



# Αγορές και Πολιτική

Ιδιωτικά συμφέροντα και Δημόσια εξουσία, 18ος - 20ός αιώνας

## Markets and Politics

Private Interests and Public Authority, 18<sup>th</sup> - 20<sup>th</sup> centuries

Επιμέλεια: Χριστίνα Αγριαντώνη, Λήδα Παπασεφανάκη, Μαρία Χριστίνα Χατζιωάννου

Edited by: Christina Agriantoni, Maria Christina Chatziioannou, Leda Papastefanaki



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Dimitris Tsiapras

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Sofia Melachrinaki, Haroula Xourafa

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Giulio Mellinato

## **The origins of Finmare. A technocratic reform beyond state and market in fascist Italy**

*When a large number of people are playing a game with clear rules  
but unknown dynamics, it is hard to distinguish those who win  
with skill from those who win by chance.<sup>1</sup>*

In every country, the relationship between trade and economic development is quite complicated in itself, and it usually also involves a large number of country-specific elements. In Italy, it was (and still is) not only a matter of economic performance, but rather a matter of economic survival, as the best opportunity to maintain strong (though substantially subordinated) bonds with the more developed countries, despite the dependence on imports of industrial raw materials and capital goods.

Between the two world wars, a consistent maritime policy was hard to find in Italy, and the same can be said about many other states. The period was marked by profound changes, misinterpretations, and a general instability of the commercial policy pursued by the governments of the most powerful countries. So, in many cases the policy was more based on a “trial and error” approach, than on a clear strategic path leading to specific goals.

During the same years, the Italian rise among the maritime “great powers”

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1. Leonard A. Smith, *Chaos: A Very Short Introduction*, Oxford University Press, New York, 2007, p. 146.

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of the world produced some results at the diplomatic level (in relation with the participation in the Washington and London agreements), but produced no stable economic effects.

In reality, we can identify some constant elements through the different phases of Italian fascist attitude towards maritime activities: firstly, the attempt to assimilate (though late and anachronistically) the most superficial aspects of the British imperial style. Secondly, a constant overestimation of the “myth of the flag” which aimed to gain a wider control of the sea and trade routes in parallel with the much better known attempts to land expansion. Finally, the Government had to face the ongoing need to have at hand new and improved operational instruments, in order to settle the unbalanced international trade sheet, in parallel with the difficult financial relations between Italy and foreign countries.

All these priorities were completely out of any proper market logic, and forced the state to intervene in the maritime sector to such a high level that, at some point, the scheme came to a breaking point. The level of expenditure required to support an only apparently private (but in reality essentially public) system became too high, and the government decided to create a new company, unique in Europe for its structure and its field of operation. So, in 1936 Finmare was founded. Fully owned by the State, in its early years it acted as a monopolistic company, being the only Italian economic organisation involved in long distance shipping.

## 1. Background and previous actions

In Italy, during and after the Great War, the Government was really the first actor in the maritime sector, especially after the inclusion into the national economic system of almost the entire maritime legacy of the former Austria-Hungarian Empire.

At that time, the Italian maritime market was still relatively immature, because it still lacked both the experience and the structures, typical of an organization oriented for some time towards international markets. Moreover, after the national unification, the delayed economic development (and the means adopted to foster it) created a peculiar entanglement among the society, the economy and the state. As it was said, «A ‘military-industrial complex’ (to use an old expression) was deemed both indispensable in making Italy’s claims to be a great power credible, and unlikely to develop without state support [...] while the domestic market was small or non-existent».<sup>2</sup>

Such a background, made of relative economic backwardness and great political aspirations, created over time a thick net of interests, linking individual benefits and public needs: «those managing the Italian economy rapidly

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2. Giovanni Federico, «Italy, 1860-1940: a little-known success story», *The Economic History Review*, 49/4 (1996), p. 764–786, 770.

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realised that personal profit and potential national power could be brought into association and then nourished in a myriad of ways by the modern state».<sup>3</sup>

Italian Fascism reinterpreted that long standing entanglement from its political view, adding to the previous pattern its expansionist logic, its “survival of the fittest” concept and its frustration because Italy was not considered satisfactorily important.

Along this transformation, a crucial question remained unsolved: how was it possible to ensure, in the long run, the best chance of survival of a national economy with no natural resources? The answer was always the same: by directing artificially economic exchanges with foreign countries in such a way as to satisfy the needs of the domestic economic development.

The central element of this quasi-strategy was not only nationalism, but the deeply rooted belief that national resources were underused. This idea was strong enough to remove the obstacles hindering the Italian way to development, and to a status of economic prosperity comparable to the other major European countries. There was obviously no doubt, that the breakthrough had to be found outside the market. Otherwise, it would have come up spontaneously earlier, without the necessity to be created artificially. In the meantime, while Italian industries were not yet able to diffuse their products abroad, a good way to improve the Italian economic situation was to provide services, such as work, in the form of emigration or other more sophisticated ones, such as tourism.

