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0521812046 - Money and the Rise of the Modern Papacy: Financing the Vatican,
1850-1950

John F. Pollard

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Money and the Rise of the Modern Papacy

This is a pioneering study of the finances and financiers of the Vatican between 1850 and 1950. Dr Pollard, a leading historian of the modern papacy, shows how until 1929, the papacy was largely funded by 'Peter's Pence' collected from the faithful, and from the residue the Vatican made its first capitalistic investments, especially in the ill-fated Banco di Roma. After 1929, the Vatican received much of its income from the investments made by the banker Bernadino Nogara in world markets and commercial enterprises. This process of coming to terms with capitalism was arguably in conflict both with Church law and Catholic social teaching, and becoming a major financial power led the Vatican into conflict with the Allies during Second World War. In broader terms, the ways in which the papacy financed itself helped shape the overall development of the modern papacy.

JOHN F. POLLARD is a Fellow of Trinity Hall, Cambridge. He is the author of *The Vatican and Italian Fascism, 1929-1932: A Study in Conflict* (1985).

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CAMBRIDGE
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PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS

The Edinburgh Building, Cambridge, CB2 2RU, UK

40 West 20th Street, New York, NY 10011-4211, USA

477 Williamstown Road, Port Melbourne, VIC 3207, Australia

Ruiz de Alarcón 13, 28014 Madrid, Spain

Dock House, The Waterfront, Cape Town 8001, South Africa

<http://www.cambridge.org>

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First published 2005

Printed in the United Kingdom at the University Press, Cambridge

Typeface Plantin 10/12 pt. *System* L^AT_EX 2_ε [TB]

A catalogue record for this book is available from the British Library

Library of Congress cataloguing in publication data

Pollard, John F. (John Francis), 1944-

Money and the rise of the modern papacy: financing the Vatican, 1850-1950 /

John F. Pollard.

p. cm.

Includes bibliographical references and index.

ISBN 0 521 81204 6

1. Papacy – History – 19th century. 2. Catholic Church – Finance – History – 19th century. 3. Capitalism – Religious aspects – Catholic Church – History – 19th century. 4. Papacy – History – 20th century. 5. Catholic Church – Finance – History – 20th century. 6. Capitalism – Religious aspects – Catholic Church – History – 20th century. I. Title.

BX1950.P65 2004

262'.136 – dc22 2004045811

ISBN 0 521 81204 6 hardback

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Acknowledgements

I should like to begin by thanking Ambassador Sergio Romano for bringing the existence of the diary of Bernardino Nogara to my attention, and Ambassador Bernardino Osio for allowing me access to his grandfather's diary and other papers, and thus starting me on this particular research project. I am also grateful to the staff of Anglia Polytechnic University Library, the British Library, Cambridge University Library, the Biblioteca Nazionale Centrale and the library of the Istituto di Storia Moderna e Contemporanea in Rome, the National Archives (formerly Public Records Office) at Kew, the Archivio Segreto Vaticano and the Archive of the Second Section of the Vatican Secretariat of State. Thanks are also due to Julie Satzick of the Chicago Archdiocesan Archives, Fr Ian Dickie of the Westminster Archdiocesan Archives, Dr Dos Santos and the staff of the National Archives in Luxembourg, Prof. Cesarano and Dr Loche of the Archivio Storico of the Banca d'Italia, Dr Francesca Pino and the staff of the Archivio Storico of the Banca Commerciale Italiana in Milan, Dr Ferruccio Ferruzzi of the Archivio di Stato di Roma, Prof. Poala Carucci and the staff of the Archivio Centrale dello Stato in Rome, Prof. Michele Abbate and the staff of the Archivio Storico del Ministero per gli Affari Esteri in Rome, the director of the Registre du Commerce, Canton Vaud, Switzerland, the staff of the Archive de Département de Paris, Companies House in London, Mr John Taylor and the staff of the National Archives and Records Administration and the archivists of the National Catholic Welfare Conference, both in Washington DC.

Anglia Polytechnic University History Research Committee, the British Academy and the Scouloudi Foundation all provided funds for the various research trips in Europe and America without which this book would not have been possible.

