

HISTORY AND DEVELOPMENT OF CASSA DEPOSITI E PRESTITI

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1. Introduction: 155 years of the Cassa Depositi e Prestiti from 1850 to 2005.

The evolution of the Cassa Depositi e Prestiti (hereafter «CDP») is representative of the history of the public finance and economy of Italy.

The CDP has always pursued two fundamental missions: 1) to collect deposits from small savers, granting security, adequate interest and high liquidity of investment, through postal offices located throughout the national territory: 2) to lend loans to public subjects- especially local administrations – out of the credit bank system and at a lower cost.

Throughout its long life, CDP was used as a tool of economic, financial and social policy of the Treasury.

It always played a significant role. It financed Italian participation in the two World Wars; it was promoter of innovative finance, issuing the first Postal Bonds; it financed rebuilding in the post war period; it conferred capital of public corporations, indirectly taking part in the Italian economic boom after the second World Wars. It took part in the promotion of social initiatives as innovative as the first social security for dependent workers. It participated in the rise of intervention forms in the public management of residences for workers (ex GESCAL). Lastly, it supported rebuilding following earthquakes, floods and other natural calamities.

It has always been present, active and supportive of public finance and economy in the fortunes and the misfortunes of the Italian society.

These continuous and important operations have been possible through widespread postal deposits with complete trust, competition with the banking system,

¹ Marcella Mulazzani is the Author of paragraphs 1,2,3 and 9; Matteo Pozzoli is the Author of paragraphs 4,5,6,7 and 8.

and the issuing of long term and short term postal bonds, which were innovative – at the time – and very successful.

The Cassa has crossed all the institutional political regimes of Italy: the constitution of the unification of the Italian State under the monarchy in 1861; the period of monarchy; the fascist period; the republican period, receiving greater or less autonomy from the central State. It has always survived. Its activity has never been interrupted.

Thus we have realized how the history of the Cassa mingles with the political, economic, financial, social history of Italy from 1850 to 2005: the Cassa has always, more or less, been protagonist of the life of the Italian society.

This is the framework; inside it – in this paper – we have limited the documentary analysis to four financial statements from significant periods.

The method of historical research is based on documents, laws and financial statements, kept in the Cassa's archives, which is complete from its beginning until now.

The life of the Cassa Depositi e Prestiti may be divided into periods using various criteria:

- 1) the political – institutional regime of the State:
 - monarchic regime, before and after the unification of the Reign of Italy;
 - fascist regime;
 - republican regime;
- 2) the numerous phenomena of public finance and economy in Italy:
 - economic crisis, economic development, economic boom;
 - economy of war and reconstruction post war;
 - interventionism of the State in the economy and privatization;
 - centralized taxation and autonomy tributary to local authorities;
 - near – monopoly market or liberalized market of the credit to local authorities;
- 3) the juridical forms of the Cassa:
 - General Direction of the Minister of Treasury;
 - autonomous organization;
 - public juridical person;
 - limited company;
- 4) the accountancy and the financial statements adopted:
 - public accountability;
 - model of financial statements according to the directives of European Community;
 - financial statements of stock company.

In the first part of this paper we briefly outline the life of the Cassa, from its foundation in 1850 to the present, because the study of history aims to preserve memory, to better comprehend the present and to anticipate future trends.

In the second part, we have delimited the field of study of the long life of the Cassa, analysing 4 financial statements from significant historical periods.

2. The evolution of its functions

The Cassa was constituted by means of a law passed by the Parliament of the Kingdom of Sardinia on 18 November 1850, with the aim of capital investment in public utilities.

Deposits in the Cassa could be made by local authorities, moral entities and the central administration of the State. The Cassa also collected obligatory deposits.

The revenues were then invested for long term loans to local authorities for public local investments and, if necessary, for the amortization of debts.

The deposits given to the Cassa were guaranteed by the State, to compensate it for the disadvantage that the Cassa could not remunerate the voluntary deposits with interests higher than government bonds.

A first reorganization of the Cassa was made in 1857 by Cavour. The law of 1863, soon after the proclamation of Reign of Italy in 1861, incorporated into the Cassa Depositi e Prestiti, which already existed in the Reign of Sardinia, all the organisations which, in the various territories of Reign of Italy, were developing functions analogous to those of the Cassa del Piemonte.

In time the Cassa's initial function of collecting «caution deposits» progressively lost importance as compared with the savings collected by the postal offices.

With regards to investments, there have been alternate periods of funding to local authorities and to the central administration of the State.

A third important function, which is not placed in the assets nor in the liabilities, is to make payments on behalf of other subjects and of the State.

The law n. 5784/1870, proposed by the Minister of Finance Quintino Sella, suppressed the «Direzioni del Debito Pubblico» located in Milan, Naples, Palermo and Turin, as also the Cassa Depositi e Prestiti existing in those Direzioni. All the function of the suppressed Institutions were concentrated in the Cassa of Florence by the «Direzione Generale del Debito Pubblico», subsequently transferred to Rome with the transfer of the capital from Florence to Rome.

