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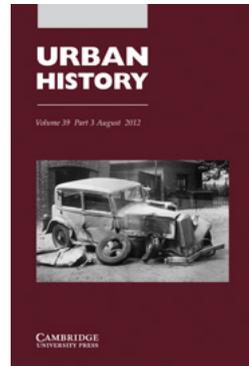
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‘Rome wasn’t built in a day’: lobbies, institutions and speculation in the 1880s building fever

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ABSTRACT: During the 1880s, a massive speculative boom occurred in the Roman real estate market. Its subsequent crash left a lasting mark on the structure of the city and triggered a nationwide banking crisis. This article analyses the causes of this boom and bust by showing how a small but cohesive lobby managed to bypass and bend to its own advantage formal regulation by exploiting institutional conflicts and political divisions at both national and local level.

Introduction

The dream of the men of the Risorgimento to see Rome become the capital of Italy came true in September 1870, when Italian troops overcame the almost symbolic resistance of the papal guards and entered the city. It took the Italian authorities very little time, however, to realize that what the once-mighty walls were defending held little resemblance to the ‘immortal city’ imagined by Romantic insurgents; in fact, Rome looked much more like an ancien régime town than a potential capital of a modern state. Massive investment in expansion, modernization and refurbishment of buildings, streets and squares was then badly needed. After a false start in the early 1870s, by 1879, Rome had been turned into a giant building site, and by the mid-1880s, the entire city was burning with what contemporary writers described as an incurable ‘building fever’, with virtually all Italian banks involved, to some extent, in the business of rebuilding Rome.¹

The crash that followed was more sudden, but certainly not less spectacular. When, at the end of 1887, credit availability started to contract, all building activity stopped, revealing the speculative nature of the enterprise and leaving behind massive unemployment, social unrest and a countless number of semi-finished new buildings and semi-demolished

* I wish to thank Francesca Carnevali and Leif Jerram for useful comments and criticisms, and Kaile Bruce, Roy Edwards and Peter Von Staden for inspiring conversations on the subject of economic institutions. The usual disclaimers apply.

¹ See, among many others, L. Ferraris, ‘L’Italia e Roma’, *Nuova Antologia*, 112 (1890), 290–301.

old ones. The subsequent sharp decline in the value of land and real estate, combined with problems in the international economy, put growing pressure on banks and financial institutions. The collapse of the Roman real estate market thus triggered a series of banking crises in 1887, 1889 and 1893; by January 1894, the biggest Italian banks had failed and Italy had to abandon the gold standard.²

The boom and subsequent crash of the Roman building sector during the 1880s is therefore a key element in the shaping of the nineteenth-century Italian economy, and its explanation a relevant task for historians. In the 1950s and 1960s, various Italian scholars engaged with this topic, and provided an explanation that emphasized the conflict between the private interest of specific groups and virtuous yet insufficient public regulation.³ Historians writing during this period argued that neither the national government nor the local council managed to stop or to limit the alliance between local landowners and north Italian financial institutions, which turned the modernization of Rome into a personal and highly speculative business. Although this analysis carefully considered the role of institutional mechanisms and of their 'technical' failures, nonetheless, it failed to provide more than a story of personal greed and corruption. Recent studies, however, have provided a different view: unregulated private initiative, in the absence of any real alternative, is seen with a more sympathetic eye, and the struggle between private and public interest is analysed in wider terms of institutional and political conflict. In a recent book on contemporary Rome, Vidotto reads the story of the 1880s speculation as the natural result of a general lack of disciplined private intervention framed by a continuous lack of communication, if not open conflict, between the national government and the Roman council.⁴ One of the most important consequences of this view is that the events of the 1880s cannot logically or chronologically be disentangled from the history of the 1860s and 1870s as during these decades the directions of the development of the city had been already distorted by a series of private

² The role of the boom and bust in the Roman building sector in the national crisis of the 1890s is a matter of debate. In the early studies, for example A. Confalonieri, *Banca e industria in Italia (1894–1906)*, vol. I: *Le premesse: dall'abolizione del corso forzoso alla caduta del Credito Mobiliare* (Bologna, 1979), the collapse of the Roman market in 1887 is seen as the engine of the subsequent banking crises of 1889 and 1893. More recent studies by Fenoaltea (S. Fenoaltea, 'International resource flows and construction movements in the Atlantic economy: the Kuznets cycle in Italy, 1861–1913', *Journal of Economic History*, 48 (1988), 605–37; S. Fenoaltea, 'Notes on the rate of industrial growth in Italy, 1861–1913', *Journal of Economic History*, 63 (2003), 695–735) emphasize instead the role of the withdrawal of foreign investment which followed. To my mind, these two interpretations are complementary rather than mutually exclusive.

³ See, among others, A. Caracciolo, 'Il comune di Roma fra clericali e liberali nel periodo crispino (1887–1890)', *Movimento operaio*, n.s. 6 (1954), 275–302; A. Caracciolo, *Roma capitale. Dal risorgimento alla crisi dello stato liberale* (Rome, 1956); P. Della Seta, 'La speculazione edilizia e le sue origini', in AA.VV., *Introduzione a Roma contemporanea. Note e saggi per lo studio di Roma dal 1870 ad oggi* (Rome, 1954); and I. Insolera, *Roma moderna. Un secolo di storia urbanistica, 1870–1970* (Turin, 1962).

⁴ Vittorio Vidotto, *Roma contemporanea* (Rome and Bari, 2001).

actions responding to conflicting signals coming from different directions. The work by Ciampani can be seen as the natural complement to Vidotto's analysis insofar as it frames the institutional conflicts in the light of the political struggle between Catholics and liberals, or different wings of both movements, in the national parliament and in the Roman council.⁵

The new wave of studies of the development of Rome during the crucial decades of the 1870s and 1880s thus go beyond the mere conflict between private and public, to embrace wider issues such as conflict and the institutional lack of communication, or the role of individuals' agency with regard to more general political constraints and opportunities. A further question naturally emerges: if the story of the 1880s speculation is the result of conflict and lack of communication between different institutions and within individual ones, what exactly determined the outcome of such frictions and what specific consequences emerged?