In Italy, at the beginning of the 1920s, political power underwent a rapid change, usually over-simplified under the definition of “first fascism”. At this point, we need a more complex definition, with a distinction between fascism and nationalism. The latter, in fact, was born before fascism, and also before the First World War, to proclaim Italy’s role as one of the European Great Powers. The same goal was revived after the war, with a very important emphasis placed on economic independence. Along this unrealistic orientation, the convergence of nationalism and fascism was complete, as one merged into the other. Technical competence and nationalistic ideology became key components of the fascist instruments to control the Italian economy and society. In a few words, it can be said that the nationalist movement acted as an incubator for the selection and the cultural formation of a technical staff, which was used by fascism in some key positions of its reforms.<sup>4</sup>

## 2. The technocratic environment

During the second half of the 1920s, the Italian (or, more precisely, Fascist) ambitions for power were frustrated by the very slow development of the internal

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3. R. J. B. Bosworth, *Italy and the Wider World 1860-1960*, Routledge, London 1996, p. 85.

4. For a well-known case, see *Acciaio per l'industrializzazione: contributi allo studio del problema siderurgico italiano*, Franco Bonelli ed., Einaudi, Torino 1982. In the maritime sector, the prominent figures were Paride Formentini and Luigi Lojacono.

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market, and by the weakening of the Italian position within the international economic environment.

From a maritime point of view, the Italian government reacted in two ways: by fostering the technological evolution of the national mercantile fleet (to attract from abroad as many passengers and cargoes as possible), and by redefining the arrangement of the subsidized shipping lines, in order to preserve the commercial connections considered essential to the national economy. All in all, it was only a new way to adjust to the circumstances the old system of public funding that (as elsewhere) generously has financed the maritime activities.

Along the first line of intervention, the 1926 so-called Ciano reform gave confidence to the market, simply by directing some strategic choices of the firms. In the second case, the state began to replace the market completely, financing some sectors of the maritime business regardless of the presence or absence of traffic, yet subordinating the shipping industry to the national interest.

While actors and institutional instruments changed, the most important aspect was the necessity to balance the rising costs incurred by the new structure with the reduced resources available to companies and government, in the light of the progressive deterioration of the profitability of shipping services in the international market.

As we have seen above, the inter-relation of politics and economics in the maritime industry was very strong, well before the political rise of Mussolini. The first true Fascist intervention took place in 1926, and it essentially confirmed the existing organizational system based on state subsidies, with the introduction of a new element. The reform, named after Minister Costanzo Ciano, a former admiral, rewarded with extra funding the shipping companies which would build and manage large, fast and technologically advanced luxury liners.

These were very prestigious and expensive ships, suitable only to the lines linking Europe to North America, in a climate of uncertain profitability, within the market conditions of the second half of the 1920s. Nevertheless, they were very important for the Mussolini regime, in search of international claims and affirmations. All in all, it was a bet. The political power, influenced by shipping circles, who appealed for a 'rejuvenation' of the national fleet, decided to invest significant resources in building a prestigious fleet, hoping to attract passengers and cargo from abroad, in an attempt to fix the international balance sheet, which traditionally showed a deficit in Italy.

From a technical point of view, the Ciano plan was a success. It gave work to the shipbuilding firms in a period of low demand, and made the shipping companies able to take on some of the most luxurious ocean liners, such as the motor ships *Saturnia* and *Vulcania*, the *Conte di Savoia* and the huge for the Mediterranean standards liner *Rex*, of more than 50,000 tons. In the early 1930s, the Italian merchant fleet amounted to more than three million tons, and ranked sixth among the world's largest Merchant Marines. The ambition

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to transform Italy into a major maritime power seemed to have been realized.

At the same time, the investments under the Ciano plan were a financial catastrophe for the shipping companies, even though the Regime propaganda cleverly concealed the negative aspects of the operation. Not a single company was able to survive, and all fell under the control of the creditor banks. At the Milan stock exchange, the value the shares of the shipping company *Navigazione Generale Italiana* fell from 499/510 lire in 1926 (nominal value = 500) to only 99 lire in 1932, when the company became part of the new firm *Società Italia di Navigazione*. For the Cosulich shipping company the devaluation was from 108/82 lire in 1929 (nominal value = 80) to 23 lire in December 1932.<sup>5</sup>

Over a longer period, the index of maritime shares was as follows, in comparison with the Italian general stock index.

