
ARTICLES

Unity or Plurality? Italian Issuing Banks, 1861-1893.

Luigi De Rosa

Free International University in Social Sciences, Rome

1. In the process of Italian unification one factor was always very evident: while every aspect of administration and politics had become centralised, the same could not be said with regard to the country's banking system. Yet the question as to whether currency and credit in the newly-created Kingdom were to be supported and governed by one or more banks had already been posed in the immediate aftermath of Unification. Indeed, in return for its contribution to the process of unification, the Sardinian National Bank (*Banca Nazionale Sarda*)¹ expected to become the sole issuing bank, and had already taken steps in this direction after the Piedmontese victory in the second war of independence against Austria-Hungary in 1859.

As soon as Lombardy was annexed to Piedmont, the bank's first concern was to make sure that the liberated region did not set up its own issuing bank, especially in view of the fact that even before the war had broken out, the chief Milanese commercial houses had already requested authorisation from Vienna to set up such a bank. Therefore, after an agreement with the Turin government, the Sardinian National Bank did not hesitate to raise its capital by issuing

¹ Piedmont, Liguria and Sardinia formed one Kingdom, the Kingdom of Sardinia. Hence the name of its issuing bank, the Bank of Sardinia or of the Sardinian States.

new shares, some of which were placed among Milanese capitalists, and to open a branch in Milan².

The same policy was adopted following Piedmont's annexation of the Duchies of Parma and Modena and part of the Papal territories — those administered under the four Legations (Bologna, Ferrara, Forlì, Ravenna). Unlike the situation in Lombardy, where no issuing bank existed, in the newly-annexed territories the Sardinian Bank had to deal with local banks³. As a matter of fact, steps were taken with the *Banca delle Quattro Legazioni*, which had itself gained autonomy from the *Banca dello Stato Pontificio* in 1855⁴. Once again, the obstacle was removed by taking over the local bank, a move that was facilitated by the difficult circumstances of the latter which had already been acknowledged by Bologna's Commercial Court.

The shareholders of the bank were reimbursed and after having assumed responsibility for winding up the bank's affairs, incurring heavy losses in the process⁵, the Sardinian Bank opened to the public on 20 March 1861 in the same premises and in the same town as the bank it had taken over⁶.

This policy of national expansion, however, floundered in Central Italy. In Tuscany, two issuing banks were set up and were officially recognised between January and March 1860 with the help of the provisional government which had assumed power after the flight of the Grand-Duke in 1859. The first was the Tuscan National Bank (*Banca Nazionale Toscana*) — which had already taken over the Bank of Florence (*Banca di Firenze*) and the Bank of Leghorn (*Banca di Livorno*) and which now bought out the banks of Siena, Pisa, Lucca and Arezzo, gaining a large capital sum; the second was the Tuscan Bank for Industry and Trade, *Banca Toscana di Credito per le Industrie*

² Cf. L. Conte, *La Banca Nazionale. Formazione e attività di banca di emissione 1843-1869*, (Naples, ESI, 1990), p. 223.

³ G. Di Nardi, *Le banche di emissione in Italia nel secolo XIX*, (Turin, Utet, 1953), pp. 83-84.

⁴ Cf. G. Porisini, *Condizioni monetarie e investimenti nel Bolognese. La Banca delle Quattro legazioni*, (Bologna, Zanichelli), 1969, p. 329 et sequens.

⁵ Di Nardi, *op. cit.*, pp. 83-84.

⁶ Cf. Porisini, *op. cit.*, p. 229 et seq.

e il Commercio, again in Florence with an even larger capital, which opened to the public on 15 December 1863⁷.

From 1860 to 1862 neither of the two Tuscan banks appeared disposed to let themselves be taken over by the Sardinian Bank. The two southern banks, the Bank of the Two Sicilies (*Banco delle Due Sicilie*) — afterwards Bank of Naples (*Banco di Napoli*) — and the Bank of Sicily (*Banco di Sicilia*) were even less disposed to do so.

The Bank of Naples had a long history which began in the sixteenth century, when the first Neapolitan public banks were set up, and ended in 1808 with the creation of the Bank of the Two Sicilies. The Bank of Sicily grew out the Bank of the Two Sicilies through the opening of two branches at Palermo and Messina in 1843 which became independent during the 1847-48 revolution and in 1860 took the name of Bank of Sicily.

Nonetheless, there were profound differences between the Sardinian Bank, the two Tuscan Banks, the Papal Bank (which became the Roman Bank in 1870 when Rome was taken from the Pope and annexed to the Kingdom of Italy and became the new capital) on the one hand, and the two southern banks on the other. While the latter two were trusts without any shareholders, the others were all joint-stock companies which were quoted on the Stock Exchange and whose shareholders expected to be paid an annual dividend.

The southern banks did not issue bearer paper of fixed denomination, like the other banks, but *fedi di credito*, that is certificates of credit testifying that the sum written onto the *fede* — which could vary from small to very large amounts — had been deposited in the Bank of Naples (or the Bank of Sicily). These *fedi di credito* were inscribed and circulated by way of endorsement.

