

## **FEATURES AND PROBLEMS IN THE CONSTRUCTION OF THE POSTUNITARY ITALIAN BANKING SYSTEM/CARACTERÍSTICAS Y PROBLEMAS EN LA CONSTRUCCIÓN DEL SISTEMA BANCARIO POSTUNITARIO ITALIANO**

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### **Resumen**

El estudio de la evolución de la economía italiana experimentó, en los últimos años, nuevas hipótesis interpretativas basadas en el uso de series de datos históricos más actualizadas. Estos han llevado a los investigadores a reconsiderar, especialmente teniendo en cuenta un punto de vista a largo plazo, el camino seguido en Italia al unirse al sistema económico mundial. Por eso, la historiografía italiana e internacional se ha esforzado en resaltar los elementos más favorables, así como los límites y las contradicciones que acompañan al robusto crecimiento que Italia experimentó durante los últimos 150 años. Todo esto comenzó para Italia, bien avanzado 1800, al asumir los mecanismos productivos de la segunda revolución industrial, ya evolucionados durante la Golden Age. Para entender completamente este camino es necesario integrar, siguiendo un enfoque comparativo, sistémico e interdisciplinario, el análisis del comportamiento de algunos sectores industriales específicos con los llamados prerrequisitos del sistema para el desarrollo incluyendo, y en una posición importante, la construcción del mercado financiero y la conformación del sistema bancario. Y dentro de tal contexto, estudiando el período entre la unificación de Italia y el "fin de la crisis del siglo", da la impresión particularmente importante, ya que es durante esta fase, que algunas de las líneas a través de las cuales el modelo de Italia utilizó para unirse al proceso de la Segunda Revolución Industrial ya estaban diseñadas. Tal situación pondrá a prueba las futuras reformas, como un preludio del despegue de Italia durante la era Giolittiana.

Esta contribución tiene la intención de poner de relieve algunas de las características de la conformación del sistema bancario italiano en el marco de la construcción de la nación italiana, entre 1861 y 1893. Con el fin de hacer esto, además de ofrecer un análisis de la situación política, económica y financiera de ese momento, se examina la trayectoria, los usos y los movimientos de capitales, partiendo de los movimientos financieros registrados entre el final de la década de 1860 y principios de la década de 1870, entre el centro-norte de Italia, Alemania y Austria, e incluyendo las actividades de la banca Tiberina, con sede en Roma como uno de los protagonistas principales del creciente fenómeno de unión bancaria y empresarial

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durante ese periodo. Por lo tanto, este trabajo no sólo se centra en la moraleja resultante de la experiencia de Banca Tiberina (algo bien conocido en la historiografía económica, sobre todo cuando al examinar el final de la crisis del siglo), sino más bien en las tres décadas anteriores completas, desde el principio hasta la fase de expansión.

Por ello, surge un nuevo marco, esforzándose en destacar los principales rasgos de las características políticas, sociales y económicas de Italia, con los eventos sólo aparentemente de origen local, y entre ellos y la evolución del sistema bancario tras la unificación italiana.

**Palabras clave:** Historia económica; Sistema bancario europeo; Historia financiera; Historia de Italia.

### Abstract

The study of the evolution of Italian economy experienced, in recent years, new interpretive hypotheses, themselves based on the use of more updated series of historical data. The latter have brought scholars to reconsider, especially taking long-term viewpoints into account, the path Italy followed in joining the global economic system. Therefore, both Italian and international historiography have striven to highlight the most favorable elements, as well as the limits and the contradictions accompanying the nevertheless robust growth Italy experienced during the last 150 years. All this began for Italy as it joined, during the later 1800s, the productive mechanisms of the Second Industrial Revolution, fully maturing during the Golden Age. To fully understand such a path it is necessary to integrate, following a comparative, systemic and interdisciplinary approach, the behavioral analysis of some specific industrial sectors with the so-called system prerequisites to development including, and in an important position at that, the construction of the financial market and the shaping of the banking system. Within such a context, studying the period between the Unification of Italy and the "end of the century crisis" appears particularly important, as it is during this phase that some of the lines through which the model Italy used to join the process of the Second Industrial Revolution were shaped. Such a situation will challenge the future reforms, themselves a prelude to the takeoff Italy experienced during the Giolitti era.

This contribution intends to highlight some features of the buildup of the Italian banking system within the framework of Italian nation building, between 1861 and 1893. In order to do that, besides offering an analysis of the political, economic and financial situation of the time, it examines the path, the uses and the crossings of capital which, starting with the financial movements recorded between the end of the 1860s and the beginning of the 1870s between the Centre-North of Italy, Germany and Austria and then pouring into the activities of the Banca Tiberina, based in Rome and one of the main protagonists of the growing phenomenon joining banks and companies during that time. Therefore, this work of mine does not only focus on the descending parable the Banca Tiberina experienced (something well known in economic historiography, especially when examining the end of the century crisis) but rather more on the whole three previous decades, from the beginning to the expansion phase.

Therefore, a composite framework emerges, striving to keep the features of the political, social and economic features of Italy with those events being only apparently local and between these and the evolution of the banking system after the Italian Unification.

**Keywords:** Economic history; European banking system; Financial history; Italian history.

## 1. The construction of the Italian banking system within the nation-building framework of the second half of the 1800s

The study of the evolution of Italian economy has experienced several new interpretive hypotheses, themselves based on more updated historical series<sup>2</sup> bringing with them a long-term reconsideration of Italian history, also taking the changes in the global geoeconomic situation into account, especially for the international framework of the value chain. The very same uncertainties were experienced by the Italian economy between the last decade of the 1900s and the beginning of the 21<sup>st</sup> Century<sup>3</sup>. Therefore, a new consideration of the process underlying the connection Italy had with the center of the global economic system. This connection began during the second half of the 1800s, when Italy joined the Second Industrial Revolution and its industrial process. Such an action fully matured during the *Golden Age*. Therefore, historiography, both on the Italian and the international level, highlighted those elements making the “connection” Italy had with the more industrialized countries, as well as the limits and the structural contradictions underlying the growth Italy experienced during the last 150 years, albeit it has been a robust one<sup>4</sup>.

In order to understand the main features of such a path, it is always necessary to integrate, in an international, comparative framework, the behavioral analysis of specific industrial sectors with that of the so-called system prerequisites to development. This should create an interdisciplinary and systemic understanding, itself helped by economic history, due to its methodological nature. Within such a context, studying the period between Italian Unification and the “End of the Century crisis” appears particularly important as it is during this phase that some of the lines along which the model used to connect Italy to the Second Industrial Revolution is built upon are drawn. Some of these lines concern interventions by the State, industry localization and specialization, the contribution of the primary sectors towards these goals, the birth of a “Southern Question” within the Italian national

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<sup>2</sup> For a reconstruction of the historical series of the national economic accounts, please see. A. Baffigi, *National accounts, 1861-2011*, in G. Toniolo (ed.), *The Oxford Handbook of the Italian Economy since Unification*, Oxford, Oxford University Press, 2013, pp. 157-186; Id., *Il PIL per la storia d'Italia. Istruzioni per l'uso*, Venezia, Marsilio, 2015.

