

# Italian Joint Stock Companies from 1938 to 1948

by

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## *The Numerical Movement of Italian Joint Stock Companies.*

The returns published by the Association of Italian Joint Stock Companies for December 31, 1938, show that there were then 20,809 such companies with a total capital of the nominal value of 53,129 million lire, the average capital per company being 2,553,176 lire.

Ten years later, on December 31, 1948, the number of Italian Joint Stock Companies had fallen to 19,818, while the nominal value of the capital investment had risen to 395,744 million lire, the average per unit capital being 19,968,917 lire.

The reduction that has occurred in the number of companies is really much more considerable than is shown by the ratio between the two figures given above, as in the first three years of the decade under consideration the upward trend, noted uninterruptedly since 1936, had continued. It may be of interest to learn that at the end of 1935 there were 19,228 companies in Italy with a total capital investment of the nominal value of 44,095 million lire. During the following six years, until 1941, the number of companies rose at a progressively accelerated rate. Thus while in the three years 1936-38 the number passed from 19,228 to 20,805, with a total increase of 1,581 companies and an average increase of 527 companies per annum, in the three following years, from the end of 1938 until the end of 1941, the number rose at a much more rapid rate, attaining an average of 2,084 companies per annum.

After touching the peak of 27,062 at the end of 1941, the trend suddenly changed, and the number of Italian companies fell successively to 23,709 at the end of 1942 (-3,353), 22,591 at the end of 1943 (-1,118), 19,067 at

the end of 1945 (-3,524 in two years), and 18,382 at the end of 1946 (-685). Then the tide turned, and in 1947 the number rose to 19,547 (+1,165), and to 19,818 at the end of 1948 (+271) (See *Table I*).

We thus see that the shrinkage in the number of Italian share companies was very marked in 1942, but was considerably attenuated in 1943; it was again slightly accelerated in the two following years (1944 and 1945), the figures for which were included in one single return, and declined to a relatively small figure in 1946. The number of share companies thus fell by a total of 8,680 during the five years 1942-46, with an average reduction of 1,736 per annum. A change of such proportions deserves to be studied in its meaning and bearing, even though it has now ceased.

The event is not, indeed, unprecedented, for on more than one occasion there has been both a decline in the number and — even apart from the number — in the total capital investment in Italian share companies, whereas on the present occasion the shrinkage was in their number only. The longest and most serious of these periods of regression occurred from 1874 to 1879 when the number of companies fell from 392 to 285, accompanied, during the first four years, by a notable shrinkage of the total capital: from 1,604 million lire (end of 1873) to 1,068 millions (end of 1877). A decline of shorter duration and on a smaller scale as regards the number of companies occurred in 1893 and 1894, accompanied by a reduction in the capital investment that continued for five years from 1892 to 1896, during which period the total capital fell from 1,961 to 1,604 million lire, thus returning to the amount at which it had stood twenty years earlier. Another period of shrinkage occurred in the quinquennium from 1931 to 1935, as far as the capital

investment was concerned, which fell from 52,280 million lire (1930) to 44,095 million in 1935.

(A) - First of all, objective circumstances arising from the progressively deteriorating military and political situation, seriously affect-

MOVEMENT OF ITALIAN JOINT STOCK COMPANIES FROM 31.XII.1938 TO 31.XII.1948  
(Data on capital in millions of lire)