It is important to point out the differences between the southern banks and the other Italian banks, since they affected the way the Sardinian Bank acted towards them. The Sardinian Bank considered the take-over of the two Tuscan banks a real possibility — given the

⁷ Di Nardi, *op. cit.*, pp. 85 et seq.; pp. 99 et seq.

similarity in their charters — and only a question of skilful negotiation, and so it desisted from opening its own branches in Tuscany. On the other hand, a merger with the southern banks seemed hardly likely considering the great differences in their charters and so instead of aiming at a merger the Sardinian Bank's strategy was to open up its own branches in south Italy.

As L. Conte has recently noted, the policy to open branches in southern Italy was widely debated by the authorities of the Sardinian Bank, which had begun to call itself, quite arbitrarily, the National Sardinian Bank (*Banca Nazionale Sarda*)⁸. However in its bid to become the country's sole issuing bank the Sardinian Bank did not so much fear the Bank of Naples as the emergence of a company in Naples which intended to apply for the right to set up an issuing bank there, and which — it specified — [would] hamper the extension of the Sardinian Bank in that very conspicuous part of Italy»⁹.

In Naples there were, in fact, moves for the creation of a private discount and issuing bank. The project had been presented to the dictatorship government which did not have the time to approve it before its dissolution. As the future Minister Scialoja, who was in Naples at that time, wrote, the project involved an agreement between «four or five Houses, including one or two of the country's most important, one of which (the *Società di Assicurazioni Diverse*) had never previously undertaken any risky enterprise...». The four or five Houses had agreed to the creation of the Bank with a capital of six million ducats, that is 25,500,000 lire at an exchange rate of 4.25 lire per ducat as stipulated by the unitary government. They had further agreed to purchase a third of the shares for themselves, to place another third in banks and credit institutions in other parts of Italy and lastly to sell the remaining third in the South of Italy, on the condition that they themselves would answer for any outstanding shares¹⁰.

⁸ Cf. R.P. Coppini, «Banche e speculazioni a Firenze nel primo ventennio unitario» in *Quaderni Storici*, n. 32, Maggio-agosto 1976, p. 589.

⁹ *Cit.* in Conte, *op. cit.*, p. 239.

¹⁰ *Cit.* in C. Cavour, *La liberazione del Mezzogiorno e la fondazione del Regno d'Italia*, Bologna, Zanichelli, 1954, vol. V, pp. 92-93.

The Sardinian Bank, henceforth National Bank, realised that the successful implementation of such a plan would «obstruct the creation of a single bank in the new kingdom». So it sent its own Director General, Bombrini, and its Deputy Chairman, Rossi, to Naples in order to decide on the action to take¹¹.

Meanwhile, the initiative to set up a private bank had also aroused the Bank of the Two Sicilies and before he became Finance Minister in Farini's deputy government for the south Italian mainland (the *Consiglio di luogotenenza* as it was known) Scialoja had already revealed to the promoters of the projected bank the difficulties «in granting permission to set up a private bank alongside our public bank and discount bank (that is, the Bank of the Two Sicilies or the Bank of Naples), which now also (belonged) to the government».

While he believed that the Bank of the Two Sicilies and the Discount Bank (*Cassa di Sconto*) might eventually close, Scialoja had to acknowledge the fact that «for the time being they render an important service and are part of our financial machine». He expressed this opinion to Cavour, who insisted on the superiority of a single banknote and on the propriety of granting the National Bank the faculty to issue it. Moreover, according to Scialoja, the fact that Cavour had already formally committed himself to allowing the National Bank to open a branch in Naples had induced those Houses which had still not subscribed to the project for a private issuing bank in Naples to do so. Scialoja concluded that «at present all the largest Neapolitan and foreign houses in the city have subscribed to the contract and the minor ones have taken an interest in it»¹².

On returning to Turin, Bombrini and Rossi reported that the situation in Naples was hardly congenial to the opening of a branch there. Moreover, in a letter to Cavour, Scialoja had himself written that «Naples is very different from Turin and those who are not acquainted with it cannot have a very precise idea of the place, not

¹¹ Conte, *op. cit.*, p. 239.

¹² Scialoja to Cavour, Naples, 17 December 1860, in Cavour, *La liberazione ecc.*, *op. cit.*, p. 93.

even Count Cavour»¹³. However, according to L. Conte, Bombrini and Rossi came back from Naples with the impression that three distinct possibilities existed.

The first was that the National Bank became the sole bank with offices and branches in the southern provinces as elsewhere, taking over the credit facilities and other services offered by the Bank of the Two Sicilies, which was to be liquidated. However the National Bank dismissed this possibility since it had no wish to take over the *Monte dei pegni* (Pawnbrokers Bank) which was run by the Neapolitan bank.

