

# Coping with the Leviathan. Minority shareholders in State-owned enterprises: evidence from Italy.

Andrea Colli, Bocconi University – Milan

*Preliminary version. Please do not quote.*

## Abstract

The relation between large blockholders and minorities is notoriously a problematic one, and particularly when the controlling shareholder is the Government. This article explores this issue referring to the history of corporate governance practices at IRI, a huge diversified group in which companies State ownership was for long associated with that of several thousands of private small shareholders. The case provides some useful insights in order to understand the external and internal conditions under which such a partnership may last, or come to an end.

**Keywords:** minorities protection; corporate governance; State share-ownership

**JEL Cod.:** G34; N84; L2

## 1. Introduction

This paper concerns the relationships between minority and majority shareholders in a context characterized by a low degree of legal protection of minority shareholders, in absence *a)* of a tradition of (and legal instruments for) collective minorities' action, *b)* of a set of active institutional investors *c)* of appropriate independent monitoring bodies

and of *d*) an efficient and liquid stock market and in presence of pervasive direct State intervention in the economy.

Agency theory literature has soon become interested in the relationships between minority and majority shareholders, particularly in contexts in which listed companies show concentrated ownership structures and blockholders increasingly identify themselves with those in charge of major strategic decisions - and very often even of the day-by-day management of the company. Being concentrated ownership the rule and not the exception among the World's largest corporations<sup>1</sup>, a growing bulk of studies have explored the consequences of ownership concentration and of the presence of blockholders of different nature on a firm's value, performance and governance<sup>2</sup>.

For the purpose of this paper, emphasis is put on the analysis of the effects of concentrated ownership on value and governance when the main blockholder is the State.

The co-existence of State and private ownership is today becoming an increasingly relevant topic both for academics and, more in general, for the public opinion. There are many reasons behind this (relatively recent) phenomenon. In Western Europe, one of the legacies of the privatization process started in the mid-1980s has been the emergence of companies still under partial governmental control, often justified with "national interest" issues. Partial privatizations concern companies in the energy sector, in aerospace and defence, even

---

<sup>1</sup> Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, "Corporate Ownership Around the World", *Journal of Finance*, 54, 1999, 471-517; Fabrizio Barca and Marco Becht (eds), *The Control of Corporate Europe*, Oxford 2003; Mara Faccio and Larry P. Lang, "The ultimate ownership of western European corporations", *Journal of Financial Economics*, vol. 65(3), September 2002, 365-395.

<sup>2</sup> E.g. Larry P. Lang and Leslie Young, "Minority Shareholders' Rights under Family Controlled Regime", *Oecd Working Paper*, 2002; Michael L. Lemmon, Karl V. Lins, "Ownership Structure, Corporate Governance and Firm's Value: Evidence from East Asian Crisis", *Journal of Finance*, 58 (4), 2003, 1445-1468; Roberto Barontini and Lorenzo Caprio, "The effect of family control on firm value and performance. Evidence from Continental Europe", *European Financial Management*, 12, 2006, 689-723.

electronics and other high tech industries<sup>3</sup>. In Eastern European countries and in former Soviet Union, the massive sale of State assets has created both ownership concentration in the hands of some happy oligarchs, but also new forms of State control, exerted through direct and also indirect share ownership. In Asia one of the pillars of the Chinese model of capitalism has been the “corporatization” of production units, their transformation into State-owned enterprises and their subsequent, frequently partial privatization - especially in the case of industries considered to be essential for the country’s economic welfare. Even in the US the recent wave of corporate bailouts has resulted into the establishment of some form of governmental control on companies characterized by a wide shareholders basis facing a blockholder with its own goals and priorities<sup>4</sup>.

Partial privatizations have almost everywhere allowed the State to maintain a certain (normally high) degree of control and connection over strategic assets at the same time opening the doors to institutional investors – even sovereign funds - and other providers of additional sources of corporate finance.

This increasingly common situation has drawn scholars’ and practitioners’ attention towards the implications of mixed ownership, in terms of corporate value and governance. In some cases, as the Chinese one, the extent and relevance of State share-ownership in listed companies generates a number of issues which are investigated by a growing bulk of literature dealing with problems related to the divergence of interests between the State and the minority shareholders in presence of multiple objectives pursued by the Government, some of which of non-economic nature<sup>5</sup>.

---

<sup>3</sup> Bernardo Bortolotti and Mara Faccio, “Government control of privatized firms”, *Review of Financial Studies*, vol. 22(8), 2009, 2907-2939.

<sup>4</sup> Marcel Kahan and Edward B. Rock, “When the Government Is the Controlling Shareholder”. *Texas Law Review*, 89, 2011, 1293-1364.

<sup>5</sup> Donald C. Clarke, “Corporate Governance in China: An Overview”, *Working Paper*, July 15, 2003.

The presence of the State as blockholder has multifaceted effects. State control can be neutral in terms of impact on corporate value, but can also increase stability in benefit of other shareholders<sup>6</sup>. It can also be at the origin of several problems, included the mismanagement of corporate resources in order to achieve non economic goals, or the inefficient monitoring of executives by corrupted Agencies and regulators. These problems can become critical in the case of illiquid shares, that is when shares cannot be easily sold due to institutional problems or market inefficiency – as in the case of many East Asian, and particularly Chinese, companies.

The coexistence of State control with private shareholdings, particularly among listed firms, poses in sum a number of critical challenges in terms of regulation, control and protection of minorities. For both developed and developing countries willing to maintain to some extent State control over strategic activities at the same time recurring to stock markets, the issue of mixed ownership becomes thus crucial, and the understanding of the internal governance dynamics of companies partially under State control becomes thus essential for economic development of modern economies.

\*\*\*

Even if history in general is not prescriptive in itself and historians normally do avoid to provide policy indications on the basis of their analysis, turning to past experiences can at least provide some useful hints, as well as a background in which to frame the analysis of present issues. On the basis of published materials, secondary sources but above all of new archival evidence this paper analyzes the governance and agency problems in a huge Italian State-owned conglomerate characterized by the presence of a large number of minority, private

---

<sup>6</sup> Stijn Claessens, Simeon Djankov, Joseph P. H. Fan, and Larry H. P. Lang, “Expropriation of Minority Shareholders: Evidence from East Asia”, 1999 Available at SSRN: <http://ssrn.com/abstract=202390> or [doi:10.2139/ssrn.202390](https://doi.org/10.2139/ssrn.202390)

shareholders, between the 1950s and 1960s. Even if limited to a single-case study, geographically circumscribed and based upon a qualitative analysis, the case of the Istituto per la Ricostruzione Industriale (from now on, IRI) is particularly appropriate for highlighting many of the governance issues in publicly listed companies in presence of the State as controller shareholder and in absence of appropriate minorities protection.

