the recent volume edited by M. KENT, *The Great Powers and the End of the Ottoman Empire*, London, George Allen and Unwin, 1984 (especially the essay by R.J.B. BOSWORTH, *Italy and the End of the Ottoman Empire*, pp. 52-75). D. QUATAERT, *Social Disintegration and Popular Resistance in the Ottoman Empire, 1881-1908. Reactions to European Economic Penetration*, New York, New York University Press, 1983, also provides an interesting analysis of the resistance to European economic penetration.

¹² See CH. ISSAWI, *The Economic History of Turkey 1800-1914*, Chicago and London, Chicago University Press, 1980, p. 315 et seq., p. 363 et seq., pp. 366-373.

workers, but also technicians and businessmen,¹³ and the thousand-strong Jewish community of Italian origin in Salonika was particularly active.¹⁴

The Bank of Rome quickly found a footing in the Turkish economy and also played an active part in banking activities within the Turkish Empire, where it was able to make contact with agencies of other leading German, French and British banks, as well as the Banca Commerciale which operated through the Società Commerciale di Oriente.¹⁵ But the Bank of Rome was becoming increasingly specialized in Mediterranean economic affairs. Under pressure from the Italian government it had opened branches in Libya at Tripoli and Benghazi in 1907, which were reinforced thereafter by branches at Derna and elsewhere on the Libyan coast and in the interior. These developments reflected Italy's growing interest in these regions which a few years later contributed to the outbreak of war between Italy and Libya.¹⁶

The presence of the Bank of Rome in Libya was all the more important because until the First World War there were barely more than a couple of hundred Italian settlers in the country,¹⁷ and it was by virtue of the Bank's economic activities, which included running a shipping line, that was a source of frequent difficulties, and its credit operations, that progress was made, although this was always difficult.

In 1910 the Bank of Rome also opened branches at Barcelona, Tarragon and Montblanch, but its main objective was still primarily to create a credit "system" in the Mediterranean that would "help to increase Italian influence and industry in the Orient". This also explains the decision in 1911 to open a branch in Jerusalem, although this had to be postponed first because of the Italo-Turkish War and then because of the European War which brought the Bank's overseas expansion to a standstill.

When it became clear that Italy would be amongst the victors, the Bank of Rome sought to revive its expansion in the Mediterranean. As soon as Palestine was liberated from the Turks, and even before the war was over, the Bank began to press for permission to open the agency in Jerusalem that had been approved in principle in 1910. There were political as well as economic motives for this.

¹³ Cf. *L'Emigrazione italiana dal 1910 al 1923. Relazione presentata a S.E. Il Ministro degli Affari Esteri dal Commissario Generale dell'Emigrazione*, Roma, Commissariato Generale dell'Emigrazione, 1926, Vol. 2°, pp. 601-603.

¹⁴ Cf. A. MILANO, *Storia degli Ebrei italiani nel Levante*, Firenze, Editrice Israel, 1949, p. 194.

¹⁵ This was a mixed banking, commercial and industrial firm, that was founded in Genova in 1907 but operated from Constantinople. See A. Confalonieri, *Banca e Industria in Italia dalla crisi del 1907 etc.*, cit., I, p. 414 ff.

¹⁶ Cf. E. DE LEONE, *La colonizzazione dell'Africa del Nord (Algeria, Tunisia, Marocco, Libia)*, Padova, CEDAM, 1960, vol. II, pp. 339-374 (which contains a brief reference to the initiatives of the Banco di Roma in Libya).

¹⁷ Cf. *Annuario Statistico dell'emigrazione italiana dal 1876 al 1925*, cit., p. 1539.

On one hand, an agency of the Bank in this major urban centre with age-old historical and religious connotations would have given access to a region which through the actions of the British was being brought back into the sphere of the European economies.¹⁸ On the other hand, it would give the Bank a footing in an area whose political future was still to be settled. As Minerbi has shown, Italy was determined to have a presence in Palestine no matter how weak.¹⁹ This explains why the Bank of Rome opened new branches at Smyrna, Haifa, Beirut, Aleppo, Jaffa, Tripoli, Alessandretta, Mersina and Adana in 1919, thereby establishing a far greater network of agencies than had existed before the Turkish War. It was especially significant that many of these were in "Greater Syria", where the Bank hoped to exploit the commercial opportunities following the change of political status in the region.²⁰