The second was that the National Bank became the sole issuing bank while the Bank of the Two Sicilies collected deposits, traded in government bonds and certificates and offered credit under pledge. This solution earned the approval of Cavour and the National Bank, which proposed issuing 60 thousand new shares, 40 thousand of which were to be offered to shareholders of the Bank, while 5,000 were to be sold publicly in Naples and 5,000 in Sicily¹⁴.

The third possibility was that there should be a plurality of credit institutions and issuing banks in the southern provinces¹⁵. This solution was favoured by Scialoja who, as an advocate of liberalism, opposed any form of monopoly.

The proposals were discussed throughout the first six months of 1861, with requests for opinions, proposals and counter-proposals, despite the Bank of the Two Sicilies' natural objection to the idea of a single bank in the guise of the Sardinian Bank. But with Cavour's untimely death in July 1861 and the very unsettled state of public finance, the question was put aside, and the Sardinian Bank was restricted to opening branches on the southern mainland and on the islands¹⁶. Thus the first round ended with the victory of the Bank of

¹³ *Ibidem*.

¹⁴ Cf. D. Demarco, «Una pagina di storia bancaria italiana: la espansione territoriale della Banca nazionale Sarda e i tentativi di soppressione del Banco di Napoli (settembre 1860-aprile 1863)» in *Archivi Storici delle Aziende di Credito*, Roma, ABI, 1954, p. 151.

¹⁵ Conte, *op. cit.*, p. 241.

¹⁶ Conte *op. cit.*, p. 244.

the Two Sicilies which was renamed Bank of Naples in 1861; that is, with the victory of those in favour of plurality.

2. — Unable to adopt the name of Bank of Italy, the Sardinian Bank had to content itself with that of National Bank in the Kingdom of Italy (*Banca Nazionale nel Regno d'Italia*), but it did not relinquish its objective. Convinced that ideological and political reasons rather than technical and economic considerations had influenced the outcome, the National Bank carried on in pursuit of its aim and was careful to point out in its official documents, especially in its annual reports, that the government had agreed on several occasions as to the usefulness in creating a single issuing bank, particularly as a condition for reinforcing the political unity which had been recently achieved. This opinion had been expressed not only by Cavour but also by Pepoli when he acted as Minister for Agriculture, Industry and Trade in 1862, and by Manna who succeeded Pepoli in 1863¹⁷ and who had engineered the approval of the Bank of Naples' Charter. With this Charter, the bank ceased to be a branch of government administration as it had been under the Bourbons, and became a bank in its own right¹⁸.

The repeated declarations by ministers in favour of a single bank were connected to the negotiations the National Bank had opened with the Tuscan National Bank regarding a merger between the two banks. Such negotiations were hardly likely to be speedily concluded, given the intrinsic difficulties involved in the project; in order to overcome them the government intervened and produced its own merger project for the creation of the Bank of Italy, which was presented by Manna himself to Parliament in August 1863¹⁹.

The government's intervention did not, however, remove the underlying differences of opinion between the two banks. These were not just over the role that the future Bank of Italy was to perform in

¹⁷ Cf. Di Nardi, *op. cit.*, pp. 47-50.

¹⁸ L. De Rosa, *Storia del Banco di Napoli Istituto di emissione nell'Italia Unita*, (Naples, 1989), vol. 1, p. 5.

¹⁹ Atti Parlamentari (A.P.), Senato, Legislatura VIII, Sessione 2, *Documenti*, Fondazione della Banca d'Italia (Ministero di Agricoltura), 3 agosto 1863.

the country's economy, that is to say, whether it was only to take care of big business and demand three signatures for discounting bills (as the National Bank argued) or whether it should look after the interests of smaller firms and demand only two signatures (as the Tuscan Bank argued). There was also a power conflict concerning the tasks and the role of the proposed bank's branches and their governing boards. The ministerial project embodied the Tuscan Bank's view favouring the decentralisation of power as opposed to the view held by the National Bank which was against ceding too much power to local branches with the risk of undermining the central bank's control.

There was also disagreement about the procedure to adopt for the appointment of the governor and vice-governors; the Tuscan Bank proposed leaving the decision entirely in the hands of the government while the National Bank insisted that, at the most, the government was to choose from a list of names put forward by the shareholders's meeting etc..

In this controversial climate, in which differences of opinion were being aired openly²⁰, Manna's project was hardly likely to succeed and to lead to the creation of a single bank. After receiving numerous amendments in the Senate²¹, the bill had returned to the Chamber of Deputies, where it was neither debated nor approved²².

Yet this first defeat did not discourage the political group then holding power from taking further action and another attempt was made two years later by the Minister Sella, who brought the two Banks together again for negotiations and got them to make an agreement which afterwards formed the basis of a new bill.

²⁰ Cf., in favour of the *Banca Nazionale's* position, G. Boccardo, *La banca d'Italia*, Genoa, 1863; and for the Tuscan Bank's viewpoint, *La nuova Banca d'Italia e i suoi oppositori*, Turin, 1863 and G.B. Castellano, *Sulla fusione della Banca Toscana colla Sarda. Discorso letto nell'Adunanza generale degli azionisti toscani del 9 febbraio 1865*, Florence, p. 4.

