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## Corporatism and Fascist Italy (1922–39)

Our attention is now turned to an analysis of corporatism in practice – in this case Italy under Fascist rule. As previously mentioned the analysis will be conducted by utilising the model of consensual-licenced corporatism, and the chapter will be divided under the same headings. Under the ever-present imperative of space it will not be possible to detail the origins of Fascism or enter into lengthy assessments of the regime. Such matters are nonetheless of importance to consideration of Italian corporatism and, as we proceed, mention of these two interrelated topics will frequently emerge onto the surface of the discussion.<sup>1</sup>

So, rather than enter into some potted, and inevitably misleading, history of Italian fascism, a number of themes relating to the regime and its corporatist structures will be laid down. (Readers who wish some more substantial evidence are referred to the texts listed throughout.) These themes are (1) While corporatism in Italy was in some respects a paper empire, a facade of propaganda, it was ultimately an integral and substantial part of the regime. (2) The seizure of power with the famous ‘March on Rome’ in 1922 brought Mussolini to power, but the acquiescence of the old political elites was given at a price of their combined security. (3) The Fascist regime was an uneasy alliance between the new, Fascist political masters and the traditional elites – the monarchy, military, state bureaucracy, Church, large industry and finance, and major agrarian interests. (4) The life of the regime was characterised by continual tension – indeed often downright distrust<sup>2</sup> – between the traditional elites and the new political masters, but the accommodation never broke down because of the fundamental interdependence. (5) This tense, but enduring accommodation gave the regime a curious flavour of both being at one and the same time – as the tensions worked themselves out – dynamic, radical and revolutionary *and* static, supportive of the *status quo* and anti-revolutionary.

### The state, the economy and the market

Mussolini's corporate state, like Rome, was not built in a day, but was developed and matured throughout most of the regime's life. It is, however, the case that the general characteristics of the corporate state became evident from the early days of the establishment of the corporatist structure in 1926. Concomitant with the period that saw the foundation of the corporatist edifice was a definitive move to extend the degree, indeed the whole scale, of state intervention in the economy such that during the 1930s Italy was the most extensively regulated economy amongst the major capitalist countries.<sup>3</sup> In fact, during the first four years or so of the regime, under the influence of Finance Minister De Stefani, the Fascist government had pursued an economic strategy of state withdrawal and economic liberalisation. The tenor of the strategy was fascist responsibility, capital accumulation and development led by private capital. In part De Stefani was continuing the process of economic demobilisation after the Great War, and in part giving reassurance to those major interests upon whose support Mussolini depended. De Stefani policies,<sup>4</sup> however, did not prove wholly successful. Certainly production increased but inflationary and, more ominously, balance of payments problems persisted. On top of this the Finance Minister courted the opposition of many leading industrialists because of a stock market crash and his opposition to protectionism. Under pressure from these industrialists Mussolini engineered De Stefani's resignation in July 1925.<sup>5</sup> The demise of De Stefani marked the beginning of the end of the Fascist flirtation with liberalism. Thereafter, intervention on the economic front increased so that by the middle and late 1930s, wages, prices, industrial investment and structure, production, employment and hours, and foreign trade and exchange were all subject to some form of regulation. In addition, there was an extension of state supported welfare schemes, though, in part, such developments must be regarded as a response to the recession of the 1930s.

The doctrinal thinking behind the interventionist strategy came not directly from the original Fascists, but from the conservative Italian Nationalist Association whose principal ideologue, Alfredo Rocco, had outlined a plan to develop the Italian economy by means of a regimented corporatist system to free Italy from dependence on the 'plutocratically controlled' international economy. The nationalists expressed themes and ideas that can be seen as implicit and explicit in Fascist thought from the movement's outset and, indeed, beyond to its political precursors, the national syndicalists and the interventionists, but importantly they did so with much greater coherence.<sup>6</sup> So with the accession of the Nationalists to positions of prominence in the regime in 1925 (the Fascist Party and the

Nationalist Association having agreed to unite in February 1923),<sup>7</sup> Fascist Italy set off in a conservative-nationalist, corporatist direction. Much of the Fascist economic policy must in some significant proportion be viewed from the perspective held by the regime's ideologues of the need to free the Italian economy from foreign dependence to bring about national development. Thus along with increased regulation – and often as the direct cause of such regulations – went a sustained process to insulate the economy from the international market. In short, the rapidly effected and dramatic moves towards economic isolation generated an inevitable slide towards an extensively regulative economy. Only Italy's extreme dependence on imported raw materials possibly prevented the drive towards insulation going forward more rapidly and more rigorously.

The first significant example of international disengagement began in June 1925 with the announcement of the *battaglia del grano*, designed to achieve self-sufficiency in grain production, and so free Italy from 'the slavery of foreign bread'. The scheme entailed high tariff protection, raised prices and projects to raise yields.<sup>8</sup> Of even greater import was the next of Mussolini's great 'battles' – that of the lira – inaugurated in July 1926. In an act of national economic virility Mussolini pushed the value of the lira up to *quota novanta* (90 lira to the pound), the rate pertaining when he took power. The fall in the lira's external value reflected no more than movements in external payments and prices, and so by any standards the lira was thus greatly over-valued. The impact on the economy was dramatic as depression set in. However, there is some validity in the argument that the attendant deflation had as its *raison d'être* the creation of an environment for the extension of state controls<sup>9</sup>.

