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**The evolution of strategic industry in Italy between 1937 and 1945:
Fascist public holdings and the consolidation of
the Italian mixed economic system**

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Abstract

This research is designed to conduct a political and historical analysis of economic trends, by discussing the evolution of Italian strategic industry in the last phase of the Fascist Regime and early transition towards the Republic, namely between 1937 and 1945. Throughout the selected period of time, the Italian economic system went through a series of institutional and financial reforms that altered previous equilibria between public and private power, in the direction of State intervention, public control over strategic industrial sectors through public holdings and financial intermediation performed by public institutional entities. Most importantly, this series of changes revealed the ongoing technocratic revolution in the field of political and economic decision making, which overcame previous boundaries between the politics of expertise and political power. The outcome of this economic process led by political interests and visions of technocratic figures was the stabilisation of a new economic paradigm, classified as mixed because of synergies between private market mechanisms and State intervention, also known as a third economic way between capitalism and socialism. By adopting a comprehensive approach and by focusing on cause-effect relations between domestic, international, economic and technocratic factors, this research will analyse the extent to which this innovative model of managerial capitalism survived the end of Fascism. In the evaluation of the degree of continuity between the Fascist and post-Fascist age, special attention will be placed on the Regime's institutional inheritance, continuity in economic management and technocratic legacy in the Republic economic system. In the end, after assessing the impact of the State-market-industry paradigm in the Italian economic miracle, concluding remarks will reflect on similarities between the selected period of interest and modern times. In particular, this research will prepare the ground for broader discussion on the coming-back of State economic intervention, technocratic influence over decision-making and synergies between private and public spheres, technical and political power, and between managerial and bureaucratic figures.

Introduction

What happened in the last years of the Fascist Regime and the birth of the Italian Republic usually draws less attention than other historical periods, including the early Fascist age. The same is true for economic trends that occur behind Great Power games, which, nevertheless, have the potential of revealing more about synergies between economic, political and foreign policy dynamics, and their long-term impact over modern systems.

Taking the Italian case, this research aims to explore a less well-known topic of Fascism, namely the evolution of strategic industry between 1937 and 1945, and, more specifically, the birth and later consolidation of Fascist public holdings in the innovative national mixed economic system. More in detail, the main focus is dedicated to a discussion on the extent to which the development of the so-called strategic industrial sectors in the 1930s paved the way to the creation of Fascist public enterprises and to the long-term stabilisation of managerial capitalism in Italy.

Exploring this historical economic revolution requires conducting a political analysis of economic trends in the selected institutional system, and to grasp the meaning of multiple interactions between domestic and international dynamics, economic policy changes, foreign policy ambitions and the impact of the technocratic revolution on institutional and industrial structures. Such an interdisciplinary approach is applied to investigate a defined period of time that begins in the early 1930s and ends in the early 1950s, more specifically from 1937, when the *Istituto Ricostruzione Industriale* (IRI) became permanent, until the end of Fascism in 1945 and the transition phase towards the Republic. The choice to circumscribe the analysis to this time frame is functional to draw some insights about the legacy of Alberto Beneduce— represented by the *Istituto Mobiliare Italiano* (IMI), IRI and the *Enti Beneduce* – and of the technocratic revolution in the Italian economic culture, in relation to the degree of continuity in the management of the national economy in spite of abrupt political changes.

In the attempt to explain why this research is dedicated to this specific phase of the Fascist economic and political history (1937 – 1943), it is useful to cite one of the greatest economic experts of Fascism, namely Gianni Toniolo (1942 – 2022), who believes the economic history of Fascist Italy, together with its social and political components, to be a complex and contradictory phenomenon. In line with the intellectual interest that led Toniolo, Ciocca, Franzinelli, Magnani, Castronovo, De Felice, Lupo and others to do research and go beyond simplistic correlation and cause-effect relations, the purpose of this research is to investigate the evolution of the Italian economic system, in relation to the role played by strategic industries, moving in the direction of larger public control over industrial sectors combined with capitalist market orientation. As explained by Toniolo (1980), the

most original and significant outcome of Fascist economic management was the public disinvestment of mixed banks and the radical transformation of the national system of financial intermediation, with significant consequences on the organisation of financial markets and national industries. Other than short-term effects, the new-born economic approach characterised Italian economic institutions for more than forty years. This trend argues in favour of the continuity hypothesis between different phases of national history, from the Giolittian (1903), to the fascist (1922) and the Republican (1946) ages, as far as economic structures and models of development of Italian capitalism are concerned. The origin of such a historical transformation is the nature of the Fascist economy itself. Indeed, because of the absence of an original character of the Fascist economic policy, economic provisions ended up being more determined by political priorities, historical contingencies, international factors and experts' influence rather than purely economic considerations. On one hand, the absence of a clear ideological orientation was responsible for the implementation of contradictory policies, the lack of defined economic strategies and, ultimately, of ambiguous distortions of the Italian capitalist mechanisms - in the evolution of the Regime's policy from a liberal (1922 – 1925) to a protectionist (1925 – 1935) and then autarchic (1936 - 1945) orientation. On the other hand, the flexibility of Fascist economic approach left greater room for manoeuvre to technocratic advisors like Beneduce and Menichella, who benefited from Mussolini's personal trust to lead the Regime's economic policy towards a series of reforms, radical innovations, and, most importantly, to a more active role of the State in the economy. At the same time, the lack of Fascist commitment to specific economic theories was the basis of institutional and economic continuity with the new-born Republic, whose economic advisors understood the historical meaning of Beneduce's architecture and protected it throughout the transition phase, in the interest of the nation's economic future. Hence, this research is dedicated to the series of financial reforms that changed the course of Italian economic history, by giving birth to new synergies between private and public economic actors and by stabilising State's control over strategic national industries. In the words of Amedeo Lepore (2014, p.47), the late thirties witnessed one of the most brilliant phases of economic revolution in the “affermazione di un indirizzo di governo dell'economia italiana, nel superamento di una fase critica e nel graduale mutamento del Paese da un assetto finanziario e produttivo arcaico a una moderna struttura industriale, che, nella seconda metà del Novecento, sarebbe stata in grado di competere a livello internazionale anche grazie all'intervento pubblico”. Thus, in less than two decades, the Italian State became the heart of the system of financial intermediation and the main promoter of economic growth, which gave birth to the innovative Italian version of managerial capitalism. According to Toniolo (1980, p.XVIII), this is “il lascito più duraturo del regime fascista a chi ne raccolse l'eredità” and a topic of never-ending

interest for all the ones who are interested in discovering what lay behind modern economic system, equilibria and weaknesses of the Italian economy.

In order to understand how such a revolution occurred in the Fascist age, it is necessary to investigate the evolution of strategic industries and the Italian economic system by combining historical reflections with political and economic analyses conducted by experts – Toniolo, Ciocca, Castronovo, De Felice, Lupo – together with evidence and data on economic trends (included in the Appendix).

First, conducting a political analysis of economic trends requires to reconstruct domestic and international dynamics that affected economic decisions (Chapter 1). More specifically, the Fascist period between 1937 and 1945 is analysed by focusing on some of its key factors, notably the consolidation of domestic totalitarian power (Section 1.1), the Regime's growing imperialist ambitions (Section 1.2), the new model of organised capitalism designed to back colonial plans (Section 1.3) and the impact of these radical transformations in the State management of the industrial-financial apparatus (Section 1.4).

Then, by drawing insights from the political evolution of the Regime (Chapter 1), the discussion on the evolution of the Italian third economic way will focus on economic trends (Chapter 2), by retracing the development of the Italian capitalist economy and the progressive expansion of public intervention (Section 2.1). Most importantly, special attention will be dedicated to the impact of the Italian technocratic revolution, represented by Alberto Beneduce, its creatures, namely IMI and IRI (Section 2.2), and the fundamental role of the *architettura Beneduce* in the implementation of autarchic plans and the forms of Fascist autarchies (Section 2.3). Lastly, given the outstanding importance of growing public power over strategic industries, the final section of Chapter 2 (Section 2.4) will be centred on the notion of *strategicità* applied to the Italian industrial complex and the extent to which empowerment of strategic sectors became one of the core features of the national "mixed" economic system.

Finally, because of the historical value of continuity between Fascist and post-Fascist age, the research will evaluate whether and how private-public synergy and public control of strategic industries survived the end of the Regime and entered the economic system of the new-born Republic (Chapter 3). Doing so requires defining the notion of continuity in relation to institutional and economic features of the Italian system (Section 3.1), to the symbol of continuity between the two ages, namely IMI and IRI, and their relationship with the Republican economy (Section 3.2). Another important factor under investigation will be the technocratic élite and its relationship with both Fascist and Republican politics (Section 3.3), given the long-term impact of the technocratic revolution they

led over institutional mechanisms and the national economy, in spite of political changes. Lastly, the analysis will be completed by some reflections of the new Italian model of economic development embraced by the Republic in 1946, and the central role of the relation between market-State-industry throughout the national economic history (Section 3.4).

Apart from historical interest in the topic under investigation, it is interesting to notice the timeless value of the institutional and economic reforms implemented in the late 1930s, and the technocratic revolution itself, whose enduring legacy is re-emerging in modern times with new contemporary meanings. Indeed, the XXI century is witnessing the coming-back of the State as an economic actor, of public intervention in the name of the *raison d'état*, as well as the so-called technocratic government, in the context of new relations between the State, the market and the politics of expertise. Among the main questions of our time, a prominent place is dedicated to the role played by managerial competences and economic evaluations over political decision-making, together with modern reconceptualisation of key concepts of the political realm, such as national security, *strategicità* and industrial management.

As a matter of fact, modern times are characterised by the ongoing transformation of relations between public and private spheres, which also goes through the renewed importance of technocratic competences to better address new challenges. According to Castellani (2023), the combination of international tensions, the coming-back of inter-state wars and economic protectionism has “stravolto il paradigma politico ed economico con impatti rilevanti sulla relazione tra management e governo, tra aziende e burocrazie di stato”. Starting from the reconstruction of the historical process that led to the appearance of the *gemellanza siamese* between management and bureaucracies with the *architettura Beneduce*, this research will prepare the ground for more extensive understanding of modern system of governance and the figure of today's new man as the combination of a politician, a bureaucrat and a manager. Over time, the hybrid nature of decision-making – influenced by political, economic, institutional and technical figures – has influenced the evolution of Italian parliamentary history, but also public management of economic dynamics. Nevertheless, modern changes can be grasped only by learning from what came before, intended as the innovative relation between State-market-industry-technocracy born under the Fascist Regime, that ended up changing the course of Italian history.

Chapter 1 – The age of Fascism: consolidation of domestic power, ambitious foreign policy and the new model of organised capitalism

Conducting a political analysis of economic trends requires to reconstruct domestic and international dynamics that affected political decisions and to evaluate the influence of political factors over economic mechanisms. Indeed, investigating the evolution of strategic industry during Fascism and the consolidation of the innovative “mixed” paradigm of the Italian economy demand, first of all, to examine what happened in the 1930s, namely in the age of Fascism, with respect to (Section 1.1) domestic political dynamics, like the consolidation of Fascist authoritarian power, (Section 1.2) to international challenges and the Fascist turn towards more ambitious foreign policy goals and (Section 1.3) to the concurrent evolution of the Regime’s economic policy. Lastly, in order to investigate the historical meaning of industrial and economic transformations that occurred between 1937 and 1945, it is worth examining the nexus between the Regime’s turn towards authoritarianism (1935), foreign policy aggressiveness and imperialism (1935), State intervention in the economic realm (1933) and autarchic plans (1937), together with effects on the future of the national economic system (Section 1.4).

1.1 – Fascism from the 1920s and the 1940s: authoritarian turn and stabilisation of the Fascist ruling

From a broad perspective, Fascism, intended as both the Fascist movement and the Fascist Regime, wrote more than two decades of the Italian history in the XX century, mainly from 1919 (birth of the *Fasci Italiani di Combattimento*) to 1943 (Mussolini’s deposition). The First World War and the series of political, military and social events taking place between 1915 and 1918 marked the end of an era inspired by the principles, values and political rule of the Renaissance. In the meantime, a new era was beginning: the 1920s saw the rise of Fascism, the 1930s its consolidation and the 1940s its collapse, together with its institutional and economic legacy for the new-born Italian Republic. Throughout the years, the Regime was in a constant state of evolution, determined by political goals, international ambitions, economic needs and changing historical contingencies, which must be accounted for to understand Fascist turn towards authoritarianism and growing State power in the political, international and economic spheres.

With respect to the political realm, the most significant transformation Fascism went through was the evolution from a semi-authoritarian and free-marketer regime (1922-1925) to a closed, authoritarian and bureaucratic one with totalitarian ambitions (1925-1943). In order to learn more

about the authoritarian nature of Fascism in the 1930s, it is valuable to recall what came before Mussolini's turn towards Fascist totalitarian control of the political and economic spheres.

De Felice (2017) believes Fascism to be born as a reaction to failure, fear and institutional weakness of the Italian Regime, in a context of widespread confusion, violence and chronic fatigue. In the late 1910s, the end of Giolitti's parliamentarism, due to political divisions that fostered instability and prevented the country from having a strong government, convinced the young Benito Mussolini to act. In order to get power, he combined the militia – the military corps of the new-born *Partito Nazionale Fascista* (PNF, November 1921) – with support provided by local leaders like Italo Balbo and Roberto Farinacci in controlling territories through violence, at with his personal charisma, depicted as “potenza fascinatrice e trascinatrice” (De Felice, 2017, p.20). Therefore, while the intellectual political class of the time was still convinced of the possibility to control Mussolini and to benefit from strength of the Fascist party to reinforce the old liberal regime, Mussolini was putting pressure on the King to get his support, up to the point of being chosen to lead his first government (October 1922). The demonstration of Fascist power during the March of Rome (October 1922) revealed the failure of the liberal political class and their illusion of using Mussolini to bring back order against socialism. At the same time, it became clear that Italy was still a new-born democratic state with an old constitution and without any constitutional control that could contain Mussolini's power and protect the legality of the institutional order. The following historical events confirmed how the ruling class and leaders missed the point and indirectly contributed to the birth of the Fascist Regime, as the first step towards the consolidation of the Fascist power in the following decades.

Apart from what Clark (2014) depicts as a favourable mix of contextual factors behind Fascist uprising – like the immense scope for patriots offered by the crisis, waves of political instability and parliamentary divisions - a great deal of Fascist success resulted from Mussolini's personal capacity. Indeed, he managed to embody widespread feelings and operate in such a way as to conquer different social strata, ranging from the industrialists to lower classes, by leveraging on common patriotic myths and same targets – Parliament, government, Giolitti, Nitti, Socialists, Catholics and bureaucrats. Prior to the PNF, the radical program of the *Fasci Italiani di Combattimento* already embraced the interventionist and bellicose spirit of Mussolini and embodied the revolutionary nature of this new political phenomenon. Later on, the *Fasci* became a mass movement in both urban and rural realities, which succeeded in the political realm because of Mussolini's capacity to match *squadrismo* with parliamentary moderation, reactionary violence and patriotism with reconciliation. In the '20s, while he benefited from *squadrismo*, violence and nationalist rhetoric, he started to act as the Duce of Fascism, as a national organiser, financier, propagandist and moderate statesman who knew the value of national reconciliation and restoration of law and order to compensate for

revolutionary violence. This brilliant combination managed to both conquer people's heart and soul through violent nationalistic claims and to reassure the establishment, the rural bourgeoisie and industrial power through conservatism, institutional stability and peace-making interest. As explained by both Lupo (2005) and De Felice (2017), because of the constant attempt to be accepted by most groups, the nature of the Fascist movement ended up being extremely heterogenous, based on revolutionary claims, anti-socialism – because socialism was the Nation's enemy and because Italy needed law and order – anti-parliamentarism – because of opposition to the idea that the best government was guaranteed by confrontation between political groups and compromises rather than radicalism – and anti-liberalism – since government was supposed to lack adequate means to implement their plans and potentially destroy the country (Lupo, 2005, p.117)¹. In the meantime, this strategy required the original political movement to be converted into a formal political party to be perceived by the establishment as acceptable, namely the *Partito Nazionale Fascista* (PNF), made of local branches, respectable recruits, regular dues and a centralised body overseen by the party leader to counterweight local squads. Hence, Fascism became a distinct phenomenon capable of conquering different social strata through common patriotic sentiment, hatred of socialism and the myth of the Duce, but also the new political reality that persuaded the old ruling class and pre-constituted powers, including the King. As a result of the incapacity of Fascist opponents to form a united anti-fascist front, the army's tendency towards fascist ideals and the King's interest not to oppose the Fascist rise for the need to contain organised violence, Mussolini was brought to power without the need for him to seize it (Clark, 2014) and no-one could be deemed responsible for that, according to Lupo (2005).

In October 1922, the establishment's decision of controlling the Fascists by absorbing them into parliamentary mechanisms gave birth to Mussolini's government and mainly, to the Fascist Regime. Until 1925, the Regime could be classified as semi-authoritarian and free marketer, because, in this first phase, operating through constitutional channels instead of illegal ones and conquering the heart of constituted powers – industrialists, Church, Monarchy – was far more convenient than completing the transformation towards radical Fascist ideals and conveying a strong sign of discontinuity with the Liberal age. Hence, the semi-authoritarian phase of Fascism is also known as the Fascist parliamentary age, characterised by liberal reforms, administrative rationalisation and

¹ Original quote: “Antisocialismo perché il socialismo è nemico della patria e perché la patria ha bisogno di ordine e disciplina. Antiparlamentarismo perché l'idea che il miglior governo derivi dalla competizione di gruppi politici locali e d'interesse sul mercato elettorale – attraverso aggiustamenti, mediazioni e compromessi – appare intollerabile per i radicali di ogni colore. Antiliberalismo perché è assurdo che un movimento, un governo o una nazione concedano agli avversari i mezzi per la propria distruzione.” (Lupo, 2005, p.117).

institutionalisation of the PNF, in contrast with the later turn towards authoritarianism, personalism, State fascistisation and totalitarian control of politics, society and economy.

After the Giolittian period, the parliamentary age of Fascism initiated a new phase of Italian history, marked by the quest for parliamentary normalisation of Fascism, restoration of law and order, pacification and absorption of the Fascists. To start with, while many expected the immediate dissolution of the Parliament after the Fascist conquest of power, Mussolini was far more interested in gathering enough power to enact administrative reforms for both weakening and safeguarding the (delegitimised) Chambers, rather than granting excessive legitimacy to Fascist bodies. As explained by Lupo (2005), this moderate approach was functional not to disrupt equilibrium with State institutions, not to lose the limited support coming from the Chamber and not to convey the feeling of an authoritarian turn generated by the Fascist coming to power, while acting with cautious and eliminating any dualism between the State and the Fascist power. Indeed, the survival of both the opposition and the Parliament itself represented the voluntary and temporary self-limitation of winners' power, as well as the preservation of existing laws and the liberal nature of the Regime, which were the direct consequence of the Regime's attempt to institutionalise the Fascist revolution. Probably, this was a winning strategy for Fascism, since acting as both a revolutionary movement and an institutionalised party was functional to succeed in the institutional realm and eliminate residual doubts about the Regime's direction, without disappearing from the spectrum of the revolution and losing popular support. In order to maintain this precarious equilibrium, the Government adopted a series of provisions, such as the creation of *Milizia Volontaria per la Sicurezza Nazionale* (MVSN in 1923) to defend the Fascist revolution and control the hard men of Fascism, and simultaneously, the establishment of the *Gran Consiglio del Fascismo* (December 1922) to institutionalise the Fascist ruling and win the Establishment's consensus. Hence, Mussolini succeeded in controlling violent internal groups and becoming the hero of the establishment through the normalisation of Fascism.

In addition to political reforms and parliamentarisation of Fascism, the first version of the Fascist political economy was inspired by the liberal approach of Giolitti's government and free-market principles. As later explained in Section 1.3, under the leadership of the Minister of Finance, De Stefani², Fascist economic policy had a clear capitalist orientation and adopted a series of liberal provisions that favoured post-war economic recovery, international trade and public debt adjustment. Apart from increasing consensus within the economic industrial élite of the time and the national

² *Alberto De Stefani* (1879 – 1969) was an Italian economist and politician, who became the Minister of Finance in the early years of Fascism (1922 – 1925), responsible for the implementation of the semi-authoritarian and liberal Fascist economic policy.

productive sector, the primary aim was bringing the Italian State back to the model of a small state through administrative and liberal reforms, with the purpose of involving entrepreneurs in the process of economic development through privatisation³. This strategy clearly reflected Mussolini's awareness of the central role played by producers and industrial groups, and their capacity of affecting governmental decisions, which urged to implement adequate pro-market measures to win their hearts (Lupo, 2005). Moreover, public expenditure was reduced and concentrated on public works policy, in the attempt to maintain popular support in the delicate phase of post-war reconstruction.