²¹ A.P. *Senato*, Legislatura VIII, Sessione 2, *Discussioni*, 29 febbraio, 1-5, 7-11, 14-19, 21 marzo 1864.

²² A.P., *Camera dei Deputati*, Legislatura VIII, sessione 2, *Documenti*, 18 aprile 1864, Fondazione Banca d'Italia (Ministro di Agricoltura Manna), p. 1448, Relazione della Commissione (Relatore Broglio), 11 luglio 1864, p. 1458.

3 — The bill was presented to the Chamber on 13 March 1865²³. Like Manna's bill, it envisaged the obligation to advance the government 40 million lire at 3% and to take over the provincial treasuries. The only difference was that the governor was to be appointed by the board of directors instead of being chosen by the government which was to appoint only the inspectors.

Unlike the previous attempt, Sella's bill appeared to have a good chance of success, especially since Italy's capital had been moved from Turin to Florence in 1864, where the National Bank had moved its head office. Moreover, to show its willingness to become the Bank of Italy, under government authorisation it had increased its capital from 40 to 100 millions by issuing 60 thousand shares, 12,500 of which were to be sold in the southern provinces.

Meanwhile, the agreement between the two Banks and the speeding up of merger operations had prompted the Bank of Naples to act. It put pressure on Sella so as to prevent him from assigning the future Bank of Italy all treasury functions and to get him to assign those of the southern provinces to the Bank of Naples, which was to carry on granting the government a loan of 20 millions at 3%.

The Naples' bank feared that the passing of the bill would lead to a fall in the volume of its own paper currency: since the new bank was to be responsible for collecting government revenue and for covering its expenditure, it would have the opportunity to circulate its own paper everywhere and to eliminate the paper issued by the Bank of Naples. In other words, if the bill passed it would be like the sounding of the death knell for the Neapolitan bank²⁴.

Sella, however, was fairly evasive in his response, and maintained this evasive attitude when the Bank of Naples made further appeals to him. Indeed he pointed out that since the bank had recently taken over land credit, this was hardly compatible with treasury operations. He refused to alter his position when the bank reminded him of its

²³ A.P. *Camera dei Deputati*, Sessione 2, *Documenti*. Istituzione della Banca d'Italia (Ministro delle Finanze Sella), 13 marzo 1865, p. 1463.

²⁴ L. De Rosa, *op. cit.*, p. 69 *et seq.*

favours to the government and when it threatened not to take over land credit operations. Far from relaxing his attitude Sella was quick to liquidate all the bank's hopes, responding that the best way to achieve the objectives that had been set was to centralise treasury operations through a bank which covered the whole country and not through one, like the Bank of Naples, which operated in only 16 provinces²⁵.

Sella deliberately delayed his reply until after he had already approved the merger agreement signed between the two banks on 11 October with a Royal Decree dated 23 October 1865 and another, of the same date, granting the National Bank (and the Bank of Italy which was to afterwards take its place) treasury functions for the whole country²⁶. While the decrees were being presented to the Senate for ratification, Sella sought to lessen the discontent and hostility of the Bank of Naples by tentatively suggesting that through an agreement with the National Bank the Neapolitan bank's paper currency could carry on being used in government payments. However, although the Bank of Naples was favourable to the concession, it was speedily rejected by the National Bank²⁷.

At this point, despite the fact that the Senate had already approved the bill on 18 December 1865²⁸, the Neapolitan Bank got one of its supporters, the Hon. Nisco, to intervene in Parliament and to request a formal debate before the Treasury functions were assigned definitively.

Nisco found Parliament well disposed to listen to him on account of the widespread hostility towards the government's fiscal policy, and the Chamber of Deputies, with the support of pro-government groups as well, voted to suspend the decree. Finding himself in a minority, Sella resigned from the government²⁹.

²⁵ Sella to the Managing Director of the *Banco di Napoli*, Florence, 8 Nov. 1865, in *Archivio Storico Banco di Napoli (A.S.B.N.)*, busta 1107/2436.

²⁶ L. De Rosa, *op. cit.*, p. 72.

²⁷ *Ibidem*, pp. 73-74

²⁸ A.P. *Senato*, legislatura IX, Sessione 1, *Discussioni*, 15, 16 and 18 Dec. 1865.

²⁹ A.P. *Camera dei Deputati*, Legislatura IX, Sessione 1, *Discussioni*, 19 Dec. 1865, pp. 383-405.

Sella was replaced by Antonio Scialoja, despite being favourable to the Bank of Naples, he lost no time in reintroducing Sella's bill, which had lapsed following Sella's resignation, assigning the National Bank treasury functions. The bill was presented to the Senate on 24 January 1866, and notwithstanding the intervention of groups in favour of plurality, it was quickly approved³⁰. On 5 February 1866 it was presented to the Chamber of Deputies³¹. Meanwhile the Bank of Naples kept up its campaign in the Chamber to secure treasury functions in the southern provinces³².