The advent of world-wide depression in the 1930s and a continually precarious balance of payments saw protectionism inevitably spread beyond the reasonably extensive, but somewhat *ad hoc*, increases in tariff protection introduced in the late 1920s.<sup>10</sup> At first, Italy raised tariffs on a *quid pro quo* basis in retaliation to other countries' action.<sup>11</sup> However, the pressure on the reserves continued to increase, in part because Italy followed neither sterling (1931) nor the dollar (1933) in devaluing, and in May 1934 the government initiated a strict system of control over foreign exchange and proceeded to establish a system of import licences, covering some 1500 products in due course. In addition tariffs continued to be raised, such that by 1935 Italy had one of the highest tariff barriers in the world, while trade was conducted through barter arrangements.<sup>12</sup> So, when in November 1935, the League of Nations applied sanctions on Italy for her invasion of Ethiopia, she could not have been much better prepared to resist them.<sup>13</sup> After the sanctions were lifted in May 1936 Mussolini's drive towards autarchy was reversed with a devaluation of the lira back to

quota 90<sup>14</sup> and a relaxation of restriction to trade.<sup>15</sup> Nonetheless, there was no dramatic swing away from protectionism. For one thing the trade deficit in 1937 stood at a dangerous 3.7 million lira.<sup>16</sup>

It was behind this wall of economic insulation that the corporate state operated. In large part protectionism and its consequences set the terms of reference of the corporate state's operation – adjusting to recession, restructuring industry and agriculture, trying to develop import substitutes and – most prominently – allocating the share of the burden of recession and restructuring. This is not to argue that the intervention under corporatism was all the result of the drive for economic insulation. For one thing the state had always played an active economic role from Cavour onwards; the state had been a key factor in economic development under the liberal regime, where there had been an absence of a substantial entrepreneurial class.<sup>17</sup> Additionally, the Italian economy consisted of a relatively small number of concentrated, powerful economic entities who developed close links with the state. The experience of the war helped to strengthen these relationships between the state and private entities.<sup>18</sup> Also the world recession itself pushed all states to varying degrees towards greater intervention; Italy the more so because she was affected longer than most other nations.<sup>19</sup> Finally, it is evident that any political dictatorship will not remain in business long if independent sources of economic power remain unchecked by the state; a degree of state control over the economy was necessary to sustain, and in some respects fuel, the engine of the dictatorship.

The process of increasing intervention under Fascism from 1926 onwards was, therefore, a major consequence of the doctrinal premiss of Italy as a proletarian nation that had to insulate itself from the world economy to bring about national development,<sup>20</sup> but was also a result of the structural development of the Italian economy prior to the advent of Fascism and the prevailing international economic climate, as well as being a necessary concomitant to political dictatorship. The reasons such an interventionist regime was placed firmly in a corporatist structure are less clear cut, but again one can trace the ideas back to the doctrines of the nationalists. It should be remembered that the conception of corporatism held by nationalists like Rocco<sup>21</sup> was far more regimented and statist than the corporatist writers' prescriptions discussed earlier in Part 2. Italian Fascism, particularly once the nationalists entered into positions of prominence, therefore, incorporated corporatism centrally into its doctrine. But it was a different brand of corporatism, one that held no assumption of a harmonious society, instead imposing the new order – the imposition being justified on grounds of external threat. Corporatism, however, had more than a nationalist appeal to the Fascists. The corporate state

provided the major basis to Fascism's revolutionary appeal; it was the substance of the radical dimension of Mussolini's regime. The fact that it was never as radical as the propaganda suggested should not detract from its significance in this respect. Finally, corporatism provided a useful piece of ballast to relations with the Catholic Church, a prominent social and political force that Mussolini could not ignore and often had to prudently court.<sup>22</sup>

How this imposed and ultimately highly dirigiste corporatism operated in practice is what we now proceed to examine. The analysis will commence with the corporate structures, the licenced intermediaries, because they illustrate vividly the overall character and bias of Italian corporatism compared to consensual-licenced corporatism.

### State-licenced intermediaries

To corporatist theorists the notion of an integrated functional intermediary – the corporation – reflecting the consensus and harmony among all of those engaged in the function was paramount, because it would engender feelings of solidarity in place of conflict. For the Fascist leaders in Italy seeking to impose their will on what was presumed to be, and evidently was, an economy of disparate and conflicting interests, the corporation held no such central appeal. So under the Italian corporate state the corporations played a belated and peripheral role.

The possibility of there being corporations was first referred to in the basic law of the corporate state (on Syndicates and Collective Relations of Labour) in April 1926.<sup>23</sup> A further law of July the same year reiterated that they would incorporate all groupings, or syndicates, within the branch of production<sup>24</sup> and added that the corporation was to be 'an organ of the State Administration'.<sup>25</sup> Thus the corporation was not to be the quasi-public, separate legal entity of corporatist ideology. Despite the case that such state bodies would pose no serious threat to the government's regulation of the economy, the corporations were not inaugurated until some eight years later. In fact, the regime from 1926 onwards had been so successful in presenting itself at home and abroad as a *stato corporativismo* that, to give some tangible evidence that the well-publicised corporations actually existed, 'expedient corporations' made up of sections of the National Council of Corporations had to be established in 1930. These makeshift corporations, of which there were seven, were based on broad economic categories and, reflecting the lack of weight attributed to the corporations, no more than sub-committees of a previously inoperative advisory committee to the Ministry of Corporations – the National Council of Corporations.<sup>26</sup>

When the corporations proper did finally appear in 1934 they had some more substance to them than the National Council's sections. The lengthy debate on the corporations form and structure that preceded the 1934 law<sup>27</sup> was confined, however, to the terms of the 1926 law, and so they proved to be state bodies *per se*. Nevertheless, unlike the sections of the National Council the twenty-two corporations were based on a particular function as understood in corporatist theory, and they did cover almost every area of the economy. Furthermore, the representatives of the employers' syndicates and employee syndicates were given equal representation on the council of the corporation, although all members were subject to ratification by the head of government. The membership of the council, in addition, however, included three representatives of the Fascist Party and the President in every case was to be the Minister of Corporations.<sup>28</sup> Finally, the Corporations were to enjoy a number of regulatory powers but exercising such powers was to be subject to government approval.<sup>29</sup>

In spite of the Mussolinian fanfare that surrounded the arrival of the corporations<sup>30</sup> they never operated as the linchpin intermediary organisations of the corporatist system. Although the corporations were heralded as constituting 'the unifying organisation of all elements of production [...]',<sup>31</sup> it was a means of control, not unification, which the Fascist government sought. The significant channel of control, and hence central structure of the corporatist system, were the member associations of the corporations, the syndical associations.

