1. Introduction

The origins and establishment of the Neapolitan public banks, which operated between the end of the 16th century and the beginning of the 19th century, are closely connected to the widespread use of *credit certificates*. Considered by the most widely-respected literature as the “birth certificate” of Neapolitan banks, the credit certificate was a deposit bond *par excellence*, and consisted of a sheet of paper, at first handwritten, and then later, after the 1700s printed, “on which the Bank, with its chirograph, emblem, stamp and seal and undersigned by the Chief Cashier, declared the bearer to be its creditor”. At any time, the bank would pay the bearer the equivalent in money (the *tantundem* and not the *eadem res*).

The credit note turned out to be very useful within the public economy since it served effectively, from the middle of the 16th century, as paper money which had hitherto been unknown. Money circulation in Naples as well as other places in Europe was based on coinage made of gold or silver or copper or other base metals.

Any reconstruction of the origins and juridical-economic essence of the credit note cannot help but include the origins of those institutions that availed themselves of such means, thus leading us back to the origins of public banks.

2. The origins of the Neapolitan Public banks

Neapolitan public banks originated towards the end of the XVI century, in the wake of the failure of private bankers. These had been present in the South of Italy, particularly in the city of Naples, since the previous century and were originally merchants who had added speculative banking activity to their principal commercial activities. These bankers, who hailed from Genoa, Venice and Florence as well as from Catalonia and Naples, would collect deposits which on one hand would be used in speculation, either productive or unproductive, and on the other hand were utilised as loans to the government whenever the latter had need. These loans would sometimes be guaranteed by public debt (state) bonds. In the second half of the XVI century, the worsening of the economic situation, together with choices made by the Vice-regal government regarding issues of political and monetary economy as well as a series of bad harvests, signalled the failure of many of these private bankers and their consequent “escape abroad”. Faced with the behaviour of these private bankers which was, in many cases, none other than fraudulent, people believed that it was probably better to entrust their money to those lay institutes which were starting to open at the time, rather than keep their wealth at home.

In order to understand the reasons, the processes and times of their being instated, we must remember that the first such institute was born out of the Monte di Pietà, which began operations in Naples in 1539, and which for some time restricted itself solely to lending, against collateral, the money that it gathered from the rich and from charitable people. Its transformation into a bank only took place at the end of the 1560s when the government decided to attribute the credit declaration – the credit certificate – which it issued for deposits of money deriving from various sources, with redeemable power for payments in favour of the State. Having become a safe means of keeping and transmitting money, the credit certificate became more and more popular, and the bank, which had been creating itself around the Monte di Pietà, saw a considerable increase in the amount of money deposited in
its vaults. The bank itself, rather than leave this money just lying in its strongboxes, used part of it for loans and public works. The earnings from this activity – earnings which allowed it to expand its charitable work of providing zero interest loans – encouraged other charitable institutions to adopt the same line and ask for credit certificates which they would issue on payment of a deposit with the same privileges as the government had accorded to the credit certificates of the Monte di Pietà. In 1587 the Casa Santa dell’Annunziata was authorised to receive deposits and issue credit certificates and in 1589, the administrators of the Ospedale or Casa degli Incurabili were given royal authorisation to open a bank which was called Santa Maria del Popolo. In 1591 it was the turn of the Banco dello Spirito Santo which originated from the Vatican and concerned itself with poor young girls who were born into morally corrupt environments. In the following year, the Banco dei SS. Giacomo e Vittoria opened, a result of the work of the administrators of the hospital of the same name. In 1600 the Banco dei Poveri opened, emerging from the fusion of two congregations, one known as Santa Maria del Monte dei Poveri in 1563, and the other as SS. Nome di Dio in 1583. Finally in 1640 the Banco del SS. Salvatore came into being, the only bank which was not of a philanthropic nature, on the initiative of the ‘gabella’ tax receivers, with the intention of making use of money deriving from tax revenues.

3. The credit certificate

There was nothing novel about the credit certificate. Even before the birth of the public banks and charitable institutions, notaries or private bankers themselves issued a deposit certificate, a document simply certifying that a deposit of money had been made. The deposit certificates, in their turn, were divided into: judicial deposit certificates, a cash deposit to be redeemed only by order of a magistrate; simple deposit certificates, a cash deposit to be returned at the request of the depositor and binding or conditional deposit certificates a cash deposit to be redeemed at a specified date or after satisfying particular conditions. In all three cases a relationship of trust was established between the depositor and the depositary. Information concerning the deposit was written into a master ledger, commonly called the Libro Maggiore.

