

Archives of Italian economic and business history

II - 2018

Edited by
Franco Amatori

FrancoAngeli

Archives of Italian Economic and Business History

Italy is a country rich in history. The nation's story is replete with crises and miracles as well as the occasional rise and fall, creating an enormous stimulus for historiography to exercise its ability to clarify plights of unusual complexity. It is true for economic as well as for business history, both of which rightfully merit a place in History.

Still, this rich and demanding history hasn't created much interest among non-Italian speaking scholars and is little known by many historians outside of Italy.

This is the impetus behind our decision to launch *Archives of Italian Economic and Business History*. We strongly hope that it will make the history of the country better known among international scholars.

The *Archives* will be an annual publication. It follows in the footsteps of *Annali di storia dell'impresa* which ASSI (the Italian Association of Business Historians) published for a quarter century. With *Annali* we published some of the best essays of Italian business history. Now, with *Archives* we are eliminating the barriers between economic and business histories.

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I. Franco Bonelli.
Lessons on Italian capitalism

A terrible temper, a great scholar

by *Franco Amatori*

Franco Bonelli (Saluzzo 1933 - Roma 2017) was one of contemporary Italy's most important economic historians. When he started out on his career in academics, economic historiography tended to be dominated by medievalists and modern historians. For them, a colleague who opted to examine industrialization in Italy and, more in general the modernization of the country, was little more than a journalist.

But Bonelli was very much a historian. His research in archives was impeccable, the secondary sources that he examined were abundant, almost excessive. In fact, he was wary of those who limited their work to simply examining sources and summarizing the results. For Bonelli, instead, it was necessary to “knead” together information from different origins so as to obtain a precise and coherent tale. Some of the phrases he repeated often were “a historian can't just narrate but must explain” and “problems are more important than sources”.

Because of this, his academic career was troubled as well as difficult. In order to support himself, he also took on other jobs like consulting and document gathering for institutions and firms. In 1980 at the age of 47 it was no longer possible to deny him tenure. At that point, in addition to having published numerous essays on the economic history of Italy's preindustrial period, Bonelli had produced three fundamental works. In the first, on the crisis of 1907, he demonstrated the absolute importance of the State versus private capitalism. For his history of Terni, the steelworks known as the first large industrial firm in Italy, Bonelli took an enormous quantity of corporate historical archives and turned them into a compelling volume of three hundred pages. Five years later (in 1980) he produced the groundbreaking chapter on Italian capitalism for the first volume of Einaudi's *Annals of Italian History*. These works continue to form a milestone of contemporary Italian historiography as

well as a fundamental heuristic tool for any scholar undertaking research on these topics.

Franco Bonelli had an irritable personality. Demanding and self-critical, he always expected others to give their maximum diligence. Certainly the young scholars who surrounded him had to acknowledge that this curmudgeonly master was almost always right.

Historian of the central bank

by *Pierluigi Ciocca*

As a young economist, half a century ago, I enjoyed a scholarship from the newly established Fondazione Einaudi of Turin. An extraordinary Advisory Board: Mario Einaudi, Bobbio, Caffè, Cipolla, Firpo, Forte, Lombardini, Alessandro Passerin d'Entrèves, Sraffa, Steve, Venturi. Colleagues as varied as they were brilliant: Giacomo Costa, Luzzati, Pesante, Rieser, Sechi, Storaci, Tranfaglia. A course of lectures by Leo Valiani on the Giolittian age. A conference on the Mezzogiorno with the participation of Compagna, Galasso, Graziani, Rossi Doria, the team of the journal *Nord e Sud*. Luigi Einaudi's world-class economics library. Giulio Einaudi's publishing house. And an exceptional economic history tutor: Franco Bonelli.

For the Foundation an economist with no history was only half an economist. Equally diminished was a historian with no economics. Franco Bonelli taught us that to do more than rehash what was already known, we had to mine the sources: the literature, statistics, personal statements archives. In this precise sense he was a true researcher. At the cost of exasperating delays, and missed deadlines, he would publish only when there were no more sources worth exploring.