Caught between the exhortations of the deputies who were in favour of the National Bank and those of the supporters of the Bank of Naples, the Chamber wavered and debate over the bill stalled. The Committee entrusted with examining the bill met on 10 March to little purpose. Meanwhile the worsening of the economic situation, the signing of the treaty of reciprocal military assistance with Prussia and the introduction of fiat money on 1 May 1866, meant that the bill approved by the Senate was hardly desirable at that moment, particularly since the government needed the support of all the issuing banks in the country, including the Bank of Naples.

4. — While the struggle for the bill which was to lead to the creation of the Bank of Italy was going on, the National Bank adopted a further strategy for furthering its aims and set about undermining the Neapolitan bank by consuming its reserves. Since the amount of banknotes issued was fixed at three times the amount of reserves, it was evident that a fall in reserves would signify a fall in the amount of paper currency.

Between the end of 1865 and the beginning of 1866 the National Bank accumulated 12 million lire in *fedi di credito* expecting the Bank of Naples to change at least 9 million lire into metallic money

³⁰ A.P., *Senato*, Legislatura IX, Sessione 1, *Discussioni*, 24-31 Jan., 1 Feb. 1866, for the approval, p. 215.

³¹ A.P., *Camera dei Deputati*, Legislatura IX, Sessione 1, *Documenti*, n. 55 (15 Feb. 1866). Approvazione della convenzione 23 ottobre 1865 pel passaggio del Servizio di Tesoreria alla Banca Nazionale (Ministro delle Finanze Scialoja).

³² L. De Rosa, *op. cit.*, vol I, p. 72 *et seq.*

immediately. Yet the latter had already changed 3 million lire into gold and made a request to pay off the difference in monthly instalments³³, a proposal which, under pressure from the government, the National Bank was forced to accept.

In taking this action, the National Bank was not only driven by the wish to reduce or even to eliminate the Neapolitan Bank's currency but also by the need to procure as much metallic money as it could in view of the fact that it was continually forced to make foreign payments in gold and silver. And what better way of doing this than to tap the reserves of other issuing banks, especially the Bank of Naples, which seemed to have the most abundant supply?

One of the methods chosen by the National Bank for doing this was to purchase large quantities of government stock in the north (Genoa, Turin, Milan etc.) with its own banknotes and then to resell it in Naples in exchange for *fedi di credito*, demanding their payment in cash either in Naples or Sicily. When the government intervened and prevented the National Bank from appropriating most of the Neapolitan bank's reserves, it tried to get round the government's restriction by drawing on the reserves indirectly through the Bank of Sicily. This was possible owing to an agreement between the Neapolitan and Sicilian Banks (of which the National Bank was fully aware) by which both banks accepted each other's paper, without, however, the obligation to make cash payments in exchange.

Thus the 12 million lire that the National Bank had collected in *fedi di credito* at the end of 1865 was presented for payment in Palermo at the Bank of Sicily which was obliged to accept them and to transfer them to the Neapolitan bank, in return for metallic money.

Faced with the threat of an indirect attack on its reserves the Bank of Naples suspended its exchange arrangement with the Sicilian bank and henceforth the two banks refused to accept each other's *fedi di credito*³⁴.

³³ L. De Rosa, *Il Banco di Napoli Istituto di emissione nell'Italia Unita*, (Naples, 1990), vol. II, p. 204 *et seq.*

³⁴ *Ibidem*, pp. 65-66.

5. — A further step towards the creation of a single bank was taken with the introduction of fiat money, for which the National Bank was granted the sole right of issue. This is not the place to dwell on the reasons which prompted the government to adopt fiat currency. What needs to be stressed is that as a result of the measure the National Bank gained a clear advantage over other banks, enabling it to increase its own paper currency without worrying about reserves and to drain the reserves of the other banks, since it was now possible to go to any bank and exchange banknotes either for metallic money or for banknotes issued by the National Bank. Following the Royal Decree (R.D.) of 2 May 1866 (n. 2874) the other banks were obliged to exchange banknotes of the National Bank corresponding to a twelfth of the value of banknotes which constituted the sum of metallic money changed into banknotes of the National Bank. In the case of the Bank of Naples, it was obliged to pay out 305,000 lire daily.

Even though the two southern banks circulated paper in the manner of joint-stock banks — that is, issuing banknotes of a fixed denomination (including those of low value) which could circulate freely without the need for endorsements and without other restrictions — the obligation to pay out even 305,000 lire daily proved onerous. Thus the Bank of Naples and the other smaller banks protested against the measure and constantly lobbied the political representatives of the regions where they operated to bring the question before Parliament.

