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Between Agnelli and Mussolini: Ford's unsuccessful attempt to penetrate the Italian automobile market in the interwar period

Pier Angelo Toninelli*

ABSTRACT. This article discusses one chapter of the interwar history of the Ford Motor Company in Europe rather neglected by historiography, namely its unsuccessful attempt to erect a solid base of operations in Italy. After WW1 the breaking into the Italian automobile market had been part of the Ford Motor Company's strategy of internationalization. It seemed to go well beyond the exploitation of an additional European market: possibly, its most interesting and promising aspect was the utilization of an Italian branch as a bridgehead into the Balkans, the East Mediterranean region, the Middle East and North-East Africa. At the beginning this strategy turned out successful. But when, in the late 1920s, the American Company tried to improve its position in the country – either through the establishment of an assembly plant or a joint venture with an Italian firm – it turned out impossible. Conventional wisdom about such a failure has underlined the persevering hostility of Fiat, already the main Italian car producer, backed by Mussolini's nationalistic economic policy. This was certainly the main cause. Yet, also on the Ford side some wavering and hesitation occurred. Therefore a few chances were missed: the most glamorous being an agreement, insofar totally neglected by historiography, with Fiat itself.

JEL Classification: N84, F23, N44, L62

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1. Introduction

Ford's interwar experience in Italy didn't receive much attention from historiography. A correct but synthetic description is offered in the 1964 volume on Ford abroad¹, whereas only three pages have been devoted to the pre-WW2 years in the chapter on Italy, in the recent book on Ford in Europe². This is not difficult to explain, actually. The Italian branch played just a minor part in the company's interwar multinational activity. Its story seems to have attracted attention less for its business and economic aspects than for its political implications: namely the juridical and institutional obstacles imposed from the fascist government in order to hamper Ford's expansion onto the Italian market.

Conversely, it is not surprising that the Ford issue found a deeper consideration in the historiography of the Italian automobile industry: more precisely, in the company histories of the two actors which directly interacted with Ford on those years - Fiat and Isotta Fraschini³. Both were deeply involved, although in different ways, in the economic policy of the regime.

With regard to the general history of the Ford Co., two key issues of its Italian interwar activity seem to emerge. First, the failure to penetrate steadily the Italian market, which ended up in its post 1930 *de facto* withdrawal. Before the Japanese delusion of the late Thirties, this was the only breakdown in the company's interwar multinational activity. Second, for the first time, Ford considered merging with a foreign company in order to strengthen her position and, actually, got very close to it. Therefore the Italian experience turned out quite original and showed two absolute novelties in the Ford history.

However, in my opinion, this story offers other motives of interest. The first is related to the quantitative dimension. One of the main contribution of this paper is the reconstruction of the series of the economic data concerning Ford Italia: a matter so far completely neglected by historiography⁴, as if the final negative outcome of its strategy of expansion in Italy had downsized the entire experience. As a consequence, attention has been given primarily to the political-institutional context of the 1929/1930 turn and to the difficulties that followed, almost completely forgetting the previous years. Yet that turn marked an evident change with respect

¹ M. Wilkins - F.E. Hill, *American business abroad. Ford on six continents*, Detroit, Wayne State University Press, 1964

² G. Volpato, "Ford in Italy. Commercial breakthroughs without industrial bridgeheads", in *Ford. The European History 1903-2003*, (ed. by H. Bonin, Y. Lung & S. Tolliday) Paris, Plage, Vol.2°.

³ V. Castronovo, *FIAT 1899-199. Un secolo di storia italiana*, Milano, Rizzoli, 1999; A.T. Anselmi, *Isotta Fraschini*, Segrate, Milani, 1977; F. Fauri, "The role of Fiat in the development of the Italian car industry in the 1950's", in *Business History Review*, 2, Summer, 1996

⁴ Volpato complains that there are no figures available for the import of foreign cars into Italy by make before 1950. Yet statistical data concerning Ford export to Italy can be reconstructed from a number of documents conserved in the Ford Archives, at the Betty Ford Research Center in Dearborn (hereafter BFRC).

to the rather promising expectations and the economic return of the previous years. If it were not so, what else could have explained the company's stubborn and continuous attempts to enlarge its presence on the Italian market?

A further problem tackled in the paper is related to the motives of the failure and of the following Ford's withdrawal. There is no question that the basic motive has to be searched for in the strong opposition exerted by Giovanni Agnelli, the Fiat's tycoon, who eventually was able to gain Mussolini's decisive support in order to defend the Italian market. However the archival records show that, at least in a couple of occasions, the Ford top management looked somehow wavering and ambivalent; or, better, not ready to go to the bottom of the matter, if this could lead to unexpected financial risk or menace the integrity of the company's authority. The really interesting case was the one concerning a possible combination with its very fierce opponent, Fiat. But the terms of the proposal prepared by Fiat were not accepted by the Ford men. Therefore they probably lost the last chance to set up a factory in Italy.

The paper is organized as follows. The next section is devoted to outline the general framework of the episode, the following one to the reconstruction of the quantitative dimension of the Ford's interwar activity in Italy, while the fourth section focuses on the Trieste years (1922-1930), i.e. on the heydays of its pre-war presence in the country. Section 5 discusses the failed attempt to erect there an assembly factory; section 6 analyzes the "Fiat affair"; section 7 dwells shortly on the last unsuccessful attempt to establish a combination with Isotta Fraschini. In the last section a few words of conclusion are offered.

2. *The framework*

A few observations on the interwar Italian market for automobiles can help in explaining the behaviour of the main protagonists of the story. First, all over the period, the demand of vehicles amounted to a fraction (between 1/6 and 1/10) of the British and the French ones, not to say of the American. This was primarily the obvious consequence of the more backward economy, which hardly marked some progress during the fascist regime. Yet there were also constraints specific to that market. In fact, beyond the fascist propaganda of the rapid motorization of the entire country, many obstacles hampered its growth: the want of adequate infrastructures, such as paved roads and gas stations; the high price of fuel, affected both by the absolute lack of hydrocarbons in the peninsula and by fiscal pressure⁵; and, most important, the towering price of the automobiles which averaged, in terms of real wage, twelve times the U.S price. Only to the first problem was given partial answer by the regime, with the construction of about 500 kilometres of toll

⁵ Gasoline was among the most expensive in the world, as it was the circulation tax of vehicles. See F. Amatori, *Impresa e mercato. Lancia 1906-1969*, Bologna, il Mulino, 1996, pp. 67 ff. ; Castronovo, op. cit. pp. 403-06.

highways. On the contrary, for at least a couple of decades, the 1926 creation of an oil state agency (Agip) didn't yield any effective benefit to the consumer.

A second point is related to the effects of the 1929 crisis. The following depression, as known, heavily affected the market of vehicles: more specifically, in the case of the Ford European activities, it slowed down the implementation of the development and reorganization plan prepared at the Dagenham headquarters prior to the crisis. So the Ford post-1931 growing disinterest for Italy was to be explained not only by the increased hostility encountered on the Italian market, but also by the severe difficulties affecting the international economy and, on the Ford's side, by the lack of efficacious strategies concerning the European market⁶.

Yet, the reverse side of the backwardness of the Italian market was its growth potential as compared to other industrialized countries and this could not but attract a dynamic company such as Ford, launched in her conquest of foreign markets. It appeared much so, especially in the 1921-1926 years, a period of growth of the Italian economy, favoured by a quite liberal economic policy: the national production of cars grew in those years from 15.230 to 63.800 units, a peak never to be surpassed until 1937; in the same period the number of circulating vehicles almost tripled⁷. Ford seemed eager to take advantage of such a situation as well as of a tariff which - while opposing import of finished units - didn't penalize too much knocked down parts. Its move anticipated the entry of Citroen (1924) and Mercedes Benz (1925) on the Italian market. Besides, in the early Twenties the supply structure of the sector, characterized - with the exception of Fiat - by a bunch of small-medium size firms, didn't seem to present actual barriers to entry⁸.

The paper will show that the interwar foreign direct investment of Ford in Italy corresponded mostly to the second category of motives envisaged in the taxonomy suggested by J.H. Dunning⁹, i.e. market seeking investment: it refers to initiatives usually set up in a country, once the previous commercial relations got hampered by tariffs or other obstacles. Besides, it will explain why and how Ford was forced to change her strategy, passing from a greenfield investment strategy to improbable schemes of joint-venture.

Unfortunately the paper cannot contribute much to the discussion about the functioning and the practice of US multinationals, such as for instance 'the transfer of national organizing principles of work' or the degree of Americanization affecting

⁶ S. Tolliday, "Transplanting the American Model? US Automobile Companies and the Transfer of Technology and Management to Britain, France and Germany", in J. Zeitlin & G. Herrigel, *Americanization and its Limits*, Oxford- New York, Oxford University Press, 2004², pp.76 ff.

⁷ Data are drawn from *Notiziario ANFIA, 1899-1990*, as presented in Archivio Storico Fiat, *Fiat: le fasi della crescita. Tempi e cifre dello sviluppo aziendale*, Torino, Paravia, 1996, tab. II.7 and II.8

⁸ Quantitative information on the sectoral structure of the Italian industry are drawn from the data set *Imita.db* (Archivio storico delle società per azioni italiane) in <http://imitadb.unisi.it/home.asp>

⁹ J.H. Dunning, *The Globalization of Business*, London, Routledge, 1993

the endogenous practices¹⁰. Nor it can provide much empirical support for testing the validity of the internalization theory of foreign direct investment, which explains the existence of multinational enterprise in terms of «some, possibly intangible, assets owned by these firms which compensate them for the higher costs implied by operating abroad»¹¹. The limited time-span of the Ford experience in Italy as well as the specific character of the foreign subsidiaries of the parent company - which at least up to 1928 acted essentially as assembly units and not as direct producers - would have already belittled the actual empirical contribution to the discussion. In addition, the unavailability of reliable yearly figures on employment in the Trieste factory suggests to discharge any attempt to recast in quantitative terms its confrontation vis-à-vis the other Italian car makers.

And yet, one can guess at least the high technical level of such an initiative from the blueprints of the Trieste lay-out, the records concerning its enlargement and the attached detailed comments. The Ford plant seemed to stand out among the other automobile factories, with the exception – possibly - of the Lingotto, just built by Fiat in Turin¹². It looks instead quite problematic to trace back to such an episode that sort of a laboratory experience of adapted Americanization experimented by the city and its surrounding during the 1945-1954 Anglo-American administration (the period of the Free Territory of Trieste)¹³.

3. *The quantitative dimension*

At the beginning, Ford's operations in Italy seemed to follow the same pattern pointed out by Steve Tolliday with regard to the company's expansion in Europe. According to him, this was characterized by a six stages taxonomy, the first three being referred to the pre-world war II period. The first one, before the First World War, saw Ford exporting directly to Europe. In the second, which developed in the 1920s, the expansion of activity led to the opening of assembly plants and to

¹⁰ B. Kogut, "National Organizing Principles of Work and the Erstwhile Dominance of the American Multinational Corporation" in *Industrial and Corporate Change*, 1,2, 1992; J. Zeitlin & G. Herrigel (eds.), *Americanization and its Limits*, Oxford-New York, Oxford University Press, 2004²; M.-L. Djelic, *Exporting the American Model. The Post-War Transformation of the American Business*, Oxford-New York, Oxford University Press 1998; H. G. Schröter, *Americanization of the European Economy: A Compact Survey of American Economic Influence in Europe since the 1880s*, Dordrecht: Springer, 2005

¹¹ L. Benfratello & A. Sembenelli, "Foreign ownership and productivity: Is the direction of causality so obvious?" in *International Journal of Industrial Organization*, 24, 2006, p. 735. The theory refers to the specific advantages mostly reconnected to the organizational and technological superiority of MNE as compared to local firms, that is, in other terms, to higher productivity. See f. e. G. Jones, *The Evolution of International Business. An Introduction*, London, Routledge, 1996; R. Caves, *Multinational Enterprises and Economic Analysis*, Cambridge, Cambridge University Press, 1996².

