



**A.P. GIANNINI**  
and the  
**GIANNINI FOUNDATION**  
**OF AGRICULTURAL ECONOMICS**

Warren E. Johnston and Alex F. McCalla



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Warren E. Johnston and Alex F. McCalla  
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Researched, compiled, and edited by Warren E. Johnston and Alex F. McCalla. Publication coordinated by Julie McNamara. Designed and produced by Natalie Karst.

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*The Arthur Cahill portrait of A.P. Giannini was painted in June 1930 and was presented to the University by the Bank of America and hung in Giannini Hall on May 6, 1951, the anniversary of Mr. Giannini's birth.*

*The painting was photographed for the cover of this book in 2009 by Benjamin Blackwell, photographer for the University of California.*

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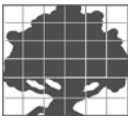
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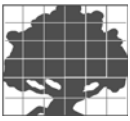
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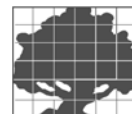
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### COMMONLY USED ACRONYMS

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AAA	Agricultural Adjustment Act
AAEA	American Agricultural Economics Association
AJAE	American Journal of Agricultural Economics
BofA	Bank of America
CAES	California Agricultural Experiment Station
CGIAR	Consultative Group on International Agricultural Research
ERS	Economic Research Service
GATT	General Agreement on Tariffs and Trade
GFAE	Giannini Foundation of Agricultural Economics
IATRC	International Agricultural Trade and Research Consortium
IFPRI	International Food Policy Research Institute
NAFTA	North American Free Trade Agreement
NASS	National Agricultural Statistics Service
UC	University of California
UN	United Nations
USDA	U.S. Department of Agriculture
WAEA	Western Agricultural Economics Association

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## A.P. GIANNINI AND THE GIANNINI FOUNDATION OF AGRICULTURAL ECONOMICS

The Giannini Foundation of Agricultural Economics of the University of California was founded in the late 1920s from a \$1.5 million gift made by Bancitaly Corporation (later renamed Bank of America) to the University of California in tribute to its founding president and successful businessman, Amadeo Peter Giannini of San Francisco. The endowment has grown to around \$20 million today and the annual payout from the endowment supports the broad mission of the Foundation, which is to promote and support research on the economics of California agriculture. As the endowment's corpus grew over the past seventy-five years, so did the body of research that it has funded. A.P. Giannini's investment in agricultural economics research continues to generate large returns.

In 2005/06 the Giannini Foundation of Agricultural Economics marked its 75<sup>TH</sup> ANNIVERSARY with several events, including an all-day symposium on May 3, 2006, on the Davis campus. This volume contains the edited papers presented at that symposium plus the annals of the Foundation and a rich body of archival material.

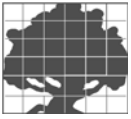
Today, there are more than seventy members and associate members of the Giannini Foundation. Most of these economists are University of California faculty and Cooperative Extension specialists in agricultural and resource economics on the Berkeley, Davis, and Riverside campuses.

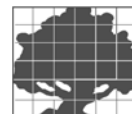
The Giannini Foundation of Agricultural Economics is a unique world-class organization and there is really no other similar economics research group in the world. It is accurate to say that collectively the Foundation's members make up the strongest and most productive group of agricultural and resource economists on the globe. What is even better is that the Foundation is situated in California. And California agriculture is not only unique but also innovative and dynamic. In many ways, the Golden State is a perfect laboratory for agricultural economics and that is one reason why the Giannini Foundation has been so successful over the past seventy-five years, as this book attests.

All of the members of the Giannini Foundation are extremely grateful to Warren Johnston and Alex McCalla for pulling together this book in recognition of the 75<sup>TH</sup> ANNIVERSARY of the Foundation. Natalie Karst and Julie McNamara provided excellent technical support to Warren and Alex. The editors have provided a tremendous service by documenting the rich history and research accomplishments of the Giannini Foundation.

Colin A. Carter  
*Director*  
*Giannini Foundation of Agricultural Economics*







## EDITORS' INTRODUCTION AND ACKNOWLEDGMENTS

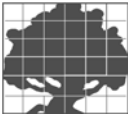
The publication of this book completes the celebration of the 75TH ANNIVERSARY of A.P. Giannini's substantial monetary gift to the University of California in 1928. The funds supported an earmarked endowment for the establishment of the Giannini Foundation of Agricultural Economics and construction of Giannini Hall on the Berkeley campus.

The seventy-fifth anniversary of the 1930 completion of Giannini Hall was held in September 2005 at Berkeley. In May 2006, the 75TH ANNIVERSARY SYMPOSIUM of the Giannini Foundation of Agricultural Economics featured both retrospective presentations regarding A.P. Giannini and the Giannini Foundation and discussions of the contributions of the Foundation to the changing context of California agriculture.

Much has changed since 1928 and the beginning of the Giannini Foundation. Foundation members are now located on three campuses. The majority have been appointees since 1980. Most members are far removed from the early history of agricultural economics at the University of California. Therefore, in addition to the compiled proceedings of the 75TH ANNIVERSARY SYMPOSIUM, we include historical information about the Foundation for current and future generations.

We have organized this volume in three major parts:

- Part I is the proceedings of the symposium and contains two major sessions (papers and panel discussions).
- Part II contains the annals of the Giannini Foundation summarizing salient features of the Foundation, including the roster of founding members in 1929, a brief history of the Foundation, current and emeriti members, Foundation leadership (1926–2009), a chronology of faculty and specialist appointments, American and Western Agricultural Economics Association honors and awards, Ph.D. recipients, and Foundation publications.
- Part III contains archival materials that include written histories of agricultural economics in the University of California; early histories and reflections abridged from oral history materials; biographical records of selected members (University of California *In Memoriam* materials and American Agricultural Economics Association Fellow awardees); a compiled chronology of campus appointments and Giannini Foundation members at Berkeley, Davis, Los Angeles, and Riverside; and, finally, a miscellaneous collection of historical documents, the majority of which are housed in the Bank of America Historical Collection.



This endeavor could not have been completed without the contributions and counsel of many colleagues and staff.

We are indebted to the leadership of the Foundation, in particular to David Zilberman who was the strong advocate for a universitywide celebration.