The system however was not without risks since alterations could often be effected, thus undermining the good faith of the public and damaging the institutions and private bankers who had issued the bonds. For this reason the deposit effected was supported by a policy containing signatures and stamps as well as verification of the debt by the institute and the credit of the drawer or the bearer.

However, when the possibility of endorsing was incorporated into the deposit certificate, it immediately assumed the characteristics of a credit certificate. The client could ask for his money to be returned at any time or use it in any commercial transaction. In this case, the debt was redeemed by endorsing the certificate or by drawing against the bank in favour of the creditor, or other partial bonds, the policies.

The circulation of bank papers in place of coinage however, did not constitute anything new in Neapolitan commercial activity. As the money in circulation diminished, the private banks too stopped paying orders for payment in cash (policies, orders etc) to the depositors. The mechanism chosen was very simple. When depositors went to their banks where they had deposited their capital to make withdrawals, they were given a policy for payment drawn on another bank which in turn gave another policy drawn on a different bank so that in the end the client was unable to withdraw the money he was entitled to. The phenomenon became so widespread that the Viceroy at the time, Don Juan de Zuniga, was forced to intervene by inflicting severe fines whenever payments were not settled in cash. Unlike those certificates issued by the Monte di Pietà, those of the private banks did not enjoy the privilege of being admitted into the payments of the State.
There was a substantial difference between credit certificates and public bank policies. The credit certificate was a bond that the bank was obliged to exchange on sight, in metal coins, to whoever exhibited it at the counter. We would call this a bank draft today. The issuing bank was therefore the sole debtor and, as happens nowadays with bank notes, use of the certificate rendered it acceptable as cash and paying it over represented a debt being paid. The policy however, was an order against a bank, today known as a bank cheque, which committed itself to pay the person who presented it. The debtor, this time, was the private person who issued it in exchange for a payment while the bank was simply responsible for exchanging it. The creditor, that is, the person who received the policy, always had the right of recourse against the issuer if the bank did not pay. When the possessor or endorser, simply presented the bond and asked for its restitution, either totally or partially, a new certificate was issued indicating the residual credit of the depositor. The original credit certificate became the madrefede, today’s equivalent of a current account, and the policies became noted policy certificates.

Scholars who have been interested in this subject agree that the Neapolitan banks, erring on the side of caution for the depositor, issued three types of bond against the deposit: the credit certificate, for sums greater than 10 ducats, the release policy, for sums less than 10 ducats and the noted policy certificate, for any sum as long as whoever had ordered the payment had previously deposited a sum which was equal to that indicated in the policy, and had with him a document certifying to this, that is, a credit certificate transformed, in this specific case, into a madrefede.

Credit certificates, noted policy certificates and release policies all indicated the sum to be paid and the date. It was also possible to write the cause of payment and the agreements and conditions regulating it, as well as whether it could be transferred by simple or conditional endorsing. The latter guaranteed greater authenticity compared to that given by a document drafted by a public notary.

4. The reasoning behind the credit certificate and banks

The technical characteristics of the credit certificate that we have examined up to this point, do not entirely explain the reason for this bond. To this end it would be useful to mention some historical circumstances.

We may start with a statement by Ferdinando Galiani who wrote in his work “Della Moneta” in 1751 regarding the Neapolitan public banks: “The banks began when Man through his experience learned that the three metals [silver and copper] were not enough for great business matters and for large empires. Gold, itself having turned base with regard to the prices of many goods, was greatly inconvenient and dangerous to transport and deal with”. In fact, this author synthesises the three causes at the root of the setting up of the public banks in the Kingdom of Naples and, therefore, their emblematic bond, the credit certificate. The falsification of metallic money, its clipping and its criminal use, the so-called price revolution at the end of the 16th century and the physical utility of not having to use coinage in commercial transactions, coinage which was both heavy and risky to carry around, but lighter paper which was more difficult to counterfeit.