¹² D. Bigazzi, *Mass Production or 'Organized Craftsmanship'? The Post-War Italian Automobile Industry*, in J. Zeitlin & G. Herrigel (eds.), *Americanization*, cit. pp. 267 ff.

¹³ G. Mellinato & P.A. Toninelli, *Marshall allo specchio: l'ERP nel Territorio libero di Trieste* in A. Cova (a cura di) *Il dilemma dell'integrazione. L'inserimento dell'economia italiana nel sistema occidentale (1945-1957)*, Milano, Angeli, 2007, pp. 353 ff.

responsible and semiautonomous subsidiaries. In the third, from the late Twenties, Ford restructured all its European operations on the basis of regionalization plans, devolving primary responsibility for production and administration to British Ford. But this ambitious project had to reckon with the protectionist and/or autarchic moves of many European governments¹⁴.

The name of Henry Ford was well known in Italy almost since the beginning. Already in 1912 Giovanni Agnelli, the founder of Fiat, had made his first visit to Detroit to meet him and visit the plants at Highland Park. However, according to Volpato, the Ford Co. seems not to have been active in the country until 1913, when a head office (Direzione Generale Italiana) was established in Turin, in order to facilitate the imports of Ford vehicles into Italy. But it was during World War One that the large public became directly acquainted with the Ford make, as a large number of robust and well performing vehicles were operated by the Allies. At the end of the war, a great part of these vehicles remained in Italy. In the early twenties commercial agents of Ford began to spread over the country, to reach the number of about 250 by 1926¹⁵. At that moment, however, the Italian branch of the company had been already constituted.

Tolliday's second stage in Italy goes back to the early Twenties. Ford Motor Company d'Italia was incorporated in Trieste in January 1923¹⁶, a couple of months after the Italian government's authorization, which, as we will see, was quite hard to get. It operated a service plant¹⁷ which would perform the final assembly of semi-assembled - «knocked down» - parts shipped from the US. Ford's statistics concerning its international operations show that already in 1922 a Ford agent was active in town as, in that year, 1.732 vehicles and 139 tractors were delivered from

¹⁴ S. Tolliday, "The origins of Ford of Europe: from multidomestic to transnational corporation, 1903-1976" in *Ford. The European History*, cit., vol. 1, p.153

¹⁵ Volpato, op. cit., p. 452. Internal Company's sources, however, speak usually of about 150-200 dealers.

¹⁶ It had an initial paid-in capital of 500.000 Italian Liras. At first the three members of the board of directors were Edsel Ford, Alexander Lie and James J. Harrington. The last two were soon to be substituted by F. Thorton Cooper and Albert Byrnes. According to the article n.3 of its Association, «the Company has for object the manufacture, production, purchase sale and any other disposition, of all goods and all products, of all commerce concerning all products and manufacture goods, and other of any nature including automobiles, tractors and all other motor vehicles, aeroplane, dirigibles, boats of all kinds, apparatus, agricultural machines or appliances of all kinds, vehicles of all kinds and all other articles or objects, products or commercial merchandise, no matter whether they moved by their own force or otherwise and whether they are used on the earth, on the sea or the air, and all parts and accessories of these products, objects, materials, substances, solid or liquid, employed in their construction and usage». Archivio di Stato di Trieste (hereafter AST), Tribunale Commerciale e Marittimo in Trieste, *Registro RGB IV* pp. 22-23; AST, Prefettura, Atti generali, class. 5045, n. provv. 71, *Progetto di statuto per la Ford Motor Co. d'Italia.*

¹⁷ so it was defined by Perry in letter to Edsel Ford. BFRC, Accession 38, C. Sorensen Papers, Italy 1930, box 34: *Perry's report to E. Ford*, 10th Feb. 1930

there¹⁸. By the mid Twenties, the growing success called both for an enlargement of the Trieste plant and the upgrading of its operations to the entire assembling activity¹⁹. Such an upgrading was to occur in the third stage, i.e. at the end of the “American era”, when the European companies «were treated as branches of Detroit»²⁰.

In the Autumn 1928 a plan for the general reorganization of the European activities was approved: this would have brought them under the control of a new English corporation, the Ford Motor Co. Ltd, headed by sir Percival Perry. Ford of England would have acquired the majority of the capital shares of the nine European companies, whose 40% would have been offered to investors of each country, in order to meet their nationalist stances. Also the boards of the directors and the management, especially the middle management, were to have a national character. Yet Perry (as president), Charles Sorensen and Edsel Ford (as members of the board) would have been incumbent figures on each company²¹. Production would have been centralized in Manchester and Dagenham (once completed the new plant), whereas the empowering of the national assembly stations would have assured a steady throughput.

The reorganization in Trieste was never completed. For different reasons, according to Perry: first, being the Italian branch «the least important it was left until the last»; second, the location was reputed not to be anymore a «good location for Italian domestic business»; finally, «delay had arisen because of the attitudes of the Italian government»²². Yet, moves in the planned direction had been undertaken. Shares had been endorsed to the English corporation, although none had been acquired by Italian investors. The organizational structure was significantly changed: F.S. Thornill Cooper, a former military officer and long time resident in Trieste, where he had been acting as general manager of Ford Italia, moved to London to assist Perry in coordinating the European activities. He was substituted by Archibald Scott, from London; Perry joined Cooper in the Italian Board of

¹⁸ BFRC, Accession 916, International Sales Statistics, *Foreign Plants Deliveries to Dealers. 12 months 1922*. As a matter of fact according to App. 2 in Wilkins and Hill, op. cit., p. 435, reporting Ford's Automotive Foreign Operations, Ford assembly in Trieste started in 1922. The Company's house-organ, *Ford News*, in the issue of July 8, 1924 reported that the Italian branch had been established on December 1, 1922.

¹⁹ The good performance of Italian branch was confirmed by a report dispatched by the Trieste police headquarters to the city's Prefect and by this forwarded to the Minister of the National Economy: «Its [of Ford Italia] technical performance is admirable, its workers are well regimented and well remunerated and in the factory the most rigorous discipline predominates», AST, Prefettura, Atti Generali, class. 5045, n. provv. 71, Informativa del Questore alla Prefettura della provincia di Trieste, prot. 9729, Oggetto: *Ford Mo. Co. d'Italia, Informazioni*, Trieste 25.12.1925

²⁰ Tolliday, “The origins of Ford of Europe”, p.159

²¹ Wilkins and Hill, op. cit., pp. 192-97

²² *Perry to E.Ford*, 10th Feb. 1930, cit.,

Directors²³. Besides, in September 1929, Perry, Sorensen and Edsel Ford made an important decision: to move the plant from Trieste to Livorno (Leghorn), a town which was just recognized the status of Industrial Zone, in order to exploit the fiscal advantages that the new condition was offering²⁴.

However the reorganization of the Italian company along the foreseen lines was never to be completed. "Environmental" motives – as we will see – forced the Ford men to change their strategy and eventually to downplay their Italian adventure. At the beginning of 1931, the industrial activity was given up and Ford Italia was transformed into a Sale and Service Agency: cars were to be imported from Spain and tractors from Holland²⁵. Besides, «in view of the many difficulties that have occurred through the interference of the Italian Government» it was decided to hand over Istanbul the foreign territories still supplied by Trieste²⁶. As a consequence, the location in Trieste lost every appeal and the headquarters of the now much thinner company were transferred, first, to Genoa and, next (1932). to Bologna. The «territorial rights, patents, etc. for the manufacture and trade in the Kingdom of Italy and Colonies of Tripolitania and Cirenaica» were purchased by Ford Motor Co. Ltd. (England) for the amount of Lire 8.000.000²⁷.

On the whole, the interwar Ford experience in Italy can be compared to a parabola having its vertex in 1929, followed by a rapid decline. If the troubles of the early Thirties and the final outcome led Perry to write in 1936: «Our experience in Italy has been most disastrous»²⁸, these words reflected more the manager's ex-post disappointment than the faithful representation of the entire story. For sure Ford Italia was quantitatively the less important among the European subsidiaries: yet, numbers for the 1922-1930 period were not negligible at all, as shown by Table 1, which illustrates the deliveries to dealers from the Trieste plant, compared with total deliveries from Europe and Africa.

<insert table 1 here>

²³ BFRC, Accession 38, C. Sorensen Papers, Italy 1930, Box 4, *Minutes of the Meeting of the Board of Directors of the Ford Mo. Co. d'Italia held on 28th Dec. 1929*;

²⁴ BFRC, Accession 6, Edsel Ford Papers, Subject Series, Box 15, Foreign Branches, 1929: *E. Ford to Cooper* (Sept. 19, 1929); *Minutes of the meeting of the Board of Directors of Ford Mo. Co. d'Italia S.A.* (23 Sept.1929); *Perry's report to Edsel Ford* (11 Oct. 1929), cit.

²⁵ Archivio Centrale dello Stato, Prefettura, Gabinetto, (hereafter ACS, PCM, G), busta 233, *Promemoria sulla Ford Motor Co. d'Italia del Consiglio provinciale dell'economia di Trieste al Prefetto di Trieste, Porro*, 28 agosto 1930

²⁶ BFRC, Acc.38, Sorensen Papers, Italy 1931, box 7, *Perry to Sorensen*, 15th Jan. 1931 and *F. S. Thornill Cooper Report* (Jan. 6th, 1931) attached. On the progressive dismantling of the Trieste markets, see next paragraph.

²⁷ *Idem*, *Minutes of the meeting of the Board of Directors of Ford Italiana S.A.* (March, 7th 1931)

²⁸ *Perry to Craig*, 8 June 1936

Tractors in particular scored quite good results, reaching a maximum of 37,3% of total deliveries in 1926. The success of the Fordson was partly explained by the fact that a good number of the assembled units was absorbed by the Italian market, on which, up to 1928, Ford acted practically as a monopolist: only that year Fiat entered steadily on that market. Ford Italia could take advantage of the first wave of mechanization, which occurred in the Italian farming precisely on those years: table 2 shows that in the Twenties more than one half (on an yearly average) of the tractors delivered by Trieste were sold in the country. According to a Company source, at the end of 1926, 7.239 tractors, out of the 9.000 working in Italy, were Fordson²⁹. In the following decade mechanization of farming slowed down. Nevertheless, still in 1940 the number of Fordsons (16.136) exceeded the number of tractors of Italian make and covered almost half of the total amount of tractors registered in the country³⁰. As a matter of fact, even in the troubled Thirties the Fordson kept on being sold in fair quantities, although competition from other makes (Fiat, Landini, Harvester International, etc.) had become much stronger.

<insert table 2 here>

With regard to vehicles, the results were certainly less brilliant. Table 1 shows that deliveries from Trieste substantially increased in the first three years: they peaked in 1924, when reached the number of 6.651, therefore 6,4% of total deliveries from European plants. Then the contribution of the Adriatic port decreased and up to 1930 fluctuated between 2,4 and 6.5%. This could be explained by different causes, not last the first difficulties faced here and there by the model T, soon to be substituted by model A. But probably the main one was the opening of new branches in Germany, Egypt, and Turkey, i.e. zones previously served (at least partially) by Trieste. As a consequence, the share of sales on the Italian market over total deliveries became almost vital: in fact they reached their acme in 1929, when 2.745 vehicles, out of the 3.424 assembled in Trieste - i.e. 80% - were sold in Italy.

