

## **Economic information and international networks. A comparison France-Italy (19th century)**

During the last quarter of the 19<sup>th</sup> century in France as in most of the European countries and in the USA, the business world was concerned about the increase in cheating in commercial relationships, in particular within the areas of beverages and principal foodstuffs. Cheating took two major forms: contract made by unreliable people (with no financial resources or the promised product) and cheating on the qualities of the product itself (fraud, counterfeiting). This phenomenon had its origins in technical progress (the introduction of chemistry into the food industry), urbanisation and the internationalisation of the economy. Faced with these phenomena, the economic agents could react in several ways. Firstly, they could try to obtain as much information as possible (on the products and/or on their commercial correspondents). Secondly, they could try to bring about a modification of the rules on trade and/or on product. Finally, they could try to agree between themselves on the terms of “fair” competition. Each of these options did not rely on similar hypotheses and would not result in the same outcome. In the first case, economic agents would reduce uncertainty while staying in the same economic environment, whereas in the second case, they would seek to change the rules themselves. The third case would involve an approach somewhere between the two previously mentioned; a cooperative agreement on the rules of the game requires a certain circulation of information between the parties involved. Information, law and trust are the three tools to control the coordination and hierarchical structure of a market economy. The question is to understand in which circumstances each solution is the most appropriate, for which reasons and with which consequences on the economy.

After a brief summary of the literature on these topics, we shall look at the historical solutions adopted in France and in Italy. In particular, we shall study the research of economic information, the constitution of commercial associations and networks of correspondents. Reputation will be the crucial asset whose value is tightly linked to the three mentioned variables (trust, information and rules).

Among the different products, we shall focus on wine; the reasons is that, during the studied period, most of the questions of cheating were concerned with this product. Wine had a long established tradition of marketed economy, at the French national level (since the 17<sup>th</sup> century it was one of the most commercialized products and monetized markets in France) and on the international market. This had pushed traders to develop a sophisticated system of contract agreements; however, the “globalisation” of the wine market at the turn of the 19<sup>th</sup> and the 20<sup>th</sup> century raised new problems. This, in turn greatly contributed to shape the new market organization of the 20<sup>th</sup> century.

Wine also was a product for which innovation raised particular problems, in particular after the phylloxera had pushed producers to find alternative inputs of production to the missing grapes. The contemporary diffusion of organic chemistry in agro-food production also explains the crucial attention devoted to the wine market by both wine-growers, traders, political representatives and hygienists.

This study has been made using, other than primary sources printed during the period, a number of archived materials: commercial correspondence, ministerial documents (industry and commerce, foreign affairs, justice) and the archives of economic associations.

## *Information and trust*

Neoclassical theory does not cover the problem of uncertainty and it analyses neither the questions of fraud nor those concerning product quality. These are by definition homogenous and fraud can only be present in an imperfectly functioning market that limits the circulation of information.

Since the 1960's, the work of Stiglitz, followed by Akerlof, showed that asymmetric information made fraud and cheating possible. Institutional sets are thus required in order to obtain a competitive market. However, by introducing the notion of uncertainty, this approach was not substantially distant from the standard theory; in fact, if the circulation of information was perfectly achieved (by institutional rules) the issue coincided with the general equilibrium theory<sup>1</sup>.

In this context, the first studies on "law and economics" tended to explain cheating by placing the emphasis either on institutions whose influence was considered excessive, on imperfect or incomplete markets or on excessive transaction costs<sup>2</sup>. The solution to cheating was thus often left to common law, which allowed a more balanced approach than a draconian centralised law<sup>3</sup>. North showed that cheating bred further cheating and that it was the consequence of institutions with little credibility<sup>4</sup>. According to this approach, the institutions and the markets would be complementary rather than substitutes as in the neoclassical approach<sup>5</sup>.

More recently, A. Greif published several works of economic history based upon game theory and in which reputation played a crucial role; different situations of equilibrium in the presence of a cooperative agreement between parties or an exterior arbiter (the State) are possible. As such, the circulation of information between parties only comes into play following a cooperative agreement or an exterior constraint (the State, trade associations). This basically comes down to the traditional neo-institutional schema, with norms and organisations replacing the inefficient market<sup>6</sup>.

In the following pages, we shall try to overcome these approaches. By analysing the problem of commercial cheating on the international market between 1870 and 1914, we shall see that the construction of a market for information requires a clear definition of its institutional settings, on the one hand, on the object of information, on the other hand. As any other market, the market of information is regulated too; however, in our approach, regulation has

---

<sup>1</sup> A bibliography and a presentation of the work of Stiglitz, can be found in : J. Stiglitz, « The causes and consequences of the dependence of quality on price », *Journal of economic literature*, XXV, march 1987, pp. 1-48 ; G. Akerlof, « The market for Lemons : qualitative uncertainty and the market mechanism », *Quarterly journal of economics*, august 1970, 84 ,3, pp. 488-500

<sup>2</sup> On this subject, see the pioneering research by W.Landes et R.Posner, and in particular: "Trademark Law: an economic analysis", *Journal of law and economics*, 1987, vol.30, pp.265-309