In addition, the Bank of Rome had also strengthened its presence in Egypt in the final phase of the War, often working in collaboration with British banks, and also attempted to establish a footing in the ports of southern Russia by means of an agreement with the Russian-Asiatic Bank. This gives some idea of the dynamism with which the Bank sought to extend its overseas activities in the years immediately after the War. Although its activities in Europe were strengthened as well through the addition of new agencies in 1919 in Spain (Madrid and Valos), France (Lyon), Switzerland (Lugano), the main effort was once again directed towards the eastern Mediterranean where new agencies were established in Malta, Libya, Egypt, Palestine, Syria, Turkey, and shortly after in Greece (Rhodes). Between 1917 and 1920 the number of foreign branches of Italy's four leading credit banks rose from 13 to 55, but it was the Bank of Rome that had the largest single number of foreign agencies (10 out of a total of 13 in 1917; 23 out of 27 in 1918; 39 out of 51 in 1919; 43 out of 55 in 1920). The Banca Italiana di Sconto never had more than eight foreign branches during this period, the Banca Commerciale had only three and the Credito Italiano only one.²¹

However, the Bank of Rome never developed interests in the French controlled Maghreb comparable to those that were established in other French mandate territories like Syria and the Lebanon. The reason probably lies in political constraints, even though great efforts were made during the fascist

¹⁸ For the antecedents of this policy and in British economic policies towards Syria and Palestine see RASHID ISMAIL KHALIDI, *British Policy towards Syria and Palestine 1905-1914*, London, Ithaca Press, 1980; E. KEDOURIE, *England and the Middle East: the Destruction of the Ottoman Empire 1914-1921*, London, Bowes and Bowes, 1959; D.C.M. PLATT, *Finance, Trade and Politics in British Foreign Policy 1815-1914*, Oxford, Oxford University Press, 1968.

¹⁹ Cf. S.I. MINERBI, *L'Italie et la Palestine 1914-1920*, Paris, P.U.F., 1970.

²⁰ Cf. A. RAYMOND, *La Syrie, du Royaume arabe à l'indépendance (1914-1946)*, in AA. VV., *La Syrie d'aujourd'hui*, Paris, C.N.R.S., 1980, pp. 55-86.

²¹ Cf. L. DE ROSA, *Storia del Banco di Roma*, op. cit., vol. II, p. 211.

period to prepare the ground for Italian commercial and political penetration of Tunisia.²²

The post-war crisis that arose from the contradictory pressures exerted by the rapid boom followed by severe recession which hit Italy and many other European states and threatened to undermine their currencies, necessitated a rationalization of the overseas branches of the Bank — particularly those in Egypt, Turkey, Syria and Palestine. The attempts in 1921 to regroup them in the form of a new Bank of the Levant in partnership with the Bank of Rome, and the subsequent formation of the Bank of Rome in Egypt and the Levant were unsuccessful. Technical and psychological factors inhibited further experiments, but the crisis that struck Italy's banking system after the collapse of the Banca Italiana di Sconto complicated matters further. It was not until 1924 that the Egyptian branches were reorganized in the form of the Italo-Egyptian Bank, and in the same year the Bank's French branches took the name of the Bank of Rome (France). In 1925 the Bank's headquarters in Madrid were closed and the Spanish agencies were reorganized as the Bank of Rome (Spain).

By 1925, therefore, the Egyptian, French and Spanish agencies of the Bank had been reconstituted as locally based national banks in order to escape double taxation. This also enabled the local agencies to benefit from legislation to protect national banking institutions, and the formation of the Egyptian bank coincided with the end of free trade and the start of a long period of protectionism and internal industrial expansion.²³

There were also plans to nationalize the Turkish and Palestinian branches, in the light of the decline in Italian settlement in Turkey which by 1924 had fallen to less than 13,000 in European Turkey, with a further 5,000 in the Asiatic provinces.²⁴ But these projects were unsuccessful. The Bank also drastically reduced its branches in Libya, disbanded the network of agencies along the coast and the interior and closed the branch at Derna. Yet in 1925 the Bank of Rome was also increasing its investments in Albania through both the *Società per lo Sviluppo dell'Albania* and the National Bank of Albania. This was part of Italy's first tentative steps to establish an economic presence in the country and to revive its interests in the Balkans more generally.²⁵

Despite the difficulties that persisted throughout the 1920s and then became even worse after 1929, the Bank of Rome gradually strengthened its Middle Eastern branches. While English, Belgian and French banks withdrew from Turkey after the crisis of 1929, for example, those of the Bank of Rome remained

²² Cf. J. BESSIS, *La Méditerranée fasciste. L'Italie mussolinienne et la Tunisie*, Paris, Editions Karthale, 1980.