Several friends, colleagues and students have helped me in the research for this book, or advised me about aspects of it: Max Beber, Anna Bristow, Lucia Faltin, James Seymour Hegelson, Paul Hypher, Susanne Jennings, Ron Machell, Martin Manuzi, Joseph Pearson, Joy Porter, Stewart Stehlin, Clive Trebilcock, James Walston, Brian Williams and

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David Wilson. I also owe Brian a debt of gratitude, along with Michael Walsh and Oliver Logan, who read a complete draft of the manuscript and offered some very useful advice. I am especially grateful to Dan Raff and the other members of the University of Pennsylvania, Wharton Business School, Economic History Seminar for inviting me to discuss my work with them; Jonathan Steinberg and Susan Zuccotti were both kind and helpful in their comments as respondents. For any errors of fact, and for opinions and interpretations, the responsibility is, of course, mine alone.

I owe an immense debt of gratitude to Nora Galli dei Paratesi, James Walston and Brian Williams, for their hospitality, friendship and stimulating company in Rome over the years. Finally, I would like to acknowledge the moral support of Pompey.

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Currency exchange

1 Exchange rates in 1880 in terms of French francs

Belgian franc, Swiss franc, Italian lira and Spanish peso	1 Ff
Egyptian piaster	0.31 Ff
British pound sterling	25.22 Ff
Dutch florin	2.60 Ff
Austro-Hungarian florin	2.50 Ff
German mark	1.11 Ff
US dollar	5.18 Ff

2 Average exchange rates, December 1926, 1936 and 1950 (in US cents per unit)

<i>Country</i>	<i>Unit</i>	<i>December 1926</i>	<i>1936</i>	<i>1950</i>
Austria	Schilling	14.08	18.79	n.q.
Belgium	Belgian franc	2.78	3.38	1.99
France	old franc	3.95	6.11	0.29
Germany	RM, DM	23.80	RM40.30	DM23.84
Italy	lira	4.44	7.29	n.q.
Netherlands	guilder	39.99	64.48	53.42
Spain	peseta	15.24	12.31	n.q.
Sweden	krona	26.72	25.63	19.33
Switzerland	Swiss franc	19.32	30.19	23.14
United Kingdom	pound sterling	485.12	497.09	280.07

From Charles P. Kindleberger, *A Financial History of Western Europe* (2nd edn, Oxford, 1993), p. 467.

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Glossary

ABSS Amministrazione per i Beni della Santa Sede (Administration of the Assets of the Holy See). Main agency responsible for administering Vatican palaces and gardens (prior to 1929), other property in Rome and the capital assets accumulated as a result of the investment of the surplus from Peter's Pence.

Americanism A 'heresy' condemned in Leo XIII's apostolic letter, *Testem Benevolentia* of 1899. It allegedly consisted of such ideas as the rejection of external spiritual direction: the elevation of natural virtues over supernatural ones and a preference for 'active' virtues to 'passive' ones. At bottom, the concern in Rome and France was about the liberal democratic climate in which the Catholic Church lived in America.

Amministrazione per le Opere di Religione/Pias Causas Created by Leo XIII secretly to administer and invest cash funds and stocks and bonds of Italian religious orders and occasionally dioceses.

annates or 'first fruits' The first year's revenue of an ecclesiastical benefice (q.v.), usually a bishopric, which had to be paid to the Papal Treasury.

APSA Amministrazione per il Patrimonio della Sede Apostolica, formed from the merger of the ABSS and the ASSS by Paul VI in 1967.

arbitrage Simultaneous purchase and sale, normally in different places, of currencies, sometimes for delivery at different times, with no price risk.¹

ASSS Amministrazione Speciale della Santa Sede (Special Administration of the Holy See). Henceforth Special Administration. Vatican agency created by Pius XI in 1929 to administer and invest funds received from the Italian government as laid down in the Financial Convention of that year, whose management was entrusted to Bernardino Nogara.

¹ Taken from Charles P. Kindleberger, *A Financial History of Western Europe* (2nd edn, Oxford, 1993), pp. 459–62.

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beatification A process carried out by officials of the Roman curia (q.v.) by means of which a dead person is judged to have led an especially holy life in conformity with the Church's teaching, and may even have been responsible for a miraculous cure. The person is then given the title of 'venerable' or 'blessed'.

benefice, ecclesiastical An ecclesiastical office – e.g. that of bishop or parish priest – whose income was originally derived from an endowment.