This article examines these questions by analysing the dynamic between the national parliament and the local council, as well as various branches of the latter, making the case for a typical example of 'institutional capture', where a well-organized small group of agents exploited in their favour the weaknesses of the institutional environment and the divisions in the political front.⁶ The analysis, however, also considers the impact of some specific historical accidents and the unpredicted series of lock-in effects that followed.

The article is structured as follows. The first two sections provide the necessary background by analysing two waves of speculation which took place during the 1870s (first section) and the 1880s (second section). The third to fifth sections analyse the interaction between groups, institutions and rules by looking at the features and limits of laws passed in the early 1880s by the national parliament (third section), the way these laws were bypassed in their application in the local context (fourth section) and on how opposition at local level was silenced or ignored (fifth section). The sixth section provides some concluding remarks.

The beginning: the 1860s and 1870s

When, in 1870, the Italian army broke into Rome, the city hardly resembled the glorious *caput mundi* it had once been. In fact, centuries of economic and political decline had left deep marks on both the structure and size of the city, and made it totally unfit to become the capital of the young and ambitious kingdom of Italy. Major refurbishment, restoration and enlargement were regarded as urgent priorities. In fact an embryonic

⁵ See, in particular, A. Ciampani, *Cattolici e liberali durante la trasformazione dei partiti. La 'Questione di Roma' tra politica nazionale e progetti Vaticani* (Rome, 2000).

⁶ D.C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge, 1990), and M. Olson, *The Logic of Collective Action. Public Goods and the Theory of Groups* (Cambridge, MA, 1965).

process of development had already started during the last decade of the Vatican administration, and although it had done little in terms of making the city look more like the capital of a modern state, nonetheless it left a significant mark on its future expansion. In particular, the decision in 1867 to centralize train traffic around the Termini station immediately attracted the attention of speculators to the space adjacent to it, specifically the Esquilino hill and the area known as Castro Pretorio.⁷ Thus, before any decision was made by the Italian authority about where and how to build, economic interests had already focused on certain areas, creating a pre-existing constraint which would influence subsequent decisions both at national and local level. Among the most interesting protagonists of this early boom was Francesco Saverio de Merode, a Vatican aristocrat of Belgian origins, who in the early 1870s pioneered a system of private-public deals (the so-called *convenzioni*) which were intended to play a fundamental role in the 1880s development. A *convenzione* was designed to ensure that the local council officially recognized the private development of a given area and agreed on providing basic services in exchange for free land on which to build streets and squares. However, while in the 1870s *convenzioni* can be seen as a way of bypassing lack of planning and public initiative, in the 1880s, they would play a very different and much less virtuous role. During the early 1870s, the trajectory of development based on the system of the *convenzioni* started by De Merode was reinforced by the action of the finance minister Quintino Sella and his decision about the location of the new building hosting the ministry headquarters. The early 1870s thus saw the emergence of development shaped by public action as well as private initiative, but upon which the local council had little influence, apart from providing retrospective approval. In fact, in the early 1870s the council tried to be more proactive and to impose a building plan, but after almost three years' work, the end result was a generic plan, almost impossible to enforce, and never rubber-stamped by the national government. Meanwhile, in addition to public initiatives such as that of Sella and private development only retrospectively approved via *convenzioni*, the 1870s also witnessed forms of expansion that completely ignored or bypassed official regulation. A typical example is the development of the area on the left-bank of the river Tiber opposite the Vatican known as Prati di Castello (or simply Prati), where the building of a new borough was started without any legal authorization.⁸ Again, the interests concentrated in the area were going to play an important role in the subsequent decisions about the development of the city.

In terms of interests involved, the 1870s saw the emergence of an alliance between banks based in the north of the country and operating

⁷ Vidotto, *Roma contemporanea*, 64.

⁸ Caracciolo, *Roma capitale*, 90–104.

locally via dedicated branches or in connection with local institutions, and large landowners. Among these, there were Roman aristocrats close to the Vatican,⁹ but also the so-called 'country merchants', a group of rich traders in agricultural goods who had reinvested part of their earnings in the purchase of properties formerly belonging to the church and expropriated and sold by the government after 1870. Despite these policies, however, the Vatican itself was not at all cut off from the business of the rebuilding of Rome; behind the façade of financial institutions such as the Banco di Roma or through the action of aristocrats, the Vatican was active in speculating on land as well as in the expanding sector of utilities and transport.¹⁰

By 1873, when the crash of the Vienna stock market temporarily drained financial resources from Rome and building activity was put on hold, directions of development, business practices and interests were thus already consolidated. And if shortage of funds momentarily constrained building activity, this did not mean that discussions about the future of the city stopped as well. By the end of the decade, the idea of Rome as a modern industrial centre had been definitely abandoned, but the concept of modernity had survived in the dream of wide and straight roads and salubrious buildings taking the place of the narrow lanes and small houses that still characterized the structure of most of the central areas of the city. This change in outlook brought about a change of priorities in terms of directions of constructions; specifically the areas around the Termini station relatively declined in the interest of speculators, while the area around Piazza Venezia acquired more relevance.¹¹ This meant that the Roman aristocracy was now even more interested in the urban development of Rome, as most of the properties of the established noble Roman families were located in those areas.

It is in this climate that the local council, concerned about the stagnation of building activity since 1873, re-approached the government to obtain state-backed financial help. This action, begun in 1877, eventually led to the approval of two laws in 1881 and 1883 intended to have an enormous impact on the direction and features of building activity during the 1880s. The provision of these two bills thus plays an important role in our story, but before moving on to the analysis of the process leading to their approval, it is worth turning our attention to some of the dynamics taking place during the same years at the macroeconomic level, as their impact proved to be equally fundamental.

