OWNERSHIP AND CONTROL OF ITALIAN BANKS: A SHORT INQUIRY INTO THE ROOTS OF THE CURRENT CONTEXT

by Leonardo Giani ♦

Abstract

This work does a short inquiry into the past experience of the Italian banking law and the ownership structure of the Italian credit industry. The inquiry is especially focused on the role played by culture and other historical events (e.g. political ones) in shaping the Italian economic framework. In other words, this paper wants to trace a short and descriptive outline of the evolution of the Italian banks’ ownership structure in order to show how political and social factors counted in determining the present features of the system.

Keywords: corporate governance, ownership and control, banking law, banks, evolution, Italy.

♦ PhD Candidate in Law and Economics – University of Siena
Index: 1. The role of culture and history in the evolution of systems of capitalism and structures of ownership and control; 2. The primary roots of the current context: some notes about the initial development of a modern credit industry in Italy; 3. The shift from a private owned to a largely state owned credit industry; 4. The gradual retreat of the State from a direct involvement into the economy; 5. The final achievement of a (quasi) free market oriented credit industry; 6. Conclusions.

1. The role of culture and history in the evolution of systems of capitalism and structures of ownership and control

Culture and history constantly play an important role in the economy. Even more, from the work for which Douglass North was awarded the Nobel Prize can be learned that culture and history always matter. For instance, it must be always kept in mind that economic incentives are not lonely suitable to drive the world towards efficiency. In other words, it’s impossible to change the world just by legislative reforms aimed to provided such incentives, because they must be followed by a change in people’s mind. Moreover, beside the

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1 «By culture we mean the transmission from one generation to the next, via teaching and imitation, of knowledge, values, and other factors that influence behaviours» [R. BOYD, P.J. RICHERSON, Culture and the Evolutionary Process, Chicago, The University of Chicago Press, (1985), p. 2].

2 «In the modern Western world, we think of life and the economy being ordered by formal laws and property rights. Yet formal rules, even in the most developed economy, make up a small (although very important) part of the sum of constraints that shape choices; a moment’s reflection should suggest to us the pervasiveness of informal constraints. In our daily interactions with others, whether within the family, in external social relations, or in business activities, the governing structure is overwhelmingly defined by codes of conduct, norms of behaviour, and conventions. Underlying these informal constraints are formal rules, but these are seldom the obvious and immediate source of choice in daily interactions. That the informal constraints are important by themselves (and not simply as appendages to formal rules) can be observed from the evidence that the same formal rules and/or constitutions imposed on different societies produce different outcomes. (...) Where do informal constraints come from? They come from socially transmitted information and are part of the heritage that we call culture» [D.C. NORTH, Institutions, Institutional Change and Economic Performance, Cambridge, Cambridge University Press, (1990), p. 36-37].
general cultural determinants, also the dominant political attitudes deeply influence the economy³ (and not always politics coincides with culture). All these elements are part of the concept well known as «path dependence»⁴.

For what especially concerns the matter under analysis, it can be noticed that each national ownership and control pattern is the result of the historical evolution of the national economy to which it pertains. However, it must be also said that corporate ownership and control structures never stand alone. On the contrary, every work dealing with corporate governance (included those about the specific topic of national patterns of corporate ownership and control) should start by looking at the matter from a more general perspective.

Taking this perspective, let’s start by quoting a prominent scholar. He begins one of his most significant works⁵ stating that the word «capitalism» is commonly used for the definition of a particular kind of economic organization traditionally pertaining to Western Europe, North America and Japan. More precisely, he states that this kind of economic organization is normally defined as a system in which the assets are owned by those people who invest their capitals for the

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³ For a wise analysis focused on the American context see M.J. ROE, A Political Theory of American Corporate Finance, Colum. L. Rev., Vol. 91, (1991), p. 10; M.J. ROE, Strong Managers, Weak Owners: The Political Roots of American Corporate Finance, Princeton, Princeton University Press, (1994).
⁴ «Path dependence is a term that has come into common use in both economics and law. In all instances that path dependence is asserted, the assertion amounts to some version of “history matters”. Path dependence can mean just that: Where we are today is a result of what happened in the past. (…) In biology, the related idea is called contingency – the irreversible character of natural selection. (…) We must caution, however, that the analogies are incomplete. If turtles become extinct, they will not reappear suddenly when circumstances change to make it advantageous to have a shell. But if people stop using large gas-guzzling engines because gasoline has become expensive, or extent patent protection to the “look and feel” of software, they can always revert to their old ways if they come to regret the switch» [S.E. MARGOLIS, S.J. LIEBOWITZ, Path Dependence, in P. NEWMAN, (Edited by), The New Palgrave Dictionary of Economics and the Law, Vol. 3, London, Macmillan Reference Limited, (1998), p. 17-18]. See also L. BEBCHUK, M.J. ROE, A Theory of Path Dependence in Corporate Ownership and Governance, Stan. L. Rev., Vol. 52, (1999), p. 127.
⁵ H. HANSMANN, The Ownership of Enterprise, Cambridge Mass., The Belknap Press of the Harvard University Press, (1996).
production of goods or the providing of services. However, immediately after this first statement, the scholar himself specifies that, in practice, the ownership by investors is only a contingent feature of the free market economies, even if usually dominant. Indeed, in every free market economy (United States included) a number of different ownership structures coexist, involving various kind of owners and having different degrees of concentration.

In few words, claiming that several «systems of capitalism» exist throughout the world only means that different economic organizations sharing the common trait of the ownership by investors as dominant (albeit contingent) feature are in place. Beyond the just mentioned common trait, all the other specific features of firms (even within the same system of capitalism) can vary a lot.

In general, many historical factors, cultural elements and social relations are suitable to affect the way in which an economy is driven and organized. In this respect it must be remarked that, as already said, corporate ownership and control structures don’t stand alone. However, the dominant way in which firms are owned and controlled within a certain country seems to be particularly important because it somehow reflects the influence of all the other forces.

According to what explained above, it’s possible to say that each single country has its own peculiar system of capitalism and, moreover, within the same country firms may have different structures of ownership and control. Despite of this broad and persistent diversity, the various systems share some common elements that allow to group them under few categories. More precisely, the economic organizations of Western Europe, North America and Japan can be generally grouped

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6 In some respects, it could be also said that different areas within the same country may have their own specific system of capitalism. Take for example the case of the north and the south of Italy: it’s self evident that a region like Lombardy (one of the fastest growing and most economically developed in the whole Europe) has an economic organization completely different from Sicily (one of the slowest growing and less economically developed in the whole Europe). Moreover, take the example of different parts of the United States: California has an economic organization completely different from Montana. The practice to consider countries as uniform economic entities is correct and imposed for simplification, so this footnote is maybe an excess of precision, however it’s only to specify that there can be an enormous difference between economic borders and the geographical ones.
under two categories: «market-centred systems» and «bank-centred systems».

Italy is usually considered as a «bank-centred system». This categorization only catches one of the main distinctive features of the Italian capitalism, because it is characterized by many other very specific elements. However, the categorization stresses the important role that, also in Italy, credit institutions played and still play in the economy. As already said, corporate ownership and control structures can’t be studied apart from the general economic context in which they have been developed, but they are very important anyhow. In particular, the ownership and control structures of the Italian banks have some specific characteristics that are very interesting to be analysed, in order to highlight how they reflect the impact of many different forces (cultural, historical and political ones) on this kind of institutions.

