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

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ABSTRACT - The paper will discuss one aspect 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 internalization, which 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, for a combined population of about 180 million people. At the beginning this strategy turn out successful, as the paper will show through the reconstruction of the quantitative dimension of the Ford activity in Italy. But when in the late 1920s the American Company tried to improve her position in the country – either through the establishment of an assembly plant or the joint venture with an Italian company – this soon appeared impossible. Conventional wisdom about such a failure has underlined the growing hostility of Fiat, already the main Italian car producer, backed by Mussolini's nationalistic economic policy. This was certainly the main cause. However, thanks to the cross reference of Ford's unexploited archival records with Italian documents it has been possible to show that also on the Ford side some wavering and hesitation occurred. Therefore a few chances were missed: among these the most glamorous was the possibility of an agreement with Fiat itself, of which so far no trace has been found in historical records.

1. Introduction*

Ford's interwar experience in Italy didn't receive much attention from historiography. A correct but synthetic description is offered in 1964 Wilkins' book on Ford abroad¹, whereas only three pages have been devoted to the pre-WW2 years in the Volpato's chapter on Italy in the recent book on Ford in Europe². This is not difficult to explain, actually. The Italian branch was just a minor part in the company's interwar multinational activity. It 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 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 - i.e. Fiat and Isotta Fraschini³. Both were deeply involved, although in different ways, in the economic policy of the regime.

From the point of view of the 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 the post 1930 *de facto* withdrawal. Before the Japanese disappointment of the late Thirties, this was the only breakdown in the company's interwar multinational activity. Second, for the first time, Ford considered the possibility of a merger with a foreign company in order to strengthen her position and actually got very close to it. Therefore – one could say – the Italian experience turn out quite original and showed two absolute novelties in the Ford history.

However, in my opinion, there are other motives of interest in this story. The first is related to the quantitative dimension. One of the main contribution of this paper is precisely the reconstruction of the series of the economic data concerning Ford Italia, a matter so far completely neglected by historiography⁴. Most probably

* My deepest gratitude goes to Ms. Carol Whittaker of the Ford Archives at the Betty Ford Research Center in Dearborn, who on my behalf performed superb research throughout the files concerning Italy

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. However, 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 (from now BFRC).

the negative outcome of Ford's strategy of expansion in Italy ended with downplaying 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. But that turn marked an evident change with respect 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 in a couple of occasions, at least, 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 could mean a limitation of the Company's authority. The really interesting case was the one concerning a possible combination with her 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 start a factory in Italy.

The paper is organized as follows. The next section is devoted to the reconstruction of the quantitative dimension of the Ford's interwar activity in Italy. In the following one, the focus will be on the Trieste years (1922-1930), i.e. on the heydays of her pre-war presence in the country. Section 4 discusses the failed attempt to erect there an assembly factory, while section 5 analyzes the "Fiat affair". Paragraph 6 dwells shortly on the last unsuccessful attempt to establish a combination with Isotta Fraschini, while in the last section a few words of conclusion are offered.

2. 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 of which were to be 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 branch assembly plants and to responsible and semiautonomous subsidiaries. From the late Twenties a third phase ensued: 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 governments⁵.

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 1926⁶. 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 1923. It operated a service plant⁷ 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 agency was active in town as, in that year, 1.732 vehicles and 139 tractors were delivered from there⁸. 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 activity. Such an upgrading should have happen in the third stage, i.e. at the end of the "American era", when European companies «were treated as branches of Detroit»⁹.

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 the nationalist stances of the time. Also the boards of the directors and the management, especially the middle management, would have had a national

⁵ 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

⁶ Volpato, op. cit., p. ??? . Internal Company's sources, however, speak usually of about 150-200 dealers.

⁷ 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

⁸ BFRC, Accession 916, International Sales Statistics, *Foreign Plants Deliveries to Dealers. 12 months 1922*. As a matter of fact according to Appendix 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 was established December 1, 1922.