⁹ According to Della Seta, still in 1913, 11 families belonging to the aristocracy owned 40% of land in Rome. Della Seta, 'La speculazione edilizia'.

¹⁰ Caracciolo, *Roma capitale*, 146–54.

¹¹ According to Vidotto, this change in mentality is most visible in the decision, in 1882, to locate the funeral monument to King Vittorio Emanuele II in the area around Piazza Venezia, a decision that would change the profile of a zone previously regarded as being on the margins of urban refurbishment. Vidotto, *Roma contemporanea*, 72–4.

Boom and bust: 1880–90

The emergence of new directions and ideas about the future of Rome took place at the same time as the country was inundated by financial resources of both national and international origin. In particular, since the early 1880s the supply of money had increased dramatically as a result of the reintroduction of the gold standard, and of the massive international gold loan (644 million lira) which came with it, as well as a much more expansive policy implemented by the banks of issue.¹² In the still relatively backward Italian economy, however, growing investment opportunities did not match increased credit availability. Speculation on real estate became an extremely attractive business and the financial sector began to look to Rome once more. However, while during the 1970s only a few banks had established their presence in Rome, this time virtually all north Italian commercial banks (supported by most of the banks of issue) decided on a significant level of engagement with the Roman market. Among the most active, there was a network of companies organized by the influential Piedmontese banker Ulrico Geisser. He owned his personal bank and, by means of exchange of financial holdings, sharing of board members, and mutual credit and business, he managed to create a web of companies which included the Compagnia Fondiaria, the Banca Tiberina (and its financial backer, the Banco di Sconto e Sete), the Società dell'Esquilino, and the building company Marotti & Frontini.¹³ Between 1879 and 1887, this network operated in a collusive oligopoly together with the Società Generale Immobiliare (sponsored by the most important commercial bank of the time, the Credito Mobiliare), and a trust made of the Banca Generale (the other main commercial bank of the county) and the building company Società Veneta di Costruzioni.¹⁴ Local financial institutions were almost non-existent, and, with the exception of the Roman bank of issue (the Banca Romana), we can say that the money that fostered the building speculation came from northern and central Italy.¹⁵ To give an idea of the magnitude of this business, it has been estimated that in 1887 about 1,100 million lira were invested in Rome, an amount equivalent to about 25 per cent of total assets owned that year by all commercial banks, saving and loans institutions

¹² Details about the impact of the return to the gold standard on the Italian economy and the problems of money issuing can be found in M. Fratianni and F. Spinelli, *A Monetary History of Italy* (Cambridge, 1997), and G. Toniolo, *An Economic History of Liberal Italy: 1850–1918* (London, 1990).

¹³ See P. Di Martino, 'L'esito fallimentare di un intervento di ultima istanza; la Banca nazionale e i salvataggi del 1889', *Imprese e Storia*, 24 (2001), 307–36.

¹⁴ Contemporary observers were aware of this fact. In 1890, the economist Valenti described the monopolistic character of the Roman estate market. See G. Valenti, 'A proposito della crisi edilizia nella città di Roma', *Il Giornale degli Economisti*, 5 (1890), 314–32.

¹⁵ Despite their names (*Tiberina* comes from the name of the river Tiber, and *Esquilino* is a quarter of Rome) the Banca Tiberina as well as the Società dell'Esquilino were by no means local enterprises. In fact, they operated locally, but only as appendices of the Turin banking system; the capital and board of directors came from Piedmont.

and co-operative banks.¹⁶ In fact, national banks did not necessarily use only their own capital and often operated as bridges for foreign financial institutions. As Bocci noted, re-discount of commercial bills was the most common practice, as it established links among different types of banks (local institutions, national banks and banks of issue), and often French or Swiss institutions turned out to be the final destination of these bills.¹⁷ Of the 1,100 million lira mentioned above, about 300 probably came from this channel.¹⁸ The Turin-based network organized by Ulrico Geisser, who was himself of Swiss origin, certainly relied on this mechanism.¹⁹

Banks and various companies operating on the Roman real estate market relied on two main types of business. First, big companies linked to the banks (such as the Marotti & Frontini or the Società Veneta) obtained lucrative contracts to erect buildings on behalf of the Roman municipal council. Second, banks bought large extensions of land to be divided and sold, at comparatively high prices, to a plethora of small local building companies. These agents were themselves engines of speculation as their growing demand for land, based on the expected increase in the value of housing, kept prices rising. This factor in itself shows the intrinsically fragile nature of the business, as expectations about increasing house prices were not based on sustainable 'real' demand.²⁰ Furthermore, most of the time banks dealt with small companies notorious for their lack of technical competence, managerial skills and financial stability. Nonetheless, banks were keen to provide such companies with the working capital they desperately needed.²¹ It is already clear that banks and financial companies were playing an extremely risky game but, at least for a while, it seemed to pay off. From 1879 onwards, the price of land and buildings rose dramatically, to reach a peak between 1886 and mid-1887. Data is patchy, but according to the few available sources in a matter of a few years prices increased by between 2,000 and 200,000 per cent depending on the areas.²² Qualitative descriptions by contemporary observers are even more dramatic than numbers: plots of land both inside and outside the

¹⁶ Caracciolo, *Roma capitale*, 196.

¹⁷ M. Bocci, 'Banche e edilizia a Roma fra Otto e Novecento', *Roma Moderna e Contemporanea*, 7 (1999), 125–46.

¹⁸ Caracciolo, *Roma capitale*, 196.

¹⁹ In a letter to Prime Minister Crispi, Geisser explicitly admitted that the Turin banking system found support 'in its old relationship with France'. Archivio Centrale dello Stato (ACS), Fondo Crispi (FC) fs. 255, letter from Geisser to Crispi, 27 Jul. 1889 (author's translation).

