

# The public debt in Naples and the early history of C M de Rothschild & Figli

Claire-Amandine Soulié describes sources for the history of the Rothschild business in Naples, which form part of the Trust's archives of de Rothschild Frères held at the Archives Nationales du Monde du Travail.

Marble bust of Carl Mayer von Rothschild (1788–1855), by F. Gnaccarini, 1835.



The Naples branch of the Rothschild business was the first to close, in 1863, less than a decade after the death of its founder, Carl Mayer von Rothschild (1784–1855). As a satellite branch of the Frankfurt house, its own records shared the same fate as that of the parent and were destroyed in 1901 when the Frankfurt business was liquidated on the death of Wilhelm Carl von Rothschild, Carl's son.<sup>1</sup> The Naples house operated in the period between the end of the Napoleonic Wars and the reunification of Italy, and in order to understand the context surrounding the establishment of the Rothschild business in the city, it is important to remember that the events leading up to this, were taking place in an atmosphere of conflict with other European powers, but also domestically within the governments of the various Italian Kingdoms, and especially Naples and subsequently, the Two Sicilies.

The history of Italy before its reunification is one of constant conflicts, reconciliations, and negotiation. In 1805, the King Ferdinand of Naples had decided to join the coalition of Austria, Portugal and Russia, against Napoleon. After the coalition's defeat in Campo Tenese, Napoleon's brother Joseph, and then his sister Caroline and her husband Joachim Murat, were placed on the throne. Meanwhile, Ferdinand had fled to Sicily, where he reigned under British protection. After Napoleon's fall in 1814, Murat retained his throne until his defeat against the Austrians at the Battle of Tolentino, after which he was forced to flee, and the Bourbon Ferdinand I was restored to the throne. In 1816, the Kingdom of the Two Sicilies was formed, encompassing the Kingdom of Naples and the Kingdom of Sicily.<sup>2</sup>

But to Ferdinand, the restoration of the Bourbon monarchy did not come cheaply. For the year 1816–1817 only, he had to pay 10 million ducats for the maintenance of the Austrian Army stationed in the Kingdom, as well as contributions to the powers which had helped the restoration. Funds of this magnitude were beyond his own means, and therefore he contracted a loan with virtually all banking houses established in Naples. Further difficulty, this time political, affected Ferdinand's position in the period: the constitutional uprisings and the revolt of the Carbonari. These were revolutionary secret societies advocating the proclamation of a constitution and clearly marked with more liberal tendencies than the absolute monarch would tolerate.<sup>3</sup> Their actual influence is difficult to measure, although it became clear in the late 1810s that their ideas had spread to the army, to the point that a military revolt, led by General Guglielmo Pepe, who had previously served in the Napoleonic Army, broke out in July 1820. To add to Ferdinand's trouble, a revolt by Sicilian separatists broke out around the same time, although it was suppressed by Neapolitan troops.



Painting of the Villa Pignatelli alla Riviera di Chiaia, the Rothschilds' house in Naples, by Carl Wilhelm Gotzloff.

These events, for a while, forced Ferdinand to proclaim a constitution, although Austria's intervention after the European Congress of Laibach (today's Ljubljana), restored his absolute power. Still, Ferdinand's economic position was precarious to say the least, and once again, it was Austria that bailed him out of what could have potentially led the Kingdom to bankruptcy. It is at this point that the Rothschilds' involvement with Naples started. The government of Austria, led by Metternich, whose bankers were none other than the Rothschilds, had asked them to send a representative to Laibach to negotiate a loan with Ferdinand. As a result, Carl, the fourth son of Mayer Amschel Rothschild, arrived in Frankfurt in March 1821, to try and help Naples put its finances in order. Carl was neither the most gifted nor the most experienced of Mayer Amschel's sons, and he often came under criticism from his brothers. Correspondence in the Archive in London sheds light on the frustration which Amschel, Salomon, Nathan and James sometimes felt about Carl's hasty or unreasonable decisions.<sup>4</sup> In 1814, Nathan had written to Salomon and James: 'I must confess to you that Amschel and Carl are making me damned *upset*. You cannot imagine what nonsense they write and they are drawing on me like madmen'.<sup>5</sup> Even after the establishment of the Naples house under his leadership, Carl himself voiced his concern about not being taken seriously by his brothers. To a letter from James, where he complained that the brothers were not receiving enough first hand information from Naples, Carl replied:

You complain, wrongly, that the Naples House does not keep you sufficiently informed of what is happening in Naples, but if nothing is new, what can possibly be written about? [...] If, instead of limiting your writings to mere accountancy-related information, as though your letters were addressed to just any other correspondent, you would share information with the Naples house as from associate to associate, this would have a positive impact on our business in Naples.<sup>6</sup>

In spite of these frustrations on both sides, reflecting doubts about Carl's ability to handle business, Carl had travelled extensively during the Napoleonic wars, acting as courier for the transfer of funds, and was fully involved with the business, often being dispatched abroad to either deal with business partners, or relay information between various branches of the business. This was what he was sent in Italy to do, with immediate initial success. A first 16 million ducat loan agreement was contracted by the government in May 1821, followed by a further 16.8 million ducat loan in December 1821.<sup>7</sup> In both syndicated loans, other Neapolitan merchant bankers were involved, but the Rothschilds were the main partners.