	1938	1939	1940	1941	1942	1943	1944 1945	1946	1947	1948
<b>Investments</b>										
New companies formed:										
number	—	2,966	3,605	4,311	1,388	135	265	634	2,069	1,272
capital	—	524.9	693.1	471.5	248.3	385.4	566.1	3,576.4	5,549.5	5,061.5
Capital increases:										
number	—	1,851	3,191	3,693	4,347	707	932	1,220	2,253	1,857
capital:										
gratuitous	—	229.1	460.9	925.4	1,074.3	15.4	33.5	1,315.8	36,999.0	83,305.3
other (a)	—	4,066.4	5,239.8	6,923.4	7,109.4	2,580.3	1,429.7	12,387.0	28,810.9	101,627.2
Total	—	4,295.5	5,700.7	7,848.8	8,183.7	2,595.7	1,463.2	13,702.8	115,809.0	184,932.5
<b>Disinvestments</b>										
Dissolutions:										
by amalgamation	—	356.0	612.9	171.4	3,502.4	1,056.4	100.4	130.0	350.3	28.4
by conversion	—	41.0	59.3	137.0	364.4	128.1	159.9	104.2	325.3	157.9
by winding up	—	261.6	385.8	560.1	1,394.0	245.5	806.5	457.1	307.0	816.9
totals:										
number	—	1,270	1,480	1,879	4,741	1,323	3,719	1,319	904	1,002
capital	—	658.6	1,058.0	868.5	5,260.8	1,430.0	1,066.8	700.3	1,182.6	7,981.2
Capital reductions:										
number	—	641	913	829	683	283	410	358	207	354
capital	—	1,023.4	583.4	685.9	512.6	377.6	540.6	700.9	416.7	908.2
<b>Movement</b>										
Investments:										
gratuitous	—	229.1	460.9	925.4	1,074.3	15.4	33.5	1,315.8	36,999.0	83,305.3
other	—	4,591.3	5,932.9	7,394.9	7,357.7	2,965.7	1,995.8	15,963.4	84,360.4	106,995.7
totals:										
number	—	2,966	3,605	4,311	1,388	135	265	634	2,069	1,272
capital	—	4,820.4	6,393.8	8,320.3	8,432.0	2,981.1	2,029.3	17,779.2	111,359.4	159,996.0
Disinvestments:										
number	—	1,270	1,480	1,879	4,741	1,323	3,719	1,319	904	1,002
capital	—	1,682.0	1,641.4	1,554.4	5,773.1	1,807.6	1,607.4	1,401.2	1,599.3	1,929.4
Net movement:										
number	—	1,696	2,125	2,432	3,353	1,188	3,454	685	1,165	270
capital	—	3,132.4	4,752.4	6,765.9	2,658.6	1,173.5	421.9	15,878.0	119,760.1	183,066.6
<b>Situation at the end of year:</b>										
number	20,809	22,505	24,630	27,062	23,709	22,521	19,067	18,382	19,547	19,818
capital	53,129.0	56,207.4	61,019.8	67,283.7	70,444.3	71,617.8	72,039.7	87,917.7	207,677.8	395,744.4

(a) Inclusive of increases by amalgamation, reintegration of losses, contributions in kind, etc.

The reduction in the number of Italian share companies that occurred from 1942 to 1946, unaccompanied by a shrinkage of the total capital investment, has characteristics of its own which show that it was due to quite special causes.

ed the decisions of the entrepreneurs, and therefore the formation of new companies.

Indeed, the reduction in the number of share companies in the five years under consideration, 1942-46, was not due only to an exceptional number of dissolutions in those

years, — or rather in some of those years —, but also, and perhaps mainly, to the striking reduction in the number of new companies formed.

In the five year period, 1937-1941, no less than 15,490 new companies had been formed, while only 7,781 were dissolved; but in the following five years, from 1942 to the end of 1946, the number of new companies was only 2,422 as against 11,102 dissolutions. Thus the annual average of new companies fell from 3,098 to barely 484, while the average number of dissolutions rose from 1,556 to 2,220. The reversal of the trend was therefore due both to more frequent dissolutions and to less frequent formation of new companies; but proportionately more to the latter than to the former cause.

The fact that in the period 1942-46, fewer companies were formed than in the five previous years and indeed in any other five years since the close of World War I, is clearly accounted for by the exceptional vicissitudes of that period.

Nor is it without significance that business enterprise began to slow down in advance of the political events that culminated in the fall of the fascist régime and the armistice. And perhaps equally significant is the sluggishness displayed in the revival of business enterprise when hostilities ceased.

(B) - In the case of dissolutions, their increase — exceptionally high in 1942 — was favoured by some special legislative and fiscal measures for facilitating amalgamations, conversions, and the winding-up of some special kinds of companies. Such were:

(b-1) the revival of the previous fiscal facilities granted for company amalgamations (R. Decree Law, March 5, 1942, N. 192) leading to an increase in their number which continued in the ensuing year (482 in 1942, and 292 in 1943, as against an annual average of 107 in the previous three year period);

(b-2) still more marked was the effect of the two innovations introduced into the Civil Code of 1942: the establishment at 1 million lire of the minimum capital of share companies, and the recognition of the so-called *Società a responsabilità limitata* (a special form of Company, whereby each partner does not

incur any liability beyond his contribution and the social capital is not represented by shares). The veto placed on the formation or prolongation beyond the fixed delays allowed, of share companies with a capital of less than 1 million lire certainly affected the number of dissolutions in the first years of the period under consideration, but it seems likely that it ceased to have any practical importance in the following years when currency depreciation grew apace. The possibility offered of forming *Società a responsabilità limitata* has however continued to exercise an influence on the situation, and not only has led existing share companies to change their status into the new form of company, but has also acted as a check on the formation of new share companies. Anyhow, in the case of the five years, 1942-46, the conversion of share companies into companies of other descriptions attained an average of 487 per annum, as compared to barely 95 in the previous three year period;

(b-3) an intermediate position is held by the measures facilitating the winding up of some kinds of companies, more especially of the small real-estate companies. The influence of these measures was only felt in 1942, as they ceased to be effective on the 30th June of that year: but it is quite likely that in 1942 they accounted largely for the increase in the number of liquidations shown by the statistical returns. In the following years the number of liquidations returned to normal as from 1943.

