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An Institutional History of Italian Economics in the Interwar Period—Volume I

Adapting to the Fascist Regime

Edited by Massimo M. Augello
Marco E. L. Guidi · Fabrizio Bientinesi

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Italian Economics and Fascism: An Institutional View

Massimo M. Augello, Marco E. L. Guidi and Fabrizio Bientinesi

1 Introduction

The two volumes that compose this book represent the main result of a research project on *Italian economics during fascism: An institutional profile*, which has involved a large part of the community of Italian historians of economics over the past two years.[1] The main aim of this research has been to study the relationships between the economics profession and fascism

[1]The project has been generously funded by the University of Pisa in the framework of the action "Progetti di ricerca di Ateneo (PRA), 2017–2019".

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through a systematic and coordinated analysis of all the institutional *loci* that governed the production, reproduction and circulation of the economic science. As a consequence, the chapters that compose both volumes are all original and were planned and committed to specialists in the field with a view to providing an, as far as possible, full-scale representation of the condition of economics in the period between the two world wars.

The history of the present work, in a sense, goes back a long way in time and presupposes many things. Basically, it presupposes the elaboration and refinement of an approach to the history of economic thought of which we have been protagonists and around which we claim, with a legitimate touch of pride, to have aggregated many a scholar. This approach is the institutional history of economics, which we can briefly define as the application to the evolution of this discipline of a complex toolbox—not only reducible to Bob Coats's (1969, 1993) "sociology of economics", from which, however, it takes its cue—which places at the centre of its study the institutional framework, both material and immaterial, within which economics has developed both as scientific and professional knowledge and as a patrimony of notions and languages that have circulated outside the economics profession, permeating public opinion, becoming the object of dissemination and education, as well as providing the political class with guidelines for government (Augello and Guidi 2019).

In the research we have conducted over the last forty years, we have mainly applied this approach to the study of the Italian economic thought in a very specific historical period, that of the so-called liberal age, which in Italy goes, roughly, from the affirmation of a constitutional regime in some parts of the country after 1848, to the political unification between 1861 and 1870, up to the tragic events that, after the end of the First World War, brought to the affirmation of the fascist regime in 1922. This led us to coordinate a series of research projects, which highlighted the paths through which the science of political economy was established in Italy, at the moment in which the country had embarked on the path of economic modernisation and at the same time followed the course of the most advanced nations in establishing the fundamental freedoms, the progressive expansion of suffrage and a modern political and social dialectics.

In this book, we are going to face a new challenge: to test our method by applying it to another period and to deeply different historical circumstances: the period between the two wars, characterised in Italy by the affirmation of an authoritarian and totalitarian regime, fascism, and by the imposition in the economic field of a "single thought" based on the corporative organisation of the economy. So here are the questions that crowd our minds and represent the backbone of the present research: Can the institutional approach contribute to clarify the attitude of Italian economists towards fascism? And can it highlight the nature of the debate about the characteristics of the corporative economy? How did academic and professional economists and other economists employed as experts in various organisations react to fascism, being educated in an elitist but sufficiently free world, for the most part imbued with liberal and *laissez-faire* ideas, but sometimes also sensitive to different ideologies, such as socialism or social Catholicism? Did they resist, and in what forms? Did they try to adapt and through which strategies? And how did a younger generation adhere to the corporatist ideology, in many cases lending their professional skills to the construction of its theoretical framework? To what extent did a regime imposed by violence—which obtained consensus thanks to demagogic and boorish slogans and came to actively collaborate with the extermination of Jews and Roma (including those among them who had supported the regime), in the deportation and detention of opponents, and in the deliberate provocation of a war that exterminated defenceless populations—take hold of their profile as intellectuals, scientists and teachers? As our readers can easily grasp, these are issues that go largely beyond the internal debate of the historiography on Italian fascism, to assume the more general value of a case study concerning the relationship between the economic profession and authoritarian regimes.