#### Italian stock market index: general and maritime sector (1913 = 100)

	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
General index	107,4	163,4	153,9	104,5	123,0	141,3	123,2	96,8	66,4	57,8	71,8	78,1	81,9	105,5
Maritime index	124,5	180,8	154,2	154,2	121,3	115,3	93,4	84,4	49,8	19,3	20,5	18,4	16,7	32,6

Bachi Index. Source: Istat, *Annuario statistico italiano*, various years

By those years, other countries experienced a collapse of their national maritime markets. In Germany, the government provided funding to Hapag and Norddeutscher Lloyd; in France the shipping company Compagnie Générale Transatlantique was saved from an almost certain bankruptcy,<sup>6</sup> but nowhere the reshaping of the maritime sector was so wide-ranging as in Italy.

After the financial difficulties experienced as a consequence of the revaluation of the lira known as “quota 90” and the Ciano plan (both dated 1926), the four biggest Italian shipping companies fell under the control of the banks. In particular, the Banca Commerciale Italiana and Credito Italiano were the two financial institutions most involved in the maritime sector. It was inside their research departments that the first phase of a national reform of the maritime sector was engineered, with the merge of 19 former shipping companies into 9 new or renewed companies, in 1930-31.

5. Source: Istat, *Annuario statistico italiano*, various years.

6. About the inter-war period, the Martin Stopford's comment is: «the period falls into two separate decades, the first poor and the second disastrous». Martin Stopford, *Maritime Economics*, Routledge, London 2009, p. 115.

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**Fleets of the Italian companies engaged in (subsidized) liner services, 1932**

Company	Fleet (.000 tons)	% of the total
Italia-Cosulich	515,2	38,2
Lloyd Triestino	323,9	24,0
Libera Triestina	195,0	14,5
Tirrenia	128,5	9,5
Veneziana	65,0	4,8
Adria	52,0	3,8
Adriatica	48,2	3,6
Tripovich	18,6	1,4
Sarda	2,6	0,2
<b>Total</b>	<b>1.349,0</b>	<b>100,0</b>

Source: Carlo Mochi, «I trasporti», in *Annali dell'economia italiana*, Milano, Ipsoa, 1983, vol. 8, t. 2, pp. 213-281; p. 272 for the data

Also this reform was short-lived, as a consequence of the bankruptcy of the Italian universal banks in 1933, the establishment of the IRI and the subsequent transition to state ownership of all the bank-controlled firms, including all subsidized shipping companies.<sup>7</sup>

Public funding seems like a reasonable measure, if we consider that, at that time, the best part of the Italian merchant fleet was under state control, well before it became state-owned. State-controlled financial flows were the only real source of stable funding for a business sector that not only had never entered into a real market competition, but during the 1930s had to live within an economic environment where a market no longer existed. So, the actual establishment of a holding company wholly owned by the State, to control directly the subsidized shipping companies, was only a formal change, not a substantial one. The key question that rises is who controlled this evolution, and which his objectives were.

### 3. The implementation

It was in response to this need that first the universal banks, which owned the greater shipping companies, followed by the State and public industry, entrusted even more responsibility and decision-making power to a small group of technicians. They were believed to be able to save the companies together with the national prestige by rationalizing the expenditure without substantially reducing the quality of the Italian presence abroad.

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7. See Antonio Confalonieri, *Banche miste e grande industria in Italia, 1914-1933*, Banca commerciale italiana, Milan 1994-1997.

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Beyond the immediate budgetary problems, the reorganization of the maritime network was also aimed at finding (to the benefit of the entire Italian economy) the best ways to maximize the efficiency of the national shipping system. The outline of such reasoning was quite non linear: the origins of the question were international, as well as the goals, while the means were perceived as fully under national control. Along this line, the main choices were made not according to an economic calculation, but under political (regarding the Government decision) or ethical (regarding the nationalistic-driven behavior of the technocrats) considerations.

During the early 1930s, every developed country had to work its way to solve the “trilemma” linking in a vicious circle international trade, monetary stability and international capital flows.<sup>8</sup> On a practical level, the Italian government directed its maritime expansion towards those commercial spaces, which were the early victims of the Great Depression. As it was said,

the conditions for international economic cooperation were not present in mid-1933. Each of the major countries had its own view of the economic crisis and was trying to formulate its own remedies. Instead of initiating international cooperation or leadership, each of the major European industrial and financial powers would become the centre of a currency and trading block of its own.<sup>9</sup>

The international nature of world trade had come into incurable conflict with the national economic policies largely adopted by the major countries. For the Italian ambitions this was a big problem: the expectations of success were to be adapted to the new situation, making the best of the investments during the 1920s, to maintain (and if possible to expand) the markets that were essential to achieve the desired status of great power.

Such a mission was well beyond the simple search for a way to enable Companies to survive the crisis. It was a matter that involved the key role of the entire maritime sector as an instrument for the whole national economic system. To perform this task, strategic thinking, creativity, and problem solving were necessary at a level higher than the usual.<sup>10</sup> Finmare management provided the necessary intellectual insights,

The first operational decision implied a Copernican revolution (in the sense of a complete reversal of the path of reasoning) in the way the maritime services were considered in Italy. The previous predominance of land-based interests

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8. Douglas A. Irwin, *Trade Policy Disaster: Lessons from the 1930s*, MIT Press, Cambridge (Massachusetts)-London 2012.