Summing up, during the five year period under consideration amalgamations show an average annual increase of 78 units over those for the three year period 1939-41, while conversions increased on an average by 392 per annum, and liquidations by 207. All three causes together gave rise to an annual increase of 677 in the number of dissolutions.

The distribution of the dissolutions as among the several groups of companies is no less deserving of attention than the reasons leading to them. A simple comparison between the numerical consistency of the companies belonging to the several groups shows that while the shrinkage extends to almost all the groups (with the exception only of the wool manufacturing, financial, insurance, shipping and

air-transport companies), yet it was highly concentrated. Out of a total reduction of 8,680 companies, no less than 2,867 were real-estate companies and 2,181 commercial companies. These are followed in order of importance by agricultural companies (-473), engineering companies (-417), road transport companies (-283), chemical companies (-256), public entertainment companies (-215), and so on.

#### *Movement of Share Capital as a Whole.*

As already stated, the total capital of Italian joint stock companies amounted at the end of 1938 to 52,129 million lire, the average capital per company standing at 2,553,176 lire.

Over the 3 year period 1939-41 the total capital rose from 53,129 million lire to 67,786 million, with an annual average increase of 4,886 million lire. During the next 5 year period the annual average increase declined to 4,026 millions, in spite of the progressive currency depreciation which steadily reduced the real value of the sums subscribed. At the end of 1946, the face value of the total capital of the Italian joint stock companies stood at 87,918 million lire, with a nominal increase of 20 milliards over the figure at which it stood five years earlier; but its real consistency had certainly decreased, even apart from war losses, for several thousands of companies had been wound-up or converted, thus subtracting from the total capital of Italian companies a much more conspicuous volume of wealth than that shown by the figures of the respective nominal amounts, while the capital subscribed for the new companies and the increases of capital made by preexisting companies were reckoned in current lire whose purchasing power amounted to an ever more trifling fraction of that of former days.

Nevertheless, during the five years under consideration, as the number of companies was progressively declining, their average capital rose from 2,504,832 lire at the end of 1941 to 2,971,206 at the end of 1942, 3,180,048 at the end of 1943, 3,778,245 at the end of 1945, and 4,782,816 at the end of 1946.

In 1947 both the total and the average capital took a stride forward, repeated, on a somewhat

smaller scale, in 1948. The total figure jumped from 87,918 million lire in December 31, 1946 to 207,678 million at the end of 1947, and to 395,744 million at the end of 1948; and the average capital rose from the 4,782,816 lire at the end of 1946 to 10,624,535 at the end of 1947, and 19,968,917 lire at the end of 1948.

What these figures really mean cannot even be guessed. Should we wish for one moment to consider as current lire those in which the capital of our share companies are expressed, we should be forced to distressing and certainly paradoxical conclusions, for 396 milliard current-day lire are worth less than one third of the 5,643 million at which stood the capital of our share more than 3,000 share companies existing in Italy in 1913. This would lead us to the absurd conclusion that the number of companies had increased nearly 7 times in the last 35 years while their capital had been reduced to less than one-third.

We have tried on another occasion to calculate for the whole period for which a continuous series of data exist, i. e. since 1872, the total capital held by Italian joint stock companies in lire of the same gold content. But, apart from the criticisms to which this calculation gave rise, and apart from the very roughly approximate results that can be reached by such method, it has become impossible to continue the series on account of the multiplicity of the exchange rates quoted in the several years and their almost complete unreality, whether official or formed on the free market, during a considerable part of the period under consideration.

The possibility of calculating the aforesaid capital in lire of a stable purchasing power would meet with difficulties of much the same nature.

