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ACCOUNTING SYSTEMS OF NEAPOLITAN PUBLIC BANKS IN THE 17th AND 18th CENTURIES

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1. The *fede di credito* (certificate of credit)

The origin and the development of Neapolitan public banks¹ are linked to the expansion of the *fede di credito*. Considered by authoritative literature as the birth certificate of Neapolitan public banks², the *fede di credito* was first a

¹The Neapolitan public banks were founded in the late XVIth century in the wake of the bankruptcies of the private bankers because of the deterioration of the economic situation along with the viceregal government's decisions on economic and monetary policies. The people, having to deal with practices by private bankers in many cases at the limit of fraudulence, if only not to keep the money at home, thought it might be better to entrust their savings to the secular charitable institutions that at the time were commencing their activity. The first institution was founded in 1570 by the *Monte di Pietà*, which started operations in Naples in 1539 and which for many lusters restricted its activities to loaning money upon pledge without interest. The money was collected from well-off and charitable people, and the operation was based on similar activities that were expanding across Italy from the second half of the XVIth century. Its total transformation into a bank occurred only in the late 1560s, when the government decided to assign to the title of credit, the *fede di credito*, which the bank consigned upon deposit of money, redeeming value in payments to the State and individuals. Based on the example of the *Monte della Pietà*, other charitable institutions asked for viceregal permission to open a public bank. In 1587 the *Casa Santa dell'Annunziata*, which comprised a hospital and a conservatory, was authorized to receive deposits and to issue *fede di credito*; in 1589 the administrators of the *Ospedale degli Incurabili* received authorization to open a bank that was named after *Santa Maria del Popolo*; in 1590 it was the turn of the *Banco dello Spirito Santo*, founded by the administrators of the homonymous *Casa Santa* that took care of poor girls born in morally corrupted environments; in 1591 the *S. Eligio* hospital received authorization to open a bank which adopted the same name; in 1597 the *Banco dei SS. Giacomo e Vittoria* started its banking activity upon initiative of the administrators of the homonymous hospital; in 1600 the *Monte dei Poveri*, which was founded in 1563 and was mainly involved in loaning money upon pledge without interest to prisoners, obtained authorization to accept deposits and issue *fede di credito*; finally, in 1640, the *Banco del SS. Salvatore* was founded - the only bank founded not with philanthropic intentions, but upon the initiative of the flour tax collectors to further profit from the tax revenues.

²R. TARALLO, *La fede di credito e il quarto centenario del Banco di Napoli*, Napoli, 1940, p.50.

handwritten and then, in mid-eighteenth century, a printed slip of paper in which one of the banks with its chirograph, emblem, stamp and seal declared as its creditor the depositor to whom the bank had to render the equivalent in money on request (the *tandundem* and not the *eadem res*). The *fede di credito* was a title that turned out to be very useful to the economy: from the second half of the sixteenth century it served as paper money, as it was accepted by the State in payments in its favor. Under this profile the Kingdom of Naples is one of the first European countries partially to replace metal money with paper money.

At first the *fede di credito* was a *fede di deposito* since it simply attested a deposit at a bank with which a relation of trust was essentially established: notice of the deposit was registered in the *Libro Maggiore* (general ledger), or *Mastro*, in which the individual accounts of each depositor were registered. However, the system did not lack risks as alterations could occur, betraying the good faith of the public and damaging the banks. For this reason steps were taken to represent the deposit with a bill (*polizza*), confirmed by signatures and stamps, stating the debt of the bank, and the credit of the drawer or possessor.

The *fedi di deposito* were divided into: *fedi di deposito giudiziario*, for deposits to be converted into cash only following an order of the magistrature; *fedi di deposito semplice*, for deposits to be rendered on request of the depositor; *fedi di deposito condizionate* or *vincolate*, for deposits to be liquidated at a certain date or at a certain condition.