In Sect. 2 of this chapter, we clarify the subject and scope of the present work. Next, after a brief outline of the main events that led to the fascist dictatorship and the creation of a totalitarian government in Italy, we discuss the state of the art in the historiography on Italian economics in the interwar period, focusing on the interpretation of corporatism, the "official" economic doctrine of the fascist regime. This section reveals that this interpretation, since the 1980s, has been largely made following the then dominant approaches to the history of economics, consisting of a mixture of Schumpeterian history of economic analysis and of intellectual, cultural and political history. Only recently, the historiography has explored new aspects, developing an institutional approach that focuses on the relationships between economic discourse and the institutions that support and limit it. Section 3 provides a definition of the institutional history of economics, illustrating its sources of inspiration and the contribution it can make to the historiography of economic thought. Then the reasons that led us to apply this approach to nineteenth-century Italy are briefly explained. Finally, in Sect. 4, we illustrate the internal organisation of our two volumes and we provide a concise guide to their contents, emphasising the innovatory perspective the institutional approach offers and comparing the situation of the economics profession under the fascist regime to its development in the previous liberal age. The conclusions offer some insights into the contribution that the institutional perspective can make to the study of economics in Italy under fascism, and into the scope and limits of our research.

In no way, however, does this introductory chapter aim to offer a summary of the main conclusions of the research that has come together in this book, or to make general comments about the complex condition of Italian economists under the fascist regime. In this sense, our contribution must be read in conjunction with that of Piero Barucci (Chapter "Italian Economists and the Fascist Regime: Only an Ambiguous and Painful Continuity?" of the present volume) and that of Luca Michelini which opens Vol. 2, whose main arguments we largely share.

2 Fascism, Corporatism and Economics: State of the Art

As illustrated above, these two volumes deal with the relationship between economists and fascism in Italy and with the transformations that the economic discourse underwent as a consequence of the introduction of an authoritarian and totalitarian regime. The following chapters often evoke the events that characterised the so-called *Ventennio* (the two decades of fascist dominance). It may therefore be useful, in the first place, to offer a brief history of the salient facts. An examination of the historiography on this subject will follow.

On 23 March 1919, in a building located in Piazza San Sepolcro in Milan, the *Fasci di combattimento* were founded, forerunners of the Fascist Party, officially formed two years later. Benito Mussolini made it the instrument for a political struggle that would lead, in the night between 27 and 28 October 1922, to the “March on Rome”: thus began a path that eventually led to the formation of a real “regime”. In 1924, thanks to an ad hoc electoral law, the Fascist Party obtained a majority in parliament. Giacomo Matteotti, a socialist MP who had denounced fraud and intimidation, was kidnapped and killed. After a first moment of skidding, Mussolini and fascism came out strengthened by the “Matteotti crisis”. Between 1925 and 1926, the so-called *Leggi fascistissime* [very fascist laws] were passed, which abolished, among other things, the freedom of the press and the freedom of trade unions. In 1927, a Special Court for the Defence of the State was established to judge political crimes. The bulk of the fascist power structure was thus completed: the room for dissent was reduced to a minimum.

From the economic point of view, Mussolini, especially after his speech in Udine on 20 September 1922, was in favour of a decisive reduction in State intervention in the economy and, at the same time, of collaboration between the productive classes. This collaboration should have been the basis of “corporatism”, the inner core of fascist economic thought. In 1926, the National Council of Corporations was created. In the same year, a strong revaluation of the exchange rate of the lira was established, up to 90 liras against one pound (so-called *Quota 90*).

In 1931, the regime felt strong enough to impose an oath of loyalty on university professors. However, the effects of the crisis began to be felt heavily. Crises in industry and banking went hand in hand. The regime chose the path of direct intervention, with the formation of the Italian Industrial Finance Institute (Istituto Mobiliare Italiano, IMI) and the Institute for Industrial Reconstruction (Istituto per la Ricostruzione Industriale, IRI). The 1935 invasion of Ethiopia marked a watershed. The embargo imposed by the League of Nations pushed Italy towards absolute protectionism, autarchy. Germany became the main Italian partner: an economic partner, thanks also to the autarkic policy, and a political partner, consolidated with the Pact of Steel signed between Italy and Germany in May 1939. If that were not enough, Germany also became a model for the racist laws introduced in Italy in September 1938. Italy entered the war alongside the German ally on 10 June 1940. Five years later, on April 28, Mussolini was captured and shot. The next day the German forces in Italy signed the surrender. The war in Italy was over, as was fascism.