9. Charles H. Feinstein, Peter Temin, Gianni Toniolo, «International Economic Organization: Banking, Finance and Trade in Europe Between the Wars», in Charles H. Feinstein (ed.), *Banking, Currency, and Finance in Europe Between the Wars*, Oxford University Press, Oxford 1995, p. 54 for the quotation.

10. Also in Germany and France (among other countries) the largest shipping companies were helped by the government, but the purpose of that aid was limited to overcoming the crisis, not the creation of a new national transport system.

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disappeared while, the new organization aimed to optimize the activities performed at sea.

International traffic was divided into four main areas, each assigned to a specific company, based on one of the main Italian ports: Genoa for the Americas, Naples for the Western Mediterranean and the Isles, Trieste for Africa and the Pacific Ocean and Venice for Eastern Mediterranean. Goods and passengers traveling to a given direction had to be transported overland to the port designated to forward them to the final destination. Thus, the new organization simplified services and their management, abolishing all double lines and decreasing fixed costs. The new organization, in theory aimed to create a single national transport system, considering the fact that in 1936 the state fully controlled also the railway network and air transportation, and actually owned 90% of the merchant fleet engaged in line services. It was clearly a unique condition for the non-Communist world.

In addition, the new organization released resources for the construction of new and more modern ships, including a fleet of banana ships to transport fruits from the African coast of the Italian Empire, and the improvement of services at the ports.

In 1936 a new reform was introduced, with the creation of a single, huge, state-owned holding company: Finmare. The new entity controlled only four running firms, but owned about half of the national tonnage, and nearly all the great ocean liners flying the Italian flag. In other words, the Italian State became the major maritime operator of the country, holding a virtual monopoly on long-distance passenger transport.

### **The Italian state-owned merchant fleet, after the 1936 reform**

Company	share capital (millions lire)	fleet (.000 tons)	fleet (n. ships)	state subsidies as % of costs (1939)
Italia	500	460	37	22%
Lloyd Triestino	300	616	75	17%
Adriatica	150	138	41	26%
Tirrenia <sup>1</sup>	150	159	55	37%

Source: Memo Rapporto sulla organizzazione della Finmare e sull'attività svolta in questo primo periodo, dated 18.11.1937, in Asei, black series, folder n. 45; and Ministero dell'industria e del commercio, L'Istituto per la Ricostruzione Industriale I.R.I., vol. III, Origini, ordinamenti e attività svolta (Rapporto del Prof. Pasquale Saraceno), Utet, Torino 1956

In 1936, as in 1932, key decisions were taken inside a small group of experts, selected among managers and bankers, with a predominant production-oriented view, Entrepreneurs –in the sense of shipowners– disappeared during the 1920s



crisis, and politicians were cautiously kept out of the decision-making process.<sup>11</sup>

The team of specialists, brought together by the banks for their financial engineering purposes,<sup>12</sup> was co-opted by IRI after its establishment, creating the think tank that was behind the Finmare reform.

In fact, Finmare was much more than a state tool for state intervention into economic life. It was, or at least it intended to be, a fundamental pillar to ensure independence and a more stable development path for the entire Italian productive system. This goal would be accomplished through different mechanisms: obviously, assuring cheap and easy connections with the rest of the world, but also fixing the balance of payments, attracting tourists to Italy, and projecting abroad a positive image of the nation, its achievements and its possibilities. Such a program, after all, was only a minor adjustment to the ideas and projects drawn up during the years between the disastrous defeat at Caporetto, in 1917, and the 1926 Ciano reform.

The second half of the 1930s was a time of intense study and reflection, under the leading role of a “Committee for the reorganization of the maritime services”, formed at the IRI, which defined the actions to be translated into a domestic program involving an ad hoc group of laws and regulations. Two Government decrees (December, 1936) set the coordinates of the new maritime policy of the country. As a first step, the former agreements with shipping companies were revoked. All the subsidized transport services were reorganized in four major geographic areas, assigning them to the new companies, which would take over the existing business activities.

The four new companies started operation from January 1<sup>st</sup>, 1937, and the final goals of the entire operation were:<sup>13</sup>

- a) The absolute and imperative need to provide an administrative structure for national maritime services that could preserve at best the prestige of the Italian flag in every sea, and defend it against renewed attacks by an increasingly intensified international competition. This was particularly important at a time when the world is looking to Italy, which is projecting a new public image over the great imperial shipping routes, and which intends to affirm its power;
- b) The need, equally absolute and imperative, to contain as much as possible the financial support originating from the state budget. One can recall, as it had already been stated, that if the services had to continue with the present system despite the changing global economic conditions, the State could not avoid

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11. After 1926, Mussolini himself preferred to let the management of the economic affairs to a selected group of experts: «after the flutter over the valuation of the lira, the Duce had generally accepted the economic advice of his technocrats and rarely interfered with their day-to-day activities»: Richard Bosworth, *Mussolini*, Arnold, London 2002, p. 288.