<sup>3</sup> G. Sapelli, *Sul capitalismo italiano: trasformazione o declino*, Milano, Mondadori, 1993; P. Sylos Labini, *La crisi italiana*, Roma-Bari, Laterza, 1995; E. Saltari e G. Travaglini, *Le radici del declino economico. Occupazione e produttività in Italia nell'ultimo decennio*, Torino, UTET, 2006; G. Ciccarone e E. Saltari, *Cyclical Downturn or Structural Disease? The Decline of the Italian Economy in the Last Twenty Years*, «Journal of Modern Italian Studies», 2015, 2, pp. 228-244.

<sup>4</sup> Please see T. Fanfani, *La storiografia economica contemporanea in Italia negli ultimi venti anni: problemi e temi dello sviluppo industriale*, in A. Grohmann (ed.), *Due storiografie economiche a confronto: Italia e Spagna dagli anni '60 agli anni '80*, Milano, Egea, 1991; V. Zamagni, *Dalla periferia al centro. La seconda rinascita economica dell'Italia (1861-1990)*, Bologna, il Mulino, 1993; J. Cohen, G. Federico, *Lo sviluppo economico italiano 1820-1960*, Bologna, il Mulino, 2001; P. Bianchi, *La rincorsa frenata. L'industria italiana dall'unità nazionale all'unificazione europea*, Bologna, il Mulino, 2002; P. Ciocca, *Ricchi per sempre? Una storia economica d'Italia (1796-2005)*, Torino, Bollati Boringhieri, 2007; G. Toniolo (ed.), *L'Italia e l'economia mondiale dall'Unità a oggi*, Venezia, Marsilio, 2013; E. Felice, *Ascesa e declino*, Bologna, il Mulino, 2015.

framework and, last but not least, the very creation of the financial market and of the banking system. All of these are elements strictly connected with the process of *national building* Italy faced. The country, also economically speaking, featured times of growth, crisis and strengthening. The reforms enacted during the following years, themselves useful in ushering in the *take off* Italy experienced during the Giolitti era, have to face the “legacy” of the previous decades, as it has been the case with the shift from a multi-centric, fragmented banking system to one featuring a single, strong Central Bank, following the German model<sup>5</sup>.

The main goal of this contribution is to highlight some cornerstones of such a path by examining a known case study, i.e. that of the Banca Tiberina. However, here I am going to analyze it by examining its long-term links with the birth and the evolution of the Italian financial market between 1861 and 1893. Such a reading is possible not only considering the decay the Banca undertook because of the scandals and the bailouts who shook it during the end of the 1800s, but also taking the establishment and ascendancy phases into account, therefore highlighting the links between its starting capital (themselves a legacy of the financial movements recorded in Italy between 1869 and 1874) and the expansion strategies this institution undertook during the 1880s, linked to the changes in the Italian credit and industrial markets, culminating with the well-known bailout attempt by both the Government and the National Bank of the Kingdom of Italy<sup>6</sup>. The analysis of the archive documents concerning both the establishing process and the activities carried out during the years of expansion, as well as its comparison with several sources, both inside and outside this bank<sup>7</sup> allowed to reconstruct the path undertaken by some important financial and industrial issues of investment between 1869 and 1889, envisioning a complex framework joining the reasons for the Italian national economic policies with the local events and the structure of the post-Unification Italian banking system.

And it is precisely because of the importance the credit system gained in Italy as the country shifted from its pre-industrial era to modern economic development, the studies on the

<sup>5</sup> S. La Francesca, *Credito e finanza tra continuità e trasformazioni istituzionali (1861-1993)*, in G. Conti and S. La Francesca (ed.), *Banche e reti di banche nell'Italia postunitaria*, Bologna, Il Mulino, 2000, pp. 11-140.

<sup>6</sup> On the bailout attempt of the Tiberina bank please see A. Confalonieri, *Banca e industria in Italia. 1894-1906. Vol. I, Le premesse: dall'abolizione del corso forzoso alla caduta del Credito Mobiliare*, Milano, BCI, 1974, pp. 138-180; S. Palermo, *La Banca Tiberina. Finanza ed edilizia tra Roma, Napoli e Torino*, cit., pp. 289 and following.

<sup>7</sup> In order to reconstruct the financial movements undergoing between Turin, Florence and Rome during the first postunitary years, the material belonging to the Archivio Centrale dello Stato (ACS), the Italian main State Archive, the sources belonging to the Ministero di agricoltura, industria e commercio (Maic), i.e. the Italian Ministry for Agriculture, Industry and Trade. The following sources have been perused on the specific activities of the Banca Tiberina: the documents belonging to the Archivio Storico della Banca d'Italia (ASBI), the Historical Archive of the Bank of Italy, the Archivio Storico del Banco di Napoli (ASBN), the Historical Archive of the Bank of Naples, as well as the dell'Archivio di Stato di Torino (AST), the Italian State Archive in Turin. For a comprehensive overall analysis (involving all the aforementioned sources), please allow me to mention S. Palermo, *La Banca Tiberina. Finanza ed edilizia tra Roma, Napoli e Torino*, Napoli, Editoriale Scientifica, 2006.

postunitary period have experienced a significant reprise and a new placement within, considering both the analysis of their inner workings (such as the role of the central banks, the establishment of brokerage firms, savings banks, private households and the like) and for the coincidence of their *catching up* path with that of the most developed areas in Europe. Up to now, historiography in the field has considered the comparison with the French and the German systems most of all (respectively concerning the Italian experience in the field of brokerage during the first postunitary years and, after the 1890s crisis, in the establishment of organizational and credit models being more similar to the German ones). In such a context, the main points of difference between the Italian case and the other two credit models will be pointed out as well, starting with the different economic and institutional situation of the three countries considered<sup>8</sup>. In the case of Italy, the establishment of a national banking structure was affected by several factors and events, all based on the difficult situation the newborn Kingdom was weathering. As it is widely known, in the wake of the Italian Unification several difficulties arose, as the country was a mosaic of region-based States, each featuring well-grounded socioeconomic characteristics, sometimes strongly different from each other. Such different economic and institutional conditions require the support of an articulated credit system, even if the use of banknotes is strongly limited. Therefore, during the first part of the Kingdom's banking history (1861-1893) Italy was plagued by cyclical instability and by a banking system involving several central banks having an hybrid role, between ordinary credit banks and lenders of last resort within the system. It is, according to the apt definition coined by Mr. La Francesca, a savings-oriented system, as cooperative banks, postal savings systems, new credit institutions and brokerage companies all grew<sup>9</sup>. In a country that was both young and less industrialized compared to other important European realities, the Italian economic policies of that time (particularly those enacted by the historical Left) involved several forms of support, be it direct or indirect, to development, using expansive policies when it came to monetary actions or to public investments. The attempt to support the modernization process Italy undertook in the earlier years since its unification can be framed within a phase featuring both the beginning of important, capital-intensive paths to industrialization and an economic structure requiring the presence of institutions providing credit to commercial ventures and small enterprises. Therefore, the birth and the coexistence of the first Italian brokering firms and of those credit banks being more attentive to the needs of local markets and the contemporary presence of both such kinds of actions within some of these institutions. Such a process was enhanced by the lower diffusion of shareholding within industrial undertakings, thus making financing by banks a necessity and shaping that *bank-oriented* features of Italian capitalism, confirmed also during those phases sporting greater diversification in the management of industrial companies<sup>10</sup>. Until Prime Minister Giovanni Giolitti who overhauled the system, a significant part of the capital reaching Italy did not find full and direct employ, rather it is

<sup>8</sup> On this, please see in particular A. Polsi, *Alle origini del capitalismo italiano. Stato, banche e banchieri dopo l'unità*, Torino, Einaudi, 1993, pp. 13-44; C. Brambilla, *Grandi banche e sistemi creditizi in Italia, Francia e Germania tra il XIX e il XX secolo*, «Annali di storia dell'impresa», 15-16/2004-2005, Fondazione Assi, Venezia, Marsilio, 2005, pp. 425-454.