2. The primary roots of the current context: some notes about the initial development of a modern credit industry in Italy

Around 1861, the year in which the country was politically unified, the Italian economy was stagnant and still resembling a medieval one from both a financial and an industrial perspective.

From a financial perspective, a prominent scholar in banking observes four peculiar features of the post-unitary Italian economy: i) frequent financial crisis in pre-unitary States; ii) the scarcity of a monetary field in the Italian economy (90% of legal tender was hard money); iii) the absence of lending institutions both on long and short term; iv) strong elements of dualism and exposition to usury for a large layer of population. In addiction, any stock exchange in a modern sense was in operation.

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7 See, for instance, F. ALLEN, D. GALE, Comparing Financial Systems, Cambridge Mass., MIT Press, (2000); R. LA PORTA, F. LOPEZ-DE-SILANES, A. SHLEIFER, Corporate Ownership Around the World, J. Fin., Vol. 54, (1999), p. 508.
8 See for example G. FUA’, (Edited by), Lo sviluppo economico in Italia, Milano, Franco Angeli, (1969).
9 M. ONADO, La lunga rincorsa: la costruzione del sistema finanziario, on P. CIOCCA, G. TONIOLO, (Edited by), Storia Economica d’Italia, Bologna, Laterza, (2002), p. 384.
From an industrial perspective, it can be noticed that in those years the Italian fabrics were still handmade by artisans\textsuperscript{10}, except for the silky production, which represented the «school for the Italian industrial take off»\textsuperscript{11}. In addiction, Italy had no railroads at all (except for few hundreds of kilometres built more for the noblemen’s pleasure than for economic purposes)\textsuperscript{12}.

However, even if during the 1860s and the 1870s Italy was still heavy economically injured because of recent wars, it experienced a fresh economic growth\textsuperscript{13}. This growth was especially boosted by a historical event. Indeed, the unification of the country produced expectations and enthusiasms that, for the first time in the Italian history, led to the built of modern factories and to the initial rise of an entrepreneurial class\textsuperscript{14}.

At the same time, the credit industry was still very segmented. Some different kind of banks coexisted in Italy during that period, sometimes as a heritage of the different pre-unitary systems. Firstly, \textit{monti di credito su pegno}: different kind of banks dated back to the Middle Ages, variously called (e.g. \textit{monti di pietà}, \textit{monti frumentari}, \textit{monti pecuniari}) and statutory aimed at lending small amounts of

\textsuperscript{10} About Italy see F. BELL, \textit{Legislazione bancaria italiana (1861 – 2003)}, Torino, Giappichelli, (2004), p. 50-51.

\textsuperscript{11} See L. CAFAGN, \textit{Dualismo e sviluppo nella storia d’Italia}, Venezia, Marsilio, (1999).

\textsuperscript{12} According to a prominent Italian economist [G. TONIOLO, \textit{Storia economica dell’Italia liberale 1850-1918}, Bologna, Il Mulino, (1988), p.115], in 1860 Italy had just 2,000 km of railways, while the United Kingdom had 15,000 km, Germany 12,000 km and France 9,000 km.

\textsuperscript{13} For example, consider that in 1862 the Rattazzi’s government undertook a rail policy for the south of the country, thanks to a network of Italian entrepreneurs and to the stream of French and English capitals. In 1864 the privatizations of the industrial government started: Italian government farmed out the mechanic plant of Pietrarsa (Naples) for the construction of railway assets. In the same years the shipyard of Leghorn and La Spezia became private. In 1865 a modern factory rose in Piombino (La Magona d’Italia sprouted for the initiative of an English businessman Joseph Alfred Novello to exploit the mineral resource of the contiguous Elba island).

\textsuperscript{14} The unification of the country took in Italy a wave of commercial euphoria. A series of bank’s initiatives bloomed and a run to the exploitation of mineral took place. Even if in 1864 many of the businessmen involved in this run saw the failure of their expectations. See G. LUZZATTO, \textit{L’economia italiana dal 1861 al 1894}, Torino, Einaudi, (1968).
money on pledge\textsuperscript{15}. Secondly, \textit{casse di risparmio}: savings banks having various founders (governments, municipalities, associations of citizens or ecclesiastical authorities) and different organization (they could look like associations or foundations) but always aimed to safeguard deposits more than lend money\textsuperscript{16}. Thirdly, \textit{banche popolari} and \textit{casse rurali e artigiane}: two different kinds of mutual banks chartered as cooperatives\textsuperscript{17}. Finally, normal banks chartered as corporations. All of them were universal banks and all of them could be involved in activities that were regulated by special laws like agrarian lending or estate and construction lending\textsuperscript{18}. Moreover, due to the pre-unitary division of the country in regional States, the credit industry dominantly had a local dimension\textsuperscript{19}.

Along with the regional dimension of banks, their ownership structures were local too. The literature seems to lack of precise and comprehensive data about the ownership structure of \textit{monti di credito su pegno} and \textit{casse di risparmio} in the nineteenth century. Indeed, they were very particular institutions in which different kind of players were variously involved. Only about few important \textit{monti di credito su pegno}

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\textsuperscript{15}See M. PIPITONE, \textit{Monti di credito su pegno}, on \textit{Digesto delle Discipline Privatistiche – Sezione Commerciale}, Torino, UTET, (1994), p. 74.
\textsuperscript{16}See L. PONTIROLI, \textit{Cassa di risparmio}, on \textit{Digesto delle Discipline Privatistiche – Sezione Commerciale}, Torino, UTET, (1987), p. 513.
\textsuperscript{17}The first Italian \textit{banca popolare} was chartered in Lodi (Lombardy) in 1864 and 122 \textit{banche popolari} existed in Italy in 1878 [see F. BELLI, A. BROZZETTI, \textit{Banche popolari}, on \textit{Digesto delle Discipline Privatistiche – Sezione Commerciale}, Torino, UTET, (1987), p. 166]. The first Italian \textit{cassa rurale e artigiana} was chartered in a small town near Padova in 1883 by Leone Wollemborg, an economist who also became member of the Parliament and Ministry of Finance [see S. GATTI, \textit{Cassa rurale e artigiana}, on \textit{Digesto delle Discipline Privatistiche – Sezione Commerciale}, Torino, UTET, (1987), p. 541].
\textsuperscript{18}It’s important to notice the this market segmentation and growth of new species of banks is the same phenomenon experienced by the U.S. in that period. Also in Italy the main difference was about commercial banks and thrifts (e.g. \textit{casse rurali e artigiane} and \textit{banche popolari}). While the first were profit-making corporations owned by shareholders, the second originally were more charitable-oriented institutions organized in a mutual form.
\textsuperscript{19}See, in general, G. CONTI, S. LA FRANCESCA, (Edited by), \textit{Banche e reti di banche nell’Italia postunitaria – Volume II. Formazione e sviluppo di mercati locali del credito}, Bologna, Il Mulino, (2000).
(e.g. Opere pie San Paolo di Torino, Monte dei Paschi di Siena, Banco di Santo Spirito) is known that at the end of the nineteenth century they were controlled by the State\textsuperscript{20}. For what concern casse rurali e artigiane a similar lack of accurate data is observable, but the background on which such institutions were created undoubtedly allows to state that they were cooperatives with local range of activity and owners\textsuperscript{21}. On the contrary, about banche popolari and normal banks chartered as corporations it’s proven that, at the end of the 1870s, the shareholders of the former were about 70,000 and the shareholders of the latter were about 30,000\textsuperscript{22}.