When the endorsement was incorporated in the title of deposit, the title took the physiognomy of *fede di credito*: the client could cash it or, endorsing it, use it in commercial transactions. The endorsement was the same as making out a new *fede* to another subject. Furthermore, with the endorsement, the holder of the *fede* was able to satisfy his debts drawing bills (*polizze*) in favor of the creditor so that the possessor, or the endorsee, could demand payment upon presenting the title to the bank, with total or partial withdrawal. In the latter case a new *fede* was issued with the indication of the residual credit of the depositor. The original *fede di credito* changed thus into *madrefede*, the precursor of the present checking account, and the bills into *polizze notate fedi*, as the amount was written (*notate*) on the *fede*.

There was a substantial difference between *fede di credito* and *polizza*. The *fede di credito* was a title that the bank was obliged to convert into metal money to whoever presented it to the cashier's desk. The issuing bank was

therefore the only debtor and, as with paper money today, it was accepted as currency. Its consignment was a redemption of its debt. On the other hand, the *polizza* was an order issued on the bank, which committed itself to paying whoever presented it. This time the debtor was the individual who issued it to the satisfaction of a payment, while the bank was only obliged to cash it; the creditor, that is the individual who received it, always held the right to reimbursement from the issuer if the bank did not pay³.

On the *fede di credito*, *polizze* and *polizze notate fede* the amount to be paid and the date were indicated. The reason of the payment and the conditions to which they were linked could be specified as well. The title could be transferred by simple or conditioned endorsement. The latter guaranteed more authenticity compared to the one given by the acts of a public notary.

2. The causes of the development of Neapolitan public banks and the *fede di credito*

The technical characteristics of the *fede di credito* enounced so far do not explain the reason of the development of the title and therefore of the bank. At this point it is necessary to mention some historical circumstances.

The thrust in the development of the public banks was caused by the necessity to face two emergencies: monetary and public finances. In Ferdinando Galiani's opinion, famous Neapolitan economist in the second half of the eighteenth century, there had been three circumstances that had allowed the new credit institutions to establish themselves with their particular representative title: 1) the rarefaction of metal money because of the falsifications and shearings; 2) the so-called revolution of prices starting from the end of the sixteenth century; 3) the physical utility of not having to use metal money, so heavy and risky to carry, in commercial transactions, but light paper difficult to counterfeit⁴.

The physical utility of the *fede di credito* is understandable. The other aspects deserve more attention. The phenomenon of money rarefaction began to

³P. AJELLO, *I depositi, le fede di credito e le polizze dei Banchi di Napoli*, in «Il Filangieri», Napoli, 1882, p. 655. Generally the *polizze* were issued for amounts less than 10 ducats, while the *fede di credito* were issued for higher amounts.

⁴F. GALIANI, *Della moneta*, Napoli, Giuseppe Raimondi, 1750. Reprint of 1987 edited by G. DI NARDI on the occasion of the bicentennial of the author's death.

be noticed in Southern Italy in mid sixteenth century, when the shearing of money by filing and thinning was first object of complaints in various quarters. From 1565 onwards, the viceregal government repeatedly intervened in order to stop this fraud, reinforcing the control of ports and border passes so as to limit the illegal traffic of money and silver⁵. The rarefaction of metal money imposed the importation of precious metals to be coined. Between 1564 and 1567 great quantities of silver were brought into the Kingdom to be converted into money. But the money, as it was coined, left the Kingdom or was counterfeited. The money that left the Kingdom was diverted to Spain, which needed substantial financial means to sustain its wars or the exigencies of the Court; to Rome, because of the numerous revenues that the Papal State had in the Kingdom; to Genova, Florence and Venice, residence of those who had invested money in the Kingdom loaning it to the Court⁶.

The ever increasing importation of silver, and the consequent coining of metal currency starting from the late sixteenth century, did not solve the problem of the scarcity of money, which continued to be shorn and to leave the Kingdom, provoking alterations in the exchange rates as well⁷. It was therefore necessary to find a surrogate for the metal money, and the *fede di credito* fully satisfied that necessity.