The law n. 2779/1875 (presented by the Minister Minghetti) disposed that the postal offices should operate as branches of a «Central Post-office savings bank» guaranteed by the State and incorporated with the organization of Cassa Depositi e Prestiti.

This was a qualitative and quantitative revolution of its activity determining a quick growth in the funds of the Cassa and a boom in postal savings.

The big advantage of the Cassa was the State guarantee on the deposits, which was able to create further savings in addition to those of the Banks and Cassas di Riparmio. Postal savings attracted the most timorous savers and brought back into the financial circuit savings put under mattresses or inside pots buried in vegetable gardens.

With the guarantee of the State, it was possible to collect money resources for investment in infrastructures with lower costs than those of the market.

Among the investments of the Cassa, the most important were loans to local authorities for roads, bridges, school buildings, hygienic public works, and reorganization of the debt of local government towards banks.

Investments in titles of the public debt increased as well.

A law of 1895 obliged the Cassa to invest half the funds of the voluntary or postal deposits in warranted government bonds.

Before World War I the deposits of the Cassa were about the 30% of the total of the Italian bank system and equal to the 12% of the Gross National Product.

The important reform of 1898 changed the Cassa into the Direzione Generale of the Ministry of the Treasury as an instrument of policy of Minister of the Treasury. The problems of local finance were characterized by the persistence of municipal and provincial deficits, while, at the central level, there was a big stock of debt.

Moreover, in 1879 the Cassa became manager of the property of the social security Institutes of individual professional categories, including state employees .

After 1925 the first interest-bearing postal coupons were issued. They were successful and brought the resources of the most cautious savers to the Cassa.

In the 1930s the Cassa was freed of the current funding of local authorities and that role was assigned to the Banca Nazionale del Lavoro (National Bank of the Work).

In 1938 banks were allowed to balance the deficit of local governments.

The Cassa was the main financier of Italian participation in World War II: ordinary and special resources were devoted to the needs of war.

The efficiency of the Institute caused its functions to multiply and the number of its employees to increase. Thus the Cassa, which was inside the Ministry of Finance, was authorized by law n. 74 of 1907 to build new premises in Rome, in via Goito, taking the necessary sum from the reserve fund. The new Palace was inaugurated in December 1910.

In the meantime, new tasks had been assigned to the Cassa in Social security: with law n. 431 of 1910, the Institute was reorganized and subdivided into two Direzioni Generali: one for the Cassa properly so-called and the second for the social security Institutes.

The laws and the provisions on the Cassa were considerable. This necessitated a consolidated Act (R.d. n.453/1913 e D.l. n.1058/1919) of all the laws regarding the administration of the Cassa.

The position of General Manager of the Cassa was considered too autonomous, almost a counter power to the ministerial apparatus. With decree n. 1615/1921 the figure of the General Manager was suppressed; the two Direzioni Generali became Minister direct branches; the President was named by the Ministry.

In the meanwhile, the Cassa Depositi e Prestiti underwrote shares in public credit institutes: CREDIOP (Credit consortium for public investments); ICIPU (credit institute for public utilities); Naval credit Institute. The Cassa underwrote bonds issued by Meliorconsorzio (national consortium for the agricultural credit).

In the fascist period there was a strong push towards centralisation, with a view to stronger control: the Ministry of the Treasury was absorbed by the Ministry of Finance, while within the Cassa the Direction of social security management was suppressed.

The centralization of the bureaucratic apparatus also involved that of the decision system: the politician's role prevailed over that of the technicians. The Ministry of Finance directly assumed the chairmanship of the Cassa's Board of Directors.

In the same period (the twenty years of Fascism) the Central Government realized important public works, such as the reclaiming of marshlands (1926-1935) in Lazio, and the creation of five new towns Latina, Sabaudia, Pontinia, Aprilia, Pomezia (1932-1938).

The Cassa collected funds by interest-bearing postal coupons (bonds at fixed-rate, without coupons, with twenty-year expiry, but extinguishable at any time). Moreover bonds were also issued in dollars and pounds and they were placed abroad especially to the Italian emigrants.

In the period 1928-1947 the Cassa also issued short-term bonds, bearing annual coupons.

Between the two World Wars, the Italian State became strongly interventionist in the national economy and the Cassa Depositi e Prestiti was also used for this policy.

In 1931 the IMI (Istituto Mobiliare Italiano) was founded, its capital was half conferred by the Cassa. The constitution of IRI in 1933 was also supported by the Cassa.

In the period from September 23rd 1943 to April 25th 1945, in the northern Regions controlled by the Social Republic of Salò, there was in Brescia – inside the

Ministry of the Finance – a homonymous Direzione Generale of Cassa Depositi e Prestiti.