<insert table 3 here>

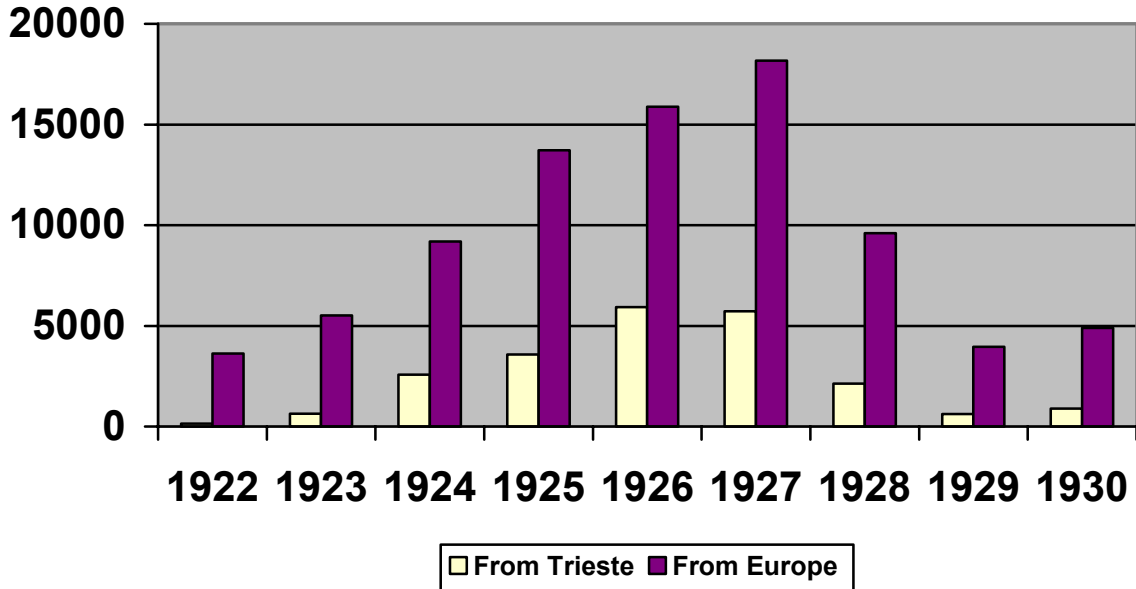
Actually the years 1928-1930 were quite successfully on the Italian market, all things considered: the peak was reached in 1929, when the sales of Ford vehicles (2.745) covered 8,7 % of the internal demand. Even more interesting that figure was equal to about 12% of the Fiat sales in Italy in that same year. Not surprisingly indeed this provoked the reaction of Fiat and of the other Italian car makers, as we will see.

<insert table 4 here>

²⁹ BFRC, Acc. 304, Credito Ford d'Italia, *Report to B.J.Craig*, Dec. 30, 1926

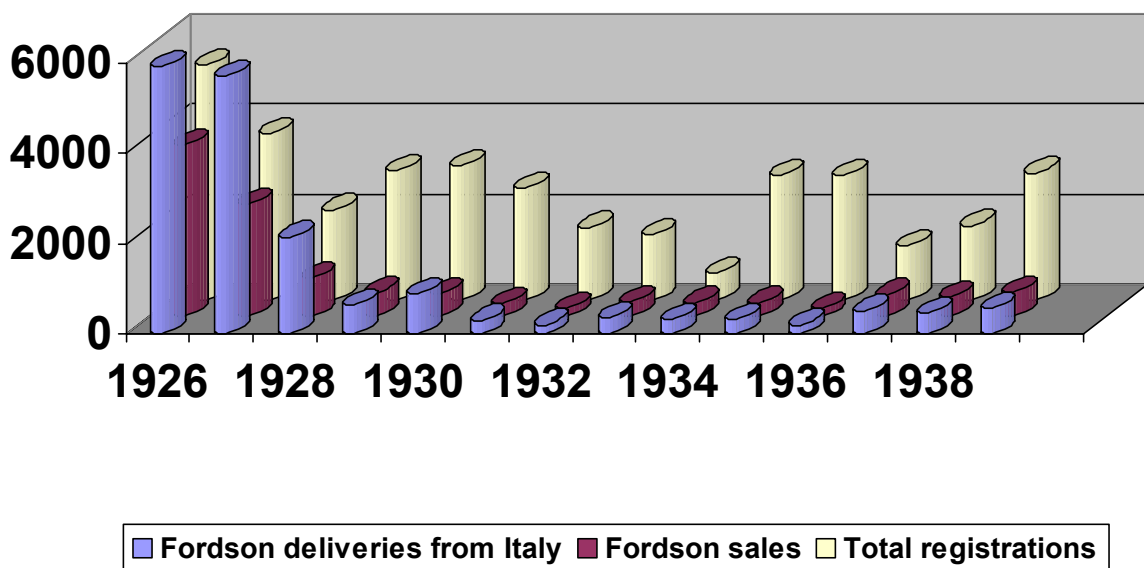
³⁰ P.V. Guidi, *Trattori agricoli* in "Macchine e motori agricoli", 1, 1947, p. 42

Fig.1 - Ford Tractor deliveries



source: see text

fig.2 - Tractor deliveries and sales in Italy



source: see text

As for the economic performance of the Italian subsidiary, the 1922-30 period was truly profitable: at the end Ford Italia had cumulated profits for about 56 millions of Liras. If one consider that the share capital of the company was Lit 500.000, the average yearly return on equity reaches quite extraordinary values³¹. These profits were ready to be ploughed back into the company. In the meeting of the Board of Directors held in Trieste on March 1930, it was deliberated to increase the share capital to Lit. 50.000.000, «in order to enable the Company to develop its activities autonomously and with its own means»³² : that is, in order to complete the planned upgrading program. But as such a program vanished, that increase was never put into effect. Almost exactly one year after, a new meeting of the Board deliberated to pay the capital up to 30 millions only. A few days earlier, the shares of the Italian branch had been transferred from Ford Motor Co. Ltd. of London to the Société d'Investissements Ford of Luxembourg at the price of about 65 millions Liras³³.

With the economic depression spreading over the world economy, the failed reorganization of the company and its scaling down to a pure sale organization could not but affect deeply the company's profitability. Besides, two subsequent heavy increases of import duties on vehicles and manufactured parts³⁴ were to have gloomy consequences: the number of vehicles and tractors sold in Italy decreased dramatically in 1931 and 1932. After the brilliant results of the previous years, the profit and losses accounts registered remarkable losses in 1931 (Lit 6.737.000) and in 1932 (Lit 3.920.000). Thanks to cuts in the business organization (such as the shutdown of the Trieste plant)³⁵, to some reduction of expenses as well as to the general improvement of the economic conditions, counts recovered in 1933 – when 583 vehicles and 331 tractors were sold - to reach the break-even. But the

³¹ Still in 1929, the only year for which I found detailed information on the amount of assets, the return on assets of Ford Italia (13,9) stand among to the corresponding values of the other main Italian makes: Fiat (3,3), Alfa (3,6), Bianchi (4,8), Isotta Fraschini (5,3), Citroen Italia (1,8). These values are computed from the data-base *Imita.db* (cit.). The only comparable value (14) is the one of Lancia, as computed from Amatori, *Impresa e mercato*, cit. tab. 1.1. and 2.1.

³² BFRC, Acc. 6, Edsel Ford Papers, box 20: *Minutes of Ordinary General Meeting and Extraordinary General Meeting of the Ford Motor Company d'Italia held in Trieste on March 17, 1930*, p.3. Almost half of this new capital was expected to be invested in the new venture with Isotta Fraschini, as we will see. In the same meeting, to please the Italian authorities in order to facilitate the authorization for the development of the plant, it was decided also to change the name of the company in Ford Italiana Società Anonima.

³³ BFRC, Acc. 38, C. Sorensen Papers, box 7, Italy 1931, *Minutes of the Meeting of the Board of Directors of Ford Italiana S.A. in Trieste held on 27th March 1931*

³⁴ See below, note 79.

³⁵ The Trieste branch was definitively closed in April 1931. At that date, after several subsequent dismissals, it still employed an overall workforce of 85 units: of them 47 (15 clerks and 32 workmen) were laid off, the others transferred to Genoa. AST, Prefettura, Gabinetto, busta 205, R. Prefettura della Provincia di Trieste, fasc. Ford Motor Co. d'Italia, n. 053. *Oggetto: licenziamenti*

introduction of a further duty on cars and parts on January 1934³⁶ made impossible to keep the vehicle business going, except for sales to the Vatican and the Embassies. This called for further changes: as «the Italian Company» had become «primarily a Tractor and Service organization» it was «to be remodelled accordingly»³⁷.

Hence the organization was cut «to skeleton proportion»: the properties in Livorno, Genoa and Naples were put on sale; the number of employees practically halved (from 114 in 1933 to 58 in 1934). Of course the balance sheet of that year registered new losses (Lit.1.200.000). Such a discouraging result brought Sorensen to ask Perry: «We are wondering if it is possible to close down altogether, or have you any definite plans that would make it worth while to continue at Bologna?»³⁸. Perry's reply was that it was «better to hold on». This was the conclusion suggested by a detailed study of the Italian situation, made by Cooper a few months earlier, on the basis of the huge investment made in Italy (one million dollars), of the goodwill position achieved and of the perspective in the tractor business³⁹. As a matter of fact things in the following years stabilized and Ford Italia was able to produce tiny net profits up to 1938.

4. The Trieste years

Trieste, as said, saw the heydays of the Ford's interwar adventure in Italy. Trieste was a free port; that is, merchandise destined for countries other than Italy could be warehoused or transhipped duty free.

Ford had been officially authorized to run the Trieste business in autumn 1922, after a long and difficult negotiation. Actually, Ford's aspiration to open a branch in Trieste went back to the «proposal for the introduction of the Ford Motor Co. in Italy», signed in spring 1920 by Charles Robertson, at the time Special Representative of the company in Europe⁴⁰. The document, while motivating the Trieste location, expressed also expectations about the concession of a space in the free port area. Such a possibility raised immediately the worries of the Italian producers (with Fiat on the front line), who asked the Minister of Commerce to intervene⁴¹. Then, while applauding the initiative, the local authorities decided to

³⁶ «These increase bring the present duties on laid down costs to 300% on the Model Y, 435% on the Model 40 and 345% on the truck» BFERC, Acc. 38, C. Sorensen Papers, box 23, Italy 1934: *Ford Italiana, Manager's Report to Directors – Quarter ended 31st March 1934*, p.2

³⁷ *Ibidem*, *Ford Italiana S.A.*, 20.2.34

³⁸ BFERC, Acc. 38, C. Sorensen Papers, box 29, Italy 1935, *Sorensen to Perry*, Feb. 6th, 1935

³⁹ *Ibidem*, *Ford Italiana S.A. – Study of the present position and outlook, with suggestions as to future operating policy*, 1st Nov. 1934

⁴⁰ AST, Prefettura, Gabinetto, Busta 71: *Proposte per l'introduzione in Italia della Ford Motor Company*. The document is undated but most probably was drafted in May or early June 1920.

⁴¹ Documents on the issue in AST, *Idem*, Commissariato Generale Civile per la Venezia Giulia, Ufficio gabinetto, fasc. Fabbrica americana Ford, n.0614, *Oggetto: Impianto officina montaggio suoi automobili*. Cf. in particular, *Telegramma del Ministro del Commercio al Commissariato Generale per la*

authorize the assembly plant, but «at the normal conditions conceded to all the other works of the country»⁴². Be it as it is, on September 1920 a new tariff was approved: it levied high duties on the import both of finished units and parts⁴³. This evidently convinced Ford to drop temporarily the idea if, almost two years later, the company was back to apply for a Trieste plant, explicitly in the free port zone. But this time the company was in stronger position to make the deal, as it already could count on a feasible alternative, the Adriatic port of Fiume (Rijeka)⁴⁴. This notwithstanding, negotiations went on for entire summer⁴⁵. But in this occasion the Trieste authorities could take advantage of the real menace of Fiume so to block the new immediate complaints of the Italian car producers⁴⁶. In the end, they were enabled to elude the government authorization by a go-ahead statement, issued in the late October 1922 by the General Commissioner of Friuli - Venezia Giulia (the special authority which was still ruling the region⁴⁷) shortly followed by an official approval⁴⁸. For sure, these were among his last acts: probably they could be issued by capitalizing on the situation of general political disorder, which characterized the days of Mussolini coup d'état.