In February 1824, however, a new type of loan was contracted: Carl negotiated the issuing of 15 million ducats' worth of public, redeemable bonds, which he listed on the London Stock Exchange. In this deal, other bankers took the back seat, dealing with the sale and purchase of bonds rather than being parties to the agreement itself.<sup>8</sup>

A Public Debt Administration, a centralised office dealing with all matters pertaining to the issuing of the bonds, their repayment, the rights of the stakeholders, and various administrative issues related to the bonds, was set up by the Crown. As for Carl, who had remained in Naples, he diversified his lending by issuing loans to other Italian states and to the Papal administration, as well as within the Kingdom of Two Sicilies itself, by earning some major contracts furnishing the Royal Tobacco Manufactory in Naples with Kentucky and Virginian tobacco (1843) and supplying engines and tracks for railway development in Sicily during the 1840s.<sup>9</sup>

Throughout the late 1820s and up to the early 1840s, however, the terms of the loan agreement underwent several modifications, and so did Carl's relationships with the government of Two Sicilies. Recent research, based on sources from the Archives de la Bourse de Paris, Archivio di Stato di Napoli, Archivio Storico del Banco di Napoli, and The Rothschild Archive, London, has shown how Carl, who was clearly in a position of power on account of his own fortune and benefiting of the backing of his brothers Nathan, in London, and James, in Paris, managed to influence the government's decisions in a way that they could provide some guarantees that the loan would be repaid, for example by weighing on the reappointment of a sympathetic Minister of Finance, or making sure that the loan was negotiated in sterling rather than ducats.<sup>10</sup> However, other sources found in the Fonds Rothschild at the Archives Nationales du Monde du Travail in Roubaix, France, shed further light on this relationship. More precisely, it seems that between 1824, the year when the loan was issued, and 1844, when it was fully redeemed by the Neapolitan government, 16 years earlier than originally intended, this relationship between the Rothschilds and the government had changed radically.<sup>11</sup>

Whilst it seems that, throughout the 1820s and 1830s, Carl was in a position of power, and able to weigh rather heavily upon the government's decisions, it was no longer the case in the 1840s. Ferdinand II had replaced Francis I, himself the successor of Ferdinand I, and managed to reform the finances of his Kingdom quite dramatically from the beginning of his reign, and to cut public expenditure. The composition of the business and financial milieu had changed too, and the Rothschilds were facing bitter competition from bankers Meuricoffre and Appelt, once their associates. In 1844, Carl wrote to James in Paris that in spite of his 'personal repugnance, he would consider a new association with Meuricoffre, but was advised against it'.<sup>12</sup>

This came after numerous allusions had been made to Meuricoffre's attempts to challenge Carl's position, from the late 1830s onwards.<sup>13</sup> In fact, the feud with Meuricoffre seemed to have originated in an incident occurring in 1839, where the bank offered the King a better deal than the Rothschilds on a new loan intended to finance more public works, and which was never actually contracted. However, both the episode itself, and Carl's perception of it, showed his increasing concern about seeing his position weakened within the Kingdom.<sup>14</sup>

The situation was certainly not made easier by the fact that his relationship with the King himself as well as the government started to decline rather dramatically in the period running up to the final redeeming of all coupons in 1844. The main point of conflict was the establish-

ment of a second *administration des rentes*, which would issue the bonds, administer the conversion and redemption procedures of bonds, deal with issues such as inscriptions within the Gran Libro (the central register of the public debt), and deal with the different parties involved. From the onset, it seems that the Rothschild brothers wanted to establish this administration in Naples, however the Government was, at first, hesitant to let this happen, before opposing it outright. In this context, Carl's letters to his brothers highlight the necessity of agreeing on a line of argument before putting it forward to the King and his Ministers,<sup>15</sup> and demonstrate extreme prudence in dealing with the Finance Minister:

As a general rule, it is extremely difficult to put proposals to the current Minister. As he does not need credit at the moment, he thinks that he can do without the help of Bankers.<sup>16</sup>