## 2. Background

IRI was created in 1933<sup>7</sup> in order to rescue the country's main mixed banks (and the whole Italian financial system) which balance sheets were heavily burdened by “toxic” assets – basically long-term loans to the industrial sector and devalued shares of companies hit by the global financial crisis<sup>8</sup>. IRI was legally an “Ente Pubblico”, technically an Agency under State control, which in synthesis took over all the banks' shareholdings at a price above the current market value, allowing them to restructure their troubled assets' structure. This “emergency measure” was initially considered to be a temporary one; the State

---

<sup>7</sup> Decree 23rd of January 1933, n. 5

<sup>8</sup> IRI has been widely studied and scrutinized since its very beginning, and a considerable bulk of literature has been produced (a comprehensive bibliography is in Bigatti 2012). The research available in English is however limited, and largely descriptive. It is worth recalling here Pasquale Saraceno “IRI: Its Origin and Its Position in the Italian Industrial Economy, 1933-1953”, *Journal of Industrial Economics*, 3, July 1955, pp. 197-221; Stuart Holland, *The State as Entrepreneur. New Dimension for Public Enterprise: the IRI State Shareholding Formula*, London; Veniero Ajmone Marsan “Istituto per la ricostruzione industriale”, in V. V. Ramanadham (ed.), *Public Enterprise. Studies in organisational structure*, London 1986, pp. 83-103; Franco Amatori “Beyond State and market: Italy's Futile Search for a Third Way”, in Pier Angelo Toninelli (ed.), *The Rise and Fall of State-Owned Enterprise in the Western World* Cambridge (Mass.) 2000; Id., “Entrepreneurial Typologies in the History of Industrial Italy (18880-1960): a Review Article”, *Business History Review*, 1980, vol. 54, 359-386; Id., “Growth via politics: Business groups Italian-style”, in Takao Shiba and Masahiro Shimotani (eds.), *Beyond the firm. Business groups in international and historical perspective*, Oxford 1997, 109-134; Id., “Iri: from industrial savior to industrial group (1933-1956)”, in *Annali di storia dell'impresa*, 3, 1987, 213-219; Patrizio Bianchi, “The IRI in Italy: Strategic Role and Political Constraints”, *West European Politics*, X (1987), n. 2, 269-290; Franco Bonelli, “The origin of public corporation in Italy”, *Annali di storia dell'impresa*, 3, 1987, 202-212.

stepped in in order to rescue the banks, restructure badly performing companies before privatizing them again. But soon it appeared clear that the private sector was unable (and unwilling) to buy-back all the assets now in the hands of the State, and in 1937 IRI became a “permanent body”, which was going to last for long, well beyond the fall of the Fascist Regime<sup>9</sup>.

The creation of IRI by an handful of technocrats blessed by the Fascist government had however deep consequences on the structure of Italian capitalism.

The first was on the extent of State *direct* ownership. According to some calculations, on the eve of the war, through IRI the Italian State directly owned around one-fifth of the nominal capital of *all* the domestic joint stock companies, a weight close to 90% in industries as steel, shipbuilding, telephones and heavy mechanics, and relevant in the case of electricity and also banking, a sector in which IRI had become the owner of the three largest banks of the country – Banca Commerciale Italiana, Credito Italiano and Banco di Roma<sup>10</sup>.

Another consequence, particularly relevant in the perspective of this paper, was that taking over the banks’ shareholdings, the State became in several cases a shareholder among other shareholders, even if frequently – but not necessarily - a majority shareholder. This brought to a situation in which minority shareholders faced a sudden change in the nature of the main blockholder, from a mixed bank to IRI – that is, the State. This “mixed ownership” was from the beginning one of the distinctive characteristics of IRI, and, as explained in depth later, was the basis on which its managerial philosophy was built.

---

<sup>9</sup> Decree 24th of June, 1937, n. 905.

<sup>10</sup> Amatori, “Iri: from industrial savior”; Fabrizio Barca and Sandro Trento, “State Ownership and the Evolution of Italian Corporate Governance. *Industrial and Corporate Change*, Volume 6, Number 3 (September 1997), 533-559, (547), Ministero dell'industria e del commercio, *L'Istituto per la ricostruzione industriale IRI, 3: Origini,ordinamenti e attività svolta*, Rapporto del Prof. Pasquale Saraceno, Torino 1956, 38-40.

A third effect of IRI creation was that, for the first time to such a large extent, the Italian governments could rely on a powerful instrument of industrial and economic policy. This was not immediately evident; after its creation, IRI was no more than an agglomerate of different entities ranging from steel companies to shipyards, to textiles and real estate. But after the war, and during the Reconstruction period and the Marshall Plan, it became quite clear that the restructuring activity was the starting point for more ambitious programs of expansion, something which the internal documents summarize as “from reconstruction to development”<sup>11</sup>.

\*\*\*

The changing nature and objectives of IRI during the twenty years following the end of the War were not to leave unaffected the internal relationships between the blockholder and the minorities inside the companies belonging to the group. Strategies, investment policies, resources allocation and corporate financing were going to change. In order to better understand the nature of the potential governance clash it is worth analyzing more in depth the organizational structure of IRI and the way in which its activity was financed.

### 3. Organizational structure, managerial philosophy and corporate finance at IRI (1950s-1970s)

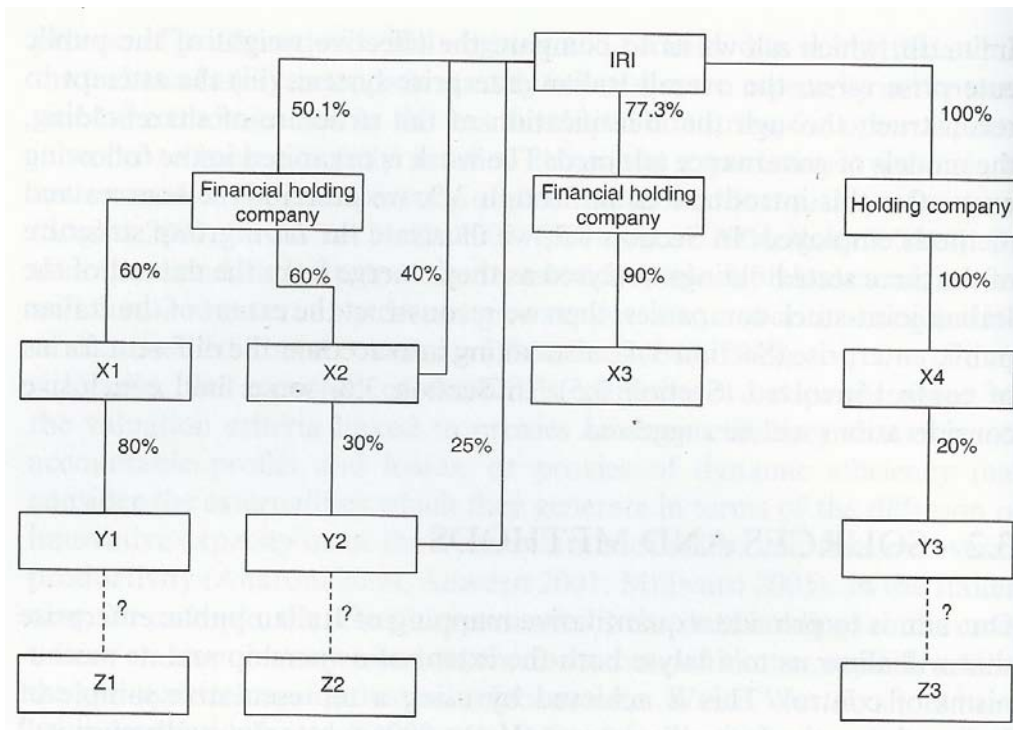
The structure of the IRI group was carefully designed from the beginning, and progressively shaped and improved in the years following the war (see Annex 1 for a snapshot of the IRI group in the mid-sixties). The group resembled a pyramid on four layers. At the top

---

<sup>11</sup> Archivio Storico IRI (IRI's Historical Archives, from now on ASIRI), FIN 294, Servizio Finanziario, “L'IRI nel decennio 1942-1951”, pp.2-3.

there was a “super”-holding (IRI), directly dependent from the Government. In its turn IRI controlled by statute at least the 51% of sectoral “sub-holdings”<sup>12</sup>, each one acting as a shareholder in the operating companies, which during the 1950s and 1960s could be counted in several dozen, and some of which were shareholders of companies in the fourth layer (the bottom) of the pyramid.