With regard to the second cause mentioned by Galiani, the revolution of prices, it consisted of the inflationary process determined in Europe by the enormous quantities of silver imported from the new world. But in the Kingdom, inflation was augmented by the debt policy carried out by the Government to guarantee the participation of the Kingdom of Naples in the conflicts in which Spain was involved. To pay its creditors the State ceded state revenues, composed of taxes, excises and duties on the products exported or expended in the Kingdom⁸. Very often to offer guaranties to the creditors the State devised new

⁵L. DE ROSA, *Il Mezzogiorno spagnolo tra crescita e decadenza*, Milano, Il Saggiatore, A. Mondadori, 1987, p. 95.

⁶IBIDEM, pp. 101-102.

⁷L. DE ROSA, *I cambi esteri del Regno di Napoli dal 1591 al 1797*, Napoli, Arte Tipografica, 1955.

⁸These indirect taxes were commonly called *arrendamenti*. The numerous taxes on goods, besides being mostly sold by the State to cover its debts, were rarely managed by the State since it was preferred to transfer the collection of taxes to individuals on contract - the *arrendatori* - receiving in exchange an annual revenue. This was the so-called *sistema degli arrendamenti*, from the Spanish word *arrendar* = to rent, which expanded in Southern Italy the Spanish domination (1502-1706) and became over the years integrating part of the administration system of state revenues

taxes causing serious damage to the population, whose purchasing power was more and more reduced. However, the *fedi di credito* helped to resolve the problems of public finance in a few cases. The *fedi di credito* were overdrawn by the public banks to the benefit of the State: they were the so-called "involuntary" loans (*prestiti forzosi*)⁹ without having to turn to unpopular fiscal measures.

3. The accounting system of the Neapolitan public banks

As it happened in other types of firms both in the Kingdom of Naples and elsewhere in Italy, the administration of the Neapolitan public banks was formed by numerous and multiple operations that developed sequentially and incessantly. These operations were regularly recorded by employees¹⁰ who had very specific tasks based on the operation under consideration. These notifications, which had the purpose of recording all the operational phenomena of the bank, verifying them through systematic observation in order to control the acts of the bodies assigned to the specific functions, were registered in the accounting books. The accounting books of the Neapolitan public banks, at present stored in the Archivio Storico del Banco di Napoli, can be divided into two main categories: *scritture apodissarie* and *scritture patrimoniali*. The former concerns the relations that the banks held with their clients; the latter the management of the bank.

(for a reconstruction of the events of this institute see L. DE ROSA, *Studi sugli arrendamenti del Regno di Napoli*, Napoli, Arte Tipografica, 1958). The direct taxes in the Kingdom of Naples were the *fiscali* which were paid by family groups called *fuochi* (hearths), except the city of Naples, and the *adoe*, which were taxes paid by the vassal instead of military service.

⁹In practice the Viceroy first and then the Kings turned to the banks for interest-free loans of substantial amounts always for reasons of public necessity. Since most of the times they were unable to cover their debts, they remunerated the banks assigning them shares of the public debt, whose revenue was higher on the financial markets. Therefore the operation of involuntary loans turned into involuntary investments.

¹⁰On the structure and functions of the bank's personnel see P. AVALLONE, *Il personale dei banchi pubblici napoletani nella seconda metà del Settecento: struttura e funzioni*, in «Rassegna Economica», Banco di Napoli, Napoli, no. 3, July-September 1991.

3.1 The *scritture apodissarie*

Even though there were no legal obligations that imposed the banks to have particular accounting books, they could definitely not do without the *scritture apodissarie*, which testified the deposits collected by the bank¹¹: *libri maggiori dei creditori apodissari, pandette, giornali copiapolizze di banco e di cassa, libri maggiori delle polizze notate fedi*, along with *fedi di credito, polizze* and *mandati*.