<sup>9</sup> S. La Francesca, *Credito e finanza tra continuità e trasformazioni istituzionali (1861-1993)*, in G. Conti and S. La Francesca (ed.), *Banche e reti di banche nell'Italia postunitaria*, cit.

<sup>10</sup> On this, please see also G. Conti, *Finanza d'impresa e capitale di rischio in Italia (1870-1939)*, «Rivista di storia economica», n. 3, October 1993, pp. 307-332, pp. 312 and following.

used through credit banks and brokerage institutions on shares, infrastructure investment, in building projects and in loans to public entities. As reminded by Mr. Conti, under many aspects, the speculation which happened during the 1890s (and its links to a significant part of the national banking system) is the cusp of such a process<sup>11</sup>. The events with the Banca Tiberina can be fully placed within this framework; the Banca was one of the main protagonists of the financial movements during the 1870s and the 1880s and a crossroads of several political, economic and financial interests having a hand in shaping Italy as it joined the Second Industrial Revolution.

## 2. The main financial movements during the Italian post-unitary years

Italian historiography has often called upon the events of the Banca Tiberina, framing them within the more general analysis of the bailout policies enacted by both the Government and the national bank(s)<sup>12</sup>. More recently, new researches focused more deeply and directly on the role some brokering companies and banking institutions played at the time, attempting an integration and a widening of the perspective through which these events have been considered in the past, while studying the mechanisms of the Italian credit market and its support to the national industry in further detail<sup>13</sup>. The origins of the Banca Tiberina (1877) are to be put within such a framework, as are those of the capital defining its birth, structure and goals, themselves a product of the financial movements of the first post-unitary decade in Italy. Amongst other things, the establishment of the Italian national banking system involved the attempt to define a framework capable of meeting the needs of newly united Italy, channeling private savings and financial resources towards infrastructure and new investment sectors. At the same time, the partial completion of Italian unification enhanced its energies and resources- be they public or private- putting Italy into what Mr. Bonelli termed a “banking revolution”, fully comparable to the political

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<sup>11</sup> *Ibidem*, pp. 309-310.

<sup>12</sup> Please see A. Confalonieri, *Banca e industria in Italia. 1894-1906. Vol. I, Le premesse: dall'abolizione del corso forzoso alla caduta del Credito Mobiliare*, cit., pp. 138-180; G. Di Nardi, *Le Banche di emissione in Italia nel secolo XIX*, Torino, UTET, 1953, pp. 404-424; L. De Rosa, *Istituto di emissione nell'Italia unita (1863-1926)*, 3 tomi, tomo II: *La crisi (1883-1896)*, in *Storia del Banco di Napoli*, Napoli, 1989, pp. 113-132.

<sup>13</sup> On the study of some features the system had, and for specific case studies, please see SA. Palsi, *Alle origini del capitalismo italiano. Stato, banche e banchieri dopo l'unità*, cit.; M. Bocci, *Banche e edilizia a Roma tra Otto e Novecento*, «Roma Moderna e contemporanea», year VII, issues 1 and 2, January-August 1999, pp. 125-146; R. D'Errico, *Una gestione bancaria ottocentesca. La Cassa di Risparmio di Roma dal 1836 al 1890*, Napoli, ESI, 1999; S. Masi, *Il Credito Fondiario della Banca Nazionale ed il finanziamento dell'industria edilizia di Roma*, «Roma moderna e contemporanea», VIII, 3, September-December 2000, pp. 487-502; C. Bermond (ed.), *Banche e sviluppo economico nel Piemonte meridionale in epoca contemporanea: dallo Statuto Albertino alla caduta del fascismo*, Torino, Centro Studi Piemontesi, 2001; P. Di Martino, *L'esito fallimentare di un intervento di ultima istanza: la Banca Nazionale ed i salvataggi del 1889*, «Imprese e storia», n. 24, July-December 2001, pp. 307-336; G. Conti and T. Fanfani (eds.), *Regole e mercati: fiducia, concorrenza e innovazioni finanziarie nella storia creditizia italiana*, Pisa, Edizioni Plus Università di Pisa, 2002; P. Pecorari (ed.), *Crisi e scandali bancari nella storia d'Italia*, Venezia, IVSLA, 2006.

changes Italy was experiencing then<sup>14</sup>. Therefore, a long and winding path towards modernization began, and, in a few years, cooperative banks and savings banks were joined by new models in gathering savings and offering credit. Due to the presence of several national banks and a low degree of specialization in the whole system, the banking events of the 1870s feature an overall imbalance. After the 1866 financial crisis, and the declaration of fiat currency, during the second part of the decade, State controls on issuing banks were relaxed, as were relaxed those on establishing and managing companies. Therefore, between the end of the 1870s and the first half of the following decade, this system experienced several attempts at new forms of companies, some more structured, while others were doomed to a shorted lifespan, as they were based on speculations<sup>15</sup>. Besides the spreading of more local credit institutions, more structured firms were established as well, sporting nationwide operational strategies and some degree of international openings. Company capital was subscribed by medium-sized institutions, ancient banking households (catching an opportunity to widen their investments and take part to wider ventures) and by a widely diverse ensemble of (juridical) persons seeing a form of savings, rather than of investment, in company shares. The spreading of joint stock companies followed two main operational pathways: on one hand, small companies focusing on specific, often area-related investment; on the other hand, banks, medium or big in size, supported by the influx of foreign capitals<sup>16</sup>, whose results were also tied to the bond loan market and to the first attempts to exploit speculation of building lots, therefore joining brokerage and real estate. Both kinds try to exploit the nascent Italian stock market, proving different for their history, their working methodology, as well as for the goals and aspirations of their management. Financial resources arose, first and foremost, from the collected capital and, in some cases, by the first forms of public bank deposits, as well as by the feedback given by the main issuing banks and by the help provided by those credit institutions already rooted in the best-suited cities of Centre-Northern Italy such as Genoa, Florence, Milan and, most of all, Turin. This city in Piedmont was, during those years, one of the main nodes of the financial system and the main seat of those *atouts* who were to shape the evolution of the system during the earlier years of the Italian Unification.

It is within this framework that, in 1871, the Banca Italo-Germanica<sup>17</sup> was established. It was from this institution, its activities and legacy, that the Banca Tiberina arose in 1877. It

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<sup>14</sup> Please see. A. Polsi, *Alle origini del capitalismo italiano. Stato, banche e banchieri dopo l'unità*, cit., pp. IX and following.

<sup>15</sup> In 1870 13 ordinary credit companies were authorized, this number rose to 30 in 1871, in 1872 52 banks began their activities, whereas 40 banks were active during the first six months of 1873. On this, please see A. Polsi, *Alle origini del capitalismo italiano. Stato, banche e banchieri dopo l'unità*, cit., pp. 96 and following.