For what especially concern banche popolari, being chartered as cooperatives, the number of shares owned by each single shareholder was limited, thus they can be described as a sort of public companies\textsuperscript{23}. More precisely, according to a statistic dated back to that period, the shareholdings of banche popolari was composed for more than 65% by small landowners, farmers, artisans, shopkeepers and local notables or professionals\textsuperscript{24}.

For what concern banks chartered as corporations, on a total of 226, the 155 biggest ones globally counted 3711 shareholders and the largest part of them was Italian (3540 shareholders). Among them, the 50% were other banks (14.53%) or private bankers (35.47%), while the rest were merchants (9.77%), industrialists and artisans (7.77%), shipowners (6.41%), large landowners (4.81%), stockbrokers (4.22%), and lawyers (2.5%)\textsuperscript{25}.

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\textsuperscript{20} See, for example, G. CONTI, Processi di integrazione e reti locali: tipologie del credito e della finanza, on G. CONTI, S. LA FRANCESCA, (Edited by), Banche e reti di banche nell’Italia postunitaria – Volume II. Formazione e sviluppo di mercati locali del credito, Bologna, Il Mulino, (2000), p. 395.

\textsuperscript{21} See S. GATTI, Cassa rurale e artigiana, on Digesto delle Discipline Privatistiche – Sezione Commerciale, cit., p. 541.

\textsuperscript{22} See A. POLSI, Alle origini del capitalismo italiano – Stato, banche e banchieri dopo l’Unità, Torino, Einaudi, (1993), p. 263.

\textsuperscript{23} See S. LA FRANCESCA, Storia del sistema bancario italiano, Bologna, Il Mulino, (2004), p. 70.

\textsuperscript{24} See A. POLSI, Alle origini del capitalismo italiano – Stato, banche e banchieri dopo l’Unità, cit., p. 264.

\textsuperscript{25} See A. POLSI, Alle origini del capitalismo italiano – Stato, banche e banchieri dopo l’Unità, cit., p. 266, 274 and 277.
one, need to be further explained. They were people whose principal occupation was not banking. In few words they were the evolution of the medieval bankers-merchants, who variously distributed their resources between different activities such as banking and trading\textsuperscript{26}. Moreover, among private bankers, as well as among the other categories, many shareholders had more than one occupation, since they could also be noblemen or politicians\textsuperscript{27}. Thus the shareholdings of Italian banks during the 1860s and 1870s was quite various and tangled in different activities.

In those years, the role foreign investors was quite limited, since they represent just 231 underwritings (less than 5\% of the total)\textsuperscript{28}. However, foreign investors played an important role for the first Italian industrial and economic development, also affecting the ownership and control of Italian banks. In fact, in line with the unification of the country, one of the primary political objectives was to shift the Italian industry from a regional to a national dimension. In order to do so, a financially underdeveloped economy such as the Italian one needed banks large enough to drive the industrialization by collecting and lending money on a wide scale\textsuperscript{29}. In this respect culture played an important role. Indeed, without having its own national model for such banks, the Italian ruling class looked at countries which were perceived to be more culturally similar.

At the beginning, the country perceived to be most culturally similar was France and its model of banking was consequently adopted\textsuperscript{30}. In accordance with that model, \textit{Credito Mobiliare} was chartered in 1863. It was a bank conceived following the example (and resembling also the name) of the French \textit{Crèdit Mobilier}. Moreover, the

\textsuperscript{26} A description of the Italian medieval companies as engaged in various kind of activities ranging from banking to commerce and industry is given by C.M. CIPOLLA, \textit{Storia economica dell’Europa pre-industriale}, Bologna, Il Mulino, (1997), p. 196.

\textsuperscript{27} See, in general, the fourth chapter of A. POLSI, \textit{Alle origini del capitalismo italiano – Stato, banche e banchieri dopo l’Unità}, cit., p. 263.

\textsuperscript{28} See again A. POLSI, \textit{Alle origini del capitalismo italiano – Stato, banche e banchieri dopo l’Unità}, cit., p. 267.

\textsuperscript{29} See S. LA FRANCESCA, \textit{Storia del sistema bancario italiano}, cit., p. 17 and 43.

\textsuperscript{30} The French model can be roughly described as based on the synergic interaction of three different kind of banks: the elitist private bank, the investment bank, the savings bank [see S. LA FRANCESCA, \textit{Storia del sistema bancario italiano}, cit., p. 85].
shareholders were also French for a large part. The bank in fact was owned for a half by the previous shareholders of the *Cassa Torinese del Commercio e dell'Industria* (an Italian bank merged into the *Credito Mobiliare* at the time of its creation) and for the other half by people linked with the French *Crèdit Mobilier*\(^31\). In addiction, few years later, in 1872, *Banca Generale* was chartered almost in the same manner. These two banks, along with others, are considered as main the drivers of the first Italian industrialization, as well as their activity is viewed as the earliest sign of a bank oriented system of capitalism\(^32\).

At the beginning of the 1880s the Italian economy experienced an agricultural crisis\(^33\), worsened by the commercial war against France (started when Italy became part of the anti-French military alliance set by Germany and Austria) but at the same time a construction fever took place in Italy. The Italian banks, harmed by the agricultural crisis, started to invest deeply in construction companies and to speculate in estate businesses\(^34\). All those speculations involved a large part of the Italian banks, generating a financial bubble that started to explode in 1886 and a crisis culminated in the period of two years between 1893 and 1894\(^35\). In those years, both the main drivers of the early Italian

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\(^31\) Among them can be listed also the Pereire brothers, two renowned French businessmen who played a very important role in the early Italian financial development [see S. LA FRANCESCA, *Storia del sistema bancario italiano*, cit., p. 45].

\(^32\) See S. LA FRANCESCA, *Storia del sistema bancario italiano*, cit., p. 43.

\(^33\) Agricultural crisis started in Italy in 1876 for production stagnancy having reference to the contraction of cereals prices due to the American competition. This crisis was widely widespread in European countries and its effects endured in Italian economy until 1890. Italian GDP in 1876 is analogous to the 1887’s one, thanks to the development of manufactured product’s industries. See for example G. FEDERICO, *Per una analisi dell’agricoltura nello sviluppo economico italiano: note sull’esportazione dei prodotti primari (1863-1913)*, on Storia e società, No. 5, (1979).

\(^34\) Those years are commonly viewed as the first step of the Italian industrialization: the economy grew at the approximate rate of 8% per year and the total capitalization of corporations increased as follows: 1,070 millions of lire in 1878; 1,342 millions in 1881; 1,685 millions in 1885; 1,746 millions in 1887 (see S. LA FRANCESCA, *Storia del sistema bancario italiano*, cit., p. 71).

\(^35\) In these two years, the four most important Italian banks (*Banca Generale*, *Credito Mobiliare*, *Banca Tiberina*, *Banca di Sconto e Sete*) were helped by the *Banca Nazionale del Regno d’Italia*, another important bank (*Banca di Roma*) was saved by the Vatican Treasury and, finally, the *Banca Romana*’s financial scandal took place.
industrial development (Credito Mobiliare and Banca Generale) collapsed.