While the two editors were co-chairs of the 75TH ANNIVERSARY SYMPOSIUM, it would not have occurred without the able administrative assistance of Phyllis McCalla. Her efforts contributed significantly to a successful event.

Coordinating committee members provided valuable input for the symposium's organization—thanks to Roberta Cook, W.R. Gomes, Karen Klonsky, Keith C. Knapp, Gordon C. Rausser, Richard J. Sexton, Jerry Siebert, Daniel A. Sumner, David L. Sunding, and David Zilberman.

Cornelius (Corny) Gallagher, Bank of America agribusiness executive, provided advice and support. He also provided financial support from the Bank of America for this book and provided archival materials about the gift and early events.

Duncan Knowles, retired Bank of America historian, and David Mendoza of Bank of America's Historical Collection also provided historical materials from Bank of America's archive.

Grace Dote, librarian emerita (1970–2001) of the Giannini Foundation Library at Berkeley, documented those associated with the Foundation on the Berkeley, Los Angeles, and Riverside campuses.

We are especially indebted to Julie McNamara, outreach coordinator at Davis and managing editor of Giannini Foundation publications, for moving all of the contributions toward final publication. Her oversight and management made our tasks less onerous, if that is possible.

Natalie Karst provided valuable publication assistance by formatting materials and managing the publication process. Her touch and careful review contributed much to the readability and, we hope, the usefulness of this effort.

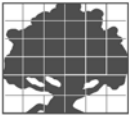
Warren E. Johnston  
Alex F. McCalla



I.  
ORIGINS AND  
ACCOMPLISHMENTS

Celebrating the 75th Anniversary  
of the  
Giannini Foundation  
of Agricultural Economics

PROCEEDINGS



## THE GIFT



**T**he Giannini Foundation of Agricultural Economics's 75TH ANNIVERSARY CELEBRATION memorialized A.P. Giannini's early affiliation with agriculture, his generous gift to the University of California in support of California agriculture and rural areas in a period of difficult economic times, and the accomplishments of the Foundation over the preceding seventy-five years in meeting the changing needs of this dynamic and ever changing sector of the California economy. The symposium also examined the challenges and issues deserving the attention of

the university while moving forward through the twenty-first century. These proceedings contain commissioned papers and discussant comments from the May 2006 event held on the Davis campus.

We commemorated the 1928 gift of \$1.5 million to the regents of the University of California in tribute to A.P. Giannini, founder and president of Bancitaly Corporation. The gift specified that no more than one-third be used for construction of Giannini Hall on the Berkeley campus, designated to house the Giannini Foundation of Agricultural Economics. The remainder of the gift was to become an endowment fund supporting the Foundation. The endowment provides important support for activity in agricultural economics at the University of California. The gift specified that the annual income from the endowment was to support "the activities of the Foundation [which] are to be regarded as chiefly: (a) those of research, with the purpose to find the facts and conditions which will promise or threaten to affect the economic status of California agriculturalists; and (b) those of formulating ways and means of enabling the agriculturalists of California to profit from the existence of favorable facts and conditions, and to protect themselves as well as possible from adverse facts and conditions."

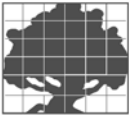
The mission of the Foundation broadly encourages production and dissemination of scientific information relating to production, marketing, and consumption of agricultural commodities; development and allocation of natural and environmental resources; welfare of farm families, farm laborers, and rural communities; and interrelationships among the agricultural sector, the rural community, and other components of the state, national, and world economies.

The Giannini Foundation is a systemwide University of California organization reporting to the Division of Agricultural and Natural Resources in the Office of the President. Member departments are agricultural and resource economics at Berkeley and at Davis. The active members include academic and Cooperative Extension specialist members in the two departments and faculty associated with the Environmental and Natural Resources Economics program at Riverside. Associate membership is accorded upon application to other professional economists with interests in the programs and activities of the Foundation.



# GIANNINI A RETROSPECTIVE

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## A.P. GIANNINI: HIS LEGACY TO CALIFORNIA AGRICULTURE

Alex F. McCalla and Warren E. Johnston

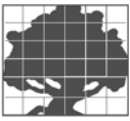
*Alex F. McCalla and Warren E. Johnston are professors emeritus of agricultural and resource economics, University of California, Davis, and members emeritus of the Giannini Foundation of Agricultural Economics.*

The Giannini Foundation of Agricultural Economics was established by a gift of \$1.5 million by the Bank of Italy (Bancitaly Corporation) to the University of California in 1928. The gift resulted from the decision of the founder of the Bank of Italy, Amadeo Peter (A.P.) Giannini to have the bank give his 1928 remuneration away. The purpose of this paper is to provide the necessary background to set the stage for this day-long celebration of the beginning of the Foundation.

The first basic question we had to address: which date should we celebrate? Conception, which would be 1926 when the board of the Bank of Italy decided that the president, A.P. Giannini, should have some compensation in lieu of the salary he refused to take, or should it be 1927 when A.P. said he did not want it (he had a paranoia about becoming rich) and asked them to give it to the university. Or should we celebrate its “birth”—the board decision to give \$1.5 million to the University of California (UC) in January 1928, its formal transmittal to the university dated February 10, 1928, and acceptance by UC on February 14, 1928? Or should we celebrate the early steps—such as appointment of the first director in late 1928? Or physical reality—completion of Giannini Hall, claimant of one-third of the gift, in September 1930? Or a new foundation, up and walking with establishment of the Giannini Foundation Library of Agricultural Economics, the hiring of early staff members, and the beginning of Foundation activities in the academic year 1930/31? It was decided that we should celebrate all of these but focus on the beginning of a functioning institution. Therefore, academic year 2005/06 is the appropriate time to have the 75TH ANNIVERSARY celebration. Many of you attended the seventy-fifth anniversary of the completion of Giannini Hall held on the Berkeley campus in September 2005. Today at Davis we celebrate the Foundation starting its work seventy-five years ago.