The right-wing party that was in power at the time of Unification (the *Destra Storica*), had in fact been severely attacked for introducing fiat money, even though, afterwards, the parliamentary committee set up to examine the issue concluded that it would have proved disastrous had it been introduced during the war with Austria. Nonetheless the other five issuing banks (in 1870 the two Tuscan banks and the two southern banks were joined by the *Banca Romana* after Rome's annexation to the Kingdom of Italy) continued to complain about the National Bank's privilege. Their grievance was added to the general discontent in the country and in Parliament

caused by the government's stringent financial policy with cuts in public spending and tax increases, which led to a fall in employment levels and in the standard of living. Moreover the situation was made worse by the grave international economic crisis which occurred towards the end of 1873.

Since it was very near to eliminating the budget deficit and to achieving the goal it had set itself, the government decided that it would try and accommodate the demands of a large part of the opposition, particularly in the southern regions, by nationalising fiat currency and putting the national bank on a par with the other five issuing banks. This decision gave rise to a law, issued on 30 April 1874, which created a Consortium with direct responsibility for issuing fiat money and set a ceiling on its circulation. At the same time the six issuing banks were subject to new rules which anchored their issuing faculty to three times the capital and to three times the currency in circulation. Moreover, in view of mounting opposition in the south, in order to show that it acted more benevolently towards the southern banks and to compensate for the damage caused by the National Bank's actions, the government agreed that, for the purposes of issue, the Neapolitan and Sicilian banks increase their nominal equity capital by 50% immediately, giving them 10 years to build it up. Yet this concession failed to eliminate or even to narrow the advantage that the National Bank held over the other issuing banks, including the southern banks.

The 1874 law allowed the six issuing banks to issue banknotes in any province where they had a branch or where a local bank acted as their agent, making it possible to overcome the regional limitations of the issuing system. Although not all the issuing banks took advantage of this faculty, by setting up branches or appointing local agents, some of them, like the Bank of Naples, were able to overcome their mediaeval banking structures.

In these circumstances, the single bank issue seemed to have been permanently closed. With extreme frankness, the contemporary economist Francesco Ferrara wrote that to consider it «would [have been] clear folly», adding that «Florence, Rome, Naples and Palermo can hardly be expected to be willingly deprived of their institutions, in

which the right to issue in one form or other is embodied as an established fact, safeguarded and protected by the credibility of their contracts, the authority of the law and, what is more, by the consensus of the population to which they rendered and render important services. Italians are no longer free to choose between the two systems, plurality or unity; nowadays it is absurd to speak of unity»³⁵.

6. — The debate over plurality or unity returned as a fundamental issue in the very serious credit crisis of the period 1888-1894, following the housing crisis in the second half of 1887 and the agricultural crisis which broke out in 1888, after the customs breakdown with France.

The immobilisation of capital, the suffering and the bankruptcies caused by the crisis, which deeply affected the credit system in general and claimed a host of victims among saving banks and mutual savings banks, had serious repercussions for the issuing banks. A government inspection in 1889 drew attention to the currency surplus and also raised doubts about the conduct of one of the issuing banks, the Roman Bank (*Banca Romana*). As a result of this inspection, which was never made public, and of the rumours concerning it — especially those concerning the Roman Bank — the debate about how to reform the banking system and organise bank issue was rekindled.

As in the past, the press and experts took sides. Elsewhere I have indicated newspaper writings and the authors who took part in the debate as well as the interests they represented. Above all I have shown that the National Bank was the main supporter of unity while the Roman Bank led the campaign on behalf of plurality, sometimes alone, sometimes in tandem with smaller banks³⁶. Yet, the campaign carried on in pamphlets, books and newspapers was secondary to that which was carried on in Parliament.

Here, proposals for changing the issuing system were scarcely

³⁵ F. Ferrara, «La questione dei Banchi in Italia» in *Nuova Antologia*, Nov. 1873, p. 627.

³⁶ L. De Rosa, *Il Banco di Napoli istituto di emissione nell'Italia Unita*, (Naples, 1990), vol. II, p. 204 *et seq.*

new. They had first appeared after the abolition of fiat money, an event which had raised many hopes. A bill proposing the reorganisation of issuing banks was presented as early as November 1883³⁷. Apart from reinforcing the positions of the National Bank and the Bank of Naples, it proposed setting up other issuing banks as opposed to creating a single bank or to keeping the existing ones. However this project was abandoned because of the unfavourable reaction it caused among the existing issuing banks and among experts.

Another attempt, which was more directed at increasing currency to respond to the country's credit needs rather than at changing existing laws, followed with the R.D. of 30 November 1884 (n. 2857), although once again it had little effect. Neither did the bill presented by the Ministers Grimaldi and Magliani on 19 Novembre 1887 really aim to renew the existing issuing regime³⁸: by proposing the abolition of fiat money and establishing that any issuing bank unable to guarantee the exchange of banknotes should forfeit its right to issue, the authors gave good reason to believe that the underlying intention was to set up the Bank of Italy and to opt for a single bank. Whether such an intention was real or merely presumed, the effect was to rally opinion around two broad groups: one in favour of the bill and the other against it. However the sharp conflict between the National Bank and the smaller banks, which emerged clearly from the debate, led to the withdrawal of the bill³⁹.