The “physical” utility of the credit certificate is practically self-explanatory. The other aspects of the question deserve a little more attention. The phenomenon of the rarefaction of money began to be noticed in the South of Italy around the middle of the 16th century, when from more than one place were heard complaints about the clipping of coins which were incised on the edges. From 1565 onwards the government intervened repeatedly to stop this fraud, reinforcing its control of coastal areas and frontiers to limit the illicit traffic of coinage or silver. Between 1564 and 1567, numerous quantities of silver were introduced into the Kingdom to be made into coins. But the coins, as they were minted, made their way out of the Kingdom or were counterfeited. The money which left the Kingdom went towards Spain
(under whose domination the South of Italy had found itself for a good two centuries) which needed financial means to sustain its wars or for other needs of the Court; towards Rome, because of the large income the Pontifical State derived from the Kingdom and towards Genoa, Florence and Venice where resided those who had invested money in the Kingdom by lending it to the Court.

The large imports of silver and its consequent coining into coinage from the end of the 16th century did not serve to resolve the problem of the lack of coinage which continued to be clipper and to leave the Kingdom, thus also causing an alteration in exchange rates. Gold coins ended up by being melted down and hoarded, according to the well-known law of Gresham, named after a rich English merchant who acted as a consultant to Elizabeth I and who formulated the phrase “bad money throws out the good”. It was therefore necessary to find a replacement for metallic money and the credit certificate fitted this purpose admirably.

As far as the second cause is concerned, according to Galiani, what goes under the name of the price revolution was an inflationary process which was manifested throughout Europe. This was as much a consequence of the entry onto the European market of precious metals coming from the Americas, as it was an increase in the population recorded during the sixteenth century. Inflation, with price increases in all types of consumer goods except perhaps income from the land, hit the business world badly, particularly credit facilities and also because it brought about a devaluation of the money in the banks which regulated banking operations. In the Kingdom of Naples moreover, inflation was exacerbated by the government’s policy of indebtedness which it adopted to censure the Kingdom’s participation in the wars in which Spain was embroiled. In order to pay its creditors, the State used to make concessions of state income in the form of duties and levies pertaining to various products that were exported or consumed in the Kingdom. Very often therefore, so as to offer guarantees to its creditors, the State created new taxes with serious consequences on the population whose purchasing power was continually diminished. Furthermore, the State often found itself unable to pay its creditors, declaring itself bankrupt and reducing the interest rates, thus prejudicing any who had invested their capital in the public debt.

The Vice-regal governments that subsequently reigned in the Kingdom were among the major supporters of the public banks, precisely because they had realised the enormous benefits that these institutes would bring.

In the first few years of banking activity, the Viceroyds “as yet untouched by the unhealthy idea of asking for loans and advances from banks, lavished concessions and special privileges from the Catholic Kings of Spain on pious institutions”. But with the passing of time, even though Galiani sustains that they were “[kept] in credit by our banks, because the Court [had] shown themselves to know nothing about them”, the history of these banks instead shows that the intervention of these governments in the banks, and the ease with which they gained access to their vaults, frequently determined the ruin and failure of some of these banks. “Our banks – wrote Palmieri – were ruined by the continual impositions of the Vice-regal governments These governments, with the flimsiest of pretexts, used every expedient at their means and had no scruples about extorting money from the banks, not even stopping from committing fraud”. The fraud referred to was the bad habit, during the early years of banking, to put credit certificates and policies into circulation before having received the corresponding sum in gold or silver coinage. Blank certificates and policies were issued, without being backed by money, not only in favour of private clients but also and especially in favour of the Royal Court, which, by whatever means, forced the banks to give them credit. Thus a fictitious financial situation was produced since the effective value of the certificates in circulation did not correspond in equal measure to the money deposited in the bank strong rooms.

The Court, more often than not, was unable to repay the sums it owed and therefore, in exchange, gave the banks quotas in fiscal yields, of an equal value to the amount previously owed. Lending was transformed into an operation of capital investment, albeit forced, but of
capital that did not exist since it consisted of unsupported credit certificates. With the reassignment of parts of the public debt, the banks partially made good of their losses because if the public had presented themselves en masse to redeem their certificates, the banks would always have been able to sell those quotas since at the time they had a good financial market.