²⁰ As Caracciolo explained, the growing working and lower middle classes demanded relatively cheap accommodations, while building companies mainly erected luxury villas. See Caracciolo, *Roma capitale*, 195.

²¹ The banks' risky behaviour was criticized by contemporary observers such as the famous economist Vilfredo Pareto. See V. Pareto, 'L'Italie économique', *Revue des Deux Mondes*, 107 (1891), 904–44.

²² See Caracciolo, who used data provided by various contemporary sources (Caracciolo, *Roma capitale*, 187). Data on land price in Rome during the period under investigation has been provided also by Della Seta, 'La speculazione edilizia'.

city walls became the target of speculators and the 'building fever' (as contemporaries called it) hit Rome, which was soon transformed into a giant building site.²³ Companies showed no mercy for historical buildings and artistic structures: wherever possible, these were bought and sold at the maximum price, ancient woodland transformed into residential properties and historical quarters demolished and rebuilt in an orgy of speculation with no rules and direction.²⁴

The crash, however, was as spectacular as the boom; suddenly in November 1887 credit became scarce and financial support for the Roman market dried up.²⁵ The result was that prices collapsed, and by the early 1890s they were well below pre-1879 levels.²⁶ This massive bust left builders without work, companies on the verge of bankruptcy and banks with huge non-performing credits (the so-called 'stone bills'). At the same time, the financial situation of the council of Rome was no better: having dissipated the government funds as well as the capital provided by a massive state-guaranteed loan (we return to the origin and relevance of these elements later in the article), the council was on the verge of bankruptcy. In 1889, the 'nominal' fiscal deficit reached 6 million lira. In 1890, Prime Minister Crispi, whose antipathy for the Roman aristocracy was notorious, forced the local administrators to resign and appointed a *commissario governativo* (government comptroller) to be in charge of the administration of the city. After having used the council's precarious financial conditions for his political purposes, Crispi bailed out the council.²⁷

The national parliament and the rebuilding of Rome

If the return to the gold standard and the renewed interest of international financial markets in Italy provided the resources behind the speculation, two laws passed in the early 1880s played a major role in channelling these resources towards the Roman market. Thus, the analysis of the process leading to the approval of these two acts is crucial to understanding the causes of the 1880s boom. In order to understand the details of this process, it is necessary to look first at the wider issue of how different economic

²³ See, among many others, Ferraris, 'L'Italia e Roma', 290–301.

²⁴ Villa Boncompagni-Ludovisi, an old woodland in the heart of the city, is one of the most famous examples. See M.G. Barberini (ed.), *Rione XVI Ludovisi* (Rome, 1981), and L. Ferretti and F. Garofalo, 'Un quartiere per la borghesia; lottizzazione e costruzione di Villa Ludovisi', in *Roma capitale 1870–1911. Architettura e urbanistica. Uso e trasformazione della città storica* (Venice, 1984).

²⁵ In Nov. 1887, the mayor of Rome wrote to Prime Minister Crispi to tell him that 'in the last few days' credit in Rome had become scarce. ACS/FC b. 40-fasc. 250, letter from Torlonia to Crispi, 22 Nov. 1887.

²⁶ Data about land prices in Rome are extremely patchy but all sources indicate that the collapse was dramatic. Information drawn from balance sheets of banks involved in speculation, such as the Banca Tiberina or the Compagnia Fondiaria, supports this view. See Di Martino, 'L'esito fallimentare'.

²⁷ See Caracciolo, *Roma capitale*, 210–34.

interests were represented in the national institutions. In general, it is fair to say that the lobbies most directly interested in relaunching building activity in Rome had relatively little power. Banks' interests found almost no direct support in the 1880s national parliaments, which were composed largely of rentiers and professionals whose attitude towards financial businesses was, at best, neutral if not hostile.²⁸ The position of Roman landowners was not much better: their weight was limited and, to make things worse, members of parliament had, in general, little sympathy for Roman interests.²⁹ However, by the time important laws were discussed and approved the political front was extremely fragile and unstable. In particular, the disappearance of the traditional boundaries between the main two parties and the strong competition among individual politicians for leadership created considerable opportunities for tactical alliances to be formed in parliament. Roman interests thus had a much stronger impact and room for manoeuvre than their quantitative weight would otherwise have allowed them to have.

These issues emerged clearly during the long discussion of what became law n. 209, 20 May 1881.³⁰ Through the provision of 50 million lira of public funds and by giving the Roman council the opportunity to issue bonds up to 150 million, this bill played a key role in the reactivation of the Roman market. The core provisions of the law were the result of an agreement reached between the national government and the Roman council, eventually approved by the local government in November 1880. Already at this level, it is clear that local economic interests managed to exploit the instability of the political environment, instability which mirrored, on a smaller scale, the situation at the national level.³¹ It is not surprising that when the law was discussed in the national parliament the same situation occurred again. In fact, before reaching parliament the law was first analysed by a dedicated commission, and even at this stage the Roman lobby achieved some important results.³² However, it was during the actual parliamentary discussion that the law was shaped in the way which was most convenient to Roman interests. Specifically, the parliament had to decide between two alternatives; the joint government-council project or the one emended by the parliamentary commission. The two plans shared two structural elements. First, the government committed itself to offering a fund of 50 million lira for the redevelopment of Rome. Second, as a condition of receiving the funds, the council was expected to provide a rigid development plan with a clear indication of a series of

²⁸ See A. Polsi, *Alle origini del capitalismo Italiano. Stato, banche e banchieri dopo l'Unità* (Turin, 1993).

²⁹ See Caracciolo, *Roma capitale*, ch. 7.

³⁰ Hereafter referred to as '1881 law'.

³¹ Ciampani, *Cattolici e liberali*, 75–94.