The end of fascism marked the beginning of its historiography. The debate on the fascist regime has been and still is extremely complex: "for eighty years [...] there has been an animated debate on questions concerning the nature of fascism and its meaning in contemporary history: whether it was an autonomous movement or an instrument of other forces, whether it had an ideology and a culture, whether it was revolutionary or reactionary, authoritarian or totalitarian" (Gentile 2002, v). This is also true, if not more so, as far as the relations between fascism and economics are concerned, even though a real reflection on this subject was only started in the 1980s as a result of the professionalisation of the history of economic thought. Consistent with the mainstream of historiography in this field, which is divided between the history economic analysis approach and that of intellectual history, the attention of historians has been mainly focused on economic theory in the period between the two world wars and on the different ways in which economists reacted to, on the one hand, the choices of economic policy and social organisation made by the fascist regime and, on the other, corporatism. Corporatism is to be understood both as an economic system promoted by the regime to become a "third way" between capitalism and communism—and only partially implemented—and as an alleged alternative economic theory to the "utilitarian" and *laissez-faire* individualism of mainstream economics in the first decades of the twentieth century. Despite the presence of some important studies, corporatism underwent, in the first decades following the end of the Second World War, a sort of "displacement effect" (Tranfaglia 1990) due, on the one hand, to the difficulty of dealing with a recent past in which many living economists had been involved in various ways and, on the other, to the refusal of anti-fascist intellectuals to measure themselves against the official thinking of fascist totalitarianism. Luigi Einaudi, a mainstream liberal economist who had been formed at the end of the nineteenth century and, after the end of the Second World War, was elected President of the Italian Republic, argued that corporatism should be considered a simple and unfortunate parenthesis in the development of economics.[2]

The work by Francesco Perillo and Eugenio Zagari (1982) on *La teoria economica del corporativismo* [The Economic Theory of Corporatism] represents a turning point in this area, because it goes into the merits of corporatist theories, attempts to classify them and finally strives to evaluate the points of contact and contrast with official economics. A similar perspective was substantially followed by Riccardo Faucci, who in 1990 promoted a special issue of *Quaderni di storia dell'economia politica* dedicated to *Italian Economic Thought in the Inter-war Period*. This issue also focused on the study of corporatist economic theories, generally inspired by an interpretation that judged corporatism to be inferior to "high theory" and considered it a "return to the past" (Faucci 1995, 522, our translation).[3]

The research promoted by Faucci, which adopted a history of analysis approach, but with openings to intellectual and cultural history, allowed scholars to overcome the aforementioned judgement by Einaudi on corporatism as an unfortunate parenthesis. For Faucci, corporatism should be interpreted as "the ex-post retrieval of the *other* Italian economic tradition, the historical, spiritualist and voluntaristic tradition, both professional and secular, that had had its best moment in the twenty years 1870–1890" (Faucci 1990b, 13). Faucci referred to the Italian economists, inspired by the German Historical School and the Socialism of the Chair, gathered in the Association for the Progress of Economic Studies (1875)—including Fedele Lampertico (1833–1906), Antonio Scialoja (1817–1877), Luigi Cossa (1831–1896) and Luigi Luzzatti (1841–1927)—who, during the nineteenth century, had prevailed over the line of thought based on eighteenth-century economists such as Ferdinando Galiani (1728–1787), Pietro Verri (1728–1797) and Cesare Beccaria (1738–1794), and the nineteenth-century and early twentieth-century economists straddling the classical school and marginalism such

[2] On Einaudi's analysis and its consequences, see Finoia (1983).

