

State Participation in Business Concerns in Italy

by

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I - A Complicated Picture.

1. — So-called « *partecipazioni economiche* » (financial holdings), side by side with the other forms (1) in which the State exercises productive activities, occupy a place of special importance in the Italian economic

(1) These other forms are:

(a) So-called « *Autonomous Administrations* », whose purpose is to secure a profit in the Treasury favour (as, for instance, the State Monopolies Administration) or to perform a public service, as for instance the State Railways. The « autonomy » of these concerns means that they enjoy some financial and technical independence. However, they have no juridical standing in their own right, but are part of the State Administration, and their budgets are in the form of Appendixes to the State Budget.

It should be noted that there are complaints about this ambiguous form of autonomy, more especially in the case of the State Monopolies. The position assigned to them seems to be a compromise under which the Administration is subject to an undue degree of control and bureaucratic interference and is forced to observe systems and accept arrangements ill-suited to a typically industrial-commercial enterprise. Therefore the wish is often expressed that this Administration may become really autonomous, managed by organs possessing powers of initiative and decision, such as those normally assigned to the managing organs of great industrial concerns (see PIETRO COVA, *The Italian Tobacco Industry: a State Monopoly*, in this Review, No. 3, October 1947, pag. 157 ff. For the problems relating to the railway administration see also in this Review: GLAUCO DELLA PORTA, *The Railway Problem in Italy*, No. 14, July-September 1950, pag. 193 ff.

(b) *Public Corporations whose capital is formed without State participation*: this definition applies to a very wide range of public corporations of great importance to the economic and financial life of the country.

The *Bank of Italy* is the most conspicuous example. This Bank is a public Corporation the majority of whose capital is owned by the Savings Banks.

Alongside the Bank of Italy mention must be made of four among the five Public or Para-Statal Banks, i.e., the *Banco di Napoli*, the *Banco di Sicilia*, the *Istituto di San Paolo*, and the *Monte dei Paschi*. The *Istituti Nazionali di Previdenza* (National Social Insurance Institutes) and the *Casse di Risparmio* (Savings Banks) must be similarly considered. Indeed they are not — either directly or indirectly — State property. They are often very old foundations, as for instance the *Banco di Napoli* and the *Monte dei Paschi di Siena*.

system. Their fundamental characteristic is the exercise by the State of a business activity through bodies with independent legal standing either as a public corporation or a joint stock company.

In Italy the State participates through this system in a great many branches of business activity as a result of many causes and for a variety of reasons:

(a) to salvage certain undertakings (such as the *Società Nazionale Cogne* - the Cogne Mines Co.), or even whole branches of national economy (by setting up under the impact of the great depression of the 1930's the *Institute for Industrial Reconstruction* — I.R.I. — of which mention will be made further on);

(b) to meet the needs of the « autarchic » policy followed after 1935, by setting up, for instance, the *Azienda Minerali Metallici Italiani* (Italian Metallic Ores Corporation) and the *Azienda Carboni Italiani* (Italian Coal Corporation);

(c) to secure at least partial freedom from foreign trusts in so far as essential raw materials are concerned (for instance, the *Azienda Generale Italiana Petroli* - Italian General Petroleum Corporation);

(d) for national defence requirements (for instance, the strengthening of the Italian steel industry);

(e) for promoting enterprises which otherwise would not have been undertaken by private capital owing to lack of sufficient incentive, or because extensive long-term investments were required (Alitalia Airline Co.).

2. — By far the largest part of the State's participation in productive activities was the consequence of the first of the five causes above

listed, i.e. of the salvage operations that led to the formation of the I.R.I. (Institute for Industrial Reconstruction). In order of time, however, participation in financial concerns preceded by at least ten years that in non-financial business enterprises.

In the case of financial participation, the formation of the National Insurance Institute (*Istituto Nazionale delle Assicurazioni*) dates back to April 1912, followed shortly afterwards by the establishment of the *Consorzio Sovvenzioni su Valori Industriali* (2) and of the *Istituto Italiano dei Cambi* (Italian Foreign Exchange Institute) now the *Ufficio Italiano dei Cambi*. In the period between 1919 and 1924 a Government Agency, the *Cassa Depositi e Prestiti* (3), was authorized to take over a part of the capital of the *Consorzio di Credito per le Opere Pubbliche* (Credit Consortium for Public Works) (4) and of the *Istituto di Credito per le Imprese di Pubblica Utilità* (Credit Institute for Public Utility Undertakings) (5), while in 1921 the Treasury took over a share of the capital of the *Banca Nazionale del Lavoro* and now holds it almost all.

Outside the financial field, the first intervention on the part of the State followed the collapse of the *Banca di Sconto* at the end of 1921, beginning in the industrial field with the *Giovanni Ansaldo Co.* of Genoa and its separation from the concern that afterwards became the *Società Nazionale Cogne*.