⁹ Tolliday, "The origins of Ford of Europe", p.159

character. However Perry (as president), Charles Sorensen and Edsel Ford (as members of the board) would have been incumbent figures of each company¹⁰. Production would have been centralized in Manchester and Dagenham (once completed the new plant), whereas the empowering of the national assembly stations would have assure 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»¹¹. Yet, a few moves in the planned direction had been undertaken. Shares had been endorsed to the English corporation, although none had been acquired by the 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 Directors¹². Besides, in September 1929, Perry, Sorensen and Edsel Ford made an important decision: to move the plants 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 offering¹³.

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 belittle 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 Holland¹⁴. 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 part of the foreign territories – Albania, Yugoslavia, Malta – still controlled by Trieste¹⁵. 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

¹⁰ Wilkins and Hill, op. cit., pp. 192-97

¹¹ Perry to E.Ford, 10th Feb. 1930, cit.,

¹² 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*;

¹³ BFRC, 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.

¹⁴ Archivio Centrale dello Stato, Prefettura,Gabinetto, (hereafter ACS, PCM, G), *Promemoria sulla Ford Motor Co. d'Italia del Consiglio provinciale dell'economia di Trieste al Prefetto di Trieste, Porro, 28 agosto 1930*

¹⁵ 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.

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 8.000.000¹⁶.

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»¹⁷, 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>

Tractors in particular scored quite good results, reaching a maximum of 37,3% on 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 characterized 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 Fordson¹⁸. 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 country¹⁹. 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,

¹⁶ BFRC, Acc.38, Sorensen Papers, Italy 1931, box 7, *Minutes of the meeting of the Board of Directors of Ford Italiana S.A.*(March, 7th 1931)

¹⁷ *Perry to Craig, 8 June 1936*

¹⁸ BFRC, Acc. 304, Credito Ford d’Italia, *Report to B.J.Craig*, Dec. 30, 1926

¹⁹ P.V. Guidi, *Trattori agricoli* in “*Macchine e motori agricoli*”, 1, 1947, p. 42

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 the figure was equal to about 12% of the Fiat sales of 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>

As for the economic performance of the Italian subsidiary, the 1922-30 period was truly profitable: at the end of the period 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 values. 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»²⁰ - 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 Liras²¹.

The failed reorganization of the company and its scaling down to a pure sale organization deeply affected the company's profitability. Besides, two subsequent heavy increases of import duties on vehicles and manufactured parts were to have

²⁰ 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 plants, it was decided also to change the name of the company in Ford Italiana Società Anonima.

²¹ 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*

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), 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 introduction of a further duty on cars and parts on January 1934²² 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»²³. 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). But, 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 is it possible to close down altogether, or have you any definite plans that would make it worth while to continue at Bologna»?²⁴. Perry's replay 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 business²⁵. As matter of facts things in the following years stabilized and Ford Italia was able to produce tiny net profits up to 1938.

3. 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. 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;Ttractor demand increased 321% over that of last year». The reason of the success was explained in the article:

²² «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» BFRC, Acc. 38, C. Sorensen Papers, box 23, Italy 1934: *Ford Italiana, Manager's Report to Directors – Quarter ended 31st March 1934*, p.2

²³ Idem, *Ford Italiana S.A.*, 20.2.34

²⁴ BFRC, Acc. 38, C. Sorensen Papers, box 29, Italy 1935, *Sorensen to Perry*, Feb. 6th, 1935

²⁵ Idem, *Ford Italiana S.A. – Study of the present position and outlook, with suggestions as to future operating policy*, 1st Nov. 1934

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.²⁶

As we have seen, the results initially seemed to confirm the expectations. Total sales were increasing and so were gross revenues. According to secret information obtained by the Prefettura di Trieste, the latter in 1923 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: the «apparent disproportion between the number of employees and the number of workmen being justified» by the prevailing commercial character of the firm²⁷.

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 and had a storage space for stocks of parts and finished products of about 5.000 square feet²⁸. 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 activity²⁹. 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 units³⁰. 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 illustrate to him the critical aspects affecting the market served by the Trieste branch.