The most important book was the *libro maggiore dei creditori apodissari*¹², a general ledger based on the double-entry book-keeping system, in which were recorded the accounts of those who had deposited metal money. Arranged in systematic order, each page of the ledger could hold one or more accounts, and the number of the page was also the number of the account; if one page was not sufficient for an account, it continued on the next page. The ledger was compiled based on the *libri d'introito e d'esito* (cashier's daybooks) which were arranged chronologically and filled in as the operations were carried out by the employees of the bank. The employees, an hour before closing the bank, brought the books to the office called *Ruota* where the operations were registered in the general ledger book. The accounts were arranged in opposite sections and presented as profit and loss accounts: in the Debit section all the operations with a negative sign, namely money withdrawals, were recorded, and in the Credit section all the operations with a positive sign, money deposits. In the Credit section, at the moment of the deposit, the type of deposit and the title received, the date of the operation, the modality of the deposit, cash or with *bancale* (credit documents)¹³, the number of the account of the endorser (in the case of giro accounts) and the amount deposited were recorded. In the Debit section the date of the withdrawal, the name of the endorsee to whom the *bancale* was paid, the number of the account of the endorsee (if the individual was a client of the bank and had his money deposited to his account) and the amount withdrawn were

¹¹The banks did not pay any interest to the depositors, neither did they apply any commissions on the deposit and withdrawal operations

¹²The word *apodissario*, as the deposit operation was called, comes from the Greek word ἀποδεικτικός = demonstrative, as the accounts and the books related to these deposits were arranged analytically (N. PALMIERI, *La fede di credito del Banco di Napoli*, Roma, 1905, p. 2).

¹³In the first case was written "per cassa" (through cashier) and in the second case the name of the endorser was written.

recorded. The difference between the total of the Debit and the Credit sections gave the position of the client: excess in the Credit section indicated the client's residual credit; excess in the Debit section his debt.

In addition to the accounts opened to depositors, the *libro maggiore* also had the cash accounts and accounts in the bank's name. The *conti cassa* were real accounts, and were divided into *cassa piccola* (small till) and *cassa maggiore* (big till). In the former were registered the daily transactions: in the Debit section the deposits and in the Credit the withdrawals. When the money in the small till (*cassa piccola*) exceeded the daily needs, a part of it was deposited in the *Tesoro*, the so-called big till (*cassa maggiore*). In this case the amount was recorded in the Debit column of the big till. When the small till needed money, it was withdrawn from the big till and recorded in the Credit column. The balance represented the money deposited in the *Tesoro*.

The accounts opened to the bank reflected the inside management of the bank, which appeared as a particular client which used the credit system to finance its operation costs: the buying and selling of property, granting loans at interest or loans at interest upon pledge, payments of interest on loans at interest or on loans received and loans upon pledge, personnel expenses and for all that was needed in daily activities, etc. Therefore the accounts operated in the same manner as regular client accounts. The various types of accounts were the following: *conto corrente*, *conto interesse dei pegni*, *conto compre e ricompre o di capitali*, *conto propriet  dei pegni con interesse*. The *conto corrente* collected all the actual deposits and the withdrawals: in Credit, the bank's revenue (interest upon pledge and loans at interest¹⁴, rent, disinvestment of money from loans upon pledge without interest regarding the activities of the *Banchi della Piet  e dei Poveri*¹⁵ (charity), revenue

¹⁴Any kind of loan at interest was prohibited by ecclesiastical and civil laws. However, the banks were able to avoid the obstacle through an anomalous contract formula: in practice, mortgage debt contracts took the form of buy-backs and the interest became the temporary transfer of revenue. If it was a loan at interest, it was called *compra di annue entrate*; if it was a loan to the bank, it was called *vendita di annue entrate*. In both cases the debtors and creditors were called *strumentari*, because the investment had to be confirmed by regular contract (*instrumento*). (E. TORTORA, *Il Banco di Napoli. Raccolta di documenti storici e statistici*, Napoli, Francesco Giannini & Figli, 1883, p. LXXVII).

