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Open Review of Management, Banking and Finance

«They say things are happening at the border, but nobody knows which border» (Mark Strand)

Raffaele Mattioli: a european banker

by **Mirella Pellegrini**

Abtract: *This paper reflects a speech held on a day of celebration held in memory of one great and an enlightened banker: Raffaele Mattioli. The key elements of Raffaele Mattioli's ideological iter needs to be replaced in context of the time, with specific reference to the types of subjects operating in the banking sector. This highlights that the modernity of banker Mattioli precludes the changes that our financial system will know from the nineties onwards.*

1. I would like to begin by thanking *Professor Calamanti* and the *University of Pisa* for wanting me to be with them on a day of celebration held in memory of one great and an enlightened banker. He studied the financial events of his time drawing from them his inspiration to understand the role played by the financial intermediaries in the development of the economic system.

My gratitude is also connected to a very personal memory of my first paper on the bank-industry relationship, published in 1990. At that time, I had the chance to approach Raffaele Mattioli's thought and get inspired by it. This helped me to interpret the profound changes that our financial system has undergone, starting from the acceleration of the Europeanization process after the Second EEC Directive (n. 1989/646) was enacted.

2. As Andrea Calamanti stresses in the introductory pages of the book we are presenting today, the key elements of Raffaele Mattioli's ideological *iter* needs to be replaced in context of the time, with specific reference to the types of subjects operating in the banking sector. The financial system was characterized by the figure of the so-called '*mixed bank*' which provides funding both *directly* thought credit grants and *indirectly*with the acquisition of stakes in the capital of companies in need. Moreover, at that time, banking activities knew no operative coordination between short and medium/long term operations, with the obvious consequence that the funds collected in the short run were often used in long term transactions.

Retracing the steps of the weighty presence of Mattioli in the banking sector, we know that, a few years after his hiring in COMIT, he experiences the great crisis of 1930/31, dealing "successfully" with the rescue of his bank and its difficult change from mixed to ordinary bank. Mattioli is aware of the difference between providing shareholders' equity and engaging in banking activities; therefore, in the complex historical phase which is the transformation of the banking system experienced in the years immediately following the great crisis of '29/30, he knows well which are the dangers of the lack of separation between banking and industry.

It's very clear how he defined this historical moment of the banking system, brilliantly summarized in the sad expression *"Siamese brotherhood"* regarding the aforementioned relationship between banks and industry. For years I've been quoting this formula during my lectures at LUISS because this allows the identification of the intrinsic limitations (which we could call 'insane implications') of the banking system at that time, which will characterize our country until the mid-thirties of the past century[1].

In short, Mattioli fully understands the limits of the above-mentioned operating model focused – as I pointed out – on both loans granted to the companies (which lack appropriate financial resources) and stakes in the capital of such firms; this explains the operational criterion at the base of his *agere* and, therefore, the *fil rouge* of an increasingly rigorous action on the ethical and highly professional level, as well as the foresight of his choices, always based on a deep humanistic culture. All these things make him a banker of great lineage, a sort of *ante litteram* European Banker, if this expression is about the ability to rationalise the processes correlating the adequacy of the means to the complexity of the goals to be pursued.

Therefore, Mattioli adheres to the '*pure bank'* model introduced by the Banking Act of 1936. He however acknowledge its limits to be identified in the relation with a bank typology focused on the strict separation between companies and banks. Such organizational formula will reveal its limits when, facing the onset (in the mid-70s of the twentieth century) of possible special credit institution crisis (famously devoted to long-term operability) – due to an inadequate flow of funds – the supervisory authorities will adopt the well-known *double intermediation mechanism* in order to avoid systemic imbalances in the banking sector and ensure stability to the economy. Further restraints come from the obstacles arising from the savers'/investors' option for short-term operative forms, intended obviously for the banks, which limited the supply of funds by the special credit institutions.