After the Second World War, the Italian economy was involved in rebuilding. The public investments were the carrying board of the national economic politics.

On June 22nd, 1944 the Ministry of the Treasury was reconstituted.

A law of 1947 finally separated the Cassa from the Social Security Institutes, which became autonomous and separate l Direzione Generale of the Ministry.

The Minister of Treasury kept on chairing the Board of Directors.

The Cassa was involved in rebuilding after the war and in the creation of new infrastructures.

With law n. 408/1949 and law n. 589/1949 the Cassa Depositi e Prestiti intervened in funding of residential building and of public works.

It continued its intervention in capital participation: in 1959, the Cassa contributed capital to the Institute for Sporting Credit (law n. 1295/1957).

In the 60s there was an economic boom in Italy, which created an artificial economic equilibrium.

At the start of the 70s there were strong social claims which increased government expenses. Furthermore, the national economy was affected by the first oil shortage.

All public governments ran into increasing debt.

The reform of the Italian tributary system in 1972 concentrated fiscal revenue on the State. Local authorities were greatly in debt and depended one State funding.

Annually the State allowed local authorities to balance their budgets with loans from the Cassa and other institutes of credit, whose burdens were taken upon local authorities themselves. In those years, 90% of loans guaranteed by the Cassa to local authorities was constituted by loans to balance the budgets, substantially for current expenses.

In 1977, the Minister Stammati began the balancing of the local financial system, putting an end to the loans-spiral, by a work of consolidation of the passivity towards credit institutes and towards Cassa with ten-year bonds charged to the Treasury (D.l. n. 2/1977 e D.l. n. 946/1977).

In 1978 the management of the funds devoted to house building (ex GESCAL funds) was attributed to the Cassa through the creation of an autonomous department for residential building within the Cassa itself.

In the same year (D.l. n. 702/1978) the concession and the grant of the loans of the Cassa ceased to be disciplined by law, and were delegated to the Minister of the Treasury.

3. The juridical and institutional reforms of the Cassa in modern time

Formally the Cassa was subordinate to the State, being a Direzione Generale of the Treasury, while in fact it had its own assets and it was an autonomous institution with respect to the State.

At the start of the Eighties, Minister Pandolfi presented a proposal of law to transform the Cassa into an autonomous institution with its own Statute. On the basis of this reform, the CDP gained full autonomy after having been for a century a Direzione Generale of the Treasury, even if its accounts and budgets were kept separate from those ones of the State.

This reform was supported by the Direzione Generale of the Cassa, by the association of local authorities, and by the Unions; but it was opposed by the bank system, by the Bank of Italy, and by the ABI (Association of Banks of Italy), which

feared the competitive strength of the Cassa and the management of considerable credit financial flows outside the control of the Bank of Italy and outside the Ministry of the Treasure.

The law was variously amended and in the definitive text the expression «autonomous company» was removed (law n. 197/1983). The law was not clear, it was contradictory, and it produced difficult interpretations.

Finally, the interpretation of the Accounts' Court–local authorities section–prevailed: the Cassa belonged to the State as a juridical entity and it was subject to all the ties which this involved. Law n. 197/1983 had not expressly defined the Cassa as a juridical entity, so it was not an autonomous corporation (indeed law n. 70/1975 listed public corporations in a group limited by number, not allowing other ones).

At the start of the Eighties the Cassa intervened in rebuilding after the earthquakes of November 23rd 1980 in the Regions of Campania and Basilicata.

The Cassa had always acted in competition with banks and institutes specialized in credit to the public investments, occupying 10-50% of the local credit.

In 1984 (law. n. 887/1984 art.6, paragraph 12) the local authorities had, first of all, to apply for a loan to the Cassa and only after express refusal of the Cassa, could they redirect their loan request to other authorized credit institutes. This created a regime of near -monopoly for the Cassa of the credit local market.

As a result of such provisions, the local credit market of the Cassa suddenly rose to about the 85% in the Eighties. The monopoly ended with the D.l. n. 310/1990 by Minister Carli, which suggested removing the obstacles to the free competition also in the capital markets.

Then Minister Carli and Minister Barucci put an end to the participation of Cassa in the IMI, the CREDIOP, and the Meliorconsorzio. These institutes were turned into stock-companies and placed under the direct control of the Treasury.

We have already mentioned discussion of the juridical status of the Cassa and that the interpretation of the Court of Accounts won because of its control authority.

Finally in 1993 Minister Barucci (with art. 22 D.l. n. 8/1993, converted into law n. 68/1993) attributed juridical status to the Cassa and also the faculty to buy and sell freely stocks in credit institutes.

Only in 1996 there was a sudden change in the accounting and the financial statements of the Cassa following Community Directives (n. 78/660 CEE and 83/349/CEE concerning the annual and consolidated companies accounts, carried out with D.lgs. n. 127/1991).