(2) The *Consorzio per Sovvenzioni su Valori Industriali* (Consortium for Subventions on Industrial Securities) is an institute for medium-term credit, founded in 1914 and presided over by the Governor of the Bank of Italy. It rediscounts its bills largely with the Bank of Issue.

(3) The *Cassa Depositi e Prestiti* (Central Agency of the Postal Savings Banks), which was set up under an Act of 17-5-1863, No. 1270, may be properly described as a Department of the Treasury, regulated by special legislative rules. On the one hand it receives the Post Office savings deposits, and on the other it makes loans to certain public bodies (Communes, Provinces, Consortiums, Public Corporations) for purposes of public utility.

(4) The *Consorzio di Credito per le Opere Pubbliche* (Credit Consortium for Public Works) is a public corporation set up in 1919 (R. Decree Law, 2.9, No. 1267) which makes loans for the execution of public works (land reclamation works, railway electrification, shipbuilding, etc.).

(5) The *Istituto di Credito per le Imprese di Pubblica Utilità* (Credit Institute for Public Utility Undertakings) is a public corporation set up in 1924 (R. Decree Law, 20.5) closely connected with the *Consorzio di Credito per le Opere Pubbliche*. So far it is specialized in financing electric and telephone companies.

The action of the State in taking over the industrial shares held by the three leading Italian banks (which, as a result of the great depression of the thirties, were overloaded with large frozen credits) led to the formation of the I.R.I. which was set up on January 23, 1933. The I.R.I. took up the problem of an effective and lasting reform of the Italian banking system purging the deposit-banks of the activities and operations of non-commercial character and thus becoming a great holding Institute for the management of the industrial stocks detached from the banks.

The first industrial concern established directly by the State was the *Azienda Generale Italiana Petroli* whose foundation dates back to 1926. It was the forerunner of others designed to meet the needs of the so-called autarchic policy after 1935 and organized as public corporations (*Azienda Carboni Italiani*, *Ente Nazionale dei Metalli non-ferrosi*, *Ente Nazionale Metano*), or else as joint stock companies.

After the vicissitudes of the war, which entailed very heavy losses on the concerns in which the State was interested — most serious of all was the loss of shipping suffered by the *Finmare* (6) — the policy of establishing new business organizations in which the Government is a partner, has continued in Italy. We will only mention the establishment in 1947 of the *Ente Siciliano di Eletticità* (Sicilian Electric Power Corporation) and, likewise in 1947, the founding of the *Compagnia Italiana Autoservizi Turistici* (Italian Company for Motor-Coach Touring Services). The banking system has been enlarged by the foundation of the *Banco di Sardegna*, a new public credit institute of a regional character. After the liquidation in 1947 of the Italian Aviation Company, *Ala Littoria*, two new Air Navigation Companies, the *Alitalia* and the *Linee Aeree Italiane* were founded, and some months ago the *Istituto Nazionale Luce* (National Institute for Educational Cinematography) was reconstructed.

(6) « *Finmare* » (*Società Finanziaria Marittima* - Financial Company for Maritime Activities) is a special sub-holding entrusted by the IRI with the reorganization and control of the shipbuilding sector.

CONCERNS UNDER ACTUAL STATE CONTROL AND THEIR SIGNIFICANCE
FOR THE RESPECTIVE ECONOMIC SECTORS (situation in 1950)

TABLE I

Concerns under State control	Percentage of participation
I. Banks	
1) Banks of National Interest and Banca Nazionale del Lavoro (a)	33% of all Bank Deposits
II. Mining	
2) Cogne (b)	30% of iron ore
3) Ilva (c)	50% of iron ore
4) A.M.M.I. (d)	30% of zinc ore
5) "	15% of lead ore
6) "	100% of antimony
7) "	70% of tin
8) "	Almost all gold ore
9) Monte Amiata (e)	65% of mercury
III. Power	
10) Electric concerns	30% of electric power generated
11) A.Ca.I. (f)	99% of coal
12) Cogne	100% of anthracite
13) Terni (g)	41% of lignite
14) A.G.I.P. (h)	60% of natural gas
15) "	40% of crude oil
16) "	15% of crude foreign oil refined
17) A.N.I.C. group (i)	27% of crude foreign oil
IV. Industrial Concerns	
18) Finsider (j)	54.9% of pig iron
19) "	40% of steel
20) Cogne	24.8% of pig-iron
21) "	4.7% of steel
22) Finmeccanica (k)	80% of productive potential of shipyards
23) "	25% of potential output of rolling stock
24) "	10% of potential output of motor industries
25) "	Varying percentages of other engineering goods
V. Concerns supplying public services	
26) Finmare (l)	18% of merchant marine tonnage
27) STET (m)	57% of installed telephones
28) RAI (n)	All the radio subscribers
29) Air navigation companies	80% of the passenger traffic on Italian lines

(a) The Banks of National Interest are: *Banca Commerciale Italiana*, *Credito Italiano*, *Banco di Roma*. The *Banca Nazionale del Lavoro* is a Public Credit Institute.