12. See Giulio Mellinato, *Crescita senza sviluppo, l'economia marittima della Venezia Giulia tra Impero asburgico ed autarchia (1914-1936)*, Consorzio Culturale del Monfalconese, San Canzian d'Isonzo, 2001, par. 4.4 e 4.5.

13. Memorandum *Proposte per il nuovo assetto delle grandi linee di navigazione*, dated Rome, 20.11.1936, in: Iri historical archive, black series, folder n. 45, p. 8-9.

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increasing sensibly the expenditure; therefore this increase was to be contained, and possibly avoided altogether.<sup>14</sup>

The free market had disappeared. Only the State remained, with its proper agenda, together with the élite of bureaucrats, entrusted with the task to accomplish this long-standing mission.

#### 4. Finmare: the final settlement

The final outcome was a system made of 105 shipping lines, covering more than 10 million miles of sea, performed by more than 200 ships of a total tonnage of more than 1.250.000 dtw. Such a system was incompatible to the principles of the open market, because it met objectives designed at Finmare only on the basis of theoretical reasonings, and it was regulated by special legislation enacted by the government, regardless of the load actually carried by the ships, or the supply-demand conditions. Any cost not covered by revenues would be reimbursed by the State, through a system of special grants.<sup>15</sup> Along this perspective, the idea of business disappeared, giving way to a public service extended to the whole field of transportation by land, by sea and after the 1939 reform, also by air.<sup>16</sup>

The magnitude of the operative field assigned to the Finmare organization does not seem to have been an accidental aspect inside the process of its institution, or a secondary byproduct, but it seems to have been one of the original concerns (and perhaps the more “technocratic” one) of the entire project.

Specifically, the Finmare reform particularly emphasized on two strategic elements: the intangible assets and a long-term perspective. For shipping companies, the value-creation process is usually linked to the development of a specific know-how (depending on the area of activity, both in terms of market and geography) and to its effective involvement in the institutional and cultural environment of the countries potentially interested in its services. In order to

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14. Ibidem: «a) dell'assoluta e inderogabile necessità di dare ai servizi un assetto che mantenga alto in ogni mare il prestigio della bandiera italiana e lo difenda contro i sempre rinnovati attacchi della inasprita concorrenza internazionale; e ciò soprattutto in un momento nel quale il mondo guarda all'Italia che si affaccia con nuova fisionomia sulle grandi vie marittime imperiali, sulle quali intende affermare decisamente la sua potenza; b) della necessità, ugualmente assoluta ed inderogabile, di contenere quanto più possibile lo sforzo finanziario a carico del bilancio dello Stato. Si ricorderà che fu già enunciato che, se i servizi avessero dovuto continuare pur nelle mutate condizioni economiche mondiali, con l'ordinamento attuale, lo Stato non avrebbe potuto evitare un sensibilissimo aumento di spesa; si trattava dunque di contenere tale aumento e possibilmente evitarlo del tutto».

15. Marco Doria, «I trasporti marittimi, la siderurgia», in: *Storia dell'Iri*, v. 1, Dalle origini al dopoguerra, Valerio Castronovo (ed.), Laterza, Roma-Bari 2012, p. 329-358.

16. In 1939 a new state-owned airline company was founded (Linee Aeree Transcontinentali Italiane, Lati), for transatlantic connections. Lati was a development of another state-owned airline company, Ala Littoria, founded in 1934 for European and Imperial connections.

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obtain a good result, a shipping company has to create a network of agents, creative marketing and sale capabilities, together with solid relations with customers. All these assets are quite difficult to acquire and very easy to lose. A good degree of far-sightedness was therefore imperative.

Following a substantially nonlinear path, the creation of Finmare and the contemporary legitimating process of a self-organized and self-controlling élite of bureaucrats at the head of the new holding company was the best political choice available, to achieve a secure and stable balance between expenses on the one hand, and the provision of a service considered essential for the national economy on the other.

Fascist politicians were perfectly aware of the importance of the movement underway, and granted liberties to the technicians, also in consideration of the «very important material and moral interests [involved], even compared to maritime passenger fleets of other nations, protected and supported by their governments» as was said in 1933 by a government decree.<sup>17</sup>

Even the Duce gave a speech in favor of revitalizing the nation's merchant marine, but the entire process to elaborate a new scheme for the indispensable state subsidies was kept inside the Iri, not in the Government offices.