¹⁵The Neapolitan public banks, after a deep economic and monetary crisis that involved them in the 1620s, received royal authorization to invest a certain amount of money in loans at interest upon pledge so as to cover the expenses for personnel with the matured interests. The objective of the government was to avoid that the banks could use the credit line in their tills in reckless expenses and find themselves in the condition of not being able to pay their own clients. The interest applied in this activity was 7% at the beginning, then it decreased to 6% in mid-eighteenth

from investments in public debt and other various revenues); the payments were recorded in the Debit column (salaries paid to employees, various administration costs, interest paid on loans, funds used in loans upon pledge without interest with regard to the two banks mentioned above, alms and general expenses for charity). In the Debit column of the bank's account, the withdrawals for loans at no interest to the City of Naples, to the Court, to important municipal institutions as hospitals, the Mint, etc. were recorded as well.

In the *conto interesse dei pegni* the interest collected on loans upon pledge were recorded in the Credit column; in the Debit column all the expenses related to the bank's personnel, which were partially recorded in the *conto corrente* mentioned above because of their onerousness. It was because of this that in the second half of eighteenth century they were merged into a single account, adopting the accounting characteristics of an ante litteram profit and loss account¹⁶.

Another important account was the *conto compre e ricompre* in which the deposits and withdrawals of capital, that is the investment operations of the funds, were registered. The payments for investments in public debt, acquisition of property, loans at interest and loans received were registered in the Debit column; the sums from disinvestment of capital and from loans granted to the bank were registered in the Credit column. The positive or negative sign of the balance of this account may be considered an index of the solidity of the bank in relation to the external economic environment. A positive balance could mean that the administrators of the bank had preferred to disinvest capital in order to have more liquid assets so as to be able to face eventual mass withdrawals caused by a negative economic situation¹⁷ or by widespread rumors of bad management of the bank¹⁸. A negative balance indicated a favorable economic situation or at least a positive future outlook. The bank had decided to risk not its own capital, but by

century, and the objects that could be pawned had to be precious. On the other hand, the loan upon pledge without interest distinguished the *Banco dei Poveri* and the *Banco della Pietà* from the other Neapolitan public banks. As a matter of fact they were the only two institutions that regularly carried out charitable deeds as similar institutions in other regions of the peninsula.

¹⁶P. AVALLONE, *Stato e banche pubblici a Napoli a metà del '700. Il Banco dei Poveri: una svolta*, Edizioni Scientifiche Italiane, Napoli, 1995, pp. 103-105.

¹⁷This is what happened in the *Banco dei Poveri* during the crisis of 1622, during which it was the only bank to save itself from bankruptcy disinvesting its money (L. DE ROSA, *Il Banco dei Poveri e la crisi del 1622*, in «Rassegna Economica», Banco di Napoli, Napoli, 1958).

¹⁸This situation occurred in 1691 in the *Banco dello Spirito Santo* because of the pilfering by the cashier, Pietro Monteforte.

investing part of the money deposited by its clients who, due to a positive economic moment, would never simultaneously withdraw the money from the bank.

The *conto proprietà dei pegni* summarized the flow of money for loans upon pledge at interest: in the Debit column the payments for the granting of loans, and in the Credit column the restitution of sums loaned or the revenue from the selling of objects pawned but never redeemed. The balance (always in the Debit column) therefore expressed the sum invested in loans upon pledge.

To find an account in the big ledger (*libro maggiore*) there was the *Pandetta*, which was basically an index book in which first the names and then the surnames of the clients were written. Divided into two parts, the first contained the most frequent names and therefore the most commonly used, namely the names that started with the letters A, F, G; the second part contained all the names that started with all the other letters. Every section of the *Pandetta* was in its turn divided and arranged alphabetically by surnames; then there was the number of the page of the big ledger in which the client's account was registered. Generally the names of the most important accounts, as the bank's own accounts, the Court, the *conti cassa* and others, were placed in the first pages of the *Pandetta*¹⁹.