³² A. Ciampani, 'Politica nazionale e rappresentanza degli interessi: la legge per Roma del 1881 nell'istruttoria parlamentare della camera dei deputati', *Rassegna Storica del Risorgimento*, 85 (1998), 483–504.

buildings to be erected in specific areas. The buildings included in the plan could be either structures considered of 'national interest', such as hospitals and military barracks, or of 'local interest' such as squares, bridges, gardens, streets, etc. However, while the 'national interest' buildings added no value to the areas in which they had to be located (in fact, given their nature they were more likely to expect a devaluation), 'local interest' buildings were fundamental in increasing the appeal of certain areas, and consequently the monetary value of properties and land located there. Therefore, decisions about where to build national structures as well as the relative priority given to 'local' and 'national' issues could have a huge impact on the real estate market. These were exactly the issues which marked the divisions between the two projects; the one provided by the parliamentary commission gave the national government the power to make such decisions, while the alternative plan favoured local government. It must be noted that during the discussion some members of parliament stressed the deficiencies of both plans, in particular the absence of reliable estimates of the total costs of the project, of the time necessary to complete it, as well as of a clear scale of priorities among buildings. Given these circumstances, there was a serious risk of exhausting the financial reserves of the council without reaching valuable results in terms of realization of the plan. Pantaleoni, the uncompromising liberal economist, stated: 'We are discussing plans regarding many buildings without presenting a stone, a project, anything establishing the bases and conditions and, in the meantime, we are determining the price to pay.'³³ However, despite widespread doubts, not only was the law eventually approved but it also took the shape most favourable to Roman interests, as the bill put the Roman local government, and not the national one, in charge of strategic decisions such as the priority to be given to buildings, as well as their location.

The approval of the 1881 law thus marked a first important victory for the Roman lobby: state financial intervention was there to stimulate the market, but the management of the plan was solidly in the hands of the local government; this meant that insiders had the chance to direct building activity towards particular areas or structures in order to increase the value of the land they owned. The advantages of the 1881 act for the Roman lobby, however, did not end here. In fact, the law also allowed the Roman council to issue bonds of up to 150 million lira over a period of ten years in order to finance the works included in the bill. The importance of this aspect fully emerged in 1883 when another bill was passed making the state guarantor of the bonds issued by the Roman council.³⁴ The parliamentary discussion leading to the approval of the 1883 law shows the magnitude of the risk that the government took as a consequence of the act. As Plebano – a liberal and independent Piedmontese member of the parliament – pointed

³³ *Atti del Senato*, 11 May 1881 (author's translation).

³⁴ Law 8 Jul. 1883, n. 1842. Hereafter referred to as '1883 law'.

out, the state guarantee freed the local government from all financial risks connected to the rebuilding of Rome. The formal guarantees given by the local government, for example the promise to transfer income generated by local tax to the national budget, would have been useless in case of bankruptcy, as the state would have had to provide the local government with other funds to compensate for the loss.³⁵ In the process leading to the approval of the 1883 law, the action of the Roman lobby is evident: faced with the doubts coming from various directions about the soundness of the state's financial support, Roman members of parliament reacted and in various occasions intervened to downplay the extent of the risk and to stress the importance of the formal guarantees the state had given.³⁶

The year 1883 is important also because it marked the approval of the building plan which the 1881 law established as the necessary condition for the Roman council to access the financial resources offered by the state. The fact that the plan was provided two years after the approval of the original law in itself demonstrates the lack of harmonization between decisions taken at national and local level. There were, however, many greater problems; in particular, while the structure of the building plan was supposed to follow the direction of development decided upon as part of the 1881 law, in fact it was substantially bent to accommodate previously established local private interests. The best example is the inclusion in the building plan of the aforementioned quarter under construction at Prati di Castello.³⁷

Thus, by 1883, the provision of the set of formal rules supposed to regulate the rebuilding of Rome was completed, but it was far from satisfactory. The building plan was characterized by a confusing schedule and lack of information about the costs of various erections, and it was also exposed to lobby pressure. On the other hand, the council was in charge of its implementation, but the financial risk was ultimately borne by the government. Even considering these elements, however, it is hard to make complete sense of the features of the 1880s speculative bubble, which certainly saw abuses perpetrated in the areas included in the plan but which was mainly relevant to areas excluded from it. In order to analyse this issue, we need to turn our attention to the way in which rules decided at national level were then implemented at the local level.

National laws in the local arena

It is important to understand what kind of institutions existed at local level and how interests and lobbies operated within them. In Italy, local

³⁵ *Atti della camera dei deputati* (ACD), 27 Jun. 1883.

³⁶ See, for example, parliamentary speeches by two Roman members: Amadei and Simonelli (ACD, 28 Jun. 1883).

³⁷ On the discussion of the building plan in the local council and the attempts of speculators to have the area of the Prati included in it, see Caracciolo, *Roma capitale*, 176–85.

councils are composed of two distinct bodies, one with parliamentary functions (the *consiglio comunale*) and another with a governmental role (the *giunta*). In 1880s Rome, different groups had different levels of representation in the various organizations. Since the 1880 local election, and the progressive rise of the political party *Unione Romana*, landed aristocrats, country merchants and lobbies interested in the increase of the value of urban properties acquired positions of extreme power, facilitated by conflicts and division inside the *Sinistra Storica*, the party in power at the national level. This power, however, was never transformed into a political monopoly, and a group of independent politicians with no personal economic interests in the refurbishment of the city at least had some voice.³⁸ Even this voice, however, completely disappeared in the *giunta*, which was simply the expression of the interests of the landowners and their allies.