### The intermediaries' membership

The syndical system (proffered as the first stage in the development of corporatism) was established in 1926 by decree-laws. Under the law, syndical associations (trade unions or employers' organisations) could be given official recognition through a process that amounted to licencing. Any such syndical organisation thus recognised acquired the exclusive right of representing all workers or employers, as the case was, within the prescribed occupational and territorial jurisdiction with regard to the collective relations of labour. A number of conditions had to be fulfilled before recognition was granted including that 'the directors of the association shall give proof of their competence, good moral behaviour and sound national loyalty'. Recognition could similarly be granted to federations and confederations.<sup>32</sup> Thus for each side of industry there was created a single representative body for collective bargaining within a designated constituency, with a reciprocal organisation for the other factor alongside it.<sup>33</sup> In reality, all the Fascists had done in licencing the

syndicates was, on the labour side, to recognise the existing Fascist syndicates which had risen to a position of dominance by violence and state oppression<sup>34</sup> and, on the employers' side, to recognise the principal trade associations.<sup>35</sup> While the unions were clearly a guaranteed source of considerable conformity, it must be noted that employers' organisations themselves underwent a process of 'Fascistisation'. This process was only partial and did not involve a take-over of the organisations; instead there were internal purges and the ascendancy of those who were willing to conform to and deal with the Fascist leaders.

Membership of the syndicates was not compulsory, and figures suggest that at the time the corporations were formed, large numbers of employers and workers chose not to join, or were not allowed to join.<sup>36</sup> The syndical law of April 1926 had also allowed for the existence of non-recognised *de facto* associations,<sup>37</sup> but they were of little significance and, in the case of workers' associations, subject to continual harassment.<sup>38</sup> Membership of recognised syndicates was not of itself particularly significant. The only concrete benefit was the right to participate in elections,<sup>39</sup> a right that we shall see was severely circumscribed. Otherwise members and non-members alike paid the appropriate fees<sup>40</sup> and, more importantly, were bound by collective labour contracts agreed among the syndicates.<sup>41</sup>

The corporations being part of the state bureaucracy did not conform very readily to the idea of state licenced intermediaries. The syndicates in comparison, did much more closely approximate to corporatist intermediaries, at least in respect of labour relations. However, until there is further consideration of the nature of these syndical associations the picture must remain partial.

In terms of the letter of the law, the bye-laws of the syndical organisations did contain provisions for the election of officers and committees by the members or by persons elected as representatives of the members. But the value of such elections was nullified because each election result had to be ratified by an officer at a higher level, with the outcome that officials were *de facto* appointed from above, which in the last resort was the Ministry of Corporations. Indeed, in a number of cases, notably with labour syndicates, the electoral procedures were openly ignored. On top of this, many members of committees were simply coopted on from higher bodies and Fascist Party organisations. Finally, just to ensure a tight rein, any officer could be removed from his position if 'rendering himself unsuitable for the position held' and any 'election' of officers could at any time be subject to dissolution. Control was not, however, the only objective of such an appointments scheme, and many safe bureaucratic jobs were available for political patronage. To complete the centre's grip,

the decisions taken by the officials were likewise subject to this higher approval, creating an excessively bureaucratic structure.<sup>42</sup>

It is necessary, nonetheless, to draw a distinction between the operation of the process in the case of capital and that of labour. On the employers' side there was a bias in the appointment of officials usually in favour of the larger, and hence politically more influential, entities, but they were evidently representative in some general sense.<sup>43</sup> In the case of industrial representation, the leadership personnel of the *Confederazione Generale Dell' Industria Italiana* (CGII) remained largely unchanged from pre-syndical days.<sup>44</sup> This is not to suggest that the employers' organisations enjoyed great autonomy – they did not – but capital did have a voice and was close enough to the centre of things to modify many decisions. The same was not true in labour's case. The employees' 'representatives' for the most part were party members who had little or no connection with those whom they purported to represent. Instead the officials, certainly above provincial level, came from young middle-class party faithfuls anxious to get safe bureaucratic jobs, and whose principal loyalty lay with their benefactor, the *Partito Nazionale Fascista* (PNF)<sup>45</sup>.

The syndical associations represented a form of licenced intermediary, though in the case of labour associations, as control was so paramount, they enjoyed very little autonomy. In contrast, employer syndicates did enjoy a degree of autonomy (at least those that continued to operate under the corporate state, the smaller associations having been dissolved), but the evidence suggests that, while they were able to use such autonomy to good effect, the licencing system, and the potential for its extension, did place significant constraints upon their behaviour. However, before making any final assessments it is necessary to probe further, beginning with an examination of the intermediaries' functions.