Since the beginning, the Italian initiative aroused great expectations: «Sales jump 149 per cent in a year, Ford Motor Company of Italy Record» enthusiastically titled *Ford News* on July 8, 1924, and in the half-title: «Government orders fifteen Fordsons; tractor demand increased 321% over that of last year». The reason of the success was explained in the article:

Venezia Giulia, 29 giugno 1920 and *Promemoria della Confederazione Generale dell'Industria Italiana al Commissariato Generale per la Venezia Giulia*, 9 luglio 1920.

⁴² AST, Prefettura, Gabinetto, Busta 71: *Telegramma cifrato del Commissario Generale civile Mosconi al Ministero Industria e Commercio, Direzione Generale Commercio, Trieste*, 29 giugno 1920

⁴³ *Ibidem*, *Promemoria della R. Dogana di Trieste all'On. Commissario generale Civile – Ufficio VI – Trieste*, Trieste 7 agosto 1922.

⁴⁴ *Ibidem*, *Istanza dell'avv. Carlo de Czermack [Ford's legal representative in Trieste] al cav. Diem, Presidente della Camera di Commercio di Trieste*, Trieste, 8 agosto 1922; *Lettera del Presidente della Camera di Commercio al Commissario Generale Civile per la Venezia Giulia*, Trieste, 9 agosto 1922; *Telegramma Commissario Generale Crispo Moncada a S.E. Salata, Capo Ufficio Centrale Nuove Province*, 23.8.1922. This city was still a Free Territory and could offer very favourable conditions, although its administrative/political situation appeared not very safe.

⁴⁵ Abundant evidence of this exhausting negotiation in AST, Prefettura, Gabinetto, busta 71.

⁴⁶ *Ibidem*, *Minuta del telegramma del Commissariato Generale Civile della Venezia Giulia a S.E. Teofilo Rossi, Ministro Commercio Industria*, 21.VIII.1920

⁴⁷ Until 1922, Trieste and the region of Friuli-Venezia Giulia - annexed to Italy after WW1 - were ruled by the Italian Government through a General Commissioner, the authority that at the end released the license.

⁴⁸ AST, Prefettura, Atti generali, class. 5045, n. provv. 71, *Commissariato generale civile per la Venezia Giulia, Minuta di lettera alla Soc. Ford Mo. Co. d'Italia. Oggetto: Costituzione società per azioni e approvazione statuti*, Trieste, 25.10 1922; AST, Prefettura, Gabinetto, busta 71, *Risposta del Commissariato Generale Civile per la Venezia Giulia alla nota della Direzione dei Magazzini Generali di Trieste, in oggetto all'affittanza del magazzino n .27 a scopo industriale*, Pratica n. 6406/3863, Trieste 16.X.1922; *Telegramma cifrato del Prefetto Crispo Moncada a S.E. Rossi, Ministro Industria*, 9.11.1922

In the [Trieste] plant, “semi-knocked-down” cars (chassis minus wheels, body and so forth) are built up and stocked to fill orders from dealers in 34 different countries or dependencies. These are: Italy, Armenia, Austria, Albania, Bulgaria, Czecho-Slovakia, Greece, Jugo-Slavia, Montenegro, Roumania, Turkey in Asia, Mesopotamia, Palestine, Persia, Syria, Arabia, Afghanistan, Abyssinia, Georgia, Egypt, Egyptian Sudan, Eritrea, Bahrein, Oman, Tripoli, Azerbarjan, Djibouti, Crete, Cyprus, Malta, Sardinia, Sicily, Rhodes.⁴⁹

As we have seen, the results initially seemed to confirm the expectations. Total sales were increasing and so were gross revenues. According to a restricted report of the Prefettura di Trieste, the latter in 1923 had grown to 36 millions Liras, in 1924 to 100 millions Liras, in 1925 to 223 millions and in 1926 to 227 millions. Besides, the company employed one hundred employees and from three to four hundreds industrial workers:⁵⁰

The Trieste plant was housed in the Hangar 27 in the free port zone: it was a large one-store building 665 feet long by 80 feet wide. The first layout of the plant was conceived for a daily assembly capacity of 20 vehicles and 10 tractors with a storage space for stocks of parts and finished products of about 5.000 square feet⁵¹. Still, it was clear since the beginning, that space was the critical issue. Already in November 1923 a new building had been rented in town (out of the free port) to host the Spare Part Magazine: hence a greater space became available to implement the assembly activity⁵². This was expected to increase up to 70 semi-knocked down units (30 vehicles and 40 tractors), but it was soon realized that the storage problem would have persisted, allowing for a maximum of 55/60 units⁵³. Therefore search for additional space continued, with frustrating results.

In July 1925 J.J. Harrington, at the time the European general manager, visited Trieste, Piraeus and Constantinople. He sent a report to Edsel Ford aimed to

⁴⁹ Similarly, to present the Italian initiative *The Ford Industrial Review* wrote: «The Ford Motor Company d'Italia at Trieste is in many respects the most unique of the foreign Ford companies because it does business on three continents and crosses dozens of national boundaries in carrying out its program. Egypt, Crete, Greece, Cyprus, Palestine, Persia and Rhodes are among the historic countries where the *Ford* sales and service sign is now a familiar sight and the picturesque camel is being supplanted by *Ford* cars. The work of translating Ford literature into widely differing languages spoken in the Trieste territory is almost a business in itself» (quoted in Volpato, 2002, cit., p. 452)

⁵⁰ The «apparent disproportion between the number of employees and the number of workmen [was] justified» by the prevailing commercial character of the firm. ACS, PCM, G, busta 230, *Promemoria... al Prefetto di Trieste, Porro*, 28 agosto 1930, cit. p.1. One third of the employees were foreign. Cfr. BFRC, Accession 6, Reports series, box 5: *Report of J.J.Harrington to Edsel Ford, Trieste*, 25th July 1925, p.8

⁵¹ All of the figures data presented in this paragraph are contained in a microfilmed collection. See BFRC, Acc. 106, box 27, *Branch Trieste*, 5 Sept. 1923

⁵² *Idem, Cooper to Ford Motor Company*, 27th June 1924

⁵³ *Idem, Cooper to Ford Motor Company*, September 9th, 1924 and *Branch Trieste* 9/9/1924

illustrate to him the critical aspects affecting the market served by the Trieste branch. The first problem he pointed out was the «necessity for arranging additional factory space, to ensure more efficient handling and distribution of present volume of business from Trieste». Harrington has several talks with the Port Authorities, who behaved very ambiguously and whom he could not trust upon⁵⁴. Quite disgusted, Harrington left Trieste for Constantinople, to look for an alternative spot «which would advantageously handle all the [...] Trieste territory with the exception of Italy, Yugoslavia, Czecho-Slovakia, Austria, Hungary, Albania and the Italian colonies». He left Thornill Cooper to try to settle the matter, with the instruction to secure additional space «without any strings attached»⁵⁵. The settlement was finally reached on this basis, but such negotiations had posed bad premises for the future. In fact, in the following summer, the Egyptian Alexandria (not Constantinople) would have substituted Trieste as the main supplier of the Middle-East and Western Mediterranean markets. For the moment, however, the additional space gave some relief to the Trieste activities: the new magazine had a 4.200 square meters area and could host up to 1120 tractor cases and 925 car cases⁵⁶.

Few months after the move to Alexandria, Detroit received a letter from the Italian Government, signed by the Ministry for National Economy, Giuseppe Belluzzo⁵⁷: the letter was addressed directly to Henry Ford and invited him «to lay down a factory in Italy, worthy of the one in Detroit»⁵⁸. Such an invitation was quite

⁵⁴ Upon its arrival in Trieste Harrington had been informed by Thornill Cooper that – because of the congestion in the Port – the Free port authorities had refused «to grant any additional space» and that a ground situated in Mestre, in the environs of Venice, had been offered to Cooper. But instead of accepting it, he had several talks with the authorities: he outlined the revenues derived from company's shipping and activities which would have been lost to the city if the company had searched elsewhere for space. The result was that the authorities conceded the leasing of another Hanger, n. 28, alongside the already occupied Hanger 27. But in exchange they requested the payment of about one million Liras to enable them to erect another building to substitute Hanger 28. Upon his refusal, another Triestine actors entered the discussion, the representatives of the Cosulich Line Co, the main shipping company of the Adriatic Sea. They offered to assume the entire expense, provided that Ford Italia «would route all of [its] goods over their lines on a contract basis». The reply was that «the more spaced secured naturally the greater the volume of business that might possibly be cleared over their lines». *Report of J.J. Harrington...*, cit., pp. 1-3. Several documents on such an event can be found in AST, Prefettura, Gabinetto, busta 71, such as, f. e, *Lettera riservata del Regio Commissario dei Magazzini Generali di Trieste al Grand'Uff. avv. Amedeo Mosconi, Prefetto di Trieste, Trieste, 10 giugno 1925; Pratica 3381/25. Proposta al Comitato Magazzini Generali. Oggetto Cessione Mag. 28 e nuove costruzioni, Trieste 7 agosto 1925*

⁵⁵ *Report of J.J. Harrington...*, cit., p.3

⁵⁶ BFCR, Acc. 106, box 27, Ford Motor Company d'Italia, *Volumetric Capacity of hangar n. 28 of Cases of Different Description*, 1.16.1926

⁵⁷ Professor of Mechanics at the Polytechnic University of Milan, Belluzzo held the Ministry between 1925-1928.

⁵⁸ Reference to this letter has been found in several documents contained in the Ford Archives. The quotation is drawn from a letter addressed by Cooper to Mussolini on Sept. 25th, 1929. See BFCR, Acc.

a surprise, because no intervention or request of this sort had been expressed by the company. It is probably to be explained by two, converging, hypotheses. First, the concern of the Italian authorities that the shift to Alexandria of some activities could prefigure the divestment of the entire Italian operation. Second, the irritation crawling over sectors of the economic and political establishment towards the powerful Fiat group, whose behaviour seemed at times not aligned enough to the directives of the regime. Fiat on those days appeared very critical towards the monetary policy – strongly deflationary – inaugurated in summer 1926, and this for sure did not please the Government⁵⁹. Turin, however, had a formidable instrument of pressure upon the regime: the town could indeed represent a menace to the public order because of the thousands of workmen, sharing socialist sentiments, employed by its factory. That was the reason for which almost always Fiat eventually succeeded in obtaining what requested: the car market, for instance, was a protected monopoly, as imported vehicles had to pay a duty ad valorem of about 60%.

Ford did not realize that this was a great opportunity, to be caught immediately. As later explained by Cooper to Mussolini, «in the year 1927, owing to the interruption of the production in the works at Detroit caused by the modification of our models, we had to suspend our activities». But when - in the late 1928 - Ford tried another go, it was too late. On the one hand, the already backward Italian car market had gone in 1927 through a not negligible crisis (table 4). On the other, Fiat had been able to re-gain her manoeuvring capacity and was asking for further forms of protection. In November Mussolini addressed to Belluzzo the following invitation: « Dear Belluzzo, analyze the possibility of increasing tariffs on American vehicles: automobiles»⁶⁰. The answer arrived soon and followed Fiat's suggestions. Any further increase of duties, encouraging retaliation, would have penalized Fiat export (amounting to about 75% of its production). Instead, a measure was issued by which Italian car makers were licensed to the temporary importation of the parts and the material to be used in the manufacture of vehicles to be exported, or to the drawback of the duty paid on foreign material imported⁶¹.

Anyway, in spring 1929 Ford Italia advanced its proposal about the erection of an industrial plant in Italy: such a proposal was contained in a Pro-memoria

6, Edsel Ford Papers, Subject Series, Box 15, Foreign Branches, 1929, *Cooper's Report to Mussolini* (Translation), Sept. 25th, 1929.

⁵⁹ Cfr. Castronovo, op. cit. pp. 400ff.