When a *fede di credito* or a *polizza* was annulled because it was cashed in, it was strung with a metal pin on a cord that held thousands of them, and these hung from the ceiling to avoid that humidity, rain or mice could destroy them. Since these documents had probatory value in civil and penal court cases, the bank had to be ready to satisfy requests from the tribunal or clients. To avoid removing masses of documents, the bank copied all the *fedi di credito* and the *polizze* in the *libri giornali*. Arranged in chronological order, they were divided into *giornali di cassa, di banco* and *di mandati*. The titles paid in cash were registered in the first journal if their annulment took place with a disbursement of cash; in the second journal the titles not paid in cash but by transferring the money from the debtor's account to the creditor's, indicating the page number in the big ledger (*libro maggiore*), corresponding to the account of the endorser and the endorsee; in the last journal the orders for payment from administrations that had deposit accounts at the bank were registered²⁰.

¹⁹L. DE ROSA, *Inventario guida dell'Archivio Storico del Banco di Napoli*, in «Archivi Storici delle aziende di credito», vol. II, Roma, Associazione Bancaria Italiana, 1956, p.46.

²⁰M. ROCCO, *De' banchi di Napoli e della loro ragione*, II, pp. 149-151.

Finally, the *libro maggiore delle polizze notate fedi*, introduced in the second half of the eighteenth century, functioned as the general ledger of *apodissari* creditors, but it referred only to the payment orders regarding the *madrefedi*²¹.

3.2 Statements of assets and liabilities (*scritture patrimoniali*)

Also with regard to the book-keeping of assets the law did not oblige to have any kind of accounting books. However, all the banks usually kept journals as the *libro maggiore del patrimonio*, *libro maggiore di terze*, *volumi di conclusioni*, *di appuntamenti*, *di dispacci*, *di rappresentanze*.

In the *libro maggiore del patrimonio*, arranged in chronological order, accounts were opened in a descriptive manner to the passive and active categories of the bank's assets, and in the *libri maggiori di terze* all those accounts in which the revenues and the operating expenses of the bank were registered. Together they formed a modern general ledger. For a fast search of the accounts also in this case a *Pandetta* was used. The accounts were in divided sections and arranged on two pages which had the same number: in the left section the name of the account and the debit were registered; in the right section the credit. The *libro maggiore di terze* contained the accounts opened to creditors and debtors, expenses and revenues accounts, joint accounts and few others of various nature. The expenses and revenues accounts followed a single-phase system, while the joint accounts were two-phase. The final balances were then registered in the accounts opened to creditors and debtors: the *conto corrente*, the *conto interesse dei pegni*, the *conto compre e ricompre*, the same accounts opened in the general ledger of the *apodissari* creditors (*libro maggiore dei creditori apodissari*). But, since they were cash accounts, they functioned antithetically to those opened in the general ledger of *apodissari* creditors, in which the accounts were profit and loss accounts, having the same figures but in opposite sections.

Other not less important volumes were the conclusion volumes (*volumi di conclusioni*), also arranged in chronological order, in which the minutes of ordinary and extraordinary meetings of the management were transcribed; in the

²¹On the topic see P. AVALLONE, *Il personale dei banchi pubblici napoletani nella seconda metà del Settecento: struttura e funzioni*, cit., pp. 379-380.

appointment volumes (*volumi di appuntamenti*) the dispositions and instructions forwarded by the office of the *Razionalia*, that is the accounting office, were recorded; in the dispatch volumes (*volumi di dispacci*) the letters, the reports and memoranda from the Secretariats of the State were collected; the representation volumes (*volumi di rappresentanze*) contained the proposals and remonstrations forwarded by the banks to government authorities; finally, numerous uncollected papers of various nature²².

4. Control accounts (*Scritture riepilogative*)

From the very first years, twice a year at the end of July and December, the accounts in the general ledger of the *apodissari* accounts were balanced and closed. The operation was divided into two parts: the first, the closing of the accounts in the old ledger, was carried out by the *Razionale* and his assistants; the second, the reopening of the accounts in the new ledger, by the personnel responsible for the general ledger and the *Pandetta*. The *Razionale* and his assistants computed the balance of each account, except the accounts that had been definitely closed. A balance list of the creditors and debtors was compiled at the end of the ledger that was being closed, called "balance of the creditors and the debtors" or *bilancione*. From this balance, data concerning the reserve, the circulation, the overdrafts and the composition of the deposits could be obtained. The sum of the balances of the accounts in the big till and small till (*cassa maggiore e cassa piccola*) gives the amount of the reserve. However, not all the amount was ready money since there was always a considerable amount of *fedi di credito* or *polizze* of other banks to be redeemed, of gold and silver coins that had been deposited not as money but as pawned objects against loans²³, and which the banks often used anyway as irregular deposits in moments of limited assets in reserve²⁴.