<sup>3</sup> J.M. Karpoff, J. Lott, "The Reputational Penalty Firms Bear from Committing Criminal Fraud", *Journal of law and Economics*, 36, oct. 1993, 757-802

<sup>4</sup> D. North, R. Thomas, *The rise of western civilization. A new economic history*, Cambridge, 1973; D. North, B. Weingast, "Constitutions and commitment: the evolution of institutions governing public choice in 17<sup>th</sup>-century England", *The journal of economic history*, 1989, 4, 803-832

<sup>5</sup> Amongst the challengers of this form of new institutionalism, see : G. Hodgson, *Economics and Evolution : bringing life back into economics*, Cambridge and Ann Arbor 1993 ; L. Burlamaqui, A. Castro, H. Chang, *Institutions and the role of the state*, Edward Elgar, 2000

<sup>6</sup> On Greif's models and these subjects see A. Stanziani, « Information, institutions et temporalité. Quelques remarques critiques sur l'usage de la nouvelle économie de l'information en histoire », *Revue de synthèse*, 2000, 1, pp. 117-155

not to be identified with state-administrative regulation but micro-legal regulation matters too. We also claim that regulation cannot be considered as the pure expression of the regulatory state but it mostly expresses the convergence of some public institutions and representatives with some economic lobbies.

This private-public boundaries are equally important in defining the object of information. This may concerns products and their qualities, as well as macro demand and prices, as well as financial and professional reputation of private agents. In other words, demand and supply of information may not match as the state, different private associations and individual firms may be interested in different kinds of information. We shall show that both in Italy and France, firms and their associations were mostly interested in micro and not macro information (statistics), that is, they were concerned with the reputation of their potential counterparts rather than with the general market trends. However, this demand received different satisfaction in Italy and in France. It the Italian government decided to provide Italian traders and firms with information on other traders and companies, the French government refused to deliver this kind of information. These different attitudes were linked to differences in the institutional environment; but the consequence was that Italian traders were more able to overcome the difficult trend of the end of the 19<sup>th</sup> century than their French rivals. This conclusion will lead us to raise serious doubts about the role of “mentality” and attitude towards risks, these latter should be read in accordance with the institutional and historical environment in which they take form.

### *Generalised cheating*

Commercial correspondence between 1880 and 1900 put a special emphasis on cheating and fraud. For an understanding of this we must specify the form of cheating and the manner in which it was addressed. The problems of cheating can affect either the parties themselves (their solvency or their reliability, etc.) or the products they deliver. Of course, both of these cases can be present at the same time. We can consider first cheating that occurs when no stable or repeat relationship has been established among the economic actors. These situations were quite widespread during the 1870s and the 1880 when new markets opened up and new economic actors appeared. In December 1872, a report of the Ministry of Agriculture was sent to the Presidents of the chambers of commerce; it concerned cheating “performed by so called firms”, in particular to the damage of French producers and distributors of foodstuffs and wines. These swindlers send drafts several months in advance, "with seal and all", but which finally will not be honoured. In this case, the law envisaged certainly the restitution of the goods. However, the deadlines were such that the products delivered will be out-of-date before legacy would be restored<sup>7</sup>.

Many such cases were recorded during those years. In September 1880, the Consul of France in Rotterdam noted several cases of cheating affecting French dealers in the wine and cooking oil trades. Consular reports of this type became more and more frequent, particularly in extra-European areas (Egypt, India, Lebanon, USA, Latin America, the Cape Verde islands, etc.)<sup>8</sup>. Of course, despite what some reports suggested, French firms were not only the victims of cheating, but they largely practised it. The Ministry of Commerce complained several times about the negative impact that certain firms had on the reputation of French producers as a whole. These firms exploited the “ignorance” of foreign and colonial markets.<sup>9</sup>

---

<sup>7</sup> AN F 12 7452, the Minister of Agriculture to the Presidents of the chambers of commerce, December 1872

<sup>8</sup> AN F 12 7452, different files, 1874-1882

<sup>9</sup> AN F 12 7452, circulars from the Minister of Commerce to the chambers of commerce, 1876-1882

As a whole, during the last quarter of the 19<sup>th</sup> century the large majority of economic agents seemed to share the opinion that “cheating” dominated the markets. This attitude was linked to three principle phenomena:

1. The modification of the economic landscape, at both a national scale (redefinition of regional balance) and, more particularly, at an international scale, presented economic agents with previously unknown realities and behaviour.
2. The “long depression”, the urbanisation and the raising of international markets went along with important changes of firms and traders. If new markets were, by definition, made of unknown actors and practises, in France and Italy too social changes at the turn of the century expelled out of the market several old “maisons” replaced by new actors. In the domestic as well as on the international market uncertainty raised on both the reputation of these new actors and their practises.
3. The acceleration of technical progress, particularly in chemistry and its application in the food industry, dramatically raised the question of identifying what quality was for most of the products. For example, a good wine could be identified with a particular wine having some organoleptic characteristics or with stable and standard characteristics or, still, with a product having resort to “traditional techniques”.