On the other hand, if we trust to the valuations of the financial market, and if we suppose that we can extend to the nominal capital of all Italian share companies the ratio existing between exchange quotations and the nominal capital of the companies whose securities are quoted, we should indeed obtain a figure three times higher than that for the nominal capital of the twenty thousand odd companies now in existence, (1,244 milliard lire compared to 396 milliard at the end of 1948); but should we

venture to translate this figure into lire having approximately the same purchasing power as that of the 1938 lira, we should then perceive to our surprise that in spite of the hundreds of milliards of lire subscribed and paid by the shareholders in the last ten years, the market value of our companies not only has not increased but has been very heavily reduced. 1,244 milliard present-day lire have about the same purchasing power as 22 milliard 1938 lire; and 22 milliards represent little more than one fourth of the 83 milliards at which, if we apply the same system, the total share capital of Italian companies could have been valued at the end of 1938. Even taking into account the difference in the growth of the capital of the companies quoted on exchange as compared to that of those not so quoted, and therefore rectifying — as we shall do — the calculation, we still could not escape the conclusion that the whole body of Italian shareholders now holds property worth about one third of its value ten years ago.

As however during these ten years there have been conspicuous disinvestments and yet more conspicuous investments of new capital, we cannot be satisfied with a mere comparison between the value the market now attributes and that which it attributed ten years ago to company stock, and consequently to the whole capital of Italian joint stock companies.

We have therefore made the following calculation. We have multiplied the total nominal value of the stock of the companies existing at the end of 1938 by the average market quotation for it during the whole of that year, so as to ascertain the total amount that a hypothetical financial Institute would have had to pay had it wished in that year to purchase the entire stock of all the Italian share companies, on the presumption that the price of shares not quoted on the exchanges was — *pro rata* of their respective nominal value — the same as the average price at which shares quoted on the exchanges changed hands during that year.

We have thus obtained the figure of 83,864 million lire, which we may consider as representing the market value of the capital of all Italian share companies existing at the end of 1938.

We have added to this figure, year by year, the new capital amounts invested in Italian share companies, expressed in 1938 lire (dividing them by the average wholesale price index for each year), and we have deducted therefrom the disinvestment due to dissolutions or reductions of capital; made equal also to 1938 lire (by the usual method of multiplying the disinvestments by the percentage-ratio existing, at the close of the previous year, between the total share value calculated in 1938 lire and the nominal value).

The results of this calculation are shown in Table II.

Having thus eliminated the expansion caused by the progressive contraction of the purchasing power of the lira, we find that the real movement of capital investments in Italian share companies has followed, roughly speaking, a line parallel to that already noted in the numerical development of the companies. It was on the up-grade in the years 1939-42, and on the down-grade in the following five years, rising once more in the last two.

We may conclude that the decade under consideration falls into three stages: the first three years mark an increase both in the number and in the total capital investment of Italian share companies, and in the case of their capital, both of the nominal capital and of that converted into 1938 lire. The following quinquennium witnesses a decline in the number of the companies and in the total capital, reckoned in 1938 lire, though the nominal capital marks an increase. Finally, in the last two years, 1947-48, the number of companies shows a moderate increase; there is also an extremely moderate increase in the total capital expressed in equalised lire, and a spectacular increase in the nominal capital, due to the new subscriptions made in the tiny lire of to-day.

#### *The Present Real Value of the Italian Share Capital.*

The movement of total share company capital as shown in Table II, seems not only more in keeping with the indications already supplied by the changes which have occurred in their number, but also with the characteristic vicissitudes of the economic movement of



the decade under consideration. Nevertheless, it does not yet tell us whether the share capital of Italian joint stock companies is really worth more or less today than at the end of 1938. The comparison between the first and last figure of the last line of Table II (total

On the other hand, if a comparison be made between the capital existing at the end of 1948 and that existing — always in adjusted lire — at the end of 1941, we find instead of an increase a very considerable reduction. The figure stands at 85,511.1 million 1938 lire as