Before looking at his research on the history of central banking I wish to recall one of his most striking essays, on a subject that apparently has little to do with economic history: malaria. Drawing on the sources – from his presentation in 1963 at the conference in Lyon to the article he published in *Studi Storici* in 1966 – and combining demography, climatology, medicine and, of course, economics he showed that malaria was an old and important determinant of the contractionary and expansionary swings in productive activity across the Italian peninsula.

When Bonelli turned to the economic history of post-unification Italy, the extant historiography saw economic events in the Kingdom

and then the Republic in a mainly negative light: backwardness, delays, flaws. Bonelli made a major contribution to the rewriting of this history. Digging in the sources he uncovered important elements of structural change. Basically progress derived from capitalism: a machine capable on its own of freeing “productive forces” in Italy too, independently of who interpreted it and of who tried to direct it. But the advances were also linked to personalities and private- and public-sector enterprises, to be studied: Terni with Brin, Breda, Casalini and then Otero, Orlando, Scartezzini; Iri with Beneduce, Menichella, Sinigaglia; the Bank of Italy with Stringher.

Thinking it over forty years later, the criticism made by Bonelli – and Luciano Cafagna and Ernesto Galli Della Loggia – regarding the research on the Fascist economy entrusted by Alberto Caracciolo to Ciocca and Toniolo was aimed at our negative assessment of the regime’s economic policy, perhaps underestimating the advanced sectors and the transformations the economy nonetheless achieved between the two Wars.

In 1971 Bonelli had shown how it was possible to see as “modern” even the Italian crisis of 1907, during the “economic spring” of the Giolittian age. That crisis was modern in that it was part of an episode of financial instability that spread out from the markets at the centre of world money. In a review in which I praised the monograph I felt that insufficient space had been devoted to the “real” causes and consequences of the crisis. But Maddison’s (approximate) data on world GDP and Fenoaltea’s much more refined data on Italian GDP were not available then. These data subsequently showed that there had not been serious recessions, either before or during or after 1907. In Italy GDP grew by 2.8% in 1907, the following year it did fall, by 0.5%, but it then recovered with an increase of 3.8% in 1909. Qualitative sources could not tell Bonelli what had not happened, a heavy recession provoked by financial instability.

The crisis mainly concerned the stock market. There were 169 companies listed on the Milan exchange, accounting for 70% of the share capital in existence at the time. The crash was devastating. In 1920 share prices had fallen by 80% in real terms. Decades were to pass before the Italian stock exchange was to recover. By contrast the banking system held up, with the exception of the Società Bancaria Italiana. In part this was because under Bonaldo Stringher the Bank of Italy began to provide lending of last resort or support via a pool of healthy banks. Bonelli took the point: in this sense too the crisis of 1907 was a stage in the country’s development. Perhaps it was his work on this episode that triggered his interest in “Via Nazionale” and in Governor Stringher, an interest that was not to abandon him for years. He became an habitué of

Palazzo Koch: the archives, the library, the Ente Einaudi, the staff, the discussions.

He published a great deal in this field and would have liked to do more. In particular he did not succeed in giving us a definitive work on Stringher's contribution. The biography of Stringher that he prepared in 1985, sponsored by Banca Popolare di Udine, the Governor's birthplace, is nonetheless most valuable.

The Bank of Italy had already begun to operate as a "bankers' bank" and to carry out a stabilizing monetary policy in the Giolittian age, with Stringher, as noted. The wartime inflation was more a real than a monetary phenomenon: deficit military spending and an upheaval in the composition of demand, in the entire constellation of relative prices. So too the inflation of 1919-1920: the arduous return to a peacetime economy, the conflict between wages and profits and the violent confrontation between capital and labour.

In the early Fascist period the "Giolittian" Stringher collided with Alberto dè Stefani, the Minister of Finance and the Treasury, who wanted the Bank of Italy to reduce the money supply and prices in order to maintain the competitiveness of exports. Dè Stefani hoped to offset the recessionary pressures deriving from the balancing of the budget that was on the way to being achieved. Stringher resisted: as Bonelli noted in his 1985 essay, by "stating his convictions so as to leave no room for compromise of any kind" (p. 131).