(b) The *Società Nazionale « Cogne »*, of Turin, operates in iron ore mines in the Aosta Valley; it is one of the leading metal and engineering businesses controlled by the State.

(c) The *Ilva* (Blast-Furnaces and Steel Mills of Italy) is a metal and engineering company of the I.R.I. group, with works at Piombino, Portoferraio, and Bagnoli.

(d) The Italian Government operates in the metal industries through the A.M.M.I. (*Azienda Minerale Metallici Italiani* - National Corporation of Metalliferous Ores) established in 1936 as a public corporation. The A.M.M.I. holds almost all the capital of S.P.E.Z. (*S.A. Piombo e Zinco - Lead & Zinc Ltd.*). In 1949 the A.M.M.I. produced: Lead concentrate, 7,742 tons; Zinc concentrate 25,190 tons; Gold, fine, 323 kilograms (Gold mines of Pestareno - Monte Rosa).

(e) The Monte Amiata Mining Co. Ltd. supplies most of the Italian output of Mercury. The I.R.I. and the Public Property Administration (*Demanio*) have minority holdings in this Company.

(f) The « A.Ca.I. » (*Azienda Carboni Italiani*) was set up in 1935 as a Public Corporation. It supplies almost all the coal mined in Italy by working the Sulcis coal-fields (1949, 1,014,086 tons).

(g) « Terni » - *Società per l'Industria e l'Elettricità* (Industrial and Electric Power Co.) with works at Terni.

(h) The « AGIP » (*Azienda Generale Italiana Petroli*) was set up in 1926. It is a joint stock company in which the State holds the majority of the stock.

(i) The « ANIC » (*Azienda Nazionale Idrogenazione Combustibili* - National Concern for the Hydrogenation of Fuel) was formed in 1936 as a joint stock company. The State holds the majority of the Stock.

(j) « Finsider » (*Società Finanziaria Siderurgica* - Steel Financing Co.) is a special sub-holding entrusted by IRI with the reorganization and control of the Iron and Steel Section.

(k) « Finmeccanica » (*Società Finanziaria Meccanica* - Engineering Financing Co.) is a special sub-holding of the I.R.I. for the engineering section.

(l) For the « Finmare » (*Società Finanziaria Marittima* - Financial Company for Shipping) see note 6.

(m) STET (*Società Torinese Esercizi Telefonici* - Turin Telephone Co.), is a special sub-holding of the I.R.I. for the telephone section.

(n) The R.A.I. (*Radio Audizioni Italia* - Italy's Broadcasting Corporation) is the Italian broadcasting company.

preference is given to nationalization, under which private ownership is fully replaced by State ownership (8).

Unfortunately, the control exercised by the State over an extensive sector of Italian economy is not yet accompanied by a corresponding comprehensive policy, but by rather uncoordinated efforts which feel the influence of that « irrational infiltration of the State » which was a feature of the economic policy of the Fascist regime (9).

II - Importance of State Holdings through the I.R.I.

5. — The absence of a central office in charge of State participation as a whole makes it very difficult to appraise with sufficient accuracy the weight and importance thereof in the nation's economy. Moreover it is often forgotten — and this is excusable in view of the extremely complicated nature of the relations — that share holdings by no means constitute full ownership of control of a concern.

In any case, the importance of the complex of business concerns under actual State control to the economic life of the country is substantial. As is shown by Table I, companies and corporations controlled by State capital are responsible for high percentages of the activity of vital economic sectors — such as banking, shipbuilding, power, iron, steel and engineering industries, etc. (10).

The importance of so-called State « *partecipazioni* » in Italian business life is also in-

(8) Unlike other European countries, Italy has not nationalized any branches of her industry since 1945. This possibility is moreover explicitly provided for by Art. 43 of the new Italian Constitution, which came into force on January 1, 1948. The said article lays down that « for purposes of general utility the law may reserve from the start, or may transfer, by expropriation or against compensation, to the Government, to public corporations, or to bodies of workers or of users, certain specific undertakings or groups of undertakings for performing essential public services, or for providing sources of power, or possessing virtual monopolies, which are of general interest ».

(9) See for this question, Vol. II (pag. 304) of the « Report on Industry » from the General Report of the Economic Committee, submitted to the Constituent Assembly, Rome, 1947.

(10) State concerns and holdings are to be found operating also in the chemical, tourist, hotel-keeping and cinema trades, but there are no data showing their incidence and importance in their respective branches of activity.