²⁶ 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)

²⁷ 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

²⁸ 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

²⁹ *Idem, Cooper to Ford Motor Company*, 27th June 1924

³⁰ *Idem, Cooper to Ford Motor Company*, September 9th, 1924 and *Branch Trieste* 9/9/1924

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 upon³¹. 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»³². Eventually the settlement was reached on this basis. Indeed such negotiations had posed bad premises for the future. In fact, in the following summer, Alexandria in Egypt (instead of 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 cases³³.

Few months after the move to Alexandria, Detroit received a letter from the Italian Government, signed by the Ministry for National Economy, Belluzzo: the letter invited directly Henry Ford «to lay down a factory in Italy, worthy of the one in Detroit»³⁴. Such an invitation was quite a surprise because no intervention or request of this sort had been expressed by the company. It could 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

³¹ 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

³² *Idem*, p.3

³³ BFRC, Acc. 106, box 27, Ford Motor Company d'Italia, *Volumetric Capacity of hangar n. 28 of Cases of Different Description*, 1.16.1926

³⁴ Reference to this letter has been found in several documents container in the Ford Archives. The quotation is drawn from a letter addressed by Cooper to Mussolini on Sept. 25th, 1929. See BFRC, Acc. 6, Edsel Ford Papers, Subject Series, Box 15, Foreign Branches, 1929, *Cooper's Report to Mussolini* (Translation), Sept. 25th, 1929.

not aligned enough to the directives of the regime. Fiat on those days appeared very critical towards the monetary policy inaugurated in summer 1926, and this for sure did not please the Government³⁵. 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 eventually almost always she 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 probably too late. On the one hand, the already backward Italian car market had gone in 1927 through a not negligible crisis (see table 4). On the other, Fiat had been able to re-gain her manoeuvring capacity and was asking for further forms of protection. A short note autographed by Mussolini dated Nov., 6th, 1927 addressed to Belluzzo the following invitation: «Dear Belluzzo, analyze the possibility of increasing tariffs on American vehicles: automobiles»³⁶. 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 from abroad to be used in the manufacture of vehicles to be exported, or to the drawback for the import duty paid on foreign material imported³⁷.

Anyway in the spring 1929 Ford Italia advanced her proposal about the erection of an industrial plant in Italy: such a proposal was contained in a Pro-memoria presented to the Duce on June 5th, in a special meeting which saw the participation also of the Minister of the National economy, Martelli, and of a Deputation from Trieste³⁸. The new plant was to be located in Trieste, «intended to

³⁵. Cf. Castronovo, op.cit., pp. 400ff.

³⁶ ACS, PCM, G, Atti 1931-33, rubrica 2, fasc. 9/2, 4491, *Copia di autografo Mussolini a Belluzzo*, 8 nov. 1927, VI.

³⁷ 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.

³⁸ ACS, PCM, Gab., busta 233: *Pro-memoria Ford Motor Co. d'Italia*, June 1929. Such a proposal had been backed by a series of messages by the Trieste Prefect, Mr. Bruno Fornaciari, to Francesco Giunta, Vice-secretary to the Presidency, and to Mussolini. All these documents are contained in the same folder.

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 would have been Italian and whose directors would have partly been 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 would have had an output of about 50 units a day. The material for such 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 Italian products. The final remarks concerned the benefits the Trieste could have gained from this program: first, with regard 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» According to another source, the initiative would have employed 500/600 workers³⁹. 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 (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 importance⁴⁰.

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

³⁹ ACS, PCM, Gab., busta 233: *Lettera della Presidenza dei Magazzini Generali in Trieste al Prefetto Bruno Fornaciari*, 17 maggio 1929.

⁴⁰ ACS, PCM, Gab., busta 233: *Pro-memoria etc. cit.* p.3

highly reducing her export possibilities, would have not prevented the Company «from carrying out ...[her] project in Italy, in some other way»⁴¹.

As a consequence Ford Headquarters decided 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 year⁴². 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 Trieste⁴³. 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.

4. Planning a new factory

Once decided to move the plants from Trieste to Leghorn, things went on quite rapidly. After a personal inspection by Sorensen, in September a plot of land of approximately 57.000 square feet was 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 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). At the meeting, which was attended by other outstanding personalities of the regime, besides Mussolini and Giunta ⁴⁴, Cooper presented a memory which concisely

⁴¹ *Cooper’s Report to Mussolini*, cit. , p. 2

⁴² *Perry’s Report to Ford*, 11 Oct. 1929, cit.