The simultaneous action of these three forces made economic information (on products and on economic actors) highly imperfect and incomplete. Uncertainty became radical as it concerned not only the economic trend and the strategies of the counterparts, but the “economic environment” itself (institutions, mentalities, product characteristics and rules). In this situation, except a minority of economic actors who were particularly risk oriented, most of the agents worked for reducing uncertainty and regain market stability. This could be done through two complementary strategies: the acquisition of information and, more radically, the definition of new rules of the game.

## *Information research*

### *A. Information from public institutions*

If the acquisition of information is indispensable to any response to cheating, it presents costs which must be compared to benefits. Costs of information depends above all on who is in charge for collecting them and then on the rules for their circulation. During the 1870's and the 1880's, the most common reaction among French economic actors was to call upon the support of the State. They demanded public production of information which was also required to be precise, pertinent and above all delivered as quickly as possible. For example, in 1874 the chamber of commerce in Vosges (Epinal) expressed the “desire to see as soon as possible the publication of statistical documents of French Customs. In Britain and in the United States such a publication appears regularly and no long after the period it covers. The Customs office in France compiles monthly the information it receives on imports and exports. The resulting dossier is only available nearly two months after the operations have taken place. This delay means that a large part of the information is useless for commerce.”<sup>10</sup> This is why *Le journal des tarifs et traités de commerce* proposed to “centralise at the Ministry all the information obtained.”<sup>11</sup>

---

<sup>10</sup> AN F 12 7416, chamber of commerce of Vosges, minutes of session of 5/1/1879

<sup>11</sup> « Les attachés commerciaux », *Le journal des tarifs et traités de commerce*, 27/9/94 (4<sup>th</sup> year), n.135, pp. 2147-8

However, it was not only a question of timing; even if those statistics would have been readily published, their usefulness to business was doubtful. As business associations records and economic ministries correspondence clearly show, French economic actors were mostly interested on information concerning product characteristics required on a given market (and not the demand of, saying, “wine” or “clothes”), on the one hand, reputation of potential correspondents and local actors on the other hand<sup>12</sup>.

To this aim, business speakers considered that the State should provide the essential of this kind of information. This argument was justified with the unequal access to information to firms of different size. The *Bulletin des halles* observed that “Large firms send a special representative to each region and they study the market situation. This is without doubt the best way. Nevertheless, firms with more restricted resources cannot take these risks. They estimate that the costs are too high and the success too uncertain. The only alternative they have is to rely on the work of diplomatic agents and consulates.”<sup>13</sup>

It is worth noting that this demand for information delivered by the State was general and bypassed the well-know opposition between liberals and regulationists, free-traders and protectionists. For example, H. Weiss, in *La réforme économique* stressed that “the demand for State support, although rather widespread, is not unanimous. In commercial matters nothing is better than private initiative and we are not compliant with State interference in issues for which it is clearly incompetent. The State cannot be a commercial party, no more than it can be a manufacturer, and those who want the State to install trading posts in foreign countries will only be disappointed.”

However, this ultra-liberal premise, was quickly tempered with: “Nevertheless, we must not conclude that the State must be disinterested in these issues. The government must facilitate enterprises, encourage their efforts but not by subventions or privileges which favour individual businesses to the detriment of general business as a whole. To create commerce the first requirement is to be well informed. One requires detailed, precise information and an amount of experience in commerce to be able to recognise what information is important. For this reason, the consul is not sufficient. Attachés are what are required...Nor can the State depend on the good will of companies which, despite the subventions they receive, are completely autonomous; the State must be able to order and not ask for service.”<sup>14</sup>

This argument was typical of the liberal economic debate of the end of the 19<sup>th</sup> century; State intervention, in principle excluded, was advocated when confronted to economic uncertainty and the power of lobbies. The quoted passage clearly show that, to the eyes of some economic actors and commentators of that time, the economic information constitutes an highly valuable asset and, as such, its market requires to be regulated and managed by the State.

To this aim, a long standing request from the business world consisted in replacing consuls with a pure diplomatic background with consuls with a strong economic education and training. This argument found the interested sustain of the ministry of Trade, according to which this new kind of consuls would have required a joint selection and appointment (ministry of trade and foreign office)<sup>15</sup>.

Despite these pressures, public institutions refused to provide information on particular firms and traders to other firms and traders and the reform of the diplomatic body never occurred;

---

<sup>12</sup> AN F 12 6353 M. Barbe to the Minister of Commerce, 1884 ; Jules Bernhim to the Minister of Commerce, 17/1/1885 ; the Blondeau company to the Minister of Commerce, 26/9/1884

<sup>13</sup> *Bulletin des halles*, 11/10/1894

<sup>14</sup> H. Weiss, « Attachés commerciaux », in *Réforme économique*, 30/9/94, pp. 1001-2 ; also in AN F 12 9183

<sup>15</sup> AN F 12 6353, Minister of Foreign Affairs to the Minister of Commerce, 3/12/1883 ; L. Chapalaym to the Minister of Commerce, June 1883

several French representatives still considered that consuls and attachés commerciaux were required to have a general “political science” background and had not to be traders themselves.