Immediately after the collapse of Credito Mobiliare and Banca Generale, they were replaced by the creation of two other banks: Banca Commerciale Italiana in 1894 and Credito Italiano in 1895. These two banks replaced Credito Mobiliare and Banca Generale not only as the main players in the Italian credit industry, but also as drivers of the national economy. However, in these cases, the model of banking taken as example was not the French one, but the German one. The commercial war against France (in consequence of the military alliance with Germany and Austria) can be tentatively regarded as a political determinant of this fact. Anyway, apart from the tentative location of a political determinant, is beyond doubt that the adoption of that model were also influenced by cultural affinities and implied a deep presence of German institutions in the ownership structure of both banks. Indeed, the initial capital of Banca Commerciale Italiana was underwritten by German banks (78%), Austrian banks (13%) and Swiss banks (9%), as well as the creation of Credito Italiano was in part financed by German investors.

The ownership of Banca Commerciale Italiana and Credito Italiano (which remained both in operation till few years ago) later gradually shifted in Italian hands. For instance, in 1907 a director of Banca Commerciale Italiana wrote to a German colleague that, on a total of 210,000 shares, about 190,000 are held by Italians, therefore implying that a process of «naturalization» was substantially completed. Later, the same process was also completed for Credito Italiano (as well as for other important banks not mentioned in this

The crisis culminated between 1893 and 1894 when, in few months, both Banca Generale and Credito Mobiliare collapsed (see F. BELLI, Legislazione bancaria italiana, cit., p. 89 and 90).

36 G. TONIOLO, Storia economica dell’Italia liberale 1850-1918, cit., p. 180.
37 Their main investment activity can be roughly described as based on the acquisition of portfolios of shares held by other intermediaries in order to place them later on the stock market (see S. LA FRANCESCA, Storia del sistema bancario italiano, cit., p. 86).
38 See G. TONIOLO, Storia economica dell’Italia liberale 1850-1918, cit., p. 180.
39 See A. CONFALONIERI, Banche miste e grande industria in Italia – Volume I: L’esperienza della Banca Commerciale e del Credito Italiano, Milano, Banca Commerciale Italiana, (1994), p. 47.
work) by the wave of bids and takeovers which took place in the first
decades of the twentieth century.

Indeed, at that time the model was the universal bank and, most
important, there was no separation of banking and industry. This fact
allowed for a very active market for the corporate control and for wars
of bids between banks and industrial companies. Consequently, at the
beginning of the 1920s banks and industrial companies were braided in
a complex and unnatural way, constantly involved parallel takeovers by
which everyone attempted to gain the control of the other.

3. The shift from a private owned to a largely state owned credit industry

The World War I had many important consequences. The War in
fact deeply influenced also the economy, since the industry modified
its production and made important efforts in order to comply with the
demand of specific goods. In doing so, the industry enlarged its scale
and sectors underdeveloped or inexistent until then finally became part
of the economy. However, many problems also resulted from the War.
Some areas of the country were almost completely destroyed or deeply
injured. Moreover, the scale achieved by industries was no more supported by State’s orders, since the national debt raised in the same
years and the public finances were distressed. Consequently, the
industry faced several difficulties, the attempts to reorganize the system
implied a reduction of the achieved scale and a consequent growth of
unemployment. At the same time, the rate of inflation grew and prices
increased.

All these circumstances led to the emergence of a strong and
spread discontent among the people. In particular, the traditional tools

40 See again A. CONFALONIERI, Banche miste e grande industria in Italia – Volume I:
L’esperienza della Banca Commerciale e del Credito Italiano, cit., p. 47-72.
41 A prominent author refers that an important Italian banker of that period wisely
called and regarded the weaving between banks and industrial companies as a «Siamese
brotherhood» (see S. LA FRANCESCA, Storia del sistema bancario italiano, cit., p. 132).
42 A short but effective description of the economic consequences of the World War I in
Europe and, more precisely, in Italy can be found in V. ZAMAGNI, Dalla rivoluzione
industriale all’integrazione europea, Bologna, Il Mulino, (1999), p. 133 and 154.
of the liberal economy seemed unable to solve those problems. Such an environment created the conditions for the birth of illiberal ideologies and political parties proposing authoritative solutions for the crisis. This is the summarized background in which the fascist party bore in 1919 and finally took the power in 1922.

The fascist approach towards the economy was inspired by corporatism, protectionism and economic nationalism. One of the main theorists of the fascist approach towards the economy was Alfredo Rocco, a renowned lawyer finally also became Ministry of Justice. In accordance with the fascist concept, the main aim of the Italian industry should be «the advantage of the Country» and «the supreme interest of the Nation».

In line with this idea, the interest of «the Nation» was not the sum of the individual interests of those who live in the nation. In other words, for the fascist theorists the economy shouldn’t be driven in the interest of individuals but in the interest of the community (i.e. «the Nation»). Coherently with this line of thought, other traits of the fascist government finally became autarchy, State intervention in the economy and industrial planning.

The fascist attitudes towards the economy were also fuelled by the Great Depression started in the United States of America in October 1929. Indeed, the deep contraction of business encouraged the research of new economic models. Moreover, the liberalist methods and ideas lost credibility, being apparently unable to solve or even soften a crisis which was prolonging for years. In that context, the fascism was perceived able to offer a convincing and feasible alternative to the free market economy.

The first effect of the crisis of many banks during the Great Depression was to give to the fascist regime the opportunity to take some initiatives that finally led to a wide nationalisation of banks. This

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43 The relation between the economic consequences of the World War I and the rising of fascism can be found in V. ZAMAGNI, *Dalla rivoluzione industriale all’integrazione europea*, cit., p. 154.

44 See A. CARDINI, *Cultura economica e governo dell’economia nella dittatura fascista*, on A. MAZZACANE, (Edited by), *Diritto economia e istituzioni nell’Italia fascista*, Baden Baden, Nomos Verlagsgesellschaft, (2002), p. 52.

45 See A. CARDINI, *Cultura economica e governo dell’economia nella dittatura fascista*, cit., p. 61.
process started at the beginning of the 1930s with the creation of IMI and IRI

In addiction, the centrepiece of the reforms addressed to deal with the problems emerged from the Great Depression was the Banking Law enacted in two steps between 1936 and 1938.

The state managers on charge in IMI and IRI can be also considered the architects of the Banking Law of 1936-38 and in this circumstance is possible to find the reasons why this regulation kept its utility and effectiveness for over fifty years. Indeed, the state managers mentioned before (led by Alberto Beneduce\textsuperscript{47} and Donato Menichella\textsuperscript{48}) didn’t belong to the anti-capitalistic and anti-liberalist circles then ruling the fascist party. On the contrary, they were high level experts, educated and grew up in the liberalist atmosphere across the nineteenth and the twentieth centuries, that always had a lukewarm attitude towards the fascism\textsuperscript{49}.