<sup>16</sup> Please see M. Bocci, *Costruttori di città, le società per azioni immobiliari nell'Italia post unitaria (1861-1894)*, «Studi Storici Luigi Simeoni», cit., pp. 182 and following; P. Hertner, *Il capitale straniero in Italia (1883-1914)*, «Studi Storici», October-December 1981, Year XXII, issue 4, pp. 767-795.

<sup>17</sup> For an effective reconstruction of the activities of the Servadio group, please see the documents kept within the Archivio centrale dello stato (ACS), the Italian State Archive, especially in the Ministry of Agriculture, Industry and Commerce (Ministero di Agricoltura, Industria e Commercio, Maic). Furthermore, the documents connected with the Banco di Sconto e Sete and to the Banca di Torino in the Archivio di Stato di Torino (AST), the Turin Italian State Archive.

was the leader of a group of five companies established by Mr. Giacomo Servadio, a Florence-born banker and landowner. He cooperated with a “man from Turin”, Mr. Ulrico Geisser<sup>18</sup> in almost all of his endeavors. The events the “società Servadio” (i.e the Servadio company) featured in straddle the two aforementioned kinds of *modus operandi*. If, during an earlier phase, their investment was focused towards loans to public entities, during the boom of the earlier 1870s, Mr. Servadio attempted a breakthrough, both going beyond and subsuming his experience with local credit through a series of brokerage-and real estate-based, themselves facilitated by the speculation envisioned following the conquest of Rome by the Italian State. The change in strategies are well visible within the succession of the companies into the group. After the failing experience of the Credito Immobiliare dei Comuni e delle Province d’Italia, Mr. Servadio attempted to re-enter the bond market and the arena of loans through the establishment of the Società Generale di Credito Provinciale e Comunale in 1869<sup>19</sup>. One year later, he tries to enhance land-based investment in Rome, first by founding the Società Anonima per la Compravendita dei terreni and then by establishing the Società Generale Immobiliare e di Costruzioni in Italia<sup>20</sup>. Finally, by having a hand in both the Banca Italo-Germanica<sup>21</sup> and in the Banca Austro-Italiana<sup>22</sup>, he tried to widen his capacity to focus the influx of new capital, be it Italian or from abroad, towards real estate business. The inner workings of the group was based on the support the different “sister” companies were able to give each other. Whenever an institution was established, the first deposits were carried out on behalf of another one, while the unallocated shares were moved into the coffers of the other companies, thus artificially “inflating” their profits (this serves to explain, at least in part, the almost immediate liquidity crises all the institution find themselves in). In all the five companies involved, despite some differences, the base structure repeats itself: the managements coalesced around Servadio and his companions; part of the income (usually 20%) was to be given to founders and managers (who were, in the majority of the cases, the very same people); a yearly income amounting to 6% per share, as well as a charter warranting significant elbow room for managers, thus reducing the control exercised by minority shareholders. By simplifying it somewhat, this system could remind of “communicating vessels”, as the shares issued by a company, rather than being allocated immediately, are put into the coffers of another company, thus raising their price during the following allocations of shares, while probably bypassing those norms forbidding anonymous companies from operating on their own shares. The activities the companies belonging to the group undertook focused first and foremost on buying and selling real estate in and around Rome, whose market was on the rise after the Unification of Italy and

<sup>18</sup> On the activities Ulrico Geisser carried out, please see M. Bocci, *Geisser Ulrich*, in *Dizionario Biografico degli Italiani*, Roma, Istituto dell’Enciclopedia Italiana, 1999, vol. 52, pp. 798-801; I. Balbo, *Torino oltre la crisi. Una business community tra Otto e Novecento*, Bologna, il Mulino, 2007; L. Segreto, *Private Banking and Italian Industrialisation*, in Y. Cassis and P.L. Cottrell (eds), *The World of Private Banking*, Ashgate, 2009, pp. 177-204.

<sup>19</sup> ACS, Maic, Ibs, b. 87, f. 840, *Società Generale di Credito Provinciale e Comunale di Firenze*.

<sup>20</sup> ACS, Maic, Ibs, b. 65, f. 752, *Società Anonima Italiana per la compra e vendita di terreni e costruzione di opere pubbliche*; ACS, Maic, Ibs, b. 105, f. 905, *Società generale di credito immobiliare e costruzioni in Italia*.

<sup>21</sup> ACS, Maic, Ibs, b. 139, f. 1089, *Banca Italo-Germanica, Roma*.

<sup>22</sup> ACS, Maic, Ibs, b. 138, f. 1088, *Banca Austro Italiana*.



the introduction of the first general development plan for the city in 1873<sup>23</sup>. In this phase, it is still the Banca di Torino to financially support this system through shares and bank reconciliations.

As it is known, the expansive phase of the banking cycle was abruptly stopped by the financial crisis which hit Europe during the first half of 1873. That was followed by an almost immediate, and doubtlessly rapid, process involving closures and mergers of credit and real estate companies within the Italian banking framework<sup>24</sup>. The very Banca di Torino was really weakened by this turn of events, as the reversals in the economic cycle left this institution exposed by the speculative actions carried out during the real estate activities of the Banca Italo-Germanica<sup>25</sup>. In such a situation, between 1873 and 1876, Mr. Servadio attempts to coalesce all of his companies under the umbrella of the Banca Italo-Germanica, while at the same time taking some of his financial products off the market, in order to allow him and the other founders to recoup their capital losses, at least partly<sup>26</sup>. To this respond the progressive disbanding of the Banca di Torino, while the Banco di Sconto e Sete began some factoring operations at the same time.

While some rumors concerning liquidations and (half-hearted) restores go awry and several issues for attrition with the authorities come to a head, including lawsuits, especially by small shareholders, on April 30 1874, an extraordinary meeting of the Banca Italo-Germanica ratified the results of an internal *due diligence*. The actual holdings amount to 34.601.707 lire concerning the assets and to 26.518.580 lire regarding the losses. Assets were made of, by 21%, real estate (buildings and land) and, by about 42%, of "provincial and municipal bonds". Under the losses, several Creditors are inscribed, for a plurality of reasons, reaching over 22 million lire.

Therefore, such a situation spurred the actions by the Banco di Sconto e Sete based in Turin, of taking up the activities carried out up to then by the Banca Italo-Germanica and establish the Banca Tiberina Through them. The aforementioned Banco had closed its budget for 1872 –i.e. upon the beginning of the international financial crisis– having already carried out an important procedure of financial restructuring and having reinforced

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<sup>23</sup> On the city plan please see M. Caravale, *Le leggi speciali per Roma dell'Ottocento*, in M. De Nicolò (ed.), *L'amministrazione comunale di Roma. Legislazione, fonti archivistiche e documentarie, storiografia*, Bologna, Il Mulino, 1996, pp. 131-162. Regarding the conventions and the building activities of the 1870-1875 period please see. I. Insolera, *Roma Moderna*, Torino, Einaudi, 1962; P. and R. Della Seta, *I suoli di Roma*, Roma, Editori Riuniti, 1988. Concerning the main political and economic aspects of these issues please see A. Caracciolo, *Roma Capitale*, Roma, Editori Riuniti, 1956; V. Vidotto, *Roma Contemporanea*, Roma-Bari, Laterza, 2001 e la bibliografia ivi indicata.

<sup>24</sup> Please see P. Pecorari (ed.), *Crisi e scandali bancari nella storia d'Italia*, cit. Regarding company mergers and other similar actions after 1873, please see A. Polsi, *Alle origini del capitalismo italiano. Stato, banche e banchieri dopo l'unità*, cit., p. 173.