Under the fascist regime with its objective of "quota 90" – Mussolini's policy choice that nobody dared oppose – Stringher did not agree with the "90" or the excessive appreciation of the lira vis à vis the British pound. He nonetheless dialogued with Mussolini to good effect through Volpi and Beneduce, obtaining a great deal. The 1926 Banking Law gave the Bank of Italy the monopoly of note issue, responsibility for supervising the banks, and custody of the foreign exchange reserves.

Stringher's monetary policy in the 1920s was correctly countercyclical, though Cotula and Spaventa disagreed. In my opinion it was correct at least in its sign. Interest rates came down in 1922-1924, in this way, and not by means of deflation (wholesale prices remained stable, pace the tempestuous dè Stefani), supporting investment and the recovery; they rose in 1925-1926, acting against inflation, speculation and the depreciation of the lira; they came down again from 1927 until the Governor's death (December 1930) thereby countering first the recessionary effects of "quota 90" and then those of the 1929 crisis. In relation to GDP the monetary base, the circulation and the stock of money were consistent with the different phases of interest rate movements referred to above: increasing in the first, falling in the second and rising in the third.

The ideas developed by Bonelli regarding the central bank found confirmation and were extended by the collection of documents excellently edited in 1991 for the Historical Series inspired by the centenary of the Bank of Italy, founded in 1893. The source documents show how between 1894 and 1913 the Bank, led by Marchiori until 1900 and then for three decades by Stringher, eliminated the non-performing assets it had inherited, supported the economy and stabilized the credit market. In a powerful coauthored essay published in 1999-2000 devoted again to the period 1894-1913 Bonelli and Elio Cerrito explicitly centre the analysis on the key question of the central bank's discretion and hence of its autonomy with respect to both politics and business.

The question is especially intriguing in Italy's case in view of the obstacles and misadventures that almost none of the Governors after Stringher avoided: Vincenzo Azzolini, subordinated to the Fascist executive by laws passed in 1935, then removed from his post and nearly sentenced to death in 1944 for having handed over the country's gold a few months earlier to Kappler's machine guns; Donato Menichella, brought to resign in the wake of the case of Giuffrè, "God's banker", although Via Nazionale actually had no jurisdiction over his *de facto*, not *de jure*, bank; Guido Carli, transfixed, like the Saint Sebastian in his office, by Sindona's banks and other minor ones; Paolo Baffi, forced to resign over the case of the small Credito Industrial Sardo; Carlo Ciampi, reported to the criminal authorities by the head of Consob, Guido Rossi, after the stock exchange listing of Roberto Calvi's Ambrosiano, which Consob had authorized; Antonio Fazio, forced to resign for his handling of the tender offers for Antonveneta and BNL; and Ignazio Visco, investigated by a parliamentary commission in connection with the collapse of seven provincial banks, the only ones to have failed in Italy's worst ever peacetime recession, while elsewhere, in a much less serious downturn, giants of finance failed or stumbled: Bear Stearns, Wachovia, Fannie May and Freddie Mac, Lehman Brothers, Morgan Stanley, Merrill Lynch, Goldman Sachs, Washington Mutual, AIG, Royal Bank of Scotland, Northern Rock, and dozens of German intermediaries.

Why persons such as the Governors cited, independently of their qualities and possible errors, had to suffer so much in their management of the currency, at the hands of the Executive, the Legislature and the Judiciary, is a fascinating aspect of the history, not only economic, of the country. Why does the relationship between institutions make being a central banker so difficult, so risky, in Italy?

Among historians Franco Bonelli was one of the first to investigate the origins of these affairs. The results of his research will endure.