⁴³ *Cooper’ Report to Mussolini*, cit. , p. 2

⁴⁴ These were the Secretary of the fascist Party, Turati; the new Minister of Guilds, Bottai; the President of the Confederation of Industries, Olivetti; the Minister of Agriculture, Arpinati.

explained the recent facts and the Company's position⁴⁵. 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»⁴⁶

Hence two novelties came out r from that meeting. First Mussolini preferred 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 at the end 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. 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 exempt 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

«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 included»⁴⁷

⁴⁵ BFERC, 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

⁴⁶ This and the following quotations are drawn from idem, pp. 2-3.

⁴⁷ as quoted in idem, p.3.

Such a law, however, had a problem: no Italian car maker was able to manufacture at home all the needed parts. 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, she immediately appealed to the Government for protection with all the power at her disposal. She argued that the new Ford plant could prejudice in a very serious way even her existence. Moreover, to win the Duce's support, she claimed, backed by Confindustria, 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 should have been given to the possibility of manufacturing it in Italy⁴⁸. Neither it was clear at that point where to build 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 business⁴⁹.

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»⁵⁰. Giving up Leghorn meant that the choice of 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 was the 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

⁴⁸ 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

⁴⁹ *Perry's Report to Ford*, 11 Oct. 1929, cit. p.2-3

⁵⁰ ACS, SPD (??), Carteggio Ordinario, busta 308, fasc. 100/971, Trieste, Soc. Ford d'Italia: *Cooper a S.E. Mussolini*, Trieste 22 ott. 1929

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 admirer⁵¹.

On the same evening Prefect Porro cabled back, very alarmed: he said that Cooper was asking for an official statement to forward to London and thinking that the Trieste branch would have been closed and hence one hundred thirty employees dismissed⁵².

By the way, just 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»⁵³.

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 July⁵⁴). This, as seen in the case of the Gunta'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 their duty tariff practically overnight»⁵⁵. 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 kill our Assembly Plant proposition»⁵⁶. 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 direction⁵⁷.

5. The Fiat "affair"

At this point if Ford wanted to implement her plans in Italy, she had to experiment a new strategy. Sir Perry still believed that there was «a very big

⁵¹ Idem, *Telegramma di Mussolini al Prefetto di Trieste*, 26 ott. 1929

⁵² 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 locking-up of the Trieste plant for a «problem of national order». Castronovo, op. cit. p. 419-20.

⁵³ ACS, PCM, Gab. Rub. 2, fasc. 3/1-7, 6610: *Giovanni Agnelli a Sua Eccellenza Benito Mussolini*, 26/10/1929/VII

⁵⁴ R.D. 1455 of July 18th 1930

⁵⁵ *Perry's Report to E. Ford*, 10 Feb. 1930, cit., p.3

⁵⁶ 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.

⁵⁷ Progetto Archivio Storico Fiat, *Fiat 1915-1939 - Verbali del consiglio di amministrazione*, seduta delli 21 novembre 1929, p. 1092

potential market in Italy»⁵⁸. However to get through it, it would have been necessary to reckon with the Italian peculiarities. Asking himself «Why are the Italian Government and On. Mussolini concerning themselves so intimately with matters which are, after all, comparatively insignificant»⁵⁹, he realized he had to find a way to move around the perverse connection between politics and economics that strangled free competition on those days. «These Italians play politics too much with business!»⁶⁰ 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 partly 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»: once the third car group in Italy, by the late twenties she had become a big producer of engines for aircrafts (mostly military) and submarines. Before the war she had gained an international reputation for its luxury cars; however at that time 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, she 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, 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 to be 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 was imprudently administered by her two unscrupulous top managers, the president (count Mazzotti Biancinelli) and the managing director (Comm. Cella). Apparently her economic condition was fair, as shown by the 1929 financial statement presented to Cooper. It registered profits for almost 10 millions Lire securing 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 situation⁶¹. Cella immediately realized that Ford was an extraordinary chance to get Isotta out of troubles. Already in January he advanced a detailed proposal to Sir Perry for a five years industrial and financial alliance, which 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.