Since that year the Cassa's financial statements have become comparable with those of the institutes of credit of the European Community.

Since 1998 the fundable subjects by the Cassa have been all the public administrations and the public corporations of central, regional and local authorities (law n. 449/1997 art. 49 c. 10). The procedures for the concession of loans have been simplified and all the initiatives of public interest are fundable. The Corte di Cassazione (with sentence n. 1948/98 of November 13th, 1997 concerning jurisdiction of work) has defined the Cassa as an economic public corporation.

In 2002, in order to use the Cassa as tool of support of infrastructures and economic development, the Cassa Depositi e Prestiti constituted the Infrastructures Company for the funding of infrastructures, and of important public investments for the economic development.

At last art. 5 of the D.l. n. 269/2003 (converted in law n. 326/2003) turned the Cassa into stock-company and distinguished its activity in two branches: the first

traditional and the second innovative. The second finances infrastructures and investments in public utilities managed only by private subjects or together private subjects.

As in the past, it promoted new financial tools - at that time as innovative as the interest-bearing postal coupons - so at the present time and in the future it will be allowed to be co-protagonist of finance forms as innovative as the project financing for the public investments.

4. The accounting history of Cassa depositi e prestiti

The CDP's accounting history coincides only partially with its institutional reforms.

In some circumstances, the CDP's history, as already stated, represents the history of Italy, because public accountancy innovations stem from broad and general reforms relating to economic and financial operations. In other cases, even if organisational, administrative and management factors are strongly connected, historical accidents made - as happened to CDP - these reforms follow different paths.

In order to define a logical line of development for the CDP's accountancy, we focused on 4 different historical periods, in our opinion, significant from an historical, economic and investigative point of view.

The first statement of accounts considered relates to the period 1850-1855, concerning the CDP's initial operations.

After this, we analysed the period 1867-1870. This is significant, given that it is the first statement of accounts able to present a unique consolidated report comprising the financial positions of the preceding 5 local Cassas, and it is the first statement of accounts after the creation of the Italian reign.

The last period addressed by our research is the year 1890, during which the Cassa already acts as a consolidated institute in a moment particularly relevant for the development of the Italian reign because of the first important public intervention by local governments.

The last statement of accounts investigates the CDP's accounting situation at 1910, that is the period just before World War I.

In the light of this very brief and introductory summary, this research covers a temporal period of more than half a century and that the investigated statements of accounts were chosen with an equivalent temporal distance of 20 years. Thus, it is possible to consider uniformly the development realised by CDP during similar temporal timing.

We thought these moments very interesting, as mentioned, for historical investigation, because they are representative of various development and social-cultural development stages of Italian national history.

This study is based on documentary evidence, since it explores the reports illustrated by the CDP's directors to the «Alta Commissione di vigilanza» (High Supervisor Commission), first named by Royal Decree in 1850 and confirmed, although modified in its denomination and structure by historical events. The reports presented to the High Supervisor Commission (hereafter the «Commission») are the main documentary sources for the current study.

Comments on the investigated statement of accounts cannot be comprehensive, but they will concentrate on specific relevant aspects, symptomatic of the operations and projects the Cassa was involved in.

The examination led us to express further considerations on the way the data were illustrated, as these factors are symptomatic of the financial evolution and the relation between the Cassa and the other institutions as well.

5. 1850-1855: Statement of accounts

The explored quantitative data belong to Reports prepared for the Commission in order to explain the management of available resources. The origin of the Commission can be dated back to 1850².

The regulations are the Royal Decree 13th August 1840, since art.28 of the Act 18 November 1850, requiring new accounting rules, did not come into effect until 1855.

In consideration of the material examined, we have to talk about *basis of accounting* and not about *budgetary accounting*, which is the main Italian public administration accounting model. It is clear that the CDP's directors, showing their operations, need to address statement of accounting and not budgeting data.

The criteria and conditions required for deposits and loans changed in relation to the CDP's main operations. The Cassa kept different terms in relation to the type and origin of deposits and loans. The operative guideline tended to create a structure able to determine a long-term financial balance.

After 1850 the CDP did not provide terms capable of supporting local government deposits, so that the trend for this five-year period makes Nigra say that, while the system was not changed, the support of local government development slowly decreased.

The *depositi giudiziari* (judicial deposits) risked following a similar path, given that, from 1850 these deposits were not interest bearing and, consequently, lost their attraction.

Most deposits made before the unification of Italy have to be attributed to the «deposito di fondi militari e di surrogazione» (deposit of military and subrogation funds) which alone represented around 35% of the total amount deposited in the Cassa (see Appendix 1). At the same time, the Cassa found important support from expropriation indemnity - due, above all, to the construction of the Italian railways – representing 1/5 of all the cash inflows.