### The intermediaries' functions

The twenty-two corporations, though state bodies under the clear authority of the Head of Government rather than proper corporatist intermediaries, were given *de jure* a number of important economic functions. The corporations' general powers included authority to issue rules for the collective regulation of economic relations and for the unitary discipline of production subject to the consent of the Head of Government and, after a proposal by one of the syndical associations<sup>46</sup>, on labour matters and on collective economic relations. Apart from these broad areas for rule making, or ratifying and possibly amending agreements between syndical associations, the corporations were legally empowered to: fix salary scales for work and services (though subject to approval by the National Council



of Corporations);<sup>47</sup> promote, encourage and subsidise all initiatives aimed at the coordination and improvement of production; set up labour exchanges wherever necessary;<sup>48</sup> regulate apprenticeships by issuing general compulsory rules;<sup>49</sup> and give advice when requested by 'Public Administrations concerned'.<sup>50</sup>

In actual practice the principal function of the corporations was to act as a legal showpiece; the regulatory functions were given little credence. Some indication of the minor regulatory role of the corporations can be gleaned from the fact that during their first year of operation each corporation met only once for a session of four to five days. Nor is there any evidence that during these few days the corporations were centres of regulatory activity. During the first series of sessions the twenty-two corporations between them could only adopt six regulations of economic relations and one tariff of professional fees under their rule-making powers. In addition, some eight collective economic agreements were passed and transmitted for final action to the Central Corporative Committee. A majority of corporations had no recourse to any rule-making. Instead, most of the corporations acted as arenas to lobby with numerous resolutions being passed, import substitutions being the favourite theme. There is, however, no evidence to suggest that these resolutions induced direct action. The second cycle of corporation meetings in 1936–7 did not mark any radical departure in the extent or nature of business transacted.<sup>51</sup> Yet despite their largely uninspiring start, further functions were granted to the corporations. The decree of 14 January 1937 entrusted to the corporations the task of commenting upon applications for the building of new industrial plants or the enlargement of existing ones, and the Royal Decree of April that same year gave them an advisory role to the Central Corporative Committee in respect of commodity price control.<sup>52</sup> Ironically, because the Ministry had neither the staff nor competence to take such decisions, the advice became in effect binding. The result was that the industrialists' representatives, the CGII, who were well placed in the corporative machinery, were able to make numerous decisions in their own private interests, the ministry being unable to provide any check.<sup>53</sup>

These two examples of assumed regulatory powers apart, the corporations were never regarded as structures suitable for regulating the economy. Indeed, the corporations with their 'self-government', or *auto-disciplina delle categorie*, which gave certain interests a measure of decisional autonomy, and their complicated machinery, were viewed by government officials as not providing the necessary direct control for the coordination of their economic and politico-military strategy. Instead, the 1930s, with increased intervention as a result of the depression, protectionism and later mobilisation, saw a more familiar pattern of the con-

tinued existence and creation of state and parastate regulatory agencies paralleling the supposed work of the corporations.<sup>54</sup> Thus economic regulation within the corporate state was conducted through a vast and bureaucratic network of agencies.

In addition to these economic functions, the corporations had as far back as 1926 been endowed with powers in the area of labour relations, notably 'to conciliate disputes that may arise between the affiliated organisations'.<sup>55</sup> The 1934 law did indeed set up special machinery to perform this task – Boards of Conciliation<sup>56</sup> – but by the time the corporations were under way the syndical machinery was already well-established in regulating labour relations, and there is no evidence of the corporations acting as conciliators. Under the 1926 legislation the wages and conditions of labour had to be set out in a collective labour contract negotiated between, and only between, the two appropriate officially recognised syndicates. A quasi-legislative character was given to such contracts because they were binding upon all members of the category, whether syndical members or not.<sup>57</sup> The contract, which had to follow certain legal procedures, had to be approved by the inspection service of the Ministry of Corporations.

However, the protagonists to any industrial dispute could not draw on the usual sanctions to further their cause. The 1926 law expressly forbade the use of strikes, lock-outs and other forms of action, all being subject to sanctions of fines and imprisonment.<sup>58</sup> In spite of the rigid legal position a number of strikes (under thirty a year 1926–33)<sup>59</sup> did occur involving on average around 50 workers. Not surprisingly, the number of convictions for a lock-out were minimal, though the law was easily circumnavigated in any case.<sup>60</sup> Devoid of any sanctions to wield as a means of settling disputes, an alternative method had to be provided for reaching a settlement; more accurately the alternative to be effective needed industrial action to be illegal. The alternative provided was the judicial settlement of disputes through a series of labour courts, which were also responsible for enforcing existing contracts.<sup>61</sup> It need hardly be added that only officially recognised syndicates could take action before the court.<sup>62</sup> The courts were not, however, to be brought into the drama at the first appearance of a dispute. An action could not be brought in a collective labour controversy by a syndical organisation belonging to a federation or confederation or linked with the other party in a corporation unless the federation, confederation and corporation had attempted and failed to achieve a friendly settlement.<sup>63</sup> There was, in theory at least, a hierarchy – with the corporation at the pinnacle – of bodies which first had to attempt to conciliate the dispute. Even the court itself was to attempt conciliation before hearing the case.<sup>64</sup> Such a chain of conciliation was in part, it is

worth noting, a response to pressures from employers who were concerned about the possible consequences for themselves of judicial arbitration.<sup>65</sup>

In the event, few collective labour controversies actually reached the court. By 1937, only 41 had got as far as the labour courts, and of these only sixteen were settled by court decisions.<sup>66</sup> The scarcity of actions being taken to the court was not indicative of a new corporative harmony between employers and employees. Instead, it reflected the great inequality between employer and employee syndicates because the officials of employee associations, accountable to Party leaders and the governmental bureaucracy, were willing to be more conciliatory and accept less favourable conditions than would have been acceded by proper labour organisations.<sup>67</sup> Furthermore, the Ministry of Corporations itself was engaged in a reasonable number of cases of arbitration and mediation,<sup>68</sup> thereby usurping the labour courts. In any case, employees had very little to gain from pushing their case up to the heights of the labour court because its political independence was only noted for its absence;<sup>69</sup> this reflects why the quicker expedient of using ministerial offices was so frequently employed as an alternative. The hopelessness of the workers' position was doubly so because in the court their syndical officials continued to be over-zealous in their conciliatory approach.<sup>70</sup>

To summarise, therefore, the intermediary bodies under Mussolini's corporate state never were the regulatory linchpins implied in Fascist propaganda or prescribed in corporatist theory. The only significant exception to this was the syndical associations which regulated wages and other labour conditions. This regulatory function, as we shall see in the section on labour, was a crucial element in the achievement of the state's economic goals. The corporations, for their part, never effectively performed any regulatory functions, except the two by default – licencing new plants and price controls: rather they were grandiose ministerial advisory bodies. This is not to argue that licenced intermediaries played no significant function under Italian corporatism – they did – and this is a point we will develop more fully later on. Next, however, there needs to be a consideration of the nature of the political system that developed and sustained Italian corporatism.