CAPITAL VALUE OF THE INVESTMENT IN ITALIAN JOINT STOCK COMPANIES  
FROM 31.XII.1938 TO 31.XII.1948

TABLE II

	1938	1939	1940	1941	1942	1943	1944-45	1946	1947	1948
(1) Investments (exclusive of gratuitous increases) in millions of current lire	—	4,591.3	5,932.9	7,394.9	7,357.7	4,965.7	1,995.8	15,963.4	84,350.4	106,690.7
(2) Investments (exclusive of gratuitous increases) in millions of 1938 lire (a)	—	4,402.0	4,875.0	5,445.4	4,693.4	1,296.2	136.8	553.5	7,635.2	1,932.8
(3) Disinvestments in millions of current lire	—	1,682.0	1,841.4	1,554.4	3,773.4	1,807.6	1,607.4	1,401.2	7,599.3	1,919.4
(4) Disinvestments in millions of adjusted lire (b)	—	2,655.0	2,496.5	2,241.4	7,765.2	2,261.5	1,959.4	1,610.0	1,532.1	781.4
(5) Net movement (inclusive of gratuitous increases) in millions of current lire	—	-3,138.4	+4,752.4	+6,765.9	-2,658.6	+1,173.5	+421.9	+15,878.0	+119,760.1	+188,066.4
(6) Net movement in millions of 1938 lire (c)	—	-1,747.0	-2,378.5	-3,204.0	-3,069.8	-965.1	-1,822.6	-1,105.5	+103.1	+1,177.4
(7) Nominal capital of Italian joint stock companies at the end of the year, in millions of current lire	33,129.0	36,267.4	61,019.8	67,785.7	70,444.3	71,617.8	72,039.7	87,917.7	207,677.8	395,744.4
(8) Capital of Italian joint stock companies at the end of the year in adjusted lire (d)	83,864.1	85,611.1	87,989.6	91,193.6	88,123.8	87,158.7	85,336.1	84,230.6	84,333.7	85,511.1

(a) Investments in current lire divided by the wholesale price index (1938=1) compiled by the Central Institute of Statistics.

(b) The figures have been calculated by multiplying the disinvestments in current lire by the percentage ratio existing at the end of the last previous year between the total capital value expressed in 1938 lire and the total nominal capital.

(c) This "investment" is given by the difference between the investments in 1938 lire and disinvestments in adjusted lire (1-4).

(d) The end of year situation is obtained by adding to the situation of the previous year, or deducting from it, the net movement in 1938 lire.

capital of Italian share companies in adjusted lire) should lead us to the conclusion that there has indeed been an increase, if only a small one; so small that it might be considered as coming within those margins of error that are inevitable in calculations of this kind. In any case, the approximate figure for the increase would not even amount to two milliards of 1938 lire, being something like 2.5% of the initial capital.

against an initial figure of 91,193.6 millions, a reduction of some 6%. It is certainly significant and cannot but be surprising, at least at first sight, to note that such a reduction has occurred notwithstanding the fact that 219 milliard lire of fresh capital was invested in Italian share companies in the seven years from 1942 to 1948. But, if full trust could be placed in the results of our calculation, and if we were justified in asserting that the total

capital of the aforesaid companies has not, as a whole, been curtailed during the ten years under consideration but has, on the contrary, slightly increased, we might consider the situation without great anxiety, especially as the reduction above referred to was largely due to voluntary liquidations, conversions, and amalgamations made for reasons of a legal and fiscal nature, which did not entail for the country a real loss of capital.

Unfortunately, the national estate, and with it the capital of Italian share companies, has suffered heavy losses not included in our calculation. It would not have been possible to express war losses adequately in the balance-sheets, not even those that have been repaired, because neither the reserves nor indeed the capital of the companies as shown by their balance-sheets could cover them if expressed in post-war lire. The possibility of covering them would indeed exist — at least in most cases — had it been possible to revalue the surviving assets; but at first this revaluation was not allowed, and even now existing principles of taxation contain that possibility within extremely narrow limits. On the other hand, it is expedient for the companies to keep in evidence the war losses suffered so as not to prejudice, even if only formally, their right to any payments that may be made in compensation.

We should therefore make deductions for war losses from the figure at which the total capital of Italian share companies may now be calculated. This, as we have said, must be done even in those cases in which the damages have been repaired because, except in the all too rare cases in which it has been possible to meet the cost out of the profits earned in the first post-war period, these repairs have had to be paid for by the creation of debt or by those capital increases that statistics register.

But the losses caused by the war are not restricted to those generally included under that head. Even more serious perhaps than the destructions, damages and lootings caused by war has been the waste of assets caused by the impossibility, first material and then financial, of attending to the upkeep, repair, and replacement of buildings, fixed capital, and inventories to the extent that would have been ne-

cessary for the preservation of the previous economic situation.

It is quite impossible to ascertain the amount of the losses suffered by Italian companies due to these two sets of causes, and of the other losses they may have suffered owing to the anti-economic conditions under which many of them worked, and which the progressive inflation of prices has concealed most of the time from the directors and auditors themselves.