<sup>25</sup> Please see S. Palermo, *La Banca Tiberina. Finanza ed edilizia tra Roma, Napoli e Torino*, cit., pp. 77 and following.

<sup>26</sup> ACS, Maic, lbs, b. 138, f. 1088, *Banca Austro-Italiana. Assemblea generale straordinaria del 7 ottobre 1873*; ACS, Maic, lbs, b. 139, f. 1089, *Banca Italo-Germanica. Assemblea generale straordinaria del 8 ottobre 1873*.

its assets<sup>27</sup>. And it is also because of such events that 1873 surely reduced income, budget and share value, but it did not sap the overall stability of this institution<sup>28</sup>. The following two years, i.e. 1874-1875 can be defined as featuring a substantial readjustment in budget (but not in income) towards the previous levels; from 1877 onwards, all budget indicators restart their significant growth. The relationships between the Italo-Germanica and the aforementioned Banco were built up from 1875<sup>29</sup> onwards, following the possibility of subsuming the bank's assets, as negotiations began anew, after a brief recess, in May 1876<sup>30</sup>. Considering a company experiencing a restructuring and a relaunch such as the Banco, the real estate belonging to the Servadio group was seen as a manageable risk as the managers believed they would have been able to quickly divest themselves of real estate assets<sup>31</sup>. A financial sturdiness was needed in order to wait for the market to bounce upwards again according to some, while others saw as unavoidable an intervention by the government (perhaps relying on it) in this sector even then<sup>32</sup>. Mr. Polsi identified, in the birth of the Banca Tiberina, an attempt by Geisser to dump on the Banco and on the new company all the losses accrued by the Servadio group, as the Banca di Torino itself was compromised<sup>33</sup>. The operation carried out by the Banco di Sconto allowed several associates (Mr. Geisser amongst them) to curtail their losses or to "freeze" their investment while the real estate market bounced back up.

After almost two years of negotiations, the Banca Tiberina was born on February 8, 1877, with a nominal capital of 10 million lire, 5.746.750 of which were fully disbursed; of the latter, 2.238.625 lire came from the change of the old shares belonging to the Banca Italo-Germanica, while the remaining 3.508.125 account for the actual deposit carried out by

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<sup>27</sup> On these specific issues, please see. S. Palermo, *La Banca Tiberina. Finanza ed edilizia tra Roma, Napoli e Torino*, cit., pp. 43 and following.

<sup>28</sup> Please see ACS, Maic, lbs, b. 240, f. 1419, II, *Relazione della commissione nominata dagli azionisti del Banco di Sconto e Sete nell'adunanza del 9 marzo 1873*; ACS, Maic, lbs, b. 241, f. 1419, III, *Banco di Sconto e Sete. Assemblea generale del 14 febbraio 1873. Relazione del C.d.A.*

<sup>29</sup> The Banco di Sconto had guaranteed (and then paid off) an exposition the Italo-Germanica had towards the Banco di Napoli, amounting to about 645.000 lire of the time and pertaining to operations concerning the Italian assets and the bonds of the Neapolitan municipality loan of 1871 per operazioni effettuate sulla Rendita italiana e sulle Obbligazioni del prestito municipale di Napoli del 1871 (On this, please see ASBN, Banco di Napoli, Fondi, pos. 1, b. 8, *Banca Italo Germanica. Operazioni di c/c garantite da titoli*).

<sup>30</sup> Such is the case with the intervention carried out by Mr. Giacomo Gallarati, during the meeting of October 30, 1876 in ACS, Maic, lbs, b. 229, f. 1409, *8 febbraio 1877, Atto costitutivo della Banca Tiberina e cessione del patrimonio fatto dalla Banca Italo-Germanica alla nuova società. Allegato 3, Banca Italo-Germanica in liquidazione. Assemblea generale straordinaria del 30 ottobre 1876*.

<sup>31</sup> AST, Turin Courthouse, Company Acts, Year 1878, reg. 42, *Banco di Sconto e Sete. Assemblea generale del 23 gennaio 1878. Relazione del C.d.A.*

<sup>32</sup> «Maybe the day when Government and Municipality will concur in spurring a new, strong development in this Capital ». (Please see *Banca Italo-Germanica, Relazione dei liquidatori al 31 dicembre 1875*, cit.).

<sup>33</sup> Please see A. Polsi, *Alle origini del capitalismo italiano. Stato, banche e banchieri dopo l'unità*, cit., p. 192.

new associates<sup>34</sup>. The assets transferred from the Banca Italo-Germanica, themselves assessed up to 9.115.303 lire, were made up by 60% of various credits, involved real estate by 30,2% and the remaining 9,8% was divided between industrial assets and Italy-based income. The relevant real estate was mostly in Rome, Naples and, to a lesser degree, in Florence<sup>35</sup>. Seven billion nominal credits are numbered among the liabilities (80% of which are considered redeemable). The Banca established itself as an anonymous company, based in Rome (it would move to Turin only some time later) and able to carry out a significant range of company activities, effectively involving almost the whole spectrum of credit-related activities, therefore presenting itself not as a “pure” real estate company, but rather as a “general bank” able to operate in all the major areas, including, among others, the building sector. With its birth, an important part of investment capital which remained idle after the crisis of 1873 is therefore wound up; another part is recirculated, just when a new season of urban interventions presents itself, made easier by new –and more substantial– forms of public intervention.

### 3. The Banca Tiberina: The rise and fall of a national player

Established in 1877 with the goal of putting the idle assets belonging to the Banca Italo-Germanica to use, the Banca Tiberina became, within a few years, one of the main operators on the Roman market, which experienced a significant acceleration after 1870, coinciding with the first speculation on building lots, but then ended up in a phase of stagnation, which was to last until the beginning of the next decade. The history of the Banca Tiberina is a paradigmatic example of the events of the time. After two years during which this institution tried to find its feet and attempted to use a part of the land-based legacy belonging to the Banca Italo-Germanica, a shift in its operational strategies was made manifest during the 1880s, as the Banca Tiberina entered the real estate market more decisively, mainly through the following main paths: on one hand, it bought and sold land and structures and on the other it supported builders through specific financial tools. Therefore, this bank effectively became oligopolistic within the market in Rome as time went by, punching its weight in significant national operations as well. Its expansion was spearheaded by three elements within the system: the monetary policy followed by the Italian Government, having the goal to restore currency convertibility and to support banking circulation; the new forms of public intervention, made real by the Special Laws for Rome as the new Capital in 1881 and to restore Naples, issued in 1885; last but not least, the strategies followed by the main issuing banks, which restored factoring as a tool and began using direct investment again, even on behalf of those companies involved in property speculation. Considering this issue, if it is on one hand true that the Magliani decrees of the 1880s have an important anticyclical function<sup>36</sup>, on the other they help,

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<sup>34</sup> ACS, Maic, lbs, b. 229, f. 1401, 8 febbraio 1877, *Atto costitutivo della Banca Tiberina*.

<sup>35</sup> Out of an overall 225.923 square meters of building lots, 93,7% thereof was in Rome. Only 11,8% di terreno edificato e fabbricabile, il 93,7% era a Roma. Soltanto l'11,8% era stato già edificato, mentre il restante 88,2% era ancora privo di costruzioni.

