

Economy of Italy
under fascism,
1922-1943
assignment



**ASSIGN
BUSTER**

Italy had emerged from World War I in a poor and weakened condition. An unpopular and costly conflict had been borne by an underdeveloped country. Post-war there was inflation, massive debts and an extended depression. By 1920 the economy was in a massive convulsion – mass unemployment, food shortages, strikes, etc. Contents [hide] 1 Fascist economic policy 2 First steps 3 Firmer intervention 4 The Corporative phase 5 The Great Depression 6 After the Depression 7 References 8 See also edit]Fascist economic policy

The neutrality of this section is disputed. Please see the discussion on the talk page. (February 2008) Please do not remove this message until the dispute is resolved. Benito Mussolini came to power in 1922 and transformed the country's economy along fascist ideology. He was not an economic radical; while he reshaped the political scene he neither had nor sought a free-hand with the economy. He was prepared to align with industrial groups and forge an accommodation with capitalism.

As with Nazi Germany the economic policies of Mussolini are difficult to define. There is a messy tangle between economic theory and economic practice which leads to two opposing views – either Mussolini had an economic plan, or that he did not, but instead reacted to changes without forward planning. [1]. To proponents of the first view, Mussolini did have a clear economic agenda, both long and short-term, from the beginning of his rule. The government had two main objectives – to modernise the economy, and to remedy the country's lack of strategic resources.

To stimulate development Mussolini pushed the modern capitalistic sector in the service of the state, intervening directly as needed to create a collaboration between the industrialists, the workers, and the state. The

<https://assignbuster.com/economy-of-italy-under-fascism-19221943-assignment/>

government crushed fundamental class conflicts in favour of corporatism. In the short-term the government worked to reform the widely-abused tax system, dispose of inefficient state-owned industry, cut government costs, and introduce tariffs to protect the new industries.

The lack of industrial resources, especially the key ingredients of the industrial revolution, was countered by the intensive development of the available domestic sources and by aggressive commercial policies – searching for particular raw material trade deals, or attempting strategic colonisation. To those arguing that Fascist policy was not clear, the view in the preceding paragraphs is based on a naive acceptance of Italian propaganda. Mussolini knew close to nothing of economics and did not care greatly; he put little pressure on industry and the government efforts were ad hoc, rather than following a clearly defined policy.

Indeed, certain historians have argued that Italian fascism was actually a negative force on the Italian economy – holding back genuine modernisation and badly distorting economic development, even before the war. [edit]First steps The Fascist government began its reign in an insecure position. Coming to power in 1922, after the March on Rome, it was a minority government until the 1923 Acerbo Law and the 1924 elections, and it took until 1925, after the assassination of Giacomo Matteotti, to establish itself securely as a dictatorship.

Economic policy in the first few years was largely liberal, with the Ministry of Finance controlled by the old liberal Alberto De Stefani. The government undertook a low-key laissez-faire program – the tax system was restructured

(February 1925 law, 23 June 1927 decree-law, etc.), there were attempts to attract foreign investment and establish trade agreements, efforts were made to balance the budget and cut subsidies. The 10% tax on capital invested in banking and industrial sectors was repealed, while the tax on directors and administrators of anonymous companies (SA) was cut down by half.

All foreign capital was exonerated of taxes, while the luxury tax was also repealed [2]. Mussolini also opposed municipalization of enterprises [2]. The 19 April 1923 law abandoned life insurance to private companies, repealing the 1912 law which had created a State Institute for insurances and which had envisioned to give a state monopoly ten years later [3]. Furthermore, a 19 November 1922 decree suppressed the Commission on War Profits, while the 20 August 1923 law suppressed the inheritance tax inside the family circle [2]. There was a general emphasis on what has been called productivism - national economic growth as a means of social regeneration and wider assertion of national importance. Up until 1925 the country enjoyed modest growth but structural weaknesses increased inflation and the currency slowly fell (1922 L90 to ? 1, 1925 L145 to ? 1). In 1925 there was a great increase in speculation and short runs against the lira. The levels of capital movement became so great the government attempted to intervene.

De Stefani was sacked, his program side-tracked, and the Fascist government became more involved in the economy in step with the increased security of their power. In 1925, the Italian state abandoned its monopoly on telephones' infrastructure, while the state production of <https://assignbuster.com/economy-of-italy-under-fascism-19221943-assignment/>

matches was handed over to a private "Consortium of matches' producers. [3]" Furthermore, various banking and industrial companies were financially supported by the state. One of Mussolini's first acts was to fund the metallurgical trust Ansaldo to the height of 400 million Liras.

Following the deflation crisis which started in 1926, banks such as the Banco di Roma, the Banco di Napoli or the Banco di Sicilia were also assisted by the state [4]. [edit]Firm intervention The lira continued to decline into 1926. It can be argued that this was not a bad thing for Italy - cheaper and more competitive exports, dearer imports. Politically however the declining lira was disliked; Mussolini apparently saw it as "a virility issue", the decline was an attack on his prestige.

In the Pesaro Speech of August 18, 1926, he began the "Battle for the Lira". Mussolini made a number of strong pronouncements and set his position of returning the lira to its 1922 level, "Quota 90." This policy was implemented through an extended deflation of the economy; the country rejoined the gold standard, money supply was reduced and interest rates raised. This produced a sharp recession, which Mussolini took up as a sign of his assertion of power over "troublesome elements" - a slap to both capitalist speculators and trade unions.