Camarlengo, Cardinal The cardinal responsible for the administration of the affairs of the Holy See, including finance, during a *sede vacante* (q.v.). He is also responsible for the smooth running of the funeral of the deceased pope and the conclave.

Canon Law, Code of The manual of laws which regulates all aspects of the life of the Roman Catholic Church. The first Code was promulgated in 1917 and a revised version in 1983. There is also a separate Code for the Eastern Rite (q.v.) and Uniate (q.v.) Churches.

canonisation The process, carried out in the same way as for beatification (q.v.), whereby a dead person is declared to have led an especially holy life in conformity with the Church's teaching, to have demonstrated signs of 'heroic virtues' and to have performed miracles and is therefore given the title of 'saint', and is judged to be worthy of veneration by the faithful.

Casa Generalizia The Rome headquarters of a religious order, or alternatively the residence in the city of a religious order whose base is outside of Italy.

catechism A comprehensive manual of Catholic religious belief which, in a simplified form, is used for the religious instruction of children.

chirograph A papal administrative decree of limited circulation within the Roman curia.

clerico-moderates Italian laymen with a more conciliatory attitude towards the Italian state than their intransigent (q.v.) fellow Catholics. Many were businessmen, financiers and large farmers and some became members of the Italian Parliament after the *Non Expedit* (q.v.) was relaxed from 1904 onwards.

commandite (Italian *commenda*) A sleeping partnership in which, as a rule, one or more partners provides the entrepreneurship, and another, the sleeping partner, the capital.²

concordat A treaty between the Holy See and the government of a secular state which regulates relations between the Church and the

² Ibid.

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government of that state and guarantees certain rights to the Church in the free exercise of its ministry.

consols An abbreviation for ‘consolidated British debt’, which is borrowed in perpetuity.³ In this book it refers to the consolidated debt of the Italian state.

delegate, apostolic A representative of the Holy See to the ecclesiastical hierarchy of a given country or countries. He does not have diplomatic standing but has in the past, nevertheless, frequently performed a secret diplomatic role in relationship to governments.

Eastern Rite Churches Those churches, like the Catholic Copts, Maronites and Melkites, who have different liturgies and discipline (married priests, etc.) from the ‘Latin’ rite Catholics of the West.

encyclical The most important of all the public communications of the pope, usually addressed to the hierarchy of the whole Church, the hierarchy of a given country or to both hierarchy and faithful together.

ex cathedra Literally ‘from the seat’. Only papal pronouncements made solemnly on the basis of the teaching authority of the apostolic see (‘seat’) are to be regarded as infallible.

exegesis The scholarly study of the Bible, with the purpose of interpreting its content in the light of the times.

Fondo per il Culto The department of the Italian Ministry of Justice which distributed the revenues of the expropriated properties of the Italian Church to holders of ecclesiastical benefices – like parish priests, cathedral canons and bishops – throughout the peninsula from the 1860s onwards. In 1929, it was transferred to the Ministry of the Interior.

forced circulation (Italian *corso forzoso*) Repudiation by a government of central bank obligation to redeem paper notes in circulation in coin, so that the notes are obliged to remain in circulation.⁴

fungible A good, like money or grain, which can be replaced by another in respect of function or use.

Holy See The bishopric of Rome, claimed to have been founded by St Peter who was its first bishop. Because of this connection with the ‘Prince of the Apostles’, his successors in the see, the popes, claim spiritual primacy and authority over the whole Christian Church. Also known as the papacy.

indulgences A device whereby the temporal punishment due for sin in Purgatory is remitted by authority of the papacy.

Intransigents Catholics who maintained an uncompromising attitude of hostility towards the Italian state after the capture of Rome in 1870.

³ Ibid. ⁴ Ibid.

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IOR Istituto per le Opere di Religione. Literally ‘Institute for the Works of Religion’. The name given to the Amministrazione per le Opere di Religione, which had originally been established by Leo XIII to administer the funds of certain religious orders and Italian dioceses, when Pius XII re-organised it in 1942. Nowadays, it is commonly known as the ‘Vatican Bank’.

Lateran Pacts The agreements signed by Mussolini for the Italian state and Cardinal Gasparri for the Holy See, on 11 February 1929, in the palace of the Lateran, Rome. They consisted of the Treaty which brought the Roman Question to an end and created the sovereign and independent State of the Vatican City, the Concordat which regulated Church–State relations in Italy down to 1984 and the Financial Convention which resolved financial questions outstanding between the two signatories.