Fig.1 IRI Group’s structure (exemplification)



Source: Pierangelo Toninelli and Michelangelo Vasta, “State-owned Enterprises (1936-83)”, in A. Colli and M. Vasta, *Forms of Enterprise in 20th Century Italy. Boundaries, Structures and Strategies*, London 2010, fig. 3.1., p. 56

<sup>12</sup> The sub-holdings were STET (telephones, created in 1933 and listed in 1937), Finmare (shipping, created in 1936 and listed in 1952), Finsider (steel, created in 1937 and listed in 1940), Finmeccanica (mechanics, created in 1948 and listed in 1949), Finelettrica (electricity, created in 1952 and listed in 1953), and Fincantieri (shipbuilding, created in 1959 and never listed).



Both in the second and third layer one could find listed companies (see Annex 2), some of which already floating before the creation of IRI. Dalmine (steel) had been listed in 1924, Terni (steel and electricity) since 1895, Ilva (steel) in 1918. Società Idroelettrica Piemonte (electricity) was listed in 1908, Società Meridionale di Eletticità (electricity) in 1924, UNES (electricity) in 1905. When IRI was created and took over the shares of the banks, the companies were not de-listed, and remained floating as before in the country's stock exchanges. This generated a situation in which minority shareholders could be counted in several hundred, or even thousands. For instance, at the end of the 1930s in Dalmine, controlled by IRI through the sub-holding Finsider, private small shareholders were nearly 2000; in Terni they were 9500; in ILVA 5600. Finsider, the holding of the steel sector, had in its turn other 13500 shareholders<sup>13</sup>. In the electric industry, Società Meridionale di Eletticità (SME) counted 4300 shareholders, while UNES 7500 and SIP 18000. In telephones, STET had 2800.

### *Growing relevance of private shareholdings*

The relevance of private ownership in the companies of the IRI group steadily increased in the post-war years, at least in absolute terms. Many of the mentioned companies started immediately at the end of the war to increase their share capital, in order to finance the reconstruction of plants and facilities. In some cases, the capital increase was nominal, but, on average, between 1947 and 1950 the resources required to the shareholders were around one-third of the total.

Another way in which private shareholders were associated in the ownership of the companies belonging to the IRI group was through the

---

<sup>13</sup> Radar, *Organizzazione del capitale finanziario italiano*, Rome 1948, 199. The data reported in the study refer to shareholdings immediately before the war. The author of the book, writing under a pseudonym, was Emanuele Rienzi and had at his disposal data which companies were obliged to disclose to the Constituency Assembly. Data which are today no longer available to scholars.

instrument of convertible bonds, issued both before and after the war. These “special serie” (as they were defined) bonds had very peculiar characteristics. First, they were publicly listed and traded. Second, they were issued by IRI, and granted by the State. The bonds’ owners gained a 4.5%-year interest, and could ask for the conversion of their bonds in the sub-holding’s shares – becoming thus shareholders. The mechanism increased quickly the number and the relevance of shareholders in some of the second-layer holdings, for which bonds’ issuances continued after the war and in the 1950s<sup>14</sup>.

Tab. 1 Shareholders in the main listed companies of the IRI group (1940-1970)

Company	Industry	Shareholders 1940	Shareholders 1958 <sup>o</sup>	Shareholders 1962 <sup>λ</sup>	Shareholders 1970 <sup>π</sup>	Shareholders 1975 <sup>ω</sup>
SIP	Electricity <sup>φ</sup>	18000 <sup>β</sup>	67000	78800	90000	66.800
Vizzola	Electricity	4700 <sup>α</sup>	10000	13590	Delisted in 1965	--
SME	Electricity <sup>τ</sup>	4300 <sup>α</sup>	35000	45000	34000	31500
Piemonte Centrale di Elettricità	Electricity	1200 <sup>γ</sup>	6000	7000	Delisted in 1965	--
Unes	Electricity	7500 <sup>α</sup>	14000	16200	Delisted in 1964	--
Finelettrica	Electricity	n.a.	7000	19500	Delisted in 1966	--
Cornigliano	Steel	n.a.	32000			
Ilva	Steel	5800 <sup>e</sup>	16000	85000 <sup>κ</sup>	54800	50600
Dalmine	Steel	2000 <sup>α</sup>	7000	17850	24000	21200
Finsider	Steel	13500 <sup>α</sup>	26000	35000	81000	76000
Terni	Steel & Electricity	7400 <sup>δ</sup>	22000	29150	16500	13400
STET	Telephones	2800 <sup>α</sup>	60000	90000	80000	50000
TETI	Telephones	3350 <sup>α</sup>	7000	9000	Delisted in 1965	--

Source: α= Radar, *Organizzazione...*,181; β=ASIRI ACS R 337, SIP. *Dati sommari sulla società e sulle partecipazioni dell'IRI*, 1944, p. 19; γ: ASIRI ACS R346, PCE. *Dati sommari sulla società e sulle partecipazioni dell'IRI*, 1942, p. 9; δ: ASIRI ACS R 419, *Dati sommari sulla società e sulle partecipazioni dell'IRI*, 1944, pp. 11 ss.; e: ACS R 414, *Dati sommari sulla società e sulle partecipazioni dell'IRI*, 1942, pp. 48 ss.; θ: ASIRI, SD804\_FIN327, Servizio Finanziario, “Partecipazioni del gruppo IRI al 30.9.1959. A) Il ruolo dei titoli azionari nel finanziamento del gruppo IRI al 30.9.1959”, p. 5; κ: in 1961 Ilva incorporated Cornigliano, originating a new company, Italsider; λ: *Calepino dell'azionista*, Milan 1963; π: *Calepino dell'azionista*, Milan 1970; τ= since 1964 holding diversified in food, beverages and distribution; φ: since the mid-Sixties a telephone company; ω: *Calepino dell'azionista*, Milan 1975.

<sup>14</sup> Information about the convertible bonds can be found in stock Exchange directories as *Taccuino dell'Azionista*, Rome, various years.