Were we to trust the valuation of such losses by the stock-exchanges, we should be forced to the conclusion above mentioned, i. e. that the loss exceeds 70% of the capital investment. It should however be remembered that the average quotation for each 100 lire of nominal capital as shown by current prices on the exchanges, cannot be applied *sic et simpliciter* to shares not quoted on the market, partly because capital increases (both in cash and gratuitous) have been made for the most part by companies whose stock is dealt with on the exchanges. The capital of 144 leading companies whose shares are quoted on the exchanges rose from 21,649 million lire on December 31, 1938, to 243,702 million on 31st December 1948, having thus increased 11-fold, while the capital of the remaining share companies only rose from 31,480 million to 152,042 million lire, having thus increased barely five-fold. If the capital of all Italian share companies had increased eleven-fold, it would amount in all to some 584 milliards instead of the present 396, and the market value of the entire stock, on the basis of the average quotation of December 1948 (i. e. 314.63 lire per 100 lire nominal value), would stand at 1,837 milliards instead of 1,244. The market value of each 1938 lira invested in Italian share companies would thus stand around 21.5 lire (end of 1948), and the capital loss on the whole stock of Italian companies would thus be reduced to a little over 60%.

But even so, the conclusion reached is not comforting.

Nor is it any good to object that these are statistical calculations of doubtful reliability, and in any case only rough approximations. The fact is that if a shareholder is obliged to sell today the stock he holds, he receives a value

corresponding to the stock-exchange quotation in the case of shares quoted on the market, and a value not very different from that in the case of other companies. And therefore, as far as he is concerned, the loss is an actual and, unfortunately, a definite one.

But even those who are able to hold on to part or all the stock they hold, are still in doubt as to the ultimate fate of their property. Do present levels justify the hope that the quotations will gradually rise to others adjusted to the reduced purchasing power of the currency? Will they, that is to say, rise to something like two and a half or three times those now current? Or if this adjustment be deemed unrealisable in view of the actual loss of a part of the capital assets, what limit may they hope to reach within a reasonable time?

Far be it from me to attempt to answer such enquiries. But though it is impossible to fix any definite amount, there is reason to believe that a part at least of the distance that divides present quotations from those that would represent a full adjustment to altered monetary values, may be shortened at not too distant date. Apart from the loss of capital assets, that moreover varies greatly from one company to another, there are today two contingencies that force down quotations to unduly low levels, the scarcity of savings and the low profits earned by business.

The scarcity of capital has unfortunately always been a feature of our economy; but though capital has never been abundant, yet there have been periods in which the scarcity has been much less severe than it is now, and there is no reason for excluding the possibility of a relief of the present financial stringency.

The main reason of the present low quotations is however to be found in the low return on the capital invested. The dividends paid by the 144 companies to which we have referred amounted only to 10,595 million lire in 1948, as compared to 1,687 million in 1938. The increase was thus only a little over six fold; and even if these companies have succeeded in distributing twice that amount in 1949 — as it was rumored they would do — it will still be only 13 times the pre-war return on capital.

Moreover, if these hoped-for 21 milliards are capitalised at 5%, the capital value will stand at 420 milliard lire, a sum not even twice the nominal capital of the aforesaid 144 companies (243.7 milliard lire). Judged by this standard, the quotations which on December 31, 1948 averaged more than three times the nominal value, should be considered not as too low but as too high. They do, indeed, discount to some extent the higher future yield. Were it not for this expectation, and also, to some extent, for the lingering fear of lira devaluation, it would be impossible to explain the present rate of capitalisation, and, in the long run, in a country where capital is scarce as it is in Italy, that rate could not be maintained. But if it be true that most of the plants have been reconstructed and reequipped, and that the output potential of Italian industries to which most of the share companies belong, is now, to say the least, equal to the prewar figure, why should it be impossible to see them in the future distribute not six or fifteen but forty of fifty times the amounts paid out in dividends prior to the war? In any case, more substantial and more rapid progress than that so far discounted by the exchanges may be considered likely; and this cannot fail to favor the upward trend of quotations while reducing the loss resulting from the extremely low level round which they now stagnate.

That this level is indeed low when compared to the pre-war figure is confirmed by the calculations made by the *Mediobanca* and published under the title «Returns and other Particulars concerning Italian Investment - Index 1928-1948». These calculations show that, taking as a basis the prices quoted on June 30, 1948, a lira invested in Italian stock at the beginning of 1938 was worth (June 1948) on an average only 13.13 lire. This figure is lower than the one calculated by us (14.54 lire at the end of 1948 for each 1938 lira invested in Italian share companies). But it should be noted that the quotations at the end of June 1948 were about the lowest of the year and that between then and the close of 1948 a 31% increase occurred. Had the calculation therefore been made at the latter

date, it would have shown a value of some 16 lire for each one invested at the beginning of 1938; a figure logically higher than the one we calculated.