⁵⁸ *Perry's report to E. Ford*, 10 Feb. 1930, cit., p. 7

⁵⁹ *Idem*, p. 6

⁶⁰ BFRF, Acc. 38, C. Sorensen Papers, box 7, Italy 1931, *Perry to Russell*, (13th feb.1931)

⁶¹ Anselmi, op. cit., pp. 65 ff.

Sir Perry appeared personally inclined to accept the proposal, because he thought that this was the only way to get steadily into the Italian market⁶². 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»⁶³.

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 netx issue of shares finalized to build the new plant ⁶⁴. On behalf also of Edsel, Sorensen cabled to Perry:

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 them⁶⁵.

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 counterpart⁶⁶. 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 typically the exchange of messages within the Ford top management was very fast - the reply letter followed almost immediately

⁶² «[...] 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

⁶³ 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

⁶⁴ 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 underwritten 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.

⁶⁵ *Idem, Sorensen's Cable to Perry*, March 13th 1930.

⁶⁶ *Idem, Perry to Cella*, 17th March 1930.

the original message and so forth - this turns out quite unusual. There are scattered clues that something was going on with regard to Fiat. This seems to have started from an early January letter of the President of the National City Bank to Sorensen endorsing a vis-à-vis meeting between the «Fiat people» and «dear Charlie» [Sorensen]⁶⁷. Then there are hints in the mail to telephone conversations about the Fiat issue as well as to an Agnelli Jr.'s informal talk about the possibility of some rapprochement between Ford and Fiat. Finally in March, just after the cables mentioned above, Perry was repeatedly invited by Sorensen to re-open the Fiat file⁶⁸.

Perry appeared not happy about this. He replied to the American manager that «undoubtedly Fiat knew [of Isotta's] proposals», hence she 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»⁶⁹. By the way, it should be mentioned that the «Isotta people» could count on the support of quite a strong political lobby within the fascist regime, led by Costanzo Ciano, the proximate 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 ouvertures made by Fiat to explore what [were] the possibilities of an arrangement with Fiat»⁷⁰. These turn out quite astonishingly a few months later. On July 4th Sorensen visited Senator Agnelli at the Lingotto (the Fiat factory)⁷¹ in Turin where they seem to have had an intense discussion. The day after Sorensen received an amazing document: the Fiat's memorandum for a possible agreement between her and Ford⁷².

So far both events – Sorensen's visit and Agnelli's document - have been totally ignored by historians⁷³: even more surprising no trace of such a document has been found in the Italian archives. The document, visibly hastily written, was

⁶⁷ «Dear Charlie, the Fiat people are planning to come to Detroit and, of course, are anxious to see you» . Idem, *The President of the National City Bank to Sorensen*, Jan. 8th, 1930.

⁶⁸ Idem, *Perry to Sorensen*, 17th March & 25th March 1930; *Sorensen to Perry*, April 3rd, 1930

⁶⁹ *Perry to Sorensen*, 17th March 1930.

⁷⁰ Idem, *Perry to Sorensen*, 25th March 1930, p. 2

⁷¹ Later Sorensen would have observed «We were very much impressed by your vast and efficient organization»: Idem, *Sorensen to Agnelli*, July 7, 1930.

⁷² Idem, *Fiat memorandum and annexed Exhibit*, 5 July 1930

⁷³ 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)

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 (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»⁷⁴.
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 reply arrived almost 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 nationals⁷⁵

⁷⁴ *Fiat memorandum*, cit., p. 2

⁷⁵ BFERC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *Sorensen to Agnelli*, July 7th, 1930.

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»⁷⁶. Nor Ford's negative reply seemed to have depressed too much Agnelli. 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»⁷⁷.

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 *avance* can be seen as a bluff, namely a way of diverting Ford from her talks with Isotta Fraschini. Ford's behavior – on her 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, that is if one of the two contenders had accepted the reciprocal offer.