We have been surprised as we prepared for this event by how many people asked who A.P. Giannini was. We thought everybody knew that the Foundation was named in honor of Amadeo Peter Giannini, known by everybody as “A.P.,” who in 1904 established the Bank of Italy in the North Beach district of San Francisco. The Bank of Italy grew and A.P. acquired other banks, including the Bank of America of California (and a Bank of America in New York), that were merged with Bank of Italy in September 1930 and became the Bank of America, NT and SA (National Trust and Savings Association) (BofA). By October 1945, just forty-one years after the single branch of the Bank of Italy opened, Bank of America surpassed Chase Bank as the





largest bank in the world with more than \$5 billion in assets (James and James 1954, p. 447). When A.P. died June 3, 1949, Bank of America had 517 branches and in

*Bank of Italy on Market Street in San Francisco about 1920. Photo provided by the Bank of America Historical Collection.*



excess of \$6 billion in assets (Nash 1992, p. 144). By the late 1940s the bank had “four million individual customers . . . [and] held the savings deposits of one out of every three Californians, or 40% of the state’s total bank deposits” (Bonadio 1994, p. xix). By all accounts, A.P. Giannini was an incredible man who had an enormous influence on California. To quote Sir Harold Evans (2004, p. 259), he “was a visionary whose innovations in banking built the state of California and transformed the finances of the common person.” But he had a special impact on California agriculture, the consequences of which persist today as California continues to lead all states in agricultural performance.

Thus the remainder of our paper will focus on A.P. Giannini, his roots in agriculture and the commodity business, his commitment to serving the little man, including small farmers, and his vision, fought against by many, of how branch banking could help small communities and rural areas prosper. The next paper focuses on the origins and evolution of the Giannini Foundation, and the papers this afternoon evaluate the performance of the Foundation against the original objectives, spelled out in the transmittal letter dated February 10, 1928.

#### A.P. GIANNINI’S EARLY YEARS AND CAREER ONE—PRODUCE BROKER

There has been much written about A.P. Giannini, including that by distinguished historians in this audience, so our task is, to say the least, challenging. To protect ourselves, we have relied primarily on four published historical sources. We provide you a brief menu from which you might choose if you want to learn more. If you have a lot of time and want the most detailed account, there is the officially commissioned history of the Bank of America entitled *Biography of a Bank* by Marquis James and Bessie Rowland James, a 554-page tome first published in 1954. Despite the title, the authors admit at the end of the book that it reads like a biography of A.P. Giannini because “In truth, he was the Bank of America” (James and James 1954, p. 503). The second book is an independent history written by an academic historian. It is 400-plus pages (303 pages of text and an incredible 102 pages of notes) entitled *A.P. Giannini: Banker of America*. The author is former UC Santa Barbara historian Felice A. Bonadio. It is a twelve-year effort published in 1994. Third is a more compact, 150-page business history written by University of New Mexico historian Gerald D. Nash entitled *A.P. Giannini and the Bank of America* and published in 1992. Fourth, and most recent, is an excellent short version (eighteen pages), a chapter entitled “Amadeo Peter Giannini: The Big Man on the Side of the Little Man: The People’s Banker” in Sir Harold Evans’ recent book *They Made America* (2004, pp. 258–275). This last piece is a tantalizing appetizer to the full story of A.P. Giannini.

All authors agree that A.P. Giannini made multiple significant contributions to the development of California through the establishment, retention (when others tried to take it away), and, ultimately, completion of an all-encompassing branch banking



system blanketing California. He was a visionary, a self-confident analyst, a consummate promoter and salesman, an astute judge of character, a fierce and unrelenting competitor, and, above all, committed to the little man. For him, the payoff was in putting together a winning deal but despite the fact that he wanted them to be successful deals, he seemed disinterested in making money. He was, in fact, deathly afraid of becoming rich. He was a big man physically—broad-shouldered and handsome said the ladies—and also big intellectually, a man who dominated almost every enterprise in which he engaged. He helped the average person establish savings accounts and lent to them for personal needs; he financed small businesses and farmers; he bet on new industries—Hollywood, for example; he supported public projects (by, for example, purchasing bonds of irrigation districts) that included the Hetch Hetchy reservoir and the Golden Gate Bridge; he threw lifelines to industries in trouble, particularly those related to agriculture; he helped in a big way to finance war efforts during World War II; and, overall, he had an enormous impact on the economic development of California in the first half of the twentieth century.

But A.P. Giannini never intended to be a banker—it was his third career. He got into the business in a peak of anger in 1904: “I might never have gone into the banking business if I hadn’t gotten so damn mad at those directors,” he later recalled (Bonadio 1994, p. 26). But we are ahead of our story.

A.P. Giannini’s roots were in agriculture and he learned his skills as a marketer, financier, strategist, and judge of character in the fresh produce business working with his stepfather, Lorenzo Scatena. So from here on let us focus on Giannini and his contribution to agriculture.

A.P. Giannini was the first son of Luigi and Virginia Giannini born on May 6, 1870 (one of the few dates all historians appear to agree on). A.P.’s father had spent several years in the 1860s in California prospecting for gold and learned of Virginia from letters she wrote to her brother in California, one of Luigi’s friends. So, in 1869 Luigi went back to Italy, found Virginia, and courted her and they were married August 10, 1869. Sometime thereafter (stories differ), Luigi and his bride traveled by ship to New York and via the newly completed transcontinental railway from New York to Omaha to Sacramento, arriving in San Jose in late September 1869 (or later). Given his birth date, A.P. also made that journey on the newly finished Central Pacific Railroad. “Amadeo had the snuggest journey of all; he was ensconced in the womb of his plucky mother” (Evans 2004, p. 259). He was born in the “Swiss Hotel” in San Jose, which his parents had leased and were operating, serving mainly single Italian immigrants.

Luigi must have done alright in the hotel business because within two years he had bought forty acres in Alviso, a farming hamlet eight miles north of San Jose. Over the next couple of years, he prospered growing fruits and vegetables and selling them to commission firms in San Francisco. He was preparing to clear more land and plant more trees when tragedy struck. Luigi Giannini had a dispute with one of his workers over one or two dollars and the worker came back and shot Luigi “as the six year old son looked on in horror. Luigi died almost instantly” (Nash 1992, p. 8). The date was apparently August 13 or 14, 1876, although two of our four sources put the date as 1877. (There are many more of these conflicts on dates in this story but we will not

EVENTS  
IN THE LIFE OF  
A.P. GIANNINI

1870

Born May 6 in San Jose to Luigi and Virginia.

1876 OR 1877

Luigi Giannini is killed by an employee of his produce operation.

1880

Virginia, who maintains the produce operation after Luigi's death, marries Lorenzo Scatena.