In the meantime, bringing the "small" Italian State back required the Regime to enact a process of administrative rationalisation, based on the reduction of ministers, personnel and administrative simplification of bureaucratic mechanisms developed during the War, which also created the basis for power centralisation. Other than abolishing some ministries and reducing public manpower, the administrative program required the central government to substitute local economic bodies for broadening central control on the national budget, and the same was true for the office of the *Presidenza del Consiglio*, which was reorganised and reinforced together with the *Segreteria Particolare del Duce*. Indeed, the new engine of the strong Fascist State - *Presidenza del Consiglio* - was reinforced through increase in the number of public personnel, civil servants and consultants in charge of overseeing and implementing the Fascist political program, while the *Segreteria Particolare* was the innovative body designed to manage public and private meetings with industrials, foreign diplomats and ministers. As explained by Lupo (2005), also administrative rationalisation and power centralisation were aimed to protect State institutions and their legality without nullifying their power, and to entrench the Fascist power within national institutions.

Lastly, institutionalising the Fascist revolution required to complete the transformation of the Italian State through the institutionalisation of the PNF itself, in order to both consolidate Fascist power from the top to the bottom and to reassure the public opinion about the ongoing experiment. The transition from the revolutionary nature of the Fascist movement to the moderate version of institutional Fascism also went through the fusion between Fascist and State institutions and the Fascist reorganisation of local levels of power. In the quality of *Duce del Fascismo*, Mussolini was at the top of the Fascist hierarchy and was supported by the National Secretary of the PNF, who was required to report directly to the Duce. At the local level, the most important authority were the *Federali*, namely the head of PNF at province levels, capable of operating as State's prefects. Other than the

³ After the nationalisation of the telecommunication and insurance sectors – through INA (*Istituto Nazionale Assicurazioni*) - operated by the Giolitti's government, both sectors were alienated and subjected to a process of privatisation, despite their qualification as "strategic" for the public interest. As explained in Chapter 2 and Chapter 3 in relation to the evolution of key industries and growing public control, the Regime's considerations on these strategic industries will radically change in the 1930s.

Fascist Militia whose pursuit of political violence was functional to maintain the national territory under control, and the *Camicie Nere* who defended the Fascist revolution, the *Gruppi di Competenza* were specific groups of experts organised at the local level to recruit people with specific competences – lawyers, scientists, professors – with the goal of cultivating a better ruling class. Hence, institutionalising the Party comprised the constitutionalisation of Fascist violence (*Camicie Nere*), which was necessary to prevent military and extremist wings from undermining the ongoing process of power stabilisation. Later on, the Regime took a more decisive turn towards authoritarianism. A new phase of the Fascist revolution was beginning.

After the early phase of institutionalised semi-authoritarianism, the Fascist power started to prepare the ground for a decisive authoritarian turn (1925) and totalitarian ambitions (1930s). As far as centralisation of political power is concerned, among the key moments of this process, the approval of the Acerbo Law (November 1923) deserves a special focus because it embodied the meaning of Mussolini's effort for the parliamentarisation of Fascism, by making the Parliament declare the victory of Fascism through "traditional" electoral mechanisms. Indeed, the new electoral provision established a hyper-majoritarian system which assigned two-thirds of parliamentary seats to the most voted party or list, namely to the *Listone Nazionale* led by the PNF, at the political elections of 1924, which reduced political competition and amplified the Regime's closeness. In the meantime, what Lupo (2005) refers to as the carrot and stick policy⁴ pursued by Fascism explained the disappearance of the socialist deputy Giacomo Matteotti (June 1924), after he denounced electoral irregularities, challenged the Regime, opposed the Acerbo Law and caused the Aventine Secession (June 1924). Nevertheless, the ambiguity of this double-edged strategy disappeared on January 3, 1925, which is the conventional date to indicate the Fascist authoritarian turn. On this date, Mussolini held a speech in the Chambers, during which he claimed responsibility for Matteotti's murder and he de facto legitimised the murder of the opposition's leader, given that no one of the remaining political forces could contrast the overwhelming Fascist power. According to Lupo (2005, p.196), the process of demolition of political pluralism was completed when Mussolini proved the current executive to be a regime, rather than a traditional government, which, established a dividing line between the old and new Italy, between the liberal and the Fascist State, through a totalitarian ruling and the consolidation of monopoly of power, as added by De Felice (2017, p.50). Hence, at the end of the '30s, the Fascist ruling was a stable, powerful and authoritarian Regime, with the capacity of controlling political

⁴ With respect to the double-edged strategy used by the Fascist Regime until 1925, De Felice describes it as the combination of stick and carrot, namely the search for consensus and fruitful collaboration with the ones interested in benefiting from it (carrot), and the use of violence during political campaigns against dissidents and oppositors (stick), by adopting violent methods that, according to Giolitti, could not be ascribed to a civil country (De Felice, 2017, p.40).

mechanisms and local realities, exercising totalitarian control over the job market and popular masses, and pursuing ambitious foreign and economic policy goals, including autarchy, public control of strategic industries and the creation of an innovative economic paradigm, in between liberal capitalism and soviet communism.

More in detail, in 1925 the Regime pushed for the consolidation of the Fascist authoritarian power through the nomination of the radical Roberto Farinacci⁵ as the new PNF secretary, who ruled over a new phase of legitimised political violence, personalisation of power, Fascistisation of the public administration, totalitarian control of the masses, bureaucratisation and entification of the national economy. Beginning with centralisation of political power, Lupo (2005) identifies the core elements of the new fascist politics and most significant transformations of the Regime's political paradigm with the evolution from squad violence to authoritarian nationalism and totalitarian spirit, based on law, order and hierarchy. This trend matched with bureaucratic centralisation on the dominant figure of the Duce and normalisation with pre-existing national institutions like the Monarchy to complete the process of fascistisation of the Liberal Italy and create a unitary Fascist State in a historically divided country. First of all, building a totalitarian State required to transform the Italian unitary and centralised democracy, where decisions and information moved from the top to the bottom, from the centre to the peripheries and from the élite to the whole population. Indeed, the Fascist solution was intended to address structural weaknesses of the Italian liberal system, namely agnosticism on goals to be achieved through public action, divisions of power and complex games of representation, by substituting parliamentary principles with unified decision-making processes, administrative centralisation and totalitarian organisation of the whole country. On this point, it is necessary to emphasise what De Felice (2017) refers to as the uniqueness of Fascist Italy, where power centralisation was functional to reinforce the centrality of the State over the Regime and the PNF, differently from what happened in Nazi Germany and Soviet Union. Indeed, "non nel partito, dunque, ma nello Stato il fascismo si doveva, secondo questa logica, gradualmente identificare, sino a pervenire a una fascistizzazione dello Stato stesso e della società" (De Felice, 2017, p.51). This choice originated from Mussolini's realism and awareness of the need for Fascist power to respect institutional constraints and pre-existing institutions because of their crucial role in the Italian political scene. Hence, rather than overruling State bodies, it was preferable to entrench Fascist power within the national institutional system in order to implement the Napoleonic model of administrative state⁶, based on a centralised, organised and unitary public administration, and a strong personalistic

⁵ See the list of Secretaries of the Fascist National Party in the Appendix, p.146.

⁶ The Napoleonic model of administrative state is mentioned to exemplify the importance of a stable, organised and hierarchical administrative system for a united and successful state. This paradigm emerged for the first time in the Napoleonic era (1799 – 1815). From this perspective, public administration is the authority in charge of executing the

character (Lupo, 2005, p.212). In the meantime, while the Leader supported progressive empowerment of State bodies at the expense of Fascist ones, he relied on the champion of radicalism, squad violence and aggressiveness, Farinacci, to keep alive the spirit of the Fascist revolution while taming internal conflicts and preventing violent groups from threatening Mussolini's attempt of institutionalising the Fascist power. This strategy also required to tame the opposition by creating and strengthening the fascist intelligence and political force, namely OVRA (1927), which was in charge of collecting information on Fascist members and classifying suspects, as well as to direct political violence against political opposition. In the same years, the Regime adopted the *Leggi Fascistissime* (1925-26) for revising the institutional architecture around the head of government at the expense of parliamentary institutions, introducing strong limitations of political freedoms and sentencing political opponents. Indeed, Special Tribunals (1926) were designed to trial suspected terrorists and apply death penalties for terrorist attacks against Fascism and the Duce himself. These military-judicial organs for political justice operated under Mussolini's direct control and represented the most repressive instrument against political opposition operating under Fascism (Neppi Modona in De Nicolò & Fimiani, 2019), because they were responsible for defeating anti-fascism and parliamentary opposition, other than consolidating the fascist power and weakening the resistance of the Monarchy, the Church and the army.

In addition to institutionalisation and stabilisation of the Fascist ruling, the Regime policy went through what Renzo De Felice defines as "regressione burocratica" (2017, p.4), namely the deterioration of politics in favour of the amplification of administrative mechanisms. In fact Mussolini knew the importance of relying on the old bureaucratic system and political ruling class to channel the impulsive Fascist revolution in the organised, structured and totalitarian society of the Regime. On one hand, clientelist practices and party membership were used to maintain social peace, by providing money, benefits and welfare privileges for taming social tensions and widening popular consensus for Fascism. Indeed, the fascistisation of the State required to select loyal functionaries for new bureaucratic Fascist offices, like the *Podestà*, in order to complete the process of administrative unification and stabilisation of the Fascist ruling. On the other hand, this bureaucratic turn exemplified the Regime's preferential treatment for specific groups of non-fascists, namely industrialists, liberal bureaucrats and technical experts, who were exempted from party membership and loyalty requirements on the ground of their direct contribution to the Regime's economic success, national productivity and administrative efficiency, which indirectly boosted Mussolini's prestige

regime's power in the national territory and in representing the power of the national leader. Given the importance assigned to administrative stability and organisation by Napoleon, historians collocate the administrative Revolution in the Napoleonic era, inspired by subordination to a central power, principles of administrative unity and territorial division (Bigot, 2010).

abroad. As explained in detail in the following sections – Chapter 2, Section 2.1 and Chapter 3, Section 3.3 – one of the greatest merits of Fascism was assigning an incomparable value to technical expertise and fruitful relations with entrepreneurs, bureaucrats and industrialists. Because cooperating with economic forces and valuable experts was necessary for the Regime's success, these groups were protected by Mussolini himself independently from their political loyalty. Hence, the more domestic politics was assimilated to administrative efficiency, the more expertise was crucial for improving the functioning of State mechanisms and the more it is worth detaching from political loyalty and embracing a technocratic alternative to Fascist administration. According to Lupo (2005), the shift from pure politics to technocratic anti-politics was exemplified by the way in which Fascism relied on traditional parliamentary and institutional mechanisms to consolidate the unitary nature of the State, built a system of parallel administration independent from political dynamics and relegated the PNF to a parastatal function.

Apart from preferential treatments, Italian institutions and social classes went through the fascistisation process, as a reflection of the totalitarian attempt to complete the Regime's evolution from one piece to the whole national reality. *Mussolinismo*, namely the instrumental use of Mussolini's figure, was crucial to lead the Fascistisation process, to mediate between components of the *partito-Stato* and to reinforce the Regime's through propaganda, at the expense of the Monarchy and other balancing forces, including charismatic leaders like Farinacci⁷. According to De Felice (2017), Fascism's personalistic turn guaranteed political and social stability through a special bond between the Government and the public opinion, and the myth of Mussolini, which protected the Regime from criticisms, public discontent and potential overthrow of power. At the same time, *Mussolinismo* and the progressive removal of potentially dangerous rivals to the Duce's power – including Farinacci – were both functional to enforce the totalitarian political reform, by relying on centralisation, personalisation and institutionalisation of Fascism to converge autonomous sections of the PNF from the provinces and administrative offices into a single, obedient and central party-machine (Lupo, 2005). Prior to the 1930s, there was no clear sign of the Fascist intention of politicising the administration, but then, local majors were substituted by *Podestà*, the role of prefects was constitutionalised, neutral super-partes administrative figures were substituted by individuals loyal to the Fascist ideology and the *Gran Consiglio del Fascismo* became the supreme organ of the

⁷ With respect to the correlation between changes in the PNF secretary and the Regime's personalistic turn, it is necessary to specify Mussolini's evolution in the choice of the Party Secretary, moving towards less charismatic and weaker figures that could not threaten neither the Duce's power nor the process of institutionalisation - from the intransigent, independent and dangerous Farinacci (1925-26), to the dull but reliable secretary of Turati (1926-31), to Giuriati (1930-31) to Starace (1931-39), depicted by Clark (2014) as a notoriously stupid man.

Fascist revolution⁸, apart from the technocratic élite that continued to operate in the shadows. Nevertheless, while operating under the Fascist, Mussolini was more concerned with institutionalising the Fascist revolution and eliminating residual dualisms between the Party and the government, by transforming institutional equilibria to consolidate the Fascist State (De Felice, 2017). Indeed, what lay behind the normalisation of Fascism was the attempt to build a totalitarian Regime, backed by social consensus, lack of dualisms of power and Fascist bureaucracy, because, in Mussolini's words, "la parte doveva farsi tutto" (Lupo, 2005, p.249)⁹. Hence, also the Italian society was subjected to the process of Fascistisation, aimed to control the masses and involve individuals in the Fascist state, depicted as the supreme association and human expression. Under Mussolini's myth as the symbol of national spirit and living personification of a united and powerful society, youth and women organisations were promoted and Fascism was converted into an armed and religious order, centred on the Duce and based on loyalty, intransigence against anti-fascist residuals and undisputed domestic power.

Last but not least for the research's focus on economic dynamics from a political perspective, the Regime's totalitarian vision also encompassed the economic sphere, through what Lupo defines as the total bureaucratisation of the national economy (2005, p.251). Indeed, Chapter 2 and Chapter 3 are dedicated to an in-dept analysis of key transformations of the Italian economic system that occurred under Fascism, ranging from extensive use of parallel administration to the value of technical expertise and growing public control of strategic industrial sectors. By now, it is worth mentioning the correlation between the Regime's totalitarian turn and the quest for public control of economic dynamics, a new role of the State in the economic realm and modernisation of productive mechanisms led by competent managers, devoted to good performances and efficiency, rather than political games.

⁸ The constitutionalisation of the *Gran Consiglio del Fascismo* (January 1925) exemplifies both the Regime's fascistisation of the public administration and the institutionalisation of Fascism within national bodies. On one hand, the Gran Council was composed by Fascist leaders entitled to rule on institutional issues like electoral laws, approval of Parliamentary candidates, PNF's organisation, appointment of local leaders and relations with the Royal family. On the other hand, in spite of great prerogatives, the Council's concrete power was reduced and limited to the mere appearance of the supposed authority it was granted (De Felice, 2017). Moreover, its constitutionalisation eliminated the PNF's residual power and transformed pre-existing institutional equilibria with the Monarchy, in such a way as to guarantee a certain degree of institutional continuity under the Fascist flag and to limit the prerogatives of other balancing forces, including the King and the Party itself (Lupo, 2005).

⁹ As explained by Lupo (2005, p.249), from 1926, Turati was instructed to convince PNF leaders of the need to trust Mussolini and members of the government in decision-making processes, and to promote the new Fascist discipline "se la parte doveva farsi tutto", because "solo così l'anarchico, incoerente movimento di un tempo poteva trasformarsi in un partito unico, espressione tangibile di un mondo fatto di fede e di obbedienza".

On the whole, the series of reforms that occurred in the Regime's authoritarian phase were functional to give political and institutional substance to the Regime itself, by including and reconciling all necessary components to the regime-state.

As suggested by De Felice (2017), the construction of the Fascist State between 1925 and 1929 granted absolute power to Fascism through the fascistisation of the state, the administrative apparatus and the public life, but the whole process relied on "old" rather than "new" bureaucrats and public functionaries, and more broadly, on the old ruling class. Here lies the great paradox of the Fascist revolution, which was forced to take advantage of a bureaucratic apparatus and ruling class that was detached from fascism. Probably, the superficial Fascistisation of the institutional apparatus later created obstacles to Mussolini's plans, who ended up forcing the centralisation of decisional power on himself to overcome them. At the same time, given the valid contribution of technocrats and experts like Alberto Beneduce¹⁰, starting from the economic recovery from the 1929 crisis, the same public administration allowed Italian economic survival and probably prevented the Regime from collapsing before 1945, when Fascism ultimately disappeared from the political scene due to military defeat and internal overthrowing of power.

Thus, reconstructing political dynamics and the process of consolidation of Fascist authoritarian ruling from 1920 onwards was the first step to learn more about the influence of political trends over economic strategies, including the Regime's growing interference in the economic realm, which ended up becoming a structural feature of the Italian economic paradigm.

¹⁰ *Alberto Beneduce* (1877 – 1944) was an Italian public servant, economist and the inspirator of the most significant economic and institutional reforms implemented between the 1920s and the 1930s. By operating under both the Giolittian and Fascist age, he created the so-called *amministrazioni parallele* and *Enti Beneduce*, notably IMI (*Istituto Mobiliare Italiano*) and IRI (*Istituto Ricostruzione Industriale*), which changed the course of the Italian economic history.

1.2 – Imperialism, colonial goals and international challenges behind Fascist aggressive foreign policy

Moving from the internal to the external realm, like domestic politics, also foreign politics and changes in the global scenario influenced the Fascist approach to economic trends, given the absolute primacy assigned to the international sphere by the Regime. Indeed, foreign policy was the realm in which the Nation channelled its interests and the Leader relied on his charisma to increase the prestige of Fascism in the world. Indeed, the political turn of the 1930s towards authoritarianism and totalitarian ambitions was related to the evolution towards more aggressive foreign policy to address international challenges and pursue colonial goals, at the expense of diplomacy and mediation, which urged larger State intervention in the economic sphere and direct control of key industrial sectors to implement autarchic plans, in order to reach adequate levels of economic and military self-sufficiency to back Fascist imperialism.

In order to learn more about the correlation between totalitarian turn in the political realm, foreign policy aggressiveness and public control of economic trends, it is worth making a step back to the first phase of the Regime (1922-1925), in which semi-authoritarian political control and free-market economic policy matched with foreign policy moderation and diplomacy, in line with Liberal Italy's tradition.

With respect to national history and influence of the Giolittian age on Fascism, what emerges from Clark's overview of the Liberal foreign policy in the first Libyan War (1911) is the historical capacity of Italian governments of making a virtue of necessity. Actually, it meant being aware of domestic difficulties (instability, nationalist enthusiasm, pro-war campaign), financial concerns (need for banking and agricultural investments in North Africa) and Great Power games (maintaining power balance with France in North Africa), and acting in such a way as to respect existing constraints and taking the best out of them (2014)¹¹. Other than pointing out to the Italian tradition of subordinating foreign policy to domestic needs, both Clark (2014) and De Felice (2017) refer to this historical precedent to indicate the legacy of military unpreparedness and incapacity of national production to provide enough military equipment for colonial operations, as it happened again during Fascist campaigns in East Africa from 1935 onwards. This tendency combined with other traditional features

¹¹ When reconstructing the evolution of Fascist foreign policy, Clark refers to the invasion of Libya (1911) as a valuable historical precedent to learn about the recurrent themes of Italian foreign policy, before and during Fascism. Indeed, by drawing a comparison between Giolitti's invasion of Libya and Mussolini's turn towards foreign policy aggressiveness in the 1930s, Clark depicts Giolitti's decision as a strategy to address some internal issues, namely placating the Nationalists, the cleric-moderates and the "restricted world of politically-minded gentlemen", meeting the need for economic investments and conciliating opposite views (Clark, 2014, p.185).

of the Italian foreign policy: history of diplomatic success and preference for diplomatic means over war; quest for international peace to prioritise the resolution of domestic problems over international confrontations; historical neutrality in the international scenario and Great Power games, including between France and Germany; preference for defensive alliances; contrast between a coherent but unheroic foreign policy and irredentist claims; internal disagreements and contradictory foreign policy decisions; obsession with colonial policy despite negative results (Clark, 2014, pp.56-58). Some of these factors survived the Liberal age and remerged in the first Fascist era, when foreign policy was extremely realistic and coherent with available means, because both Mussolini (1922-1929) and Grandi (1929-1932)¹² in the quality of Foreign Ministers, heavily relied on diplomacy, peaceful cooperation and, eventually, defensive alliances in the international sphere rather than military confrontation with Great Powers. This strategy resulted from pressure exercised by pressing domestic problems, including the consolidation of the Regime's power, and military-economic unpreparedness. Similarly, prior to the alliance with the Nazi, Mussolini strived to cultivate relations with both France and Germany and to benefit from economic military cooperation, rather than tempting fate against powerful enemies. Nevertheless, the Fascist Regime also inherited what Clark defines as the incapacity of Italians to agree as to where their national interests really lay, which stands for the Italian tradition of contradictory foreign policy operations, dissatisfaction caused by unrealistic goals and unheroic colonial campaigns.