These “empty incomes” were severely forbidden from 1620 onwards. From that year until 1794 – Tortora states – nothing fictitious was to be found What was loaned by the banks was effectively backed by the banks reserves, by legal deposits as well as money that was backing credit certificates or madrefede bound by agreements that anticipated that money would remain in the bank’s vaults for an extended period of time. The same applied to those sums tied to bancali which had not been redeemed for ten years or more. Tortora’s observation is valid to a certain extent since it is well known that enormous sums of money flowed from the banks to the Court, not only under the Spanish and Austrian governorship but also during the Bourbon Reign and up until the end of the XVIII century. Over these two centuries, the banks recorded metal reserves which were less than 40-50% of the value of the credit certificates in circulation. To what extent could it be hypothesised that the missing 40-50% was invested in fruitful investments, even partially, while the remaining percentage might not represent shortfalls after the issue of blank credit certificates and policies? The literature of the time tells us nothing and no in-depth research has been carried out on account of the difficulty in obtaining proof from existing documents that might suggest an alternative hypothesis.

5. The clients of the bank and loans

From the second half of the 1500s, the burden of direct and indirect taxes which was needed to face the numerous demands for money that came from Spain and the intensifying of the sale of income with the consequent increase in public debt were, at the same time, the cause and effect of an alteration in the economic and monetary balance of the country. So much so as to affect exchange levels. Writing in 1616, Gio. Donato Turbolo stated «the enormous public debt of the Kingdom, due to Foreign Powers, which has to find substantial sums outside the Kingdom every year, both for annual income and for imported goods, the exchange levels outside the Kingdom, not only will fall short of current prices but may very well soon increase». However, we are not yet at the level of those years which preceded the popular tumult of the 1640s. Banking circles in some way had postponed the problem. Not only had the banks advanced the government those sums of money it required with the guarantee of public bonds but also, through its loans, had come to the aid of those private persons who had had need of immediate liquidity to meet normal administrative expenses because of the rise in price of essential commodities.

In their first thirty years of life the banks were involved in the difficult search for capital by the market which was becoming ever poorer due to the ill-considered financial policies of the government. They did not hesitate to increase the number of their clients, especially shopkeepers and to create "dead parties", that is, accounts marked down in the register as being effectively in existence, but substantially overdrawn beyond their credit allowance, despite the decree of the Viceroy who – as we have seen – prohibited such practices. «The scarcity of cash – observed Turbolo – has produced mounds of debt in the major banks, since to have liquidity, the Governors of these banks have been forced to allow many accords and loans and in fact many operations that are damaging to the banks because if there were an abundance of cash the banks would not permit them». In this way the banks became the arbitrators of the money trade. Thanks to them, the monetary base of the Kingdom increased by about 50% through its paper circulation, leaving in its own safes and strongboxes barely about 20% of the metallic coinage reserves necessary to cover the paper money in circulation.

The Neapolitan banks tried to help their customers by advancing money guaranteed by public debt or property, or with loans which actually contravened the law. The active loan
was better known under the term, *annual income purchase*, whose contractual formula managed to elude ecclesiastic and civil laws which prohibited loans with interest since they were considered an instrument of usury. In Venice for example, the prohibition was evaded with the *livello francabile* instrument, with which the sale of a property was defined and then returned to the original owner who was obliged to pay a determined annual sum.

Those applying for loans mainly belonged to the higher social classes, the nobility, who, in most cases and in large numbers, resided in the city of Naples. Going into debt was perceived as an inevitable solution by the Neapolitan nobility when events that occasioned greater spending than normal took place. There are numerous testimonies to be read in bank policies regarding expenses not only of essential commodities but also of superfluous extravagance that show how many people had a standard of living greater than that which they could effectively afford. Naples was the place where the highest concentration of feudal power was to be found and consequently, the place where income flowed in from all parts of the Kingdom. If in the mid-fifteenth century Naples still looked like a city whose urban and social topography was characterised by commercial and craftsmen’s settlements, the construction of more and more residences for the nobility was to characterise it increasingly more as a residential city, in which the nobility squandered their wealth. Furthermore, the loans were undertaken to refinance previous debts, for marriage or monastic settlements, for acquiring public debt bonds and only in a few cases for constructive investment such as the purchase of property or improvements to one’s own property and, in very rare cases, merely commercial enterprises.