It was at this stage that the technocrats used the political value of the reform to achieve their goals of streamlining the system's governance, along with some personal benefits, such as an almost completely autonomous decision-making responsibility, together with the guarantee that public funding would be proportionate to the needs of the companies, not the reverse. Such a group of experts had a clear mission: to create a solid self-justification, and to make sure that only a limited group of people possessed the indispensable skills to accomplish this fundamental assignment. As was said at the beginning of an internal memorandum, «For our country, maritime communications represent a fundamental interest, and the rational improvement of the merchant marine is essential because, with minimal financial support, the Nation can have an instrument in the service of its life, its defense and its development».<sup>18</sup>

Everyone can recognize a clear nationalistic echo in these words, repeatedly confirmed in other IRI documents, presumably directed to the Government offices. The aim was to convince the politicians about the ability of technicians not only to solve the difficult situation, but also to re-establish the Italian liner shipping, together with the image of the nation's economic potential.

The task that Finmare managers gave themselves was of a hybrid nature. Economic means were intended as tools to fight a political confrontation among

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17. Inter-ministerial decree, September 20<sup>th</sup>, 1933, in: Iri historical archive, black series, folder n. 45.

18. «Le comunicazioni marittime rappresentano per il nostro Paese un interesse fondamentale ed il potenziamento razionale della marina Mercantile è indispensabile perché, con il minimo sforzo finanziario, la Nazione possa disporre di un mezzo adeguato alle necessità della sua vita, della sua difesa e del suo sviluppo». Memo *La Marina Mercantile di linea considerata quale industria-chiave*, dated 26.04.1936, in: Iri historical archive, black series, folder n. 45.

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Nations, to survive very difficult times. As was said in another memorandum, «It is a battle fought every day, and it's only partly an economic battle, largely political, because none of the routes under consideration is abandoned to the free play of economic advantage: They are almost always lines subsidized in all ways by their Governments, anxious to maintain, or to impose ex novo, a prestigious position for their national flags».<sup>19</sup>

Along this perspective, all three actors involved found their respective role, and a legitimation of their positions towards the outside world. The starting point was the typical nationalistic-fascist assumption that international relations are perpetually unstable and competitive, and that stronger Nations need to be economically self-sufficient if they have to survive and prosper in a hostile international environment. Consequently, the IRI technocracy undertook the task of ensuring the operative conditions for a solid and independent position of Italy in the international economy. The politicians accepted their exclusion from what was considered a purely technical field of operations. Finally, the State Treasury was given the completely subordinate task of financially supporting those initiatives. In exchange, the technocrats assured that the operating cost of the new system would be the cheapest possible, and that the entire national economy would gain a service that the poor national market was unable to grant in those years.

Finmare was actually a hybrid: a company wholly owned by the state, but working along quasi-market criteria, within a highly competitive sector, as the international ocean freight market. The experience of Finmare can be presented as an example of relative efficiency in managing a service of primary importance for the national economy, both in overcoming the crisis following the Wall Street crash, and during the complete reconstruction of the national fleet after the Italian defeat in World War II. In fact, Finmare was an important tool for the development of the national economy, especially during the 1950s and 1960s, reaching significant results from the budget point of view, as well as promoting abroad a positive image of the country.

In June 1940, Italy entered World War II. In their annual report for 1942, the Finmare leaders incorporated some significant sentences, casting light on their real intentions. It must be said that, at that time, Italy had difficulties in waging the war and the certainty that there would not be the hoped-for victory. In their report, the Finmare executives painted a picture in which there was no reference to the "enemy", nor war that would result in its complete destruction. They talked instead of the economic spaces that would develop across the

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19. «È una battaglia che si combatte tutti i giorni ed è una battaglia solo in parte economica, in gran parte politica, perché nessuna delle linee considerate è abbandonata al libero gioco della convenienza economica: si tratta quasi sempre di linee sussidiate in tutti i modi dai rispettivi Governi, desiderosi di mantenere, o di imporre ex novo, situazioni di prestigio di bandiere nazionali». *Memo Il finanziamento del programma del nuovo assetto dei servizi marittimi di linea*, dated Rome 20.11.1936, in: Iri historical archive, black series, folder n. 45.

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conflict, pondering the postwar period, safeguarding in the first place the fleet, but also the relationships, conveniences and the whole system of business and trade, once the storm had passed. A part of the fleet had to go through the war almost disguised in some way, in order to be ready at the appropriate time.<sup>20</sup>

All traces of fascism had been erased, and only the rational and technical superiority of Finmare was there to provide a vital service to a national economy like the Italian, structurally dependent on foreign markets for its supplies and diffusion of its production.

The most interesting aspect is that such a system lasted almost unchanged for more than 30 years, surviving the war and effectively helping the Italian economic growth in the 1950s and early 1960s, during the years of the “economic miracle”.