In conclusion, to describe the Cassa's performance on its first working period

«... si può concludere che le sorgenti principali d'alimento per la Cassa nel tempo della sua istituzione provvisoria furono i fondi comunali, provinciali, quelli degli Istituti, i depositi giudiziari, ed i depositi di somme per indennità di espropriazione.

Dopo l'emanazione della legge del 1850 le sorgenti d'introito certo si ridussero ai fondi di provenienza militare, ai depositi giudiziari, ed alle somme d'indennità d'espropriazione.».

Local governments took a large part in deposits in the years 1850-1855, while in the period subsequent to the Act of 1850, the reimbursements on deposits doubled with respect to the previous five-year period (see Figure 1).

² Nigra, Chairman of the Commission and «Ministro della Real casa», stated, in its 1855 report, that: «Colla legge 18 novembre 1850, nel sostituirsi la Cassa in modo stabile, denominatasi Cassa dei Depositi e dei Prestiti [...]. Colla nuova istituzione si mantennero le discipline di contabilità che stabilite dalle precedenti legislative disposizioni, potevano aver ottenuta la sanzione dell'esperienza, e si migliorò il sistema d'amministrazione, ponendosi sotto il controllo della pubblicità e del potere legislativo colla creazione d'una Commissione d'alta sorveglianza.» See: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza sulle gestioni degli anni 1867 a tutto il 1870*, , p.11.

Figure 1 – General reimbursement situation during the period 1840-1855

Il risultato generale del rimborso totale dei prestiti distinguersi

	1° Quinquennio	2° Quinquennio	3° Quinquennio	TOTALE
In rimborsi dalle Divisioni amministrative o circondari per.....L	»	338,500 »	1,445,118 90	1,783,618 90
id. dalle Provincie.....»	26,304 86	206,271 40	104,553 74	337,130 »
id. dalle Comunità	293,798 83	1,734,107 77	2,755,482 02	4,783,388 62
id dai Consorzi	350,000 »	»	»	350,000
id. dagli Istituti	»	»	1,025	1,025
	670,103 69	2,278,879 17	4,306,179 66	7,255,162 52

Source: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza per l'anno 1850-1855*, p.22.

The due official process concerning the payment of deposits was the following:

- Operate the due steps (requests regularly proposed from pertinent Councils, capacity to revert a loan, public works approved, a presentation of the *corpi morali* requiring this loan);
- Legal and substantial examination from a Commission created by the Royal Decree of 19 June 1841 and confirmed by the Act of 1850;
- Request acceptance and loan execution, after the report made by the Ministero de' Lavori Pubblici to the Ministero dell'Interno

The Cassa's administration opens a debt or credit account for each loan and each deposit, recording every payment and collection payment; the pertinent interests are six-monthly accredited or charged.

The execution of loans is connected to the existence of deposits and to the fact that the administration expenses (*spese di amministrazione*) can be covered by the difference between interests yielded and interests paid.

The cash inflows are to be connected, other than the difference between achieved interest income and paid interest expense, to the investments the Cassa operates thanks to deposits.

The «annual beneficio» (surplus of cash) on 1st January 1851 amounted to £.177,391 and increased to £.488,571 during the next five-year period, with a surplus of £.311,000 and a surplus of cash of 92,000 realised during the last period. The performance was so encouraging that the Director stated: «Procedendo la Cassa sulle attuali basi, e nella stessa misura di fondo circolante per un successivo quinquennio, potrà verificarsi in fine del medesimo un beneficio totale di ben oltre un milione.»

CDP adopted a pure cash accounting system, even if the way it explained its performance denoted a significant sensitivity in the examination of the presented data. The Report distinguished between the surplus arising from the disposal of a fixed asset achieved without charge (£.30,000) and the other data, as if it had to separate exceptional items from the standard performance.

6. 1867-1870: Statement of accounts

The period 1867-1870 presents various and different issues from historical and economic points of view.

The unification of Italy implied the unification of the preceding Cassa. The consolidation of local accounts has to be included in a broader project of measuring the total financial position of the Italian Kingdom: the so-called «Gran Libro del debito pubblico del Regno». The investigation made by the Italian State was modelled on what happened in other jurisdictional contexts, which presented similar issues, showing a significant sensitivity to learn from predetermined circumstances³.

In this context, the matters the CDP has to face with are similar to most of Public administrations' problems.

Through these operations, the Italian State had to cope with a set of complex operations, such as the unification of local Italian States' public debts, the transmission of loan operations from local states to the national one, the union of different debt categories in more homogeneous classes.

After the unification of Italy, the CDP began working as a single administrative party. Notwithstanding this, the accounts remained largely separate until 1866, when the Cassa manages to give itself an autonomous structure.

On 6th March 1868, the Cassa's directors expose the first unified statement of accounts to the Commission, according to articles 19 and 37 of the Regulation approved by Royal Decree on 25th August 1863. At this date, they illustrate the statement of accounts concerning the period 1863-1866, including old accounts (*vecchie scritture*) and part of the new unified accountancy.