That the ratio calculated by the *Mediobanca* between the present market value and that of the capital invested in shares before the war, should be higher than that calculated by us is the logical consequence of the system followed in making the two calculations. In ours the variation in the quotations plays an essential part, the purpose of the other factors used being to eliminate the disturbing influence of the variations in the purchasing power of the currency. But in the calculation made by the *Mediobanca* another factor is introduced, that of the reinvestment of those proceeds that are not really dividends (i. e. bonus issues in the parent or in auxiliary companies, option rights, repayments of capital and other incidental benefits).

In any case, the difference is not such as to invalidate the conclusions reached by us (1).

#### *Distribution by Business Branches of the Italian Joint Stock Companies.*

Table III shows the distribution of Italian share companies, classified by number and by capital, among the several business groups at the end of each of the last ten years. We shall limit our remarks to a few main points.

As already stated, the total number of companies has somewhat declined in the last ten years, in spite of a slight recovery in the last two. While for companies as a whole this decline is relatively small (4.76%) it is seen to be much more considerable for most of the groups in which it occurred; some groups, on the other hand, show an increase, both relatively and in some cases absolutely.

The largest decline in absolute figures is that of 551 for city real estate companies; the

next in importance being that of 424 in the case of commercial companies. Considerably smaller is the reduction for road-transport companies (-123) and sundry companies (-103). In the case of electric power companies and those engaged in the printing trades there was a reduction of 92 for each.

The relative reduction was heaviest for «sundry» companies, whose number fell by 55.08% at the end of the decade as compared to December 31, 1938. Next in importance is the reduction for scholastic companies (-44.07%). Traffic ancillary companies were reduced by 39.13%; in the case of printing companies the reduction stood at 36.22%, and so forth.

Whilst for most groups the number of companies declined, some showed an increase, even of some importance, as in the case of companies engaged in farming whose number rose from 846 at the end of 1938 to 1,147 at the end of 1948 (+301), engineering companies which rose from 1332 to 1,542 (+210), financial companies which rose from 115 to 204 (+89), agricultural and food industries (+76), etc.

The highest percentage increase was registered for air transport companies (+200%), though their actual number only rose from 5 to 15. Next come the financial companies (+77.39%), the wool companies (+61.39%), sea transport companies (+52.21%), wine and liqueur companies (37.93%), farming companies (+35.58%) and so forth.

The behaviour of the last mentioned group deserves notice as it shows remarkable dynamic energy. At the end of 1938 there were only 846 such companies, but at the end of 1941 their number had risen to 1474. This was followed by a decline, at first rapid and then gradually slowing down, so that at the end of 1946 only 1,002 companies belonged to this group. A year later the number rose once more to 1,106, and at the end of 1948 stood at 1,147.

The trend of the engineering companies has been similar. They rose from 1332 at the end of 1938 to 1,804 at the end of 1941; they then touched a low of 1,387 at the end of 1946,

(1) In the meantime the CENTRAL INSTITUTE OF STATISTICS, Rome, has compiled similar index numbers of capitalisation for 122 leading Italian shares, showing at the end of 1948 an average capital value of 15.88 lire for 1 lira invested in January 1938. See P. BATTARA: *Index Numbers of Industrial Production and Capitalisation in Italy*, in this Review, n. 9, April-June 1949, p. 118 et seq.





rising again to 1,542 at the end of 1948. The behaviour of the metal, silk, sundry textile and other groups has followed much the same line, as well as several other groups not listed here.

If we examine the movement of capital we find that the increase, especially in the last two years of the decade, has been such that it will be readily understood why all the groups register at the end of the period figures consid-

other hand, companies engaged in the chemical industries, which ranked second until 1938, have since been superseded by other groups and now rank fifth. The second place is now held by the engineering companies which have raised their quota of total investment from 6.92% to 15.20%. The third place is still held by the metal trades with a percentage of 7.47 instead of 7.24 per cent of total.