As a sort of compensation for this denial, in April 1883 the Minister of Commerce decided to create a bureau of commercial information, which was “charged with centralisation for the purposes of delivering to our businessmen and firms the information available from the different services of my department. This information will be published in a weekly journal.”<sup>16</sup> However, this new institution did not necessarily match private request for economic information. In fact, many economic actors and firms confirmed their interest in information on the reliability and reputation of their potential correspondents.<sup>17</sup> These demands were once again dismissed. “The bureau of commercial information provides only information of general interest to those interested parties, either by correspondence or by an official journal of commerce.”<sup>18</sup>

To the eyes of French representatives, economic information on particular actors and markets had to be collected by private enterprise. To those who maintained that small firms could have difficulties in getting this kind of information, the ministry of commerce Lucien Dautresme replied that they had to enter associations or make coalition and share information. “Our competitors show the advantages of working together.”<sup>19</sup>

Such an attitude could not but irritate the business community. *Le nouvelliste de Rouen* said that “Collective action is impossible because large firms, which are the only ones able to export, operate unilaterally and competitively. The true collective representative is the commissioner. Finally, the French chambers of commerce abroad are an anomaly, because the most influential French firms established abroad have specialised in the fabrication of produce which is similar to that of the homeland”<sup>20</sup>.

To sum up, in late 19<sup>th</sup> century France there was a considerable gap between demand and supply of business information. The state delivered only macro information on prices, demand and supply and general market tendencies, while private business required detailed information on firms, traders and product characteristics. This gap confirms that information is not a homogenous product. Information concerning markets is different from information on individuals’ and firms’ reputation.

But why did the French state refuse to provide the required information and which were the consequences of its attitude on business organisation and market dynamics?

Several reasons pushed French representatives to deny information on private firms; some of them were sincere supporters of free trade and pure competition and, as such, they considered state interference as a limit to economic growth and liberal ideals.

A second reason was that French foreign office had traditionally benefited of a particular status, that is the secrecy of its agents’ activity and a strong independence vis-à-vis other ministries. Delivering information as collected by consuls and their agents were considered as a first step toward a considerable restriction of Foreign affairs autonomy, and a premise to a second, even more dangerous step, that is, the transformation of consuls in business representatives, formed and appointed in collaboration with the ministries of Agriculture, industry and trade.

---

<sup>16</sup> AN F 12 6369, circular of the Minister of Commerce to the Presidents of the chambers of commerce, 3/6/1883

<sup>17</sup> AN F 12 6353 M. Barbe to the Minister of Commerce, 1884 ; Jules Bernhim to the Minister of Commerce, 17/1/1885 ; the Blondeau company to the Minister of Commerce, 26/9/1884

<sup>18</sup> AN F 12 6353, E. Chandelet to the Minister of Commerce, 2/7/1883 ; answer by this latter, 10/7/1883

<sup>19</sup> AN F 12 9183, circular of 26/12/1885

<sup>20</sup> AN F 12 9183 , « Une circulaire de M. Dautresme », *Le nouvelliste de Rouen*, 5/1/86

To these “old” reasons, a new one has to be added. During the last quarter of the 19<sup>th</sup> century, French administrative law was subject to considerable reforms; in particular, the traditional immunity of administrative personnel as against the public was undermined and the contemporary administrative law was in pass to be elaborated and adopted. It would thus be against this trend to allow consuls and employees of economic ministries to collect and deliver information on private business to other private actors.

Nevertheless, it would be misleading to attribute the behaviour of public powers only to economic, legal or political considerations. In fact, their reticence to deliver information on individual parties was also dictated by strong organisational difficulties within the administrative body in getting this kind of information. Conflicts between ministers, between “experts” and bureaucrats were quite widespread. For example, when in January 1884 the *Union des syndicats viticoles* asked for information on different auction conditions for wine (prices and conditions) in different countries, the Minister of trade replied that a list was difficult to establish because “no ministerial department has centralised this type of information because of the difficulty involved in acquiring the information from the different administrations concerned with the market of wine...I have contacted specialised journals to learn how they obtain their information. These journals have correspondents in all the large towns of France and Algeria. Thus, even if some of these journals are very far from regions of viticulture, they are very well informed.”<sup>21</sup>

In other words, French state refusal of providing detailed business information to individual actors laid upon institutional and organisational settings. As such, it was hard to overcome and this impasse was all the more negative to French economy that private business had still great difficulties in co-operate and organise its own network for both raising information and promoting products abroad.

### *B. Commercial associations*

In order to share the costs of acquisition of information and the results of the research, individual parties are supposed to reach a cooperative agreement. This agreement requires that the costs of the acquisition of information and the opportunity cost of non-competitiveness be outweighed by the benefits provided by the information. However, such a result cannot be taken for granted since it depends on several variables. In France, this outcome was reached because of two main reasons: the loosing weight of French firms and traders on the international market and the new institutional support given to business associations. Because of this, while the benefit of gathering information within an association increased, the costs of collecting it fell<sup>22</sup>. We may detail this process.