1883

Lorenzo Scatena opens L. Scatena and Company, a produce wholesale operation.

1884/85

A.P., fourteen years of age, meets the challenge presented by his stepfather to purchase a carload of oranges from a firm that was not a customer; he buys two carloads.

1885

A.P., fifteen, drops out of school to work full-time for L. Scatena and Company.

1889

A.P. becomes a one-third partner in the firm.

1891

A.P. becomes a one-half partner in L. Scatena and Company.

comment again.) So A.P.'s mother was left a widow at age twenty-one, with two young boys (Attilio had been born in 1874) and pregnant with a third child. She continued to work the farm and sell produce in San Francisco, occasionally taking A.P. with her on her periodic trips to the San Francisco waterfront to sell produce. While keeping the farm afloat, she met a teamster who drove wagons hauling produce for local farmers. His name was Lorenzo Scatena and they were married in 1880 and he came to work on the farm. In 1882, the family gave up the farm and moved briefly back to San Jose before moving to San Francisco in late 1882. There, Lorenzo went to work for a vegetable commission house. He worked hard and did well and was encouraged by Virginia to ask for a raise. When it was refused, she pushed him to start his own wholesale house and by the end of 1883, L. Scatena and Company was open for business.

A keen observer of this business was twelve-year-old A.P. While he did well in school, he was apparently more interested in his stepfather's business. "A.P. soon found himself riveted much more to his father's business dealings than to his schoolbooks" (Nash 1992, p. 10). He went most afternoons directly to L. Scatena and Company to keep track of what was going on. He befriended the company's bookkeeper, an elderly Irishman named Tim Delay, and learned the mysteries of books of accounts. When A.P. was twelve or thirteen, his stepfather began to receive offers from farmers in the area to have his firm sell their crops. Scatena was surprised because he had had no prior dealings with any of them. It turns out A.P., practicing his best penmanship, had sent out dozens of letters to potential new customers in a wide radius around San Francisco promising "honest prices on the barrelhead and great service." It was A.P.'s first successful business venture.

Before A.P. turned fifteen, in an effort to discourage him from quitting school and going into the commission business, Virginia persuaded Lorenzo to give A.P. a very difficult task in which he would likely fail. "Scatena offered him a gold watch for the first carload of oranges he could buy from a grower who was not a customer of the firm" (Nash 1992, p. 11). Scatena thought it was mission impossible, but three weeks later A.P. walked in "with a consignment order, not for one, but for two boxcars of oranges from the Santa Ana Fruit Company in Tustin" (Nash 1992, p. 12).

A.P. recalled proudly as an adult that he still had "the gold watch Pop Scatena gave me . . . It reminds me that the only pleasure I had and the only pleasure ever wanted as a young boy was the reward and pleasure of a successful transaction" (Nash 1992, p. 12).

The attempt at dissuasion obviously backfired and, instead, further fueled A.P.'s desire to join the business. Thus, late in the spring of 1885, he dropped out of school to devote himself full time to work at L. Scatena and Co. To soften the blow to his



mother, he agreed to take a three-month course in accounting at Heald Business School in San Francisco. He accelerated his studies, completing his course in six weeks so he could get to work sooner.

At L. Scatena and Co., he threw himself into learning the business from all sides and soon was accompanying his stepfather on purchasing trips into the Sacramento Valley. He was a keen observer of what produce buyers bought and what their products sold for. For example, he observed that early peas commanded a better price. So he studied pea growing, learning that earlier planting dates, while risky, produced smaller, more tender peas that fetched a premium. He passed this information along to his growers, who rewarded him with more business. More generally, he was an astute observer of successful growing practices and willingly passed these along. He also recognized that ranchers sometimes had difficulty getting improvement funds, and A.P. persuaded Scatena that carefully evaluated credit advances were good for business. The house of Scatena prospered on the basis of the hard work of an already mature seventeen-year-old.

In his first two years with the firm, he spent more and more time ranging in wider circles on horseback and on foot, looking for customers. He was a tireless worker with a real talent as a salesman; had the ability to, as he said, “size up men quickly;” possessed a willingness to gamble; and was truly turned on by the deal. These traits played out in the pear deal in 1887 when A.P. was seventeen. He was convinced, on the basis of his roaming about, that there was going to be a short crop of pears in the Sacramento Valley. He persuaded his stepfather to send him on a general buying trip. “Saying nothing about his intentions to his stepfather, he signed consignment orders with growers for all the pears he could find. The stakes were high, but just as he had anticipated, there was a shortage of pears and the price climbed to more than twice its expected value” (Bonadio 1994, p. 12). Giannini later remembered that “It was a big gamble, but I guessed right. I made \$50,000 for the Scatena firm with the deal” (quoted in Bonadio 1994, p. 12).

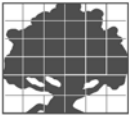
As A.P. took more and more responsibility for the firm’s field operations, he became not just a classic middleman (buyer and seller) but a knowledge broker and financial middleman as well. He worked very hard, knew his clients well, and “quickly established a remarkable reputation for personal integrity and honest business practices. Instead of keeping farmers in the dark about prices, he would bring along a list of prices for produce in San Francisco” (Bonadio 1994, p. 14).

At age nineteen (1889) he became a one-third partner in the firm and in 1891, at age twenty-one, a one-half partner. He exhibited an unbeatable set of abilities: aggressive and persistent talents as a salesman; willingness to work long hours; and, above all, his almost uncanny sense of being able to size up a deal and then go after it with a tenacity that became legendary. “I don’t think he ever lost an account or a contest of any kind” one rival merchant would remember. “No one could bluff, intimidate,

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*Business card of L. Scatena & Co.  
Image provided by the Bank of America  
Historical Collection.*





or out-general him” (Bonadio 1994, p. 10). But as his salesmanship paid off in terms of the firm expanding and profits rising, A.P. repeatedly stated that “I don’t want to be rich.” He insisted in one of his many remarks, hammering on the same point, that “No man actually owns a fortune; it owns him” (Evans 2004, p. 261). “By the time he was twenty-one, A.P. had already developed many of the qualities that characterized him during his business career” (Nash 1992, p. 15). “A.P. and California were well matched. Both he and the state reflected enormous diversity, optimism, talent, and remarkable energy” (Nash 1992, p. 15).