3. — The State may have either *all the holdings* in its hands as in the case of the *Società Nazionale Cogne*; *majority holdings* as in the case of the *Azienda Carboni Italiani*; *minority control holdings* as in the case of the S.I.P. (*Società Idroelettrica Piemontese* - Piedmontese Hydro-electric Co.); or *minority holdings* only as in the case of the *Montecatini Co.*

State participation may be in respect of public corporations (as in the case of the National Methane Gas Corporation) or of joint stock companies (as in the case of the *Monte Amiata Mining Co.*). From the standpoint of the relations existing between the State and the firms concerned, participation may be direct (as in the case of the National Metallic Ores Corporation) or indirect, the holding being in the hands of the I.R.I. (as in the case of the Banks of National Interest) or assigned to an autonomous corporation (as in the case of the *Compagnia Italiana Turismo* — the Italian Tourist Company — owned by the State Railways).

These several forms of intervention have given rise to a very great variety of relations and to a number of drawbacks. Were account also to be taken of the sub-holdings and chain companies the network of State participation would be further and more greatly complicated (7).

4. — The typically Italian system of State intervention in business activities takes the form of what is known as « *azionariato di Stato* ». This means that the State has share holdings which give it control over a company (as for instance in the case of the concerns controlled by the I.R.I.). This system of State intervention is little known in other countries, where

(7) An example: almost the whole stock of the *Società Idroelettrica dell'Ossola* (The Ossola Hydroelectric Company) is held by the *Unione Esercizi Elettrici di Roma* (Union of the Electric Services of Rome), of which the *Società Meridionale di Elettricità* of Naples (Southern Electrical Company) is the majority stock-holder, a company in which the I.R.I. has a minority holding, and the *Italian Superpower Corporation* has an indirect holding. This latter is a Company for financing electric enterprises controlled by I.R.I. Moreover large share holdings of the *Società Meridionale di Elettricità* are held by the *Società Italiana per le Strade Ferrate Meridionali* (Italian Company for the Southern Railways) and by the *Financière Italo-Suisse* (Italo-Swiss Financial Co.), in which the I.R.I. has minority holdings.

directly shown by investment requirements. It is estimated that the investments needed to assure the normal life of the businesses in which the Government has holdings ought to amount to some 15% of the gross (public and private) domestic investments. The net investments made in 1951 by the State should presumably amount to 170,000-180,000 million lire, of which those relating to businesses in which the I.R.I. is concerned amount to about 150,000 million.

In the following paragraph we shall refer specifically to the holdings in the hands of the I.R.I., which occupies a central position in the Italian economic system.

6. — At the end of December 1949 the I.R.I.'s direct share holdings had a value of nearly 100,000 million lire, as shown by data published by the *Associazione fra le Società Italiane per Azioni* (see Table II). At the same date the capital of the 20,751 share companies existing in Italy amounted to 811,700 million lire.

I.R.I. SHARE HOLDINGS
(Situation at 31/12/1949)

TABLE II

Economic Sectors	Milliards of lire	%
Engineering	26.4	26.46
Shipbuilding	22.7	22.75
Electrical	17.6	17.64
Sundry	8.0	8.01
Banking and financial	6.8	6.81
Telephone	6.7	6.71
Iron and steel	6.1	6.11
Mineral and chemical	5.5	5.51
<i>Total</i>	99.8	100,—

Better to appreciate the figures in Table II, it should borne in mind that when the I.R.I. was set up, it took over from three major commercial banks (*Banca Commerciale Italiana, Credito Italiano, Banco di Roma*) and from their trust companies, all the stock they held. On January 1, 1934, the I.R.I. thus had majority holdings in Italian joint stock companies to a nominal value of 9,029 million lire; besides these, it had minority holdings of a nominal value of 1,240 million lire. The total nominal value of such holdings therefore stood at 10,629 million lire, equivalent to 21.49% of the total

capital issued as at the 1st January 1934 by the share companies existing in Italy.

Of particular importance were the operations carried out by the I.R.I. to rehabilitate concerns which it had taken over and resell its holding in those concerns to private entrepreneurs. By 1943 the sum involved amounted to 7,000 million pre-war lire, its efforts being directed above all to average-sized and small businesses (among others, all the concerns engaged in the textile industries). Expressed in present day lire, the operations of this kind carried out up to 31st December 1950 amounted to 453,000 million lire (11).

At the end of 1950 the capital investments of the I.R.I. were concentrated on a relatively small number of large business groups amounting in all to 201,600 million lire, of which about 180,000 millions (90%) were invested in electrical, telephone, steel, engineering and shipbuilding, shipping and banking companies. In regard to this concentration on certain branches of activity, it should be noted that in Italy proposals are often advanced in the press and in Parliament for the return of the stock held by the I.R.I. to private enterprise. As a matter of fact, given the slow accumulation of new private venture capital, there is but very little chance of some of the large I.R.I. share holdings being transferred to private hands, especially those in engineering enterprises — as the F.I.M. experience has lately proved (12). Indeed, just the opposite is taking place. Through the I.R.I., the State is canalizing private capital into the engineering trades which, among other things, play an essential part in providing employment for workers.