²²P. AVALLONE, *L'organizzazione contabile dei Banchi pubblici napoletani tra XVI e XVIII secolo*, in *L'Impresa, Industria, Commercio, Banca (secc. XIII-XVIII)*, edited by S. CAVACIOCCHI, Istituto Internazionale di Storia Economica «F. Datini», Prato, 1991, p. 380.

²³Based on the well-known Gresham Law, that good money drives away bad money, even in the Kingdom of Naples the money that remained intact was generally treasured and exchanged as goods tout court.

²⁴P. AVALLONE, *Stato e banche pubbliche a Napoli a metà del'700. Il Banco dei Poveri: una svolta*, cit., pp. 121-132.

Among the categories considered as debt, in addition to the amounts of the *cassa piccola* and *cassa maggiore*, which represented the debt that the banks had towards their clients, there was the account relative to the total funds for loans upon pledge, as the banks used the deposits in their tills to loan money at interest upon pledge. Also the *conto compre e ricompre* was included when the investments were higher than the disinvestments. Starting in the eighteenth century, also the *conto interesse dei pegni* always recorded a negative balance since the banks, to face the ever increasing expenses for the personnel, withdrew money from the *apodissari* deposits.

Differently from the *apodissari* accounts, the annual accounts and the cash accounts were not regularly compiled, since the *scritture patrimoniali* in the double entry book-keeping system were not registered to know the total assets or the revenue, but to record the operational activities and to carry out controls, especially with regard to the collection of revenue. Some of these banks as the *Banco dei Poveri*, having expanded their activities, started to draw up annual budgets in order to set up the necessary means and to adopt those measures considered useful in obtaining more convenient results. These balances regarded the bank's assets, the projected revenue and expenses for the year, similar to the modern inventory and budget systems applied by non-profit organizations today. It is possible to find in the Archivio Storico del Banco di Napoli documents in which particular accounts opened in the assets ledger (*libri del patrimonio*) are summarized and which contains facts related to the bank's activities. Today these documents would commonly be called statistical data.

However, there were several banks, as the *Banco dello Spirito Santo*, which, to have a comprehensive view of the annual flow of revenues and expenses, compiled at the end of every year in the *libro maggiore di terze* (income from investments accrued three times a year) a summary account of debits and credits for the year, assimilable to a profit and loss account. In the *Banco dei Poveri* in mid-eighteenth century the *Razionale* compiled at the end of every year two other reports in addition to the *Bilancione*: assets and liabilities statement of the Casa and Banco, and the annual report on revenues and expenditure, based on the general ledger of assets and liabilities and on the *libri maggiori di terze*. Basically these two reports represented the current general statement of accounts or fiscal year balance statement made up of two parts: assets and liabilities statement and the general of profit and loss account. In practice the intended

purpose of the management of the *Banco dei Poveri* with regard to the reports mentioned above was to represent a form of inside control of the financial state of the bank and of the expenses and revenues of the fiscal year. To this end it is necessary to remember that the Neapolitan banks, not being profit-oriented institutions, did not distribute dividends at the end of the year, but the eventual positive balance was destined to charity.