Other than the legacy of inconsistency of Italian foreign policy, Fascist decisions in the international realm were also affected by the complex and contradictory character of Mussolini himself. Lupo (2005) believes the ideological hummus of young Mussolini to be made of revolutionary claims, aggressive and extremist ideas, rejection of moderate compromise, mediation, and fascination for the war. Initially, his innate impulsivity and valorisation of military victory were amplified by Fascist support to national pride and military effort to overcome weakness and corruption of parliamentarism. Over the years, irredentist claims were mitigated by realistic configuration and cautiousness within Great Power games, given that peace and cooperation were more conducive to economic growth, political stability, industrial production and fruitful relations with industrial groups, who benefited from international trade.

During the 1920s and the semi-authoritarian phase of the Regime, impulsivity and expansionism were confined to the Fascist propaganda and never really influenced Mussolini's international behaviour in the quality of Minister of Foreign Affairs. Indeed, as mentioned above, foreign policy ambitions were subjugated to domestic priorities, namely stabilising the Fascist ruling, institutionalising the

¹² See the list of the Ministries of Foreign Affairs under Fascism in the Appendix, p.146.

Fascist revolution and preventing both violence and military goals to threaten the whole operation. In spite of Mussolini's claims for the Italian mutilated victory, explicit support to expansionary policy in the Mediterranean and appreciation for the war, the first version of Fascist foreign policy was relatively cautious, responsible and in continuity with the Italian tradition, not to disrupt the simultaneous processes of power centralisation and fascistisation of national institutions (Section 1.1). In addition to domestic considerations, Mussolini's room of manoeuvre was constrained by inevitable clashes between Fascist expansionary goals - in the Balkan area, the Mediterranean and North Africa - French and British hegemonic aspirations, and preservation of fruitful relations with both European powers¹³. Given the lower level of Italian military preparation in comparison to both France and the UK, Fascist goals were limited by the unrealistic possibility of achieving them without altering equilibria of power and running the risk of direct military confrontations, at least until the Regime got solid enough internally to challenge Great Powers. Hence, De Felice (2017) depicts both Mussolini (1922-1929) and Grandi's foreign policy (1929-1932) as realistic, inspired by rational evaluations about the Regime's limited military-economic means, moderation rather than ideology and extreme realism about the need for external stability to stabilise internal power. As a result, in the '20s, because of extreme foreign policy realism, the Regime aspired to consolidate its role as an arbiter and protector of the European status quo, over imperialism and national pride (De Felice, 2017).

At the beginning of the thirties, the Regime's path of power stabilisation progressed enough to embark on a more ambitious foreign policy strategy. From that moment onwards, Fascist ambitions got reinvigorated by sufficient domestic stability and by the coming-back of Mussolini in the quality of Foreign Minister. Between 1932 and 1936, Mussolini led the country by promoting the concept Italian revisionism, matched by the ambition of boosting the role of Italy as a decisive and impartial arbiter between Germany, and other European powers like the UK and France, which required national foreign policy to be balanced, both in ideological terms and in terms of territorial concessions to Germany. This approach proved to be successful until 1935, given that the Italian rapprochement to France was indirectly favoured by the menace posed by the growing German aggressiveness and

¹³ In the 1920s, Mussolini invested time in cultivating relations with both Britain and France, but ended up creating stronger ties with Germany because neither France nor the UK were interested in reinforcing their partnership with Italy. Just to mention some examples recalled by De Felice, in spite of stable and fruitful relations between London and Rome, Fascist aspirations to foreign policy independence clashed with the British downgrading of Italy to a subordinate role in major power games. Similarly, French conditions to the Italian-French partnership were strict, binding and left no room for autonomous action to Italy. As a result, the Italian public opinion experienced growing anti-French press and discontent caused by what Mussolini mentioned as frequent disagreements with Paris, despite the absence of formal ruptures (De Felice, 2017).

political success of Hitler in 1933. Similarly, Mussolini was successful in overcoming ideological differences with France and French selfish requirements, by benefitting from Paris fear against Germany. Moreover, Italy played a decisive role for the maintenance of European equilibrium, when the Duce strongly opposed the attempted German annexation of Austria and killing of the Chancellor Dollfuss (1934) and then he sent four Italian divisions between the Brenner and Tarvisio. Lastly, the agreement between the French Minister Laval and Mussolini (January 1935) boosted the Italian dream of building a colonial empire in Africa, starting from Ethiopia, also known as “the African destiny” (De Felice, 2017, p.74) praised by Italian nationalists even prior to the rise of Fascism. Indeed, the Italian quest for the construction of a colonial empire in the African continent dates back to the beginning of the XX century, when facing early colonial defeats, the Italian public opinion started to realise the complexity of a colonial policy, which, nevertheless, did not prevent Italy from keep cultivating the illusion of a colonial project, at the expense of a unitary and moderate model of foreign policy.

Nevertheless, as far as the period of interest is concerned (1937 – 1945), from 1935 onwards, Fascist international ambitions started to clash with reality and a series of obstacles, that could not be overcome neither by the Regime’s turn towards foreign policy aggressiveness and imperialism, nor by State control of strategic industrial sectors to improve the level of military preparation. Beginning with Africa, the Government recovered the old tradition of African colonialism, motivated by the consolidation and expansion of the African Empire through new colonial operations, in contrast with the 1920s “politica del peso determinante” not to alter Great Powers equilibria (De Felice, 2017, p.75). However, these missions collided with a series of factors: the lack of French support to the campaign promised by Laval; the growing sensitivity of the British public opinion in favour of principles advocated by the League of Nations and later imposition of sanctions against the Regime’s invasion of Ethiopia (October 1935); and Italian diplomats’ stronger belief in friendship between Paris, London and Rome rather than colonial operations in Ethiopia (1936 – 1941), extended control over the reunited Libyan territories of Tripolitania and Cyrenaica (1934 – 1943) and colonial settlements in Eritrea (until 1947). Other than the Ethiopian affair, the difficult participation in the Spanish Civil War (1936 – 1939) further downgraded the Italian international reputation, since the supposedly easy operation became a military and ideological trap for the Fascist Regime. At the beginning, the Italian involvement in the Spanish war was limited to an indirect support offered by Mussolini to the military uprising of July 1936 and to military aids. But, in the end, Italian military troops were sent on the basis of strategic considerations, namely preventing Spain from establishing a military and political collaboration with France. However, requests of support increased exponentially the pressure on the Italian military infrastructure, up the point that Italy was forced to

commit to the Spanish campaign, which ended up being “come una sabbia mobile; se si mette dentro la mano, ci si va dentro del tutto” (De Felice, 2017, p.76). In the meantime, ideological similarities and nationalist claims led the rapprochement of the Regime with Germany, which, because of the need to strengthen the alliance with Fascists, set a trap for Italy in Spain. The Nazi pushed the Regime towards direct intervention in the Spanish affair, in such a way as to undermine the basis of a possible reconciliation between London and Paris, but without conveying the feeling of a serious German participation in the affair, despite the provision of concrete support to Italy. Although both the African and Spanish experiences pointed to Fascist military unpreparedness, contradictory foreign policy and early subordination to Nazi Germany, Mussolini still believed in the Italian potential to find a balance between German and Franco-British interests in Europe, such as by defending Austrian independence from the Germans and by acting as an international mediator. Indeed, until the outbreak of international hostilities (September 1939), Mussolini was still trying to convince Hitler about negotiating with Paris and London – as successfully done in June 1933 with The Four Power Pact – in spite of Fascist closeness with the Nazi regime. What lay behind this apparently ambiguous approach was Mussolini’s effort to combine Fascist ambitious goals with diplomacy, which needed to be preferred to direct confrontation due to insufficient military preparation and economic dependence on exports and international trade, other than protecting the Regime’s independence from explicit commitments in the international realm. Nevertheless, the same military unpreparedness and weakness of the Fascist industrial-military complex forced Mussolini to leave a door open with the Nazi Regime, given the need for German military and logistic support to colonial expeditions in Africa, especially after economic sanctions, insufficient results and excessive costs of autarchic plans (Chapter 2, Section 2.3). But, as far as possible, Fascist alliance with Germany was not formalised. until Mussolini’s official visit to Germany (June 1937) and the Pact of Steel (May 1939). In the meantime, the status of non-belligerence in the World War was maintained (September 1939 – June 1940), prior to the birth of the Rome-Berlin Axis (September 1940) and consolidation of the alignment between the two countries, despite Mussolini’s long-term resistance to formal military agreements and later concern of Minister Ciano to be dragged by Germany in dangerous military campaigns (De Felice, 2017, p.91).

What emerges from these events is the degree of volatility and ambiguity that characterised Fascist foreign policy throughout the Regime’s history, including the evolution from a state of non-belligerence to a state of war. Similarly, it is important to note the contrast with the permanent state of economic and military unpreparedness, which was probably caused by increasing difficulties in combining quest for neutrality, mediation and freedom of action with the Pact of Steel, and with colonial goals to be better achieved with Nazi economic and military support than autarchic plans.

Other than focusing on the evolution of Fascist foreign policy as a reflection of consolidation of domestic power and contradictions caused by discrepancies between colonial ambitions and capacity of the industrial-military complex, it is worth discussing the Regime's quest for international political independence and economic self-sufficiency. As mentioned, the goal of conducting autonomous foreign policy from other Great Powers reflected prior success in consolidating Fascist domestic power, which granted unlimited room for manoeuvre to the Regime in the internal domain and stimulated the quest for the same independence in the international sphere. Indeed, after the Government was forced to abandon the state of non-belligerence, the second-best strategy was minimising the duration of the conflict, given the degree of economic and military unpreparedness of Italian troops, and maximise the degree of operational autonomy from Nazi Germany, other than avoiding psychological and emotional involvement comparable to the one of the First World War. Once the second-best option failed, because of the need to rely on Nazi equipment for protecting the Fascist Empire at the expense of strategic autonomy, little could be done other than pursuing the third-best strategy. Hence, the Regime had no choice but to endorse German victories through propaganda, abandoning the traditional defensive strategy and backing Nazi military operations, while looking forward to colonial successes in Africa, which could also benefit the national economy and legitimise autarchic plans.

With respect to the outcomes of the Regime's foreign policy, it turned evident how ideologisation of colonial conquests and heavy use of Fascist propaganda to revive national aggressiveness were necessary to distract the public opinion from dramatic results of Italian operations in Greece, the Balkans and in Eastern Africa and the fragility of domestic consensus (Lupo, 2005).

Probably, the worst foreign policy defeat was the loss of strategic autonomy in the international realm and failed quest for economic self-sufficiency, despite support from domestic industrial groups and direct State control of strategic industrial sectors to implement autarchic plans in the late 1930s. From both the political and economic perspective, the second worst defeat occurred after the armistice (October 1943), namely the Regime's international and domestic collapse and Nazi control on national territories, political institutions and main industrial productions, located in the Northern regions. Firstly, subjugation to Germany in Nazi-controlled territories revived the revolutionary and violent character of the Fascist revolution in the patriotic birth of the Italian Social Republic, ruled by the devastating combination of Fascist old-style violence and Nazi antisemitism, detached from any legacy of the Liberal tradition. Secondly, Nazi control of the Italian industrial-military complex threatened the survival of the most valuable expression of the Fascist legacy, namely public support

to industrial production. Indeed, the survival of key industries was constantly menaced by military attacks, sabotage by Nazi leaders, attempts to limit the authority of technocrats that operated on the Regime's behalf and absence of institutional supervision after the country got divided between the Social Republic and the Badoglio government, as explained in Chapter 3. However, in spite of dramatic outcomes of both international and colonial campaigns, Fascist foreign policy and colonial ambitions of the Regime are of crucial importance to learn more about the progressive construction of the Italian third economic way between capitalism and communism. Indeed, as better explained in Chapter 2, Section 2.3 – 2.4, Fascist imperialism and constant military unpreparedness stimulated industrial productions, especially key industries - steel, chemical, mechanical, textile, energy. In the meantime, search for political independence in the foreign policy realm led to progressive isolation from international trade and legitimised the quest for economic self-sufficiency. Thus, Fascist colonialism, foreign policy aggressiveness and autarchic plans (Section 1.2), combined with totalitarian turn towards political closeness (Section 1.1) and need to address structural deficiencies of the national economy (Section 1.3) stimulated the series of economic reforms implemented in the late thirties (Section 1.4). Most importantly, this conjunction of political, contextual and economic contingencies induced the expansion of State intervention in the economic realm and public control over strategic industries, which is probably the most valuable feature of Fascist legacy, that influenced the course of Italian economic history.

1.3 – The Fascist economic policy in the recovery from the Great Crisis: an innovative economic paradigm

The last, but probably more substantial determinant of the innovative economic paradigm developed under Fascism, was the Fascist economic policy per se and its evolution between the twenties and the thirties, influenced by the constant attempt to combine political and economic necessities. For instance, the first phase (1922 – 1925) of political semi-authoritarianism, parliamentarisation of Fascism, international diplomacy and institutional continuity with the Giolittian age required a free market economic policy and pro-market reforms, in line with the national liberal tradition and with the political need of gathering consensus among industrial groups. By contrast, the later (1925 – 1935) turn towards authoritarianism, political closeness and foreign policy aggressiveness matched with protectionist economic measures, progressive isolation from international trade and public economic intervention to mitigate the impact of exogenous crises. Lastly, more aggressive totalitarian control of the political and social realm (1935 - 1943), colonial campaigns and imperialism determined the economic turn towards autarchy, State-led industrial development and control of strategic sectors of the national industry, which became a constitutive feature of the Republican economic strategy (1940s – 1950s). Thus, reconstructing these political-economic phases is essential to learn more about the components of the revolutionary economic prototype built by the Fascists, by protecting capitalist mechanisms, by relying on State support to stimulate the private market and by creating innovative financial intermediaries with the potential of directing the industrial complex and operating in between the market and the State.

With respect to the economic context found by the Regime in the twenties, prior to 1900, the Italian economy was still far from consistent industrial development, but national propensity towards some industrial sectors was emerging, including the most important “workshop” industries of silk and textile manufacture. At that time, the national market was very small, industry was dependent on foreign sales and trade with European neighbours, but industries like textiles, food-processing, metallurgy, mechanical engineering and chemicals were expanding. However, Italy’s own production was still less than imports, due to the functional dependence on imports of iron, steel and coal, at high cost, which represented the major handicap for all Italian industries before 1880 and prevented them from fully competing in both European markets and the national one¹⁴.

¹⁴ Evidence confirm these difficulties, given that, between 1862 and 1897, the Italian growth rate (0,7%) was significantly lower than the one of Western Europe (1,6%) and major European powers like the United Kingdom (2,6%), Germany (2,8%) and Sweden (2,6%). Data are provided by Toniolo (1980, p.6) in Table 1.1, included in the Appendix (p.141).

In addition to dependence on raw materials imports and foreign trade, Italian industry was still close to agriculture because “industry” was mainly artisanal, concentrated in the North and weakened by different levels of industrial development between the North and the South, which was an early sign of the national “dual economy” (Clark, 2014, p.29), amplified by Southern economic handicaps - lack of capital, entrepreneurial skills, foreign contacts, skills labour and commercial contacts with the North and other European states. While the disparity between Northern and Southern regions was growing, the wave of rapid development in metal-making, engineering, chemical and heavy industries was crucial for economic growth, at least until the “darkest years of the Italian economy”, which according to the historian Gino Luzzatto (Clark, 2014, p.31), originated from the incapacity to convert early waves of growth into self-sustained growth, independent from public economic support.

For the purpose of this research, it is worth focusing on the early role of the State and public works, given that at the end of XIX century, and, according to Cianci (1977), even before National Unity (1861), both direct and indirect State intervention in economic activities were already part of the national history, given that the State was expanding its powers in the private economic realm, as an early version of a shareholder State¹⁵. Undoubtedly, the role of the State was vital, especially for investment in the so-called strategic industries - steelmaking, shipping, railways and production of iron and steel (Cianci, 1977) - given that, in the 1880s, Italy was dominated by a “military-industrial complex” and more specifically, by a “naval-industrial complex” (Clark, 2014, p.32). As it will become more evident under the Fascist Regime, the political and economic development of the Italian system in the last century revolved around the synergy between political power, economic growth and strategic industries, capable of exercising influence on political rulers and affecting both economic and foreign policy. Other than the complementarity between politics, economy and industries, the late 1800s also showed the central role of the State in assisting or subsidising these companies, which became a pattern of the Italian economic system. When companies were in difficulties, the State bailed them out but left management in the companies’ hands, or placed under direct State management some of them, in line with the approach developed by Beneduce and Menichella¹⁶ in the following decades. This massive State spending brought satisfactory results, starting from the expansion of the Italian navy and national railways, up to the acquisition of a modern communications network for the country, which, in turn, had a developmental effect in Italy. Parallel

¹⁵ As early examples of the Italian State’s entrepreneurial activities, Clark (2014) recalls that taxes levied on agriculture were increased to build vital infrastructures (railways, roads, ports, ships, steelworks).

¹⁶ Donato Menichella (1896 – 1984) was an Italian economist, business executive and the co-creator of the *Sistema Beneduce*, given that he collaborated with Beneduce in the reform of the Italian system of financial intermediation. As explained in Section 3.3 and 3.4, his contribution to the survival of the *architettura Beneduce* in the transition phase towards the Republic was of outstanding importance. As a result, he was for a long time the director general of IRI and the Governor of the Bank of Italy.

to the State's direct contribution to economic activities, Italy was still committed to virtual free trade, despite increasing dissolution with this policy and inevitable contrast with advancing statist approach. Early on, free trade seemed to most Liberals and to Italian governments as a natural, rational and progressive institution, but facing the incapacity of this approach in giving protection, State money began to matter more for high-cost steelworks, industries and for overcoming agricultural crisis. Thus, before the XX century, Italy was a country with little capital, few skilled workers and few energy resources, the national economy was dependent on international factors, like the price of raw materials like coal and there were no major industries, which prevented Italy from competing with other European powers. Still, this early phase of economic development already showed one of the peculiar traits of the national economic system, namely the decisive role played by the State in the process of modernisation and industrialisation through direct intervention and building of infrastructures. Nevertheless, also one of the main downsides of public intervention was coming to the surface, namely the creation and/or the rescue of parasitic industries, which were either anxious to prevent change or purely dependent on State money without generating growth, up to the point that, for Clark (2014, p.35), much of Italy's economic growth was "artificial", purchased at high costs and responsible for multiple distortions. Equally important, the lack of an entrepreneurial middle class was also responsible for the initial slowness in the Italian economic growth, together with the excessive presence of officials and clerks squabbling for the spoils of office and with the identification of the holders of economic power with a landowning "gentry" class, whose prosperity was highly dependent on governmental rents and insufficient to qualify for an economic élite capable of stimulating development.

Prior to the rise of Fascism, Italy continued to experience both serious economic difficulties and unexpected economic progress, mainly generated by waves of industrialisation. Indeed, the Italian industrial take-off caused a significant increase in national income, linked to the annual growth of six key industries and the perceptible shift from traditional textile or food-processing activities towards "newer" engineering, metal-making, chemicals and heavy industry. Although Clark underlines that in 1914 Italy was still "Italietta" (2014, p.145), WWI provided a real stimulus to the country, which experienced both industrial revolution and economic expansion, amplified by unexpected government finance to cheap energy and the rise of the car manufacture, together with the early combination between liberal and statist traditions¹⁷. By combining liberal market,

¹⁷ This early Italian attempt to close the economic growth gap with other European countries is confirmed by evidence, given that, for the first time, the Italian growth rate (2,7%) was higher than the average of Western European countries (2,1%), including the United Kingdom (1,9%), Germany (2,6%) and France (2,2%). Data are provided by Toniolo (1980, p.6) in Table 1.1, included in the Appendix (p.141).

technological and financial orientation with a more prominent role of the State in subsidising and protecting particular sectors, the vital level of confidence in the market, between producers and investors, increased, and generated a significant economic expansion.