<sup>36</sup> Please see G. Di Taranto, *Economia sociale e finanza pubblica in un inedito di Agostino Magliani del 1849*, in A. Guenzi and D. Ivone (eds.), *Politica economica, amministrazione e finanza nell'opera di Agostino Magliani*, Napoli, Editoriale Scientifica, 1997, pp. 809-831.

albeit indirectly, the expositions issuing banks have towards real estate companies, tying their fates together<sup>37</sup>.

It is therefore no coincidence that, that the "liftoff" of the Banca Tiberina took shape at the beginning of the 1880s, finding itself completely ripe by mid-decade. If the evolution of the economic situation appeared decisive, no less important it is the role of directors. As it is known, both the capital and the board of directors of the bank were controlled by a margin of absolute majority by the Banco di Sconto e Sete, whose ties to the Savoy establishment guaranteed the inclusion of the Banca Tiberina and its administrators in the political and financial elite, which through the presence of these men on the boards of several banks and companies (and often also into the national institutions), helped to mark the evolution of the financial and housing market. Less important, apparently, was the presence of the shareholders of the Banca Tiberina amongst the city administrations, although, in all stages of life of the members of the company connected with the Banca's control group partook in the life of local institutions, especially in Rome. Therefore, also analyzing the main protagonists of these events, a goal emerges, involving national aspiration (as shown by the activities involving Rome, Naples and Turin) itself the natural consequence of its starting position as a full-fledged protagonist of the economic milieu of that era. This variety in stakeholders' interests is accepted overall by the financial and political world of Italy, as well as by the smaller shareholders, up until when the system is able to support the market and its development, generating dividends. It is only after the 1887 crisis that the dark corners of this systems were denounced by and large.

In order to understand those budgetary strategies who were able to bring the budgetary assets to grow up to beyond 122 million lire in 1887, after the 17 million of a decade earlier and understand the growth in net income from 191.000 lire in 1877 to 4,4 million in 1887<sup>38</sup>, it is possible to subdivide the investment the bank carried out into the "property-related" part and the "financial" one, whereas the first involves lands, houses and properties the bank had and the actions concerning such assets, whereas the second one pertains to finance and brokerage (shares, portfoliso, credit lines and builders' support).

The parable of the Bank involved a first phase, between 1877 and 1880, while most of the activities caused by stalling the "long wave" of the crisis of 1873, the budgetary difficulties of local authorities and the slowdown of the launching of those law projects involving Rome as the Italian Capital. The difficulties encountered in the disposal of real estate assets of the Italian-German push the bank to inaugurate, since 1879, a funding strategy on behalf of builders and land buyers; such a choice will be back on the table in March 1881 when, closing the budget for the previous year, the Council reminded the shareholders that its goal involves to "liquidate the assets of the bank in order to [increase] those operations more consistent with the nature of a bank".

<sup>37</sup> On the economic policies carried out by the Italian Government and Minister Magliani during the 1880s, please see G. Di Nardi, *Le banche di emissione in Italia nel secolo XIX*, cit. pp. 317-333 e 369-375; A. Confalonieri, *Banca e industria in Italia. 1894-1906. Vol. I, Le premesse: dall'abolizione del corso forzoso alla caduta del Credito Mobiliare*, cit., pp. 4-43 e 59-85; F. Spinelli e M. Fratianni, *Storia monetaria d'Italia*, Milano, Mondadori, 1991, pp. 161-226.

<sup>38</sup> Personal elaboration from ASBI, *Relazioni e bilanci*, other, 449.

Such a theory considers the Tiberina as a company closer to the overall banking model than a real, "pure" real estate company. However, if during the early 1880s the growth of the financial part of it is extremely significant that in the 1883-1886 period the contribution by the real estate part of the corporate income assumes a growing importance, leading to a partial reversal of the approach proposed between 1879 and 1881. This leads quickly to bind, perhaps even beyond the original intentions, the two aspects of the company (real estate and financial) as moments of a single strategy actually supporting each other, at least until the two-year period from 1886 to 1887 when the bubble was coming and their activities relented.

Indeed, examining the relevant balance sheets, the contribution of the property/real estate parts to the assets shrinks from 26,5% in 1877 to 16,1% in 1881 (therefore, following the choice of divesting from some assets, as mentioned above) to bounce back up from 15% recorded in 1882 to 33% of 1885. On the other hand, considering the structure of company assets, there is the emergence of real estate and property, with a growth from 34,2% in 1877 to 64,5% in 1885 (reaching a peak: 72% in 1884)<sup>39</sup>. Therefore, the slowdown in assets began in 1886, a year before the beginning of the crisis.

During this context of significant expansion, from 1883 onwards, the real estate-linked operations carried out with some of the most important companies of the time (such as Geisser, Banco di Sconto e Sete, Compagnia Fondiaria, and the like) are written up as assets. Therefore the sales' value for 1883 experienced an increase close to 100%, surpassing the contribution given by discount operations to the overall budget, which also showed a significant increase over the previous year<sup>40</sup>. Such issues of profit sharing, besides increasing land revenues, and banking functions (such as support and mortgage credit for builders), allowed to reduce risks commonly connected with investment in the face of comparatively high gains, being also an opportunity to enter new intervention areas. Besides, another first-order goal was to keep competition at bay and keep prices under control<sup>41</sup>. Until the whole of 1888, these «profit-sharing» instances kept an average value of 30% of the overall property owned by the Banca (with a peak reaching 49,5% in 1884), while until 1885 the extension of «shared lands» goes beyond the value of those in «sole property».

Within such a context, during the March 1884 meeting, the reconfiguration of company assets is fully complete. To shareholders, property-related operations are presented as «one of the most important branches of our institution»<sup>42</sup>. Besides a greater articulation of

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<sup>39</sup> Personal elaboration from ASBI, *Relazioni e bilanci*, other, 449.

<sup>40</sup> ASBI, *Relazioni*, Altro, 449, *Banca Tiberina. Assemblea generale del 28 marzo 1884*.

<sup>41</sup> In August 1883 the general manager of the Compagnia Fondiaria Italiana Mr. Gaetano Latmiral, informs the Council of the agreement reached with the Tiberina, the Marotti & Frontini, the Geisser Company and the Sogene. This agreement was such that no party could carry out new interventions in Rome without having verified the interests of the others beforehand. (Please see ASBI, *Liquidazioni-Compagnia Fondiaria, Verbali dei consigli di amministrazione*, 23 agosto 1883.)

<sup>42</sup> ASBI, *Relazioni*, Altro, 449, *Banca Tiberina. Assemblea generale del 28 marzo 1884*.

property, for the first time, no mention was made of “disinvestment” anymore, but rather “unproductive capital” was mentioned<sup>43</sup>.

This acceleration was due to several external factors as well. Public intervention affected market evolution with the publication of the 1883 general city plan, the specific Laws for Rome as the Italian National Capital<sup>44</sup>, the law to restore Naples, and the choices of municipal administrations which became very relevant, not only for the capital they focused and brought to bear, but also for the investment they promoted within several diverse urban areas (and therefore, between different real estate companies). Within such a context, the framework of Rome during the early 1880s were crucial in supporting the development of the Banca<sup>45</sup>. It is indeed hard to find a way between political history and the reconstruction of property speculation interests in Rome during the “building fever” era. By the same token, one cannot overlook the links between some municipal representatives with real estate companies or the interests of some landowners and aristocrats involved in property speculation in their real estate<sup>46</sup>. Despite the richness and complexity of the debate at that time a shadow remains, as if speculation keeps constant, as it was something else, compared to the ongoing political and administrative changes. Even the choices carried out within the framework of the two general city plans do not seem to interest the property speculation mechanisms, as it was “kept safe” by the options of further plans or by acting *ex post*. The very budget plans and expense sheets presented by the Aldermen of the Municipality of Rome in 1889 mention that around 60% of the funds disbursed during the 1880s were allocated to “special projects” beyond the general city plan. The connected expropriation costs amounted to about 70 millions, vis-à-vis an actual working commitment amounting to 14 million<sup>47</sup>.