The Italian Banking Law of 1936-38 brought some changes of historical importance in Italy and two, in particular, are usually regarded as the most revolutionary ones. The first one concerned the separation of commercial banking from investment banking\textsuperscript{50}. The second one concerned the classification of banks in different categories

\textsuperscript{46} IRI (Institute for the industrial rebuilding - \textit{Istituto per la ricostruzione industriale}) and IMI (Italian investment institute - \textit{Istituto mobiliare Italiano}) were two holding companies totally owned by the State. IMI was created in 1931, in order to avoid the failure of the main important Italian banks, and IRI (1933) became the owner of large part of the Italian industrial system, originally owned jointly by the failed banks. In particular IRI since 1940 to 1990 was the main Italian industrial group. For a confirmation of the fact that the Great Depression gave to the fascism the opportunity to nationalise the Italian credit industry by creating IMI and IRI see V. \textsc{Zamagni}, \textit{Dalla rivoluzione industriale all’integrazione europea}, cit., p. 177.

\textsuperscript{47} Alberto Beneduce was a well-known Italian scholar and politician in the early years of the last century. In particular in 1933 Beneduce has been the main promoter and organizer of IRI and its president until 1939.

\textsuperscript{48} Donato Menichella was an important name of the Italian economic and political scene of the first part of the last century. Previously, he was nominated governor of the Italian central bank in 1948, he was since 1934 the general director of IRI.

\textsuperscript{49} See F. \textsc{Belli}, \textit{Legislazione bancaria italiana}, cit., p. 149.

\textsuperscript{50} See F. \textsc{Belli}, \textit{Legislazione bancaria italiana}, cit., p. 183.
with an element in common, that was the state ownership (Sections 25-27 of the Banking Law)\textsuperscript{51}.

It’s important to stress other cultural determinants lying behind the Banking Law of 1936-38. On the one hand, Italy never had an entrepreneurial class disposed to tolerate risks tied with financial activities just to maximize its expected profits. Rather firms were really interested in acquiring the control of banking activities solely to obtain a chartered financial canal\textsuperscript{52}. On the other hand, during the 1920s we observe a financial market ruled by speculation of a concentrated economic power. Under these circumstances, the state ownership could be a means to treat savings in the «right hands»\textsuperscript{53}.

However, it’s also important to stress that the nationalization of banks was wide but not complete. Indeed, the abolition of private property was unconceivable for the fascism, being jointly with statism the main feature marking its approach as a «third way»\textsuperscript{54} between and the equally rival liberalist and communist ideologies\textsuperscript{55}. Thus, the State

\textsuperscript{51} Other critical changes introduced by the Banking Law of 1936-38 concern the redefinition of the credit institutions’ functions and the creation of the Ispettorato per la difesa del risparmio e l’esercizio del credito (IDREC), a supervisory body chaired by the governor of the Banca d’Italia (Sections 1-24 of the Banking Law). Moreover, the Banking Law regulated the process of chartering and branching of the banks (Sections 28-40 of the Banking Law). Finally, several provisions introduced controls and tools aimed to set the prudential supervision and the regulatory supervision (Sections 31, 32, 33 and 35 of the Banking Law).

\textsuperscript{52} See M. ONADO, \textit{La lunga rincorsa: la costruzione del sistema finanziario}, cit..

\textsuperscript{53} In this respect, it has been evidenced that such a cultural attitude towards the economy can be even dated back to the beginning of the century. See F. BARCA, \textit{Compromesso senza riforme nel capitalismo italiano}, on F. BARCA, (Edited by), \textit{Storia del capitalismo Italiano}, Roma, Donzelli, (1997), p. 9.

\textsuperscript{54} See A. CARDINI, \textit{Cultura economica e governo dell’economia nella dittatura fascista}, cit., p. 61.

\textsuperscript{55} Moreover, a confirmation of what described above can be found in an important paper [F. AMATORI, F. BRIOSCHI, \textit{Le grandi imprese private: famiglie e coalizioni}, on F. BARCA, (Edited by), \textit{Storia del capitalismo Italiano}, Roma, Donzelli, (1997), p. 118] were is written that the direct involvement of the State in the economy was not aimed to suppress private groups or entrepreneurial initiatives, since it was also practically hindered by the State’s limited resources and by the need to maintain some social and political equilibriums.
finally controlled the 80% of the credit industry\textsuperscript{56}, but some private owned banks always remained in operation.

On the other hand, as a consequence of the just described process, the Italian economy became largely controlled by the State. Indeed, as mentioned at the end of the previous paragraph, during the 1920s banks and industrial companies were deeply tangled in the control of each other. Thus, being banks the shareholders of industrial companies, the rescue of distressed banks achieved through their acquisition by IMI and IRI implied that the State also became a large shareholder of many industrial companies. More precisely, after this process, the State totally controlled the production of weapons; the 80-90\% of shipyards, shipping-lines, airlines and telephone companies; the 40\% of the iron and steel industry; the 30\% of the electric industry; the 25\% of the mechanical industry and the 15\% of the chemical industry\textsuperscript{57}.

4. The gradual retreat of the State from a direct involvement into the economy

The World War II had a destructive impact on the economy. For what especially concern Italy, after 1943 the final and harshest phase of the conflict, being the south occupied by Anglo-American troops, was fought in the central and northern regions (i.e. the industrial heart of the country). During those years, battles and bombardments almost completely destroyed infrastructures, factories and cities.

At the end of the World War II Italy was totally ruined from an economic perspective. However, at the same time the war allowed for a deep influence of the Anglo-American culture throughout the country and freed many positive energies. Moreover, in 1946 the result of a referendum repealed the monarchy and established the republic. This vote gave the chance to provide the people’s refreshed spirit with a new institutional framework which dismantled many of the previous age-old structures and prerogatives. Moreover, the first initiatives aimed to set a cooperative framework between different European countries promoted

\textsuperscript{56} See V. ZAMAGNI, \textit{Dalla rivoluzione industriale all’integrazione europea}, cit., p. 189.

\textsuperscript{57} See V. ZAMAGNI, \textit{Dalla rivoluzione industriale all’integrazione europea}, cit., p. 189.
trust and encouraged expectations about the future. In this renewed context, thanks also to the financial aid granted by the United States of America, Italy experienced an economic boom, becoming one of the world’s most industrialized countries.

The Italian economic development during the 1950s and 1960s has been wisely described by a prominent author as «an extraordinary compromise». In fact, it was a development contemporarily marked by many uncontrolled private entrepreneurial initiatives as well as a permanent direct involvement of the State in the economy. In other words, it was an original compromise between hyper-liberalism and strong statism. Under this compromise, both private and state owned firms coexisted and succeeded in their respective businesses. About the role of culture, it’s just incidentally interesting to notice that the mentioned coexistence of private and state owned firms occurred also in France and Germany, two European countries perceived as culturally similar to Italy since the nineteenth century.

However, in Italy the situation was quite different for what respectively concern banks and industrial companies. Indeed, while many and large industrial companies remained state owned, the number and the size of private owned firms also significantly increased. On the opposite, most of the Italian banks remained controlled by the State and any new private bank was virtually chartered.