Naples as a market place, even though it had lost the dynamism which had characterised it in the fifteenth and sixteenth centuries, remained however, the city in the Kingdom where all business was concentrated and where commercial enterprise had their main offices. Therefore other categories of people that accumulated wealth and to whom guaranteed loans were granted were represented by proto-capitalists like currency exchange operators, merchants, tax-collectors, magistrates, lawyers, doctors, sea captains etc in whose hands were the threads of the Kingdom’s economic well-being. Their accounts often showed large movements of money, especially the merchants. For some banks this category of client represented its fortune since they were their major depositors. For this reason the banks gave overdrafts or loans since they could guarantee them with previously acquired public debt quotas or by using the business premises that they were about to acquire, as collateral. These people in fact, favoured investments in land, a choice motivated not only by the fact that next to public income it was a safe investment but also because land represented relevant social position, thus transforming financial capital into income from the land.

6. Preference for a monetary market: loans on pledge with interest

The *annual income purchase* operation was reduced by more than 50% in the second half of the seventeenth century. Following the damage sustained by the banks in the 1622 – 23 crisis, they adopted a more cautious approach, exposing their tangible deposits (metallic coinage) only when they had hard and fast guarantees and always preferring investments in public bonds.

The reduction in loans, both in number and in sum, was due to two causes. Firstly the banks had obtained vice-regal agreement to advance sums of money against pledges and adopting a 7% rate of interest. Secondly, before the Masaniello revolt, the economic-financial policy of the vice-regal government, designed to recover greater and greater sums of money, hinged on the sale of probable tax yields, both new and old, which would amount to the transfer of public debt quotas. The convenience of purchase obviously depended on the interest rate and the difference between nominal and issue price, called at the time *alaggio*. This grew in measure as the needs of the government increased and the capital on the market became scarce. Worried about maintaining an adequate rate of liquidity, the banks found it
convenient to increase the amount of money set aside for loans on pledge with interest which, as a short term investment, was easily demobilised, as well as investing in public debt quotes which were safe sources of income and easily transferable. The notable discontinuity found in the debt account for active loans, while the number of loans on pledge demonstrated increases and decreases which were almost proportional to circulation, show how much attention the Neapolitan banks paid to the monetary market rather than the financial market. In other words, their preference for short-term rather than medium or long-term loans.

Loans on pledge with interest operations were instituted because of the need to find alternative sources to cover running expenses for those activities carried out by the employees of Neapolitan banks. Previously they had been paid for by the head office of the institution or illegally, from tangible deposits (monetary). Sums that were invested in loans on pledge with interest were naturally withdrawn from tangible deposits (monetary) and the guarantee for the depositor, in case he should ask for his total deposit to be redeemed, was represented by the pledged object. This was a more concrete guarantee compared to the greater inherent risk of active loans.

Objects that could be pledged ranged from precious articles to more prosaic objects allowing people from all social classes to have access to this kind of loan. If originally, loans on pledge constituted a consumer credit source which was extremely widespread and to the advantage of those who needed money to meet normal domestic expenses, an examination of loan on pledge documents points to the fact that this type of bank operation was also directed towards commercial credit.

Even after the crisis of the 1620s when the banks minimised their loan practices, both commercial and domestic, lending operations continued to be widely used in Naples. There is much evidence of this from a large number of legal documents and inventories showing that people from all walks of life, nobles, merchants, shopkeepers and craftsmen all appear as creditors for small and large sums of money. A great deal of news regarding this can be read in the bank broadsheets of the time, concerning interest payments and capital lent by the wealthier private customers and by those religious or lay institutions which had accumulated vast wealth. This topic deserves more attention by researchers since a systematic study of the accounts of some of these subjects could provide more detail about a particularly relevant economic reality. One very useful source is to be found in legal documents conserved in the State Archives of Naples.

Even though the authorisation of the government to give loans on pledge at a modest rate of interest produced a reduction in the quantity of active loans, their numbers increased again in the second half of the eighteenth century. This phenomenon can be explained by the fact that no other more convenient investment opportunities existed since the government, from 1751, had started repurchasing those public debt quotas at higher rates of interest and by the general conversion of public revenue from 7% to 4%. Having lost their favourite form of investment, the banks had no other choice but to increase the number of loans on pledge whose yield, in the meantime, had only dropped by one point (to 6%), or to allow larger loans to nobles who were able to offer real guarantees. This credit policy however, together with erroneous economic policies of the government in the last quarter of the eighteenth century, would create no end of difficulty for the banking institutes.