### **5. A case of success?**

In the above case study, the usual interaction between the supply and demand equilibrium and the so-called network effects was complicated by the overload of political externalities that the maritime system possessed in Italy during those years. The typical aspect of the national transport system remained unchanged in its shape (in fact there was no direct relationship between the state shipping companies and their customers, even when they were other State-owned enterprises, as was typical under free market conditions), but it was substantially overturned.

Unlike a system of semi-independent transport companies subjected to the need to find only inside the market sufficient business to survive, the Finmare system, in contrast, ensured the survival of firms not only thanks to state funds (after all, such a system was neither new, nor typical of Italy during the fascist period), but by linking them to the importance of the complex political mission entrusted to Finmare, a political mission endowed with a lot of non-economic aspirations.

An important consequence was the virtual elimination of any competition, at least on the domestic market, to ensure to the public shipping companies every opportunity freights, therefore enabling them to confront the international competition starting from a dumping advantage.

The relationship between national economy and state-owned navigation was beneficial for both sides for some decades, until the whole transformation of the global maritime market during the 1960s led to a complete reversal of terms. In fact, the Finmare reform survived Fascism, till 1962 without changes, and continued till the 1970s with minor adaptations.

Until then, Finmare continued to carry on its services at the expenses of the national economic system, when it became too large (and socially too important) to be resized and restored to the conditions of a sound budgetary

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20. Finmare, *Bilancio 1942*, p. 7-8.

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equilibrium.

We could almost say that the disruption of the traditional system of mutual interrelationship between the transport system and national economy prevented the first to evolve at the same speed as the second, creating a gradually increasing imbalance that had to be financed by public funds until it came to a point of rupture in less than twenty years, between the mid-1970s and the 1990s. The Finmare crisis, and its liquidation in 1999, led not only to the complete disappearance of state-owned navigation, but also to a significant decline of the entire Italian maritime presence in the world.

## Statistical appendix

**Table 1**  
**Maritime steam and motor fleets: world and some countries (000 dwt)**

		1933		1934		1935		1936		1937		1938	
		t.	%	t.	%	t.	%	t.	%	t.	%	t.	%
World	steam	56.427		53.753		52.422		51.714		51.523		51.637	
	motor	10.200		10.505		11.305		12.291		13.749		15.233	
Italy	steam	2.486	4,41	2.253	4,19	2.197	4,2	2.412	4,7	2.522	4,9	2.579	5,0
	motor	607	5,95	622	5,86	641	5,7	645	5,2	653	4,7	680	4,5
France	steam	3.237	5,74	3.010	5,60	2.745	5,2	2.681	5,2	2.519	4,9	2.536	4,9
	motor	233	2,28	249	2,35	244	2,2	292	2,4	325	2,4	345	2,3
Germany	steam	3.218	5,70	3.009	5,60	3.009	5,7	2.923	5,7	3.051	5,9	3.187	6,2
	motor	670	6,57	671	6,33	685	6,1	785	6,4	877	6,4	1.045	6,9
Greece	steam	1.411	2,50	1.502	2,79	1.706	3,3	1.793	3,5	1.842	3,6	1.868	3,6
	Motor	6	0,06	5	0,05	5	--	8	0,1	13	0,1	21	0,1
Japan	steam	3.649	6,47	3.365	6,26	3.254	6,2	3.248	6,3	3.362	6,5	3.722	7,2
	Motor	609	5,97	708	6,68	832	7,4	968	7,9	1.113	8,1	1.285	8,4
UK and Ireland	steam	15.977	28,31	14.913	27,74	14.412	27,5	14.001	27,1	13.701	26,6	13.621	26,4
	Motor	2.615	25,64	2717	23,62	2856	28,5	3.182	25,9	3.735	27,2	4.054	26,6