⁶⁰ ACS, PCM, G, Atti 1931-33, rubrica 2, fasc. 9/2, 4491, *Copia di autografo Mussolini a Belluzzo*, 8 nov. 1927, VI.

⁶¹ Other initiatives were undertaken, which aroused the concern of the Royal Automobile club, as they could eventually turn against the Italian industry: for instance the suggestion to the municipal authorities not to license taxi-services using foreign cars or the prohibition to advertise vehicles of foreign makers on semi-official periodicals such the ones published by the Touring Club or the Automobile Club. ACS, PCM, Gab. Rub. 2, fasc. 3/1-7, 6610: *Belluzzo a Mussolini*, 11. nov. 1927; Idem: *Belluzzo a Mussolini*, 18 maggio, 1928; Idem: *R.A.C.I., Crespi a Giunta*, 30 genn. 1928; Idem: *Confindustria a Presidenza del Consiglio*, 25 apr. 1929.

presented to the duce on June 5th, in a special meeting which saw the participation also of the Minister of the National economy, Alessandro Martelli, and of a Deputation from Trieste⁶². The new plant was to be located in Trieste, «intended to cover Italian consumption and consumption of those countries, which naturally depend on Trieste, such as Central Europe and, probably, the Near East». The erection would have been executed by a Company, 40% of whose capital was to be Italian and whose directors would have been partly Italian. This condition was perfectly in line – as we have seen – with the general re-organization plant programmed by Perry for the European subsidiaries. The factory was to have an output of about 50 units a day. The material for such a production would have been purchased «in the largest possible volume» in Italy: it concerned «tyres, fan belts, rubber blocks used as engine supports, etc. etc., particularly material used for bodies and upholstery. The proportion of Italian material to be used in the manufacture of motor cars ...[would have been] gradually increased».

However the *condition sine qua non* for carrying out such a program was that the Italian Government conceded to Ford Italia the same conditions given to the Italian car makers, that is license for temporary importations of the parts and the material that had to be acquired abroad. Moreover it was observed that the greater the Italian plant, the greater would have been the possibility of absorbing Italy-produced parts. The final remarks concerned the benefits the Trieste could have gained from this program: first, with regard to the shipping sphere, «through transportation of material imported from the States and the finished goods re-exported»; second, with regard to the port, «through harbour workmen being employed for loading and uploading operations and through the profits which would result to the Magazzini Generali»; finally, with regard to the industrial sphere, «through the manufacturing activities of the Company at Trieste, entailing the employment of a great deal of local workmen in their factory»⁶³. According to another source, the initiative would have employed 500/600 workers⁶⁴. To be sure, the above memorandum concluded with a veiled menace, which unfortunately later would have become reality:

It can be easily realized what harm would result to Trieste either from the existing plant being restricted or transferred to another point or else from the erection of a new plant

⁶² ACS, PCM, Gab., busta 233: *Pro-memoria Ford Motor Co. d'Italia*, June 1929. Such a proposal had been backed by the Prefect of Trieste Prefect, Mr. Bruno Fornaciari in several messages to Francesco Giunta, Vice-secretary to the Presidency, and to Mussolini. All these documents are contained in the same folder. Alessandro Martelli (1876-1934), former professor of mineralogy at the University of Florence and future President of Agip, held the Ministry of the Economy from July 1928 until September 1929, when this was suppressed to be substituted by the Ministero delle Corporazioni (Ministry of Guilds), which was held until 1932 by Giuseppe Bottai.

⁶³ *Idem, passim.*

⁶⁴ ACS, PCM, Gab., busta 233: *Lettera della Presidenza dei Magazzini Generali in Trieste al Prefetto Bruno Fornaciari*, 17 maggio 1929.

(for instance at Berlin) to supply the market of Central Europe. This would not only mean a direct loss, but it would also entail indirect damage resulting from the port of Hamburg and the Danube route gaining in importance⁶⁵.

Already during the discussion of June 5th, the Minister Martelli showed himself contrary to the project. Later, on June 28th, he communicated to the Company that he would not have authorized the requested temporary importation. In the same letter Martelli expressed his hopes that this negative reply, although highly reducing its export possibilities, would have not prevented the Company «from carrying out ...[its] project in Italy, in some other way»⁶⁶.

As a consequence a neat change of strategy was decided by the Ford Headquarters: to restrict their program to the erection of a factory finalized mainly to the sale of its output to the Italian Kingdom. Thanks to new model A, it was rather optimistically expected to reach in a few years a target of 10 to 12 thousands sales per year⁶⁷. Besides, the plans for the Near East were modified «allotting to other plants already existing or to be laid down in other states the territory which had been previously destined» to Trieste⁶⁸. At the same time the search for a new location began. Such a location had to be chosen on the basis of its geographical position and of the industrial and fiscal advantages offered: the choice fell on Livorno (Leghorn) . The city was an important port on the Tyrrhenian sea, in the Centre/North of the country: it looked the best distribution centre for Ford products in Italy and could be easily connected by sea to Barcelona, where another Ford plant was active. Moreover it had been included among the “industrial zones” recently created by the Government, with the purpose of encouraging foreign enterprises to locate in Italy. Among the advantages of said zones there were the remission of taxes on industrial profits for ten years and the draw-back of duties on machinery and plant equipment.

In this way the destiny of Trieste was over. Deprived of its main competitive advantage – to be the bridgehead to the east – the Adriatic city had lost every attractiveness.

5. Planning a new factory

Once decided to move the plant from Trieste to Leghorn, a plot of land of approximately 57.000 square feet was soon purchased in the industrial zone of the city. The Italian authorities were almost immediately informed. Within a few days Cooper was urged to proceed to Rome by the Secretary to the Prime Minister, Giunta and there introduced to Mussolini. The Head of the Government asked why

⁶⁵ ACS, PCM, Gab., busta 233: *Pro-memoria etc.* cit. p.3

⁶⁶ *Cooper's Report to Mussolini*, cit. , p. 2

⁶⁷ *Perry's Report to Ford*, 11 Oct. 1929, cit.

⁶⁸ *Cooper' Report to Mussolini*, cit. , p. 2

Trieste had been abandoned. Upon Cooper's explanation, Mussolini observed that Ford Italia had acted «perfectly correct», but that he wanted to think over the matter. Therefore invited Cooper to a new meeting after two days (on Sept. 24th). The meeting - was attended by Mussolini and Giunta and other outstanding personalities of the regime⁶⁹. Cooper presented a memory which concisely explained the recent facts and the Company's position⁷⁰. According to a detailed report of that meeting, the reaction of the duce was as follows:

H.E. Mussolini read aloud accurately in the presence of the above named personalities such Pro Memoria and on conclusion expressed himself as follows: «The new Ford factory should remain in Trieste and it is my wish that between the Ford and the Fiat some agreement should possibly be made»⁷¹

Hence two novelties came out from that meeting. First Mussolini favoured the Trieste option, both because the recently annexed town had become a sort of a patriotic symbol of the regime and because this would have secured some export from Italy. Second, the name of Fiat had been at last officially pronounced.

Held up days were to follow: the storm was approaching, fostered by the ambiguous behaviour of the Government. Next day Cooper had an interview with Hon. Gino Olivetti, the President of the Confederation of Industries and also Deputy of Turin, who pointed out that

a Ford factory in Italy could severely handicap the activities of the Fiat, inasmuch [...] Ford would have been exempted from taxes for 10 years [and], furthermore, could have imported automobile parts at a cost much inferior to that paid by the Fiat for similar parts.

Therefore the new Ford factory should have manufactured in Italy all the parts needed for the final product. On the same morning Cooper met Senator Agnelli. As Cooper communicated to the latter the duce's desire, Agnelli replied that «no collaboration was possible». Later on the same day the Senator explained to Mussolini that it would have been impossible «to sustain the competition which a Ford factory would create on the account of the specially favourable conditions granted by the Industrial Zone». Mussolini changed his mind: on the 29th the project of a new law, based on the principle of safeguarding national defence, was presented to the Council of Ministers. The day after Secretary Giunta communicated to Cooper that

⁶⁹ These were the Secretary of the fascist Party, Turati; the new Ministro delle corporazioni (Minister of Guilds), Bottai; the President of the Confederation of Industries, Olivetti; the Minister of Agriculture, Arpinati.

⁷⁰ BFRC, Acc. 6, Edsel Ford Papers, box 15, Foreign Branches, 1929: *Report on Negotiations with the Italian Government in Rome*, (Trieste, Oct. 1929), p. 2-3

⁷¹ This and the following quotations are drawn from idem, pp. 2-3.

For the purpose of national defence the Government will classify as 'fundamental' such factories which manufacture in the Kingdom of Italy such products that interest the defence of the State. Such factories must be organized and equipped in such a manner that they are able to complete all the integral stages in the manufacture of their completed products. Later regulations will be issued determining which factories will be considered 'fundamental', but it is evident [...] that in such regulations automobiles factories will be included⁷².

Such a law, however, had a problem: no Italian car maker was able to manufacture at home all the parts required to build a vehicle. Therefore its application had to wait for a thorough investigation by Confindustria, aimed to ascertain what parts could be considered outside the integral procedure of production and hence imported.

From the above short account, the strategy of Fiat emerges clear. Having been informed of the decision taken by Ford Italia, Agnelli immediately appealed to the Government for protection with all the power at his disposal. He argued that the new Ford plant could prejudice in a very serious way even Fiat's survival. Moreover, to win the duce's support, the company, backed by Confindustria, claimed that granting the requested benefits to a foreign company could weaken the national defence in case of war.

The Ford management was puzzled by the contradictory behaviour of the authorities. Secretary Giunta gave Cooper to understand that the Ford Co. could have constructed a factory in Italy all the same, partly equipping by itself in the grace period of the new law, partly exploiting national production. As in the previous discussions the motor had been the critical point, special attention was to be given to the possibility of manufacturing it in Italy⁷³. Neither it was clear at that point where to built the plant: quite an amount of money had been disbursed for the Leghorn purchase, but Mussolini expressed his preference for Trieste. Perry wisely suggested «to lie low», hoping that this might «result in bringing the Italian Government somewhat to his senses». In the meanwhile he proposed to increase the already valuable tractor business⁷⁴.

It was quite a surprise, therefore, to find among the archival records a Cooper's letter, dated October 22nd, in which the Ford's manager respectfully asked Mussolini «to consider our request to be relieved of our contract at Livorno and to be reimbursed with the funds that were expended there by our Company in complete observance of the laws then existent»⁷⁵. Giving up Leghorn meant that the choice of

⁷² as quoted in idem, p.3.

⁷³ According to the Report «The motor was the 'main bone of contention' on which we lost our case in the last negotiations with the Government, as they felt that in case of war our factory would be useless to them, if we continued to import motors from abroad». Idem, p.4

⁷⁴ *Perry's Report to Ford*, 11 Oct. 1929, cit. p.2-3

⁷⁵ ACS, Segreteria Particolare del Duce, Carteggio Ordinario, busta 308, fasc. 100/971, Trieste, Soc. Ford d'Italia: *Cooper a S.E. Mussolini*, Trieste 22 ott. 1929

the location had reverted to Trieste. Of course the Cooper's claim was never accepted and Ford Italia had to wait quite long before getting rid of the ground in Leghorn. But for sure what matters here is Mussolini's reaction. On the 26th he cabled to the Trieste Prefect, Porro, ordering him to communicate to Cooper that a new law was being registered: it gave the Minister of the Guilds the faculty of authorizing or not the establishment of new foreign companies. Personally «he had made the decision of refusing such authorization to the Ford Co, because such authorization would have call for similar authorizations for other competing makes such as General Motors» This would have provoked «an internal dumping which would have irremediably compromised the Italian automobile industry». He concluded that this decision had not to be interpreted as «an hostile act towards the Ford Co and her founder, of whose capacity and personality» Mussolini affirmed to be a convinced admirer⁷⁶.

