Mussohn's Fascist economy 1922–39

Francis Stapleton discusses four distinct phases of the Italian economy between 1922 and 1939.

**Much strutting, with mixed effects**
Although Mussolini sought an effective economy to underpin his power base, the impacts of Fascist ideology on the economy were mixed. Not only were some changes counterproductive, but any benefits gained were thrown away with his pursuit from 1936 of an aggressive and expensive foreign policy.

- high levels of illiteracy
- the north-south divide
- a lack of enthusiastic foreign investment
- a weak currency
- poor natural resources for power or manufacturing

This in turn resulted in:
- pre-Fascist administrations using large-scale public investment to promote industrial development
- a close relationship between independent banks and the finance ministry
- years when the lira was not on the Gold Standard (which helped exports)
- promotion of large-scale emigration
- high tariffs to protect agriculture and specific industries
- a generally passive foreign policy that steered clear of expensive wars

All Italian governments between 1861 and 1922 saw the economy as crucial in holding together the newly united kingdom. Politicians structuring economic policies had to take into consideration:
The Goliathian miracle was, however, totally undermined by the impact of war (1915–18), which left 2 million unemployed, inflation at 560% and a quadrupled national debt.

Phase 1: economic stability (1922–26)

Mussolini had no training in economics, but he soon realised that the economic chaos that had aided his rise may well remove him. He therefore pursued an effective economy to promote his longevity in power, increasing the popularity of the regime, developing a new theory of labour-employer relations and creating an authoritarian war economy would develop gradually over time.

While Il Duce established his dictatorship with the passing of the Acerbo Law, the Matteotti crisis and the creation of a police state, de Stefanis, the first Fascist finance minister [an orthodox liberal laissez-faire economist], was largely left to balance the budget. Italy benefited from the global upturn already underway in the second half of 1922. But de Stefanis’s attempts to control market speculation prompted complaints to Mussolini from the industrial elite, increasingly jealous of his popularity. Mussolini sacked de Stefanis. He was replaced by the Fascist Count Giuseppe Volpi (1925–28).

Phase 2: the fascisation of the economy (1926–35)

By late 1925 Mussolini was confident enough in his political dictatorship to radicalise the economy. The new approach would have three aspects:

- the government would neutralise the power of labour
- the government would intervene to promote economic solutions in specific areas
- the ‘Corporate State’ would offer a new way of advancing economic prosperity across manufacturing and service industries

Controlling labour

The Vidoni Palace Pact (1925) effectively abolished all except Fascist unions so that industry would deal with one government-sponsored worker group. Then, in 1926, Alfredo Rocco’s Syndical Laws forced industrialists and employers to negotiate wages and conditions with the government as national arbiter. Strikes and lockouts were now illegal, as were all worker movements.

Fascist ministers of finance

<table>
<thead>
<tr>
<th>Name</th>
<th>Dates</th>
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<tbody>
<tr>
<td>Alberto de Stefani</td>
<td>30 October 1922–10 July 1925</td>
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<tr>
<td>Giuseppe Volpi</td>
<td>10 July 1925–9 July 1928</td>
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<td>Antonio Mosconi</td>
<td>9 July 1928–20 July 1932</td>
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<td>Guido Jung</td>
<td>20 July 1932–17 January 1935</td>
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<td>Paul Revel</td>
<td>24 January 1935–6 February 1943</td>
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<td>James Acerbo</td>
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An Italian Fascist postcard declaring: "Surviving under Communism 1919, harvest under Fascism 1923"
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balance the budget: de Stefani promoted the February Law that slashed taxes on foreign investment, and bilateral trading agreements were negotiated.

global upturn: between 1922 and 1925, manufacturing output grew by 10% a year. By 1925 unemployment had fallen by 72%, state spending was cut and L320 million were incinerated to curb inflation.

subsidised leisure activities: football clubs, theatres, dramatic societies, cinemas, bands, libraries and centres of further education were Fascist controlled. Membership rose from 300,000 in 1926 to over 4 million in 1939.

bodies not acceptable to the regime. In 1926 the working day increased from 8 to 9 hours. Between 1926 and 1934 real wages slumped by at least 50%.

The regime counterebalanced this by officially sponsored improvements to working conditions and heavily subsidised leisure activities. In 1926 the Dopolavoro (after work) organisation was established to coordinate worker free time. The organisation promoted mixed ideology and provided cheap holidays, excursions and entrance fees. Whether this was a good substitute for higher wages and protected employment is dubious.

'Battles for the economy'

As part of popularising Fascist ideology, Mussolini insisted on referring to government intervention in failing sections of the economy as 'battles'. This both emphasised the struggle and promoted the militarisation of the nation. The most important economic battles were as follows.

The Battle for the Lira (1926–38)

Il Duce knew the Italian currency was weak, and this suggested a weak nation. In 1922 there were L90 to £1. By 1925 it was L145. In his Pesaro speech in August he declared a 'Battle for the Lira'. Quota 90' revalued the currency at L30. Foreign investors and conservative economists were impressed. Volpi's deflationary policies, however, led to both higher unemployment and a drastic fall in export industries: textiles, luxury goods, automobiles etc., and increasing taxation on single workers and the childless stifled and stagnated consumer spending.

The Battle for Grain (1925–39)

These battles were aimed at autarky in major food production and to promote the rural economy as a popular Fascist lifestyle. In 1925 high tariffs were placed on grain imports. Government grants were fixed to guarantee income. Yet crucial export crops like wine, fruit and olive oil collapsed dramatically. In the south, overproduction led to rapid soil erosion and the rich southern landowners (Laundristi) were so rewarded with government money that they stopped land reform to help their tenants.

The Battle for Land (1928–38)

Land reclamations had been initiated in the nineteenth century and by pre-1922 administrations. Mussolini sought to milk them for propaganda. Reclamation laws were passed in 1922, 1928 and 1933. On the positive side, the policy created 80,000 hectares of land, drained the Pontine Marshes, redistributed land to war veterans, created new cities (Latina and Saubadia), employed 78,000 people and reduced the impact of summer malaria. On the negative side, however, land reclaimed was only one twentieth of what propaganda claimed, resources were wasted, finance was misappropriated and the land proved relatively infertile and was dominantly in the north.

The Corporative State (1927–35)

Fascism claimed to have created a new economic theory called corporatism. This was a 'third way' that rejected class struggle between owners and labour in favour of state-sponsored corporations that would negotiate between them for the good of the nation. Corporations would have representations from labour, owners and government on their boards. Wages, conditions, hours of work, productivity, benefits and reasons for dismissal would be decided by the body. Between the passing of the Labour Charter in 1927 and the National Council for Corporations in 1930, 22 key elements of the economy were orchestrated by the regime. In foreign propaganda terms corporatism was successful. In reality, however, it created a huge bureaucracy that simultaneously allowed non-specialists to interfere in industries while aggravating workers denied free wage bargaining.

Questions

- Describe what you understand by the 'fascisation' of the Italian economy.
- Did Mussolini's ideological impositions on the Italian economy achieve anything of lasting value to the Italian people? Discuss.

www.econlib.org/library/Enc/Fascism.html gives a useful (and concise) account of fascism and its relationship to economics. Otherwise there is little of use.