<sup>43</sup> ASBI, Relazioni, Altro, 449, *Banca Tiberina. Assemblea generale del 27 marzo 1883*.

<sup>44</sup> With the Special Law for Rome as the National Capital of 1881, the Italian Government intended to provide two million lire per year for 25 years to the Municipality of Rome. On the other hand, through the 1883 law, the Italian State was to lend 150 million lire to the Municipality of Rome. This very same law also gave orders for the Aldermen in Rome to present a special budget for the general city plan. On this, please see: M. Caravale, *Le leggi speciali per Roma dell'Ottocento*, in M. De Nicolò (ed.), *L'amministrazione comunale di Roma. Legislazione, fonti archivistiche e documentarie, storiografia*, cit.

<sup>45</sup> For a reconstruction and an analysis of such a bibliography, please see: S. Palermo, *La Banca Tiberina. Finanza ed Edilizia tra Roma, Napoli e Torino*, cit. pp. 205 and following.

<sup>46</sup> On this, please see S. Palermo, *An Attempt at Modernizing the Use of Assets in Italian Nation Building. The Boncompagni Ludovisi Family (1841-1896)*, «Journal of European Economic History», 1-2, 2014, pp. 127-156.

<sup>47</sup> Municipality of Rome, *I lavori edilizi nella città di Roma. Relazione*, Roma, Tipografia Pallotta, 1889. This *Relazione* was written and issued on the occasion of the negotiations between the Municipality of Rome and the Government in the wake of the new special laws issued for Rome by the Crispi cabinet. The *Relazione* allows for an overall reading of the commitment the Municipality poured into all the real estate buildings (even those beyond the main city plan) dell'impegno adoperato dal Comune per tutte le opere edilizie (anche esterne al Piano) and to compare in what areas interests by the Tiberina were present. On the laws by Prime Minister Crispi, please see A. Caracciolo, *Roma Capitale*, cit., pp. 176-193; I. Insolera, *Roma moderna*, cit., pp. 59-62; M. Caravale, *Le leggi speciali per Roma dell'Ottocento*, in M. De Nicolò (ed.), *L'amministrazione comunale di Roma. Legislazione, fonti archivistiche e documentarie, storiografia*, pp. 148 and following.

The coexistence of these systematic elements, coupled with the evolution in the operative strategies the Banca Tiberina carried out may lead one to think that it is precisely during 1882-1883 that this bank moved, in a more and more aware way, towards property speculation by buying and selling land, as well as supporting builders. Therefore, the Banca Tiberina could be seen, as time went by, as a mortgage bank with property-based features. All in all, it seemed very similar to a possible reconstruction of the Banca Italo-Germanica presentato, never made into a reality, despite being presented –in 1874<sup>48</sup>. For several years, the idea of keeping the two sectors (the property-related and the financial one) both afloat proved to be greatly effective; however, as soon as the speculation bubble burst, fixed assets and bailouts become effectively unavoidable from 1889 onwards.

Together with alliance-driven policies and to the synergies between real estate and brokerage activities, another key element to understand the strategies of this bank is its capacity for territorial expansion. If it is true that the investments this bank carried out in Rome come from the legacy of the Banca Italo-Germanica and from the most logic path for expansion, the situation in both Naples and Turin was different. Up to 1883, the assets in Naples are relatively minor, when compared with the rest of the company. From 1884-1885 onwards, instead, they constitute a partial restoring of the Banca Tiberina, as it did not only complete the buildings started by the Banca Italo-Germanica in the Neapolitan ward called Rione Amedeo, but did also buy land in the Vomero area, building the whole ward and two cable railways, who then decided to manage as well<sup>49</sup>. Following a similar logic, during the very same 1885 the company acquired the concession for the Turin-Rivoli Railway, in order to valorize the 100.000 square meters of land they possessed in Turin (around Corso Francia) they bought through the Banco di Sconto since 1883.

In order to front its commitments, this company could rely on the Banco di Sconto e Sete, on the Banca Nazionale, on the Banco di Napoli and their real estate credit. According to the data provided by the National Bank tasked with analyzing the activities of the Banca Tiberina upon its bailout request, upon July 31, 1889, the company had factored 13 million lire at the National Bank, about 5 million at the Banco di Napoli, and 19 million at the Banco di Sconto e Sete<sup>50</sup>, estimating in 40 million lire the needed capital in order to complete some construction and, more than everything else, settle its debts with the Banco di Sconto. The interests of the institution based in Turin had, up to then, moved on three main levels, the interest matured on advances and returns, as well as company participation

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<sup>48</sup> This project was to feature a relaunch of the banca Italo-Germanica within the new Banca Riunita Immobiliare e di Credito, itself able to carry out credit operation and real estate activities. On this, please see ACS, Maic, lbs, b. 139, f. 1089, *Banca Italo-Germanica. Assemblea generale straordinaria dell'11 maggio 1874. Copia del verbale*.

<sup>49</sup> ASBI, Liquidazioni-Banca Tiberina, specific folders, 167, f. 1; *Ibidem*, Liquidazioni-Banca Tiberina, specific folders, 140, f. 1.

<sup>50</sup> ASBI, Liquidazioni-Banca Tiberina, specific folders, 167, f. 1, *Banca Nazionale, direzione generale. Banca Tiberina. Relazione della Commissione al Consiglio Superiore e relativi allegati*. This document, made up of two booklets, for appendixes and 25 sub-appendixes, contains two prospects of yearly budgets of the Banca Tiberina, closed on July 31 and August 24 1889 respectively. The latter budget has also the accounting for the company seats of Rome, Naples and Turin.

to several real estate operations, as well as the annual dividends of the Banca Tiberina<sup>51</sup>. When the construction crisis arose, the level of exposition (however calculated) was so significant that a temporary bailout would have been the only action being useful to save the Banco di Sconto e Sete.

The intervention supporting the Banca Tiberina carried out by the National Bank was motivated not only from the need to save the head Turin-based company but also from the need to honor those commitments the issuing banks themselves had activated with regards to the Banca Tiberina over the years. Until the construction crisis, the relationship between the three aforementioned banks were active in two macroareas; the acknowledgment of effects from the Rome-based branches and the real estate-based credit lines kept working as a collateral on behalf of those builders guaranteed by the Banca Tiberina.

On 1889 the seat of the Banco di Napoli in Rome kept acknowledging effects from the Banca Tiberina for 4.695.000 lire in its budget<sup>52</sup>. Furthermore, between 1886 and January 1890 the Credito Fondiario (Real-Estate Credit Department) of the Banco di Napoli subscribed 19 mortgage contracts for an overall value of 4.401.500 lire 191.000 of which can be directly retraced to the Banca Tiberina and the rest to those builders on the behalf of which it acted<sup>53</sup>.