The reasons lying behind the immobility of the credit industry in those years could be found in the specific features of the Italian industrial boom. In fact, beside public or private huge industrial groups, the economic development was mostly driven in Italy by very small firms. These small industrial companies simply were the modern

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58 See V. ZAMAGNI, Dalla rivoluzione industriale all’integrazione europea, cit., p. 201.
59 See F. BARCA, Compromesso senza riforme nel capitalismo italiano, cit., p. 12.
60 See, in general, F. BARCA, (Edited by), Storia del capitalismo Italiano, Roma, Donzelli, (1997).
61 See G.M. GROS-PIETRO, E. REVIGLIO, A. TORRISI, Assetti proprietari e mercati finanziari europei, Bologna, Il Mulino, (2001), p. 153 and 293.
62 See, in general, F. BARCA, (Edited by), Storia del capitalismo Italiano, cit.
63 This is definitely true at least for the major players within the Italian credit industry. See G. FERRI, S. TRENTO, La dirigenza delle grandi banche e delle grandi imprese: ricambio e legami, on F. BARCA, (Edited by), Storia del capitalismo Italiano, Roma, Donzelli, (1997), p. 421-423.
evolution of workshops in which the traditional handicraft was substituted by mechanization\textsuperscript{64}. Such a kind of small company was (but in many cases it still is today) owned by members of a single family who financed it with their personal savings and with profits they reinvested in the business. Being «auto-financed», small companies didn’t need any external financial assistance and therefore banks were merely used by families as custodians of savings. Moreover, the galloping economy of 1950s and 1960s also allowed the large industrial groups to be financed only by reinvested profits\textsuperscript{65}. In fact, even if the largest industrial companies and banks always remained linked by interlocking directorates\textsuperscript{66}, the whole entrepreneurial class of that time was basically autonomous in driving business\textsuperscript{67}.

Things started to change in the 1970s. Indeed, during the 1960s many opportunities to reform the system were gone lost\textsuperscript{68} and, at the beginning of the following decade, the galloping years of the economic boom were definitely ended. In those years, wages were growing and the rate of inflation was increasing in a context of international monetary turmoil and energetic crisis\textsuperscript{69}. Under these circumstances,

\textsuperscript{64} The main advantages of such an atomistic system were to be highly dynamic and flexible. Moreover, these small industrial companies, being the modern evolution of traditional workshops, usually produced the typical good of the area in which they were established. Therefore, small companies producing a specific good were concentrated in different areas of the country historically and traditionally renowned for the production of that specific good (e.g. textiles in Biella and Prato, furniture in Monza). These areas are still called «distretti industriali» (i.e. industrial districts) and played a very important role in the industrialization of Italy. Indeed, the organization in districts accounting several small firms with the same kind of business allowed to develop synergies among them which are able to supply to the lack of economies of scale. See S. BRUSCO, S. PABA, \textit{Per una storia dei distretti industriali dal secondo dopoguerra agli anni novanta}, on F. BARCA, (Edited by), \textit{Storia del capitalismo Italiano}, Roma, Donzelli, (1997), p. 265.

\textsuperscript{65} See F. AMATORI, F. BRIOSCHI, \textit{Le grandi imprese private}, cit., p. 131.

\textsuperscript{66} See G. FERRI, S. TRENTO, \textit{La dirigenza delle grandi banche e delle grandi imprese: ricambio e legami}, cit., p. 405.

\textsuperscript{67} See F. AMATORI, F. BRIOSCHI, \textit{Le grandi imprese private}, cit., p. 131.

\textsuperscript{68} See M. D’ANTONIO, \textit{La politica economica degli anni Sessanta ovvero le occasioni perdute}, on M. ARCCELLI, (Edited by), \textit{Storia, economia e società in Italia 1947-1997}, Roma-Bari, Laterza, (1997), p. 185.

\textsuperscript{69} See F. AMATORI, F. BRIOSCHI, \textit{Le grandi imprese private}, cit., p. 131.
firms (especially the largest ones) could no more rely only on expected profits and their own finances. However, the biggest banks were mainly conceived as commercial banks, thus subjected to rigid controls set by the Banking Law of 1936-38 and unable to help the system. Then, *Mediobanca*, a semi-private bank chartered at the end of the World War II, gained a prominent role acting as merchant bank.\(^{70}\)

*Mediobanca* was one of the very few private owned banks at that time but, as already said, it was in fact only semi-private owned. Indeed, it was founded in 1946 by three of the biggest Italian banks which respectively divided among themselves its ownership: *Banca Commerciale Italiana* 35%, *Credito Italiano* 35%, and *Banca di Roma* 30%. However, these three banks were owned by IRI, thus controlled by the State. Therefore, at the beginning *Mediobanca* was also owned and controlled (albeit indirectly) by the State. In 1956 *Mediobanca* was listed on the stock exchange and the three founding banks decreased the amount of shares they held: *Banca Commerciale Italiana* to 24%, *Credito Italiano* to 24%, and *Banca di Roma* to 20%. Consequently, during the 1970s *Mediobanca* was owned for 32% by private institutions or individuals, but it was still indirectly controlled by the State through the three founding banks mentioned above (collectively holding the 68% of the bank’s capital).\(^{71}\) Apart from *Mediobanca* and few other banks, the Italian credit industry was still widely controlled by the State.

At the beginning of the 1980s Italy started to emerge from the recession and during that decade the economy grew up again.\(^{72}\) Notwithstanding the experienced crisis, then Italy was no more a country at the eve of industrialization as it was across the nineteenth and the twentieth century, nor a young and fast-growing economy as it was during the 1950s and 1960s. On the opposite, then Italy was one of the most industrialized countries of the world, a founder and main

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70 For a detailed description of the role played by *Mediobanca* in those years see F. Amatori, F. Brioschi, *Le grandi imprese private*, cit., p. 131.

71 For more information see www.mediobanca.it.

72 For a detailed statistical research concerning the evolution of the Italian economy see M. Di Palma, M. Carlucci, *L’evoluzione dei principali aggregati economici nell’ultimo cinquantennio*, on M. Arcelli, (Edited by), *Storia, economia e società in Italia 1947-1997*, Roma-Bari, Laterza, (1997), p. 351.
member of the European Economic Community and an internationally important commercial partner. Moreover, Italy joined the European Monetary System in 1979.  

In the context shortly described above, the model of banking set during the 1930s entered in crisis. Since the creation of IMI and IRI and the Banking Law of 1936-38, almost any initiative or legislation of great consequence was taken or enacted in Italy concerning the credit industry. At the beginning of the 1980s, the processes of liberalization undertaken by the EEC, as well as Italian market’s internal factors, called for the privatization of the credit industry and the development of a more competitive system.  

The dismantlement of the system settled by the creation of IMI and IRI and the Banking Law of 1936-38 was realised in three steps. Firstly, pressures to comply with the European Directives forced some initial regulatory changes. Secondly, the state ownership of banks was slowly repealed through a process of privatization started with the so called «Legge Amato» of 1990 and followed by the Legislative Decree no. 153/1999. Thirdly, the system was completely and deeply reformed by the approval of the Legislative Decree no. 385/1993 (Testo Unico delle leggi in materia bancaria e creditizia - TUB).  