²³ Cf. B. HANSEN - K. NASHASHIBI, *Egypt*, New York and London, Columbia University Press, 1975, p. 3 e segg.

²⁴ Cf. *Annuario Statistico della Emigrazione Italiana dal 1876 al 1925*, cit., p. 1538 (12.732 nella Turchia europea e 4.928 in quella asiatica).

²⁵ *Ibid.* In 1924 370 Italians were registered as residents.

and continued to expand. The same occurred in Egypt and Syria. These branches operated almost entirely with local capital and did not draw investment from the Bank's central administration. This was especially evident in Turkey, where Kemal Ataturk's reforms were rapidly modernizing the country's economy as well as its political and social institutions,²⁶ so that the 1920s have been described by economic historians as the years of Turkey's economic reconstruction.²⁷ The Italo-Egyptian Bank was also able to meet the crisis of 1929 from its own reserves and did not have to call on Rome for help, and the same occurred in the case of the Bank of Rome (France); even in Malta, despite the fact that there was no expansion in the Italian community, the Bank's agency remained sound.²⁸ Thanks in large part to large investment by the Italian state, the Bank's Libyan branches were particularly flourishing. The Tripoli expedition and the resistance of the Senussi caused heavy losses, but thereafter the bank began to reap large profits and after 1935 those of the Tripoli branch were comparable to the Bank's Milan agency.²⁹ Except in Spain, where the interest in the Bank of Rome (Spain) was sold off, the Bank of Rome's overseas activities in France, Malta and above all in the eastern Mediterranean remained soundly based.

The Ethiopian War served to extend rather than reduce these activities. Profiting from its established role in direct and indirect investments in Libya, Somalia and Eritrea, the bank of Rome threw itself enthusiastically into the new colonial territories and tried to bid for a virtual monopoly over banking activities in Ethiopia. This was not granted, since both the Bank of Naples and the Banca Nazionale del Lavoro were also permitted to operate in Ethiopia, but the Bank of Rome was allowed to open branches at Addis Ababa, Harrar, Dessie and Assab and — through the Bank of Rome (France) — at Djibouti. Subsequently the Bank also received permission for further agencies at Massaua, Asmara, Mogadishu, Dire Daua and elsewhere. On the eve of the Second World War the Bank had three branches in Eritrea, and thirteen in Ethiopia (the majority in Harrar, Galla Sidama and Asmara) and was the most important of the major Italian banks (including the Bank of Italy) in Italian East Africa.³⁰

²⁶ See the recent collection of essays in Ataturk's reforms edited by Jacob M. Landay, *Ataturk and the modernization of Turkey*, Boulder (Colorado), Westview Press, 1984; and especially WILLIAM M. HALE, *The Traditional and the Modern in the Economy of Kemalist Turkey: the Experience of the 1920s.*, *ibid* pp. 153-170.

²⁷ Cf. Z.Y. HERSHLAG, *Turkey. The Challenge of Growth*, Leiden, E.J. Brill, 1968, pp. 31-60.

²⁸ Cf. *Annario Statistico della Emigrazione Italiana dal 1876 al 1925*, cit., p. 1538 (2,000 Italians were resident in 1924).

²⁹ Cf. L. DE ROSA, *Il Banco di Roma nel Mediterraneo*, in AA. VV., *L'economia italiana tra le due guerre 1919-1939*, Milano, IPSOA, 1984, p. 145.

³⁰ At the end of 1937 the Bank of Rome had 16 of the total 37 banking agencies run by Italians in Italian East Africa. The figure includes those of the Bank of Italy which also had 16. (cf. G. de Rosa, *Storia del Banco di Roma*, cit., vol III, p. 142).

The strategy of establishing the Bank as a major credit institution throughout the eastern Mediterranean basin was reinforced by the opening of new agencies in Iraq (and in Baghdad in particular), but at the same time was checked by the refusal of the British to permit a branch at Khartoum and by the French for a similar agency in Djibouti. Nonetheless, the Bank had succeeded in establishing a strong network of financial institutions to assist Italian exporters, who could obtain not only financial support but also valuable information on local markets and the local economy from the agencies of the Bank. They served therefore to strengthen the role of Italian banking in the Mediterranean, and thereby contributed to the growing influence of the Italian economy in that area.

The period of the Bank's main overseas expansion also coincided with the containment and arrest of Italy's colonial expansion. The signs of economic and political crisis were apparent by 1937-8, and were a prelude to the coming war. In the years that followed the war, not only Italy's economic recovery but also that of its banking institutions were to rely on quite different bases.