### The nature of the political system

Corporatism in Italy was an instrument of, and only sustainable by, a political dictatorship. The 1928 Royal Decree on Approval of the Electoral Law had ended any vestiges of free elections with the substitution of the electoral system by one of accepting or rejecting a single national list

of candidates chosen by the Fascist Grand Council, aided by the syndicates and other organisations under party supervision.<sup>71</sup> Thus from 1928 onwards the dictatorship nominated its own choice of deputies and put them to a plebiscite of a limited suffrage. The Chamber of Deputies was guaranteed to be free of any opposition. In reality, the Fascist leadership had guaranteed their election to government with the passing of the Acerbo bill in 1923 which stipulated that two-thirds of all seats should go to the list with the highest number of votes.<sup>72</sup> Even with the odds weighted in their favour, the Fascists had to embark on a wide range of illegal and violent tactics during the election in April 1926.<sup>73</sup> So, from the beginning of the corporatist system in 1926, representative government was severely circumscribed, and by 1928 it had been effectively eradicated.

Moreover, governmental responsibility to any representative body, even one that was handpicked, was ended by the decree on the Powers of the Head of Government of December 1925 which had been passed in the wake of the Matteotti crisis and the collapse of the opposition.<sup>74</sup> Indeed, the decree did much to bolster Mussolini's personal position by making the President of the Council of Ministers *Capo del Governo*; the Statuto of 1848 had not envisaged the existence of a Head of Government as distinct from the rest of the Council of Ministers with a legal, rather than conventional, primacy. The law ended responsible parliamentary government by rendering the Head of Government responsible to the King, while the ministers the Head of Government proposed to the King were responsible to himself and the monarch.<sup>75</sup> The Head of Government had virtually total control over the Council of Ministers, and the ministers can best be regarded as his aids.<sup>76</sup>

In constitutional terms, therefore, only the monarch could act as a check on Mussolini and his government's ambition. This was in some respects an important check because, although Victor Emmanuel had been compromised from the outset of Fascist rule, he provided an important source of legitimacy to the regime. Thus the constitutional diarchy had some practical significance despite Mussolini's attempts to undermine the monarch's position. By the late 1930s Mussolini's frustrations with the cautious King were beginning to show when he reportedly made it clear to his foreign minister and son-in-law, Count Galeazzo Ciano, that he intended to 'liquidate'<sup>77</sup> that 'acid and untrustworthy little man'<sup>78</sup> at the first possible opportunity. Nevertheless, despite the conflict between the two men, the monarch does not appear to have been a serious impediment to the regime's leaders in their corporatist ambitions. But the notion of an independent, ultimately authoritative state committed to corporatist goals proposed by the ideologues was never the case in Fascist Italy.

While it is true that the Fascists came to power by means of force, it was

not the only basis, and indeed, at the time was not a sufficient basis, upon which to take over the government. As Giuseppe Rossoni states: 'Although the March on Rome was the most visible part [. . .], the decisions that won Mussolini the king's invitation to form the government were made in Mussolini's headquarters in Milan where the future Duce negotiated with the country's business and political notables. Coercion and compromise were thus from the beginning inseparable traits of Fascist government in Italy.'<sup>79</sup> The Fascist government, itself a heterogeneous grouping, was also dependent upon outside powerful interests, who managed to operate within and around it with the intention of deflecting Fascist efforts from their stated goals.<sup>80</sup> The regime may have removed the pressures from the electorate, political parties (including the mass of the Fascist party) and numerous groups, notably trade unions, but it had still to mediate between and compromise with powerful interests including the army, the Church, big business and landowners, officials of the party and the civil administration.<sup>81</sup> Indeed, as Lyttleton points out, it is generally accepted that from 1926 onwards Mussolini consolidated his dictatorship by strengthening the old administrative apparatus, rather than destroying it, because it had been in pre-fascist days strongly authoritarian and hence was amenable to such developments.<sup>82</sup> Fascism, therefore, never developed its own cadres, a new elite to run the corporate state.<sup>83</sup> In the case of all the new corporatist and other regulatory agencies they drew their staff groups from outside the Party, notably from business.<sup>84</sup>

The concern of corporatist ideologues about the ultimate feasibility of their proposals centred around the development of a consensus within society – the 'corporatisation of society'. The theorists never gave much consideration to the corporatisation of the state, only its ultimate autonomy from societal interests. In Italy, the state was never corporatised. Even if one accepts that the regime's leaders were fully committed to corporatist objectives<sup>85</sup> – and this is difficult to accept without qualification given their cynical abuse of power – Mussolini and his political allies were forced to trade with traditional elite groupings esconsed within the state machinery. The state was not, therefore, the community's guardian but an amalgam of cliques of private interests and Fascist politicians who themselves did not often seem blessed with a community spirit. Usually, the Fascists appeared in the driving seat, taking the strategic initiatives, but concessions had to be given (e.g. over revaluation of the lira)<sup>86</sup> and control over the pursuit of these initiatives often had to be partially relinquished. Such constraints clearly frustrated Mussolini,<sup>87</sup> but the unsteady foundation of his authority never enabled him to free himself of them. Likewise, the other elite groups were constantly suspicious and wary of the Duce's intentions. There was, therefore, a good deal of behind-the-scenes

jockeying and the inevitable compromises. This is not evidence that the corporate state was not a dominant state, though it was clearly an amalgam of dominant groups. Such a view is reflected in the literature of Fascist Italy – even of liberal writers – which acknowledges the existence of the dominant elites and subordinate groupings. Further evidence of this division was the extreme centralisation of decision-making. So the national corporative bodies – the National Council of Corporations and its executive the Central Corporative Committee – and from 1939 onwards the Chamber of Fasces and Corporations – were never allowed to take any decisions, despite the strict controls of their memberships, agendas and procedures.<sup>88</sup> It was decision-making by a handful of insiders, the corporative bodies being there to add some *ex post-facto* approval to the irreversible. One grouping without any foothold in the decision-making process was labour. It remained completely subordinated, stripped of any political or industrial bases.