This dual credit brokerage mechanism (doppia intermediazione creditizia)[2] – theorized by Governor Paolo Baffi in the Bank of Italy report for the year 1975 – reaffirms – albeit late in relation to the ideological construction of Mattioli – the need to reconnect a healthy functionality of the banking system to the quality of the credit and the risks undertaken; operational technique that "our" banker duly considered in order to ensure the bank's dynamic solvency. In this situation are also placed the subsequent developments of the banking regulation of our country which, in the years following Mattioli's death, will live a season of particular growth driven by the inputs from other European systems and above all the German one, characterized by the Renan model of the universal bank.

Indeed, the need to reach a separation between bank and industry in our system has been, for a long time, a pretext for banking stability, maintained even after the Consolidated Law on Banking (so-called 'TUB') was adopted in 1993, when the mechanism of a structural supervision was overcome and particular attention was paid to the prudential rules which, as it is well known, refer to the guarantee function of the bank's capital[3] and the ways to preserve it.

Only recently, as a result of the unique indications of the EU regulator (oriented towards the criteria of an increased competition and liberalization) we have come to the elimination of a separation built in particularly rigid conditions according to which the members of the industrial sector where prevented from being present in the capital of banks in measures of 15% (art.19 TUB)[4].

Another significant aspect of Mattioli's work is the special attention he paid to the need to contain risks, not only by restricting the participation of non-financial firms to the capital of banks but also by avoiding forms of risk concentration, ensuring a continuous monitoring of the creditworthiness of borrowers. This is a vision of particular opening to the market; free from any political or external influence. We will need to wait for the issuance of the 1993's TUB to enshrine the principle of 'safe and found' management at a legislative level, a core principle that puts together risk aversion (that must inspire banks) and the need to correlate credit provision to the borrowers' capacity to repay their debts. That's a conduct paradigm repeatedly quoted by Mattioli as he was concerned with safeguarding the solvency of the bank – guaranteeing the return of credit lines by the beneficiaries – as a prerequisite for any development opportunity.

In fewer words Mattioli, in a correct evaluation of the financial activity, proposes its configuration in an objective manner, consistent with the merit of the beneficiaries of the credit lines. All that said, it is doubtful that we can consider Mattioli a modern banker who has always worked taking into account the rule of safe and sound management, a rule not yet written in Mattioli's historical times and which – as said – will find acceptance only a few decades after his death in art. 5 of the TUB.

3. It is clear how the modernity of banker Mattioli precludes the changes that our financial system will know from the nineties onwards. He is, however, well aware that excessively constraining supervisory rules can create a system that impedes growth and hinders the overcoming of the financial gap in which our country has long been, especially if compared to to other European countries. On this matter, certain considerations made (since the time of his death) by Governor Ciampi (in 1984 at a conference in Livorno) and by an historian of the Bank of Italy Piero Ciocca at the beginning of this millennium appear to be particularly significant[5].

It should be noted, however, that Mattioli's teaching in the Italian financial system has not been fully understood: the need for a better representation of the credit analysis, of the predisposition of indices to calculate the limits of bank loans issuance, did not find a suitable response to operational realities, as it is evidenced by the crisis events that have sadly characterized the latest periods of our financial sector, not yet overcome (also because of geo-economic and geopolitical complications) (see. Tancredi Bianchi, p. 119). It is true that Mattioli knows and regards a financial sector characterized by family capital and a market of employment mainly consisting in small and medium-sized companies. It is true that when he lives and operates, finance has not yet reached that self-referential character that has been recorded over the last twenty years, so they have increasingly found within it speculation patterns often resulted into derivative financial products whose dissemination (and I would say explosion) occurred only from the nineties. It is equally true that Mattioli understands the relationship between financial credit (intermediaries)/ credit capacity (businesses)/ growth of the economic system; relation that is exactly based on management equilibria, adequate own funds , selection of business deals and technical appraisals based on trust decisions. Current times, of course, represent a reality far different from that known by our author. The crisis has put the stability of banks to the test, causing a dangerous growth of deteriorated loans and therefore the same ability to continue to be present on the market by a number of creditors.

The well-known changes occurring at a European level since the last few years have introduced a new architecture of the EU financial system involving authorities that supervise the banking (EBA), the financial (ESMA) and the insurance and pension sector (EIOPA). This institutional framework is completed by a further authorities competent for macro-prudential risks (CERS)[6].