In 1866 the Cassa seems to begin to follow its «normal path», but it faced further pragmatic problems which again made impossible to keep a single set of accounts.

The pragmatic problems in unifying local accounts in a single set arose, on the one hand, from the difficulties inherent the unification of different accounts, and on the other, from the still fragile working of the *new* State. Moreover, this difficulty entailed further concerns, since the Regulation required some operations to be performed only by the Central Cassa⁴.

These circumstances were not substantially modified until 1870, when Act 5784 of 1870 abolished the Cassas of Milan, Naples, Palermo and Turin and the huge mass of archives moved to Florence, then capital of Italy.

³ With reference to this Nigra stressed out that: «Le disposizioni, che regolano il nuovo Gran Libro del debito pubblico del regno, sono il risultato degli studi teorici e pratici fatti da più Commissioni governative, dal Ministro delle Finanze, e dalle Commissioni parlamentari sulle legislazioni comparate dei cessati Stati d'Italia, non che sulle legislazioni estere di Francia, del Belgio e d'Inghilterra. Esse formano il compendio eclettico dei principii e delle norme, che si ravvisarono più conformi alle condizioni attuali dei tempi e delle cose, non che a quelle del pubblico credito, e che si ritennero nella loro economia meglio atte a semplificare le forme e le discipline della Pubblica Amministrazione, senza scemare le guarentigie assicurate ai creditori dello Stato, e portar nocumento agl'interessi della Finanza.». See: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza sulle gestioni degli anni 1867 a tutto il 1870*, p.4.

⁴ The art.34 of the Act istitutive of the Cassa required, for instance, that the operations depending from military subrogation had to be kept in a single account maintained at the central Cassa; the Military Service should have forwarded its requests to the central Cassa. See: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza sulle gestioni degli anni 1867 a tutto il 1870*.

Another delay was caused by the fact that the old Cassa of Florence, in addition to having to discharge old accounts, now had to unify and conform new book-keepings to the administrative rules in force.

At the same time the Commission checked the administration for the period 1863-1868. The Treasurer's partial management from 1st October 1863 until the period 1866 was approved by as many declaratory judgments as there were local Cassas. The period 1867-1870 should have been closed each year on 30th September and the relating statement of accounts should have been drawn up during the following three months.

The Cassa's administration decided to comply with art.17 of the new CDP's Regulation approved by Royal Decree 5943 of 8th August 1870, also in order to comply with the requirements included in art.23 of Act 5026 of 1869 concerning the administration and the general accountancy of the State.

The management of the CDP kept a separate accounting (*contabilità separata*) for each service.

The beginning of 1867 represents the first moment from which the Cassa's accounts are judged and supervised as a single set. On 1st January 1867, the combined accounts of Florence, Milan, Naples, Palermo and Turin showed a credit of £. 75,721,380 and a debt of £ 72,004,477. The difference of £.3,716,903 was the net income gained by the local Cassas during the period from 1st October 1863 to 31st December 1866⁵.

The financial reporting and the applied accounting model seem to be more progressive than before.

The cash inflows and outflows are set out for each year and with reference to the period 1863-1870, providing the reader the capacity to analyse the current trend.

The Cassa operated an examination of the main categories comprising its loans and investments.

Some legislative interventions help to explain and justify specific cash flows. Art. 8 of Act 1863 and art. 27 of Regulation of the 1870 prescribed, for instance, that some categories of investors could make deposits only in the CDP. It is not surprising, then, that the cash flows inherent in the monetary deposits tripled during the past 4 periods (from £. 22,270,000 in 1867 to £. 65,806,000 in 1870) and that the number of accounts opened in this period due to mandatory deposits (41,052) exceeds the number of accounts opened for voluntary deposits (710), even though their pertinent amounts are similar⁶.

The «depositi per effetti pubblici» (deposits for public operations) are another category directly recognised by the Act institutive of the CDP and are voluntary deposit, except whereas required by law. The depositor had to pay an annual tax peer to the 1/1000 of their face value.

As far as loans are concerned, the Act of 17th May 1863 specified that the deposited amount had to be used in loans to Province (Town), Comuni (Municipality), Charity organizations, or in order to acquire buildings for public utilities and to extinguish onerous debts. The loans followed a due process before being granted: they had to be declared by the Board of directors of the CDP, approved by the Minister of the Finance and authorised by Royal Decree.

The loans declared by the CDP on 1st January amounted to £.28,000,431 and it is interesting to stress that the Cassa of Florence granted at that time more than 40% of the comprehensive number of loans. The interest rates are quite high (5 ½% for the period

⁵ See: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza sulle gestioni degli anni 1867 a tutto il 1870*, p.9.

⁶ This is due to the fact that the judicial deposits which represented the most of recordings were legally composed by limited deposits under a quantitative aspect.