Again, the key factors behind this spur of growth were the combination of government intervention and private initiative, and the replacement of the old Italian banking system with “mixed banks”. As explained by Clark (2014), the essence of the new “mixed” banks’ activity was to channel depositors’ money into large-scale enterprises, by turning savings into investment, which allows industries to raise money from the markets without trouble. Indeed, banks played a key role in the industrial upsurge of the early XX century, by remedying the weak national capital market, by nursing infant industries and their zest for technological and material innovation, especially in so far as the electric power industry was concerned. Therefore, profitable investment in certain capital-intensive industries became possible thanks to economic expansion and state protection, but also to the growing synergy between political pressure and industrial interests, given that mixed banks generally operated in harmony with politicians and powerful industrial groups. For a while, synergy between State support to industrial development, growing private market and fruitful cooperation between banks and industries led a period of economic growth prior to WWI, as the most evident effect of the immediate success generated by the State’s economic role and the innovative system of industrial financing. In the meantime, the entrepreneurial character of the Italian State was emerging, together with early projects to extend public control over strategic sectors, like the steel industry, designed to support private steel groups and reduce costs of raw materials¹⁸. Nevertheless, structural problems were emerging behind the shadow of industrialisation and economic success, with the potential of limiting short-term growth and long-term stable development: constant dependence on foreign supplies of basic industrial necessities; private companies heavy reliance on state financial support and direct management to survive against international competition; insolvency and default risks originated from the perverse and indissoluble tie between bank and industry; delayed industrialisation in Southern regions; and dualist development between the North and the South. It was the origin of the *deformazioni stupende* behind the unique nature of Italian development, its waves of growth in 1910s-1920s, later difficulties 1920s-1930s, and, indirectly, behind the age of reforms of the 1930s that radically transformed the path of Italian economic history (Cianci, 1977).

¹⁸ In the attempt to reconstruct the historical evolution of the Italian entrepreneurial State, Cianci (1977, p.10-11) mentions early references to public control of strategic industries like the one of the liberal economist Pasquale Jannaccone. As explained by Jannaccone in 1917, “la siderurgia italiana non era una creazione industriale; era nata da un calcolo politico-finanziario non già da un calcolo tecnico-economico; dalla congiuntura favorevole d’un breve periodo di tempo, non dalla previsione ragionata delle possibilità del suo sviluppo in futuro”. As a result, he suggested “che lo Stato si facesse promotore di una grande industria siderurgica”.

Hence, what can be derived from the first wave of growth is the peculiar nature of the Italian model of development, generated by State sponsoring of industrial sectors, tariff protection and successful matching between financial connections and political weight. As far as Fascist history is concerned, the Giolittian economic past is relevant because, prior to the contribution of Beneduce and the series of reforms implemented by Menichella, including the construction of IMI and IRI, there was already a first version of “guaranteed model of industrial development”. According to Saraceno¹⁹, in this model banks and industries’ heavy rely on public financing coexisted with flourishing private groups, while public enterprise tried to learn for private initiative (Cianci, 1977). For the first time, the uniqueness of the Italian economy was emerging in the mixture between quasi-State sectors with a protected home market, guaranteed finance and little interest in exports, and market export-oriented firms interested in preserving international trading links. Other than the early combination between statist and market-oriented economic models that consolidated under Fascism, the important economic trend that later reemerged after 1929 was the tendency for growth decline and economic depression to amplify the need for larger subsidies to the industrial sectors. In fact development of quasi-State industries was heavily dependent on public financial support and government expenditure, as well as on war orders and military production, despite inevitable problems related to industrial reconversion from wartime to peacetime. Thus, in the 1920s, Italian economic prospects were ambiguous and torn between economic growth led by exports and subsidised basic industries, and difficult reconversion, dependence on industrial credit and financial instability, other than intense labour militancy and growing popular discontent. All these issues needed to be addressed by the Regime through renewed agreements with industrial groups, pro-market reforms, carrot and stick policy for social stability, rescuing operations of banks and industries to prevent systemic crises and public-debt reduction. The free market version of the Fascist economic policy led by De Stefani was about to start.

From the 1920s to the 1940s, the nature of Fascist economic policy evolved in relation to political, international, historical circumstances and economic cycles, mainly from a liberal (semi-authoritarian) to a quasi-Statist (authoritarian) and autarchic model of development (Ciocca, 1975). Each of these phases forged one of the components of what later became the Italian mixed economic model – made of private initiative, bureaucratic simplification and industrial-led development,

¹⁹ *Pasquale Saraceno* (1903 – 1991) was an Italian economist and one of the main collaborators of Alberto Beneduce under the Regime, but most importantly, he was the one who led IRI’s managerial group in the reconstruction phase and implemented different economic provisions to boost Southern development (Section 3.3 / 3.4).

protectionist tendencies to compensate for structural deficiencies and import dependence, and State financial support to economic development, especially on strategic industrial sectors.

From a macroeconomic perspective, Toniolo (1980) refers to the XX century as the age of ambiguous trends, such as international trade-led economic growth, challenges against market capitalism and its potential to generate economic progress – as the Great Depression (1929) – and contrasts between economic openness and political closeness resulting from the suppression of economic and political freedoms by authoritarian regimes. In this context of contrasting economic trends, structural deficiencies of the Italian economy were amplified, and insufficient dynamism of the domestic market further weakened the laissez-faire paradigm in favour of political and economic protectionism, monopolies, rationalisation and control of economic mechanisms to create more solid basis for economic growth. Toniolo (1980) believes this trend to be shared by Italy and other advanced economies, since, from a global perspective, the inter-war period experienced more recessive rather than expansive phases, at the expense of productivity, employment and economic interdependence. As a result, European countries, including Italy, moved in the direction of protectionist measures to safeguard national economies and contain the disruptive effects of exogenous crises, which, according to Keynes, were threatening demographic, political and social equilibria. Nevertheless, in contrast with both past and future trends, in the early twenties, the Fascist economic policy pursued a liberal model of development, implemented by Alberto De Stefani in the quality of Minister of Finance (1922 – 1925)²⁰. The new Minister operated during a positive economic cycle that reached its apex in 1925²¹ and later on in 1929, prior to the Great Depression, which immediately suggests the positive effect of foreign demand and exports on the Italian capitalist economy, as well as larger investments, global economic growth and progressive development of the industrial sector. The combination of this favourable economic scenario and the Regime's quest for broader consensus among industrial groups and the public opinion through economic growth stimulated pro-market reforms. In fact, the Regime's liberal economic approach was characterised by monetary policy in favour of private capital accumulation, especially in the most productive sectors, strong support from foreign demands and export-led development, direct control on the job market through wages, favourable exchange rate, workforce supply and public expenditure reduction (Toniolo, 1980). Given that Fascism per se lacked a coherent and defined view of economic problems and relative solutions, the liberal orientation of De Stefani directed the Regime's economic approach towards industrial-productive policies, aimed to favour capital accumulation for supporting private initiatives, which

²⁰ See the list of the Ministries of Finance under Fascism in the Appendix, p.146.

²¹ According to data shown by Toniolo (1980) in Table 1.8 (p.25), between 1917 and 1938, Italian economic cycles reached their apex in 1918, 1925, 1929, 1935 and 1939.

required fiscal reforms, tax cut, public expenditure reduction and privatisation, at the expense of State-led investment in modernisation and technical progress. Similarly, bureaucratic reforms were implemented for administrative simplification (Section 1.1) and normalisation of state finance after the war, together with salary reduction, given persistent difficulties related to State balance. In the meantime, increasing exports and national production was the top priority, since, on one hand, exports and investments were the most dynamic component of aggregate demand, by accounting for more than domestic one – which was also diminished by salary reduction – on the other hand, growth depended on productivity levels of a series of strategic sectors like metallurgic, mechanical, textile, coal, steel and shipbuilding industries, in spite of difficulties experienced by some of them – shipbuilding and coal – due to post-war reconstruction and inadequate resource allocation²².

The more development was unequally distributed among regions and industrial sectors, the more it relied on foreign markets rather than internal demand, the more purely liberal reforms were insufficient to generate sustained growth²³. Hence, to compensate for widening sectors differentials and limited capacity of the internal market, protective measures and State subsidies through mixed banks were needed to create supposedly more stable bases for national development, which, nevertheless, was constantly threatened by the perverse relation between industries and banks. Later on, this Italian “patologia economica” (Cianci, 1977, p.16) paved the way to an era of rescue operations by the Regime, in the attempt to prevent this mechanism of unregulated development from provoking systemic crises. From 1925 onwards, the series of State-led rescuing operations for mixed banks increased, protectionist measures progressively replaced liberal reforms and monetary instruments started to be largely influenced by political necessities. This trend was a clear reflection of the Regime’s turn towards more ambitious foreign policy and authoritarian ruling on the economic policy, implemented by the new Minister Volpi²⁴ (1925). According to Cianci (1977), the entrepreneurial state was still coming into being, but its expansion already came from the need to conduct rescue operations for emergency and necessity, rather than ideology or nationalisation plans. Indeed, “lo Stato è diventato imprenditore da quando la gestione delle attività economiche di

²² Evidence confirms that, in the twenties, foreign demand began to sustain national growth more than internal demand. As recalled by Toniolo (1980, p.73), growth between 1923-1924 was progressive and sustained by internal demand, while growth between 1924-1925 was unusual, more concentrated on specific sectors and backed by foreign demand, which had long-term consequences in terms of unbalanced and unstable development, dependent on foreign markets.

²³ As explained by Cianci (1977, p.17), “durante le crisi gravi e lunghe le manifestazioni patologiche dell’economia tendono a espandersi a soverchiare gradualmente le residue forme di fisiologia economica”. Taking the case of WWI, the extent of the military-industrial effort totally upset previous equilibria, which were already extremely fragile and temporary (p.19).

²⁴ *Giuseppe Volpi* (1877 – 1947) was an Italian entrepreneur and politician, who succeeded De Stefani at the Ministry of Finance under the Regime (1925 – 1928), when he led the implementation of the Fascist economic policy and the turn towards economic protectionism.

pertinenza pubblica è avvenuta nell'osservanza dei principi dell'economia di mercato" (Cianci, 1977, p.3).

In line with the turn towards greater control of the political sphere, De Stefani was substituted by Volpi (July 1925) at the Ministry of Finance to extend the Regime's command over the economic, financial and monetary spheres, by taking advantage of additional room for manoeuvre after the defeat of counterbalancing powers.

Other than granting additional protection to influential industrial groups whose economic support was necessary for the Regime, protectionist measures adopted by Volpi went beyond the industrial realm, for enhancing the Regime's international and domestic prestige through monetary instruments. Indeed, it is worth mentioning Fascist effort in the operation of monetary stabilisation of the national currency (Lira) through forced revaluation at Quota 90 (1927)²⁵, at a comparable monetary value to other European currencies, as the British Pound. This monetary operation is relevant to learn more about the State's growing intervention in non-political spheres, including the monetary one, for political convenience. After WWI, economic recovery depended on a biased type of development, based on growing exports boosted by cheaper Italian currency, large presence of Italian products on international markets and renewed price stability in the domestic one. But, from 1925, fragilities behind this development became evident, due to high price of raw materials to be imported, which could be compensated either through further devaluation, financial credit to industries, as a vicious cycle, or through forced revaluation to boost domestic demand for domestic products²⁶. Apart from technical evaluations, the entire operation was more influenced by political interests, including convenient agreements with industries operating in the domestic market that would have benefitted from revaluation²⁷. Similarly, Quota 90 had the potential of increasing Fascism international prestige, as the value of the Lira itself, and showing the degree of authoritarian control of the Regime over

²⁵ The process of monetary stabilisation and revaluation is frequently referred to as the "*Battaglia della Lira*" (Toniolo, 1980, p.109), during which the Regime invested resources to prevent the value of the Lira from diminishing and to stabilise it at a comparable level with other European countries. Indeed, "Quota 90" refers to the monetary provision enacted by the Bank of Italy to fix the exchange rate of the Italian Lira with the British Pound (1£ = 92 lire) and with the American Dollar (1\$= 19 lire).

²⁶ With respect to technical evaluations, opinions expressed by economists differ, by either suggesting to further reduce the value of the Lira to increase the convenience of Italian products in international markets and boost exports, or by initiating a process of monetary stabilisation and revaluation of the Lira. According to De Stefani, it was necessary to radically change the paradigm of growth and review Italian growth mechanisms, beginning with monetary revaluation.

²⁷ It is necessary to specify that the whole process of monetary stabilisation and revaluation benefitted industries operating in the national market and represented by Confindustria, at the expense of national exports that would have benefitted more from devaluation, lower value of the Lira and related costs. Hence, because of their leverage on the Regime's economic policy, it was necessary to negotiate new agreements, as it happened with Confindustria prior to the *Battaglia della Lira*.

Italian society, which allowed the government to enforce a socially disrupting reform without being threatened by popular uprisings. Again, international standing and agreements with powerful industrialists ruled over technical evaluations and social issues even before Mussolini's Speech of Pesaro (August 1926), the one that formally initiated the *Battaglia della Lira*. A couple of years later, it turned evident how the whole process of monetary stabilisation was conducted without disrupting social consequences, which argued in favour of the degree of consolidated authoritarian power of the Regime from 1925 onwards. As explained by Toniolo, "il fatto che tale rischio venisse corso e coscientemente superato con successo dimostra, ancora una volta, come la stabilità del regime costituisse una preconditione necessaria alla politica della rivalutazione della Lira" (Toniolo, 1980, p.115). Moreover, what stimulated the monetary reform was the Regime's interest to amplify its prestige, appreciation by the global public opinion and international support from the industrial world, in spite of potentially destabilising effects and exports' reduction.

All these were later confirmed by the Great Crisis (October 1929), which amplified endogenous economic difficulties and structural deficiencies - mixed banks and effects of Quota 90 – and caused industrial unemployment, absent growth in salaries despite higher prices, declining purchasing power, exports reduction, cooling down of international trade and limited domestic consumption. Prior to the outbreak of the financial crisis, the new Minister Mosconi²⁸ (July 1928) got in touch with long-term consequences of the excessive revaluation generated by Quota 90, in terms of insufficient results, excessive sacrifices and absence of structural growth.

As explained by Toniolo (1980), the Great Crisis of 1929 was not just an imported product, but rather the combination of exogenous crisis, economic interdependence from growing commercial ties, post-war industrial consequences, biased growth trend of the '20s generated by mixed banks, and forced monetary revaluation, which expanded the dramatic effects of economic depression on the Italian economy. From a broader perspective, at that time, many European countries were already struggling because of excessive productive capacities in industrial sectors developed during the War, difficult industrial reconversion and dependence on foreign demands, together with unequal distribution of resources and gains between regions and industrial sectors. In the meantime, oligopolistic concentration of industrial power heavily relied on financial credit, which was the unique strategy to

²⁸ *Antonio Mosconi* (1866 – 1955) was an Italian politician who reached the apex of his career at the Ministry of Finance (1928 – 1932) under the Fascist Regime, after he substituted Giuseppe Volpi. Given that he experienced the Great Crisis from the Ministry of Finance, he backed the turn of Fascist economic policy towards protectionism and public intervention.

compensate for excessive productive capacities and declining international demand, in spite of risks related to what Mattioli called “mostruosa fratellanza Siamese” (Mattioli, 1962 in Cianci, 1977)²⁹. Given that Italy shared some of the above-mentioned economic trends, because of its nature of an open economy, the combination of exogenous crises with endogenous weaknesses triggered a cycle of economic decline. This negative trend hit the most productive sectors, which were already struggling due to insufficient technical progress and limited capacity of the domestic market, which were all worsened by excessive revaluation of the Lira according to Cianci (1977)³⁰. With respect to most dramatic effects of the crisis that became evident from 1930 onwards, probably the worst trend coincided with a severe drop in industrial production, especially in key sectors classified as “strategic” for economic and military purposes³¹. The more key-industries registered negative economic performances, the more the crisis widened inter-sectorial divide and the more State intervention was required to mitigate effects on the domestic market, given that the majority of national industries were striving because of debts towards the banking system and lower performances caused by domestic market’s insufficiency and economic depression. Initially, the Regime relied on traditional economic tools, such as protectionist measures against foreign products, rescue operations and incentives for import substitution, other than monetary strategy for maintaining higher value of the Lira. However, prior to the age of structural reforms (from 1933 onwards), the Government economic and monetary strategies were motivated more by political concerns rather than financial ones. Indeed, Mussolini wanted to keep exchange rates under control in order to prepare for future wars and colonial operations, and to enhance the Italian prestige abroad, through huge investments on monetary stability, protectionist measures and rescuing operations, which also benefited national industries. Prior the most intense phase of State intervention and reforms of the

²⁹ As explained more in detail in Section 1.4 and Chapter 2, one of the most deviant distortions of economic mechanisms was the strong relations between mixed banks and industrial groups. Initially, financial credit was functional to overcome structural deficiencies of the Italian economy and stimulated industrial development (1910s – 1920s). But then, this mechanism was no longer sustainable, given that it triggered State-led rescuing operations to avoid financial insolvency and industrial default. As recalled by Raffaele Mattioli, namely one of the protagonists of the Italian economic world of the XX century, “la fisiologica simbiosi si era mutata in una mostruosa fratellanza siamese”, since the fate of mixed banks was bound “a doppio filo alle sorti delle industrie del loro gruppo” (Mattioli, 1962 in Cianci, 1977, p.XVI).

³⁰ In Cianci’s words, “ai mali antichi e tradizionali della nostra economia (scarsa formazione di risparmio, riluttanza delle famiglie ad affrontare gli investimenti di rischio, forti dazi doganali, insufficiente partecipazione dell’industria e della finanza italiana ai traffici e agli sviluppi economici internazionali) si erano aggiunti in quegli anni i danni conseguenti all’errata scelta della quota di stabilizzazione della lira, e più tardi, al mantenimento di quell’alto livello nonostante i terremoti monetari che si erano verificati nei maggiori paesi industriali.” (Cianci, 1977, p.96).

³¹ Evidence about trends of industrial productions between 1929 and 1934 confirm the dramatic fall of the growth rate in specific industrial sectors, which widened the development gap between industries. As reported by Toniolo (1980) in Table 4.7 (p.166), strategic sectors registered the most serious drop of production: -5,1% in construction and -12,1% in both mechanical and metallurgical industries. Data are provided by Toniolo (1980, p.166) in Table 4.7, included in the Appendix (p.141).

financial complex led by experts like Beneduce, Menichella, Saraceno and Giordani³², in the early 1930s, the Italian State was already playing a key role. In the attempt to address serious economic and social difficulties, it directly contributed to economic restructuring of the industrial sector through subsidies, protectionist measures and financial support through mixed banks. Similarly, the State compensated for insufficient global demand through devaluation, which was necessary to trigger economic production and exports, and generate economic spur of growth and partial normalisation in the short-term. But, in the long run, it caused the progressive accumulation of power among oligopolistic industries, dependency on protectionist measures to control mechanisms of supply and demand and stronger ties between banks and industries, which needed more comprehensive reforms, economic rather than political evaluations, and specific technical expertise.

Thus, the worsening of the mixed banks' crisis left no choice to the entrepreneurial State but to design more organic plans to rescue the industrial-financial complex, rather than single interventions, especially as far as strategic industries were concerned. According to Cianci (1977, p.XIX), “fu dunque proprio la crisi della banca mista a scandire i tempi dell'intervento pubblico”, through the creation of IMI (*Istituto Mobiliare Italiano*), IRI (*Istituto Ricostruzione Industriale*), Banking Reform, consolidation of the permanent role of IRI and of a new model of capitalism organised by the State and the *Sistema Beneduce*, which transformed the Italian economic history between the later 1930s and early 1940s, as analysed in detail in Section 1.4.

³² *Francesco Giordani* (1896 – 1961) was an Italian economist and one of Beneduce's collaborators, who reached the apex of his career in the 1940s, when he became the President of IRI during the delicate phase of economic reconstruction (Section 3.3 / 3.4), and later served as President of the CNR (*Centro Nazionale di Ricerca*) and CNEN (*Comitato Nazionale per l'energia nucleare*).

1.4 – The late 1930s: the age of consensus, economic reforms and transformation of the Italian industrial-financial complex

The late 1930s are the most crucial phase of Fascism, both for the Regime's political and international plans, and for the series of economic reforms that transformed the national industrial-financial complex, which influenced the future evolution of Italian capitalism.