Recently, when it was a question of raising the capital fund of the I.R.I. (Spring of 1951) the parliamentary report that accompanied the Bill expressed definite views on «the eco-

(11) During the period 1933-36, their value stood at 258,000 million present-day lire; from 1936 to 31st December 1950 at 195,000 million lire (cfr. PASQUALE SARACENO: *L'I.R.I. nell'economia italiana*, in the Review «Bancaria», p. 385 et seq., No. 4, 1951).

(12) The *Fondo per le Industrie Meccaniche* (Fund for the Engineering Trades) is a special government fund for financing the Italian engineering industry, founded in September 1947 (See ROBERTO TREMELLONI, *Premises and Tasks of the Special Fund for Financing the Italian Engineering Industry*, in this Review, p. 169 et seq., No. 3, October 1947).

nomic problem of the I.R.I.». In the opinion of the Reporters (13):

(a) the I.R.I. should not be considered merely as a provisional outcome of Government emergency measures; it is now a public instrument to offset the continued shrinking of private venture capital;

(b) the State, acting through the means of control provided by the I.R.I., is able to exercise a guiding action on national production as a whole;

(c) therefore, the rehabilitation and expansion of the industrial system as a whole requires that the I.R.I. be preserved and strengthened;

(d) the I.R.I. should, however, cease to take an interest in those concerns over which it does not exercise effective control, provided the holdings do not serve special objectives of general policy. In any case, the I.R.I. should not take over any further concerns that may be in financial difficulties.

7. — On the other hand, the present system of companies of a partly private and partly public character, of which many of the concerns controlled by the I.R.I. offer an example, allows private capital to participate in financing public enterprises. While in the opinion of some observers, the system of «mixed» participation presents serious drawbacks, since it sometimes leads to pressures and encroachments by private capitalistic groups, it is nevertheless certain that under present conditions it does not seem possible to modify relations that have grown up gradually over the course of years. Indeed, the contribution made by private capital to the businesses in which the I.R.I. is interested is very large.

Thus, of the investments made by the I.R.I. group as a whole during the 5-year period 1945-49, amounting in all to 268,000 million lire (1950 value), the industries other than engineering took 174,000 millions (55% of the total), of which about two thirds were raised in the capital market (95,300 million lire). The remaining third was provided by the I.R.I.

(13) See *Relazione della Commissione Permanente (Finanze e Tesoro)* in the Bill for raising the capital fund of the I.R.I.

(51,700 million lire). On the other hand, the direct investments of the I.R.I. in the engineering concerns amounted to 117,200 millions. Indeed, those industries only obtained 3,800 millions from the financial market. Owing to the precarious conditions prevailing in this branch of business, a large part of these investments were used to cover operating losses (14).

III - State Holdings in the Banking Sector.

8. — As already stated, State holdings in the Italian banks are of special importance.

Three of the leading banks (*Banca Commerciale Italiana, Credito Italiano, Banco di Roma*), affected by the crisis of the thirties, not only transferred all their frozen industrial credits to the I.R.I. in 1933, but also passed under direct State control. Indeed, 80 to 90% of their share capital was taken over by the I.R.I. This was the first step in that rehabilitation to which we have referred and which culminated in the banking reform of 1936 and in the exclusion of the banks from medium and long-term lending activities. Under the 1936-1937 Bank Act, the three major banks controlled by the I.R.I. continued to be joint stock companies described as «Banks of national interest».

The *Banca Nazionale del Lavoro*, founded in 1913, was instead described as a «public credit Institute» (*Istituto di Credito di Diritto Pubblico*). Almost the whole of its capital is now held by the Treasury.

The importance of State intervention on the Italian money market was clearly stressed — in words frequently quoted — by a former Governor of the Bank of Italy, Prof. Luigi Einaudi, who said in his Report of April 18, 1945: «The P.O. Savings Banks are operated directly by the State; the public credit Institutes, the Banks of national interest, and the ordinary Savings Banks are public corporations. Some of them, like the *Banca Nazionale del Lavoro*, are directly dependent on the Treasury, while others, like the three banks of national interest, are indirectly dependent also, through the

(14) For these calculations consult more especially PASQUALE SARACENO: *op. cit.*, p. 389.

I.R.I., on the Treasury... The only banks that, though placed like all the others under the supervision of the *Banca d'Italia*, can be considered to be of a private character are the ordinary commercial banks».