On the same evening Prefect Porro cabled back, very alarmed, saying that Cooper was asking for an official statement to forward to London. He conjectured that the Trieste branch would have been closed and hence one hundred thirty employees dismissed⁷⁷.

By the way, on that very day, a letter left Turin for Rome. It was from Agnelli: he warmly thanked and complimented the duce for his decision, «inspired by the sentiment of justice and political wisdom that always had driven His behaviour in regard to the national industry»⁷⁸.

However, the new law (R.D. 2488, issued on November 18, 1929) would remain inoffensive until the publication of the list of the fundamental industries it wanted to protect (the which thing eventually occurred the following July⁷⁹). This, as seen in the case of the Giunta's unofficial proposal to Cooper, left space for some initiative. The remedy did not have to wait much: in early December the government «without any previous warning or going through the ordinary Parliamentary procedure practised in most civilised countries, increased the duty tariff practically overnight»⁸⁰. The new tariff hit hard the Ford activity in Trieste as it imposed a duty (30% ad valorem) on the import of parts both of vehicles and tractors. In a letter to Edsel Ford, Cooper bitterly observed that the increase «was probably calculated to

⁷⁶ Idem, *Telegramma di Mussolini al Prefetto di Trieste*, 26 ott. 1929

⁷⁷ Idem, *Urgentissimo cifrato da Trieste a sua eccellenza Capo Governo*, 26.10.1929, ore 23,30. Without consulting the Ford records, on the basis of just these two cables, Castronovo erroneously concluded that Mussolini's message meant the forced closing of the Trieste plant for a «problem of national order». Castronovo, *op. cit.* p. 419-20.

⁷⁸ ACS, PCM, Gab. Rub. 2, fasc. 3/1-7, 6610: *Giovanni Agnelli a Sua Eccellenza Benito Mussolini*, 26/10/1929/VII

⁷⁹ R.D. 1455 of July 18th 1930

⁸⁰ *Perry's Report to E. Ford*, 10 Feb. 1930, *cit.*, p.3

kill our Assembly Plant proposition»⁸¹. Such a measure seemed once more inspired by Fiat: not later than Nov. 21st, the Fiat's Board of Directors had expressed wishes in this direction⁸². A few months later, actually, Agnelli sent a telegram to Mussolini, transmitting the enthusiastic thanks to the duce of the Assembly of the Fiat shareholders for his defence of the Italian prerogatives!⁸³

6. The Fiat "affair"

At this point, if the Ford managers wanted to implement their plans in Italy, they had to experiment a new strategy. Sir Perry still believed that there was «a very big potential market in Italy»⁸⁴. However to get through it, it would have been necessary to reckon with the Italian peculiarities and to act also at the political-diplomatic level. Asking himself «Why are the Italian Government and On. Mussolini concerning themselves so intimately with matters which are, after all, comparatively insignificant»⁸⁵, he realized he had to find a way to move around the perverse connection between politics and economics that strangled free competition. «These Italians play politics too much with business!»⁸⁶ he would have eventually broken out. But, for the time being, the possible way out seemed to pass through some form of agreement with an Italian company, in order to manufacture under the flag of a partially Italian factory as many parts as possible within the country. After Fiat had «ridiculated» Cooper's proposal of agreement, even if suggested by the duce, Ford Italia had to search for an alternative partner.

The choice fell on Isotta Fraschini, «the second most powerful motor group in Italy» and apparently well supported at the political level: once the third car group in Italy, by the late twenties it had become a big producer of engines for aircrafts (mostly military) and submarines. Before the war the company had gained an international reputation for its luxury cars; afterwards, however, such a production had declined to a few units per year. From a technical point of view the choice appeared motivated: Isotta had a big plant in Milan, that is in the industrial core of the country, which employed about 4 thousands workmen. Even more important, the firm seemed to have been planning for years the opening of a new line of production, that of small-medium cars. Besides, she controlled a remarkable share of the Breda Company, one of the main metal working factory in Italy. From an economic/financial point of view it was much less so: basically for two reasons. First,

⁸¹ Idem. Before such increase duties upon automobiles imports amounted to 35% ad valorem and 65 Gold Lire per 100 kilos on cars, while tractors and automobile and tractor parts paid 60 Gold Lire per 100 Kilos. The new tariff charged 30% ad valorem on automobile and tractor parts.

⁸² Progetto Archivio Storico Fiat, *Fiat 1915-1939 - Verbali del consiglio di amministrazione. Vol.II: 1923/1930*, Milano, Fabbri Editore, p. 1092 (Seduta del 21 novembre 1929)

⁸³ ACS, PCM, Gab. Rub. 2, fasc. 3/1-7, 6610: *Telegramma di Giovanni Agnelli a Mussolini, 6.3.193.0*

⁸⁴ *Perry's report to E. Ford*, 10 Feb. 1930, cit., p. 7

⁸⁵ Idem, p. 6

⁸⁶ BFRC, Acc. 38, C. Sorensen Papers, box 7, Italy 1931, *Perry to Russell*, (13th feb.1931)

by the late 1920s Isotta's activity was almost totally dependent on public orders (Italian and/or foreign) and hence heavily exposed to the political conjuncture. This meant also that usually the payment was diluted over years, this being particularly dangerous in a period of monetary turmoil such as the one between the wars. Second, since years the company had been imprudently administered by her two unscrupulous top managers, the president, count Mazzotti Biancinelli and the managing director, comm. Cella. Apparently its economic condition was fair, as shown by the 1929 financial statement presented to Cooper. It registered profits for almost 10 millions Lire yielding the shareholders a 10% dividend, perfectly in line with the previous years: but a few critical items had been deftly blown up to hide a quite heavy situation⁸⁷. Cella immediately realized that Ford was an extraordinary chance to get Isotta out of troubles. Already in January he advanced to Sir Perry a detailed proposal for a five years industrial and financial alliance: this would have allowed the Italian company to manufacture 12.500 cars a year, under the control of the Ford Co., in a new plant erected on purpose.

Sir Perry appeared personally inclined to accept the proposal, because he thought that this was the only way to get steadily into the Italian market⁸⁸. He realized however that such an agreement meant an important change in the strategic behaviour of the American company. In his letters to Edsel Ford and Sorensen he wrote that «the matter of principle involved in the Isotta proposals is, of course, a very serious one and I do not know how [...] any of you will feel about it»⁸⁹.

As a matter of fact the feelings of his bosses were not very positive. What concerned them more was the financial part of the agreement, namely the commitment to purchase a good number of overpriced shares of the capital of the Italian company and then to underwrite pro-quota the next issue of shares finalized to build the new plant⁹⁰. On behalf also of Edsel, Sorensen cabled to Perry:

⁸⁷ Anselmi, op. cit., pp. 65 ff.

⁸⁸ «[...] our English Directors [...] agree with me that the proposal should receive very serious consideration and, subject to certain reservations, recommend that it should be proceeded with and consummated if possible. The reasons for recommending it are that we believe that it will be, for some years at least, impossible to establish ourselves in Italy except along these or similar lines». *Perry's Report to E. Ford*, 10 Feb. 1930, cit., p. 7

⁸⁹ BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *Perry to Sorensen*, 10th. Feb. 1930; se also Idem, *Perry to E.Ford*, 10th Feb. 1930

⁹⁰ The financial side of the proposal was the following: i) Ford would have purchased from Cella and Mazzotti 100.000 shares at a price of 230 Liras per share; Isotta's shares were quoted on the capital market at about 205 Liras, the difference of 25 Liras being the price for acquiring such a relevant block of shares of the company; ii) Isotta would have taken shares in Ford Italia up to an amount of 10.000.000 Liras; iii) Ford would have subscribed 60% of a future issue of shares of Isotta, in order to procure additional working capital for the purpose of financing the erection of a new factory. Overall Ford would have eventually disbursed about 60 millions Liras. Idem, *Isotta Fraschini, Draft Agreement to be submitted to Mr. Perry*, Jan., 21st, 1930.

We don't see how your plan with Isotta could be worked out successfully – Suggest plan wherein we make a straight contract for the purchase of parts from them⁹¹.

Following this, sir Perry, somehow unwillingly, wrote to Cella that the suggested inter-company financial arrangements had been rejected by the American headquarters, who, on the other hand, were ready to discuss further the commercial aspects. Perry knew that Isotta was short of capital and hence he realized that the manufacturing side of the proposal could hardly be arranged without its financial counterpart⁹². However the contacts between the two companies – namely between Perry and Cooper – were never interrupted and these would have led, as we will see, to a new preliminary agreement.

Yet, in the meanwhile, an old acquaintance would have broken in: Fiat.

It took almost a month to have Ford's and Sorensen's negative reply to the Isotta proposal. If one considers that usually the exchange of messages within the Ford top management was very fast - the reply letter following almost immediately the original message and so forth - this turns out quite unusual. There are scattered clues that something was going on with regard to Fiat. Contacts at the diplomatic level seem to have started in December and involved Gordon Rentschler, President of the National City Bank, who was very friendly with the Italian ambassador in the U.S., Giacomo de Martino⁹³. The latter's action probably facilitated talks between the two parts: few weeks later Rentschler wrote to Sorensen endorsing a vis-à-vis meeting between the «Fiat people» and «dear Charlie» [Sorensen]⁹⁴. Moreover in the documents there are hints also to telephone conversations as well as to an Agnelli Jr.'s informal talk about a proximate rapprochement between Ford and Fiat. Finally in March, just after the above mentioned cables, Perry was repeatedly invited by Sorensen to re-open the Fiat file⁹⁵.

Perry appeared not happy about this. He replied to the American that «undoubtedly Fiat knew [of Isotta's] proposals», hence it was «trying to embarrass us because we obviously could not be talking to both lots of people at the same time». For him, «with Mussolini deliberately playing one group of industrialists off against another», the entire question risked to become exquisitely political: «Mussolini is probably most desirous of strengthening up a second group of motor and engineering interests in Italy, in order to play them off against Fiat»⁹⁶. Actually,

⁹¹ Idem, *Sorensen's Cable to Perry*, March 13th 1930.

⁹² Idem, *Perry to Cella*, 17th March 1930.

⁹³ Several documents concerning the feasibility of direct talks between the two parties can be found in BFRC, Accession 572, Nevins and Hill Research, Box 17, File 11.14, Foreign Agencies & Plants – Italy, 1930.

⁹⁴ «Dear Charlie, the Fiat people are planning to come to Detroit and, of course, are anxious to see you». BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *The President of the National City Bank to Sorensen*, Jan. 8th, 1930.

⁹⁵ Idem, *Perry to Sorensen*, 17th March & 25th March 1930; *Sorensen to Perry*, April 3rd, 1930

⁹⁶ *Perry to Sorensen*, 17th March 1930.

the “Isotta people” could count on the support of quite a strong political lobby within the fascist regime, leaded by Costanzo Ciano, the future duce’s brother-in-law. Perry left the whole thing in Cooper’s hands: in the meanwhile he kept discussing with Cella the technical details of the would-be manufacturing agreement with Isotta.

Thus, in the early spring 1930, Cooper was «taking the opportunity of the overtures made by Fiat to explore what [were] the possibilities of an arrangement with Fiat»⁹⁷. These turned out quite astonishingly a few months later. On July 4th Sorensen visited Senator Agnelli at the Lingotto factory in Turin⁹⁸ where they seem to have had an intense discussion. The day after Sorensen received quite an astonishing document: the Fiat’s memorandum for a possible agreement between her and Ford⁹⁹.