1863-1866 and 6% for the period 1867-1870), but the loans increased; a symptom that during the post-unification period Italian local governments passed through an important reconstruction phase and immediately tried to conform their infrastructures to a broader economic reality and businesses without political barriers.

Much attention was given to the administrative expenses (£. 1,861,831), which result less than 1/20 respect to the single Cassa' budgets.

Also significant is the examination of the Profit and Loss Account (*Conto profitti e perdite*), which has, in this context, the role of balancing the components of assets and liabilities⁷. The *Conto profitti e perdite*, even if its denomination evokes the consideration of economic accounts, in substance, embodies monetary elements and the book-keeping is not based on the double entry model.

The Cassa presents, among the other statements, real opening balance sheets, even if the predefined accounting system is not based, as said, on the double entry model.

The disclosure illustrates not only the financial situation, so that fixed assets or other assets are not recorded on the basis of chance evaluation techniques, but it is oriented to show the financial accounts at the opening dates. The value are not accrual basis, because the elements are, as cited, monetary. These statements appear particularly clear above all for the illustration of the financial pending circumstances (accounts receivables and payables) existing at the opening date.

7. 1890: Statement of accounts

The study of the CDP's financial statements for 1890 is very interesting, as it embodies and presents a set of important strategic and accounting innovations to modify the CDP's operations and book-keeping⁸.

Above all, it is important to underline that the period investigated by the *Alta Commissione* does not coincide with the solar year but concerns the period from 1st July to 30th June of the subsequent year. In this specific circumstance, it covers the period 1st July 1890 - 30 June 1891. This requirement entails some technical complications due to the calculation of interest, normally based on the solar year. For supervision purposes only, the Cassa had to re-measure these accrued income and expense interests. The data we analysed are referred to the solar year 1890.

Art.26 of Regulation 2802 of 9th December 1875 distinguished between mandatory (*obbligatori*) and voluntary (*volontari*) deposits: the first are divided into judicial deposits (*depositi giudiziali*), administrative deposits (*depositi amministrativi*), guarantee deposits (*depositi cauzionali*) and redeemable deposits (*depositi di*

⁷ The *Conto profitti e perdite* «... bilancia le risultanze attive e passive ottenute dalle Cassas nell'amministrazione dei capitali versati e nel reinvestimento dei medesimi in prestiti ed altri impieghi. E così ne formano elemento – gli interessi attivi e passivi, - la tassa di custodia per gli effetti pubblici depositati, - le differenze in più o in meno nella contrattazione della pubblica rendita, i carichi speciali e le spese di amministrazione.» Si veda: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza sulle gestioni degli anni 1867 a tutto il 1870*, p.52.

⁸ Among the other requirements concerning the CDP and come in force in the period 1870-1890:

- Regulations approved by the Royal Decree n. 2802 of the 9th December 1875;
- Act 2016 of the 17th February 1884 and relating the Decree 3074 of the 4th May 1885 concerning the national government accounting;
- Royal decree 2055 of the 23th August 1874, concerning the del Monte di Pietà;
- Act 314 of the 7th April 1881, istitutive of the Cassa delle pensioni civili e militari;
- Royal Decree 3559 of the 6th December 1885, as far as the loan to the Associazione della Croce Rossa Italiana;
- Royal Decree 6279 of the 14th July 1889 concerning the abolished Cassa militare's writing off.

affrancazione). The others are made to invest money received from single citizens, moral entities or public administrations.

The standard interest rate received from the Cassa in 1890 is of 3.318% before tax. The adoption of available funds was greatly modified during these years to focus on local governments.

Figure 2 – Relationship between Cassa and Local Governments at the 1890

Somministrazione di prestiti concessi a provincie, comuni e loro consorzi.....	L. 28,710,846.01
Acquisto di rendita consolidata e conversione in rendita di assegni provvisori, al netto delle cessioni e dei sorteggi	» 376,783.90
Versamenti in conto corrente col Tesoro dello Stato, al netto dei prelevamenti.....»	7,107,478.81
	L. 36,195,108.72

Source: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza per l'anno 1890*, p.XXXII.

The Cassa went on its investment operations in interest-bearing activities, even if it began undertaking transactions closely linked to its institutional profile. The account receivable in the Treasury's current account for the payment due to local governments represented a clear example.

This is the first examined statement of accounts including the management of post-office savings bank kept at the CDP.

As mentioned before, the Cassa was subject to further onerous operations to reorganise other public institutes. The statement of accounts illustrated a synthetic and interesting accounting liquidation statement regarding the Monte di Pietà di Roma (from 1883 to that date), and a statement of the Cassa militare's writing-off.

The «situazione generale di tutte le attività e le passività» (general position of assets and liabilities) presented schematically the financial position of the separate accounts kept by the CDP and, thanks to the surplus of assets on liabilities, discloses the Cassa's equity.