ITALIAN JOINT STOCK COMPANIES, BY TERRITORIAL DISTRIBUTION

TABLE IV

District	1938		1945		1948	
	Number	Capital	Number	Capital	Number	Capital
Piemonte	2,031	6,854,665,424	1,865	7,807,398,873	1,965	51,954,450,376
Liguria	1,498	6,099,401,415	1,299	7,772,481,440	1,397	23,519,375,790
Lombardia	9,280	19,618,209,871	8,290	27,399,352,332	8,598	169,216,688,286
Venezia-Trentina	734	154,687,113	115	254,620,084	125	801,147,284
Veneto	1,014	2,971,190,035	1,033	3,733,041,052	1,092	19,661,892,297
Venezia Giulia e Zara	53	1,463,625,692	358	1,517,474,750	331	1,438,973,300
Emilia	1,045	914,929,617	1,130	1,242,024,775	1,219	5,889,011,950
<i>Northern Italy</i>	15,334	38,095,509,167	14,090	49,726,592,746	14,727	282,985,587,733
Toscana	1,086	2,159,955,371	1,080	2,965,519,520	1,049	13,843,269,332
Marche	160	77,318,030	130	63,231,600	115	178,162,450
Umbria	119	52,833,262	72	45,979,550	69	212,034,550
Lazio	2,726	9,556,792,752	2,691	15,518,479,802	2,787	70,367,021,404
<i>Central Italy</i>	4,091	11,846,899,415	3,973	18,593,210,472	4,011	84,800,537,736
Abruzzi e Molise	84	41,285,768	54	26,470,600	46	41,069,100
Campania	815	2,598,228,815	593	2,874,543,745	621	21,015,547,710
Puglia	113	88,143,250	89	94,264,400	98	548,895,400
Lucania	13	6,691,000	9	7,771,775	10	12,161,775
Calabria	48	16,513,600	40	18,077,300	45	132,216,000
Sicilia	262	408,788,903	178	615,963,605	218	4,461,129,172
Sardegna	49	26,992,300	41	182,636,400	42	1,717,266,400
<i>Southern Italy and Islands</i>	1,384	3,186,643,656	1,004	3,719,997,825	1,080	17,958,285,040
TOTAL	20,809	53,129,952,218	19,067	72,039,801,043	19,818	395,744,410,509

crably higher than at the beginning, the increases varying from 5% for scholastic companies to a maximum of 3,860% for the air-transport concerns (the groups for which the percentage number of new companies was also the largest).

The amount of the capital increment has varied so greatly that the distribution of total investment between the several groups shows wide variations. Nevertheless, the electric-power companies still hold the first place in the scale and have indeed strengthened their position, raising their share of the total capital investment from 20% over 25%. On the

#### Territorial Distribution of Italian Joint Stock Companies.

Less striking but perhaps no less important than the variations that have occurred in the distribution of number and capital as between the several groups, are those in their territorial distribution (Table IV).

Restricting our observation to the three main geographical divisions, we find that North Italy has maintained her predominant position practically unchanged. The percentage of number shows a slight increase accompanied by a trifling reduction in the relative capital

percentage. In Central Italy the situation has remained much the same though the variations are a little more marked, the percentage number of companies having increased somewhat while that of capital has declined. In the case of Southern Italy and the Islands the situation is reversed. The reduction in the number of companies has been more marked, but this has been offset by a proportionally larger increase in total capital than in the case of other parts of the country.

However, while all the districts in the South and the Islands register a higher than average percentage reduction in the number of companies, only some of the districts, and precisely Sardinia and Sicily, show a higher percentage increase in their quota of the total capital investment than the global average. In any case, the data for joint stock companies clearly show the backwardness of the economy of South

Italy, and the vast scale of the problem that has to be solved to assure its development (2) (3).

(2) See, on this subject, A. MOLINARI, *Southern Italy*, in this Review, n. 8 January-March 1949, p. 25 et seq.

(3) The present article was in print, when the data about the movement of Italian Joint Stock Companies in the first half of 1949 became available, showing a marked increase both in the number and in the capital. This increase has been much more considerable than that registered for the whole of 1948. The net increase in the number of Companies stood at 271 in 1948, while in the first half of 1949 it rose to 626 (1,145 new Companies, less 519 dissolutions), so that at the end of June 1949 the total number of Companies reached 20,373.

In 1948 the net increase in the face capital amounted to 188,666 million lire, as against 190,383 millions for the first six months of 1949 (Lire 194,936,067,109 of new investments and capital increases, less Lire 4,632,947,499 of disinvestments). Thus on June 30, 1949 the total share capital of Italian Companies amounted to 586,028 million lire. The total investments for the half year (194,936 million lire) were mainly — i. e. 190,447 millions — capital increases made by 1,154 companies, of which 114,656 millions were in the form of free increases of capital, 71,085 millions cash payments, and the remainder the result of contributions in kind, amalgamations, etc.

During the same period 1,131 debenture issues were made for a total value of 40,540 million lire, of which 16,717 millions can be converted into shares.