The drop in French exports did not concern only firms. During the first half of the 1890's, initiatives of the Minister of Commerce and the Minister of Foreign Affairs to promote commerce (international commerce in particular) increased. In this context, a large importance was accorded to exhibitions and commercial museums as instruments of promoting French exports. With public support, commercial museums were founded in many towns in France and abroad<sup>23</sup>. From this time, consuls were now authorised to deliver information about individual parties to other individual parties<sup>24</sup>. The Minister of Foreign

---

<sup>21</sup> AN F 12 6353, 30/1/1884, answer by the Minister of Commerce to the *Union des syndicats viticoles*

<sup>22</sup> AN F 12 6353, J. B. Bonnefoy to the Minister of Commerce, August 1884

<sup>23</sup> AN F 12 9135, various documents

<sup>24</sup> AN F 12 from 9057 to 9105 : commercial information supplied by diplomats to individual parties, 1889-1898

Affairs organised conferences held by former consuls or consuls on sabbatical, to discuss commercial matters and help traders in better knowing the countries where consuls had served<sup>25</sup>.

However, it would be misleading to interpret the rise in State production of business information as the symptom of an inability of individual parties to get themselves information. In fact, the increasing production of state information went along with a strong development of commercial associations. The law on associations (1884) legitimized business and not only workers associations. Chambers of commerce and unions devoted great attention to the collect of economic information for their members.<sup>26</sup>

At the same time, under the patronage of the ministry of commerce and the foreign office, first commercial comptoirs were opened in different countries and were supposed to promote French products while gathering information on the local market to be granted to their members<sup>27</sup>.

These initiatives aroused a great deal of interest amongst firms and traders. On 26/9/1884 the firm René Blondeau, *orfèvrerie et couverts argentés*, in Paris, wrote to the Ministry of Commerce on the subject of an article published in *Le moniteur officiel* on the constitution of a syndicate of firms in Lyons formed in order to support exports of local products<sup>28</sup>.

Of course, some firms and in particular the most well established on the international market and the largest ones were still reluctant to adopt this attitude. For example, in the Bordeaux Region, the firm Delors showed no hesitation in setting up a branch in Buenos Aires in 1892; they were followed shortly after by the firm Calvet. On the side of importers, several large firms from Gironde had their own network of correspondents, in particular in Spain and Algeria<sup>29</sup>. But this strategy was the more and more difficult to prove to be successful because of the changing conditions of the international market, for wine in particular. Falling prices and increasing information asymmetries on the international market made difficult for a single firm to rely only on its own network<sup>30</sup>.

Since the 1890s on, cooperative agreement among French firms increased; comptoirs were opened in most of foreign countries and they benefited of financial and information support of both professional institutions and French officials<sup>31</sup>. French embassies provided legal help and resources, selected personnel in charge with the comptoir and, least but not the last, gave information on local traders' and firms' reputation.

To sum up, the activity and timing of agencies dealing with business information show that private and public institutions are much less substitutes than complementary. Firms, traders and their associations played a minor role on the information market when (the 1870 and the 1880s) the state refused to provide detailed economic information. Conversely, private associations developed at the very moment when (since the 1890s on) different ministries gave their financial, logistic and information support to private business.

The initial reluctance of French state in providing the required information had its cost; French exports met important difficulties on the international market during the last quarter of the 19<sup>th</sup> century. These difficulties have been usually explained by the drop of luxury

---

<sup>25</sup> AN F 12 7414 and H. Weiss, « Attachés commerciaux », *La réforme économique*, 30/9/1894, pp. 1001-2  
The chambers of commerce of Reims and Bordeaux were particularly dynamic in this connection, especially towards consuls who used to be posted in the United States and in Latin America

<sup>26</sup> AN F 12 7497, for example : Vice-President of the official goods brokers of the tribunal of commerce of the Seine to the Minister of Commerce, October 1888

<sup>27</sup> AN F 12 9183, « Les syndicats français », in *L'industrie française*, 28/1/86

<sup>28</sup> AN F 12 6353, René Blondeau to the Minister of Commerce, 26/9/1884

<sup>29</sup> Roudié, p.180

<sup>30</sup> Ibidem, p.209

<sup>31</sup> AN F 12 9183



consumption (the bulk of French exports) as a result of the economic crisis and by a general attitude of French actors, supposed to be risk-averse. This attitude would have negatively influenced their insertion in an increasingly aggressive and international economic environment.

We have dismissed these arguments by showing that attitude toward risk was mostly influenced by the access to economic information (particularly limited for French export houses); there was not a “specific”, “natural” attitude hostile to risk, but rather a difficulty in getting information, and this was all the more necessary that risk and uncertainty had considerably raised during the last quarter of the century. In order to confirm this conclusion, in the following pages we shall analyze the way the Italian state and Italian actors faced these same historical patterns.