L. Scatena and Company thrived in the 1890s. “By 1899 L. Scatena and Company had become the largest wholesale firm in produce on the San Francisco waterfront and was prospering as never before” (Bonadio 1994, p. 18). This was in no small part due to A.P.’s expanding ability to attract new business. In 1892, A.P. married Clorinda Cuneo, daughter of a wealthy Italian-American real estate owner in San Francisco. The tall, broad-shouldered, dark and handsome toast of North Beach was now a married family man for life. Over the 1890s, A.P. spent some of his earnings investing in real estate. He dabbled in San Francisco politics in 1899 and in 1901 he suddenly sold his shares of L. Scatena and Company (judged to be worth between \$100,000 and \$200,000) to several coworkers and retired from the produce business. Some say he got restless and bored because his duties were becoming routine. He said his career had lost its excitement. In his own words, “Our firm had absorbed or driven out of business all the big commission houses. I suppose that is why I quit the produce business. There wasn’t anyone around to fight me anymore” (quoted in Bonadio 1994, p. 22).

We have dwelled on this early period because we think these early experiences shaped how he approached building the Bank of Italy/America. A.P. was not enamored with farming per se: “I didn’t care very much for farming, but it is sincere, honest work, which is the best recipe for happiness I know” (quoted in Bonadio 1994, p. 1). But he respected farmers and truly believed he could help them. In the produce business he learned about the new California agriculture that was just about to explode onto the scene. The four decades comprising 1890 through 1930 saw the incredible transformation of California agriculture from extensive dry land grain fields and livestock range operations to an agriculture that, by 1930, was 80% intensive cultivation (Olmstead and Rhode 1997, p. 5; Johnston and McCalla 2004, p. 9). Fruits and vegetables were the coming bonanza of California as irrigation spread rapidly. A.P.’s knowledge of markets, of the need for quick strategic decisions in the perishable produce business, of production agriculture methods, and of the essential role of credit served him well in the banking business he was about to enter. He knew, respected, and trusted small farmers and was prepared, even in the Scatena days, to lend or advance money on the basis of a look in the eye and a firm handshake. He also learned that it was the winning deal that gave him pleasure. The money that came with it seemed of less interest.

#### CAREER TWO—REAL ESTATE DEALER AND MANAGER

So A.P. embarked at age thirty-one on his second career. He “decided to plunge into the precarious but potentially lucrative world of San Francisco real estate” (Bonadio 1994, p. 22). He rented desk space at a respected real estate firm and set out in



earnest to learn about the trade. But fate was again to change his course. In June 1902, Giannini's father-in-law, Joseph Cuneo, died, leaving a widow, eleven children, and no will. Rather than fight over division of the estate, the children placed the management of more than one hundred properties in the hands of their brother-in-law, A.P. Giannini. The agreement was for ten years and A.P. got to keep 25% of any increase in property values (Nash 1992, p. 21).

One of Cuneo's other business activities was to sit on the board of directors of a small North Beach bank that had been founded by John Fugazi in 1893, supposedly to serve the Italian-American community. A.P. assumed Cuneo's position on the board and from the first meeting onward he became increasingly agitated that the bank was not actively competing with a newer bank by aggressively seeking out customers, providing checking accounts, and actually lending money to ordinary hard-working folks. He saw enormous opportunities in North Beach, as he did in California, and was appalled that his fellow directors were not jumping at the chance. He started coming to meetings with a wide range of proposed policy changes. He pushed them to specifically target other ethnic groups in addition to Italian-Americans. While these people were poor, they were also thrifty, honest, hard-working folks who had small savings hidden somewhere in their houses. "A.P. recognized that in the twentieth century large profits could be made by catering to the masses—to millions of people with modest means" (Nash 1992, p. 23).

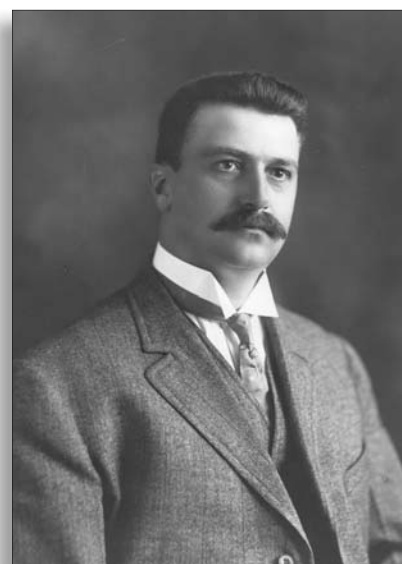
A.P. saw these proposed changes as not only sensible but obvious. But most of his fellow directors did not. Fugazi accused him of being "A young, ambitious hotshot . . . infatuated with big plans and crazy ideas" (Bonadio 1994, p. 26). It came to a head in the summer of 1904 when A.P. angrily announced his resignation from the board and stormed out. He went straight down the street to the office of James Fagan, vice president of American National Bank where L. Scatena banked, and burst through the door shouting, "Giacomo, I'm going to start a bank. Tell me how to do it" (Bonadio 1994, p. 26).

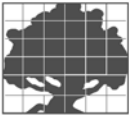
### SUDDENLY, HE'S A BANKER—CAREER THREE

So in the fall of 1904, A.P. entered into his third career by opening the Bank of Italy on October 15, 1904, and the rest, as they say, is history. This is not the place to recount in any detail how the Bank of Italy was transformed into Bank of America and, by mid-century, the biggest bank in the world. But we can tell you it is a fascinating story: How A.P. actively sought to serve the ordinary man: "The 'little fellow' is the best customer that a bank can have. He starts with you and stays with you until the end," said A.P. (Nash 1992, p. 43). How he believed that banks should be a part of the community, open and accessible to all. Thus, for each local branch he established local advisory committees, encouraged local depositors to buy stock in the Bank of Italy, and hired local staff members. Bank officers, including A.P., sat out in the middle of the floor where people could walk in and talk to them. He did not want his employees sitting on elevated stools behind massive cages with bars. Or about how the bank grew in 1905 and how A.P., after the earthquake

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*A.P. Giannini in 1904.  
Image provided by the Bank of  
America Historical Collection.*





of 1906, collected the bank’s records and assets/deposits and spirited them away to San Mateo in the bottom of a produce wagon covered with crates of oranges. Or how he was one of the first, if not THE first, to reopen after the 1906 earthquake. How he foresaw a huge building boom and advanced money to ship captains, telling them to go to Washington and Oregon and buy lumber and bring it back. And how he rushed to help finance the rebuilding of San Francisco.