Figure 3 Situazione generale al 30 giugno 1891 di tutte le attività e passività della Cassa dei Depositi e Prestiti e delle Aziende annesse

	ATTIVITA'	PASSIVITA'	PATRIMONI	
			ATTIVI	PASSIVI
Cassa dei depositi e prestiti – Totali delle attività e delle passività al 30 giugno 1891, risultanti dal primo prospetto del rendiconto principale.....L.	1,411,671,410.67	1,407,206,228.37		
Deduzione di tutte le partite riflettenti le gestioni annesse alla Cassa, e distinte sotto i numeri 18,19 e 20 (attivo) e 31, 32, 33, 24 e 35 (passivo) del primo prospetto suindicato, in complesso...»	395,196,055.04	395,196,055.04		
Rimangono le attività e passività della Cassa dei depositi e prestiti propriamente dette al 30 giugno 1891, inL	1,016,475,355.63	1,012,010,173.33	4,465,182,30	»
Servizio delle affrancazioni di canoni, censi ed altre prestazioni.....»	7,181,259.19	7,106,480.90	74,778.29	»
Cassas di risparmio postali »	347,776,329.65	335,912,049.39	11,864,280.26	»
Liquidazione di amministrazione provvisoria del Monte di pietà di Roma »	5,408,810.79	20,115,978.78	»	14,707,167.99
Monte pensioni degli insegnanti nelle scuole pubbliche elementari »	34,932,076.09	3,671,925.28	31,260,150.81	»
Gestione del fondo per l'ammortizzazione del prestito a premi della Croce Rossa Italiana.....»	8,933,181.41	8,708,716.33	224,465.08	»
Stralcio della soppressa Cassa militare.....»	17,358,832.35	17,891,548.50	»	532,716.15
L.	1,438,065,845.11	1,405,416,872.51		
Cassa delle pensioni civili e militari: Pel rame delle pensioni nuove »	6,333,393.34	1,521,441.05	4,811,952.29	»
Capitali attivi e passivi amministrati dalla Cassa depositi e prestiti al 30 giugno 1891.....L.	1,444,399,238.45	1,406,933,313.56		
Patrimoni amministrati dalla Cassa dei depositi e prestiti al 30 giugno 1891.....L.			52,700,809.03	15,239,884.14
PATRIMONIO NETTO			37,460,924.89	

Source: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza per l'anno 1890*, p. XLVI.

The report underlines and explains the content of specific category of cash inflows and cash outflows, the pertinent balance (L. 1,598,622), the subsequent path taking from the gross income to the net income, after deduction of the amount due to the *imposta di ricchezza mobile* (13.57884%).

8. 1910: Statement of accounts

The Kingdom of Italy is at this date a State with a unitary economic strategy and the Cassa attends national events and circumstances, trying to perform its social function and to support the development ⁹.

The standard interest rate on deposits was of 2.48%. The collection of deposits rose with respect to previous years (+ 1652), even if the deposited amount decreased (- L. 38,938,796). Moreover, the Italian State was more indebted than in the past to the CDP owing to the construction of a set of relevant public works (hospitals, railways and roads).

We have to observe that the accounting system moves from a monetary basis of accounting to a financial basis of accounting (*competenza finanziaria*), so that the accounting for cash inflows and outflows and their pending situations (*gestioni in conto competenza e in conto residui*) are kept separately.

The CDP paid L. 3,339,829 to build its own central office, whose construction was completed in the 1910. This building represented a significant investment, given that the equity of the same year amounted to L. 14,947,000.

Figure 4 – Cassa’s overall financial position at the 1910

La Cassa depositi e prestiti al 31 dicembre 1910 aveva una situazione economica come segue:	
Attività.....	L. 3,587,195,296.50
Passività.....	” 3,572,248,295.65
Attività nette	L. 14,947,000.85

Source: Amministrazione della Cassa dei Depositi e dei prestiti, *Relazione alla Commissione di vigilanza per l'anno 1910*, p. 38.

The general financial situation on 31st December shows that most of the cash flow is due to the post-office savings banks, which was around 35% of the total assets, and to the «Sezione autonoma del credito comunale e provinciale», representing around the 21% of the total assets. The only negative performance was due to the Cassa militare’s writing-off.

9. Conclusions

Finally, since this is an International Workshop, we should mention some other European agencies of Public Administration, which are similar to the CDP:

- the Kommunekredit in Denmark;
- the Municipality Finance in Finland ;
- the Kommunalbanken in Norway;
- the Kommuninvest in Sweden;

All these agencies are constituted by law and their capitals are totally public of the State and/or of local authorities.

⁹ In this view, the exemption from tax and surtax (Royal Decree 58 of the 6th February 1910) and the facilitations (Act 466 of the 13th July 1910) granted to the local governments damaged by the earthquake.

The basic activity of these agencies is lending to local authorities to support local public investment with a lower rate of interest. Funds are raised by issuing bonds in the principal credit markets to small savers and to institutional investors.

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