6. *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 Isotta's January memorandum, financial section (partly corrected) included. Besides, it specified that up to 90% of the components of the Ford car would have manufactured within the country.

But with respect of the time of the previous proposal a new dramatic change had occurred: tariffs on imported cars and parts had jumped to a prohibitive level⁷⁸ 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»⁷⁹. According to the newspaper, Ford appeared the only firm

⁷⁶ As quoted in Mira Wilkins Papers, *Foreign Ford Mo. Co. Branch Plants*, cit., p.1-2

⁷⁷ BFCR, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *Agnelli to Sorensen*, 21st July 1930/VII

⁷⁸ Vehicles as well as their different parts were to pay duties from 200 to 260 Gold Lire per quintal.

⁷⁹ 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

able to «circumvent the new duties», thanks to a few months delay possibly granted to foreign companies already working in Italy. The joint venture with Isotta could have been a safer step. But it had to be concluded as soon as possible, on pain of ruining the entire Ford organization of dealers in Italy⁸⁰. Actually a preliminary agreement between the two parts was signed on August the 20th. But it had to wait for the Government's approval, as stated by the two foresaid decrees on the establishing 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 the 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»⁸¹. Besides, Mussolini was suspicious of the political lobby supporting the Milanese firm. 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 production⁸².

Therefore while on the American side they were eager to go on - «We have a layout and plan ready» telegraphed Sorensen to Perry⁸³ 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 the Minister of Guilds, 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 her 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 her 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»⁸⁴. Evidently this answer didn't satisfied the government. And Mussolini, urged by Agnelli claiming «the Government must not approve the Ford-Isotta agreement»⁸⁵ – blocked the authorization.

⁸⁰ BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930, *Perry to Cella*, 7th July 1930; *Cella to Cooper*, July 12th, 1930

⁸¹ ACS... *Telegramma cifrato dal prefetto di Torino al Ministero Interno, Gabinetto, Roma*, 16.9.1930

⁸² In June Fiat had dismissed one thousand workers and further heavy dismissal was expected. See Castronovo, *op.cit.*, p.430

⁸³ BFRC, Acc. 38, C. Sorensen Papers, box 4, Italy 1930: *Telegram Sorensen to Perry*, Oct. 22nd 1930

⁸⁴ *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

⁸⁵ as quoted in Castronovo, *op. cit.*, p.430

Such a refusal practically put an end to the interwar Ford's vicissitudes in Italy. In the following days 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 the Ford's financial support⁸⁶. It was refused⁸⁷. Then he made a new offer which - he thought - could avoid the Mussolini's veto: to produce Italian cars under Ford's license, limiting the production to about 3.000 vehicles per year⁸⁸. He backed his proposal with the Bottai's statement that this new combination did not fall under the restriction contained in the foresaid notorious decree⁸⁹.

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 desired⁹⁰.

This message was the outcome of Perry's previous invitation: «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»⁹¹. The decision withstand further desperate pleas by Cella, who in his turn set off for his melancholic destiny⁹².

7. 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 fair contribution to the European and Middle East markets, particularly with regard to tractors. These were important also for the Italian market as a good share of the tractors assembled in Trieste was sold in the country. As for vehicles, Ford had to

⁸⁶ BFRC, Acc. 38, C. Sorensen Papers, box 7, Italy 1931, *Cella to Perry*, Jan. 3rd, 1931

⁸⁷ *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

⁸⁸ *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

⁸⁹ *Idem*, *Il ministro (fo) Bottai alla spett. Fabbrica Automobili Isotta Fraschini*, 27 maggio 1931

⁹⁰ *Idem*, *Cooper to Cella*, June 26, 1931

⁹¹ *Idem*, *Perry to Sorensen*, 22 June 1931

⁹² 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.

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 deal with 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. Positively such an aspect was decisive: 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 she was slow in accepting the government's invitation to install a "Detroit model" factory; later, when - as talks began - she 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 her 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>	<i>c/g</i>	<i>d/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	184	1.619	100,0	11,4
1933	334	331	127	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,...

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)

	Sales	Deliveries	%
	A	B	(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,