7. Passive loans as an anomalous source of revenue and the auditing operation

One other way of enabling its customers to gather extra funds was by offering passive loans. This operation was commonly used by banks after the 1622-23 crisis under the name annual income sale. This happened not because the banks had a definite need to accrue money but rather to allow private customers (mostly board members or their relatives as well as persons of influence) to invest with the banks. This may be explained by the fact that at that time, the financial market did not offer safe investments or investments which were more profitable than those in quotas of the public debt. Private investors found it convenient to
entrust their money to the banks who took advantage of their confidence and assured them a certain income that fluctuated between 4% and 5%. The banks in their turn, put this money into the most profitable investments, such as public bonds or loans on pledge, and earned on the difference. Halfway through the eighteenth century, the will of the government was evident in preventing the banks from offering passive loans, as can be shown by the restitution of money to those who had invested with the banks.

One contribution to a growth in business was provided when banks started accepting documents issued by other banks. Periodically, the banks thought about settling accounts by what is nowadays commonly called compensation. This auditing operation however, while making on the one hand payments easier and was of great use to trade and commerce, became, on the other hand, an operation whereby so-called empty entries could be covered or rather, empty documents could be issued. From documents we have examined, we have learnt that the cashiers, by order of the governor and with the complicity of whoever made up the credit certificates, often advanced sums of money by issuing credit certificates without depositing an equivalent sum in cash. These certificates more often than not were made out to other banks. For reasons such as this, the auditing operation on more than one occasion was prohibited by the government with the ‘Regie Prammatiche’ of June 1635 and May 1728, a prohibition though that counted for nothing when it was the Court that had urgent need. The Court justified this prohibiting measure on the basis of the negative consequences for commerce and in public confidence, without realising what obstacles to business would result from not allowing auditing between banks. Scarce attention however was paid to this prohibition because the governors of the banks preferred, as Rocco wrote «the convenience of trade to damage to the banks».

8. Relationships with the State

Comments on the banks that can be found in publications of the time were not always favourable. Following the crisis of the 1620s, Lunetti wrote that the public banks should disappear since their management had been unwise. The same thing had happened to private banks, which had used money from private customers to pay for running and other expenses. These banks therefore which had been founded to help the areas they were located in. had done nothing but damage them, discrediting them to the people.

A century later, Broggia regretted the passing of the old, private banks whose presence had turned the city of Naples into a flourishing trade centre between the fifteenth and sixteenth centuries. According to Autore, their reappearance would have been indispensable for renewed stimulus to the economic development of the Kingdom since they used their money in large enterprises, lent money at modest rates of interest, thereby avoiding charges of usury, and promoted industry while the state enjoyed the advantages. On the other hand, he criticised the public banks severely, considering them damaging to the economy because, in his opinion, money languished unused in their strong-rooms while the economy of the Kingdom suffered from lack of financial nourishment.

From a comparison between reserves and circulation in some of the banks of the period Broggia wrote about, we cannot help but disagree with what he wrote in 1743. As a matter of fact, the reserve/circulation ratio maintained itself during the period of Carlo of Bourbon at 1 to 2 and sometimes at 1 to 3 – as was confirmed in 1750 by Ferdinando Galiani. This leads us to deduce that money was not hoarded in strong-rooms but was in part invested, even though it went against the bank’s statutes and the laws imposed by the Court. It would maybe be better to mention that Broggia, an eye-witness of his time and a fierce supporter of change in order to improve the economic conditions of the Kingdom, was referring to the fact that money had indeed been put into circulation but not for productive reasons as instead, the private bankers had been used to doing.
From the 1630s onwards, the banks increased their investments, especially in public debt quotas. This was a policy imposed by the government which, driven by urgent necessity, was continually going to the banks for advances which it often did not repay, except by assigning public debt quotas. These advances can be regarded in this case as *forced* investments. The governors of the banks were aware of this grave situation as can be seen in reports dealing with the opportunities to be seized by making loans to the Court, but at the same time they were not worried about their investments because of the high yield that was generated, since the financial market at the time, as has already been said, did not offer such safe and attractive areas of investment.