Thanks to capital increases and bonds' transformation into shares, during the 1950s the relevance of private shareholdings in the companies of the IRI group grew steadily, until the mid 1960s. The total amount of minority shareholders in the main listed companies grew, between 1940 and the beginning of the Sixties by a factor of six, up to half-million people – which in the case of a country as Italy, characterized by a structurally weak stock market, was undoubtedly a remarkable result<sup>15</sup>.

### *Shareholders' identity*

Given the disclosure practices in use among Italian companies at the time, is extremely difficult to determine the identity of the minority shareholders. Some documents allow to reconstruct the structure of the shareholdings, even if for a few companies and generally only for a (very) limited period. Some examples can however provide some useful insights. In 1940 Sip reported around 7580000 outstanding shares. Among the main shareholders – apart IRI - there were financial companies as Società per le Strade Ferrate Meridionali, foreign investors (Société Suisse d'Industrie Electrique), non financial companies, also listed (Italgas, Ceat, Italcable), even direct competitors, as for instance Edison, insurance companies and the Vatican City administration. The rest of the constituency was made of private individuals<sup>16</sup>. Terni (steel and electricity) is another relevant case. Among the main shareholders (those with substantial blocks of shares) there were private wealthy individuals, financial companies, insurance companies, again the Vatican administration, other non financial

---

<sup>15</sup> About the weakness of the Italian stock market see Alexander Aganin and Paolo Volpin, “The History of Corporate Ownership in Italy”, in Randall Morck (ed.), *A History of Corporate Governance around the World: Family Business Groups to Professional Managers*, Chicago 2005.

<sup>16</sup> ASIRI ACS R 322, Capitale Sociale e sua dislocazione, ca. 1940, pp. 4 ss.

companies and foreign investors<sup>17</sup>. Similar the case of Ilva (steel)<sup>18</sup>, and of Stet (telephones)<sup>19</sup>. And the same could be said for some of the “sectorial” holdings, as for instance Finsider, among which shareholders were several insurance companies and other financial companies, listed and not. Banks were present to a limited extent, given also the fact that the 1936 Banking Act allowed them to hold shares of companies only for negotiations, and not as permanent investments<sup>20</sup>.

### *Control enhancing mechanisms*

The enlargement of the amount of shareholders brought to a dilution in the share ownership directly held by IRI, or indirectly through the sub-holdings and (to a limited extent) through indirect and/or cross share-ownership among the companies of the group<sup>21</sup>. This meant the necessity, at least in principle, for IRI to put in place some devices to enhance its control level over the group as a whole, also because *by*

---

<sup>17</sup> ASIRI ACS R 419, Terni. Dati sommari sulla società e sulla partecipazione IRI, Azioni della Terni a tutto il 31 dicembre 1942 – XXI

<sup>18</sup> ASIRI ACS R 404, Finsider. Partecipazioni 1942-43. Dati sommari sulla società e la partecipazione IRI. Azionisti dell’ILVA di nazionalità italiana.

<sup>19</sup> Radar, *L’organizzazione...*168-9

<sup>20</sup> About the 1936 Banking Bill and in general about the context of corporate control in Italy at the eve of WWII see Franco Amatori and Andrea Colli, “Corporate Governance: the Italian story”, working paper, 2000, available at <http://www.insead.edu/v1/projects/cgep/Research/NationalSystems/CGItaly.pdf> (last access October 2011).

<sup>21</sup> Calculation of cross shareholdings in the IRI group during the 1940s (and later) is not easy given the information currently available. From the available information (on a qualitative basis) it is however possible to argue that the use of cross-shareholdings as instrument to enhance the IRI control over its companies was relatively negligible until the 1950s, when indirect ownership through other companies of the group became more frequent. See Pierangelo Toninelli and Michelangelo Vasta, “State-owned Enterprises (1936-83)”, in A. Colli and M. Vasta, *Forms of Enterprise in 20th Century Italy. Boundaries, Structures and Strategies*, London 2010, 52-86, Tab. 3.2. Toninelli and Vasta talk of cross shareholdings among the group companies’, even if technically they describe ownership through other compagnie of the group, and not cross shareholdings.

*statute* it was obliged to control its sub-holdings with at least the 50.1% of the capital. The use of shares of different categories was limited, also because a new Commercial Code issued in 1941 had eliminated this device. Only in a few cases, when the shares were issued before 1941, shares with different voting rights were still in place. One example is the steel sub-holding, Finsider, listed in 1940, whose share capital was divided in A-shares (each one carrying 20 votes) and B-shares (100 votes). In its turn, Finsider was the main shareholder of Ilva, also listed with two different kind of shares (20 votes and 100 votes). Also Teti (telephones) presented a similar structure, even if both in the case of Ilva and Teti the issuing of share with different voting rights preexisted the creation of IRI. Among the sub-holdings, however, only Finsider's capital was divided in A and B shares. As cross shareholdings were only limitedly used (see above, note 15), the most relevant, and efficacious mechanism to enhance IRI's control was the use of the pyramidal structure which allowed to tap additional resources from the market with a limited loss of control. The virtues of the pyramidal group in terms of leverage were well known by IRI's managers, who explicitly declared their willingness to recur to private capitals as much as possible, obviously avoiding an excessive loss of control<sup>22</sup>. According to internal calculations, during the second half of the 1950s IRI, as a whole, was able to obtain from the market 1.34 lire of share capital for each lira directly owned, a ratio which in the case of some sub-holdings was much higher, as in the case of Finelettrica (4.58) and Finsider (2.37)<sup>23</sup>.

IRI's pyramidal structure was however not an exception among Italian companies. Business groups characterized by pyramidal structures

---

<sup>22</sup> ASIRI, SD/513D, Servizio Finanziario, "I momenti funzionali delle sei finanziarie dell'IRI. Obiettivi e situazioni attuali", p. 9

<sup>23</sup> *Ibid.*, p. 12.

were since the beginning one characteristic feature of the Italian capitalism, persisting until today<sup>24</sup>.

#### 4. The IRI “ formula”

The pyramidal structure was thus something which allowed IRI to obtain resources from the market with a limited amount of direct investment. It must be said, however, that the involvement of private capitals was considered a priority by the technocrats who designed IRI's structure and governance after it had become a permanent entity, in 1937. The basic idea was to provide a sort of “third way” between full State ownership and control and full private ownership in industries considered to be essential in a modern economy, included infrastructures and utilities. IRI was thus more than a holding: it was a device through which it was possible to “mobilize” private resources to be added to public funds in order to invest in key industries as steel, mechanics, electricity telephones. This cooperation between private shareholders and the State was explicitly defined as the “IRI formula”<sup>25</sup>. The “IRI formula”, however, could function well only if some other conditions were satisfied. The first was that the investment should have been attractive for private investors at least as the investment in private companies in the same industries, something that actually happened in many cases, also because many of these companies operated in oligopolistic and even monopolistic markets – especially in the case of utilities. In some other cases, as for instance in the steel industry, the steady expansion of the market meant a growing profitability for the largest producers, which by chance were the

---

<sup>24</sup> Aganin and Volpin, “The History”; Franco Amatori, “Growth via Politics: Business Groups Italian-Style”, in T. Shiba and M. Shimotani, *Beyond the Firm. Business Groups in International and Historical Perspective*, Oxford, 1997, pp.109-134.