Source: Istat, *Annuario statistico italiano*, various years

**Table 2**  
**Italian maritime economy: ships and cargoes in national ports**

year	Ships entered in Italian ports (000 tsn)				Freight loaded/unloaded (000 t)				Cargo bay use	
	Italian	Foreign	total	% lt.	Italian	Foreign	total	% lt.	Italian	Foreign
1921	64.520	19.610	84.130	76,69	12.329	7.851	20.180	61,10	19,11	40,04
1922	74.122	22.185	96.307	76,96	13.821	9.659	23.480	58,86	18,65	43,54
1923	72.717	24.392	97.109	74,88	16.630	10.885	27.515	60,44	22,87	44,63
1924	80.083	28.874	108.957	73,50	18.357	13.453	31.810	57,71	22,92	46,59
1925	89.784	30.429	120.213	74,69	21.318	12.999	34.317	62,12	23,74	42,72
1926	100.106	27.588	127.694	78,40	22.480	10.256	32.736	68,67	22,46	37,18
1927	104.209	31.185	135.528	76,89	23.049	12.126	35.175	65,53	22,12	38,88
1928	113.209	32.852	146.061	77,51	23.853	12.925	36.778	64,86	21,07	39,34
1929	122.479	32.832	155.311	78,86	25.617	12.726	38.343	66,81	20,92	38,76
1930	125.339	33.914	159.253	78,70	23.868	13.100	36.968	64,56	19,04	38,63
1931	127.133	32.502	159.615	79,65	21.297	12.205	33.502	63,57	16,75	37,55
1932	130.102	31.364	161.466	80,58	20.050	11.023	31.073	64,53	15,41	35,15
1933	139.649	32.606	172.255	81,07	22.052	11.621	33.672	65,49	15,79	35,64
1934	146.374	36.992	183.366	79,83	25.631	14.142	39.772	64,44	17,51	38,23
1935	140.997	36.357	177.354	79,50	26.154	15.485	41.639	62,81	18,55	42,59
1936	140.638	21.924	162.562	86,51	27.816	8.579	36.395	76,43	19,78	39,13
1937	149.065	26.534	175.599	84,89	33.731	10.540	44.271	76,19	22,63	39,72
1938	159.389	25.986	185.375	85,98	35.791	8.026	43.815	81,69	22,46	30,89

**Table 3**  
**International sea freight index**

	1931	1932	1933	1934	1935	1936	1937	1938
Economist	93	88	85	86	87	98	149	114
Lloyd's List	72	67	65	66	66	77	115	91
Chamber of Shipping	20	19	18	19	19	23	35	---

**Table 4**  
**Consistency of the overall movement of merchant vessels and ships, by navigation type**

anni	Ships				Ships arrived							
	Mechanic propulsion		Sail	total	International routes			Italian flag			National	
	n.	Tonn. (dwt)	n.	n.	n.	Tonn. (dwt)	n.	Tonn. (dwt)	n.	Tonn. (dwt)	n.	Tonn. (dwt)
1926	1410	1877366	3089	154809	239796	63796	21672	29547	12644	15925	218124	34249
1927	1424	1946209	3000	151793	243184	67854	21628	32605	12344	17232	221350	35249
1928	1454	2009690	2827	143952	248177	73055	22644	35363	13173	19114	225533	37692
1929	1398	1918073	2690	135383	251690	77715	22855	36677	13685	20424	228835	41038
1930	1434	1990366	2629	127583	251708	79732	22979	37909	13528	21222	228729	41823
1931	1443	2043273	2562	120741	248119	79899	21028	35314	11998	19362	227091	44585
1932	1407	2050743	2482	119837	252653	80815	20080	34398	11529	19014	232573	46417
1933	1342	1867442	2353	115820	259950	86249	23342	37309	13179	21265	236608	48940
1934	1301	1775776	2261	112249	274155	91705	24781	39987	13367	21822	249374	51718
1935	1295	1847753	2197	108531	262232	88716	22437	38655	12111	20732	239795	50061
1936	1284	1832487	2093	103576	270749	81361	14070	29489	8396	18706	256679	51872
1937	1335	1876316	2161	101606	264054	87817	18767	35394	11156	22414	245287	52423
1938	1346	1940403	2263	98699	261542	93290	19061	37265	11897	24803	242481	56025
1939	1361	1997525	2367	99352	242675	85762	18362	35502	12351	25235	224313	50370
1940	1341	3352504	2403	144939	151710	43558	8736	13820	6472	10649	142974	29738

Source: ISTAT, *Sommario di statistiche storiche 1926-1985*, Rome, p. 283



**Table 5**  
**Passenger movement, by port (000)**

years	Passengers unboarded				Passengers boarded				
	Total	From foreign ports		From national ports	total	To foreign ports		To national ports	
			Italian flag			% Italian flag			Italian flag
1926	4324	166	118	71,08	4347	205	167	81,46	4142
1927	4108	184	137	74,46	4164	225	180	80,00	3939
1928	4525	188	133	70,74	4527	189	144	76,19	4338
1929	4739	200	147	73,50	4743	203	158	77,83	4540
1930	4778	194	137	70,62	4758	193	146	75,65	4565
1931	4667	154	109	70,78	4647	148	106	71,62	4499
1932	4213	152	109	71,71	4187	123	91	73,98	4064
1933	3515	163	112	68,71	3512	138	98	71,01	3374
1934	3547	170	114	67,06	3548	159	115	72,33	3389
1935	3767	145	100	68,97	3812	175	133	76,00	3637
1936	4167	185	145	78,38	4136	167	135	80,84	3969
1937	4568	255	203	79,61	4547	245	205	83,67	4302
1938	4689	269	203	75,46	4698	272	212	77,94	4428
1939	4324	296	258	87,16	4360	328	284	86,59	4032
1940	2752	141	133	94,33	2775	162	145	89,51	2613