It was quite evident that the principal objective of the bill to restrict bank circulation — ran counter to the effective financial needs of the country as a result of the economic crisis. Thus, while during the period of right-wing rule the conflict over the choice of issuing system was fought out between the government and the country, under left-wing rule a conflict emerged within the government itself:

³⁷ A.P., *Camera dei Deputati*, Legislatura XV, Sessione 1882-86, *Documenti*, n. 154, Ordinamento degli Istituti di emissione (Ministro dell'Agricoltura, Industria e Commercio, Bertè), 26 Nov. 1883.

³⁸ *Camera dei Deputati*, Legislatura XVI, Sessione 1887-88, *Documenti*, n. 12 (Ministro di Agricoltura, Grimaldi e Ministro delle Finanze, Magliani).

³⁹ L. De Rosa, *op. cit.*, vol. II, p. 73 *et seq.*

some ministers expressed concern for the country's economic plight and upheld the view that the issuing banks should help rescue struggling businesses, while others were more worried about currency and the fact that, although it had been officially abolished, fiat money was, to all intents and purposes, still being issued.

The divergence of opinion emerged very clearly in 1889 when Crispi was Prime Minister and Miceli Finance Minister. The latter advocated plurality and wanted to restrict the role of the National Bank and to increase the influence of smaller banks. Crispi was of the opposite view and the plan for a single bank began to take definite shape.

The bill which Miceli presented to the Chamber of Deputies on 22 June 1889⁴⁰ and which also carried the name of Giolitti, the Treasury Minister, fully reflected Miceli's position and reduced the National Bank's share of total bank issue from 60 to 57%. The latter was naturally hostile to the measure. It was equally hostile to the proposed new rules regarding the exchange of notes between the National Bank and the other five issuing banks. These would have made the National Bank a constant creditor as far as the others were concerned since the bill envisaged reducing the interest on the sums it advanced to the other banks from 5.50 to 2%. In view of such resistance, and of the resistance of many smaller banks which protested about the proposal to increase the level of reserves to 40% of currency, the bill made little progress and was passed over to a committee where it underwent a thorough amendment⁴¹.

In the early months of 1890, while the Parliamentary Committee examined Miceli's bill, Crispi gave the economist Francesco Ferrara the task of drawing up a bill for the creation of a single issuing bank. At the same time he had talked with the National Bank and the Tuscan National Bank with the aim of getting them to merge. He

⁴⁰ A.P., *Camera dei Deputati, Legislatura XVI, Sessione 3, Documenti*, n. 125 (22 June 1889), Riordinamento degli Istituti di emissione.

⁴¹ De Rosa, *op. cit.*, vol. II, pp. 144-147.

actually succeeded in getting the two banks to sign an act of compromise and the manager of the Tuscan Bank began to press for agreements with other banks⁴². However at the beginning of February 1892 Crispi's government fell and the bill was shelved.

The Rudini-Luzzatti Cabinet which replaced Crispi's thought it expedient not to intervene and rejected the two major proposals in favour of unity or plurality, adopting an intermediate solution which guaranteed the individuality of the existing banks while securing the advantages of a unified issuing system. In this way the idea began to circulate that Luzzatti, the new Finance Minister, was aiming to set up a banking consortium which would be given special powers over the single banks. However no official project was presented and Luzzatti hesitated to introduce even such a moderate reform of the existing system⁴³.

In response to the worsening economic situation and to the increase in currency issue, however, there was mounting pressure on the government to carry out a reform of the banking system and while Luzzatti continued to procrastinate, those in favour of the single bank solution took action in order to force the government's hand. In February and March of 1892 merger negotiations were held between the shareholders of the Tuscan National Bank and those of the Tuscan Bank of Credit (*Banca Toscana di Credito*), following on from the talks already began in January 1891, and on 26 March the merger plan was approved by the respective share-holder meetings⁴⁴.

In view of such action, which seemed quietly to prelude the creation of a single bank, Luzzatti dropped all hesitation and on 1 April 1892 he presented his bill to reform the issuing system.

The bill aimed to restore order among the issuing banks and to subject them to greater control through the creation of a Consortium which all issuing banks could join while still keeping their own individuality and faculties as far as the law allowed. The Consortium

⁴² *Ibidem*, vol. II, pp. 212-213.

⁴³ *Ibidem*, pp. 292-293.

⁴⁴ *Ibidem*, pp. 298-299.

was conceived as a means of reciprocal control, a way to remove abuses and a forum for making proposals to the government about general banking policy. It was to be bestowed with official treasury functions. In addition the government would appoint its own functionary to the Consortium, the Comptroller of the Currency (*Controllore della circolazione*)⁴⁵, who was to act as official syndic and to keep a constant check on the banks' situations. Bank issue was once more to be anchored to metallic reserves and kept separate from capital which was to be fixed at the existing level. Overall, rather than restructuring the country's issuing system, the Rudini-Luzzatti bill aimed at short-term measures to respond to the economic crisis. Banking reform was seen essentially as a means to stimulate the country's economic recovery.