<sup>25</sup> ASIRI, SD/519D, Servizio Finanziario, “Validità della formula IRI” 18.12.1961, p. 7

companies belonging to the IRI group. The market showed a growing appreciation for the sub-holdings' shares, and in general for many of the group's companies. According to IRI's calculations, one lira invested in 1948 would have yielded around 6 in 1955, against a 4.5 average of the complex of listed shares in the same span of time. In the case of the electric industry, the average yield of the IRI companies was of 5.87 lire against 6.05 of the best private performers; in steel the average return was of 6.20, in telephones of over 7 lire. According to the same source, by 1954 the IRI companies on average generated a yield of 5.94 lire out of one invested in 1948, against an average 4.52 of the listed Italian companies<sup>26</sup>. In the same period, private shareholders' subscriptions nearly the 15% of the capital increase of IRI companies in the electric, telephone and steel industry.

A second condition, linked to the first, was summarized in another "keyword" frequently used in IRI's internal documents, in Italian "economicità" – something which can be translated as "economic efficiency". The basic idea, here, was that the IRI companies should make their investment decisions on the basis of pure economic efficiency considerations, exactly as the private ones<sup>27</sup>. Furthermore, being part of a large and diversified group, IRI's companies would benefit of relevant, additional cost advantages, and by the capabilities of a well-trained group of professional managers.

A third condition was, at least in theory, some degree of protection for minorities. According to IRI's internal documents, the idea was to co-opt in the boards of the controlled companies some representatives of minority shareholders<sup>28</sup>. It is however difficult to measure the

---

<sup>26</sup> More information concerning the electric, mechanic and steel industries are in ASIRI, FIN 294, "Andamento di borsa delle azioni emesse dalle società del Gruppo".

<sup>27</sup> About the concept of economic efficiency and its relations with the IRI formula see ASIRI, ISP453/SD233, Ispettorato, "Note da 1 a 7", internal note n. 5, "Criteri generali d'azione dell'IRI", pp. 3 ss

<sup>28</sup> See ASIRI, ACS N025, Archivio Storico, "Studi e memorie sull'IRI", Fasc. 24, "Notizie sull'Istituto per la Ricostruzione Industriale", january 1951, p. 11.

effectiveness of this involvement, and – at least in qualitative terms – there is no evidence of activism by these representatives, nor of class actions undertaken by the minorities. Also under this point of view, however, IRI was not different from private companies. The degree of minorities’ protection and activism was negligible before and after the war, a situation which was going to last for long time<sup>29</sup>.

### *Happy shareholders*

The partnership between private capitals and State ownership worked successfully since the beginning. The risks of the presence of such a large blockholder as the State, coupled with the *de facto* absence of minorities’ legal protection, were largely offset by the advantages. As above said, many of the companies with a large – and growing – number of private shareholders were either monopolists or oligopolists in public utilities as telephones or electricity (see Annex 1 and Table 1). In other cases, as steel and in some branches of the mechanic industry, both private and State-owned companies fully enjoyed of the outstanding market growth of the 1950s and 1960s. For instance, Italian steel production grew, between 1958 and 1970 of an average 8.7% on a yearly base, passing from 6.3 to 17.3 million tons, and given their degree of technological advancement and scale dimensions, State-owned companies enjoyed largely this expansion: Finsider, taken as a whole, contributed for more than 90% to the total production of cast iron, and more than 50% to that of steel.

A second relevant advantage which could attract private shareholders was of a psychological nature, and linked to the idea that State-ownership was basically preventing these companies from the risk of going bankrupt – given also their relevant dimension, their leadership in strategic industries and the historical tradition of rescues and support provided by the Italian State.

---

<sup>29</sup> Amatori and Colli, “Corporate Governance...”.



A third, less “psychological” reason was the fairly good returns of the investment. Confronting the returns on equity of IRI’s sub-holdings with the corporate and State bonds’ yields, it is clear that during the 1950s and 1960s the decision to invest in the companies of the IRI group – at least in those in the steel, electric and telephone industry – was perfectly rational.

Tab.2. Returns of Finsider and Stet shares confronted with other alternative investments in securities.

Year	State Bonds, 9 years	IRI-Electricity Bonds	IRI-Steel Bonds	Corporate Bonds (Montecatini)	Finsider Shares	STET shares
1955	6,03	7,2	6,49	6,08	6,7	6,36
1959	4,64	6,18	6,09	6,2	4,55	8,36
1969	4,98	6,41	6,62	6,22	6,37	4,65

Source: Own elaborations on Mediobanca, *Indici e dati relativi a investimenti quotati nelle Borse italiane*, Milan, various years

On average, the returns were normally higher than the State bond’s yields, and close to those of the corporate bonds (see Tab. 2). And to these returns also the almost steadily increasing market value of the companies on the stock exchange was to be added<sup>30</sup>.

## 5. Cooling relations

As shown in the last two columns of table 1, by the mid-Seventies the honeymoon was over. In the IRI companies who were still listed in the stock exchange the number of shareholders was steadily decreasing

<sup>30</sup> See Mediobanca, *Indici e dati relativi a investimenti quotati nelle Borse italiane*, Milan, various years.

from the second half of the Sixties. Additionally, the propensity of investors to buy shares in the IRI's companies was dramatically dropping. In 1964 only 2 billion were invested in IRI shares, in front of the about 36 billion of five years before<sup>31</sup>. Another rough index is provided by market capitalization (Tab. 3); in some cases the decline of IRI companies was even sharper than the average of the listed companies – given the generally poor performance of the market during the second half of the Sixties.

Tab. 3. Market capitalization of some listed IRI companies confronted with the general stock exchange index (1950-1975)

	<b>Finsider</b>	<b>Stet</b>	<b>Terni<sup>π</sup></b>	<b>Dalmine</b>	<b>SME<sup>β</sup></b>	<b>SIP<sup>ω</sup></b>	<b>Italsider<sup>φ</sup></b>	<b>Stock exchange index</b>
1950	4,73	6,51	11,15	14,26	12,36	14,66	5,05	
1955	20,09	21,08	25,27	57,60	40,95	42,46	36,53	
1960	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00
1965	85,99	73,25	--	123,37	71,03	222,03	206,17	68,78
1970	69,24	110,84	15,34	48,23	58,55	293,91	153,21	60,35
1975	35,29	63,58	72,34	31,70	28,75	168,51	75,19	44,36

Source: Mediobanca, *Indici e dati relativi a investimenti quotati nelle Borse italiane*, Milan, various years. <sup>ω</sup>: since 1964 telephones; previously electricity. <sup>β</sup>: since 1965 food, beverage and distribution, previously electricity; <sup>π</sup>: since 1964 steel, previously: electricity and steel. <sup>φ</sup>: for 1950 and 1955 the market capitalization of Italsider (steel) is the sum of Ilva and Cornigliano, merged in 1961 to form Italsider. For 1960 the 1961 value is considered.