[3] Similar is the attitude and judgement of scholars such as Francesca Duchini and Duccio Cavalieri, who, although starting from different points of view, came to judge corporatism as a "Babel" (Duchini 1994, 222; Cavalieri 1994, 19).

as Francesco Ferrara (1810–1900), Maffeo Pantaleoni (1852–1924) and Vilfredo Pareto (1848–1923). The latter tradition had contributed to the elaboration of an abstract and formalised economic theory, consistent with the canon of the international evolution of economics. On the contrary, the economists of the so-called *Scuola Lombardo-Veneta* retrieved an approach to political economy that dated back to Antonio Genovesi (1713–1769) and Gian Domenico Romagnosi (1761–1835) and that refused to separate the analysis of the market from that of the formal and informal institutions that made its existence possible and limited its more individualistic and unequal effects (Guidi et al. 2004). In this sense, the corporatist vein prevailed over the other soul of the fascist movement, "the anti-State, ultra-individualist and in a certain sense anarchic-conservative" one (Faucci 1995, 523, our translation).[4]

Furthermore, Faucci (2014, 189), while confirming his judgement on the indefinable character of corporatist theory and the absence of a clear theoretical approach, identified some merits of that cultural experience:

> Undoubtedly, corporatism was a perfect fit for that military, industrial and bureaucratic compound that constituted the authentic backbone of consensus and strength for fascism. However, from the point of view of the history of ideas, it is interesting to highlight the character of an outlet valve that corporatism acquitted, at least until 1935, for the younger economists and intellectuals. On the one hand, it was the vehicle for a discussion of otherwise taboo themes, such as the Soviet five-year plans or the Roosevelt New Deal. On the other hand, it was an exercise in rewriting the current economic theory, with certainly unsatisfactory results, albeit disclosing a real intellectual tension, at least in some cases. (Faucci 1995, 524, our translation)

Corporatist thought therefore represented the Italian version of a more general dissatisfaction with the limits of interpretation shown by the marginalist mainstream, an interpretation that can also be found in the chapters composing this book. In Duchini's words:

[4] Duchini (1994) insisted on the contribution of economists of Catholic ascendancy to corporatism.

> Italian economic culture is neither isolated nor foreign to the great process of revision that is taking place outside of Italy: it is in line with this process, to which it makes contributions of a good scientific level, even if in Italy the resistance of traditional thought – especially for the scientific weight of Einaudi – is perhaps more accentuated, particularly on the subject of monetary economics and the science of public finance. Corporatist economic thought – in its different formulations and beyond the inevitable intrusions of amateurism and opportunism – is one of the manifestations of the ongoing process of cultural transformation. (Duchini 1994, 233, our translation)

According to various scholars (see Finoia 2001, 589–590), the genesis of the concept of "corporatism" was linked not only to the need to adopt a new "label" for propaganda purposes, but also to the stubborn resistance of mainstream economists, dogmatically bound to the concept of general economic equilibrium and opposed to any intervention of the State in the economic field. From this point of view, "The corporative statement can be seen as an unsuccessful embryonic attempt to alter the premises of economic science by abandoning microeconomics for a macroeconomic approach and harnessing the state to it" (Finoia 2001, 687. See also Finoia 1984). This was an aspect that had its weight also in the reception of Keynesian thought in Italy (Magliulo 2003).

"An unsuccessful attempt": this phrase contains a synthetic judgement on the fascist and corporatist economic thought. Zagari, in an analysis that has now become a classic, pointed out that an article published in 1934 by Luigi Amoroso and Alberto De' Stefani was a watershed for the debate on corporatism. In Zagari's words, the two authors succeeded in demonstrating "on the one hand, why corporative economics, even on the level of pure theory, and not only on that of applied theory, was superior to utilitarian economics [i.e. marginalism, our addition], and, on the other hand, that this result was achieved using logical schemes analogous to, but not identical to, those of economicism" (Zagari 1982, 50, our translation).