The systemic view of the financial system has therefore changed, and recently, following the establishment of the European Banking Union , witnessed the introduction of special supervisory (SSM) and resolution (SRM) mechanisms. The powers of policy makers and the ECB itself, now also a direct supervisory body for significant banks, have changed.

Financial activity itself is nowadays oriented towards a different direction from the past: intermediation is evolving and considerable chances are occurring in insurance companies (which have recently been authorized to provide credit), or in mutual funds to which the market players' seem to be mostly interested for the management of large amounts of non-performing loans (NPLs) that worsens the banks' financial position by requiring them to recover the existing growth paths in the a pre-crisis period.

This is a new world compared to that known in the second half of the fifties by Mattioli; a world that *prima facie* could be considered far from his teachings. Nevertheless, some of the fundamental indications that he adopted remain: supporting the weak parties of the system, using operational schemes that promptly lead to appropriate solutions in the event of a crisis; preserve the bank with its role of promoter of initiatives and, more generally, of substitute for a malfunctioning political system which, due to its instability, delays the recovery of the economic development process and leaves room for disruption factors not only political (such as rampant populism and the inability to identify suitable pathways for a more coherent and more solidaristic policy). Teachings that all contain palpitating modernity for economics law scholars who are faced with what my Teacher, prof. Francesco Capriglione, recently defined in his book 'La nuova finanza', which has to deal with rules of European origin not always consistent with the development goals advocated from far away times by Mattioli[7]; Rules that often exalt market logic by pushing it beyond its natural boundaries, as it seems to have happened introducing the resolution procedure for banks in crisis and, in particular, the bail-in mechanism that, apart from justified doubts about constitutionality on its admission, overrides fundamental rules such as *par condicio creditorum*[8].

These are the neuralgic aspects of Raffaele Mattioli's thoughts, to which Andrea Calamanti rightly relies on for the conclusion of the volume that we introduce today. Aspects that identify the most important contribution that Raffaele Mattioli has given to the theory of financial intermediation. And for this reason we thank him.

References

[1]See TONIOLO, *L'economia dell'Italia fascista*, Roma-Bari, 1980, passim.; CAPRIGLIONE, *Intervento pubblico e ordinamento del credito*, Milano, 1978.

[2]See ADDIS, *Banca d'Italia e politica monetaria: la riallocazione del potere fra Stato, Mercato e Banca centrale*, in *Stato e mercato, n.* 19 april 1987, p. 73 ff.; PELLEGRINI, *Banca centrale nazionale e Unione Monetaria Europea: il caso italiano*, Bari, 2003.

[3]See SUPINO, *Soggettività bancaria, assetti patrimoniali, regole prudenziali*, Torino, 2017.

[4]See BOCCUZZI, *Gli assetti proprietari delle banche. Regole e controlli*, Torino, 2010.

[5]See CIOCCA, *La nuova finanza in Italia. Una difficile metamorfosi (1980 – 2000)*, Torino, 2000.

[6]See PELLEGRINI, *L'architettura di vertice dell'ordinamento finanziario europeo: funzioni e limiti della supervisione,* in Riv. trim. dir. econ., n.2, 2012, p. 52 ff.

[7]See CAPRIGLIONE, *Nuova finanza e sistema italiana*, Torino, 2016; TANCREDI BIANCHI, *Complicazioni inutili. Banche e pensioni: l'arte di rendere difficile il possibile*, Milano, 2016, p.117 ff., where he highlights that the personal capitals of the banks "are an economic management strategic quantity and "not, mainly, a cushion for possible losses" (p. 118).

[8]See LENER, *Profili problematici del bail-in*, speech at the conference 'La gestione delle crisi bancarie e l'assicurazione dei depositi nel quadro dell'unione bancaria europea', organized by the FITD, held in Rome the 22nd of January 2017; CAPRIGLIONE, *L'Europa e le banche. Le incertezze del sistema italiano,* in apertacontrada.it, 6/3/2017.

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