

The Industrial Intervention of Central Banks: the experiences of Italy and Britain, 1918-1939

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Buenos Aires
1 October 2012

Introduction

- The experience of Britain and Italy after 1918: well documented
- European and international phenomenon?
- Reflecting a grand design of policy?

Industrial shares as collateral

How?

- By providing loans to firms and banks
- By guaranteeing bond issues
- Through government pressure

Industrial intervention (1)

Aims and nature:

- Extrication from industry
- Piecemeal and experimental
- Support to strategic industries
- Rescue to ailing banks/avoidance of financial collapse
- A function of deflation and credit scarcity: the diverging evolution of Britain and Italy in the 1930s

Industrial intervention (2)

Underlying motives:

- Failing financial system?
- Over-extension of the armament and heavy industries?
- Financial restoration and austerity in 1921 and in 1926?

Industrial intervention (3)

Forms of intervention:

- Direct management (cheaper in the long run)
- Through holding companies

Industrial intervention (4)

Why central banks?

- Much-needed resources
- Personnel
- Peculiar position within financial system

Industrial intervention (5)

Legacy:

- Italy: innovative form of state ownership crucial to post-war industrial development
- Britain: assisting reconstruction of traditional sectors (heavy industries and cotton) and development of innovative industries (man-made fibres, aluminium)

Conclusion

- A varying and yet important role in industrial development between 1918 and 1945 (an era of instability and turmoil but also of technological change)
- Still much to be done in terms of research (more on France, Japan and Germany)