The northern Italian banks lobby, in general, had little direct representation in local institutions. A few exceptions existed, as sometimes members of the Roman elite were also members of the boards of directors of banks. These links were relatively rare, although often strategic. To restrict our attention to the Geisser web described above, Renato Balestra, member of the board of directors of the *Compagnia Fondiaria* – a company deeply involved in the speculation – became a member of the municipal council in 1885. In his role of *assessore all'edilizia*,³⁹ he is recognized as having started what was defined as a 'huge building movement'.⁴⁰ However, whatever the extent and the relevance of these links, money was to be the fundamental element that guaranteed a solid alliance between the Roman elite and the financial world: local aristocrats and their allies owned the land, but they had no working capital and they desperately needed the support of the banks.⁴¹

The lobby composed of local interests and northern bankers thus had considerable, but not full, political control over the local institutions and still faced the issue of how to deal with national laws, in particular with the limitations imposed by the building plan. Ironically, however, the building plan was very clear about what to do in the areas which were included in it, but said practically nothing about the rest. Specifically, no building activity was explicitly authorized outside the borders of the plan, but it was not forbidden either. Speculators saw this gap in regulation, bought cheaper plots of land not considered by the plan, built unregulated houses and palaces and eventually asked the council to make these new boroughs legal and official. Such requests could have easily been refused

³⁸ See Ciampani, *Cattolici e liberali*, for a detailed reconstruction of the representation of political interests in the Roman council up to 1883.

³⁹ In Italian municipal councils, *assessorati* are the equivalent of local ministries. The *assessorato all'edilizia* is in charge of regulating and promoting building activities.

⁴⁰ Archivio Storico Capitolino (ASC), Atti del Consiglio Comunale (ACC), meeting 18 Dec. 1885, p. 524.

⁴¹ See, among others, Della Seta, 'La speculazione edilizia'.

and further problems in the future avoided. In fact, the council's attitude was the opposite: not only were all new buildings approved, but the council also offered to provide at its own expense public services such as running water and sewage disposal. As in the 1870s, these deals were regulated by *convenzioni*, which during the 1880s were widely used to give a superficial formal cover to irregular businesses. Considering how expensive these contracts were for the local administration, the attitude of the council is puzzling. However, the reasons why the local government accepted such inconvenient contracts can be easily understood by looking at both sides of the transaction, keeping in mind that Roman land owners were solidly in control of the council. On the demand side, the *convenzioni* were convenient to banks and companies belonging to the northern Italian lobby – which bought many plots of land outside the boundaries of the building plan – whose involvement kept the speculation going and property values increasing. On the supply side, many properties belonging to Roman land owners had not been included in the building plan and the *convenzioni* became an instrument to ensure their development.⁴²

The *convenzione* was just one of the possible instruments in the hands of the local lobby used to foster speculation. In fact, the Roman elite also owned most of the properties inside the official building plan and had to find out how to sell them at the highest possible price. The solution was eased by the loophole in the 1881 law, which fixed no clear criteria to establish the price of the land and buildings to be bought by the council in order to be destroyed and rebuilt. In fact the 1881 law simply confirmed what a previous law of 1865 had already established: in case of expropriation, indemnities were determined between owners and the local government depending on market prices. If we consider that members of the council were very often also landowners, the assessment can be regarded as just an internal business transaction between a small group of people who at the same time represented both demand and supply. In reading the official Roman council records between 1881 and 1887, it is very easy to find endless discussions about the exaggerated price paid by the council for plots of land or buildings in the city.⁴³ Ironically, every time some members of the local council were directly involved in the sale,⁴⁴ they abandoned the council room in order to demonstrate their

⁴² For example Villa Torlonia, Villa Sciarra al Gianicolo and Villa Boncompagni-Ludovisi. All these three woodlands, not originally included in the official development plan of the city, became centres of extensive building activity.

⁴³ In Mar. 1883, for example, some council members polemically remarked how some small houses in Via Monte Tarpeo which were bought by the council for more than 46,000 lira proved to be worth much less (ASC/ACC, meeting 2 Mar. 1883). In Jul. 1884, a council member criticized the plan to build a barracks close to a cemetery, where land was more expensive and 'against any practices of sound administration'. ASC/ACC, meeting 4 Jul. 1884, p. 11 (author's translation).

⁴⁴ According to a contemporary source, in 1884 and in the period between November 1885 and May 1886, the following members of the council owned properties bought by the council (price paid in lira noted in parentheses): Bracci Andrea (37,000),

incorruptibility, and only a few independent members denounced the scandal. Contracts were invariably approved. As the local newspaper *Il Messaggero* thundered after the boom was over: 'For many years council members with no houses or land to be expropriated could be counted on the fingers of one hand; we must add that council members of that time were not egoists: they had brothers, nephews, friends.'⁴⁵

Put this way, this development could simply look like an everyday story of corruption and conflict of interest. In fact, the whole mechanism was more sophisticated than might be expected. High prices paid for land were beneficial to local land owners, but also detrimental to banks which had to buy the land in order to then resell it at the highest possible price to small building companies. The support of financial companies was fundamental to the stability of the enterprise, and the Roman elite could not run the risk of alienating the sympathy of the northern Italian banks by overinflating the price of land available for purchase. The council had therefore to find a way of 'killing two birds with one stone', in other words of protecting the interests of both the local elite (i.e. keeping land prices high) and the banks. The solution was, indeed, a very ingenious one. Once the local government owned the land (bought at a very high price from local landowners), it was sold in big plots. Because buying a big plot of land was a considerable endeavour, only a few companies and banks were able to do it, therefore competition decreased and so did prices. Furthermore, agreements between the few companies involved were quite common, with the result that prices were pushed even further down.⁴⁶ In other words, the council bought at high prices and sold at low ones. At first glance, this policy looks suicidal for financial stability but, as stressed above, the council relied on the 150 million lira loan the state was ultimately responsible for. Therefore, the risk of bankruptcy was not a real concern for the local government, whose members were much more interested in keeping the speculation going. Again, the local council records are full of petitions presented and debates held by the few uncorrupted members of the administration but, invariably, no alternative solutions were found.

