

Lending in Italy

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Beyond tourism and railways, the Ticinese banks lent heavily in Italy. Wetter observed in 1914 that the banks, unable to employ their deposits in the canton, had been forced to "go abroad", above all to Italy, and that not every institution had shown the necessary caution.¹ The Italian economy of the Giolitti era grew fast, and Lombard industrialists and property developers paid higher interest than Ticinese borrowers. Italian loans also carried risks that the Ticinese banks underestimated: the enforcement of security in Italian courts, the currency risk of the lira and the information disadvantage of a small foreign lender against local banks. The research project of the University of Milan notes that the modernization efforts of the early twentieth century failed largely because of the banking system's weaknesses.² A later educational publication of the canton dates the onset of the banking crisis, and with it of an industrial crisis, to 1913.³ By the end of that year the Credito Ticinese and the Banca Cantonale Ticinese held portfolios of Italian and tourist loans that they could neither collect nor sell.

Common misconception. The crash of 1914 is often attributed to the outbreak of the First World War. The chronology contradicts this. The Credito Ticinese closed on 10 January 1914 and the Banca Cantonale Ticinese stopped payments a few days later, more than six months before the war began. The causes were domestic and structural: excessive deposits, thin capital, lending to related parties, speculative railway and tourist projects and losses in Italy and Paris. The war deepened the damage by destroying the tourist economy and delaying the liquidations, but it did not cause the failures.

1 Notes

1. Wetter (as above), 88–89. ↩
2. Università degli Studi di Milano, project 2007-ATE-0033 (as above).
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3. Giorgio Baranzini, Piergiorgio Bernasconi, Franco Citterio and Gabriele Zanzi, "Il Ticino è anche industria", Scuola Economia no. 13 (supplement to Scuola ticinese), September/October 1994, https://www4.ti.ch/fileadmin/DECS/DS/Rivista_scuola_ticinese/ST_n.196/ST_196_Baranzini_Bernasconi_Citterio_Zanzi_inserito_scuola_economia.pdf ("Nel 1913 poi con la crisi bancaria si manifesta anche la crisi industriale"). ↩

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