So far both events – Sorensen’s visit and Agnelli’s document - have been totally ignored by historians¹⁰⁰: even more surprising no trace of such a document has been found in the Italian archives. The document, visibly hastily written, was divided in two parts, the first commercial, the other financial. The terms of the agreement were roughly the following:

1. Fiat would have severed from her organization those branches of industries not corresponding to the production of Ford: the remaining activities would have been given to a new company, Fiat works.
2. The portion of Fiat capital stock which had to be «assigned to the activities concerned with the production of motor cars and kindred work» was estimated at $\frac{3}{4}$ of the total, viz. 300 million Liras, subdivided in 1.500.000 shares of nominal value of Lit. 200 each: therefore the majority control syndicate would have amounted to 750.000 shares.
3. Ford would have entered with 50% in the proposed control syndicate by acquiring 375.000 shares at a price not inferior to L. 475: this was the price fixed to convert Fiat bonds into Fiat shares on the occasion (31.12.1926) of the loan contracted in the U.S. by the Italian company.
4. The «new company [was] to be guaranteed a production for its works in Italy equal to 5% (five per cent) of the aggregate total production of all the other factories owned or controlled through the possession of the majority of the stock in the world by Ford Motor Co.». This would have corresponded to about 500 units per day

⁹⁷ Idem, *Perry to Sorensen*, 25th March 1930, p. 2

⁹⁸ Later Sorensen would have observed «We were very much impressed by your vast and efficient organization»: Idem, *Sorensen to Agnelli*, July 7, 1930.

⁹⁹ Idem, *Fiat memorandum and annexed Exhibit*, 5 July 1930

¹⁰⁰ I found trace of this document only in a Mira Wilkins’s note about the Italian case. Cf. BFRC, Acc.880, Mira Wilkins Papers, *Foreign Ford Motor Company Branch Plants (Foreign-Italy)*, p.1. Castronovo mentions a report of the OVRA, the secret intelligence agency of the regime, dated October 1929, where it was referred that Agnelli was trying to involve Ford in a new issue of shares (op.cit., p.419)

(120.000-150.000 per year, a number corresponding – what a chance – to Fiat full capacity!). Such a production, however, would have concerned «models to be specified»¹⁰¹.

5. The new company would have taken up directly the sale of the vehicles in Italy and in the Italian Colonies, whereas Ford would have provided for the sale in the foreign countries of «the exceeding production not sold in Italy within the foresaid 5%».

6. The technical and commercial responsibility of the company would have been taken by Ford, while the Italian group, in agreement with Ford, would have retained the administrative one.

The answer arrived immediately: it was negative. On July 7th, Sorensen answered directly to Agnelli:

With regard to our discussion and your memorandum relative to a possible fusion of our interests in Italy, we regret to state that we feel we should not be justified in doing anything which would have the effect of excluding competition. Mr Ford believes that the benefits of cheap and efficient automobiles are essential to progress and can only be obtained by fostering competition, whereas your proposals, which includes the elimination of certain models, would have the opposite effect and we believe this would be to detriment of Italy and Italian nationals¹⁰²

My impression is that the issue of competition was a pretext to reject the proposal. No hint to the «elimination of certain models» can be found in the memorandum, unless one thinks to interpret in such a way the pre-determination of the models to be manufactured. Certainly such matter could have been raised in the Turin conversation, but it is more likely that the entire agreement did not fit the Detroit Headquarters' expectations. As a matter of fact, in the following November, Cooper stated in a cable to Perry: «Fiat's July proposition so entirely impossible that negotiations futile»¹⁰³. Nor Ford's negative reply seemed to have depressed Agnelli too much. On the 21st July he wrote a very kind letter to Sorensen where he concluded: «I regret that owing to the viewpoint of your Company, for the time being, it is not possible to realize the agreement, the eventuality of which was considered during our conversation in Turin»¹⁰⁴.

The exchange of messages that very rapidly concluded this story, casts doubts on the real sentiment with which both parties approached the possible agreement. Both seem to have been driven more by political convenience – the desire to please the duce – than by the sincere desire to work out an agreement. Ex-post the Fiat

¹⁰¹ *Fiat memorandum*, cit., p. 2

¹⁰² BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *Sorensen to Agnelli*, July 7th, 1930.

¹⁰³ BFRC, Accession 572, Nevins and Hill Research, Box 17, File 11.14, Foreign Agencies & Plants – Italy, 1930: *Scott's (?) telegram to Perry*, 9 Dec. 1930

¹⁰⁴ BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *Agnelli to Sorensen*, 21st July 1930/VII

avance can be seen as a bluff, namely a way of diverting Ford from its negotiation with Isotta Fraschini; Ford's behavior – on its turn – as a conscious move to call the bluff. But one cannot but ask himself what would have happened if the counterfactual hypothesis had worked, or, in other terms, if one of the two contenders had accepted the reciprocal offer.

7. *The last attempt*

On the same day (July 7th) that Sorensen wrote his reply letter to Agnelli, the agreement with Isotta Fraschini came to be living matter again. The initiative was back in Perry's hands. He wrote Edsel Ford that he and Sorensen had come to the conclusion that it was «in the best interests of Ford business in Italy ... [to] conclude a working agreement with them». He enclosed a «semi-legal document» he had personally drafted, titled 'Heads of Agreement', which re-proposed most of the January memorandum, financial section (partly corrected) included. Besides, it specified that up to 90% of the components of the Ford car would have been manufactured within the country.

Yet, with respect to the time of the previous proposal a new dramatic change had occurred: tariffs on imported cars and parts had jumped to a prohibitive level¹⁰⁵, as a consequence of a royal decree issued on July, 1st. As reported by the New York Herald «the immense increase in tariff ...[was] felt to be a direct retaliation to the new America Tariff»¹⁰⁶. According to the newspaper, Ford appeared the only firm able to «circumvent the new duties», thanks to a few months delay (possibly) granted to foreign companies already working in Italy. This would have turned out only partially true. Notwithstanding the Ford and Isotta's joint diplomatic offensive, merely a time-limited entry of spare parts under the previous tariff was conceded¹⁰⁷. Unfortunately this was not enough in the absence of an adequate assembling plant, the same Ford had been previously trying to erect by itself and now with Isotta: it would have been necessary to import under the old conditions several hundreds of cars, on pain of ruining the entire Ford organization of dealers in Italy¹⁰⁸. Such a concession could have come out «only by direct negotiations and bargaining on tariffs between the two governments»¹⁰⁹, with Italy asking favorable conditions for her *pecorino*: in the best case no positive result could be expected before lengthy talks. Therefore the only way out appeared a rapid agreement with Isotta. Actually a

¹⁰⁵ Vehicles as well as their different parts were to pay duties from 200 to 260 Gold Lire per quintal.

¹⁰⁶ I.e. the Smooth-Hawley tariff. Cf. "The New York Herald", Paris, July 8, 1930: *Italian Agents for U.S.Cars Seek to Overcome Tariff Bar*, p.11

¹⁰⁷ BFRC, Accession 572, Nevins and Hill Research, Box 17, File 11.14, Foreign Agencies & Plants – Italy, 1930: *Perry to Sorensen (and documents enclosed)*, 22nd July 1930

¹⁰⁸ BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *Perry to Cella*, 7th July 1930; *Cella to Cooper*, July 12th, 1930

¹⁰⁹ BFRC, Accession 572, Nevins and Hill Research, Box 17, File 11.14, Foreign Agencies & Plants – Italy, 1930: *Scott to Cooper*, 18th July 1930

preliminary memorandum between the two parts was signed on August the 20th. Yet this had to wait for the Government's approval, as stated by the two foresaid decrees on the establishing and/or enlarging factories manufacturing essential products for the National Defense.

And this was late in coming.

The delay was explained by different reasons. The first was, once more, political. Mussolini kept on hesitating. He feared Fiat's reaction, if he authorized the agreement. On September 16th, the Minister for Internal Affairs had received a restricted cable from the Turin Prefect: «top secret investigations» foresaw imminent demonstrations against the Government by Italian car manufacturers because of the «proximate conclusion of the agreement between the American Ford Company and the Isotta Fraschini firm»¹¹⁰. Besides, Mussolini was suspicious of the political lobby supporting the Milanese firm. In the end political reasons were intertwined with economic ones: the crisis was severely affecting the demand for vehicles in the country and the input of thousands of new cars on the market could actually have dramatic consequences on the internal production¹¹¹.

Therefore while on the American side they were eager to go on [«We have a layout and plan ready» telegraphed Sorensen to Perry¹¹² on October 22nd], on the Italian side things didn't proceed. Scott, the general manager at the Trieste plant, had been twice in Rome to discuss with Minister Bottai. The latter had expressed the desire that - «in view of the present temporary economic conditions as they affect the automobile industry and the employment problem» - Ford should have limited its sales of cars and trucks during the first production year. On October 24th, Scott sent his reply to Bottai: Ford accepted to limit at 5.000 units the first year sales in Italy – that number being the minimum threshold apt «to compensate» the network of dealers – while retaining the right «of furnishing parts made in Italy also to other European and North East Ford Companies»¹¹³. Evidently this answer didn't satisfied the government. And Mussolini, urged by Agnelli claiming «the Government must not approve the Ford-Isotta agreement»¹¹⁴ – blocked the authorization.

Such a refusal practically put an end to the interwar Ford's vicissitudes in Italy. There were, indeed, further attempts to act at the highest political/diplomatic level: it was contacted Count Giuseppe Volpi di Misurata, a very influential personality of the regime and former Minister of Finance¹¹⁵, while a preeminent

¹¹⁰ ACS...*Telegramma cifrato dal prefetto di Torino al Ministero Interno, Gabinetto, Roma, 16.9.1930*

¹¹¹ In June Fiat had dismissed one thousand workers and further heavy dismissal was expected. See Castronovo, cit, p.430

¹¹² BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930: *Telegram Sorensen to Perry, Oct. 22nd 1930*

¹¹³ Idem, *Scott to Cooper, Oct. 24, 1930; Translation of Promemoria to H.E. Bottai, dated Oct. 24th, 1930*; on these aspects see also *Stenographic abstract of the meeting of the Isotta Fraschini shareholder, 5-8 Nov. 1932*, as quoted in Anselmi, cit., pp. 75-90

¹¹⁴ as quoted in Castronovo, op. cit., p.430

¹¹⁵ But Cella seemed not to appreciate such a move. On the entire matter see BFRC, Accession 572, Nevins and Hill Research, Box 17, File 11.14, Foreign Agencies & Plants – Italy, 1930: *Cella to Cooper &*

lawyer and politician, Sen. Antonio Scialoja, was chosen as the legal representative of the Company in Rome. All in vain.

In a short time Isotta's shares had to face a devastating attack on the stock market, organized, according to Cella, by Agnelli: in a few weeks their value plunged almost to one tenth of their nominal value, to stabilize later around one third. Cella dramatically asked for Ford's financial support¹¹⁶. It was refused¹¹⁷. Then he made a new offer which - he thought - could avoid Mussolini's veto: to produce Italian cars under Ford's license, limiting the production to about 3.000 vehicles per year¹¹⁸. He backed his proposal with the statement by Bottai that this new combination did not fall under the restriction contained in the foresaid notorious decree¹¹⁹.

This time the answer was definitive:

It is very regrettable, indeed, - Cooper wrote to Cella on June 16, 1931 - that so much time and energy has been wasted in this manner and that your own valuable and persistent effort has not been able to achieve the result desired¹²⁰.

This message was the result of Perry's previous message: «I told Cooper that we did not wish to waste any more time on the subject and therefore to write to Cella and make this decision clear»¹²¹. The decision withstand further desperate pleas by Cella, who in his turn set off for his melancholic destiny¹²².