Bypassing national laws was only one of the strategies the local lobby could rely on. On other occasions, instead of exploiting the gaps in the

Boncompagni-Ludovisi Rodolfo (66,000), the Duke Cesarini-Sforza (130,000), Gui Giovanni (46,000), Libani Alessandro (162,000), Querini Querino (390,000); Boncompagni Ludovisi Rodolfo (240,000), Torti Benedetto (68,300), Trocchi Luigi (34,964), Silenzi Giovanni (74,794), Corsini Andrea (150,000), Aldobrandini Camillo (30,828) and Giorgi Nicola (34,000). See Comune di Roma, *Note e stato dell'espropriazioni fatte dal Comune di Roma per l'esecuzione del Piano Regolatore dal 1° novembre 1885 a tutto il 31 maggio 1886* (Rome, 1886). Leopoldo Torlonia, mayor of Rome since 1881, sold the Roman council a palace to be destroyed in order to allow the enlargement of Via Nazionale (ASC/ACC, meeting 3 Aug. 1881).

⁴⁵ See 'Il Comune di Roma', *Il Messaggero*, 5 Apr. (1890), quoted by Caracciolo, 'Il comune di Roma', 283 (author's translation).

⁴⁶ As noted in a council meeting in 1885, 'Often participants in auctions agree on let[?] the land being assigned to one of them at beggarly price, subsequently sharing the profits.' ASC/ACC, meeting 20 Apr. 1885, p. 449 (author's translation).

national law, the local government simply interpreted them in a creative and convenient way. The implementation of the law of 15 January 1885 n. 2892 (the so-called Risanamento Napoli law) is a good case in point. Approved in a rush as a consequence of a cholera epidemic in Naples, the law was conceived in order to promote a major refurbishment of the city, and to provide easy and cheap ways for land to be confiscated and property rebuilt. In particular, the law fixed the price to be paid in the case of expropriation as the average between the estimated market price and the sum of the previous ten years' rent. If rent contracts were not registered (despite a legal obligation to do so) and therefore information about rent revenues was not available, the fiscal value was applied instead, although it was not clear whether or not it averaged with the market price. The law established that these rules about the prices of expropriation could apply not only to Naples, but also to the whole country. The appearance of the 1885 law was a shock to the Roman lobby as the opportunity for huge profits on compulsory sales was jeopardized by the new criteria (in particular, rent contracts were rarely registered and fiscal values were considerably below market prices). However, the council applied the law in a very 'creative' way, thus reducing the impact of new criteria to zero. In March 1885, after a harsh discussion, it was decided that in cases where there was no information about rent, the fiscal value would be averaged with the market price in order to determine the indemnity to be paid. This was in itself a victory for landowners, considering that the council officially committed itself to the goal of 'reconciling public services needs with reasonable private interests'.⁴⁷ Even more importantly, however, the council decided that the 1885 law should not be regarded as the rule but applied 'only in case of complaints',⁴⁸ that is only if someone complained about the indemnity received. Of course, land proprietors were offered high prices and had no reason to complain and it is not surprising that, eventually, the law found very little application.

Dealing with the local opposition

Although the *consiglio comunale* was solidly controlled by a pro-speculation lobby, sometimes too much was too much. The small 'dissident' side had relatively little voice, but it could become very noisy, especially when amplified by newspapers and reported to the national parliament. Thus, operations such as buying and selling land to and from the local government at absurd prices had to be done by adopting more discreet tactics. The so-called *acquisto delle aree laterali* (purchase of lateral extensions of buildings) is an interesting example of a tool used with the specific aim of doing suspect deals without attracting too much attention. The

⁴⁷ ASC/ACC, meeting 24 Mar. 1885, p. 383.

⁴⁸ ASC/ACC, meeting 24 Mar. 1885, p. 383.

mechanism relied on the fact that when it was necessary to buy a property to be partially demolished in order to enlarge a street or a square, it was sometimes more convenient to buy the whole building instead of only the portion to be destroyed, as owners tended to overvalue the price of small sections. In these cases, the law of 25 June 1865 n. 2359 authorized the local government to exploit the option of buying whole buildings instead of sections. In theory, this was a convenient option in specific cases but, over time, the local government exploited it very widely and on a regular basis, turning a money-saving instrument into a speculation-promoting device. For example, in December 1885, in discussing the plan to purchase some modest houses surrounding Via Cavour and Via dello Statuto the council member Vespignani stated: 'The system adopted by the *giunta* of making very wide usage of the possibility of expropriating lateral extensions is not fruitful and can turn into great disadvantage to the council . . . nowadays we do not finish any public work without expropriating lateral extensions and this can degenerate into abuse.'⁴⁹

Given the attention that the abuse of this practice eventually attracted, the local elite had to invent other ways to conduct suspect transactions in a discreet manner. One of these devices consisted in transferring power from the *consiglio comunale* to the *giunta*, where dissidents had no voice. This option was authorized in case of very urgent business about which the *giunta* could decide without waiting for a preliminary discussion in the *consiglio comunale*. In these cases, the *consiglio comunale* could only ratify decisions already taken. Urgency is, of course, a very relative concept, and on more than one occasion the *giunta* spotted the opportunity of approving directly and in a discreet way contracts which were suspect rather than urgent. This happened, for example, in various instances where land was sold in big plots in order to accommodate the needs of financial companies,⁵⁰ as well as in cases where the need to buy lateral extensions of buildings was generously interpreted.⁵¹ The debate in the *consiglio comunale* only followed and, despite the usual protests, most of the time the damage had already been done.

Conclusions

As the saying goes 'Rome was not built in a day'; indeed, it was built over many days, months and years. The years between 1879 and 1887 saw an attempt at modernization and development which ended up in massive speculation with devastating consequences. Regeneration of some of the

⁴⁹ ASC/ACC, meeting 18 Dec. 1885, pp. 524–6 (author's translation).