### **Economic information and international cheating: the Italian perspective**

We have shown that in France business units and state fonctionnaires had not the same opinion of what the relevant economic information was. And, even if they agreed, state officials considered they had not to provide private information to private business. On this topic, the Italian case is particularly interesting as, similarly to France, in this country too commercial actors faced the « long depression » in a different position than Britain (trying to protect its advance) or Germany (pushing new sectors with the help of the state). Links between commercial, civil and administrative rules were quite similar in Italy and France and, because of that, the attitude private actors and the state were supposed to have as regards the production and circulation of economic information should have been quite similar. Was it the case ? And if not, why ?

In Italy, as in France, since the 1870s on, most of the economic actors involved in the international trade felt an increasing economic uncertainty and saw cheating as the result of economic progress and the development of new international markets. Italian commercial chambers often warned their members on the presence of cheaters on the international markets<sup>32</sup>.

As in France, these institutions appealed to the state in order to get confidential information on their commercial counterparts. Italian representatives were initially strongly interested by the solution adopted in France. In 1883, the Italian minister for public finance, Luzzatti, visited the newly born bureau of commercial information at the French ministry of trade<sup>33</sup>. The Italian government immediately decided to imitate this institution and to create a similar bureau. But, unlike its French counterpart, the Italian information office at the ministry of trade, in strong collaboration with the ministry of foreign affairs, was admitted to grant firms and traders with private information on their potential counterparts abroad. The archives are rich on request and supply of this kind of information all around the world<sup>34</sup>.

However, two important distinctions have to be made; unlike French traders, Italian ones willing to enter a new market abroad were above all in search of Italian correspondents. This solution was encouraged by the important presence of Italian emigrants (far greater than the French community abroad). At the same time, if the Italian emigrant community made easy to

---

<sup>32</sup> ACS, fondo maic, divisione industria e commercio, fascio 303, several documents.

<sup>33</sup> AN F 12 6353.

<sup>34</sup> ACS, fond MAIC, fasci 303,304,305.

find foreign commercial correspondents of Italian origin abroad, the attitude of Italian traders (willing to establish abroad) made this issue more likely to occur.

In turn, the importance of the Italian community abroad and their role as commercial correspondents made easier to the Italian foreign office to get information on them for homeland companies and traders willing to enter the concerned market.

However, this strong support the Italian government gave to the needs of traders in collecting business information was specific to the international market; on the contrary, the ministry of trade information office systematically refused to transmit information on national companies or traders to other national actors. In this case, the suggestion was to address to the ministry of Finance<sup>35</sup>.

In other words, the Italian government engaged public resources to support Italian firms in the international competition, while this attitude was much more selective on the national market where the official refusal for providing information did not avoid a selective circulation of it, on the ground of personal links or even corruption.

This general attitude of the Italian government to support the requests of national economic actors was pushed so far that, unlike France, very few energies were devoted to the production of massive and detailed macro statistics in which private economic actors showed so little interest<sup>36</sup>. Italian national economic statistics lacked of precisions, resources etc. as most Italian statisticians of that time complained. National statistics will thus not play an important role before First WW and the 20s. Some historians have justified this attitude with the more “liberal” orientation of Italian government as compared to France. This judgment requires a better assessment. In fact, the Italian government strongly intervened in the economy but the instruments and sometimes the goals were different than in France. In particular, as we have seen, support to Italian trade abroad came through the using of public resources for private purposes. Italian consuls and commercial attachés were more frequently than their French colleagues issued from business milieu and had a commercial rather than diplomatic background. The foreign office worked in collaboration with the ministries of trade, agriculture and industry. Consuls thus strongly promoted Italian products abroad and much funds and energies were devoted to this<sup>37</sup>.

At the same time, some analogies with the French case are detectable. In particular, Italian authorities too devoted much attention to the qualities different products should have in order to enter a given market. Consuls and commercial attachés detailed characteristics of wine for Argentina, Turkey, Uruguay, USA, etc. markets<sup>38</sup>. A debate on the best strategy to be adopted occurred along the same lines as in France; some official representatives and Italian traders supported the idea that the local market and the international market in general required stable wines. Mixtures were not negatively considered and the role of wholesalers became crucial. At the opposite, some other official representatives and winegrowers associations stressed the idea that “typical” rather than uniform standardized wines had to be promoted<sup>39</sup>.

Italian officials too supported oenological units to be settled abroad in order to analyze both local products and Italian exports, mostly wines. Suggestions were given to producers, winegrowers and traders in order to better produce and store their product<sup>40</sup>. Wine

---

<sup>35</sup> *Ib.*, 304.

<sup>36</sup> ACS fondo maic, divisione industria e commercio, busta 304, informazioni commerciali.

<sup>37</sup> AN F 12 9183; ACS, fondo maic, divisione industria e commercio, fascio 303; Bollettino del ministero degli esteri, luglio 1902: circulaire du 31/7/1902, “appui que les agents à l'étranger doivent preter au commerce national.

<sup>38</sup> ACS, fondo maic, divisione industria e commercio, fascio 303.

<sup>39</sup> ACS, maic, vers. VI, busta 250.