Prof. Einaudi concluded — and his conclusion still holds good as the statistical ratios have remained practically unchanged — that the total of banking and postal deposits in Italy are administered to the extent of 30% by the State and to the extent of 49% either by public corporations or by Government-controlled corporations. 8% of the deposits is administered by cooperative banks and 13% only by private «capitalistic» enterprises (15).

The importance of the four major Italian banks now substantially owned by the State (*Banca Nazionale del Lavoro, Banca Commerciale Italiana, Credito Italiano, Banco di Roma*), is shown by Table III.

TABLE III

DEPOSITS AND CURRENT ACCOUNTS
IN THE FOUR MAJOR ITALIAN BANKS
(end of 1950)

	Deposits (a)	
	milliards of lire	% of total
Banking System	2,384	100.00
Four leading banks	783	32.8

(a) Deposits and current accounts, inclusive of inter-bank accounts. «Valuta accounts» are excluded.

We should add that the great majority of Italian foreign trade is carried on through these banks, which have branches and affiliations abroad.

The exclusion of the Italian banks from industrial credit operations, respected even in the difficult situation arising out of the war, remains a basic feature of the Italian banking system. The leading organizations now engaged in providing medium and long-term credit are the *Consorzio di Credito per le Opere Pubbliche*, the *Istituto di Credito per le Imprese di Pubblica Utilità* and the *Istituto Mobiliare*

(15) Report of the Governor of the Bank of Italy to the general meeting of the participating concerns, 18-4-1945, Rome.

Italiano (Industrial Credit Institute) in which the Government holds, through the *Cassa Depositi e Prestiti*, a large part of the capital. In the last few years some of the public credit Institutes (*Banco di Napoli, Banca Nazionale del Lavoro, Banco di Sicilia, Banco di Sardegna*) have established special Sections for industrial credit with the help of State advances and with funds of their own obtained by the issue of bonds. In 1946 also the three Banks of National Interest set up the *Banca di Credito Finanziario* for the same purpose.

IV - Regional Distribution of the Personnel.

9. — In a country like Italy, afflicted by serious and chronic unemployment, all questions relating to personnel acquire special importance, even in the case of semi-official institutions.

On July 1, 1949, the grand total of employees in Government or State controlled institutions numbered 1,077,240, of whom 319,283 were employed in the so-called «Autonomous» Administrations and independent corporations (more especially in the State Railways which accounted for 180,379). In 1950 the number of dependents in concerns in which the State has holdings was reckoned at 250,000, of whom 220,000 in industrial concerns and 33,000 in banks (16).

The preminent position occupied by the I.R.I. group is clearly shown by the fact that of the 220,000 employees, who at the beginning of 1950 were in the pay of purely industrial companies in which Government has holdings, 185,200 (89.4% of the total) were employed by I.R.I. companies. Next in importance came the 12,000 dependents of the A.Ca.I. (Italian Coal Corporation) and the 11,000 of the Cogne Mines Co.

(16) To appreciate the significance of these figures it should be borne in mind:

(a) at the beginning of 1950 the persons occupied in concerns still financed by the F.I.M. (Fund for Financing the Engineering Industries) stood around 25,000, but their number was considerably reduced during the year. Although the State has no holdings in these concerns, their case must also be considered, for the F.I.M. has obtained the funds at its disposal from the Government;

(b) the figures given above do not, of course, include the 60,000 odd persons in the employ of the *Montecatini*, a Company in which the I.R.I. has a minority holding.

The staff in the employ of the Banks, distributed as it is over a very large number of centres, does not give rise to significant

industry in the several parts of Italy. When considered in this order, Lombardy occupies the first place, followed by Piedmont, while

TABLE IV
SUBDIVISION, BY REGIONS, OF THE PERSONNEL OF INDUSTRIAL CONCERNS WITH GOVERNMENT PARTICIPATION
(Estimates at the beginning of 1950)

Regions	I. R. I.	A. Ca. I.	Cogne	Sundry	Total	%
Liguria	59,900	—	—	—	59,900	27.5
Lombardy	25,200	—	—	—	25,200	11.5
Piedmont	11,400	—	10,000	—	21,400	9.8
Julian Venetia (a)	20,300 (a)	—	—	—	20,300	9.3
Campania	16,400	—	—	—	16,400	7.5
Umbria	15,600	—	—	—	15,600	7.2
Sardinia	2,400	12,000	—	—	14,400	6.6
Tuscany	10,100	—	—	—	10,100	4.6
Venetia	5,700	—	—	—	5,700	2.6
Emilia	2,000	—	—	—	2,000	0.9
Sundry	16,200	—	1,000	10,000	27,200	12.5
Total	185,200	12,000	11,000	10,000	218,200	—
% of the total	84.9	5.5	5.0	4.6	—	100.—

(a) The figure is inclusive of the staff in the employ of concerns in the Trieste Free Territory.

problems. There are groups of more than 5,000 persons in two centres only, namely Milan, the headquarters of the *Banca Commerciale Italiana* and of the *Credito Italiano*, and in Rome, the headquarters of the *Banca Nazionale del Lavoro*, of the *Banco di Roma*, and of the *Banco di Santo Spirito*.