The birth of Italian business history

by *Franco Amatori*

In 1962 Franco Bonelli was commissioned to write a book on Terni. Gian Lupo Osti, company Ceo, was a highly cultured manager and cognizant of the historical and social value of his professional experience. So he asked Pasquale Saraceno, a management scholar who served as a general advisor of Iri (the State holding that owned Terni) to recommend a young historian who might be capable of writing an accurate account of the company.

Without a moment's hesitation, Saraceno suggested that the right person was Bonelli. At the time Bonelli served as the assistant of Carlo Cipolla in the creation of series focused on Italy's economic unification.

Bonelli was given access to all the documentation that could be found on Terni's history. His intention was to write the story of the steel manufacturer "as it really was". When acquaintances pointed out to Osti the risk he ran (given some controversial episodes in Terni's history) it's said that he replied that even a noble family wouldn't dislike counting among its ancestors someone like Sir Francis Drake – an example of correctness (and irony) in Italian historiography!

The work on Terni was published in 1975 as part of a prestigious Einaudi series. It had used up so much time, in part because of Bonelli's personal involvement but also given the condition of the sources. More on this issue can be found in Covino's essay.

The author's obsessive search for perfection wasn't of secondary importance. Bonelli was determined to master all possible primary sources and all the literature in order to be completely sure what he was writing. He was adamant that a historian needed to take his time; the objective was to explain historical happenings, not just retell them.

In the end Bonelli dealt with an abundance of the documentation. He probably could have written more than 1000 pages, suffused with kilometers of footnotes.

Instead he succeeded in condensing all his research into an essay of 300 pages with all the documentation in a special note of just five pages.

The volume marked the birth of the “modern” Italian business history (a few years earlier Valerio Castronovo had authored the other fundamental book, a biography of Giovanni Agnelli).

Bonelli was rather skeptical about business history, seeing it as essentially a kind of American discipline. He wasn’t congenial to either the Schumpeterian version (found at Harvard’s Center of Entrepreneurial Studies where the emphasis should have been on the role of the entrepreneur as a hero) nor to the Chandlerian version (even if the latter offered just as much documentation as Bonelli’s work).

For Bonelli, the problem was that the Schumpeterian and Chandlerian outlooks focused primarily on successes. Take as an example Chandler’s *Strategies and Structure* where a manager entrepreneur, Alfred Sloan, found an effective organizational formula and, with it, made the company he led (General Motors) into a colossus for many decades, the first corporation of the world.

It’s a story that’s too aseptic and offers little friction for a historian like Bonelli who had to deal with “heroes” of Italian capitalism, people like Vincenzo Stefano Breda. The government gave Breda the task of building up a steelworks which could supply a powerful fleet. Overwhelmed by the economic crisis of the 1880s (a materialization in Italy of the Great Depression), Breda utilized public subsidies to cover up the debts of his company which was at the time a leader in the field of public works. For this reason, Breda was summoned to appear in Court. It would have been expected that in court he would be treated as a cheater. But Breda was far removed from this danger because in the same period he had been appointed to the Italian Senate. As a senator he was judged by his peers in the Senate; in the end he was absolved of wrongdoing.

Bonelli also had to deal with the story of Arturo Bocciardo who was nominated Ceo of Terni in a period of serious problems. This happened in the 1920s so when Bocciardo took over the role of Terni’s Ceo he had to cope with the wreck produced by significantly reduced demand because of the lack of war orders.

Bocciardo’s “entrepreneurial” response to the dilemma was to start bargaining with Mussolini whom he approached like this: “On our part we’ll keep alive a wartime steel industry in serious difficulty but you have to give us privileged tariffs and a strong share of the chemical cartels” where Terni was exploiting its ownership over the electric branch.

Nonetheless, Bonelli had to recognize that these tricksters contributed in an important way to making Italy the only industrialized country in the Mediterranean area at the beginning of WWII.

With all his contradictions, Breda put into motion a process that would permit Italy to be self sufficient in steel production.

In the interwar years, Bocciardo created a gigantic integrated poli-sectorial complex (operating in sectors like steel, electricity, chemicals, shipbuilding, and cement) which, even with the weak points of a conglomerate, constituted one of Italy's major industrial groups.