NOTABLE EVENTS  
IN THE EARLY 1900S

1902

Father-in-law Joseph Cuneo dies and his widow and children turn control of his real estate businesses over to A.P., who also takes his seat on the board of a small North Beach bank.

1904

A.P. opens the Bank of Italy on October 15.

1906

The great San Francisco earthquake levels the Bank of Italy’s building but fails to destroy the vault.

1916

Bank of Italy opens its first Central Valley branch in Merced.

1918

Bank of Italy has expanded to include twenty-four branches in eighteen cities.

We should note that by 1908 he was thinking about how banking could be organized to overcome the constraints of small local banks with small resources and undiversified portfolios. He listened to a speech by L.J. Gage, who was Secretary of the Treasury under President McKinley, in which Gage expounded on the virtues of Canada’s branch banking system. A few months later, he heard Woodrow Wilson, then president of Princeton University, advocating branch banking as “a means of preventing banking crises” (Nash 1992, p. 38). A.P. soon became an advocate of branch banking and set out to create a branch banking system of his own. His vision was first for California and then for the West, the United States, and why not the world (Nash 1992, p. 51)?

We now fast-forward to the period 1916–1918, when A.P. aggressively expanded his branch banking model to many agricultural communities in the Central Valley of California. A.P. had opened a second branch in San Francisco in 1907 and established his first branch in another city by acquiring a bank in San Jose that was in trouble in 1909. He bought two more in San Francisco in 1910 and another in San Mateo in 1912. After a brief flirtation with New York, A.P. moved south to Los Angeles, but he encountered multiple forms of resistance from local banking interests and state officials. However, by 1916 he had a southern beachhead and he turned his attention to the rich agricultural valleys of inland California where he believed that branch banking would have its greatest advantage. “Giannini viewed the state’s vast sweep of heavily populated farm towns as a reservoir of untapped business” (Bonadio 1994, p. 30). A.P. saw that rapid development required big capital and big institutions that small local banks could not

provide. Branch banking was, to quote A.P., “the only way that a small town can get the resources and the brain power and equipment of a billion dollar bank. And when they’ve got it, the town starts growing” (quoted in Nash 1992, p. 39).

A.P.’S SPECIAL RELATIONSHIP WITH AGRICULTURE

The Bank of Italy’s foray into the Central Valley in 1916 occurred in a period when the stars were lined up in A.P.’s favor. Agricultural prices had strengthened because of the war and continued to press upwards. Better prices encouraged farmers to intensify the conversion from dry land to irrigated agriculture. This required capital to build irrigation systems, drill wells, buy machinery, and level land. It required intermediate credit to tide farmers over the establishment of orchards and it required operating



capital to plant, maintain, and harvest the new crops. This was an agriculture A.P. understood and was comfortable with.

The first branch in the Central Valley opened in Merced on June 7, 1916, and Bank of Italy made its bid for business by telling potential customers there was plenty of money available at 7%. This was a rate significantly below prevailing rates. Branches in Fresno, Modesto, Madera, and Stockton followed. In Fresno, the Bank of Italy actually lowered interest rates, including some that were as high as 12%, on existing loans, a practice never seen before. Other branches were established through purchases in Santa Clara, Gilroy, and Hollister. The bank also moved north of San Francisco, establishing branches in Napa and Santa Rosa (Sonoma County), and to the south coast, establishing a branch in Ventura. On December 15, 1915, there were seven branches in four cities with aggregate resources of \$22 million. On December 31, 1918, there were twenty-four branches in eighteen cities with aggregate resources of more than \$93 million (James and James 1954, pp. 81–82). “The branches retained the flavor of local institutions. In each of the . . . new localities were local stockholders of the Bank of Italy, a local advisory board and local employees” (James and James 1954, p. 73).

Giannini actively sought customers. “Farmers got to know his black Packard, racing along dirt roads on Sunday scouting missions with his family” (Evans 2004, p. 269). The valley, Giannini affirmed, “is a great undeveloped field . . . and that is the reason we are here. Fresno is as much our home as San Francisco, and we are going to do all possible in financial aid for the businessman and the farmer” (quoted in James and James 1954, p. 84). The Bank of Italy lent to all kinds of agriculture, including dairies, but its special focus was on the expanding horticultural industry. And the focus was also on small farmers. “We had a lot of little farmers who needed money,” the manager at Merced later recalled. “The branch grew because A.P. insisted we take care of the little farmer” (James and James 1954, p. 87). In addition to farm lending, the Bank of Italy moved to meet the seasonal credit needs of canners and packers, which would have been beyond the capacity of local rural bankers.

As the Bank of Italy solidified its position in the Central Valley, its leaders recognized that, for California agriculture to succeed in marketing perishable crops in distant markets, the industry needed collective action. In 1919, sales through agricultural marketing cooperatives (\$127 million) significantly exceeded those of the next largest state, Minnesota (\$82 million). “By 1920, California’s growers were operating approximately twenty-nine cooperative fruit-marketing agencies, twenty field-crop organizations, five poultry organizations, and ten dairy and livestock

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*Bank of Italy’s first branch bank, in Merced. Image provided by the Bank of America Historical Collection.*

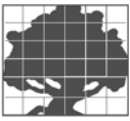



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*The Modesto Branch in 1917. Image provided by the Bank of America Historical Collection.*







organizations” (James and James 1954, p. 89). The Bank of Italy, on the motion of A.P. Giannini, granted \$250,000 in credit to the newly formed California Prune and Apricot Growers’ Association in 1918. Credits were also given to the California Growers’ Association (canned goods) and the California Associated Raisin Company. At the end of the price boom in 1918, the Bank of Italy was a major player in financing California agriculture; by 1919, agriculture was the majority of Bank of Italy’s lending. “More than half of the \$74,737,000 that the Bank of Italy loaned in 1919 in the ordinary course of business went to farmers, packers and canners” (James and James 1954, p. 113).