8. Conclusions

The paper has shown that, despite the ex-post evaluations of the Ford men and of the historiography, the interwar Italian adventure of the American company was quite intense and worth to be analyzed also because of its initial quantitative bearing. Figures concerning the 1922-29 period were not so negligible as shown by the Ford's deliveries from the Italian plant. At least at the beginning Trieste gave a

enclosed memorandum, 2 Dicembre 1930; *Cooper to Sorensen*, 9th Dec 1930; *Sorensen to Perry*, Dec 29th 1930

¹¹⁶ BFRC, Acc. 38, C. Sorensen Papers, box 7, Italy 1931, *Cella to Perry*, Jan. 3rd, 1931

¹¹⁷ *Idem*, *Perry to Cella*, 7 Jan. 1931. On the same day Perry wrote to Sorensen: «I think it is unnecessary to analyse the proposal; they are obviously of such nature as we could not entertain and altogether outside the methods of Ford policy». *Idem*, *Perry to Sorensen*, 7th Jan. 1931

¹¹⁸ *Idem*, *Cella to Perry*, and *Draft of Agreement enclosed* Feb. 11th, 1931; *Perry to Edsel Ford*, 13th Feb. 1931; *Perry to Sorensen*, 25th feb. 1931

¹¹⁹ *Idem*, *Il ministro (fo) Bottai alla spett. Fabbrica Automobili Isotta Fraschini*, 27 maggio 1931

¹²⁰ *Idem*, *Cooper to Cella*, June 26, 1931

¹²¹ *Idem*, *Perry to Sorensen*, 22 June 1931

¹²² He was swept away the following year by the alleged financial scandal that dragged Isotta almost to failure. Neither he or Mazzotti, the President, were legally pursued, probably because of the Government intervention, but the control of company passed into the hands of Gianni Caproni, a well known manufacturer of aircrafts. Cf. Anselmi, cit., p. 91-2.

fair contribution to the European and Middle East markets, particularly with regard to tractors. These were important also for the Italian market because a good share of the tractors assembled in Trieste was sold in the country. As for vehicles, Ford had to reckon with the limits of the Italian market and the monopolistic position of Fiat. Yet the European managers felt confident about the growth potential of the Italian market for cars. Therefore they tried again and again to secure their position in the country. In doing so they had to struggle with the worsening of the international economic conditions and an environment grown more and more hostile, up to the point to make them withdraw.

So far historiography has underlined exclusively the obstacles on the Italian side, that is the political and economic barriers to entry erected by the fascist regime, urged by the powerful Fiat lobby. Certainly this was a decisive aspect: moreover it required a political "Italian style" expertise, which the Ford men were not used to and, in any case, quite different from the typical business strategies previously applied.

Nevertheless the paper has shown that in three occasions Ford hesitated and even hung back. First, when the company was slow in accepting the government's invitation to install a "Detroit model" factory; later, when - as talks began - it rejected the financial part of the first Isotta-Franchini offer; finally, when the Fiat proposal was deemed as too constraining. Of the three chances, the first probably had been the greatest, if caught immediately. It occurred in favourable - most likely, unique - "environmental" circumstances, the ones created by the Mussolini desire to teach a lesson to Fiat. The second implied a financial commitment which was not aligned with Ford's usual behaviour. It might have been a risky business, mainly because Isotta was badly managed; but, possibly, the economic power of the American company could have easily overcome the financial weakness of the Italian one. The third appeared as the most glamorous and, as said, could have been more a *ballon d'essai* than a sincere trial.

And yet what would have happened if Ford had accepted it, provided that no further government meddling had occurred? Who would have gained more from the agreement? Certainly the Fiat's throughput would have quite increased; on the other hand, Ford would have finally fulfilled its ambition. Yet both should have given up some power. Nor was it clear who at the end would have made the decisions. An ambiguity hard to resolve: the same that more than fifty years later, *mutatis mutandis*, would have stopped a new possible agreement between the two companies.

Tab. 1: FORD DELIVERIES TO DEALERS

| Year | <i>From Trieste</i> | | | | <i>From European and African Plants*</i> | | | | % | % |
|------|---------------------|----------|----------|----------|--|----------|----------|----------|-----|------|
| | Cars | Trucks | Total | Tractors | Cars | Trucks | Total | Tractors | | |
| | <i>a</i> | <i>b</i> | <i>c</i> | <i>d</i> | <i>e</i> | <i>f</i> | <i>g</i> | <i>h</i> | | |
| 1922 | 1.499 | 233 | 1.732 | 139 | 42.791 | 22.461 | 65.252 | 3.629 | 2,7 | 3,8 |
| 1923 | 2.541 | 483 | 3.024 | 629 | 57.688 | 37.944 | 95.632 | 5.510 | 3,2 | 11,4 |
| 1924 | 3.912 | 2.739 | 6.651 | 2.577 | 53.177 | 49.176 | 102.353 | 9.193 | 6,4 | 28,0 |
| 1925 | 1.443 | 1.187 | 2.630 | 3.575 | 60.811 | 48.928 | 107.739 | 13.713 | 2,4 | 26,1 |
| 1926 | 1.642 | 1.180 | 2.822 | 5.933 | 45.536 | 35.950 | 81.846 | 15.888 | 3,5 | 37,3 |
| 1927 | 1.031 | 815 | 1.846 | 5.727 | 26.271 | 20.104 | 46.375 | 18.169 | 4,0 | 31,5 |
| 1928 | 1.836 | 526 | 2.362 | 2.136 | 26.786 | 9.505 | 36.291 | 9.606 | 6,5 | 22,2 |
| 1929 | 2.257 | 1.167 | 3.424 | 623 | 62.753 | 44.360 | 102.212 | 3.954 | 3,5 | 15,8 |
| 1930 | 1.461 | 1.050 | 2.511 | 888 | 62.632 | 42.253 | 104.885 | 4.901 | 2,4 | 18,1 |

* not including Russia

source: BFRC, Acc. 916, International Sales Statistics, *Foreign Plants deliveries to dealers*, various years

TAB. 2 - DELIVERIES AND SALES OF TRACTORS IN ITALY (1925-1939)

| | Ford Deliveries from Italy a | Ford sales b | Fiat sales c | Total tractor registrations d | b/a % | b/d % |
|-------|---------------------------------|-----------------|-----------------|----------------------------------|----------|----------|
| 1925 | 3.575 | 2.197 | 205 | n. a | 61,5 | - |
| 1926 | 5.933 | 3.829 | n. a | 5.225 | 64,5 | 73,0 |
| 1927 | 5.727 | 2.505 | 150 | 3.703 | 43,7 | 67,6 |
| 1928 | 2.136 | 854 | 620 | 2.006 | 40,0 | 42,6 |
| 1929 | 623 | 530 | 1.085 | 2.881 | 85,1 | 18,4 |
| 1930 | 888 | 518 | 358 | 2.979 | 58,3 | 17,4 |
| 1931 | 287 | 287 | 611 | 2.498 | 100,0 | 11,5 |
| 1932* | 184 | 184 | 181 | 1.619 | 100,0 | 11,4 |
| 1933 | 334 | 331 | 137 | 1.450 | 99,0 | 22,8 |
| 1934 | 317 | 311 | 260 | 599 | 98,0 | 51,9 |
| 1935 | 319 | 314 | 297 | 2.783 | 98,0 | 11,3 |
| 1936 | 185 | 185 | 682 | 2.770 | 100,0 | 6,7 |
| 1937 | 502 | 490 | 893 | 1.201 | 98,0 | 40,1 |
| 1938# | 448 | (448) | 463 | 1.657 | (100,0) | 27,1 |
| 1939# | 555 | (555) | 575 | 2.833 | (100,0) | 19,6 |

* From 1932 onwards the tractors were delivered from Holland through the Bologna agency

data refer to deliveries, not to sales (most probably the data coincide)

Sources:

Ford deliveries: BFRC, Acc. 916, International Sales Statistics, *Foreign Plants deliveries to dealers*, various years

Ford data 1925-29: BFRC, Acc. 38, Sorensen papers, Foreign Ford companies, box 4: 1930, Italy, *Perry Report to E.Ford*, 2.10.1930

Ford data 1929-37: BFRC, Acc. 38, Sorensen papers, Foreign Ford companies, boxes 7, 10, 16, 23, 29, 34, 38, 41: 1931-1938, Italy, Ford Italiana SA, *Manager's Reports to Directors*, monthly (until 1933) and quarterly.

Fiat data: Progetto Archivio Storico Fiat, *Fiat, Le fasi della crescita. Temi e cifre dello sviluppo aziendale*, Torino, Paravia, 1996, Tav. II,3

Total registrations in Italy 1926-28, computed from "Rassegna di meccanica agraria", in *L'economia nazionale*, XXV, n. 3, marzo 1933, p.114 ff.

Total registrations in Italy 1929-39, Utenti motori agricoli, *Quarant'anni di motorizzazione agricola in Italia, 1928-67*, Roma, UMA, 1968, Tav. 2

Table 3: SALES OF FORD VEHICLES IN ITALY and DELIVERIES FROM ITALY (1925-1931)

| | <i>Sales</i> A | <i>Deliveries</i> B | <i>%</i> (A:B) |
|------|-------------------|------------------------|-------------------|
| 1925 | 324 | 2.630 | 12,31 |
| 1926 | 499 | 2.822 | 17,68 |
| 1927 | 177 | 1.846 | 9,59 |
| 1928 | 1.023 | 2.362 | 43,31 |
| 1929 | 2.745 | 3.424 | 80,16 |
| 1930 | 1.087 | 2.511 | 43,28 |
| 1931 | 277 | 396 | 69,94 |

Sources

Column A: BFRC, Acc. 38, Sorensen papers, Foreign Ford companies, box 4: 1930, Italy, *Perry Report to E. Ford*, 2.10.1930; Idem, boxes 7 (1930)-10(1931), Italy: Ford Italiana SA, *Manager's Reports to Directors*, monthly

Column B: BFRC, Acc. 916, International Sales Statistics, *Foreign Plants deliveries to dealers*, various years

Tab. 4 - SALES OF VEHICLES (CARS AND TRUCKS) IN ITALY (1925-1939)

| | Ford A | Fiat B | Total C | A/C % | A/B % |
|------|-----------|-----------|------------|----------|----------|
| 1925 | 324 | 15.532 | 20.399 | 1,6 | 2,1 |
| 1926 | 499 | 21.921 | 29.609 | 1,7 | 2,3 |
| 1927 | 177 | 17.217 | 20.988 | 0,8 | 1,0 |
| 1928 | 1.023 | 23.041 | 29.320 | 3,5 | 4,4 |
| 1929 | 2.745 | 23.540 | 31.400 | 8,7 | 11,7 |
| 1930 | 1.087 | 16.589 | 25.767 | 4,2 | 6,6 |
| 1931 | 277 | 7.921 | 16.487 | 1,7 | 3,5 |
| 1932 | 388 | 15.572 | 23.069 | 1,7 | 2,5 |
| 1933 | 583 | 25.150 | 34.311 | 1,7 | 2,3 |
| 1934 | 131 | 27.929 | 35.968 | 0,4 | 0,5 |
| 1935 | 248 | 22.975 | 36.080 | 0,7 | 1,1 |
| 1936 | 83 | 26.053 | 32.747 | 0,2 | 0,3 |
| 1937 | 500 | 39.753 | 44.346 | 1,1 | 1,3 |
| 1938 | 29* | 37.589 | 50.395 | 0,06 | 0,08 |
| 1939 | 47* | 33.951 | 43.776 | 0,11 | 0,14 |

* data refer to deliveries, not to sales (the number are almost coincident)

Sources:

Ford data 1925-29: BFRC, Acc. 38, Sorensen papers, Foreign Ford companies, box 4: 1930, Italy, *Perry Report to E.Ford*, 2.10.1930

Ford data 1929-37: BFRC, Acc. 38, Sorensen papers, Foreign Ford companies, boxes 7, 10, 16, 23, 29, 34, 38, 41: 1931-1938, Italy, Ford Italiana SA, *Manager's Reports to Directors*, monthly (until 1933) and quarterly.

Ford data 1938-39, BFRC, Acc. 916, International Sales Statistics, *Foreign Plants deliveries to dealers*, various years

Italian data: (Fiat and total): elaborations from D.Bigazzi, *Esportazione e investimenti esteri: la Fiat sul mercato mondiale fino al 1940*, in Progetto Archivio Storico Fiat, *Fiat 1899-1930. Storia e documenti*, Milano, Fabbri editori, 1991, Appendice A, p. 161,