It is interesting to note that just in 1975 – the year when the volume on Terni was published – Oliver Williamson came out with *Markets and Hierarchies*, warning of the dangers of an excessive integration.

Now I would like to mention a few points that I believe will be useful in the debate.

Bonelli was indeed skillful in singling out the interests that were at stake and also the stakeholders in those points that he defined as the strategic turns in a firm's history. From a confrontation between the stakeholders a precise strategy came out. This is clear, for instance, in the story that goes from the beginning of the 20th century to the rise of Arturo Bocciardo's unconditional power. This result seems to rely not on objective factors but, rather, on intuitions, social relationships, and ties of trust or its opposite.

A last point that I would like to mention regards Bonelli's assertion that it's possible to write a good company history even without primary sources. Bonelli complains that, notwithstanding Osti's collaborative efforts, prior to 1933 the company's archives were de facto inexistent. But to that he adds: "The experience of the research shows that the absence of an organic basic archival documentation very seldom represents an insurmountable obstacle for the researcher who would like to run the path of another Italian company. It seems at this point right that also the biography of Fiat founder Giovanni Agnelli, written by Valerio Castronovo, a real masterpiece, was researched and written in the same conditions, i.e. the absence of company archives.

In other words, the message that he wants to convey is that issues are more important than sources. This was for me a real methodological legacy that, *si parva licet*, I applied when writing the history of Lancia automobile company.

In the volume's premise, Bonelli makes a self criticism when he declares that two fundamental issues are missing in the book: the role of the working class and the relationship between Terni and its socio-economic environment.

For me, this isn't a very generous criticism; with their presence these two characters (the working class and the environment) would hardly have modified what are already the book's very important findings.

I'm rather skeptical on a global history of a company. Duccio Bigazzi's *Il Portello* is also another masterpiece, pulling together the history of a company (in this case, the automobile manufacturer, Alfa Romeo), the Milanese environment and the political and social history of the workers' movement. The price that Bigazzi was compelled to pay was that in a book of 700 pages no room was found for Alfa Romeo's most interesting phases as the period Bigazzi chose to face doesn't say anything of the years when the company was led by someone like Ugo Gobbato or Giuseppe Luraghi, by far the most interesting phases of Alfa's story.

If we want to find a limitation in Bonelli's *Terni*, it's related to the fact that from a single case the author expects to glean too many conclusions on the history of Italian big business. A case always has clear limits in these aspects. An institutional history of the Italian large corporation can be done only via a wide comparison but, if the plan is to build a skyscraper, you need many bricks, which were insufficient in the Italy of the mid 1970s. *Terni's* story is more than a brick. In the history of Italian corporations, it holds the stature of an architrave.

A book: *Acciaio per l'industrializzazione* (1982)

by *Antonia Carparelli*

1. Introduction

I would like to thank Franco Amatori for this initiative, which for me has a human and intellectual significance that is difficult to describe.

I will start my intervention with an image of Franco Bonelli that often comes back to my mind. It's an image of him deeply focused on the construction of dry-stone walls – “muretti a secco” in Italian – in his impervious piece of land near Sapri, in the South of Italy, that was for many years his privileged harbor.

It's an image that eloquently describes its character of peasant austerity and obstinacy, but it is also an excellent metaphor of the working method of the historian and the scholar.

Bonelli had grown into an expert of dry-stone walls, which he had learned to build from the peasants of Cilento; he kept repeating that “it takes a lot, a lot of method” to properly build them.

- To start with, you need to define very well where and why they should be built, based on an accurate knowledge of the soil and the landscape.
- Then you have to carefully gather and select the right materials, i.e. the stones with the appropriate characteristics and dimensions to fit together.
- Finally, you have to undertake the hard work of construction, from the excavation of the foundations to the combination of the stones according to an intelligent dimensional and functional hierarchy. This is a job that often involves deconstruction and reconstruction, required for solidity and sturdiness of the wall.