But usually in agriculture, periods of low prices follow booms and 1919 was no exception. Some of the very cooperatives the Bank of Italy had helped were in difficulty. Following creation of the Federal Reserve system, bankers’ acceptances were introduced. Bank of Italy reacted quickly and used acceptances to provide a \$3 million line of credit to the Prune and Apricot Association. This provided a mechanism for growers to access cash without dumping product on the market. The 1919 crop of beans, both north and south, was large and prices plunged. The year-old California Bean Growers’ Association had in its warehouse beans worth between \$3 and \$4 million at the panic prices prevailing but growers needed money immediately. So, to prevent further depression of prices, the Bank of Italy advanced the association \$100,000 for emergency cash and set up a credit of \$1.5 million to allow the association to hold product off the market. A similar action was taken for lima beans in the south. No small local bank could have helped in situations of this magnitude. The bean story reinforced A.P.’s view that only a statewide branch banking system could deal with these problems.

After the recession of 1919–1921, things improved in California agriculture. The Bank of Italy continued to expand its branch banking system but resistance from state regulators and politicians slowed progress. Nevertheless, over the decade of the 1920s, California’s “new” agriculture continued to expand.

vineyard acreage	+94%
citrus fruits	+25%
subtropical fruits and nuts	+82%
temperate zone fruits	+61%

Farm land values increased, as did farm income, but so did real estate debt. The Bank of Italy consolidated its position as a leading lender to agriculture, moving “into first place as a banker of agriculture” (James and James 1954, p. 248).

It was during this period that the Bank of Italy started putting farmers on a budget, “a radical departure in that day” (James and James 1954, p. 251). The budget included the full gamut of farm costs:

- capital expenditures, such as team or tractor.
- materials and supplies, from gasoline to twine.
- operating costs for crop plowing, cultivating, irrigating, etc.
- estimates of monthly advances.
- crop forecasts.



“Behind every budget was a watchful Bank of Italy man—branch manager, field man or appraiser—to see that the borrower lived up to his contract, which incidentally carried with it object lessons in efficiency and farm management” (James and James 1954, pp. 251–252).

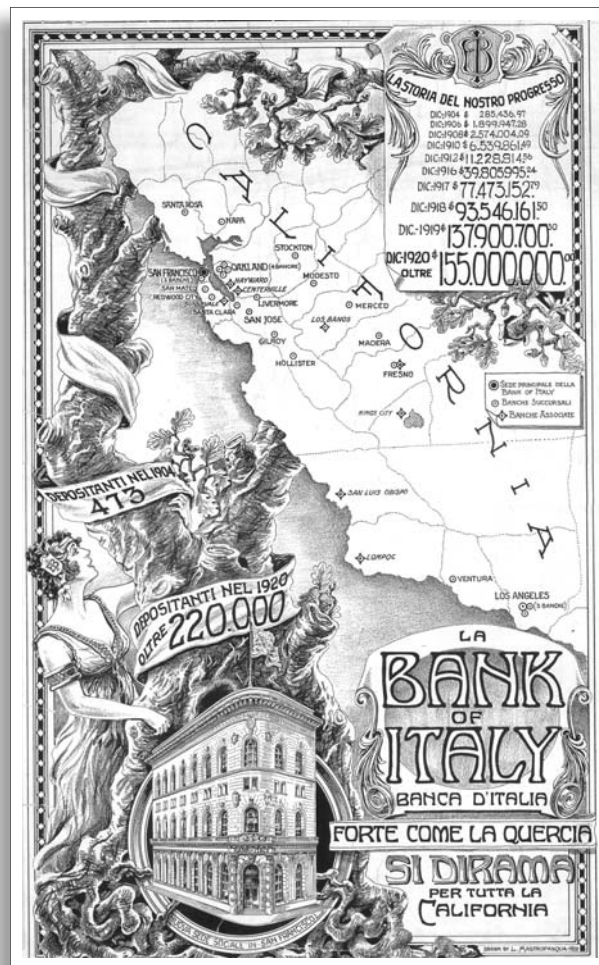
Farmers sometimes publicly resented being “managed by bankers” but at least one Yuba County peach farmer wrote to say that he believed in the system; if it made him more efficient in periods of low prices, he could make much more in periods of high prices.

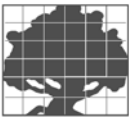
By 1930, the Bank of Italy held mortgages on 12,147 farms totaling 1,681,577 acres and worth more than \$70 million.

But all was not well. A quick story: There were very good raisin prices in 1920, \$296 per ton compared to just \$100 per ton just five years earlier. Raisin land prices soared, acreage expanded, and, with a lag, so did production. Unfortunately, this expansion coincided with European recovery and prices plunged to \$73 per ton. The California Associated Raisin Company had overreached itself and was \$8.5 million in debt, including a significant chunk owed to the Bank of Italy. Giannini, in counsel with two other banks, concluded that bankruptcy would “ruin every vineyardist in the San Joaquin Valley and carry with it a number of local banks” (James and James 1954, p. 255). They advanced money to restructure the industry under the new name Sun-Maid Raisin Growers. But production again started to rise and, again, a consortium of banks tried to get growers, through the California Vineyard Association, to reduce production by leaving some grapes on the vines. But only 60% of the growers signed up (the classic free-rider problem). Finally, under the Federal Farm Board of 1929, which contributed \$6,669,000, three banks, including Bank of Italy, agreed to provide \$4,500,000 in one more attempt to keep Sun-Maid afloat but only if 85% of the growers signed up. By 1930, enough growers were signed up to proceed. This is a case where Bank of Italy plus two or three other bigger banks helped salvage an industry over an extended period of time.

There are similar stories from the 1920s about Giannini and the Bank of Italy trying to help California agriculture—how efforts to reduce California’s dependence on domestically imported dairy products led to the creation of the “Giannini Cow Bank,” support for expansion of the cotton industry, and so on. However, by the end of the 1920s, agriculture was headed into a worse depression.