⁵⁰ For example, in July 1884 the *giunta* informed the *consiglio comunale* of the decision to sell 40,000 square metres of land in the Esquilino area (ASC/ACC, meeting 14 Jul. 1884).

⁵¹ In Jan. 1885, the *giunta* informed the *consiglio comunale* of the purchase of lateral extensions of some buildings in Via Nazionale; the council member Amadei strongly criticized the procedure as being not justified by any real urgency (ASC/ACC, meeting 12 Jan. 1885).

historical areas was needed, as was refurbishment of traditional working-class boroughs, and the provision of decent yet cheap housing for the incoming flow of lower-middle-class ministry employees. Instead, by the early 1890s, the city witnessed a paradox: an oversupply of expensive buildings with no potential acquirers was combined with a mass of new inhabitants with nowhere to live. All this came at the expense of taxpayers, with severe consequences for the financial conditions of Roman local government and the city's future urban development.

The actions of a cohesive lobby made of the local elite and northern Italian bankers were behind this failure, but this was a much more complex phenomenon than the story of corruption and triumph of private interest over the public good would suggest. In fact, the local lobby had to fight against strong opposition both at national and local level, as well as dealing with relatively precise regulation. However, the fragility of the institutional environment, the depth of political divisions and the use of a variety of ingenious mechanisms allowed this lobby to 'capture' the institutions and, as a consequence, bypass or ignore formal regulation.

This conclusion raises a legitimate counter-factual question: had different formal and/or informal rules been in place would the results have been less perverse? An answer to this question, although a rather speculative one, can be provided by looking at the almost contemporary examples of the urban regeneration of London and Paris. In both cases, transformation occurred in a way which, although far from perfect, never reached the excesses seen in Rome, and this was because the incentives proved to be much more effective. In London, the massive increase of population during the Victorian age forced the authorities to rethink the problem of inner-city slums. The solution was found in both the regeneration of some of the inner-city areas, as well as in the development of suburbs, and in an approach based primarily on private initiative and market-based principles subject to few but very effective rules. In the city centre, the elimination of a number of overcrowded slums and the erection of new buildings was made possible by the fact that the vast amount of money collected by various philanthropic organizations was to some extent invested in companies that built 'model dwellings' for the urban working class providing a 5 per cent interest. Although this experiment was criticized in the traditional historiography, its effectiveness has been reasserted in more recent studies.⁵² In this regard, it is important to stress that although this operation was mainly the result of the virtuous combination of Victorian philanthropic ideals and the strength of market forces, the state provided light but essential regulation by allowing building companies to borrow at preferential rates and by legally obliging them to build working-class houses in areas where

⁵² S. Morris, 'Market solutions for social problems: working-class housing in nineteenth-century London', *Economic History Review*, 54 (2001), 525–45.

slums had been demolished.⁵³ A similar combination of private initiative and light-touch regulation is visible in the erection and refurbishment of working-class suburbs. In these cases, speculative builders simply exploited the advantages of cheaper land and worked economically to provide dwellings which, however modest and dull, were affordable and at least respected some basic regulations in terms of minimum dimensions.⁵⁴ Overall, the example of London certainly does not represent an ideal case of urban redevelopment; both the 'model dwelling' movement and the refurbishment of suburbs proved to be of limited impact, and certainly by the beginning of the twentieth century the problem of overcrowding was far from resolved. On the other hand, however, at least some improvement in the living conditions of working-class Londoners was achieved and this without any of the problems which occurred in Rome.

If it was a market-based approach subject to light regulation which in London avoided the excesses seen in Rome, in Paris in 1850–70, the same result was reached via the opposite solution, represented by the provision of a complex and systematic set of official rules and enforcement mechanisms. Specifically, an external authority (the *prefecture*) accountable to another power (the emperor) was in charge of co-ordinating the building plan while the council had only limited power and was also accountable to the emperor. This structure first of all limited the risk of possible conflicts of interests, among council members, when deciding on the priority to be given to various works. Also, council members had no tools to increase the value of indemnities to be paid for compulsory acquisition of land and building. Without the allure of personal monetary gains on the one hand, and accountability to other powers on the other, council members had sufficient incentive to concentrate their attention on the soundness of the local budget. The incentive to take a prudential approach was further reinforced by the fact that the council, rather than the prefect, had the power to decide whether or not to float loans to finance the local expenses, and no state guarantee was contemplated. Indeed, the council tried to keep expropriations price low and, at the same time, to resell 'lateral extensions' of expropriated buildings or land at the highest price possible.⁵⁵ The difference from Rome, where the council bought at high prices and sold at low ones using a whole set of informal instruments, could not be clearer. In practice, the institutional structure in charge of urban transformations in Paris was based on a balance between different centres of power and decisions, limiting problems of conflict of interest. It must be said that, despite all this, the Paris experiment was far from being a success: expropriation prices nonetheless increased and the council finances deteriorated. However, the historiography on this subject

⁵³ A.S. Wohl, *The Eternal Slum. Housing Policy in Victorian London* (London, 1977), 144–5.

⁵⁴ *Ibid.*, 285–316.

⁵⁵ A. Sutcliffe, *The Autumn of Central Paris. The Defeat of Town Planning 1850–1970* (London, 1970).

claims that this result had little to do with the presence of mechanisms similar to the ones that operated in Rome two decades later. In fact, the situation was the result of a human mistake rather than the outcome of an institutional failure. Haussmann's idea was that rapid urban development would have increased the city's wealth and the council's revenues before the rise of asset price could make the costs connected to the plan (i.e. expropriation indemnities) too high. Haussmann's prediction, however, failed to materialize.⁵⁶

When compared to London and Paris, the example of Rome thus shows that the tendency of private interests to degenerate into excesses may be a feature of any urban development, but also that sound institutions can stop these interests from prevailing.

⁵⁶ *Ibid.*