From that moment on, the most revolutionary instances from the theoretical point of view, such as Ugo Spirito's "proprietary corporation", were abandoned (Perri and Pesciarelli 1990). Positions of more or less overt compromise between the corporatism propagated by the regime and the marginalist theoretical system prevailed. As Zagari wrote:

> The dominant economic theory, therefore, was not to be reneged on, but, if anything, valued by inserting it in a wider logical context in which the historical peculiarity of the fascist economy and those dynamic phenomena connected to the 'expectations' present in every economic structure based on private property had to find a place, phenomena that would otherwise have been excluded from the scientific sphere. And it was precisely this theoretical position that, without prejudice to the Paretian method, but at the same time highlighting its inconsistencies and limitations, succeeded in dropping the further resistance of many economists, who thus had the opportunity to achieve two objectives: not to deny the principles of scientific rigour that they considered exclusive to the school of general economic equilibrium, and to express their support for a movement of thought that promised broad developments for the role assigned to the State. (Zagari 1982, 52, our translation)

Corporatism thus became an "appendix to the textbooks on political economy, essentially as part of economic policy, in the chapter on causes and remedies of the crisis" (Faucci 1990b, 17, our translation).

Faucci also considered the negative aspects of the debate on corporatism in Italy in all their weight: not only, in fact, were the results of the theoretical effort of corporatist economists totally insufficient overall, but the corporatism "was also a training ground for improvised economists, some of whom unfortunately won university professorships" (Faucci 1995, 526, our translation). An awareness of these limits was well present in contemporary economists.[5]

This review confirms that, from the methodological point of view, the historiography on corporatism has mainly adopted a combination of history of analysis and intellectual history approaches. However, as the last quotation reveals, Faucci's studies (1990a, b) have also attempted some

[5] Duccio Cavalieri summarized this type of critical judgement as follows: "In fact, corporatism remained a simple crucible into which pieces of pre-existing economic theories were thrown in bulk in the naive illusion that this would be enough to forge a new synthetic doctrine, endowed with superior characteristics" (Cavalieri 1994, 45–46, our translation). See, in this book, vol. 2, Fabrizio Bientinesi and Marco Cini, "Planning and Discussing Corporatism".

"institutional accounting" of the relative success in the academic and editorial field of mainstream economists vs. the most enthusiastic supporters of the theory of *homo corporativus* (see also Fusco 2015; Guidi 2000). The studies of the last two decades have indeed opened up a new perspective, centred on some of the "research priorities" that, in the first issue of *History of Political Economy*, Bob Coats (1969) had indicated for studies in the history of economic thought: the analysis of the relationship between theory and economic policy—at the centre of two contributions by Piero Bini (2000) and Antonio Magliulo (2000), resulting from an international workshop on *Economic Thought in Southern Europe in the Interwar Period*, organised in Porto by Pedro Almodovar in November 1998—and the sociology of economics, present in the contribution by Marco Guidi (2000) at the workshop in Porto. Of course, these last two lines of interpretation have also been encouraged by the studies and research projects that, in the last four decades, have been conducted mainly on the eighteenth and nineteenth centuries (see below, Sect. 3). This is confirmed by some recent contributions, such as a collection edited by Piero Barucci et al. (2015) and a study by the same three authors (2017), parts of a project that aims to study the economic culture of the interwar period in the light of the processes of institutionalisation and professionalisation of economics and as a key to understanding the links between theory and economic policy. Many of the contributions to the seminar series organised in Florence in recent years by Barucci, Piero Bini and Lucia Conigliello—published under their joint editorship (Barucci et al. 2017, 2018)—bring further insights into the study of Italian economic thought between the two wars in this cultural and institutional perspective.

As we will argue in the next section, it is this same institutional perspective that inspired our research project, from which the present two volumes derive. Compared to the studies just mentioned, this contribution is distinguished by two characteristics:

1. They apply to the interwar period a methodology and a typology of case studies that the same team of researchers has already applied in a systematic manner mainly to the study of the Italian economic thought of the nineteenth century (see below, Sect. 3).