The reasons for the progressive loss of interest, and of the overall decline of the “formula IRI” were many and of different nature. Some of them were totally exogenous and were concerning all the listed companies. Some others, however, were endogenous to the IRI group, and had basically their origin in the deterioration of the implicit

<sup>31</sup> ASIRI, STU605, “Note relative al finanziamento del gruppo IRI”, “Esperienze sul finanziamento del gruppo IRI. Relazione Obber a Bruxelles”, 1965, p. 8

agreement between IRI itself and private shareholders. The pillars on which the IRI formula was based – and especially the idea of economic efficiency – started to crumble during the Sixties, exactly when the huge conglomerate was at the peak of its power. Subsequently, minority shareholders were less and less prone to accept the poor conditions which characterized the group’s corporate governance.

### *Fading feelings*

After the war and during the “golden age” of the Italian economic miracle – and especially from the mid-1950s to the second half of the following decade, IRI companies were fully involved in the effort of providing Italy with the necessary infrastructures for the development of the country, making huge investments in core and strategic sectors as steel, telecommunications, heavy mechanics and automotives. The size of the conglomerate, its diversification, market share and *de facto* dominance in the capital and technology intensive industries made of IRI a protagonist of the Italian economic modernization, and an extremely efficient instrument for the implementation of industrial policies. Since 1956, in fact, the activity of the group was rationalized through 5-years plans, aiming at the reaching of three main goals<sup>32</sup>. The first was to produce efficiently and cheaply inputs for other industries (e.g. steel) and energy (electricity), stimulating the country’s overall growth. The second, to build a modern network of communications: telephones and motorways. Incidentally, the achievement of these two goals could mean the achievement of a third one, which become more and more relevant during the second half of the 1950s: the industrialization of the southern regions of the

---

<sup>32</sup> See ASIRI, SD749 ex 1 (FIN215), “*Piano quadriennale 1957/60*”. In particolare fasc. 5, “Nota preliminare su un programma del gruppo IRI per il quadriennio 1957-60”, 9 maggio 1956. Cfr. anche ASIRI, Documentazione a Stampa, Programmi Quadriennali, Programmi 79, “IRI – Programma Quadriennale 1957-60”, pp. 3 ss. and AS IRI, SD749 ex 1 (FIN215), “*Piano quadriennale 1957/60*”, fasc. 1, “Revisione piano quadriennale e programmi addizionali 1957-60”, sottofasc. 1, “Sunto del Piano quadriennale 1957-60”

Peninsula and the reduction of the internal economic divide; a goal which could be achieved primarily through investments in capital intensive industries, made by State-controlled companies, IRI first<sup>33</sup>. The developmental and countercyclical role of the State-owned enterprises were clearly and repeatedly stressed on the political side by the ruling Christian Democrat “intelligenza”.

All the three goals were achieved. Between the mid-1950s and the first half of the following decade, IRI’s investments in the steel industry doubled – as in the case of mechanics and shipbuilding. Investments in the telephone industry tripled, in motorways increased by a factor of six. In few years, IRI investments – the majority of which in the South – passed from the 17 to the 26% of the total of the country’s investments in manufacturing. IRI strengthened its monopolistic or dominant positions in many industries.

All this was not priceless. If the results in terms of effective realizations had been fully satisfying, they had been overstressing the group’s financial conditions. The necessary resources were obtained (by the super-holding, the sub-holdings and by the single companies) basically through short and medium-long term debt. In 1955 short and long term debts were around the 69% of all IRI’s liabilities. In 1959 the ratio was around 81%<sup>34</sup>, and rose steadily in the following period (Tab. 4).

Leadership, in sum, was paid at a great cost.

---

<sup>33</sup> To make this even more clear, a bill (n. 634) was issued in 1957, which made compulsory for State-controlled companies to localize at least the 60% of their new investments in the Southern regions. Just an year before, (1956) a new Ministry was created (Ministero delle Partecipazioni Statali – Ministry of State Shareholdings), in order to coordinate the wide array of holdings of the State.

<sup>34</sup> See ASIRI, SD278/ISP352, Ispettorato, “Fondo di dotazione”, fasc. 5, Aumento del fondo di dotazione da 168 a 358 miliardi. Legge 21 luglio 1960 n. 785. Schemi di disegni di legge e note varie. Relazione sullo schema di disegno di legge concernente l’aumento del fondo di dotazione dell’Istituto per la ricostruzione industriale”.

Tab. 4 Ratio of shareholders' equity on total invested capital – comparison between IRI's companies and a sample of private companies.

	1968	1969	1970	1971	1972	1973	1974	1975
IRI companies	27,6	27,4	23,9	21,2	17,7	17,2	16,5	18,5
Other private	50,7	49,6	45,6	40,0	35,0	37,6	35,6	34,4

Source: ASIRI, 300 Ispettorato, "Confronto tra l'andamento delle aziende IRI nel periodo 1968-1975 e quello delle "aziende private" comprese nella rilevazione Mediobanca", Roma, gennaio 1977, p. 7

In some cases – as that of steel – the situation was even worse. On average, steel companies had a ratio between shareholders' equity and total invested capital of 0,12 – in front of an European average of 0,5. And similar situations could be found in mechanics and shipbuilding<sup>35</sup>. The IRI managers were aware of (and worried for) the situation, asking continuously for additional capital first of all to the ultimate owner, the Government<sup>36</sup>. The increases in the amount of resources put at disposal of IRI companies by the State were, however, low and non-sufficient, a first, bad signal for the other shareholders. And managers were forced to increase steadily the level of indebtedness of their companies, with clear effects on their ability to generate returns for the shareholders. One outstanding example of an investment policy which ended in a out-of-control growth of indebtedness is the decision to build a new vertically integrated steel plant in Taranto – the fourth of the country, started in 1961<sup>37</sup>. The original decision by Finsider's top management

<sup>35</sup> ASIRI, D519, Ispettorato, "Sottocapitalizzazione delle aziende del gruppo IRI e raffronti nazionali e internazionali", Roma, maggio 1975

<sup>36</sup> AS IRI, SD749 ex 1 (FIN215), "*Piano quadriennale 1957/60*", fasc. 3D, "Il finanziamento del programma quadriennale dell'IRI", p. 1; ASIRI, IE1316/AG3677, Affari Generali, Fasc. 9, "Lettere all'On. Presidente del consiglio On. Segni e al Ministro delle PP.SS. e appunti vari sul piano quadriennale dell'IRI", Lettera 8 gennaio 1957 del Presidente dell'IRI Antonio Fascetti all'On Segni, p. 2; "Il finanziamento del piano quadriennale dell'IRI e l'assetto patrimoniale dell'Ente", documento riservato, 29 dicembre 1956, pp. 3 ss.

<sup>37</sup> Gianluopo Osti, *L'industria di Stato dall'ascesa al degrado*, Bologna 1993

was to build a smaller plant specialized in the production of steel pipes – a rational decision given the rising demand for steel pipes coming from the oil and refining industry. Taranto, in Apulia, was chosen basically because of the poor local social conditions. The investment proposed by Finsider managers had only one, but relevant, defect: it was going to generate too little employment, far less than that one large integrated plant would have created. And this was not acceptable in political terms. The Taranto plant was completed in three years, with a production capacity largely in excess. The burden of the debt on Italsider – the Finsider-controlled company which at the time had around 80.000 shareholders, was enormous and structurally damaged the company.