When Rudini resigned and was succeeded by Giolitti in May 1892, Luzzatti's bill was abandoned although there were pressures on Giolitti from various quarters to carry out reform. However: when urged publicly to do so in June 1892, Giolitti responded «our currency problems [required] different solutions... restoring public finance.....increasing employment and exports»⁴⁶.

But in October 1892, Rattazzi, Minister responsible for the Royal Household, directly intervened and reminded him that «today the currency and agio question is the *porro unum necessarium* and [Giolitti] [would] perform a highly useful and political service by addressing the problem with all his energy...»⁴⁷.

Yet Giolitti was hesitant in response to calls to set up a single bank, either by adopting the National Bank or by setting up a completely new institution, which was also a possibility. He was similarly cautious over the proposal to make the National Bank the sole

⁴⁵ The office of Comptroller of the Currency existed in the United States and it appears that Luzzatti was aware of this. On the *Comptroller of the Currency* see R.M. Robertson, *The Comptroller and Bank Supervision. A Historical Appraisal*, (Washington D.C., The Office of the Comptroller of the Currency, 1968), pp. 2 et sequens.

⁴⁶ A.P., *Senato, Legislatura XVII*, 1 sessione 1890-92, *Discussioni*, 15 June 1892, pp. 3069-3073.

⁴⁷ Rattazzi to Giolitti, Monza, 25 October 1892, in Archivio Centrale dello Stato (A.C.S.), Carte Giolitti, b.a 2 fasc. 33.

issuing bank for the whole country, while leaving the two southern banks the privilege to issue in their respective provinces, like the Bank of Scotland in Great Britain⁴⁸.

When the General Election finally took place in November 1892, the results proved to be extremely favourable for Giolitti who secured a large majority in the new Chamber. Therefore on 20 November he got the Cabinet to approve a bill which opposed legal recognition of the merger between the two Tuscan banks and preserved existing banking laws for another six years, to give time to the banks to rise above from the difficulties caused by the immobilisation of their capital.

On 6 December the bill (signed by the two ministers La Cava and Grimaldi) was presented to the Chamber but aroused dissatisfaction among the very issuing banks it claimed to be helping. At the same time the two Tuscan banks presented a petition to Parliament to get their merger recognised⁴⁹.

On 19 December, after the attacks in the press and the rumours about the question that the Hon. Colajanni intended to raise in the Chamber on 20 December, Giolitti withdrew the bill and replaced it with one that extended the existing banking law for another three months.

What followed is widely-known. Colajanni's intervention prompted Giolitti to authorise a government inspection under Senator Finali, in order to avoid having to accept a parliamentary enquiry which was urged by Colajanni and his friends. The inspection was carried out on 10 January 1893 and revealed the difficult circumstances of the six issuing banks and above all the irregularities caused by the Roman Bank's duplicating its issue of banknotes. In January 1893 and without further ado, as soon as news about the results of the inspection began to spread, the government authorised the merger of all joint-stock issuing banks, including the Roman Bank, into a new institution — the National Bank of the Kingdom of Italy

⁴⁸ L. De Rosa, *op. cit.*, vol II, pp. 314-35.

⁴⁹ *Ibidem*, p. 322.

— obliging it to increase its capital to guarantee the currency. Parliament was then expected to reject, sanction or amend the measure, but in the meantime government action had served to secure public credit.

In the first three months of 1893, Giolitti set about designing a bill to reform the banking system which took account of the merger trend among joint-stock issuing banks and which would lead to the creation of the Bank of Italy.

By the Middle of March 1893 the bill had been drafted and was ready to be presented to the Chamber on the 22nd of the same month. The Bank of Italy, which grew out of the merger between the National Bank and the two Tuscan Banks, was given the task of liquidating the Roman Bank. Then, together with the two southern banks, it was granted the privilege of note issue for twenty years which was to begin as soon as the law was promulgated.

I will not dwell on the details of the bill's progress before it became law nor on the changes it underwent and the action carried out by the various banks to safeguard their vested interests since I have fully dealt with all these aspects elsewhere⁵⁰. Here I merely wish to point out that the struggle for a single bank, with the promulgation of the law on 10 August 1893 (n. 440), certainly had a point in its favour by reducing the number of issuing banks from six down to three. Yet, as the editor of the *Gazzetta Piemontese*, the Hon. Luigi Roux, remarked in a letter to Giolitti, this first step did little to restore the country's critical monetary and credit situation. The only advantage was that by cutting down the number of issuing banks to three, «whereas before there were six banks in need of treatment and rehabilitation, now there (were) only three, which were none the less very sick»⁵¹.

⁵⁰ *Ibidem*, p. 369-399.

⁵¹ Roux to Giolitti, 17-1-1893 in A.S.C., Carte Giolitti, b.a 3, fasc. 37.

