



A.P. Giannini's genuine concern for depositors enhanced his standing in the Italian-American communities throughout California. His Bank of America was a huge success coast to coast and helped put his face on a 1973 U.S. stamp.



HE SHOOK UP THE BANKING INDUSTRY

A.P. GIANNINI'S INNOVATIVE BANK OF ITALY GREW INTO THE MULTINATIONAL BANK OF AMERICA **BY RAMON VASCONCELLOS**

On the morning of April 18, 1906, San Francisco Police Sergeant Jesse Cook noted how horses along the waterfront neighed and pulled anxiously at their carts, as if disturbed by some unseen phenomena. Minutes later Cook heard “a deep rumble, deep and terrible” and watched Washington Street buckle, “as if waves of the ocean were coming towards me.” Reporter Fred Hewitt of *The San Francisco Examiner* later described how a little after 5:12 a.m. the dome of the recently completed City Hall, symbol of San Francisco’s prestige and modernity, sloughed its masonry into the streets below. Only its steel frame remained visible to the terror-stricken populace, who could only stand by as a 7.8 magnitude earthquake and subsequent fires destroyed much of the city, killing 3,000 people.

Fearing his business might be a total loss, A.P. Giannini, founder of the start-up Bank of Italy, trekked 17 miles on foot

from his San Mateo home. Given the devastation he witnessed en route, Giannini later admitted, “I didn’t have much hope for the bank.” Miraculously the building, on Montgomery Avenue in North Beach, remained intact, but the fires were spreading. Appreciating his customers’ dire need to access their deposits in the wake of the disaster, Giannini had the vault contents loaded into two wagons for transport to a secure location. To disguise the contents from roving looters, bank officials topped off the wagonloads with crates of oranges.

Two days later Giannini opened a “temporary bank” on Washington Street using two barrels spanned by a wooden plank and extending credit “on a face and a signature.” His expeditious response and genuine concern for depositors’ needs enhanced the banker’s standing within San Francisco’s growing Italian-American community.

The Giannini family had migrated from northern Italy to northern California in the 1860s, and Amadeo Pietro was born in San Jose in 1870. Tragically, his father was murdered when A.P. was still a boy. So, when it came time to learn a trade, the ambitious youngster entered the produce brokerage and loan business owned by stepfather Lorenzo Scatena. L. Scatena & Co. served Italian-American merchants requiring working capital and farmers accustomed to making short-term deposits.

California's Legislature had not always been favorable to banking institutions. To prevent banks from issuing inflated paper money with few gold or silver deposits on hand to secure their value, the state constitution of 1849 decreed that "no such associations shall make, issue or put into circulation any bill, check, ticket, certificate, promissory note or other paper, or the paper of any bank to circulate as money." Toward the end of the 19th century the Legislature eased its banking regulations, given savings institutions' positive impact on California's growing economy. The modified state constitution of 1879 omitted all references to banks.

Believing loan institutions should serve the "little fellow," Giannini launched Bank of Italy in 1904. He went door to door in North Beach to drum up deposits and enlarged his customer base by advocating small loans, some as little as \$25. The young banker ran newspaper ads like the following:

ONE DOLLAR

It is not much—but it is worth saving. With one dollar you can open a savings account which may be the beginning of your fortune. If in this moment you have one dollar which you may either spend thoughtlessly or place in a safe place, come to our bank and deposit it. It will earn interest together with other funds which you may be able to deposit.

His personalized approach proved timely, as much of the Italian-American community sought out Bank of Italy for construction loans in the wake of the earthquake. Business boomed, and a 1918 article in *Life* quipped how San Franciscans regarded Giannini: "While A.M. stands for the first half of the day and P.M. for the latter half of the day, A.P.G. [Amadeo Pietro Giannini] stands for all day." By 1925 Bank of Italy had obtained nearly 3.5 million in deposits and opened nearly 5,000 accounts that year alone, all originating from the deposits and loans of California's Italian-American communities. Three years later the bank became the fifth largest in the nation, with 280 branches in California.

In 1909 the Legislature had passed the California Bank Act, which allowed branch banking. Giannini quickly adopted this model, establishing Bank of

Italy branches statewide and ensuring his directors, "We could diversify our risks and our business ...through units based on different geographical sections and trades." Throughout the "Roaring Twenties" the aggressive banker continued to open branches and acquire smaller banks. In 1930 Giannini decided the bank's Los Angeles subsidiary, Bank of America, would serve as the moniker for a planned transcontinental branch system. As a trust company in New York City shared the same name, Giannini simply purchased it under his holding company, Transamerica. Bank of America now had branches on the Pacific and Atlantic coasts.

In the 1930s Giannini confronted the Great Depression and an attempted takeover of Transamerica by a partner of the holding firm. And while the solvency of Bank of America calmed depositors and creditors alike, Giannini, like other bankers, faced the scrutiny of federal examiners then seeking to regulate the industry. In a backhanded testament to Giannini's business acumen, the chairman of the newly created Federal Deposit Insurance Corporation even criticized how the bank's "small army of depositors" had enabled Bank of America to ultimately hold half the total deposits insured by the FDIC.

When Elisha Walker attempted a proxy bid for control of the holding company in 1932, Giannini elicited Italian-American shareholders to give him their votes. Across the branches Italian-American employees voiced a common refrain: "We don't know Walker. Look what A.P. Giannini did for our people. Before he came we were 'dagos'; now we are Americans!" Giannini thwarted the bid.

By the time of Giannini's death in 1949, his Bank of America had financed the Golden Gate Bridge as well as several major film studios. He had also implemented installment credit, auto loans and a lease program by which farmers could continue working on foreclosed properties. Giannini donated untold millions to charitable causes, and his personal assets at death amounted to less than \$500,000. "I never had the money itch," he said more than once. Today Bank of America has nearly \$9 billion in loans outstanding and \$1.2 trillion in deposits—a testament to Giannini's belief in the "little fellow." WW

Giannini built his Bank of Italy by stressing to depositors that even the small accounts mattered.