The hunger for additional resources to make further investments brought to situations in which the main blockholder was not only misusing the corporate resources (as in the Taranto case), but de facto expropriating minorities. A telling episode took place in occasion of the nationalization of electricity, in 1962. As shown above, through its subholding Finelettrica, IRI was the main blockholder in several electricity providers - together with around other 200 thousand private shareholders (see Tab. 1). Technically, the nationalization was implemented transferring to a new State agency, Ente Nazionale Energia Elettrica (ENEL), all the providers' facilities<sup>38</sup>. The companies were compensated by ENEL through a 10-years instalment program – something which made them almost overnight highly liquid financial holdings receiving twice a year a generous risk-free cash flow. In the case of the companies controlled by IRI, the decision was almost immediately to put the resources derived from the nationalization at

---

<sup>38</sup> The nationalization bill was issued the 6<sup>th</sup> of December, 1962 (n. 1643). The bill was in itself limiting the shareholders' freedom. The dissolution of the company was prohibited on the one side. On the other, substantial tax cuts were given in the case of mergers which involved former electricity producers (art. 9). In addition, compagnie were not allowed to redistribute the compensation under the form of higher dividends. A cap was posed by law.

disposal of the investment programs of the conglomerate<sup>39</sup>. Sip (the largest and more profitable of the electric companies under IRI's control) was thus "used" to finance the expansion programs in the telephone industry: in 1964 Sip incorporated the five regional telephone providers (plus other two former electricity providers, Vizzola and Piemonte Centrale di Elettricità) and transformed itself into a telephone company – incidentally profitable, given its monopolistic position. Other shareholders were far less lucky. This was the case of the 16000 investors in Unes, jointly controlled by Finelettrica and Sme. Together with three other listed companies (Pugliese di Elettricità, Elettrica della Campania e Lucana) Unes was taken over by Italsider, in order to channel further resources in the Taranto steelworks (see above). But nothing was comparable to what happened to the over 45 thousand Sme shareholders. In that company IRI (through the subholding Finelettrica) controlled "only" the 40% of the capital<sup>40</sup>. The minutes of the ordinary and extraordinary shareholders' meetings, May 30<sup>th</sup>, 1963 – unusually lasted for a good four hours – report a rising tension between the board and some of the minority shareholders, disappointed by the decision to change the name and the core business of the company; all issues politely dismissed by the dominant shareholder<sup>41</sup>. Immediately after, Sme changed its name into Società Meridionale Finanziaria, and started an huge program of investments in the South in several industries, from food and beverages to mass distribution, mechanics, paper and pulp – nothing to do with its original core business. Among the main (announced) goals of Sme there was the diversification in fast growing industries, and the contrast of foreign acquisitions, particularly frequent in the food and beverages industry<sup>42</sup>.

---

<sup>39</sup> ASIRI, AG 3653, "Il problema del reinvestimento dei fondi di indennizzo spettanti alle società ex-elettriche del gruppo IRI", February 1964.

<sup>40</sup> ASIRI, STU 60, "SME – Società Meridionale Finanziaria", s.d. (probably 1977)

<sup>41</sup> ASIRI, D0952/4.2, "Verbale di Assemblea ordinaria e straordinaria", 30.05.1963.

<sup>42</sup> ASIRI, STU 60, "SME – Società Meridionale Finanziaria", s.d. (probably 1977), p. 2

But minority shareholders remained apparently indifferent to this economic patriotism: as shown in Table 1 Sme's shareholders' constituency progressively shrunk since the beginning of the 1960s<sup>43</sup>. Sme shareholders' had many reasons to be disappointed: basically forced to remain shareholders, they were powerlessly witnessing the misuse of the company's resources. The minutes of the shareholders' meetings taking place in the second half of the Sixties frequently report objections and critics by individual shareholders, all dismissed by the Board supported by the majority shareholder's (IRI) representatives<sup>44</sup>. Voice was, in sum, a non-feasible alternative to exit. Exit was thus encouraged also by other exogenous elements. One was the general trend in the stock market, steadily declining from 1961 to 1965 and from the beginning of the 1970s onwards. The second, probably decisive, was the multiplication of the investment alternatives. Private companies and local bodies started to issue a growing amount of bonds and securities in general which granted relatively risk-free and quite high returns. Additionally, from the end of the Sixties the spread between State bonds and shares in listed companies enlarged considerably. Still in 1970 the ratio between dividends and the share market price in the IRI companies remained acceptable – from 6 to 7% on average, even if with some exceptions – if compared to the yields deriving from the investment in State bonds (6-7%) or corporate bonds (normally around 7,5%). In 1975 – in order to cope with a rising inflation – real yields on nine-year State bonds had jumped to 11-12%,

---

<sup>43</sup> Incidentally, it should be noted that the nationalization bill granted the shareholders the right to withdraw; in reality, the conditions were not exactly convenient. Instead of cash, shareholders obtained the right to perceive the ENEL reimbursements – something not generating any immediate cash, and not tradable.

<sup>44</sup> See e.g. ASIRI, D0965/2.4, “Processo Verbale dell’Assemblea Ordinaria degli azionisti della SME”, May 9th, 1966; ASIRI, D0965/2.5 “Processo Verbale dell’Assemblea Ordinaria degli azionisti della SME”, , April 20th, 1967; , D0965/2.6 “Processo Verbale dell’Assemblea Ordinaria degli azionisti della SME”, April 23th, 1968.



private bonds followed, while the ratio between dividends and share prices lagged behind, around 7-8% among the best performers<sup>45</sup>. It has also to be noted that if in principle the sole alternative, exit was *de facto* not an easy one. As said, the conditions of the stock market were quite depressed, and its absolute reduced dimensions both in terms of listed companies and volumes did not make exit easy, especially if the minority shareholder wanted to sell a non negligible amount of shares.

\*\*\*

As always happens, the divorce was the unhappy ending of a long and tormented process during which minority shareholders were exploited and expropriated without any proper protection. They rarely argued, but their reasons were almost never taken into consideration by the main blockholder. When their exit options increased with the diffusion of alternative investment options, they were immediately ready to take advantage of them. This was in sum the end of the “IRI formula”, and of the once virtuous relationship between State and private ownership, once for all.

A relevant role in the story had, obviously, the deterioration of the principle of “economic efficiency” at the basis of the IRI formula, due to the fact that, since the second half of the Sixties, IRI was changing its nature again. Previously, from industrial savior it had become an industrial group<sup>46</sup>; now it was becoming a sort of “agency for economic development”. In doing so, it seconded the requests coming from political parties, much more closely than in the past, asking for employment and rescues – something maybe socially acceptable, but definitely against the economic efficiency principle.

---

<sup>45</sup> Mediobanca, Indici e dati relative a investimenti in titoli quotati nelle Borse italiane (1963-1975), Milan 1976

<sup>46</sup> Amatori, “IRI: from Industrial Savior”.