First of all, as explained in Section 1.1, the thirties are the Fascist age of consensus (Lupo, 2005), born from the Government's authoritarian turn and defeat of political opponents, celebration of the myth of Mussolini, successful fascistisation of national institutions and the masses, in the attempt to expand Fascist totalitarian control over all the spheres of public life. In the meantime, domestic prestige matched with the Regime's quest for international fame, to be enhanced by ambitious foreign policy goals, Mussolini's reputation of a moderate and reliable diplomat and colonial expansion, as analysed in Section 1.2. Lastly, Fascist totalitarian turn also encompassed the economic sphere, in which financial and monetary provisions were implemented to boost the Regime's international prestige and to consolidate fruitful collaboration with powerful industrial groups, by relying on State interventions in the economic realm, through industrial financing, protectionist strategies, rescue operations and the models of economic policy presented in Section 1.3. Nevertheless, the dramatic combination between the exogenous crisis of 1929, declining domestic production, systemic instability of the financial-industrial complex and rising unemployment required something more than the traditional economic approach of the Regime. Hence, from 1930 onwards, an innovative technocratic élite led by Alberto Beneduce and Donato Menichella conquered Mussolini's trust because of their personal loyalty, expertise and capacity to rescue and reform the national economic system. According to Cianci (1977), Alberto Beneduce was probably the only one who could rely on his experience, technical competences, discretion and reputation in the financial realm, to untangle this economic-financial knot³³. The Regime's technocratic turn ended up being the most original and forward-looking decision Mussolini could take, given that it paved the way to a radical transformation of the course of Italian economic history.

In the complex economic scenario generated by the Great Crisis, the Regime embarked on a process of structural reforms and reorganisation of traditional financial-industrial mechanisms to lead the country's economic recovery through an innovative economic paradigm. This one was based on State intervention, rescuing and reconfiguration of banks and industries, and the so-called parallel

³³ In Cianci's words: "Forse la sola persona che in quegli anni meditasse sulla preparazione dei mezzi e degli strumenti per sciogliere quel groviglio era Alberto Beneduce; senza parlarne con nessuno e non lasciando testimonianze scritte, secondo il suo costume" (Cianci, 1977, p.107).

administrations to standard bureaucracy. Economic recovery was also complemented by the political and moral mobilisation led by the new PNF Secretary Starace (1931 – 1939), aimed at coping with the crisis and alleviating people's suffering (Lupo, 2005). Indeed, because of the State's active engagement in public works inspired to public utility, authoritarian control of the political realm and growing totalitarian influence, the Regime reached maximum levels of consensus in the late 1930s. Hence, Fascism started to be perceived as the symbol of a new Italy, of modernity, productivity and social cohesion, also because of strong discipline, and Mussolini himself embodied strength, speed and the pure heart of capitalism (Lupo, 2005). Once the State-machine was restored by Fascism, it succeeded in healing the entire productive potential of the nation through a series of multi-field public works that embraced the Fascist spirit. Productivity and efficiency started to be connected with Fascism, since the regime managed to overcome pluralism and paralysis caused by parliamentary mechanisms and political rivalry, and to build a more efficient, modern bureaucratic and corporate system. Industrial projects and agricultural reclamation shared the same economic approach, made of State control and public support to private initiative through specific entities designed to elevate private potential. Although many believed State's actions as an industrial producer and protector of privates to threaten political stability and economic growth, Mussolini claimed that the fascist revolution did not accept the restoration of the unacceptable liberal paradigm, because of his inherent belief in the State as the supreme entity for regulating private, public and economic life (Lupo, 2005).

From a purely economic perspective, in the early 1930s, the severity of the crisis was witnessed by expansion of the vicious cycle between industries and banks, made of lower aggregate demand, exports, declining industrial production, excessive productive capacity, higher default risks for industries, granting of additional industrial credit, growing debts of mixed banks, higher insolvency risk for banks and public rescuing operations to prevent this trend from causing systemic crisis.

As a result, for almost a decade, the Regime took advantage of its authoritarian nature to conduct rapid and discrete rescuing operations, not to convey the idea of the gravity of the financial situation to the general public (Toniolo, 1980). At the same time, the State was already demonstrating a strong political will of intervening, preventing banks' failure and operating an early reorganisation of the banking sector, legitimised by clear social purposes. Equally important, State rescuing was originally born on the ground of emergency and necessity, but its expansion caused the normalisation of emergency, as clarified by Cianci (1977). "Per effettuare un salvataggio si accese ancora un debito, ponendo a carico delle generazioni successive altri oneri di interessi e di rimborso. Questa sconcertante politica è ora divenuta la regola nel conferimento dei fondi di dotazione agli enti

parastatali e in altre operazioni che, anche se sono definite investimenti, in realtà costituiscono erogazioni senza contropartita di interessi e molte volte sono destinate soltanto a coprire perdite di esercizio” (Cianci, 1977, p.70)³⁴. On this point, Toniolo explains that the way mixed banks operated was based on a compromise, given that “accanto al beneficio di un maggiore stimolo dell’attività industrial, un costo in termini di accresciuta instabilità finanziaria del system”, which needed to be accepted (Toniolo, 1980, p.198). Until 1930, this trade-off was accepted because protecting levels of production and unemployment was prioritised over banks’ financial stability, as long as it generated development, but then, negative economic trends and economic depression increased the risk of a mass-crisis and growing disappointment against the Regime, and State intervention became necessary. Moreover, similar difficulties were experienced all around Europe, given that the whole system of mixed banks was going through a severe crisis, which amplified national financial instability and legitimised State intervention as the only possible way towards recovery. Taking the Italian case, the economist Riccardo Bachi identifies 1932 as the most dramatic year of the Great Crisis and the only one in which losses exceeded profits in the Italian joint-stock companies’ balance sheets (Toniolo, 1980, p.233). In 1932, it turned evident the extent to which the Great Crisis of 1929 amplified structural weaknesses of the Italian system, caused trade reduction (-60%), fall in industrial production (-30%), rise in unemployment and slowdown of productive activities, which urged State intervention in major European countries, including Italy (D’Antone, 2012 in Castronovo, 2012, p.170). This tragic trend, combined with contrasting and complex ties between industry, bank and State, prepared the ground for reforms of 1931-1934, and later stabilisation of the entrepreneurial State in the Italian economy from 1936 onwards. Here lies the largest difference between the first (1931-34) and later age of reforms (1936-39): the early creation of the entrepreneurial State was not a political choice, but rather the inevitable outcome of post-war effects, structural problems and necessity, while its stabilisation was the voluntary decision to rely on permanent State support, through IMI and IRI, to organise national production and control strategic industries (Cianci, 1977).

Between 1931 and 1932, eliminating mixed banks from the national financial system was seen as the only possible way towards recovery, but in order to avoid structural vacuum in the financial mechanism of Italian industries, it was necessary to substitute mixed banks with new financial intermediaries. Hence, the complex task of addressing banks’ crisis and reorganising State economic intervention was assigned to one of the most valuable experts of the time, Alberto Beneduce, who was required to apply his experience and expertise to reorder national financial structures. Apart from

³⁴ Prior to series of reforms implemented in the thirties, the State embarked on a series of rescuing operations of the most important national mixed banks, Credito Italiano (1930), Banco di Roma (1923) and Banca Commerciale Italiana (1932).

the unusual character of the collaboration between the supreme Fascist leader and a non-fascist and former socialist technocrat, according to Bonelli (1996 in Cianci, 1977), this personal relationship was extremely convenient because it was fruitful, free from Party recognition, remained in the shadows and had no political goals. The future Italian economic dictator was one of the protagonists of the age of administrative reformism between the Giolittian and the Fascist age, and he was way more influential than the Ministers of Finance he worked with during the age of reform, namely Jung³⁵ (1932 – 1935) and de Revel (1935 – 1943). Prior to the thirties, he already created some innovative public institutes like INA (1912) and ONC (1917), as well as financial bodies – ISTCAMBI (1917), CREDIOP, (1919), ICIPU (1924)³⁶ - which lay the basis of the future *Sistema Beneduce*, designed to rely on public support and State intervention to enhance private initiative and improve the national productive system. In contrast with past tendency of relying on public support to rescue parasitic industries and replace private market mechanisms, Beneduce, as well as Menichella, Giordani, Nitti³⁷ and the technocratic élite of the time, including the President of the Bank of Italy, Stringher³⁸, believed in the extraordinary nature of public intervention. As explained by D'Antone, given that State action was legitimised by emergency and necessity, public economic bodies needed to be temporary in nature, in order to offer a temporary relief to private entities that were struggling to cope with market mechanisms, prior to their coming back to the ordinary economic system (D'Antone, 1997 in Cianci, 1977). Hence, Beneduce's industrial paradigm reflected a model of organised capitalism, with innovative tools to deploy public support to economic mechanisms and to reorganise the financial-industrial complex through new financial intermediaries, the so-called *Enti Beneduce*, namely IMI and IRI. Prior to an in-depth discussion of the role of IMI and IRI in the new financial system (Chapter 2, Section 2.2) it is necessary to point out that the *Enti Beneduce* were ruled by different criteria and composed a parallel administration to the ordinary one, inspired to private-market principles to avoid complex bureaucratic mechanisms. More in detail, the heart of the Enti

³⁵ *Guido Jung* (1876 – 1949) was an Italian entrepreneur and politician, who was elected as Deputy of the Italian Kingdom and then became the Minister of Finance under both the Fascist Regime (1932 – 1935) and the Badoglio Government (February 1944 – April 1944). Undoubtedly, he lived the dramatic impact of the Great Depression from the Ministry of Finance and strived to implement protectionist economic provisions that could mitigate social consequences of the crisis.

³⁶ The so-called *Enti Beneduce* are the administrative bodies created by and inspired to the innovative vision of public intervention of Alberto Beneduce, namely ISTCAMBI (*Istituto Nazionale per i Cambi con l'Estero*, 1917), ONC (*Opera Nazionale per i Combattenti*, 1917), CREDIOP (*Consorzio di Credito per le Opere Pubbliche*, 1919) and ICIPU (*Istituto di Credito per le Imprese di Pubblica Utilità*, 1924), other than the most famous IMI (*Istituto Mobiliare Italiano*, 1931) and IRI (*Istituto Ricostruzione Industriale*, 1933).

³⁷ *Francesco Saverio Nitti* (1868 – 1953) was an Italian politician and economist, who served as Minister of Treasury, Minister of Interior and as Prime Minister in the Italian Kingdom. In addition to his political career, he inspired the administrative and reformist culture embraced by Beneduce in the early 1920s, which led to the creation of the *Architettura Beneduce* and the later reform of the national financial-industrial complex.

³⁸ *Bonaldo Stringher* (1854 – 1930) was an Italian politician and economist, who, after serving as Deputy of the Italian Kingdom, he reached the apex of his career as the Governor of the Bank of Italy (1900 – 1930).

Beneduce was finding an *equilibrio di coesistenza* between the apparently opposed private and public spheres, so as to apply principles of productivity and efficiency to the public sector. At the same time, Beneduce created a financial mechanism that was parallel and external to the state, in such a way as to guarantee operational and financial autonomy to these entities that, nevertheless, remained public in nature to be perceived as safe and reliable by investors. Indeed, the *Enti Beneduce* were different from other public bodies because, although they were promoted by the State, which preserved its capacity of intervening in case of need, they maintained administrative autonomy, a distinct legal personality and financial independence. Moreover, since they were established through the financial support of other bodies, they did not respond of their actions neither to the State nor to the party system, and the same was true for their personnel, which was highly skilled, well-paid, limited in number and with a sufficient degree of discretionary power for a competent and cost-effective action. On balance, since these entities were pervaded by the culture of efficiency, they organised independently from the public administration and fostered systemic integration through specialisation and complementarity in a single economic and social program. Ultimately, the *Enti Beneduce* were a systemic complex with the purpose of promoting economic development and compensating existing inequalities, by operating in between savers and industrial enterprises and by protecting banks and savings from assaults of speculators and unscrupulous industrialists through public supervision. Hence, as explained in Section 2.1, this innovative combination between the market and the State, between private mechanisms and public supervision, and belief in the State capacity of representing and protecting the national community, is the heart of Beneduce's legacy, that guaranteed the survival of IMI and IRI to his retirement and inspired the evolution of the Italian mixed model of capitalism.

Between 1931 and 1933, Beneduce's revolutionary plan was approved by Mussolini and the operation IMI – IRI began (more on Section 2.2)³⁹. As the prototype of the *Enti Beneduce*, these public entities were created to address the economic crisis through a private governance system and under the state guarantee. This mechanism allowed the Fascist State to enter the private economy, to control major Italian industries and to protect banks. At the same time, it was necessary to avoid that “lo spostamento di fatto già avvenuto nelle mani dello Stato di importanti attività finanziarie ed industriali nazionali, si traducesse anche nella forma statale della proprietà e della gestione” (Cianci, 1977, p.XXVIII). For this reason, Beneduce strived to combine public temporary support with later

³⁹ Chapter 1 offers an early analysis of broad political, international and economic transformations and an overview of the economic and industrial transformations generated by the *Sistema Beneduce*, before and after its permanent stabilisation in the national economic structure. Hence, a more detailed analysis of the Operation IMI – IRI is included in Chapter 2, Section 2.2 in relation to private-public synergy in the new paradigm of the Italian economy, and in Section 2.3 in connection with the Regime's autarchic policy.

privatisation of recovered industries, empowered by new instruments and capable of renewing the private market. According to Cianci (1977), this approach opened the way to a mixed economy and to its progressive evolution from a private (1931 – 1937) to a more public orientation (1937 onwards). In 1931, after rescuing the three main national banks, the next step of Beneduce's plan took shape through the creation of the *Istituto Mobiliare Italiano* (IMI), namely a public entity in charge of providing medium and long-term credit to national industries, especially the ones operating in public-interest sectors. By going one step forward, IMI was the first component of Beneduce's architecture, specifically designed to overcome the Great Crisis and restructure relations between banks and industries, by benefitting from the Institute's operational independence to avoid future interferences between them, other than enhancing Mussolini's international prestige. As mentioned above, one of the most important aspects of this reform was the austerity of working methods and the Institute's clear goals, in the words of Mussolini himself, "burocrazia ridotta al minimo possibile, niente impianti grandiosi, poche spese generali", because it was not about "procedure a salvataggi di organismi decomposti o in via di decomposizione; ma di aiutare le forze economiche sane, alle quali la crisi Mondiale rende particolarmente penoso il cammino" (Cianci, 1977, p.156). However, the more the *Enti Beneduce* increased their activities of financial support to strategic industries – like in the provision of funds for the construction of electrical and telephone lines and other public works – the more the volume of IMI's operations exceeded its means and reduced the amount of activities performed by IMI itself, which urged to complement IMI's activities with another brilliant creature of Beneduce.

Indeed, a couple of years later, in 1933, the Regime backed the creation of the *Istituto Ricostruzione Industriale* (IRI), so that IRI could choose companies worth – from both the economic and socio-political perspective - of receiving public funding prior to their coming back to privates, while IMI operated in the financial market to provide funds through bond issues to the selected companies. After multiple attempts to reorganise the financial-industrial complex and reduce the degree of dependence of national industries from financial support, IRI was established to enact a more structural and systemic reform based on public control of credit, savings and banks themselves, which was also functional to cut perverse ties between banks and industries and empower the national industrial sphere. D'Antone depicts IRI as the first symbol of State's acquisition of responsibility for significant portions of financial and industrial activities that were previously controlled by privates. Equally important, it was also the first extraordinary experience of financial intermediation performed by IRI, namely an innovative type of institutional entity, which was designed to be temporary and external to the State itself (D'Antone, 2012 in Castronovo, 2012). The reason behind the special importance attributed to IRI, as the spearhead of Beneduce's system, is its identification with the birth of the

industrial-entrepreneurial State and with a new path of the Italian economy. According to his paradigm, by acting in between the State and the market, IRI enjoyed enough managerial autonomy to rescue banks from collapse, to reorganise industries prior to their coming-back to the private market and to finance strategic industries, by relying on State guarantee and private-efficiency principles. For the first time, IRI, as the prototype of this new model of public-law entities, benefited from its own capital and juridical personality, which was specially designed to finance public investments without relying on banks' loans. More in detail, IRI was born as a temporary institution in 1933, but, according to D'Antone, because of its prominent function, it was destined to have both permanent effects on the technical, economic and financial reorganisation of credit and industrial activities (D'Antone, 2012 in Castronovo, 2012). Other than its temporary or permanent character, it was originally qualified as a private-law entity, designed to pursue public goals by means of private activities, regulated by private law. In practice, this private-law classification was functional not to frighten depositors and industrial groups, but it was also useful to distinguish IRI from ordinary public administration and its bureaucratic procedures. As already mentioned, IRI was assigned two main tasks, to be performed by two different sections in light of exceptional public interest, the *Sezione Finanziamenti* – in charge of providing financial support to firms – and *Sezione Smobilizzi* – in charge of selling industrial shares back to the private market after IRI's reorganisation and healing up processes. Hence, IRI operated in an innovative space between the State and private firms, as Beneduce himself and his main collaborator, Menichella, who acted on State behalf, respected the value of the private market, and conceived IRI to give new strength to market mechanisms through State support. Moreover, IRI's operations were always performed by the same group of 131 people - 6 management officials, 20 common officials, 54 administrative and inspection officials, 30 clerks and typists, 14 clerks, 7 labourers and workers – and by a simple, competent and autonomous organisation (D'Antone, 2012 in Castronovo, 2012).

Under the supervision of Beneduce and Menichella, as well as of Governor Azzolini (Bank of Italy)⁴⁰, Minister de Revel⁴¹ (Ministry of Finance) and Mussolini himself, IMI and IRI led the first period of reforms of the Italian industrial-financial complex. However, the most intense phase of transformations of the entire economic system was on the brink of initiating, as a reflection of the Regime's turn towards more aggressive colonialism and innovative autarchic plans.

⁴⁰ *Vincenzo Azzolini* (1881 – 1967) was an Italian economist who reached the apex of his career as the Governor of the Bank of Italy in the Fascist age (1931 – 1944).

⁴¹ *Paolo Thaon De Revel* (1859 – 1948) was an Italian admiral and politician who came from a noble family of the Kingdom of Italy, and became the Minister of Finance in the autarchic phase of the Fascist Regime (1935 – 1943).

In 1935 Fascism embarked on its most authoritative, personalistic and imperialistic season. During the second phase of the Fascist revolution (Lupo, 2005), radical fascist leaders were substituted to avoid potentially destructive internal fights, Fascism converted into Mussolinism, as the celebration of the Duce's unlimited authority and legitimacy, and the Regime extended its totalitarian control over the Italian society. As a reflection of domestic power, Mussolini engaged in ambitious colonial operations in North and Eastern Africa to protect and expand the Italian Empire, which dissolved the inherent ambiguity of the Regime's economic policy, once military and imperialist goals started to determine the course of the national economy (Toniolo, 1980). As recalled by Ciocca (1975), at that time, the Government was struggling to reallocate national resources, rationalise productive structures and increase national demand. Hence, war orders, higher military and colonial costs boosted public expenditure and aggregate demand, which, together with exports directed to Fascist colonies, stimulated national production, especially the one of strategic industries for military purposes, compensated for salaries' reduction and foreign trade collapse, and paved the way to economic self-sufficiency. As a consequence, prior to the official beginning of Fascist autarchy (March 1936), the quest for political independence and totalitarian control had already turned into the quest for economic autarchy and State-led development of key industrial sectors. Initially, the transition towards the autarchic model was motivated by the inadequacy of the former economic policy for both productive recovery and provision of military equipment, and by the Regime's need for a more efficient rearmament policy to back colonial operations, rather than ideological preferences. Nevertheless, political convenience, quest for international prestige and Mussolini's goal of operationalising and accelerating war plans in Ethiopia stimulated a phase of more rapid economic growth, resources mobilisation and industrial production. Indeed, as a direct consequence to military operations (1935 – 1937), GDP (+ 5,2%) and industrial production (+ 7,5%) registered exponential increase because of exports to colonial territories and, most importantly, because of public expenditure in national industries, special support to strategic one for the production of military equipment, and subsidies to stimulate the process of import substitution, which compensated for persistent unemployment, wage compression, strict control of the global market and later inflation (more on Section 2.3). On one hand, the well-known autarchic policy was praised by the Regime's rhetoric, boosted Fascist consensus prior to the WWII and prevented the public from getting in touch with underlying financial difficulties⁴². On the other hand, de Revel was struggling to combine long-term economic benefits with the utopian nature of the self-sufficiency myth, related costs and

⁴² During the autarchic phase, the leitmotif of Fascist rhetoric was about "Il Regime fascista autarchico intende invece di produrre il più possibile, di esportare il più possibile, di spingere innanzi il paese nell'attività produttrice, nel tenore di vita del popolo, nello sviluppo della civiltà." (Toniolo, 1980, p.287).

macroeconomic distortions that could not be solved neither through rhetorical ideologisation nor through international trade⁴³, mainly due to additional difficulties triggered by economic sanctions (1935). From 1935 onwards, the League of Nations banned exports of military products towards Italy and imports of Italian products, in the attempt to preclude the fascist State from acquiring means of payment and military provisions from international trade. As a consequence, the Regime broadened State control over international trade, exchange rates and national currency, other than stimulating import substitution, which marked the most decisive turn towards the consolidation of public hands in the national economy. In the long term, Fascist foreign policy, combined with the implementation of autarchic plans by the technocratic élite of the time, ended up innovating the Italian industrial configuration, relation between private industrial groups and the State and changing the nature of the national economic system (more in Sections 2.4 and 3.4)

From a technical perspective, the Regime's Regulating Plan for the National Economy was designed to achieve great results in terms of productivity, employment, imperialist goals, military supremacy and industrial production, as it happened in Germany. Given that something more than temporary control of the industrial complex was required to attain the Regime's ambitious goals, Beneduce and Menichella implemented a major banking reform (1936) and later converted IRI into a permanent feature of the national economy (1937).