Throughout 1843, in fact, Carl alluded to his difficult relationship with the government, claiming that there was nothing to be expected from them;<sup>17</sup> and come November, he even wrote to James:

the relationship I had the honour of being part of, with the Government, is declining every day. For example, the establishment in Palermo of a Royal Bank, which should start trading in January 1844, will mark the end of a significant part of my own business, consisting of cashing the government's drafts.<sup>18</sup>

However, Carl was never going to enter a hostile relationship with the government and rather, positively tried not to upset them. He put emphasis on future business opportunities and the fact that maintaining a good relationship was important:

Is it enough that what we are doing is within the limits of the law and protected from open aggression from a Government with which we've been doing business for a long time?<sup>19</sup>

A certain degree of compromise was important to Carl, on account of the dealings he had had with the Kingdom in the past, and more importantly, in anticipation of future business opportunities. The relationship at this time was clearly turbulent, but Carl, like his brothers, retained a focus on the long term. From the government's point of view, however, behind all the hostility between them and their once trusted bankers, what came first and foremost was their public image. In the context of a market economy, where appealing to investors was essential given the amount of public works it had commissioned, and with trust being a key factor, a government with a substantial amount of public works in hand, could not afford to appear in debt. Hence, in Carl's correspondence to his brothers, one can find numerous references to the government's reluctance for details of the public debt to appear in the press.<sup>20</sup>

In all, while the archives of de Rothschild Frères chronicle the deterioration of the relationship between the Naples government and the bankers that it once relied upon, the increasing suspicion existing within the business and financial networks in the kingdom, they also provide valuable information on the hitherto rather obscure history of the Naples House. In particular, they shed light on Carl's heavy reliance on his brothers, and especially James in Paris, for funds, as well as advice and experience, and document the fourth brother's increasing frustration at being so remote from the other houses, and not being able to send and receive the information as quickly as he would have wished or needed to. Most importantly, they act as a reminder of the significance of personal relationships between various agents in doing business at that particular time in history. In this respect the relationship between the Rothschilds and Medici, the Finance Minister until 1830, is illuminated by records kept within the Archivio dello Stato di Napoli and the Archivio Borbone. They are a telling contrast with the later period, for which evidence can be found in the Fonds Rothschild held at the Archives Nationales du Monde du Travail.

A printed 'Prices Current' sheet issued by the Naples branch of the Rothschild bank in 1862, shortly before the business was liquidated. Information about currency exchange rates and prices of commodities was regularly exchanged by merchants in this way.

Carl Mayer von Rothschild (1788–1855), watercolour by Moritz Oppenheim.



**C.M. DE ROTHSCHILD E FIGLI**  
**Prezzi Correnti**  
*Napoli 18 Settembre 1862*

<b>BORSA.</b>		Duc.	Gr. <sup>a</sup>		
Oliv. Gallipoli	<i>fine corrente</i>	40	80		
	<i>futuri</i>	41	60		
Oliva	<i>fine cor.</i>	105	75		
	<i>futuri</i>	107	75		
Taranto	<i>fine cor.</i>				
	<i>futuri</i>				
Bari	<i>fine cor.</i>				
	<i>futuri</i>				
Rossano	<i>fine cor.</i>				
	<i>futuri</i>				
Monopoli	<i>fine cor.</i>				
	<i>futuri</i>				
<i>Sraniteneri Barletta fin cor.</i>					
	<i>futuri</i>	2	68 1/2		
Sranoni Napoli	<i>contanti</i>				
Avena Barletta	<i>fin cor.</i>		1.08		
	<i>futuri</i>				
Taranto	<i>fin cor.</i>				
	<i>futuri</i>				
Mandorle Bari		23	98 75		
<b>Reuda italiana</b>					
Contanti		70	90		
fine Corrente		71	75		
fine Bossimo		72	-		
Prestito Municipale		75	50		
Obbligazione del 6% Strade Ferrate da Nocera a Salerno			91.25		
<b>CAMB.J.</b>					
Londra	90	75.10	Livorno	30	99.50
Parigi	80	99.40	Firenze	30	99.50
Lione	80	99.40	Trieste	60	1.93
Marsiglia	10	99.40	Vienna	10	1.93
Genova	30	99.50	Hamb.	90	1.87
Torino	30	99.50	Venezia	40	2.44
Milano	30	99.40	Palermo	30	99.40
Roma	30	51.30	Messina	30	99.40
Augusta	15	7.12	Ancona	30	99
Amsterdam	90	7.12	S. Pietroburgo	90	3.40

Claire-Amandine Soulié was project co-ordinator for the research project Jewish Philanthropy and Social Development in Europe 1800–1940: the case of the Rothschilds and joined the staff of *The Rothschild Archive* in January 2008. She recently completed her PhD on press censorship in France and Britain.

## NOTES

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