For what concern the first step, the process of privatization occurred in Italy during the 1990s was preceded by a process of regulatory liberalization aimed to cut down entry barriers having legal origin and started to comply with the European Directives enacted in the banking field. The just mentioned elimination of entry barriers was needed because, under the system designed by the Banking Law of 1936-38, new branches could be opened only after a specific authorization granted by the Banca d’Italia. This system prevented

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73 See M. Arcelli, S. Micossi, Politica economica negli anni Ottanta (e nei primi anni Novanta), on M. Arcelli, (Edited by), Storia, economia e società in Italia 1947-1997, Roma-Bari, Laterza, (1997), p. 263.  
74 See F. Belli, Legislazione bancaria italiana, cit., p. 204.  
75 See M. Clarich, A. Pisaneschi, Le fondazioni bancarie – Dalla holding creditizia all’ente non-profit, Bologna, Il Mulino, (2001), p. 34.  
76 D.lgs. 17 maggio 1999, no. 153.  
77 D.lgs. 1° settembre 1993, no. 385.
from any form of competition, being the authorization granted only in
the respect of a planned territorial distribution of branches.

The mentioned elimination of entry barriers was pursued by the
Banca d’Italia’s «piano sportelli» of 1982 and by the legislative
accomplishment of the first EEC Banking Directive of 1985. For what concern the second step, the «Legge Amato» started
the privatization in 1990 by authorizing the state owned banks to chart
private corporations (called «società conferitarie») to which they
should transfer their banking activities. At the same time, the state
owned banks should chart a fondazione bancaria (also called «ente
conferente»). The fondazione bancaria is a particular type of
foundation afterwards regulated by the Legislative Decree no. 153/1999
to promote the process of privatization. The aim of these institutions
was to own all the shares of società conferitarie, in order to gradually
sell them. To pursue at this aim, Section 25 of the Legislative Decree
no. 153/1999 stated that every fondazione bancaria should sell all its
shares by 31 December 2005 (or at least decrease its participation under
a control level). An administrative committee would be settled to
dispossess fondazioni bancarie still not complying with this provision
at the mentioned deadline. Another intent of the Legislative Decree no.
153/1999 was that, after the shares’ dismissal, fondazioni bancarie
would continue to exist as mere non profit organizations.

For what concern the third step, the biggest innovation brought
by the TUB was the reintroduction of the universal bank (Section 10)
and the consequent repeal of the separation between commercial and
investment banking. It also set specific provisions about bank’s
ownership in order to pose limits to the shares of banks that could be
owned by industrial companies, without completely prohibiting these
participations (Sections 19-24). More generally, the mentioned law
rearranged the system allowing for the existence of only three different
kind of banks (Sections 19-37): ordinary banks chartered as
corporations and two different kind of banks chartered as cooperatives
(banche popolari and banche di credito cooperativo). These provisions
formally privatized the system by ordering banks to assume the legal

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78 See M. CLARICH, A. PISANESCHI, Le fondazioni bancarie – Dalla holding creditizia all’ente non-profit, cit., p. 36.
form of private corporations or cooperatives (but they practically remained out of the market as the following paragraph will explain).

In addition, the TUB also designed the supervisory system for the banking sector and charged the Banca d’Italia with its fulfilment. Indeed, the Banca d’Italia is still charged of the following tasks: supervision of the financial and organizational situations of banks and banking groups; prudential control and validation of internal models for the risk measurement; safeguard of intermediaries’ sound and prudent management (Sections 51-69).

Moreover, the TUB provided a specific and detailed discipline of the banking groups (Sections 60-64). Finally, in 1996 the Legislative Decree no. 659/199679 introduced in the TUB a new part (Sections 96-96 quater) providing for a system of deposits’ insurance.

5. The final achievement of a (quasi) free market oriented credit industry

At the mid of the 1990s the combined action of «Legge Amato» and TUB formally privatized the Italian credit industry. Banks were formally chartered as private corporations and controlled by private institutions (i.e. fondazioni bancarie). However, despite this formal change, banks were still out of the market. In fact, according to Section 4 of the Legislative Decree no. 153/1999, the majority of each fondazione bancaria’s directors should be nominated by local institutions listed by Section 114 of the Constitution (i.e. municipalities, metropolises, provinces, regions). In other words, this provision implied a mere shift in the control of Italian banks from a central level (i.e. the State) to a peripheral level (i.e. local institutions). Under such circumstances, local institutions had incentives to maintain the control over banks through fondazioni bancarie in order to preserve their headquarters within the borders of the local community. Thus, there was the possibility that local institutions would compel fondazioni bancarie to avoid (or at least to delay) the accomplishment with Section 25 of the Legislative Decree no. 153/1999 (which imposed the gradual sell of shares they held).

79 D.lgs. 4 dicembre 1996, no. 659.
On the contrary, the majority of fondazioni bancarie gradually complied with above mentioned Section, while a few of them continued to control their società conferitarie. In fact, since the mid of the 1990s until now, the market for the control of banks has been very active in Italy. There have been several initial public offerings of banks and many mergers which progressively diluted the initial percentage of shares held by fondazioni bancarie. The main poles of aggregation during this wave of mergers have been the oldest, most famous and already mentioned Italian banks.

Firstly, around the old Credito Italiano (which was privatized in 1993 without following the scheme provided by «Legge Amato») Unicredito Italiano was formed. More precisely, by the merger of Cassamarca e Cassa di Risparmio di Verona, Unicredito was initially created in 1995. Later, Unicredito Italiano was created in 1998 by the merger of Cassa di Risparmio di Torino, Credito Italiano, Rolo Banca 1473 and Unicredito.

Secondly, around the old Banca Commerciale Italiana (which was also privatized in 1994 without following the scheme provided by «Legge Amato») Banca Intesa was formed. More precisely, Banca Intesa was initially created in 1997 by the merger of Cassa di Risparmio delle Province Lombarde and Banco Ambrosiano Veneto. Later, in 1999, Banca Commerciale Italiana also merged in Banca Intesa.

Thirdly, Sanpaolo IMI was created at the end of 1998 by the merger of Istituto San Paolo di Torino and IMI. Later, Sanpaolo IMI also acquired Banco di Napoli and Banca Cardine (which was created in 2000 by the merger of several casse di risparmio).

Fourthly, Banco di Roma acquired some important banks such as Banco di Sicilia and Banca Nazionale dell’Agricoltura. Later, Capitalia was created in 2002 by the merger between Banco di Roma and Bipop Carire.

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80 See F. PANETTA, La trasformazione del sistema bancario e i suoi effetti sull’economia italiana, on F. PANETTA, (Edited by), Il sistema bancario italiano negli anni Novanta – Gli effetti di una trasformazione, Bologna, Il Mulino, (2004), p. 16.
81 See, also for data and information provided below, F. TRIVIERI, Proprietà e controllo delle banche italiane, Catanzaro, Rubettino, (2005).
Finally, Banca Monte dei Paschi di Siena acquired some important banks such as Banca Toscana, Banca Agricola Mantovana and Banca del Salento.

In sum, at the mid of 2000s, five banks can be regarded as the major players in the Italian credit industry: Unicredito Italiano, Banca Intesa, Sanpaolo IMI, Capitalia and Banca Monte dei Paschi di Siena. Beside them, Mediobanca still was considered as the most renowned merchant bank of the country. The rest of the credit industry accounted other banks chartered as corporations and banche popolari (which could both range from very small to quite large dimensions), along with tiny local banche di credito cooperativo.

Given this context, it’s possible to say that the ownership and control structure of the Italian banks in the first part of the current decade varied a lot. Mediobanca was the first to change its ownership and control structure in 1988. Then, the three founding banks decreased the amount of shares they held from about 57% to 25%. Part of the sold shares was acquired by a group of private investors which jointly held the same percentage of shares owned by the founding banks. These two groups (i.e. founding banks and private investors) formed a controlling syndicate which has been renewed some times (according to variations within the pool of shareholders) but still now controlling the bank.