Firstly, the new banking reform of March 1936 accelerated credit reorganisation, by disciplining the creation and management of bank savings and avoiding losses. In practice, this law-decree stipulated savings defence and control of both credit institutes and securities market to be exercised by a technical entity on State behalf, namely *l'Ispettorato per la difesa del risparmio e per l'esercizio del credito*, directed by the Bank of Italy, while IMI was in charge of providing medium-term credit. This reform was depicted by IRI in the publication called *La difesa dell'economia nazionale. La messa a punto dell'arma del credito* as the apex of the corporate process led by the Fascist government in the last years, designed for modernising bank functions through "unità di controllo e di azione del credito, affermazione del carattere corporativo dell'attività bancaria, tutela del risparmio e dell'iniziativa private: ecco la sintesi della riforma bancaria italiana che si presenta come una delle più potenti, geniali ed armoniche realizzazioni corporativa" (D'Antone, 2012 in Castronovo, 2012, p.212). The

⁴³ As explained more in detail in Chapter 2, Section 2.3, in spite of autarchic claims and isolation from international trade, de Revel was forced to make some compromises. As long as *Quota 90* applied, there was a huge increase in exports and importing capacity. Then, once the gold standard was abandoned and the value of Lira declined, the State intervened to support the process of import substitution. To do so, bilateral clearing agreements were signed with major European powers, so that both signing parties were forced to make respective payments in the other party's domestic currency, so as to compensate for exports reduction, required by autarchy (Toniolo, 1980, p.285).

Economist agreed on this point, by arguing that this reform was not revolutionary per se, but it completed the process of absorption of the national credit system by the corporate State, which converted the Bank of Italy into a modern central bank and reformed the banking system, in attempt to meet war needs and bear sanctions. Similarly, the Financial Times emphasised the strong connection between financial pressure generated by war and sanctions on Italy and this radical transformation of the credit system, as well as the new role to be performed by the Fascist government in supervising and controlling the financial realm. Moreover, the Financial Times believed this reform to have the potential of reinforcing the Italian financial system in the future, and mainly after the cessation of hostilities, despite inevitable difficulties related to current financial pressure. As reported by Castronovo (2012), the new financial system had a long life and became one of the strengths of the Italian Republic during national reconstruction, led by Menichella.

One year later, at the apex of Beneduce's career, IRI became a permanent instrument of the Italian economy, by operating under the directives of the Regime's economic policy and being responsible for managing and acquiring new shares that could benefit national defence, autarchic policy and valorisation of colonial conquests, by either complementing or substituting privates. As declared by D'Antone (2012 in Castronovo, 2012), IRI conquered permanent control over strategic components of the national industry, by accomplishing Beneduce's original plan and by establishing new forms of State involvement in the economic policy. Given the historical meaning of this reform, it is worth pointing out that both IMI and IRI were initially conceived as temporary because they were supposed to operate on the ground of emergency and necessity, and neither of them was born from a clear political willingness of nationalisation. Indeed, IRI's original mission was just to acquire temporary control of strategic industries prior to their coming back to privates, so as to substitute insolvent banks. Nevertheless, in 1936, IMI was already increasing from 10 to 20 years the maximum deadline of granted funds and IRI was still holding control of many firms, other than making consistent investment on them, which proved that more time and actions were needed to solve the structural problem of providing financial capital and filling the gap left by mixed banks. Moreover, both Beneduce and Menichella argued against the privatisation of major banks, because of the lack of adequate Italian banks capable of investing their money in banking actions and of managing banks in the most efficient way. Hence, privatising banks that were still under public control was neither possible nor convenient. Years later it is still difficult to say whether the managers of IRI predicted or voluntarily operated in such a way as to consolidate the presence of the Italian state as producer of industrial goods and services other than financial ones, even though they were probably aware of the insufficiency of capitalists willing to invest in key industrial sectors. Hence, the combination of

structural weaknesses of the Italian system, insufficiency of private capitals and insolvency of the banking system forced leaders to overcome any temporal limit in IRI's actions.

As will be clearer in the following chapters, the banking reform of 1936 and IRI's permanent stabilisation in the national economy triggered a series of industrial and economic transformations, which were initially hidden by the Regime's autarchic plans. But, later on, they created the basis for the Italian economic recovery from the war and later growth of the national economy, which resulted from the brilliant combination of private market mechanisms and public organisation of strategic industries. Indeed, the incomplete and contradictory reformist era of Fascism led by IMI and IRI ultimately reinforced the role of the Italian State as banker and entrepreneur, by renewing synergies between industrials, national administration and new parallel administration, which is probably the greatest legacy of Fascism (Castronovo, 1976). Behind the scenes, Beneduce's innovative approach inspired later generations of experts and collaborators who preserved his dedication to the State, the empowering of the private market and revitalised the collaboration between technocrats and new Republican governments, based on public management, private efficiency and centrality of strategic industries. From a long-term perspective, it is interesting to see how both the technocratic revolution led by Beneduce and his institutional architecture ultimately survived the end of Fascism because of the *strategicità* they developed during the 1930s and the 1940s, which later became one of the core features of the Italian version of capitalism.

Thus, Chapter 1 was designed to recollect the main features of the Fascist political, international and economic events, with a special focus on the series of reforms of the later 1930s, to create the basis for a detailed analysis of the way in which evolution of the Italian model of capitalism was led by Beneduce's legacy and public control of strategic industries initiated by autarchic plans (Chapter 2), and to some later considerations of the survival of the mixed economic paradigm in the post-fascist age (Chapter 3).

Chapter 2 – Strategic industries in the Fascist age and the Italian model of political capitalism

As recalled in the previous chapter, the more constructive way to explore the development of the Italian economy in the inter-war and Fascist era is to focus on both political and economic dynamics. Only a comprehensive approach is adequate to place emphasis on the intersection between industrial activities, oligopolistic tendencies, autarchic and military needs, private firms' decisions, market dynamics and the role of the State (Gagliardi, 2014). From this perspective, the Fascist age arouses interest because merits for the evolution of the Italian economic system in the direction of a “third economic way” are attributable to the Regime’s economic policy and the innovative decision of trusting the technocratic élite of the time to implement it.

Hence, by drawing insights from the political and economic evolution of the Regime (Chapter 1), it is possible to retrace the development of the Italian capitalist economy and the progressive expansion of public intervention in the economic realm (Section 2.1). Behind general trends, it is useful to discuss the impact of Beneduce’s legacy in this process led by IMI and IRI (Section 2.2), and the influence of autarchic plans over the new importance of strategic industries (Section 2.3), prior to a more detailed analysis of the role of the industrial complex in the “mixed” national economic system (Section 2.4). Ultimately, deeper knowledge about the institutional features of the Italian economy (Chapter 2) is the starting point to investigate the degree of institutional and economic continuity with the Republic (Chapter 3).

2.1 - The evolution of the Italian capitalist economy towards public intervention in the economic sphere

As far as the Fascist age is concerned, understanding the evolution of Italian capitalism is necessary to grasp the meaning of the massive reforms implemented between 1937 and 1943, but, from a broader perspective, doing so requires making a step back to the economic context of the XX and the nature of the Italian economy in this scenario. Then, it would be easier to value the Fascist economic experience and the role of technocrats in developing the Italian version of the capitalist market-oriented model, centred on the paradigm of “business, work, State”.

According to Kuznets, modern economic growth reached the maximum levels in the XX century, when the market economy became the main element of dynamics and attraction in the world (Ciocca, 1997). In the same period, the capitalist system also went through radical changes, with respect to the value assigned to human capital, productive internal organisation and technical progress, which stimulated the development of entrepreneurial skills and the creation of more adequate institutions

operating in market economies. As explained by Kuznets, higher efficiency of productive resources and consequent rise in output per unit of inputs depended on either “the improved quality of resources, or the effects of changing arrangements, or to the impact of technological change, or to all three” (Ciocca, 1997, p.560)⁴⁴. The XX century went through deepest transformations and waves of instability, generated either by the absence or insufficiency of the State’s commitment to prevent them, or by the combination of the two World Wars, inflation, financial and economic crises. This series of dramatic events also challenged the stability of the Liberal paradigm itself, which was liable for the crisis of 1929, consequent unemployment, reduction of international trade and collapse of the global financial market. At the same time, these tragedies paved the way to the success of the Marxist theory, the alternative paradigm of a statist economy, and to a third way between capitalism and socialism, as in the Italian case. What stimulated the spread of alternative economic theories was the growing perception of inadequacy of the liberal paradigm, mainly in times of crisis, which also raised awareness about the importance of political economy and the role of the State to achieve economic and social goals – full employment, monetary stability, external equilibrium, foreign competition, transparency and efficiency. Rather than relying exclusively on the market, the State became increasingly co-responsible for economic progress and social support, up to the point that, according to Ciocca (1997), the State found more legitimacy in the administration of the national economy rather than in foreign policy. In the context of progressive decline of the laissez-faire approach and the new importance of institutional-political factors, also the Fascist Regime relied on valuable experts. Indeed, the Italian technocratic élite was at the forefront in the implementation of financial reforms and the creation of bureaucratic entities that channelled State’s actions in the economic realm, with the aim of supporting privates and pursuing social goals. That was a critical historical juncture, in which the basics of the economy – resources, techniques, productive mechanisms – started to interact with national institutions, while experts and economists – Beneduce, Menichella - protected the authentic nature of the market economy, as the most powerful instrument to create a better future (Keynes in Ciocca, 1997, p.572).

In line with practical experiences of new synergies between the State and the market, the XX century witnessed the emergence of economic models other than capitalism and socialism, such as political capitalism (Holcombe, 2018 & Holcombe, Castillo, 2013), which may be a useful theoretical reference to analyse the nature of the Italian economy. Although Holcombe believes the Italian

⁴⁴ Ciocca (2011) refers to these factors as REI, namely Resources – Efficiency – Innovation. In line with ideas expressed by Kuznets, resources available, efficiency of productive mechanisms and technological progress are the key determinants of countries’ wealth and integral components of capitalist economies.

version of capitalism to be unique, still, the evolution of political capitalism is the closest theoretical paradigm to the Italian case, as one of the alternatives between capitalism and socialism.

To start with, one of the first insights that can be drawn from political capitalism lies in its mixed nature. Given that all economic and political systems are never purely one type or another, even the most capitalist economy has significant elements of government planning, because “government intervention can manage some of the problems associated with capitalism, ranging from the concentration of economic power to externalities resulting from economic activity to economic instability” (Holcombe, 2018, p.15). However, what lies behind State’s commitment to address economic issues is strategic cooperation between political, economic and technocratic élites, which lies at the heart of Holcombe’s model itself⁴⁵. This synergy explains why political capitalism, as well as systems in which influential groups lobby political processes, becomes a win-win system for élites, given that, on one hand, the economic one influence governmental economic policies to use regulation, government spending and taxes to maintain its élite status in the economic realm. On the other hand, the political élite implement convenient policies to gather consensus and reinforce its top positions in the political and economic hierarchies. The so-called “political component” of economic policies is certainly a debatable but undeniable factor of every economic reality, including political capitalism and the Fascist regime. However, what matters the most is the extent to which particular interests dominate over collective ones, namely how much policies undertaken in the name of public good are captured by private élites and their ends, such as writing rules in their favour, at the expense of the general public. Similarly, an additional concern is the modern trend of overloading the State with missions far beyond its capacity to fulfil, running the risk of corrupting free markets and democracy. Hence, although mixed economic models rely on better regulation and more government intervention to address market efficiencies, big government can also be a problem, which, combined with search for mutual advantages between élites, may prevent capitalist mechanisms from improving the level of collective well-being (Holcombe, 2018). Moreover, given that political capitalism applies to both authoritarian and democratic regimes, all possible political systems are threatened by the risk of excessive political interference, especially in authoritarian cases (Figure 2.1, Appendix)⁴⁶. It may seem paradoxical but political pressures on economic mechanisms are amplified in the case of

⁴⁵ Indeed, Holcombe defines political capitalism as the “economic and political system in which the economic and political élite cooperate for their mutual benefit” (Holcombe, 2018, p.1).

⁴⁶ When analysing political capitalism, Holcombe explains that, although the distinguishing feature of political capitalism itself is the synergy between the economic and political realm, both the economic (capitalism – socialism) and the political (democracy – dictatorship) can take different forms, which offers at least four types of political capitalisms, presented in Figure 2.1 (Holcombe, 2018, p.62 and included in the Appendix, p.142). Sometimes, as in the Italian case during the XX century, different political systems (monarchy, dictatorship, republic) can share the same capitalist economic system and tendency for government to grow for mitigating some undesirable effects of market activities.

authoritarian regimes, because when political and economic systems work through coercion, it is not surprising that those who have the power to coerce others end up profiting from that power. Indeed, according to Holcombe and Castillo (2013), rather than taking advantage of public support to enhance productivity, discretionary power of élites creep into decision-making at their own benefit, as it clearly happened during the totalitarian phase of the Fascist Regime (1935 onwards). According to Ciocca (1975), interference of oligopolistic groups is one of the factors that reduced the amount of benefits generated by the proactive role of the Italian State, in comparison to expectations. Other than ambiguity of the Fascist political economy, insufficient awareness and tendency of the Regime to underestimate the role of economic trends, interest groups frequently opposed the rationalisation of domestic structures. In the meantime, public and semi-public institutions were frequently used by privates to pursue particularistic goals, and the same was true for “enti pubblici, consorzi, associazioni, in cui privati produttori ottenevano il crisma della pubblicità per dare maggiore efficacia alla propria azione” (Cassese, 1992 in Ciocca, 1975, p.373)⁴⁷. Most importantly, privates struggled to protect existing structures, groups’ dominance and their own interests, by abusing State support, which was mainly the modus operandi of industrial groups in the Fascist and post-Fascist age and one of the ambiguous traits of the Italian economy. Hence, one of the main elements of continuity between the authoritarian and republican periods was the degree of heterogeneity of Italian capitalism, its structural limits (market), tendency to favour privileged groups (industry) and State’s role in mediating between contrasting interests (State), also known as the “business, work, State” paradigm.

For the sake of argument, certain economic decisions – such as *Quota 90* (Section 1.3, p.28-29) – were more functional to attain political goals – consolidation of domestic power, international prestige and colonial conquests – and match the interests of powerful industrial groups – through larger production of military components from heavy industries and protection from foreign competition – rather than increasing the level of collective well-being. Similarly, in the most dramatic cases in which political interests exceeded economic considerations, regimes match the prototype of the predatory state described by North (2016 in Holcombe, 2018, p.70) and the tendency to maximise well-being of powerful groups, regardless of impacts on collective well-being. Probably, in the late thirties, the Fascist Regime behaved as a predatory State in the last desperate attempt to change the course of history. Hence, unrealistic autarchic plans were implemented to benefit the Regime’s

⁴⁷ With regards to the instrumental use of State bodies for particularistic purposes, Cassese adds that “si creano enti settoriali di privilegio, dominati da rappresentanti di categoria, operanti in prevalenza quali mezzi di conservazione delle strutture dei gruppi dominanti che se ne servono come arma per eliminare la concorrenza. Si diffondono società con partecipazione statale in cui i privati possono il più delle volte avvantaggiarsi dell’appoggio statale pur restando i padroni dell’impresa.” (Cassese, 1992 in Ciocca, 1975, p.373).

prestige and the class of industrial producers of strategic sectors, at the expense of objective considerations on the level of economic-military preparation and domestic economic situation. The autarchic phase (1935 – 1945) is probably the most dramatic example from the Fascist period, but prior to that, political factors and private interests – such as the one of industrial groups - already determined the course of the Regime’s economic policy. Sometimes political influences ended up stimulating growth and enhancing collective well-being, as during the 1920s. At that time, the liberal orientation of De Stefani’s policy stimulated growth and positive economic trends, even though it was motivated by the Regime’s interest to win the industrials’ hearts and popular support, rather than increasing collective well-being. By contrast, excessive domination of political pressures may trigger government failures and collective suffering – as destruction after the Second World War - that can be far worse than market ones – as the Great Crisis. Nevertheless, contradictory political outcomes did not prevent the mixed economic paradigm to survive the collapse of the Fascist Regime and to hand over Beneduce’s combination of capitalist mechanisms and government oversight to the Italian Republic. Indeed, this innovative economic approach is the main element of continuity between the Fascist and post-Fascist age, based on the common belief in equilibrium between market mechanisms and State support to generate economic growth and reallocate resources. Equally important, the capitalist nature of the Italian economy was probably never questioned by ruling élites, neither by the Fascists nor by the Republicans. In spite of different political orientations, almost everybody agreed on the capacity of liberal mechanisms to stimulate development, which could also be combined with State supervision to achieve better results and control economic downturns.

Hence, with respect to the evolution of economic models, including the Italian one, and more specifically, the evolution of capitalist system in the direction of larger public control, it is important to bear in mind the potential of State intervention to address market inefficiencies, but also the risk for political convenience to cause the degeneration of market mechanisms. Thus, a certain degree of governmental interference with the market is necessary to compensate for economic failures and take the best out of the free market, as Beneduce, Menichella and Giordani tried to do when they combined private efficiency with public management. However, organised capitalism can also degenerate into political capitalism, personalistic goals and potentially dramatic governmental crises, in contrast with capitalist potential to generate unprecedented growth, improvement in global living standards, poverty reduction and redistribution of gains. Indeed, all “mixed” economic systems, in which capitalist mechanisms match with government oversight, (adequate) institutions have the potential to facilitate economic mechanisms, compensate for weaknesses of the private market and address market failures. Over time, it became evident that economic growth naturally brings with it government growth, as shown by today’s reality, in which more prosperous countries have larger

governments, since the State is essential to bring capitalism into being and sustain its existence (Hodgson, 2015 in Holcombe, 2018).

Moving from theory to practice, Holcombe is extremely clear when he claims the uniqueness of the Fascist economic system, by explaining that “Fascism embodied heavy doses of central economic planning with private ownership of productive assets (while in Germany they were nominally privately owned under the Nazi government), channelling profits derived from favouritism towards insiders. Because the means of production were privately owned and transfer of resources occurred through voluntary market exchanges, it was not socialism, but because economic activity was so centrally directed, it was not market-based capitalism either.” (Holcombe, 2018, p.33).