*Bank of Italy poster. Image provided by the Bank of America Historical Collection.*





## THE LATE 1920S AND 1930S: TURBULENT TIMES FOR THE BANK OF ITALY/AMERICA AND CALIFORNIA AGRICULTURE

The profitability of the Bank of Italy in 1927, which led to establishment of the Giannini Foundation, soon was overshadowed by the Great Crash of 1929 and the following decade of economic depression. It is too complex a story to be told here but it makes for fascinating reading: How A.P. decided in 1928 to go national and buy the Bank of America (New York), which would be added to three other New York banks

purchased earlier by Bancitaly Corporation, a related investment trust company. In the same period, he purchased more banks in Southern California and consolidated them under Bank of America of California. How he created the Transamerica Corporation as a holding company for Bank of Italy and Bancitaly Corporation stock in 1930 and how he decided he needed to slow down and bring in new leadership. This brought Elisha Walker on board as chief executive officer (CEO) of Transamerica—within two years Walker would try to wrestle the now Bank of America away from A.P. How this led to the great proxy fight of 1931/32 for control of the Transamerica Corporation, which A.P. won by a vote of 15,371,578 to 9,475,906. All those shares he had sold to local people paid off as he was able to rally California shareholders to beat back the attempt by the evil eastern Walker forces to take away “his/their bank.”

It is also the period of his continuing battle with the Federal Reserve Board about expansion and with Henry Morgenthau, Secretary of the Treasury under President Roosevelt. These stories we also commend to you because they attest to the tenacity and ferocity with which A.P. fought for what he thought was the right thing to do.

Despite all these battles, A.P. remained committed to agriculture. Here are only the briefest highlights of the 1930s. If you want more, please read James and James (1954), chapter 27, “Recovery of the California Farmer.” A.P. was very concerned about the financial plight of California farmers. The problem was reflected in a doubling of the number of farm foreclosures that California Lands, Inc.

(a Transamerica Corporation subsidiary) was buying from the Bank of America. He worked directly with New Deal programs of the Farm Credit Administration (which operated the Emergency Farm Mortgage Act of 1933 that halted foreclosures) to design programs to help.

But credit was not the only problem California farmers faced. An equal challenge was declining demand, surplus production, and very low prices. While national “plow down” acreage reduction programs under the Agricultural Adjustment Act (AAA) may have been helpful in the Midwest, they did little for California specialty crop producers. For California, it would require a host of individual and special programs. “As a young partner in L. Scatena and Company, A.P. Giannini had studied the individual problems of farmers and had financed them. As a banker, he had gone

## NOTABLE DEVELOPMENTS LEADING UP TO THE GIFT

1920

Events in 1918 and 1919 convinced Giannini that only a statewide branch banking system could address the problems plaguing California agriculture.

1928

A.P. decided to go national and buy the Bank of America, adding to three other New York banks purchased earlier. In the same period, he purchased more banks in Southern California and consolidated them under Bank of America of California.

1928

A.P. Giannini donates \$1.5 million to the University of California, creating the Giannini Foundation of Agricultural Economics.



deeper into those questions than any other banker had done. In twenty years time, he had had more than any other banker to do with the intricate financial structure of agriculture in California” (James and James 1954, pp. 400–401). This incredible knowledge, coupled with Mario Giannini’s studies of agricultural credit and the capacity available in Bank of America branches (some acquired with institutions A.P. had purchased), gave Bank of America an enormous capacity to work in agriculture. “The Bank of America was everywhere. It had the confidence of growers and processors. It had the experience to draw on to meet some very knotty situations. What it was able to do played a considerable part in the bank’s rapid growth” (James and James 1954, p. 401).

A simple list of some major activities gives a flavor of the pervasiveness of Bank of America in agriculture’s recovery in the 1930s.

**PRUNES.** Overplanting in the late 1920s led to large production in 1932 and to low prices and a huge carry-over. “Under the leadership of Burke Critchfield and of experts from the Giannini Agricultural Foundation of the University of California, packers and vineyardists set up the California Prune Pool, designed not only to divert oncoming surpluses into by-products, such as prune juice, but to enhance the fruit’s reputation through a nationwide sales campaign” (James and James 1954, p. 401).

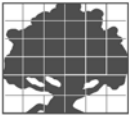
**PEACHES.** In 1938, Bank of America financed the emergency canning of 50,000 tons that were held off the market. The \$3,228,925 Bank of America advance was paid off in 1940.

**WINE GRAPES.** Bank of America became the leading financier of a program to reduce a wine glut by financing a “brandy reserve program” that functioned for one year. When overproduction reoccurred in 1939, Bank of America led in creating and financing Central California Wineries, a cooperative of small growers that, in 1940, established a subsidiary, Central Winery Inc., to market the cooperative’s production. It was a success but eventually the company was charged with price fixing and sold out to Schenley, making profits for all. Bank of America was estimated to be financing more than half of the wine storage capacity in California by the 1950s.

**IRRIGATION DISTRICTS.** Bank of America gave great assistance to many irrigation districts that were defaulting on their bonds in the 1930s. Bank of America “played the biggest part of any outside agency” in seeking solutions. “It contributed the largest amount of emergency funds, with the exception of the Reconstruction Finance Corporation. Its chief contribution was not in money, however, but in counsel and leadership in devising and putting through plans for refinancing. Finally, it should be noted that Bank of America was a major player in solving problems faced by the Imperial Irrigation District” (James and James 1954, p. 406).

#### SOME CLOSING COMMENTS

This story could go on forever. The story is of a remarkable man, driven to build his banking empire, come hell or high water. The industry that played a central role in the evolution of Bank of America and of California was agriculture. A.P. Giannini learned about agriculture as a boy on the farm and as a partner in the produce business. Put that knowledge together with his vision of making branch banking available



to everybody and you have the makings of a powerful cocktail for success. We benefit today from his vision, his drive, and his entrepreneurial spirit and, I suppose, also from his aversion to making too much money. I hope that the rest of this anniversary symposium proves that we have justified his faith in economists' abilities to help California agriculture.

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# GIANNINI • FOUNDATION

OF AGRICULTURAL ECONOMICS UNIVERSITY OF CALIFORNIA

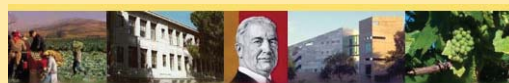


The Giannini Foundation of Agricultural Economics was founded in 1930 from a grant made by the Bancitaly Corporation to the University of California in tribute to its organizer and past president, Amadeo Peter Giannini of San Francisco. Members and associate members of the Giannini Foundation are University of California faculty and Cooperative Extension specialists in agricultural and resource economics on the Berkeley, Davis, and Riverside campuses. The broad mission of the Foundation is to promote and support research and outreach activities in agricultural economics and rural development relevant to California.

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