### Labour under Italian corporatism

The establishment of state licenced labour organisations, the syndicates, in the wake of the destruction of the free trade unions left the defence of workers' rights not with themselves, but in effect with the state. The Charter of Labour promulgated the year after the syndical law suggested workers' rights were in safe hands, arguing that the Labour Court guaranteed that wages correspond 'to the normal demands of life, to the possibilities of production, and the output of labour'.<sup>89</sup> In fact the Charter, which was not a legal document, being promulgated by the Grand Council of Fascism appeared on the eve of severe wage reductions in the wake of the revaluation crisis. It was not a guarantee of labour rights but a cynical piece of propaganda. The syndical machinery was, therefore, used as an effective instrument to keep wage levels in check.<sup>90</sup> The first round of cuts announced as part of the drive to revalue the lira were of the order of 10–20%, despite there having been a fall in real wages over the period 1922–6 resulting from the dissolution of free trade unions. Further rounds of cuts occurred in December 1930 (8–20%) and May 1936 (7%).<sup>91</sup> The reduction in wages emanating from the lire revaluation were supposed to be compensated for by reductions in monetary prices but this was not the case, though the world depression 1929–33 did see prices fall more than wages and hence real wages regained some ground. (However, this was not the full picture because, in absence of effective labour organisations, a number of 'unofficial' reductions were implemented by employers.)<sup>92</sup> From the mid 1930s onwards there was a series of increases in money wages, but they were for most of the time outstripped by rises in the cost of

living, so that by 1939 real monthly wages (a better indicator than hourly rates because of reduced hours) were at the same level they had been in 1928 for industrial workers. Overall the index of real wages showed them to be a fifth lower than when Fascism came to power.<sup>93</sup>

In contrast over the period 1920–39 the annual average growth rate was 1.82%,<sup>94</sup> while during the period 1929–39 – one of at best wage standstill – national income had grown 16%.<sup>95</sup> Nor was it the case that these figures reflected an attempt to transfer resources from consumption to (enforced) saving to provide investment funds for national economic development. The basic statistics show that gross investment as a percentage of G.N.P. never rose under the regime and actually fell in 1933.<sup>96</sup> Further, there does not appear to have been any economic rationale to the pattern of industries that benefited under Fascism; rather it appears largely to have been shorter-term political considerations that were the determining factor. There is virtually no evidence, contrary to what James Gregor has proposed, that Fascism was a modernising developmental dictatorship.<sup>97</sup> Instead, the enforced saving appears to have involved the transfer of resources to the public administration,<sup>98</sup> to certain employers, and, lately into military expenditure.<sup>99</sup> Italian Nationalism under Fascism was primarily directed towards cultural and political, not economic, ends.<sup>100</sup> So the workers paid for the apparatus and mythology of the regime that oppressed them.

It would be inaccurate to lay the blame for wage-cuts solely on the government; the syndical system created major opportunities for employers to extract reductions. But this qualification itself needs to be balanced by the evidence that the government imposed large cuts on its own employees, the state sector in many respects leading the way for the private sector,<sup>101</sup> despite the publicly acknowledged low level of public sector pay.<sup>102</sup> In addition, the recession that prevailed during a good part of the regime's life would – syndical system or not – have created a downward pressure on wages. This still left the corporate state with the opportunity to redeem itself in terms of its own oft-propounded criteria,<sup>103</sup> through the provision of welfare and security of employment. Indeed, still to many people today, Fascist Italy was regarded as a 'benevolent dictatorship', providing social welfare and public works programmes. Without doubt the regime did extend welfare provision. The most notable aspect was the introduction of family subsidies in October 1934 to compensate for short-time working and fewer wives in employment. Also the provision was designed to secure a high birth-rate, population increase being part of the regime's goals 'to justify territorial expansion and to provide the bayonet-wielding hordes appropriate to his [Mussolini's] 1914–18 vision of warfare'.<sup>104</sup> The family subsidies scheme was extended from 1934

onwards; for one thing, the subsidies were consolidated into wages when reduced hours were ended. They were further extended to the first child (1935), granted to white collar workers and extended to cover wives (1939), and increased in amount over the regime's final years. But the allowances, while an advance, were never very generous and scarcely met the needs they were supposed to.<sup>105</sup>

Family allowances apart, social security was subject to piecemeal developments. Sickness insurance was included in most Labour contracts after 1928, but only incorporated into legislation in 1943. It provided insurance only (50% of worker's salary) to the worker and did not cover medical expenses (until 1930), or medical assistance to family members (until 1940). One other innovation was the introduction of insurance against tuberculosis on a compulsory basis in 1928.<sup>106</sup> However, no improvement was made in the nation's modest unemployment insurance,<sup>107</sup> while only in 1939 was old age insurance moderately improved.<sup>108</sup> The most successful of Fascist schemes was in the provision of leisure activities to workers through the *Opera Nazionale Dopolavoro* which by 1939 had 4 million members, who were entitled to reduced rates for recreation and popular entertainment.<sup>109</sup> It hardly was, however, a substitute for higher wages and adequate welfare benefits. The regime can also take some credit for developing public health and hygiene programmes and improving education provision, although claims for such schemes should not be over-emphasised.<sup>110</sup>