<sup>40</sup> ACS, maic, direz. gen. agric. vers. IV, busta 463, fasc. 2497. On the selection of wine specialists for this units : ACS, maic, vers. VI, busta 250.

associations and foreign office officials thus required wine specialists abroad in order not only to analyze wines, but also to promote Italian wines abroad. Several units of this kind were thus opened in the 1880 and the 1890 in the main European and American towns<sup>41</sup>.

In a similar way, the Italian government decided to help Italian traders and producers in finding a local correspondent in a more direct way than providing information on the potential correspondents. Exclusivity to the export of Italian products was granted to those firms and traders that fulfilled some requirements as listed by both Italian officials and economic associations<sup>42</sup>. This issue could eventually take a particular form when an official Italian *comptoir* was established abroad. In this case, this public organisation (in the double meaning that it was supported and controlled by both commercial chambers and the government) had the exclusivity for the Italian imports. French representatives and traders were often quite struck by the efficiency of these units<sup>43</sup>.

To sum up, the Italian market for business information expressed a clear convergence between (private) demand and (public) supply; this was reached by using public resources for private purposes and on the ground of economic policies fully adapted to business needs. Of course, this issue did not avoid conflicts; in particular, those traders and firms that already had a strong network abroad were hostile to the raising of public *comptoirs* available to most of the Italian producers and traders. Some others expressed doubts on the efficiency of these public organizations and rather trusted personal networking<sup>44</sup>.

This is also why the raising of public institutions for collecting information and promoting products did not prevent the emergence of a private market for business information. In Italy, the development of agents charged with the collection of business information was even more developed than in France<sup>45</sup>. But, unlike France during the 1880s, these agencies developed much less in response to the lack of information provided by public institutions than (as in France in the 1890s) as a complement to them<sup>46</sup>. This left room to different forms of cooperation among firms and traders. We may distinguish two main patterns to this, familiar and cooperative. Familiar networks usually followed the patterns of emigration; members of the family (broadly considered) who emigrated gave commercial support to the family trade or productive unit in the homeland. They provided information on the local market, contributed to look for correspondents (when they did not play themselves this role) and promoted the familiar or local product. Village and/or local emigration equally intervened in this kind of networking. Exports of wines from Puglia, Piemonte, Calabria and Sicily broadly used this solution<sup>47</sup>.

However, these familiar and local networks met difficulties when confronted to powerful (state or chamber of commerce) associations; information lacked, networks too and the financial risk was important<sup>48</sup>.

---

<sup>41</sup> ACS, maic, *direz. gen. agric. vers. IV*, busta 463, fasc. 2497.

<sup>42</sup> ACS, maic *direz gen agri vers. V*, fascio 327.

<sup>43</sup> AN F 12 9135 ; *Moniteur officiel*, 1/11/94, n.592: ouverture en 1893 de agence commerciale italienne à amsterdam ; *Moniteur officiel du commerce*, 2/8/1894, n.579 ; . ACS, maic, *direz. gen. agric. vers. IV*, busta 463, fasc. 2497.

<sup>44</sup> ACS Maic, *direz gen agric, vers. V*, fascio 325, su commercio di esportazione Réunion à la chambre de commerce de paris, 25/7/88.

<sup>45</sup> Fascicule 306.

<sup>46</sup> ACS, fondo maic, divisione industria e commercio, fascio 303.

<sup>47</sup> ACS Maic, *direz gen agric, vers. V*, fascio 325.

<sup>48</sup> *Moniteur officiel du commerce*, 21/2/95, n.698: Fonctionnement de l'agence italienne de commerce à Liverpool pendant le deuxième semestre 1894 ; ACS Maic, *direz gen agric, vers. V*, fascio 323, 325, su commercio di esportazione.

The increasing role of cooperatives was a response to this. Faced to the increasing power of wholesale traders and the monopoly they benefited through the official representatives, winegrowers organised in cooperatives. These aimed to stabilize wine and/or to improve its quality, while offering financial and information support to their members in order to penetrate foreign markets<sup>49</sup>. The ministry of agriculture strongly supported (politically and financially) these initiatives<sup>50</sup>.

We may try to evaluate the impact of these different structures of the market for business information in Italy and in France. A first remark concerns the link between the circulation and the object of information, on the one hand, the formation of expectations on the other hand. If information strongly influences expectations, the reverse is also true. Changing expectations influence the need for information. This last concern was particularly strong in Italy where economic actors frequently asked for new information in accordance to their expectations on the future trend, political relationships or market noises. For example, in 1886, the Italian society of winegrowers expected a commercial war with France and thus required the foreign office detailed information on the wine market in London, Liverpool, Amsterdam, Hambourg, Stockholm, Calcutta, Bombay, Hong Kong, Yokohama, New York<sup>51</sup>. Requests of this kind strongly increased after the outbreak of the commercial war<sup>52</sup>.

The issue was quite clear. Data on the international market of wine show that between the 1880s and 1914, Italian wine deprived French rivals of consistent parts of the market, in particular in Latin America. Commercial and diplomatic correspondence on both sides of the Alps agreed on the origin of this: it was not phylloxera (spread in France as well as in Italy), not only the quality of wine (ordinary quality better fitted the taste of Italian emigrants), but the commercial attitudes of Italian traders and producers and the support of the Italian government.