Some difficulties might arise should there be any important reorganization of the banking system, more especially if there should be amalgamations and mergers between important banks; but the prevailing trend to preserve the *status quo* justifies the exclusion of such possibilities, at least in the near future.

On the other hand, the problems of the industrial concerns with State participation are much complicated by the distribution of the personnel in the several regions of the country. As is shown by Table IV, Liguria comes first with 27.5% of the total number of employees; next comes Lombardy with 11.5% and Piedmont with 9.8%. This is an abnormal concentration due to a pathological origin (the action taken to salvage companies in financial difficulties) and made obvious as soon as we compare the ranking order of the regions as set forth in Table IV with that shown for the total number of persons employed in in-

Liguria comes third at a considerable distance (see Table V).

TABLE V
PERSONS OCCUPIED IN LIGURIA, PIEDMONT
AND LOMBARDY (EXPRESSED IN PERCENTAGES
OF THE RESPECTIVE NATIONAL TOTAL)

Region	Persons occupied in industries and communications (21.IV.1936 Census)	Persons occupied in concerns with Government holdings (situation in 1950)
Liguria	5.5 %	27.5 %
Lombardy	23.5 %	11.5 %
Piedmont	12.3 %	9.8 %

The situation is still further complicated by the fact that some of the concerns — as for instance the *Ansaldo* — are the leading concerns of important cities. Indeed, the bulk of the workers are centralized in a few large sea-ports or in their immediate neighbourhood (as for instance, Genoa - see Table VI).

A large percentage of the workers employed in concerns in which the State has holdings is accounted for by those engaged in the engineering trades organized under a sub-holding of the I.R.I. (the *Finmeccanica*). In 1950

the *Fimmeccanica* concerns employed 44% of the workers engaged in the I.R.I. industrial plants. Of the 81,400 workers on the payrolls, the shipyards alone had 37,000 as compared to the 27,000 in their employ in 1938, the increase being due to war time expansion.

In addition to these figures, there are the workers in the employ of the concerns which have remained under the control of the Fund for financing the engineering industries. At the beginning of 1950 they numbered some 25,000 (this figure was considerably reduced afterwards).

TABLE VI
SUBDIVISION, BY CITIES, OF THE PERSONNEL OF INDUSTRIAL CONCERNS WITH GOVERNMENT PARTICIPATION
(Estimates at the beginning of 1950)

	I. R. I.	A. Ca. I.	Cogne	Sundry	Total	%
Genoa	54,900	—	—	—	54,900	25.0
Milan	9,900	—	—	—	9,900	4.5
Naples	16,400	—	—	—	16,400	7.5
Trieste	20,500	—	—	—	20,500	9.3
Terni	13,300	—	—	—	13,300	6.1
Carbonia	—	12,000	—	—	12,000	5.5
Dalmine	6,300	—	—	—	6,300	2.9
Aosta	—	—	6,000	—	6,000	2.7
Savona	5,400	—	—	—	5,400	2.5
Sundry	58,500	—	5,000	10,000	73,500	34.0
<i>Total</i>	185,200	12,000	11,000	10,000	218,200	—
<i>% of the total</i>	84.9	5.5	5.0	4.6	—	100.—

When it is remembered that some 40,000 persons are working in factories for national defence, almost all of which can be classified as engineering works, while another 9,000 are engaged in the repair shops of the State Railways, the overall figures for workers engaged in the engineering shops directly or indirectly controlled by the State, is about 155,000, that is to say about 22 per cent of all persons engaged in the Italian engineering trades, estimated at some 700,000.

As is well known, the Italian engineering trades are still faced by serious difficulties standing in the way of reconversion and modernization and by lack of orders, especially in the case of the group controlled by the F.I.M. In order for these difficulties to be overcome not only would more capital be needed but above all it would have been necessary to reduce the number of people

on the payrolls. The prevailing situation of heavy unemployment has naturally stiffened the resistance of the workers to dismissal programs; and the centralization of the labour forces in a few zones or cities has made the problem a delicate one of economic and social stability in important industrial areas. This has made it impossible to have recourse to suitable solutions. The ban placed on dismissals, which has cost a heavy price and has only recently been faced resolutely, has led in its turn to a ban on the hiring of new workers, which leads to the gradual ageing of the staff

on the payrolls and prevents professional training and normal replacements.

Indeed, structural unemployment and the impact of local interests explain the great lack of elasticity that characterizes some situations that would otherwise seem incomprehensible, if considered only from a book-keeping analysis of profit and loss.