The progressive contraction in the number of external shareholders was not immediately of much concern for IRI, which went on in relying on short and medium-long term debits for its growing necessities - provided by a banking system largely under the control of the State itself<sup>47</sup> - and on (limited) supply of financial resources by the Government. But the relevant thing, at least in the light of this paper, was that the experiment of putting private capitals in the “most capable hands” – those of managers-civil servants in the end proved not to be sustainable.

## 6. Conclusions

The IRI case provides some useful takeaways. First, the association between State and private ownership can have positive effects for minorities even in absence of specific legal provisions. As the first part of this story shows well, the presence of the State as major shareholder means a reduction in uncertainty and can add value to the investment. Minority shareholders may in fact accept the presence of a major blockholder under some conditions, and primarily the fact that the returns of their investment remains on a relatively fair basis. This is even more evident when the investment concerned is made in oligopolistic or even monopolistic industries (the case of telephones), where the State presence is required also by issues related to market regulation. Beyond a certain level, however, agency conflicts may offset these advantages, once the main blockholder turns to non-economic goals.

---

<sup>47</sup> As stressed in the second paragraph, the country’s three main banks, Banca Commerciale Italiana, Credito Italiano and Banco di Roma were part of the IRI group since the beginning, as a result of the 1933 rescue. The State controller also the Istituti di Credito Speciale (Special Credit Agencies) created in the 1930s in order to provide long-term credit.

Given the Italian peculiar situation in terms of minorities' protection, shareholders had very few alternatives in order to escape expropriation by the main blockholder – actually, only one, apart from exerting a little voice: exit (at relatively harsh conditions – see above), and alternative investments.

One should ask if any other alternative was feasible. At least theoretically four (not mutually excluding) were the possibilities. The first, the establishment of appropriate governance independent mechanisms or agencies. The second to incentivize the creation of associations of minority shareholders, similarly as in other European countries, able to exert formal and informal pressures on the companies' top management. Neither of these solutions appeared to be possible in Italy in the period considered, given the prevailing corporate governance practices in the country both among privately and publicly held corporations<sup>48</sup>. In addition, the State – and above all political parties, which benefited of IRI's new nature of developmental agency, had no incentives at all in promoting this kind of initiatives in order to strengthen the rights of minorities. A third possibility to at least partially improve the conditions of minorities would have been to increase the efficiency of the market for corporate control, allowing in this way the mobilization of illiquid assets – something to be excluded in that peculiar conjuncture. A fourth one would be a sort of activism by institutional investors, that is by other financial and non financial companies acting as minority shareholders. As seen above, among minority shareholders – often with non negligible stakes – there were financial institutions, insurance companies, corporations. From the available minutes of the shareholders' meetings, however, no evidence can be found of activism by these investors – which in many cases were acting in patent conflict of interest, being part of the same IRI group, or because as customers, or suppliers, had no interest in opposing the Board's decisions.

---

<sup>48</sup> Amatori and Colli, "Corporate Governance".

However, at least in counterfactual terms, these four “solutions” (independent control agencies, shareholders’ associations, activism by larger investors and a more efficient stock market) would probably have been effective, allowing the once virtuous partnership between State and private shareholders to last.



**Annex 2. Private shareholdings in the main listed IRI companies, 1958**  
(in bold listed companies).

Company	Private shareholders' holdings (% total shares)	Company	Private shareholders' holdings (% total shares)
<i>Banking</i>		<i>Steel</i>	
Banca Commerciale Italiana	4,6	<b>Finsider</b>	<b>50,0</b>
Credito Italiano	19,3	<b>ILVA</b>	<b>40,5</b>
Banco di Roma	4,0	<b>Cornigliano</b>	<b>31,0</b>
<b>Mediobanca</b>	<b>48,4</b>	Société Anonyme de Mines de Fer de Mauritanie	84,0
Istituto per lo Sviluppo di Attività Produttive - ISAP	36,7	<b>Terni</b>	<b>41,3</b>
<b>Financière Italo-Suisse</b>	<b>85,6</b>	<b>Dalmine</b>	<b>48,8</b>
<i>Electricity</i>		<b>Cementir</b>	<b>48,2</b>
<b>Finelettrica</b>	<b>38,5</b>	Acciaieria e Tubificio di Brescia	50,0
<b>SIP</b>	<b>52,9</b>	Cementerie di Livorno	45,0
<b>SME</b>	<b>63,6</b>	<i>Shipbuilding</i>	
<b>Vizzola</b>	<b>46,3</b>	<b>Cantieri Riuniti dell'Adriatico</b>	<b>14,1</b>
<b>UNES</b>	<b>36,8</b>	<i>Mechanics</i>	
Idroelettrica Sarca-Molveno	49,0	Selenia	60,0
Trentina di Elettricità	15,0	<i>Chemicals and Mining</i>	
<b>Generale Pugliese di Elettricità</b>	<b>18,6</b>	<b>Montecatini</b>	<b>91,8</b>
<b>Piemonte Centrale di Elettricità</b>	<b>37,4</b>	<b>Monte Amiata</b>	<b>67,3</b>
<b>Società Elettrica della Campania</b>	<b>22,7</b>		
<b>Società Elettrica delle Calabrie</b>	<b>17,1</b>		

## Annex 2. Private shareholdings in the main listed IRI companies, 1958

Company	Private shareholders' holdings (% total shares)	Company	Private shareholders' holdings (% total shares)
Compagnia Napoletana di Illuminazione e Scaldamento col Gas	16,2		
Idroelettrica Tevere	50,0	<i>Miscellaneous</i>	
Termoelettrica Tirrena	50,0	<b>Strade Ferrate Secondarie Meridionali</b>	<b>44,4</b>
Società Elettronucleare Nazionale SENN	10,0	<b>Manifatture Cotoniere Meridionali MCM</b>	<b>18,4</b>
<b>Società Lucana per Imprese Idroelettriche</b>	<b>7,0</b>	Società Grandi Alberghi Siciliani	50,3
Società Elettrica Maremmana	50,0	Finanziaria Traforo del Monte Bianco	63,5
Società Italiana Meridionale Energia Atomica	75,0	Società Azionaria Centrali Ortofrutticole Siciliane	75,0
Società Idroelettrica dell'Ossola	8,4	Centro Addestramento Maestranze Industriali Meridionali	72,5
Società Elettrica per Bonifiche e Irrigazioni	10,0	<b>Compagnie Internationale del Wagons Lits</b> Port de Tanger	<b>88,8</b> 87,6
<i>Telephones</i>			
<b>STET</b>	<b>35,8</b>	<i>Shipping and Air transport</i>	
<b>TETI</b>	<b>17,1</b>	<b>Finmare</b>	<b>23,6</b>
SIRTI	90,0	Ente Bacini Genova	86,7
<b>Società Impianti Telefonici - SIT</b>	<b>29,7</b>	Alitalia	38,2
<b>Immobiliare l'Edificio</b>	<b>26,9</b>		

Source: IRI, Bilancio 1959

(\*) The IRI shareholdings comprise the super-holding holdings plus the holdings belonging to the sectoral holdings and to the companies of the group. In the table only companies with private shareholdings over 2.5% are considered.