Only in the 1760s, with the definitive intervention of the Government in the banking sector, was it imposed on the banks to present to the competent government offices a profit and loss statement, similar to what happens today

5. Final considerations

From this, even though concise, reconstruction of the banks' accounting system, it results that the system reflects the particular role carried out in the Neapolitan economy of the period, that is a role of central banks with credit substitute functions. The only factor that the accounting system of these banks had in common with the one of any other entrepreneur, as an artisan, a land-owning aristocrat, a merchant or banker, was the double-entry book-keeping system. It is likely that the Florentine, Venetian and Genoese merchants, who from the fourteenth century undertook numerous trade transactions in the Kingdom, brought along their accounting system. And there is no doubt that, as elsewhere in Europe²⁵, also in Naples appeared the *Tractatus de computis et scripturis*, part of the *Summa*, written in late fifteenth century by Luca Pacioli, considered the father of all treatises on accounting systems²⁶. It does not seem, however, that the accounting system of the banks captured the attention of scholars²⁷. Only in 1785

²⁵Copies of Pacioli's publication can be found in almost all major European libraries.

²⁶L. PACIOLI, *Summa de arithmetica, geometria, proportioni et proportionalità*, Paganino Paganini, Venezia, 1494.

²⁷Some scholars of the period, Neapolitan and other, extensively studied accounting, concentrating above all on the books family enterprises, merchant firms and monasteries. Only to mention a few: A. PIETRA, *Indirizzo degli economi o sia ordinatissima istruttione da regolatamente formare qualunque scrittura in un Libro doppio. Aggiuntovi l'esemplare di un Libro nobile col suo Giornale ad uso della Congregazione cassinese dell'Ordine di San Benedetto*, Mantova, per Francesco Osanna, 1586; L. FLORI, *Trattato del modo di tenere il libro doppio domestico col suo esemplare*, Palermo, Stampatore Decio Cirillo, 1636; B. VENTURI, *Della scrittura conteggianti di possessioni*, Firenze, Stamperia di Lando Landi, 1655; C. G. VERGANI, *Istruzione della scrittura doppia economica...*, Milano, Stamperia di Pietro Antonio Frigerio, 1738; IDEM, *Esemplare per la*

was a treatise on the accounting system of the Neapolitan banks written by an employee of the Banco dello Spirito Santo, Michele Rocco²⁸. A treatise considered up to today the only extensive study on the topic. Actually, a few years ago I was quite lucky to find at the British Library an anonymous manuscript dated 1764²⁹ which can be definitely considered the first treatise on the accounting system of Neapolitan public banks and which had probably been commissioned by the British government that had heard about the particular accounting system of the Neapolitan banks: this could lead to think of an eventual possibility of exportability of the Neapolitan model. Unfortunately, despite the work of Rocco and the British manuscript, studies on the accounting model of the Neapolitan public banks are still scarce while the subject lends itself to further research by scholars of History of Accounting, and perhaps it could also offer some indications on accounting and managerial models useful at the present time.

pratica della Scrittura doppia economica, Milano, presso C. Giuseppe Quinto Editore, 1741; T. D. BREGLIA, *L'idea dello scritturale, ovvero trattato della scrittura doppia baronale*, Napoli, nella Stamperia Muziana, 1751. The accounting system held by the Neapolitan banks had not attracted anyone's curiosity, even though the importance of their activities had had a great echo, so much so that today it is possible to find in Italian and foreign archives documents of the period in which these particular institutions, unique in their kind in Europe, are mentioned. See for instance the Archivio Storico del Banco di Napoli, Biblioteca, *De' stabilimenti di pubblica e privata utilità della inclita città di Napoli a S.R.M. Maria Carolina d'Austria Augusta Sovrana delle Sicilie*, anonymous and without date, pp. 86-104; Biblioteca Universitaria di Barcellona, Manuscriptos, *Brevissima descrizione della città di Napoli fatta nell'anno 1666*, vol. II, 464, pp. 296-302; Archivo Historico Nacional de Madrid, *Compendio de la forma del Gobierno presente militar, politico y economico de esta ciudad y reyno de Napoles*, years 1690-1693, Estado, book 1019d.

²⁸M. ROCCO, *De' Banchi di Napoli e della loro ragione*, Napoli, presso i fratelli Raimondi, 1785, voll. I-III.

²⁹British Library, *Notizie de' Banchi della città di Napoli*, add. 8679.

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