As explained by Ciocca (2011), during the XX century, Italy has gone through different economic phases and levels of productivity, determined by public finance – in equilibrium or not – physical and legal infrastructures – adequate or not – competitiveness – growing or declining – and business dynamism – high or low. Throughout these phases, Ciocca (2012) believes that the Italian market-oriented economy progressively became capitalist in the mode of production, especially after the Unification (1861). In light of the capitalist paradigm, the production of goods started to be controlled by capital owners for increasing their profits and to be performed by the workforce for earning their salary. The crucial relation of salary-price-profit began playing a central role in the economic system and becoming responsible for progressive urbanisation, infrastructures building and the abolition of mercantilist stereotypes. However, it is impossible to understand the evolution of the Italian economic model without recalling the stimulating role played by structural weaknesses, such as the insufficiency of natural resources in the national peninsula. Probably, scarcity of raw materials and fossil reserves has always been the greatest vulnerability of the Nation, since chronic shortage of modern sources of energy has forced Italy to rely on imports for backing national production and for satisfying domestic energy demand⁴⁸. Moreover, notwithstanding high population density and availability of workforce in both the industrial and agricultural sectors, another major Italian weakness has always been its internal fragmentation and dualism in economic development (Ciocca, 2012). Because of the complex Southern territory and administrative backwardness, public investments in transports, communication and other infrastructures did not manage to close the gap with advanced regions in the North and did not solved delays in economic development. Indeed, from a historical perspective, Toniolo (2003) recalls how the Italian path to economic development after

⁴⁸ As later explained in Section 2.3, Italian propensity to international trade and dependency on imports of basic industrial products and necessities is enough to understand why autarchy could never be a real option for the Italian economy, despite efforts of the Regime.

national unification has always been slower and more complex in comparison to other European countries, because of the series of social, political and institutional troubles of the national history. For instance, in the aftermath of 1861, it was necessary to build infrastructures, transports and roads, to push forward economic unification and the creation of a domestic market based on economies of scale's benefits. At that time, it was already clear that growth did not come from a *deus ex-machina*, but rather from the State's commitment to remove institutional obstacles and pave the way to modern economic development. Hence, the Italian case exemplified the contribution of public push towards development in less-developed countries, as it was in the late XIX and XX centuries, when the Fascist Regime invested significant resources in direct control and management of strategic industries (Section 2.4). Strong public support, supervision of financial mechanisms and credit companies, and State's direct management of key industries, allowed Italy to close the gap with other Western powers, but, according to Ciocca (2012), it was also a clear sign that private Italian capitalists would have failed without State actions from 1933 onwards⁴⁹.

More in detail, in the autarchic phase, political economy was dictated by military production, rearmament and quest for economic self-sufficiency, which needed to be achieved through public-private cooperation, but also, through the application of technical and managerial expertise apart from Fascist loyalty. This was probably the factor that distinguished Italy the most from Germany, and which prevented the Fascist Regime from falling in the vicious cycle of political capitalism, differently from the Nazi Government, whose political economy epitomised the triumph of political influence over competition and productivity. Because of the positive influence of technocrats in the political sphere, Beneduce and Menichella first (1930s), and later on, Giordani and Saraceno (1940s), managed to regulate public economic intervention through a clear set of rules and criteria to be met, which actually enhanced the State's capacity of rescuing economic activities. The main reason was Beneduce's awareness that one of the major risks of State's operations in the economic realm was government excessive growth and evolution of economic rules towards favouritism, lobbying, protectionist measures and interferences with market efficiency that should guide States' activities. As confirmed by Olson (1982, in Holcombe, 2018), nations' decline is generally attributable to the degeneration of capitalism into political capitalism, erosion of institutional quality and firms' dependence on public support for their profitability, which makes the entire economy poorer and less

⁴⁹ As far as the impact of the State in the economic realm is concerned, the Italian case confirms the importance of institutional factors for economic development. In line with the ideas of the economist Douglass North, the structure of incentives of a given society is expressed by its political and economic institutions, which are the basic determinants of economic performances. Because societies have been keen on modifying institutions and shaping them so as to be more favourable to economic progress, the role and political control of the State has always been an essential component of the national economic life (North, 1981 in Ciocca, 2011).

efficient. As a consequence, Beneduce was committed to prevent this trend from consolidating in times of difficulties, namely during the first phase of financial reforms (1931 – 1935), being aware that dramatic events like crises (1929) usually make people, including influential private groups, demand more government action. In the meantime, Beneduce was also aware of additional risks for political interferences connected with strategic industrial sectors, which exhorted Beneduce himself and his collaborators to carry out a second wave of reforms (1936 – 1937) and stabilise the supervision of the *Enti Beneduce* and their innovative public-managerial approach. Probably, the technocratic élite of the time was aware of the strategic importance of certain industrial sectors for the State's political and foreign policy goals, their influence on national governments through their economic power, and their tendency towards natural monopolies⁵⁰. At that time, this trend was already evident in the military-industrial complex, which is the most conducive to stronger connections between political and economic élites, because of industrialists' attempts to increase their share of benefits. Thus, on the ground of profit margin and inherent risks, Eisenhower⁵¹ depicted the military-industrial complex as a threat to democratic government (1961). As a consequence, because of their authoritarian nature, the inner synergy between political and economic powers, and the power of the industrial-military complex, both the Nazi and the Fascist Regimes suffered from distortions caused by political interference. Nevertheless, the series of reforms enacted in the thirties by the Fascist Regime proved to be more conducive to long-term economic benefits. In fact, structural changes – as the banking reform (1936) – new criteria for public economic support – efficiency, productivity, neutrality – and new institutions – *Enti Beneduce*, IMI and IRI - created more solid basis for sustainable economic growth, starting with the Italian economic miracle (Holcombe, 2018)⁵².

From a broader perspective, in the Italian case, first waves of public intervention in the national capitalistic economy resulted from the political decision of leaders, including Mussolini, to rely on State's power to address serious economic concerns and compensate for chronic deficiencies of the Italian economy. Over time, and mainly after the fall of Fascism, the State kept on leading

⁵⁰ As recalled by Holcombe (2018), the theory of natural monopoly is built on the idea that industries have economies of scale, so the larger the firm, the lower its unit costs, the higher the incentive to rely on large infrastructures and oligopolistic / monopolistic concentration of power to reduce costs. Taking some examples, this approach makes extremely sense with the electric industry, because of the large costs of infrastructures associated with electric delivery, which can be more easily addressed by public finance rather than private one, or by private groups with public support.

⁵¹ On January 17, 1961, President Eisenhower held his final speech from the White House and gave the nation a warning about the potential of the military-industrial complex to threaten democratic government, because of the formidable union of defence contracts and armed forces, but also because of the immense military establishment, large arms industry and their leverage on democratic mechanisms.

⁵² One of the basic indicators of economic growth is always a country's GDP, which registered a limited but positive trend between 1945 and 1950, as the early signs of recovery shown by Ciocca, 2014 in Table 1 (p.99), included in the Appendix (p.144).

national development, showing that, after the initial input from Fascist leaders, the scope of government continued to widen program by program, policy by policy, as people perceived problems and believed the government should do something to address them. As a result, the Italian version of political capitalism, namely the mixed economic model centred on the paradigm of business-work-State, became a distinctive feature of the national economic history itself, built through the forwards-looking approach of Beneduce (Section 2.2), stabilisation of public control over strategic industries born under autarchy (Section 2.3) and new synergies between industry, market, State (Section 2.4).

2.2 IMI, IRI and the legacy of Alberto Beneduce: the new paradigm of the Italian economy

Making a step forward in the analysis of the key features of the Italian mixed economy, it is worth acknowledging the impact of Alberto Beneduce in creating the backbones of the entrepreneurial and banking State, namely IMI, IRI, the Banking Reform and the permanent stabilisation of IRI. Other than because of its historical meaning, the *Operazione Beneduce* was the *conditio sine qua non* for the implementation of autarchic plans (2.3) and the empowerment of strategic industries (2.4), which completed the institutionalisation of the new economic paradigm.

According to Farese (2009), first attempts to improve and update national productive structures, prior to the age of Beneduce, dated back to the liberal age, the ideas of Nitti (1904 – 1914), nationalists' economic program (1910 – 1914) and technical-scientific nationalism (1915 – 1918). The Giolittian age saw for the first time the equation between industrialisation and modernisation, which praised the propulsive function of the industrial sector for growth of both productive forces and social evolution. As a reflection of the liberal and reformist turn, Liberal Italy witnessed the rise of Francesco Saverio Nitti and the influence of the so-called “Nittiani” (1904 – 1914), namely influential experts with a liberal background that ended up entering the Fascist ruling class in the following decade, such as Alberto Beneduce, Vincenzo Giuffrida, Arrigo Serpieri and Bernardo Attolico. From a historical perspective, the Italian administrative culture was highly influenced by their liberal and reformist orientation, up to the point that their administrative culture survived the Liberal regime and became a major indicator of continuity between the liberal, Fascist and later republican era⁵³. Indeed, Beneduce and the technocratic élite of the *Enti Beneduce* formed the managerial class in charge of public institutions under the Fascist Regime, in the attempt to revive the neo-liberal and reformist culture of the Giolittian age, to isolate non-productive forces and to strengthen national productive energies. As recalled by Farese (2009), Alberto Beneduce became one of the most famous *Nittiano*, because he embraced this liberal and efficient culture while he operated in major national institutions and built the so-called *Enti Beneduce*⁵⁴. The *Enti Beneduce*, the revolutionary administrative culture of Nitti and the figure of technocrats like Beneduce, combined the centralising role of the State in the economic realm with the attempt to provide new instruments of public intervention in the economic sphere to a new model of “State”. The State was seen as the promoter of economic and social progress because of its potential to operate in various spheres, rely on different economic and fiscal instruments, boost development, activate human capital and promote technical progress in the most strategic sectors through different strategies of intervention. As

⁵³ See Section 3.3 for a more detailed discussion of the survival of the technocratic élite to the end of Fascism.

⁵⁴ See Section 1.4 for a specific description of the unique characteristics of the *Enti Beneduce*.

mentioned, this new paradigm of State required the *amministrazioni parallele* to operate in light of entrepreneurial and private principles and to be composed by autonomous entities led by experts. Other than an administrative revolution, this culture built a new hierarchy of knowledge, based on expertise and technical progress over political dynamics, moving in the direction of technocratic rather than political power, which became more evident during Fascism, despite the strong political rhetoric of the Regime. Hence, the consolidation of this new hierarchy of knowledge initiated the era of technocratic power, in which technical expertise and education, embodied by the technocratic élite, ruled over politics.

Secondly, the Giolittian age experienced the growing influence of the nationalists' economic program (1910 – 1914), which was an additional push towards modernisation of productive forces nationalism and increase of national prestige through colonial operations (War in Libya, 1911-1912). This nationalistic approach was embraced by relevant personalities from the political and economic realm like Enrico Corradini, Luigi Federzoni, Alfredo Rocco, Alberto De Stefani and Guido Jung, who believed in the need to build a new economic science based on nationalistic political and ideological principles, namely “economic nationalism”. This national economic theory was seen as the expression of national economic and social dynamics, other than a specific path towards development, backed by the joint effort of single individuals to pursue collective national goals. The main principles of this early form of economic nationalism consolidated under the Fascist Regime, and more specifically in the *Carta del Lavoro*, the Fascist corporatist manifesto (1927), in which the Italian nation was depicted as a living organism whose power is dependent on the collective effort of its individuals⁵⁵. Indeed, this vision of the nation reflected a dynamic view of statism and state powers, the centrality of national interests and the need of creating a wider public economy in which the State ruled over social conflicts. In concrete terms, it is relevant to discuss the economic nationalistic heritage to understand what led to the implementation of protectionist policies, aimed to safeguard national production and back strategic industries for national security.

The last cultural influence on the later adoption of autarchic policies emerged after WWI and was defined by Farese (2009) as technical-scientific nationalism. The First World War was a form of industrial revolution, because the growing demand for armaments and equipment for the army strengthened the national industrial apparatus, while the nationalist feeling of military experience boosted the nationalisation of the masses. Moreover, for the first time in WWI, Italy went through

⁵⁵ As pointed out by Farese (2009), the *Carta del Lavoro* (1927) is probably the most important ideological document of Fascism. This programmatic manifesto praises the capacity of the fascist State to guarantee moral, political and economic unity of the Nation, based on political union, productivity and technical progress. All these elements, and the ideological orientation of the *Carta* itself, became of crucial importance for the later implementation of Fascist autarchy (mentioned in Section 1.4 and explained in Section 2.3).

massive State intervention in the quality of organiser and coordinator of both the military effort and establishment of an economy and finance of war, at the expense of economic liberalism. It is worth specifying that the Nittian liberal and reformist administrative culture influenced the nature of State intervention, given the progressive bureaucratisation of the economy, and the creation of specialised administrative apparatus to pursue specific goals. Indeed, one of the protagonists of this phase was Vincenzo Giuffrida, namely the old collaborator of Nitti who ended up playing a central role in the management of state and para-state war institutions, together with other relevant experts (Belluzzo), entrepreneurs (Volpi) and industrials (Sinigaglia, Pirelli). Their cooperation is a major indicator of the growing synergy between public and private, defined by private industries' support to the national government. For the first time, governmental authorities mobilised national industries, their managerial groups and factories in the quality of auxiliary and complementary forces to the national industrial military apparatus, which gave birth to the complex Italian war machine and to the most intense experience of public ruling over private industry. This effort was backed by the emerging "technical-scientific" nationalism, which urged the need to unlock the country's potential and reduce the economic dependence on foreign countries. Indeed, the more the war showed the intrinsic vulnerability of interdependence, the more European countries embraced the idea of relying on technical progress to strengthen national industries and build a new order. All these features – nationalism, general interest, national productivity, self-sufficiency, technocratic management, public support to strategic industries – found their greatest expression in the 1930s under the Fascist Regime.

In the Fascist age, the modernisation of the Italian productive structures took a more decisive turn towards public enterprise (Ciocca, 2015). In order to understand what led to State intervention in economic dynamics and the birth of public enterprise, it is worth reflecting on what Adam Smith wrote in "The Wealth of Nations" (1776). As he argues, public expenditure is necessary and justified for reasons of defence, justice, infrastructures and public institutions⁵⁶, which legitimised the growing role of the State as a producer in capitalist systems, in a direct or indirect way through public enterprises owned and controlled by the State. Throughout the Western world, including in Italy, the paradigm of the mixed economy reached the apex between the 1930s and the 1970s, when, as

⁵⁶ More in detail, capitalist economies are affected by ten major market failures, namely (1) lack of public goods, common goods and merit goods, (2) asymmetric information, (3) externalities, (4) lack of static and dynamic competition, (5) privileged positions, (6) voids of entrepreneurship, (7) distributive inequality, (8) real, monetary and financial instability, (9) persistent unemployment and (10) growth problems. Facing these failures and their social costs, the State is more prone to intervene in the economic sphere in the quality of legislator, regulator, allocator of resources, stabiliser, development promoter and producer (Smith, 1776 in Ciocca, 2015, p.249).

imagined by Beneduce, the State became a national producer through public companies⁵⁷. Indeed, the degree of intervention of the Italian State progressively increased, starting from the provision of basic services to national insurance (INA, 1912), to supervising the industrial-financial complex through IRI (1933) and then to substituting private industrials and bankers through IRI (1937) and IMI (1931). Throughout these stages, Italian public enterprise was led by a series of pivotal principles inspired by free market mechanisms, namely efficiency, competitiveness, expertise, innovation and productivity. Apart from the institutes created by Beneduce, he radically innovated the paradigm of State intervention by updating operational mechanisms of what he called, parallel bureaucracy, to distinguish the *Enti Beneduce* from the ordinary administration on the ground of their working methods. Usually, public companies were depicted as inefficient, corrupted and incapable of generating development, due to inefficient systems and excessively bureaucratic procedures. In contrast with the past, Beneduce believed in the potential of public enterprise to promote growth and modernisation, reduce unemployment and instruct competent managerial class, as proved by IRI's capacity of producing up to 3% of domestic value added during the economic miracle (Ciocca, 2015, p.252). At that time, theorists other than Beneduce and Menichella already discussed the nature of public administrations' operative methods. For instance, Simon (1991, in Ciocca, 2015) believed in the correlation between the level of efficiencies of bureaucracies and their goals, and in the capacity of collective interest and national identity to stimulate both bureaucrats and public companies' efficiency, as demonstrated by the commitment of Beneduce, Menichella and Saraceno to reform the industrial-financial complex. Apart from operative strategies, Keynes (1936) praised the role of public investment in stabilising real demand, securing full employment, contributing to national productivity and preventing both recessions and crises. In his own words, "progress lies in the growth and the recognition of semi-autonomous bodies within the State" (Keynes, 1936 in Ciocca, 2015), especially when these public companies act as mechanisms of production, rather than instruments of development. In such a slight difference between being a mechanism or an instrument of production lay Beneduce's commitment to prevent IMI and IRI from being used as political instruments. Indeed, rather than performing activities that are functional to achieve specific goals – as done by instruments of development – it is necessary for public enterprises to act as mechanisms of development, whose goals are defined by the State and performed by specific entities like the *Enti Beneduce* without the Executive's interference.

Starting from this functional distinction, it is possible to understand why IRI and other Italian public companies were successful until the 1970s, namely as long as they acted as mechanisms for

⁵⁷ From a technical point of view, public companies had the legal form of joint-stock companies, whose shares were owned by both the State and private investors, but whose controlling stake was held by the State (Ciocca, 2015, p.250).

development and operated in the name of collective interest and private-efficiency principles. By contrast, from 1980s onwards, IRI was converted into a mechanism to attain political rather than economic goals, as well as political interests, which created distortions that, matched with stagflation, forced IRI's privatisation (1990s) and later liquidation (2003)⁵⁸. Hence, what can be learnt from the history of public enterprise and from the golden age of IMI and IRI (from the late 1930s) is their potential to be successful mechanisms of development and operate in light of competitiveness, competence, innovation and managerial autonomy. Thus, the State-producer can be in the best position to address market failures and to enhance national development through public companies, as in the case of the Fascist Regime from 1931 onwards, namely after Beneduce started to reorganise the industrial-financial system.

Officially, the birth of the so-called banking, entrepreneurial and producer State dates back to the late 1920s, when the Italian State began operating in the financial sector to regulate complex relations between banks and industries, and rescue the ones that were struggling the most (Toniolo, 1980). Other than the inadequacy of mixed banks as financial intermediaries⁵⁹, the main problem of the financial system of the time was the extent to which political evaluations were prioritised over technical ones, given that rescuing operations required the State to take decisions with a strong political character⁶⁰. Facing the worsening of this vicious trend of financial exposure, subsidised production and political favouritism, the Regime was forced to decide between (1) continuing on the path of financial instability and rescuing operations, (2) accepting the collapse of both industrial and banking systems with dramatic consequences, and (3) trusting the visionary class of experts that proposed a different version of State intervention and paradigm of financial intermediaries with the potential of ensuring growth and stability. It was the official inauguration of the *Sistema Beneduce*.

⁵⁸ Section 3.2 will discuss in detail the evolution of the role of both IMI and IRI before and after Fascism. By now, it is worth mentioning what Ciocca pointed out in relation to the degeneration of IRI in the 1970s, caused by the incapacity of the ruling élite “nel definire una precise posizione dell’IRI fra Stato e mercato e nel richiamare i dirigenti del Gruppo ad attenersi rigorosamente”. Moreover, “la classe politica fece leva in misura crescente sull’IRI quale strumento: mezzo d’intervento rivolto a contingenti obiettivi economici e sociali. Lo fece senza chiarire i termini di un rapporto tra benefici e costi, tra fini e mezzi, che fosse rispettoso della natura di impresa delle società a partecipazione statale” (Ciocca, 2014, p.209).

⁵⁹ As mentioned in Section 1.3, undoubtedly, mixed banks’ operations in the quality of financial intermediaries stimulated Italian industrial activities in the 1910s and 1920s. However, they also amplified the systemic level of financial instability by providing ordinary, industrial and “emergency” credits, as lenders of last resort, according to Toniolo (1980).

⁶⁰ In relation to dangerous degenerations of capitalism into political capitalism addressed in Section 2.1, the unstable relation between banks and industries ruled in favour of influential industrial groups closed to the Regime, who benefited from preferential treatments for receiving loans and financing their production, without perceiving inherent risks of this perverse financial mechanism and political favouritism for the national economy.

The initial attempt to address the issue of mixed banks, and more specifically, the consistent debt towards the Bank of Italy – which amounted to 3.364 million in 1926 (Toniolo, 1980, p.203) – the *Istituto di Liquidazioni* (1926)⁶¹ was created. Although this early experiment was not as successful as expected, due to difficulties faced in the process of disinvestment, Toniolo (1980) believes that it was an important running-in operation for future actions and more comprehensive plans. In the 1930s, stagnant production, price fall and industries' financial dependence urged the financial system to be reformed, through the separation between industrial and ordinary credit, the substitution of mixed banks as financial intermediaries and the adoption of better strategies to bolster national industries. As declared by one of the influential (and misleading)⁶² figures of the time, Toeplitz, “era necessario continuare a sostenere l’attrezzatura industriale del Paese da una parte e il mercato finanziario dall’altra, nell’attesa di sistemare la situazione delle industrie e quella della banca” (Toniolo, 1980, p.210).