Law of Papal Guarantees Passed by the Italian Parliament in 1871 to ‘regularise’ the status and role of the pope in Italy following the occupation of the last remnant of the Papal States, its annexation to Italy and the proclamation of Rome as capital city.

Legations, the The northern territories of the former Papal States (Emilia-Romagna) which were ruled by ‘legates’.

letter, apostolic A papal communication having lesser authority than an encyclical and usually addressed to individuals or small groups of bishops.

metropolitan Usually the ordinary of an archbishopric who has a limited supervisory jurisdiction over the (suffragan) bishops in his province.

minutante A junior official in the Secretariat of State and other ‘dicasteries’, departments, of the Roman curia.

mixed or universal bank A bank which not only made short-term loans, but also bought bonds and shares from industrial companies.⁵

modernism ‘The synthesis of all heresies.’ A set of ideas condemned by the Holy Office in *Lamentabili* of 1907 and in Pius X’s encyclical *Pascendi* of the same year. These statements attacked the ideas of various French and British Catholic scholars that, among other things, the Bible should be subject to historical-critical study, that religious dogma develops within history and that sociological concepts can play a useful role in the study of the history of the Church. Most of these ideas have been generally accepted since the Second Council of the Vatican in the 1960s.

⁵ Ibid.

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motu proprio A decree issued on the authority of the pope to regulate the administration of a given part of the Roman curia.

Non Expedit A papal decree prohibiting Italian Catholics from voting and standing as candidates in the parliamentary elections of the Kingdom of Italy. It was finally abolished in 1919.

nuncio, apostolic The diplomatic representative of the Holy See to the government of a state.

Obolo Italian name for the collections of Peter's Pence. Sometimes used to refer to all offerings received by the pope.

Opera dei Congressi The umbrella organisation of the various organisations of the Catholic movement – youth and adult groups, newspapers, credit and co-operative institutions etc. – until it was dissolved by Pius X in 1904.

ordinary The bishop of a diocese who has 'ordinary' spiritual jurisdiction over the clergy and faithful in that area.

Peter's Pence The name used to describe the major form of monetary contributions of the Catholic faithful throughout the world to the support of the Holy See. It originated in Anglo-Saxon England and was revived in the mid-nineteenth century.

primate The leading metropolitan within a given country or region. The archbishop of Baltimore has an 'honorary' primacy or precedence over all other bishops in the United States of America by virtue of being the occupant of the oldest bishopric in the country. The pope is the primate of Italy.

Prefettura dei Sacri Palazzi Apostolici (Prefecture of the Sacred Apostolic Palaces) The administration of the papal palaces in Rome, including, before 1870, the Quirinale Palace.

Propaganda The Congregation of Propaganda Fide, which was responsible for the Church's missionary activities and which had a budget independent of the rest of the Roman curia.

regio placet et exequatur The power claimed by Italian rulers to give permission to newly appointed ecclesiastics to enter into their benefices (q.v.). The Law of Papal Guarantees (q.v.) promised to abolish this permission, but it was not implemented until 1929.

Roman curia Central government of the Roman Catholic Church situated in the Vatican and in other parts of Rome, consisting of the Secretariat of State and the various other congregations, offices and tribunals.

Roman Question The dispute between the papacy and the Italian state following the latter's occupation and annexation of Rome in 1870 and consequent destruction of the last remnant of the temporal power (q.v.).

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sede vacante The interregnum between the death of one pope and the election of his successor.

sedia gestatoria The portable throne on which the popes were carried into St Peter's Basilica. It was abolished by Pope Paul VI.

Sostituto The Substitute or deputy to the Cardinal Secretary of State.

temporal power The pope's political sovereignty over the former Papal States of central Italy.

Uniate A Church of the Eastern Rite, for example the Ukrainian, which was re-united with Rome after previously being a part of the Orthodox Churches.

usury The lending of money at excessive rates of interest. Until the nineteenth century, *all* money-lending at interest was regarded as being potentially sinful.

visitor, apostolic A special, temporary representative of the Holy See to the hierarchy of a country. The term is also used about papal 'inspectors' during the reign of Pius X (1903-14) who visited dioceses or their seminaries looking for signs of the 'modernist' heresy.