The advances provided by the National Bank until 1887, during the expansion period, can be evaluated in about 5 million lire. This rose to 7,5 million in 1888 and to 13 million between November 1888 and August 1889 (This is an early proof of the actual will to support the bank). At the same time, up until 1885 the Banca Tiberina gained a series of advances by the Credito Fondiario of the National Bank in order to guarantee its builders in Rome, insuring the first ten annuities of every mortgage<sup>54</sup>. Therefore, between 1885 and 1890 an overall total of 11.245.000 lire moved, and this whole number could be traced back to the Banca Tiberina and its managers<sup>55</sup>.

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<sup>51</sup> According to the budgets kept within the Italian state Archive of Turin, the participation the Banco had towards the capital of the Tiberina grew from 2.805.625 lire in 1881 to 4.500.000 lire del 1886. From 1887 to the crisis, in order to support the cost of shares and finance the required capital increase, the number of shares grew from 15.000 to 36.000, reaching a capital participation of 9.750.000 lire in 1887 and 12.960.000 lire in 1888, corresponding with 51% of the overall share value for the Turin-based company that year (AST, Turin Courthouse, Atti di Società, Rubrica 1 e 2, *Banco di Sconto e Sete*).

<sup>52</sup> Please see ASBI, Liquidazioni-Banca Tiberina, Pratiche, 167, f. 1, *Banca Nazionale, direzione generale. Banca Tiberina. Relazione della Commissione al Consiglio Superiore e relativi allegati*.

<sup>53</sup> Please see the letters from September 1889 between the general manager of the Banca Tiberina, Mr. Biagio Caranti, the Royal Commissioner for the Banco di Napoli, Mr. Davide Consiglio and Mr. Giacomo Grillo for the National Bank (ASBI, liquidazioni Banca Tiberina, Pratiche, 16, f. 2).

<sup>54</sup> ASBI, Liquidazioni-Banca Tiberina, Pratiche, 74, f. 3.

<sup>55</sup> ASBI, Credito Fondiario, Registers, 432-445, *Banca d'Italia, Registro generale delle domande di mutuo; Ibidem*, Pratiche, 562, 563, 569, 574.



This brief framework I just sketched does not only show the importance of advances by issuing banks in order to support the activities of the Banca Tiberina as well as (and this seem to be an even more important element) the involvement level connecting issuing banks and property firms, even before the construction crisis reared its ugly head. The actions connected with the attempt to save the Banca Tiberina and the Banco di Sconto e Sete show the direct involvement and responsibility of the ruling class of the time<sup>56</sup>.

#### 4. Final observations

The events covered in this paper of mine have shown some peculiar characteristics of the path underlying the formation of the banking system during the first thirty years after the Unification. The reasons for, the characteristics and the structure of the Servadio group between 1869 and 1874 and the subsequent transfer of part of that capital toward the Banca Tiberina appear paradigmatic of the overall story shared by the whole of the Italian financial system at the time. After the period of fragmentation and experimentation featuring in the early seventies, the "economic takeoff" of the Banca Tiberina started in the 1880s thanks to the new economic environment supported by various forms of both direct and indirect public intervention. The epicenter of the activity of this thirty years moved mostly on the Turin-Florence-Rome axis. During the 1880s, the path of the Banca Tiberina was intertwined with the complex socio-economic situation undergoing in the new Italian capital after 1870, when the lack of effective development planning was combined with the speculative tendencies shown by the largest real estate companies. The company is thus able to carve out a particularly important role by virtue of the amount of its investment, the transversal nature of interest in respect of town planning on expanding choices of Rome (substantially present in all expansion areas of the city), links with different exponents of both Roman and national politics. From the middle of the decade onwards, always taking advantage of the public investment cycle a partial reassessment of the corporate interests was carried out by expanding activities in Naples and, to a lesser extent, in Turin. It is clarified in this way the aspiration of supra-regional character of the Banca Tiberina and its management team, which was pursued also through a system of partnerships with other companies that, if the experience Mr. Servadio carried out during the early 1870s was deployed mostly through the financial relations between institutions and the control groups, during the Tiberina events were used to expand the uses and control the property market. If at first, in fact, the purpose of the directors was to "enhance" and "make use of" the properties of the, then-defunct Banca Italo-Germanica in order to turn the company into a true general bank, during a second phase, when the economic situation and the neo-interventionism public made it possible, a new mode of operation emerged, one much closer to that of a pure real estate, granting immediate high profits turned into dividends and rewards between shareholders and directors. This explains the rise experienced by the participations of the Banco di Sconto whose revenues were derived from interest on deferred income and stock dividends.

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<sup>56</sup> On this, please see. S. Palermo, *La Banca Tiberina. Finanza ed edilizia tra Roma, Napoli e Torino*, cit., pp. 289 and following.

Another element helping to strengthen the company's position, able to rely on the support in its collection, offered by both the Banco di Napoli and the Italian National Bank, an action that, in the years before the crisis, appeared to be the result of the expansionist policy pursued by central banks towards real estate and perhaps –but on this, the ongoing research still failed to produce clear documentary evidence– by the presence in local councils and in the very same Greater Council of the BNRI of important members of both the Banco and of the Tiberina. The issue of Current Associations and “conflicts of interest” is one of the central aspects of the banking organization's first post-Unification period, not surprisingly present both in the Servadio group activity than within the Tiberina. Therefore, after a booming decade, this bank, also due to the high level of prepayments made to builders, entered that liquidity crisis that led first to a widening of the advances provided by the Italian National Bank and in September of 1889 to the bailout attempt carried out –after the partial withdrawal of the Banco di Napoli– the only one in concert with the National Government, the instrument with which it intended to indirectly support the Turin market and the Banco di Sconto e Sete, exposed towards the Tiberina for about twenty million lire.

Even this new public intervention, carried out after saving the “Impresa dell'Esquilino” and before rescuing the companies owned by Mr. Geisser fell within the support provided by the Italian State to its banking system accompanying the Italian banking structure in all its moments of crisis during the first thirty years the post-unification period. According to Mr. La Francesca, this phenomenon is by no means a fringe one, but it rather represents a structural consequence of the «shape of Italian capitalism» when «financial underhandedness» is a vital element; the Italian State is partly a guarantor of such a weakness<sup>57</sup>.

The events connected with the Servadio group, followed by those experienced by the Banca Tiberina may very well be considered an important moment of a winding path, featuring little coherence in its methods, goals and results, which began before 1870, stopped abruptly in 1873 because of the crisis and bounced up vigorously upon the end of the decade, finally ending in the late 1880s. During 25 years, following the shift from the Italo-germanica to the Tiberina banks, important parts of the industrial and financial history of Italy. Such an economic movement had an epicenter that could be placed in the Piedmont Prime Minister Cavour shaped and was effectively branched out in the Centre-Northern regions of Italy. All of this was managed by a composite élite, able to make the most of State support, be it direct or indirect, in order to restart the economic cycle. This path proved to be a winning one only from time to time, while being burdened with the many contradictions who were to start, or at least compound, the crisis at the end of that century, which was to have significant effects on how Italy stepped from the Giolitti era to its industrial development.

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<sup>57</sup> On this, please see. S. La Francesca, *Credito e finanza tra continuità e trasformazioni istituzionali (1861-1993)*, in G. Conti and S. La Francesca (Eds.), *Banche e reti di banche nell'Italia postunitaria*, cit., p. 15.

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