On a wider scale the Fascist economic policy pushed the country towards the "corporative state", an effort which lasted well into the war. The idea was to create a national community where the interests of all parts of the economy were integrated into a class-transcending unity. Some see the move to corporatism in two phases. First the workers were brought to heel over 1925-

27. Initially the non-fascist trade unions and later (less forcefully) the fascist trade unions were neutered.

This was a difficult stage – the trade unions were a significant component of Italian fascism, from its radical syndicalist roots, and they were also a major force in Italian industry. The changes were embodied in two key developments. The Pact of the Vidoni Palace in 1925 brought the fascist trade unions and major industries together, creating an agreement for the industrialists to only recognise certain unions and so marginalise the non-fascist and socialist trade unions.

The Syndical Laws of 1926 (sometimes called the Rocco Laws, after Alfredo Rocco) took this agreement a step further; in each industrial sector there could be only one trade union and employers organisation. Only these unions could negotiate agreements, with the government acting as an ‘umpire’. The laws made both strikes and lock-outs illegal and took the final step of outlawing non-fascist trade unions. [edit]The Corporative phase These legal and structural changes led into the second phase, the corporative phase, from 1927.

The Labour Charter of 1927 confirmed the importance of private initiative in organising the economy, while still reserving the right for state intervention – most notably in the supposedly complete fascist control of worker hiring. In 1930 the National Council of Corporations was established, it was for representatives of all levels of the twenty-two key elements of the economy to meet and resolve problems. In practice it was an enormous bureaucracy of committees, that while consolidating the potential powers of the state

resulted in a cumbersome and inefficient system of patronage and obstructionism.

One consequence of the Council was that trade unions were removed from influence at all levels while the realities of private capital and ownership were, mostly, unaffected. Government intervention in industry was very uneven, large programs started but with little over-arching direction. Intervention began with the "Battle of the Grain" in 1925 when the government intervened following the poor harvest to subsidise domestic growers and limit foreign imports. This reduced competition and created, or sustained, widespread inefficiencies.

Larger programs began in the 1930s with the Bonifica Integrale land reclamation program, which was employing over 78,000 people by 1933; the Mezzogiorno policies to modernise southern Italy and attack the Mafia - per capita income in the south was still 40% below that of the north; the electrification of the railways and similar transport programs; hydroelectrical projects; the chemical industry; automobiles; steel. There was also limited takeover of strategic areas, notably oil with the creation of AGIP. [edit]The Great Depression

The world-wide depression of the early 1930s hit Italy very hard starting in 1931. As industries came close to failure they were bought out by the banks in a largely illusory bail-out - the assets used to fund the purchases were largely worthless. This led to a financial crisis peaking in 1932 and major government intervention. After the bankruptcy of the Austrian Kreditanstalt

In May 1931, Italian banks followed, with the bankruptcy of the Banco di Milano, the Credito Italiano and the Banca Commerciale.

To support them, the state created three institutions funded by the Italian Treasury: the Sofindit in October 1931 (with a capital of 500 million lire), which bought back all the industrial shares owned by the Banca Commerciale and other establishments in trouble. In November 1931 the Imi (capital of 500 million lire) was also created, and issued 5 billion and a half of lire in state obligations, reimbursable in a period of ten years. This new capital was lent to the private industry for a maximum period of ten years.

Finally, the Industrial Reconstruction Institute (IRI) was formed in January 1933 and took control of the bank-owned companies, suddenly giving Italy the largest industrial sector in Europe which made use of government-linked companies (GLC). It saved at the end of 1933 the Hydroelectric Society of Piedmont, whose shares had fallen from 250 lire to 20 lire, while in September 1934, the Andaldo trust was again reconstituted under the authority of the IRI, with a capital of 750 million lire. Despite this taking of control of private companies through (GLC), the Fascist state did not nationalize any company. 4]. IRI did rather well with its new responsibilities - restructuring, modernising and rationalising as much as it could. It was a significant factor in post-1945 development. But it took the Italian economy until 1955 to recover the manufacturing levels of 1930 - a position that was only 60% better than that of 1913. [edit]After the Depression As Mussolini's ambitions grew domestic policy was subsumed by foreign policy, especially the push

for autarky after the 1935 invasion of Abyssinia and subsequent trade embargoes.

The push for independence from foreign strategic materials was both expensive, ineffective, and economically wasteful. It was achieved by a massive increase in public debt, tight exchange controls, and the exchange of economic dynamism for stability. Available economic indices supportive of Mussolini's efforts. Recovery from the post-war slump had begun before Mussolini came to power and continuing growth rates were comparatively weaker. In 1929-39 the Italian economy grew by 16%, roughly half the growth rate of the earlier liberal period.

Annual rates were 0.5% lower than pre-war rates and the annual rate of growth of value was 1% lower. Despite the efforts directed at industry, agriculture was still the largest sector of the economy in 1938 and only a third of total national income was derived from industry. Agriculture still employed 48% of the working population in 1936 (56% 1921), while industrial employment had grown only 4% over the period of fascist rule (24% 1921, 28% 1936) and there was more growth in traditional than in modern industries.

The rate of gross investment actually fell under Mussolini and the move from consumer to investment goods was low compared to the other militaristic economies. Attempts to modernise agriculture were also ineffective. Land reclamation and the concentration on grains came at the expense of other crops, producing very expensive subsidised wheat while cutting more viable and economically rewarding efforts. Most evidence suggests that rural

poverty and insecurity increased under Fascism and their efforts failed markedly to create a modern, rational, agricultural system.

In the late 1930s the economy was still too underdeveloped to sustain the demands of a modern militaristic regime. Raw material production was underutilised and finished military equipment was limited in quantity and too often in quality. Despite a minimum of 10% of GDP, almost a third of government expenditure, being directed towards the armed services from the 1930s the country was “spectacularly weak”. Notably the investment in the early 1930s left the services obsolete by 1940, especially the army. And the expenditure on current conflicts from 1935 meant little stockpiling for the much greater conflict ahead.