Among the other five most important Italian banks, fondazioni bancarie progressively decreased their shareholdings under a control level in four of them (Unicredito Italiano, Banca Intesa, Sanpaolo IMI and Capitalia), whereas a fondazione bancaria maintained more than 50% of Banca Monte dei Paschi di Siena. Beside banche popolari and

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82 Except for Banca Monte dei Paschi di Siena, which is not included, see S. LA FRANCESCA, Storia del sistema bancario italiano, cit., p. 270.
83 See G.M. GROS-PIETRO, E. REVIGLIO, A. TORRISI, Assetti proprietari e mercati finanziari europei, cit., p. 260.
84 See E. BONACCORSI DI PATTI, G. GOBBI, Piccole imprese e cambiamenti strutturali nei mercati locali del credito, on F. PANETTA, (Edited by), Il sistema bancario italiano negli anni Novanta – Gli effetti di una trasformazione, Bologna, Il Mulino, (2004), p. 205-207.
85 For more information see www.mediobanca.it.
86 Until 1999 see F. TRIVIERI, Proprietà e controllo delle banche italiane, cit., p. 152, 155 and 158. Later see L. GIANI, Profili di efficienza nel completamento della
banche di credito cooperativo (which, being chartered as cooperatives, necessarily had atomistic shareholdings), the rest of the credit industry was very variously owned and controlled\textsuperscript{87}. However, in a wise book published in 2005, some prominent scholars claimed that the Italian banks could be mostly regarded as «quasi public companies» at that time\textsuperscript{88}. Indeed, fondazioni bancarie had the control of the biggest part of the Italian credit industry since their institution, but in 2006 foreign banks surpassed fondazioni bancarie for the amount shares owned in the Italian banks\textsuperscript{89}.

However, in 2005 and 2006, financial scandals coupled with the distress of some banks and political oppositions to the acquisition of two Italian banks by foreign institutions shaped the image of Italy as a country that will never definitely overcome its lacks of economic liberalism\textsuperscript{90}. In other words, corporatism seemed still pervading the Italian system and jeopardising the final and real achievement of a private owned and free market oriented credit industry. Indeed, in this context the Law no. 262/2005\textsuperscript{91} (approved on 28 December 2005) changed the Section 25 of the Legislative Decree no. 153/1999 by stating that fondazioni bancarie were no more compelled to sell their shares, but they couldn’t vote for more than 30\% of shares owned in their società conferitarie. This in practice would have allowed the fondazioni bancarie not complying with Section 25 of the Legislative Decree no. 153/1999 to keep their banks definitely out of the market\textsuperscript{92}.

Fortunately that was not the case. Maybe due to the fact that a free market oriented culture was more established than believed,

\textit{privatizzazione del sistema bancario italiano: il caso delle fondazioni bancarie}, forthcoming on Studi e Note di Economia, (2009).
\textsuperscript{87} For what concern banks chartered as corporations and banks initially chartered as banche popolari (which later changed their form from cooperatives to corporations) see F. TRIVIERI, Proprietà e controllo delle banche italiane, cit., p. 82, 92 and 100.
\textsuperscript{88} See M. BIANCHI, M. BIANCO, S. GIACOMELLI, A.M. PACCES, S. TRENTO, Proprietà e controllo delle imprese in Italia, Bologna, Il Mulino, (2005), p. 151.
\textsuperscript{89} See the article appeared on «La Repubblica – Affari e Finanza» on 13 February 2006.
\textsuperscript{90} See L. FESTA, Guerra per banche – L’Italia contesa tra economia, politica, giornali e magistratura, Milano, Boroli Editore, (2006).
\textsuperscript{91} L. 28 dicembre 2005, no. 262.
\textsuperscript{92} See L. GIANI, Profili di efficienza nel completamento della privatizzazione del sistema bancario italiano: il caso delle fondazioni bancarie, cit.,
another Law approved on the 1° December 2006\(^{93}\) repealed the Law no. 262/2005. In addition, two foreign banks finally managed to acquire their Italian targets. At the same time, maybe in response to the couple of acquisitions mentioned above, the credit industry continued its process of concentration. In 2006 **Intesa Sanpaolo** resulted from the merger of **Sanpaolo IMI** and **Banca Intesa** and, the year later, **Unicredit Group** resulted from the merger of **Unicredit Italiano** and **Capitalia**. In this context, **Banca Monte dei Paschi di Siena** was forced to increase its size or to become unable to compete, consequently compelling the controlling **fondazione bancaria** to sell its shares. Thus, in 2007 **Banca Monte dei Paschi di Siena** finally mobilized its resources and took the control of **Banca Antonveneta** (one of the two banks acquired by foreign institutions few months before).

Currently, **Intesa Sanpaolo** and **Unicredit Group** are two of the largest banks of Europe and they can be both (the second one in particular) substantially considered public companies for what concern their ownership structure. The third largest bank of Italy (**Banca Monte dei Paschi di Siena**) has reached a competitive size at a continental or even global level. Nowadays very few **fondazioni bancarie** (included that one which controls **Banca Monte dei Paschi di Siena**) continue to keep the control of some banks. However, at this time **fondazioni bancarie** are part of a system that seems to be effectively competitive, so that they are no more privileged institutions, but normal players forced to drive their businesses as any other one. In sum, apart from some persisting lacks, the Italian banking system seems to have finally took the shape of a free market oriented one and the credit industry can now be considered totally privatized.

This is not to say that the Italian model of credit industry can be judged equal, for instance, to the American one or viewed as completely free from political and social influences. Italy, as every country in the world, has its own and persisting peculiarities. Notwithstanding this, it can be definitely said that, if the U.S. credit industry represents the model of a free market oriented system, a large part of the Italian banks is crossing the Atlantic.

\(^{93}\) D.lgs. 29 dicembre 2006, no. 303.
6. Conclusions

Culture and history always matter and, along with path dependencies, they often represent the main obstacles in changing a system of capitalism. As this work tried to explain, culture and history have deeply influenced the way in which the Italian economy has been organized and, more specifically, the ownership and control of the Italian banks.

Since the unification of the country in 1861 and the end of the World War I cultural attitudes towards the economy were deeply marked by liberalism. Moreover, cultural affinities along with political strategies played an important role in shaping the Italian institutional framework in resemblance of the French or the German one. In this period, the Italian credit industry was widely private owned. Later, the social instances which fuelled the rise of fascism pressed for a strong intervention of the State into the economy and the credit industry became almost totally state owned. After the World War II and the fall of fascism, strong liberalistic attitudes towards the economy rose again. Notwithstanding this, the institutional framework settled during twenty years of fascist rule was difficult to dismantle. In addiction, also some of the most culturally similar countries had in that period friendly attitudes towards a certain degree of public intervention into the economy. Thus the Italian economy evolved in the second half of the previous century as a system in which both private and state owned firms coexisted. In this period, the credit industry was still largely state owned. Only few years ago, at the mid of the 1980s, political pressures (i.e. from the EEC), as well as social and economic instances, called for the retreat of the State from the economy. More than twenty years are gone since then and just now the Italian credit industry can be regarded as totally privatized.
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