#### *Imports of wine, Argentina and Latin America, countries of origin, 1890-1902*

source : Tableau général du commerce de la France. Direction général des douanes, 1890-1902; Ministère du commerce, Annuaire statistique de la France, voir aussi Privat, p.86

années	France	Italie	Espagne
1886	354 029	Jusqu'en 1890	
1887	496 974	Seuls des chiffres totaux	419 288
1888	354 386	Pour l'ensemble	316 277
1889	424 718	Latin America	375 037
1890	254 373	164 463	237 686
1891	109 291	186 715	118 465
1892	154 424	216 701	167 708
1893	125 307	224 705	195 562
1894	108 807	223 856	146 750
1895	96 892	228 681	200 095
1896	153 642	196 527	177 375

<sup>49</sup> ACS, maic, direz gen agric., vers. VII, busta 5, fasc. 51 : cantine sociali après 1900 ; ACS fondo MAIC, direz. gen. agric. vers. VI, busta 250, 251, 323, 323A.

<sup>50</sup> ACS, maic, vers. VI, busta 250 ; ACS, maic, direz gen agric., vers. VII, busta 5, fasc. 51.

<sup>51</sup> ACS, fondo maic, divisione industria e commercio, fascio 303.

<sup>52</sup> ACS fondo maic, divisione industria e commercio, busta 304, informazioni commerciali.

### *Conclusion: information, norms and economic dynamics*

Unlike the predictions of the theory of asymmetric information, access to information is a necessary condition but not sufficient to a loyal exchange and a cooperative market equilibrium. This is so because the market for information is not a pure competitive market and information is not a homogenous good. This is true for both its object (product quality, agent reputation) and its source (private/public). Least but not the last, the acquisition of information is not everything because previous experiences and beliefs of the economic actors matter when they interpret information.

It is precisely because information is not a homogenous product that the State can either offer a kind of information which is not accessible to private parties or supply them with a kind of information they are not interested in but that can appear as important to state policy makers (for reasons linked to policy goals or simply to administrative prestige). The French state long adopted the later approach before converting to the former, while in Italy this last attitude immediately emerged. Convergence between demand and supply of information was made upon a common definition of what the relevant information was, that is, not general statistics, but detailed information on local economic actors and on product characteristics. Information was a public good in its construction, not always in its circulation. This gave more strength to producers and traders directly linked to officials, encouraged corruption, but, as a whole, it gave Italian traders and producers a consistent advantage on their rivals, French above all.

An implication of this story is that, as regard the economic history on that period and the history of international market in particular, it is misleading to oppose “liberal” to “protectionist” and interventionist public policies. In fact, the Italian government neglected massive statistics not because it was hostile to intervene in the economy; but only because it preferred other forms of intervention, namely, sustain the exports through financial aid and detailed business information.

The same was true for French officials hostile to provide detailed micro information to business units. This hostility was not dictated by liberal considerations, but by institutional equilibria and the idea that political-diplomatic action was prior to pure economic intervention.

That is to say that the history of the international market cannot be reduced to the standard opposition between free-traders and protectionists; this story cannot limit to tariff and subsidies matters. This representation of the international market fails to take into account the crucial role of economic information, the varieties of economic information, the segmentation of this market and its absolute lack of transparency and competition. The market for information was highly segmented and strongly hierarchical.

Another implication is that, precisely because of this lack of attention toward information, the attitudes economic actors' have toward risk have been evaluated accordingly to a a-historical and perfectly competitive and unrealistic market of information, and thus, to an abstract notion of “risk”. French traders were not necessarily hostile to risk; they simply lacked information their rivals had. In turn, this handicap was only partially due to a weak cooperative attitude among French firms (although this was a real problem); public officials' attitude toward the circulation of information equally mattered.

The impact of these features on the economic dynamics is easy to summarize. On the short run, Italians took consistent parts of the international market to France. This was because Italians benefited of more detailed information than French for at least a decade. But, once French State attitudes changed, the comparative advantage on information concerning firms' and traders' reputation vanished. At the eve of WWI, another kind of micro information got

the front of the stage, that is, information on product characteristics. But, here, French producers and traders had got a great advance on their Italian rivals. Since the 1880s, wholesale traders had pushed towards a stabilization (that is standardization) of ordinary wines, while winegrowers identified in specific features and terroir a tool for entering the market for luxury wines. In part, the major development of this kind of information was a response to the previous lack of information on networks and economic actors. This is to say that the “taste for luxury items” was not inevitable nor “genetically linked” to French producers’ and traders’ strategies, but, at least at the turn of the century, it responded to the institutional organisation of the information market for business.

In Italy, on the contrary, network information was only partially completed with product information. State support to the gathering and distribution of information on private actors made the need for product information less urgent. Italians exports were based upon unstable products and reliable correspondents, while French exports were forced to invest on product reputation. In the years immediately before and after WWI, the advantage French had already taken increased thanks to the decisive support of the AOC legislation which will offer France several decades of benefits and comparative advantages on Italy.