Thus, while welfare provision did advance under Fascism from the inauspicious base of the Liberal regime, the practical and financial benefits were modest. Mussolini's claim that 'in the field of social legislation Italy leads the vanguard of all the nations', made in 1928,<sup>111</sup> was never true.<sup>112</sup> Furthermore, while employers paid more than double what employees contributed to insurance funds they in all probability were able to recompense themselves in part through lower wages, and workers themselves were paying out on average 9% (by 1939) of their already low wages to the funds. Therefore, the schemes cannot completely be regarded as a net gain. It is also worth mentioning that not all the schemes were linked to the corporatist structures through the syndicates,<sup>113</sup> employers wishing such credit there was to be gained falling to themselves.<sup>114</sup>

Of course, one of the major costs labour had to bear during the periods of recession was unemployment and short-time working. The government did take certain action to alleviate the problem. Cheapest and most effective among the methods utilised was doctoring the figures by excluding certain categories from the statistics,<sup>115</sup> which had the added bonus that they were not entitled to unemployment benefit.<sup>116</sup> Tannenbaum suggests, therefore, that approximately 75% be added to official



figures to get a more accurate picture.<sup>117</sup> Of more practical effect was the programmes of public works, of which land reclamation was the most notable. The land reclamation schemes, which were not novel in Italy, were far from an unqualified success. Carried out under the *consorzi di bonifica* on a joint public/private basis there was evidence of serious inefficiency – launched in 1928, by 1938 less than 20% of the designated land had been reclaimed – and private profiteering.<sup>118</sup> Moreover, around one-third of the finance went into the Pontine Marshes near Rome, although there were more fruitful locations elsewhere, because being close to Rome they offered easier access to foreign journalists. Although some 2000 million lira a year was put into public works programmes – as a proportion of national income no greater effort than occurred in Britain, France or the USA – only some 15% to 20% of all unemployed were absorbed by such projects.<sup>119</sup> By 1935 military expenditures were reducing the funds available for public works.

In industry the main prong of attack was the encouragement of work sharing, but government initiatives were introduced rather late in the day, and only some 130 000 men benefited with part-time work, at reduced wage rates of course.<sup>120</sup> A more direct approach was adopted in agriculture, where minimum quotas of workers were prescribed to firms through collective constraints, thereby guaranteeing work-sharing.<sup>121</sup> It should also be noted that unemployment was disguised by controls placed on the movement of labour from 1934 onwards through the *libretto de lavoro*. This ‘workers’ passport’, which a worker needed to gain a job through an employment exchange,<sup>122</sup> was an effective instrument to discipline labour. In particular, it was used to clear urban areas of unemployed and send them back to rural ones, following Mussolini’s idea of ruralisation and to dissipate urban unrest.<sup>123</sup>

### Capital under Italian corporatism

Despite the rather limited efforts to improve the conditions of labour, which were squeezed dry of their propaganda value, Italian corporatism clearly had as a principle objective controlling and disciplining labour. The maintenance of the labour order was one of the more successfully achieved objectives of the regime. Some analysts have, therefore, presented Fascism as simply a tool of capitalist domination, an alliance of big business.<sup>124</sup> Without doubt the disciplining of labour was of universal benefit to employers. But it would be inadvisable to see the relationship between capital and the Fascist regime in too instrumental terms. The regime drew its support from a range of established interests, previously mentioned, none of which could be regarded as anti-capitalist. Even the PNF itself had

from 1923 onwards, with its merger with the Nationalists, had its radicalism diluted. The old guard that had initially given Fascism a radical, revolutionary side were, in typical Italian fashion, squeezed out by state servants and parasitic functionaries.<sup>125</sup> So, the Party became an organisation not for the pursuit of ideological ambitions, but one of cliques and individuals seeking self advancement. Radicalism remained necessary to Mussolini's and the regime's legitimacy, presenting a picture of a movement of change rather than a personal dictatorship based on a network of *clientelismo*; however, creating such an image did not always necessitate a great deal of substance.

In this hospitable climate private capital was safe. But life under Fascism was not relaxed for capital, never being a period of total security. The syndical structures, although the means for disciplining labour, always posed a threat that they might be extended to similarly regiment employers. Capital therefore had to act continuously to sustain the autonomy it held within the corporate state. From the battle of the lira onwards Mussolini had made it clear that their wishes would not stand in the way of his grandiose schemes and the same was true of his military expansionism in the late 1930s and early 1940s.<sup>126</sup> Part of the autonomy capital enjoyed appears in part to have been the consequence of the state's indifference. The syndical structures and the labour courts allowed employers to reduce wages unofficially,<sup>127</sup> to breach contracts on hours<sup>128</sup> and welfare provision<sup>129</sup> and illegally to employ children.<sup>130</sup> The high declarations of the equal positions of capital and labour and the protection of labour's rights under Fascism set out in the Pacts of the Chigi Palace (1923) and the Vidoni Palace,<sup>131</sup> and the Labour Charter had a very hollow ring in practice.