Under these conditions it is unlikely that there will be further expansion of the staff employed in concerns in which the Government has holdings. It should, however, be noted that of late many people in the Italian Parliament and in the press have expressed the hope that the I.R.I. will play a more active part in the industrialization of Southern Italy. A Report tabled in the Senate on the occasion of the debate on increasing the capital fund of the I.R.I. (April 12, 1951) asserted in this connection that « an important aspect of the I.R.I.

relates to the part it may be called on to play in the economic development of Southern Italy. Even now the holdings of this Institute in that part of Italy are relatively larger than those of the other corporations». « In North and Central Italy the personnel of the concerns controlled by the I.R.I. account for 31.3% of the total employed by the major steel engineering groups; in the South they account for two-thirds of the total ». Table VII, taken from the Report from which we have quoted, shows the respective data.

TABLE VII
PERSONNEL OF THE STEEL AND ENGINEERING CONCERNS (1950)

Geographical distribution	I R I concerns only	All concerns	I R I % of total
		(units)	
North & Central Italy	117,500	376,000	31.3
Southern Italy	14,300	21,300	67.1
	131,800	397,300	33.1

V - Need of a General Reorganization.

10. — While the Italian State has gradually built up a very complex economic apparatus, it lacked and still lacks a definite policy in the management of the holdings it has taken over.

It can safely be said that the need of greater coordination is generally felt today, though it will not be easy to secure it. Coordination is essential and is growing more urgent than ever, because the continuing financial effort is a very big one. Indeed, the situation of some of these corporations needs to be very carefully looked into, so as to come to a definite appraisal which will make it possible to judge whether they are parasitic formations or concerns really of value to the economic life of the nation. Their management costs are not reflected in the Budget, but if the volume of expenditure and the size of the investments be compared to those of the Budget, it will be seen that these activities have now attained enormous proportions. Moreover, these expenses and investments will gradually increase. We are therefore faced by a most delicate problem, namely that of adjust-

ing the traditional structure of the Italian Government machinery to meet the new needs arising from the growth of a « mixed » economy.

This is a very complex problem. In addition to the Public Administration proper, there has grown up in Italy another public administration, a State within the State, even though it be split up into a large number of bodies for which it is difficult to state an exact figure. And the question arises: can the State, in its original institutional structure, perform all the functions of a modern State, or is it necessary to delegate to new and different bodies, foreign in any case to the traditional organization of the State, newer and more intricate tasks?

11. — A preliminary step towards reorganization was taken at the end of January 1950, — at the time of the formation of the sixth Ministry presided over by Sig. De Gasperi — when the task of coordinating the concerns in which the State has holdings was assigned to Minister La Malfa. After making a thorough study, La Malfa reported to the Council of Ministers on April 9, 1951, on the situation of the several holdings, and made proposals for their systematic reorganization under the control of a single Agency. This study has shown that « leaving aside marginal situations, State holdings in Italy now fall into two main-sections: the holdings of the I.R.I. and the groups controlled by the « Public Property Department » (the so-called *Demanio*). These two organs differ fundamentally. While the I.R.I. is an independent body, the Public Property Department is a Government Administration.

According to the Report, reorganization could be carried out in one of two ways: « one would be direct government administration along the lines of the present Public Property Department. In this case it would be necessary to set up a real 'Ministry for State business holdings'. This would entail the suppression of the I.R.I. and would lead moreover to a dangerously top-heavy organization. The other method would be operation through an autonomous Agency such as the I.R.I. There would thus be a body responsible for coordinating, executing and planning,

and at the same time a single technical and administrative management » (17).

Such a general reorganization could provide for the insertion in the I.R.I. system of the holdings not now in the possession of that Institute and the formation of group companies on the model of the « *Finsider* », « *Finmare* » and « *Finmeccanica* ». This solution would be in keeping with the Italian mixed economy. To assure an effective political control over the system, repeatedly called for in Parliament and by public opinion, it would then be necessary that a Member of the Cabinet should be made responsible to Parliament for the general management of the State holdings.

On the chief Group Companies would

(17) Speech delivered by Minister La Malfa on June 13, 1951, in the Senato.

devolve the responsibility for the technical, administrative and financial policies of their respective groups, while the individual concerns would be responsible for their own industrial management. As the present system suffers from the original defect of emergency decisions taken to meet critical events, and is therefore both incomplete and redundant, its reorganization must aim at establishing it on rational lines, freeing some branches from concerns that cannot properly be grafted on to it.

There would seem to be no doubt that if this reorganization were accompanied by financial rehabilitation in some cases and by better management in others, and lastly by the rigorous elimination of all political intrusions on whatever pretext, a notable attempt would have been made to adjust the Italian State structure to the requirements of modern economic life.