This type of credit intervention by the Neapolitan banks could have been considered, even though in indirect terms, a productive investment if the Court had provided, with the sums of money it had received from loans or in exchange for state bonds, productive investments which would have acted as an accelerator for the entire economic system. But if we consider that military spending accounted for a considerable percentage of all state spending both under the Spanish Viceroy and under the Austrians or when the Kingdom of Naples became autonomous, and what part of the loans asked for from the banks went for this cause, it comes to light that at least a part of the productive capacity of the South of Italy was stimulated to provision the troops or supply them where they fought, that is in Flanders, in the area around Milan or elsewhere, or for supplying consumer goods and whatever else was required for the standing troops on land and at sea in the Kingdom. Certainly, in the latter case, it must be underlined that their money, spent by the Kingdom, contributed in creating additional demand. Nevertheless, especially in the last twenty years of the eighteenth century, part of the spending was for civil purposes. For this reason, Galanti, who was writing at the end of the century, has a different opinion from Broggia on public banks. He invited the banks to open branches in the provinces so as to construct manufacturing industries beside them in which to invest their deposits.

Besides the Court, the city of Naples too had reason to knock on the doors of the banks. In order to purchase large quantities of wheat, the city had in fact need of vast sums of money and either resorted to selling off some of the city’s tax yields or to borrowing without interest from the banks. Apart from certain times of necessity, the second source of financing was preferred because in this way the city avoided driving out revenue from its own balance or having to impose new and unpopular levies (*gabelle*).

The State was not only an economic interlocutor with the banks but also a subject capable of imposing norms and therefore able to influence substantially their means of operating. Despite Ferdinando Galiani writing in 1750 that the banks were «maintained in credit because the Court [had] shown it knew nothing about them», from the time of their appearance however, the government had always tried to regulate and control their activities, while respecting their considerable autonomy, by institutionalising preventative and successive checks. The power was reserved for the Sovereign to nominate the governors of the banks, chosen from amongst those who had proved their abilities in public roles at a high level. Furthermore, at least from the 1630s, there was recourse to a special judge for each bank, nominated by the Viceroy, whose task it was to settle banking controversies and especially, to control the governors’ actions. On the other hand, through customary use or royal despatches, the government did not hesitate to intervene in the management of the banks in situations of particular emergency, and not only for the economic well-being of the country.

Just as for other economic realities, we are faced with a State that regulated banking activities not because it wanted to channel capital towards strategic sectors, demonstrating awareness and having intelligent aims of economic development in the Kingdom. The objective of intervention was tutelage of the public interest since it aimed at guaranteeing the existence of the banks or their normal function. It wanted to prevent the public from losing confidence in their paper documents and refuse to accept them which would have had
incalculable consequences on the entire economy of the country. Il fine dell’intervento era la tutela dell’interesse pubblico, in quanto mirava a garantire l’esistenza dei banchi o il loro normale funzionamento, evitando in particolare che il pubblico potesse perdere fiducia nella loro carta, e quindi rifiutarla con incalcolabili conseguenze sull’intera economia del Paese. Above all, the State reflected the interests of the Court because a failure in the banking system would have deprived it of an essential source of ready and inexpensive financing.

9. Conclusions

Even though they did not carry out the same role that private banks did elsewhere in Italy and in Europe where they lived the cosmopolitanism of money and finance1, to a certain extent, though having different aims, they did not avoid their temporary function. On one hand they held the deposits of much of the wealth of Naples and the South of Italy and, on the other hand, the credit certificates and policies they issued against money deposited in their vaults, constituted indirect tools of support for commercial and artisan capital. They helped commerce, if not with direct financing, certainly by providing means of payment which were acceptable to all in a period of continuous monetary difficulty and considerable lack of coinage. Their credit policy adjusted itself to the economic policy of the government, permitting the State to face its growing spending needs without having to resort to new taxation which is not always easy to apply. A policy, on the one hand, that at least until the mid-eighteenth century, had no economic development objectives. On the other hand, however, in an economy which was characterised by underdevelopment, the banks saw it as their task, both with free loans on pledge and with charitable works, donations for example, a heritage from the agencies for whom they were an expression, to ease the suffering of the less fortunate classes. In this case they absolved the function as social buffers.

1 Sul ruolo dei banchieri privati in Italia e in Europa si veda AA.VV, Banchi pubblici, banchi privati e monti di pietà nell’Europa preindustriale, Genova, nella sede della Società Ligure di Storia Patria, 1991.