The autonomy enjoyed by capital in respect of production, however, was not a matter of indifference. Mussolini in the 1930s, when his military ambitions were growing, clearly became more impatient with the degree of state control over production and the continued independence of capital.<sup>132</sup> In particular, as Knox states 'the dictator found the industrialists' preference for financial stability and modest profits over aggrandizement increasingly irritating'.<sup>133</sup> However, the 1930s do appear to have been a period when the industrialists' position was weakened and their autonomy reduced. The recession in the early 1930s hit private capital severely because the large deposit banks, which held sizeable blocs of industrial shares, were in financial difficulties, thereby creating a severe shortage of investment funds. By 1931 the government was facing not simply a rash of bankruptcies but collapse of the financial system. The response forthcoming was to establish the *Istituto Mobiliare Italiano* (IMI) which was authorised to collect private and public funds to take up

securities the banks were unable to, and hence rescue industry. However, IMI's endowment proved inadequate and so it was superseded by a new agency, the *Istituto per la Ricostruzione Industriale* (IRI),<sup>134</sup> in January 1933. The remit of IRI was to provide long-term finance to private firms and to relieve the banks of their commitment by taking holdings. In effect IRI became the means whereby the state took over the banks' role of financing industry. With the end of the recession IRI's role changed but it did not turn out to be the temporary body expected and was declared permanent in June 1937. More significantly its asset sales which had been a feature of the period 1935–6 were cut back, and investment became directed to specifically chosen sectors, most notably shipping, steel and engineering.<sup>135</sup>

It should be emphasised that IRI's holdings were in certain sectors substantial. In terms of output it held 90% in shipping, 80% in shipbuilding, 75% in metal tubes, 45% in steel, 67% in iron ore production and had major holdings in cars, telephones, aircraft production and armaments.<sup>136</sup> Without doubt IRI's role from 1937 onwards was closely linked to the foreign policy ambitions of the regime with its autarkistic and militaristic aims; indeed, the preamble to the legislation making it a permanent body stated this and it is significant that holdings in non-military industries like textiles and electricals were largely sold off. There is the further argument, bolstered by the fact that around 80% of credit available was directly or indirectly controlled by the state,<sup>137</sup> that IRI was part of a more general strategy to control the economy and guide its development. There is some validity in this line of argument; after all the Italian state had always sought to perform a guiding role in the economy. But general economic well-being, like so much else, emphatically played second-fiddle to the Fascists' foreign-policy ambitions in the second half of the 1930s. Finally, it cannot be ignored that to some extent, while the state sought to gain control over industry through financial means, the state finance did relieve private capital of certain unprofitable and high risk sectors.<sup>138</sup>

Despite the financial purse-strings the state pulled over the private sector and the various agencies of intervention which sprang up, the evidence does not suggest that such dependence made the private sector beholden to the state. They continued to enjoy a fair degree of autonomy. What did happen was that particular sectors and firms which were regarded as important to the regime benefited from finance, government contracts and guarantees – in some cases simply gifts – but others did not so benefit and had to survive in a none too auspicious economic environment. What did not emerge was any extensive control by the state over the internal decision making of the firms. In some cases, industrialists were able to turn

the machinery of public regulation to private advantage. A good example of this was the system of licencing industrial investment introduced in 1933 which was designed to prevent wasteful duplication, but which ended up being a means whereby powerful industrialists regulated competition, established *de facto* monopolies and curtailed production to raise prices.<sup>139</sup> Likewise, the *consorzi obbligatori* introduced by the government in 1932 to rationalise production were rendered a dead letter by the industrialists who ensured there was no interference with their own private cartels.<sup>140</sup>

What in effect happened with attempts at regulation, which from the evidence appeared genuine, was that the government bureaucracy did not have the expertise or information to carry out the regulations effectively and so it was handed over to politico-industrialists who were able to supplant public with private goals, if to varying degrees. Even in those firms where the state took substantial holdings, the management remained largely intact. In large part the delegation of regulation to those who were the target of the regulation was both out of necessity because of the incapacity of the usual state bureaucracy. It also reflected in part, though, Mussolini and his colleagues' disposition to apolitical functionaries – 'the experts'.

So private capital had an ambiguous relationship with the Fascist regime. It benefited from a disciplined labour force but had little influence over the direction the government pulled the economy in. Industry was in a position of reacting to, but not setting the framework. In reacting the industrialists were able to bring to bear considerable influence. However, the costs and benefits were not equally shared. From 1927 onwards export industries suffered from the moves towards economic isolation, while the recession allowed larger firms to consolidate their position at the expense of the smaller. The ability to pursue private ends under public guise through *autodisciplina* fell to those firms with political influence inside the syndical associations. Sometimes the government itself showed clear favouritism to the largest entities as for example, when it assigned favourable import-quotas to a select group of thirty of the largest firms, leaving the rest severely short of necessary imported raw materials.<sup>141</sup> The government, moreover, was able in the liquidity crisis of the 1930s to channel funds to the chosen sectors, but it was never capable of effectively regulating private firms. Thus price controls were applied with some stringency to prevent exploitation in an insulated economy, but because the employers held the sole source of statistical information existing distortions were never checked.<sup>142</sup> In terms of profits the regime provided a period of modest return, though the larger entities did fare much better than their smaller counterparts,<sup>143</sup> many of whom fell by the wayside. No

doubt the industrialists were happy with these unexciting, but secure, industrial circumstances. Set against this, however, was the less tranquil political environment and the Duce's ever-growing imperial ambitions. During the final years of the regime a rift clearly emerged between the Duce and the industrialists who were none too enamoured with his foreign adventurism, which *inter alia* they were having to make a financial contribution towards through much resented taxes and capital levies.<sup>144</sup>

Much of what has been said about industry could similarly be applied to agricultural landowners, though their power was largely locally based *via* the Party. Again they all benefited from labour legislation – possibly more so – and it was the larger landowners who gained the most from the regime's policies. There does, however, appear to have been much less conflict between the interests of the landowners and the regime's goals.<sup>145</sup>

It may appear that corporatist licencing was irrelevant to state regulation of capital, unlike labour, under Italian corporatism. Certainly in a positive sense, this was mainly the case but, as will be argued in the chapter assessing authoritarian-licensed corporatism, it was significant in negative terms. However, before drawing any conclusions on the general nature of corporatism in Italy 1922–39, which will be done in Chapter 8, we shall examine another example of authoritarian-licensed corporatism, Portugal 1933–74.