2. They offer a systematic overview of all the institutional fields in which economic thought developed between the two wars, the period in which Italy was under the yoke of the fascist dictatorship (see below, Sect. 4).

3 The Institutional History of Economics: Ideals and Achievements

As is often the case, a method is defined first in practice and then in theory. In the course of our research, something similar happened to us: we identified an object of investigation, the institutions around which economics developed and reached maturity; we sensed the potential inherent in their study; and finally, we set to work to explore one by one their evolution and interaction with the development of economics, both in Italy and—as shown by the work of scholars with whom we collaborated—in other national cases. The starting point was provided by Piero Barucci and Istvan Hont's project to study the international professionalisation of economics starting from its academic institutionalisation.[6] We participated in the Italian research team, and, stimulated by the results of our investigation, we decided to go on with a coordinated series of other projects[7]: on economics periodicals,[8] on academies, economic associations and societies of political economy,[9] on the role played by economists in liberal age parliaments and governments,[10] on economics textbooks as a tool for education

[6]The results of this research were published independently by the various teams participating in the project. See Le Van-Lemesle (1986) (France), Barber (1988) (USA), Waszek (1988) (Germany), Mizuta and Sugiyama (1988) (Japan), and Kadish and Tribe (1993) (UK). As far as the Italian research group of this international project is concerned, see Augello et al. (1988).

[7]On the whole, the research projects to which the publications listed in this paragraph are connected involved more than 150 researchers from all over the world. Many of them have independently contributed to this institutional line of research. See, inter alia, Asso (2001), Roggi (2001), Barucci (2003), Barucci et al. (2015, 2017); and, among similar projects applied to other national cases, Marco (1996).

[8]The studies on this topic are collected in Augello (1995), Augello et al. (1996), and Bianchini (1996).

[9]For the results of this research project, see Augello and Guidi (2000, 2001).

[10]See Augello and Guidi (2002, 2003, 2005).

and popularisation,[11] on economists and daily newspapers,[12] and finally on the translations of economics texts.[13]

As we went along this path, we collected stimuli that provided us with important interpretative keys and at the same time reinforced our confidence in the usefulness of our line of investigation. Initially, our imagination was activated by Bob Coats's (1969) suggestion to move from the study of the "great men" to that of the figures linking economics, politics and society. In the meantime, Pierre Bourdieu's (1984) theory of the "intellectual field" reinforced our awareness of the issues at stake (economic, social and cultural capital) in the processes of institutional construction, while the long tail of Jürgen Habermas's great vision (1962) of the "bourgeois public sphere" stimulated us to move from a sociology of economics as a profession and as a scientific community to a study of the impact of the economic discourse on that discursive area that lies between the sphere of private interests (and of their conflicts) and the sphere of government. And, permeated by the Foucauldian epistemology of the "order of discourse" as a historically changeable and institutionally supported social practice of control and exclusion (Foucault 1966, 1969, 1971), we opened up to constructivist sociology (Berger and Luckmann 1966), which allowed us to reflect on the interaction between formal knowledge, that of economics, and the general process of social construction of reality through the typification and institutionalisation of roles and representations. In this perspective, we recovered Bourdieu's notions of social capital and of the performativity of economics (Bourdieu 2000, 2002),[14] Bruno Latour's (1987, 1999, 2005) and Michel Callon's (1988) actor-network theory, and a Durkheimian interpretation of economic representations and of the rationalisation of knowledge (Steiner 1998; Lebaron 2009).

What remained to be done was to make a pause and reflect on a definition that could faithfully capture the method of the institutional history of economics, and on what differentiates this approach from those that are current in today's historiographic practice. This is what we do next.

[11] See Augello and Guidi (2006, 2007, 2012).

[12] See Augello et al. (2016).

[13] See Carpi and Guidi (2014) and Cini and Guidi (2017).

[14] See also Muniesa and Callon (2009).