Firstly, to address the problem of industrial financing, IMI (*Istituto Mobiliare Italiano*) was established (r.d.l. 1398/1931) to bring industrial credit back on the track of transparency and fairness (Farese, 2009). Under the influence of Beneduce, Mussolini explained that IMI was not functional to rescue economic forces on the brink of collapse, but rather to support and reinvigorate healthy ones and to update Italian economic structures. This approach looked forward to building a new system based on renewed private industry and growing synergy with the State, in charge of protecting, controlling and backing the private sector. In concrete terms, IMI was a specialised entity for granting medium and long-term loans to national firms who operated in public-interest sectors, under the leadership of some valuable experts like Beneduce and Mayer⁶³. In its first operative phase (1931 – 1936), IMI took care of the financial arrangement of big groups linked to the *Banca Commerciale Italiana* – like Terni and SIP (*Società Idroelettrica del Piemonte*) – because, rather than rescuing the financial-industrial complex *tout court*, rescuing operations and provision of loans were performed on the basis of accurate investigations, evaluations of productive trends and market dynamics. In line

⁶¹ According to Cianci (1977), in 1926 Italy witnessed the birth of the entrepreneurial State, with the creation of the *Sezione Speciale autonoma* and the *Istituto di Liquidazioni*. After the temporary acquisition of industrial shares by the *Sezione Speciale*, it was substituted by the *Istituto* and its own juridical personality, in which the entrepreneurial State took shape.

⁶² *Józef Leopold Toeplitz* (1866 – 1938) was a Polish-Italian banker and the managing director of the *Banca Commerciale Italiana* (Comit) when Comit became one of the most important Italian mixed banks (1910s – 1920s). The same was true for Toeplitz himself, who was one of the protagonists of Italian industrial development. However, the success of both Toeplitz and Comit was “appannato dal grande orgoglio del banchiere, dalla sua sordità ai consigli altrui, dalla ostinazione in politiche condannate, dalla ricerca di posizioni di prestigio e di potere, e dalla convinzione dell’infallibilità del proprio operare” (Cianci, 1977, p.89)

⁶³ *Teodoro Mayer* (1869 – 1942) was an Italian journalist, politician and banker, and he was also the first manager of IMI (1931 – 1936) because of expertise in economic and financial problems, and economic vision similar to the one of Beneduce.

with Beneduce's commitment to efficiency and precaution, the more IMI departed from the Italian tendency of feeding parasitic industries, the more its wise management and accurate operations improved its reputation and increased public support⁶⁴. Nevertheless, excessive caution limited IMI's effective contribution⁶⁵ in addressing financial-industrial deficiencies, which led to the creation of IRI and to a redefinition of their interaction.

As briefly mentioned in Section 1.3, 1933 saw the birth of IRI (*Istituto Ricostruzione Industriale*), the temporary private-law institute in charge of reorganising the national industrial complex, by repairing the financial sector and by organising the industrial one. To do so, IRI was composed by the *Sezione Smobilizzi* – in charge of reorganising and selling back to privates certain national industries - and the *Sezione Finanziamenti* – in charge of supporting industries through long-term loans, especially small and medium-sized firms that would otherwise disappear from the market. As a reflection of the technical rigour of its creation, the *Sezione Finanziamenti* relied on a cautious approach and strict criteria to grant loans, while the *Sezione Smobilizzi* performed a more complex reorganisation of big industries, because Beneduce believed in the necessary collaboration with industrial groups for joint recovery and for showing the world the potential of the national economy and its industries. Nevertheless, because sometimes the private market lacked adequate means to invest in reorganised groups, and because IRI's managerial group wanted to sell at adequate prices rather than underselling, IRI was forced to extend its control over some industrial activities and strategic sectors – shipbuilding, steel and war-steel, vehicles, mining, electricity, cotton. Apart from criteria to be met for selling industrial shares and limited financial means of the private market, activities of the *Sezione Smobilizzi* were performed more in the interest of the State rather than of private groups. Indeed, although selling industrial shares to privates was IRI's primary mission, shares were never undersold, which sometimes “forced” IRI to stretch out its temporary control over them. However, as explained by Beneduce, neither IRI nor the State were required to become the owner of industrial shares, given that IRI was designed to conduct temporary and emergency operations prior to the coming-back of industrial shares to privates. Nevertheless, between 1933 and 1935, specific industrial sectors like war-steel registered severe losses which forced IRI to depart from its original approach and to extend its control over steel-industry shares.

⁶⁴ In the words of IMI's President Mayer, “non era tra le funzioni dell'Istituto quella di correggere gli errori o di sanare i mali altrui, né di sostituirsi con complicate e pericolose operazioni finanziarie alle fondamenta delle imprese, delle quali, per varie ragioni, erano stati sbagliati i calcoli di costruzione. L'Istituto Mobiliare Italiano nasceva sano e vitale, e doveva difendere la ragione della propria salute” (Cianci, 1977, p.159).

⁶⁵ Evidence confirms that IMI's insufficient activities from 1932 onwards and a negative trend in the value of granted loans, from 558 million between 1932-1933, to 37 million between 1935-1936. In Cianci's words, the volume of IMI's operations was “modesto e in qualche anno addirittura irrilevante” (Cianci, 1977, p.164).

1935 was the first turning point in IRI's history because of radical political changes generated by the declaration of war in Ethiopia (October 1935). Apart from effects on international relations and economic stability, the Regime's economic policy moved in the direction of autarchy and dirigisme, which increased pressures on IRI for accelerating the credit reform and reorganising strategic industries to meet military and strategic goals. As a reflection of Fascist colonial ambitions, IRI was required to stabilise the new system of industrial financing and meet the State's military needs, but it was necessary for IRI to protect its operational autonomy from governmental pressures. At that point in time, IRI already attained good results through *smobilizzi* of minor industries and reorganisation of the controlled ones because of its brilliant industrial management and the capacity of its leading group of respecting both State's responsibility in the provision of public services and collective interests behind operations. However, the Regime's pressures on IRI increased because of the State's decision to keep specific industries under public control and to expand the range of functions to be performed by the State through IRI. As reported by D'Antone (2012 in Castronovo, 2012), IRI declared its willingness to become a State instrument for pursuing collective goals and meeting new needs, but without reducing its powers and departing from its original mission and technical configuration. Hence, the *Sezione Finanziamenti* was required to exercise permanent control over strategic industrial shares on State behalf, and the *Sezione Smobilizzi* to sell non-strategic shares. With respect to autarchic goals, IRI was committed to a massive *mobilizzazione industriale*, for maintaining, expanding and improving control over strategic industries for autarchic purposes. Thus, the traditional *Formula IRI* was applied to stimulate private investments in these sectors and to broaden State's control, because "nel credito troviamo l'unico strumento veramente efficace col quale sia possibile regolare e dirigere, secondo i bisogni della nazione, lo sviluppo della sua economia. Il credito è quindi funzione dello Stato" (D'Antone, 2012 in Castronovo, 2012, p.209-210).

Other than IRI's range of action, autarchic plans prompted the banking reform of 1936 and the most significant innovation in the exercise of credit. On one hand, the Royal-Decree-Law n.375 (1936) reinforced the surveillance regime of the Bank of Italy, established the separation between the circuit of ordinary credit (short-term) and industrial credit (medium and long-term), and required credit functions to be performed in light of the public interest. On the other hand, the Royal-Decree-Law n.376 (1936) defined the criteria to be respected by public-law institutions in the exercise of credit and consolidated IMI's role for both ordinary and industrial financing⁶⁶. This reform radically changed the course of IMI's history, given that, once the temporary limit to credit operations was overruled, the Institute broadened its relations with national industries, reinforced its independence

⁶⁶ As reported by Farese (2009, p.99), Article 1 of the R.D.L. n.376 allowed IMI to conduct credit operations also in the medium and the long-term, in contrast with the original requirement (1931) to grant loans up to a maximum of ten years.

from the Bank of Italy and played a more central role in the national financial system. According to Farese (2009), these provisions were also functional to protect IMI from political interference and to concentrate decision-making power in the hands of the competent managerial élite in charge of designing a unified monetary and financial strategy. Hence, as long as Beneduce and Azzolini were included in the Executive Committee, IMI perfectly fitted with its mission of directing public expenditure and regulating State support to the most dynamic industrial sectors. In the words of the Governor of the Bank of Italy Azzolini, IMI was *par excellence* the institution responsible for financing Fascist autarchy, which, together with IRI, was in charge of the selective reallocation of resources – raw materials, investments, credit, currencies – at the centre of autarchy as an industrial policy (Farese, 2009, p.8).

Lastly, the end of the age of reforms coincided with its apex and with the stabilisation of IRI's permanent function in the industrial-financial complex (r.d.l. 905/1937). The evolution of IRI into a permanent institution triggered a series of internal changes, given that the *Sezione Finanziamenti* ceased its activity and transferred its credit functions to IMI, while the *Sezione Smobilizzi* continued its operations. Indeed, despite great results attained through privatisation, more capitalised and indebted industrial sectors remained under IRI's control, like shipping, steel and shipbuilding. However, the new permanent configuration of IRI and the Regime's autarchic goals allowed IRI to operate in a new vital and strategic space, in which the regime's interests led productive activities of key industries and IRI coordinated them through innovative forms of industrial management and control. In this context, Beneduce confirmed that the banking reform converted IRI into a managing body of industrial and financial shares who acted on State's behalf, but he stressed the need for more detailed planning by the Regime, in light of greater synergy between IRI's functions and autarchic policies. In the meantime, Beneduce also pointed out to IRI's commitment to the Regime and willingness to make the most out of its potential to serve the Regime's plans, but also the need to preserve IRI's autonomous management over its industrial assets. Just to mention some aspects of IRI's operations in the shipping sector, the Institute decided to enact a reorganisation of the sector to make it more efficient, through costs reduction, tariffs' increase and subsidies' regulation to prevent speculation. From Beneduce's perspective, because of private market insufficiency in this sector, it was up to the State to intervene through IRI and stimulate privates, until new order's consolidation and private market's recovery. In spite of Beneduce's goal of applying the *Formula IRI* to stimulate private capital formation, IRI ended up being the arbiter of the new sectoral group (*Finmare*) because of its dynamic, stable and flexible managerial style.

When it comes to evaluating this age of changes and its legacy for the economic system, Ciocca (2014) believes structural reforms and the evolution towards a regulated economy through IRI to be the only solution to prevent the collapse of the national economy. In less than one year, the magnitude of IRI's impact in the financial-industrial complex probably exceeded the expectations of its own creators, given that in 1934, IRI already controlled 100% of war-steel industry, artillery construction industry and coal mining industry, around 90% of shipbuilding industry, more than 80% of shipping companies, 80% of national constructional potential of locomotives, more than 40% of civil-steel industry and around 30% of electricity industry's productive potential (Toniolo, 1980, p.250). Prior to the thirties, relations between banks and industries were fruitful because industries' risk-aversion was compensated by banks' risk-seeking behaviours, given that banks were willing to take risks for them. Later on, the State – through IMI and IRI – transformed this mechanism by taking risks instead of banks and by compensating for industries' risk-aversion through State guarantee and managerial competences. Thus, these reforms, combined with development stimulated by autarchic plans (2.3) and empowerment of strategic industries (2.4) managed to modernise the Italian productive structure⁶⁷.

⁶⁷ Section 2.4 will discuss in detail the empowerment of strategic industries in the Regime's autarchic phase, their impact on the modernisation of the national industrial sector and the growing State's commitment to meet the needs of these basic industries also in post-Fascist age. Indeed, evidence from Table 5 (Ciocca, 2014, p.187) confirms the extent to which State's control increased over industrial sectors – through IRI – and also the progressive increase in financial support required by these basic industries to back the country's economy. Table 5 is also included in the Appendix (p.145).

2.3 – Autarchic goals behind Fascist economic policy: foreign policy dynamics, public support and empowerment of strategic industries

Autarchy, intended as the quest for economic, political and military self-sufficiency, stands for one of the most significant phases of the Fascist Regime, but also one of the most contradictory, given that it represented the apex of Fascist imperialism and political dominance, but also the beginning of its decline. With respect to economic considerations, the reflection of autarchic political ambitions on the economic realm paved the way to the largest public expenditure and governmental support to industrial growth, especially to the so-called strategic industries (2.4). Hence, autarchy, matched with technocratic management (2.2), was decisive to complete the consolidation of the new economic paradigm and mainly, to stimulate the evolution of strategic industries through Fascist public holdings.

With regards to autarchy, the strategic plan enacted by the Fascist Regime known as economic autarchy was born from the conjunction of theories, circumstances and historical contingencies. As mentioned in Section 1.4, by convention, Mussolini's speech on national economic independence (23 March 1936) indicates the beginning of autarchy. As a result, the common tendency is to find its immediate causes in between the imposition of sanctions against the Regime (November 1935) and the proclamation of the Empire (May 1936). However, according to Farese (2009), a broader interpretation is necessary to understand that autarchy did not result from an impulsive and extemporaneous choice, but rather from the concrete attempt of updating the Fascist economic paradigm to meet war economy needs, address long-term economic problems⁶⁸ and current historical contingencies⁶⁹.

Undoubtedly, the expression “autarchic phase” mainly refers to the Fascist period between 1936 and 1943 because it points to the most evident and comprehensive attempt of the Regime to accomplish economic independence. However, Fascist history revealed early experiments to create the basis for economic self-sufficiency prior to the late thirties. As discussed in Section 1.3, the 1920s were the

⁶⁸ Other than immediate causes, Farese (2009) also identifies a series of long-term events – from the Great Crisis onwards (1929) - that prepared to autarchic strategies, because of the need to find new answers to concrete problems, namely: growing instability of the international political and economic order; devaluation of the British Pound (1931); failure of the London Economic Conference (June 1933); joint effort to agree on common measures to fight the Great Depression, revive international trade, and stabilise currency exchange rates; failure of the Conference for the Reduction and Limitation of Armaments, also known as Geneva Conference (November 1934); and strengthening of protectionist and autarchic tendencies at the global level, as the strongest attempt to protect national productive systems from new exogenous crises.

⁶⁹ In addition to long-term causes and colonial projects, also historical contingencies ruled in favour of the Fascist autarchic turn, mainly the serious currency emergency (end 1934), concrete risk of a new European conflict after the German exit from the Society of Nations (October 1933) and the Italian invasion of Ethiopia (October 1935).

age of ambiguous economic dynamics, namely post-war reconstruction, industrial reconversion and pro-liberal reforms. With respect to self-sufficiency, national economic history always pointed out to the Italian structural dependence on imports, mainly of raw materials, which is the main factor ruling against economic independence, but also the one that stimulated the most the quest for productive autonomy to be achieved through State support. Indeed, De Stefani's economic policy was mainly inspired by traditional liberal principles, but it also backed early State intervention in strategic sectors. Just to mention a concrete example, the creation of Agip (1926) was a clear indicator of the growing propensity of the Italian State to intervene in industrial sectors deemed to be strategic for military purposes but also economic ones, such as addressing the national fuel problem⁷⁰. Other than strategic public intervention, the 1920s witnessed the growing direct concern for self-sufficiency and direct consequences on balance of payment through imports reduction. At that time, the dominant paradigm believed economic interdependence to be conducive to national and international development (Mortara, 1984 in Farese, 2009), but many were already conscious that, because liberalism was utopian and protectionism had many flaws, it was necessary to find a middle ground between the two. Hence, protectionism, imports reduction and quest for self-sufficiency could also be conducive to productive dynamism and technical progress, but it required to apply innovative techniques for substituting – or at least reducing – imports of raw materials, improve technical organisation and productive strategies, together with finding new equilibria between imports and exports by means of State intervention.

Another important step towards self-sufficiency through public activities was the Fascist turn in the direction of a more interventionist economic policy, capable of protecting the fragile domestic economy, reducing both ties and imports with foreign markets and diminishing the risk of exogenous instability. The interventionist trend consolidated more during the Great Depression, as the creation of a new macroeconomic horizon in which the State claimed a central role in controlling and stimulating productive mechanisms, in line with the new model of dynamic protectionism. According to this paradigm, once industrial efficiency and productivity are matched with technical progress and public protection, it is possible to take the best out of market mechanisms, in terms of national growth and development of national industries. Hence, prior to the official beginning of autarchy, the concept of public support to the industrial complex and of closed commercial State were already emerging and influencing the formulation of the Italian third economy way between capitalism and socialism.

⁷⁰ Cianci (1977) mentions the birth of Agip in relation to “il petrolio di Stato” (p.73), because Agip was conceived as “un ente di Stato che senza intralciare l’iniziativa privata fosse posto in condizioni di operare con agilità ed efficienza” (p.76) and contributed to the strategy of energetic diversification. Until the 1940s, the Italian private industry was never concerned with the growing role of the entrepreneurial State in this vital economic sector for both economic and military purposes, which left the State room for manoeuvre until the age of *Enrico Mattei* (p.84).

Thus, the series of administrative and cultural reforms of the early XX century matched with the need for economic self-sufficiency and technical modernisation provided adequate tools – instruments of interventions and public entities – for later implementation of autarchic plans.

On March 23, 1936, Mussolini presented the *Piano Regolatore dell'economia italiana del prossimo tempo fascista* in response to the “economic siege” imposed by international sanctions, which left no choice but to rely on economic self-sufficiency to conduct an independent foreign policy (Podestà, 2012 in Castronovo, 2012). After the collapse of the international capitalist system, Mussolini’s speech inaugurated a new phase of the Italian history, in which states were required to minimise their dependence on foreign trade and prepare for military confrontations⁷¹. Undoubtedly, that was also a key moment for the Regime, because it accelerated Fascist totalitarian control of the State, the Italian society and the national economy. Indeed, autarchy reflected a totalitarian policy of resource mobilisation, by accelerating exploitation of resources of both Italy and the Fascist Empire, by strengthening State intervention and economic control and by mobilising the national community towards the Fascist conception of war as a purifying instrument. In economic terms, Mussolini was aware of both progress and persistent difficulties of the national economy, but he believed in the Italian potential to implement autarchic plans through the new credit system and State control over strategic industries. Hence, Mussolini believed in the capacity of IRI to operate “nell’orbita speciale dello Stato” because of the need to coordinate strategic industries for national security on the Regime’s behalf (Podestà, 2012 in Castronovo, 2012, p.423).

Fascist history was the combination of political messages and execution of political plans. In 1936, the Regime was performing the role of regulating economic dynamics, while leading the country in the Ethiopian War and in the implementation of autarchic plans, which required Mussolini to delegate a strategic role in autarchic war production to IRI. Indeed, with respect to the series of institutional, political and economic transformations that occurred between 1935 and 1937, Beneduce emphasised the correlation between the approval of the banking reform (12 March 1936), the official beginning of autarchy (23 March 1936) and the declaration of public control over strategic industries (23 March 1936), which indicates the organic nature of the reorganisation of the Italian economy and modernisation of industrial sectors, especially the ones of *pubblica utilità*. During the autarchic phase, Mussolini continued to rely heavily on his personal relationship with Beneduce, because of his early successes in reforming credit mechanisms, building a more efficient model of parallel bureaucracy, and avoiding contrasts between public and private enterprise. Although De Stefani believed Beneduce

⁷¹ In Mussolini’s words: “La possibilità di una politica estera indipendente, non si può concepire senza una correlativa capacità di autonomia economica”. Retrieved from Mussolini’s speech, 23 March 1936.

to operate in light of economic statism, it is more accurate to explain that Beneduce, Menichella, Giordani and IRI itself were neither created to extend public control over private industries nor to give birth to an entrepreneurial State. By contrast, the dirigiste turn of the Italian economy was more attributable to the unexpected evolution of the political, international and economic scenario. Historical contingencies, including autarchy, put pressure to enact a series of administrative provisions, such as the banking reform (1936), the extension of IMI's credit capacity (1936), IRI's metamorphosis into a permanent Institute to control credit institutes and industrial shares (1937) and empowerment of strategic industries for defence purposes (from 1935, as explained in Section 2.4), in context of growing economic planning and technocratic influence.

More in detail, what led to these administrative transformations and to the implementation of the autarchic paradigm was the series of events that occurred in the two-years period of 1933-1934. As mentioned in Section 1.2, between 1932 – 1933 Italy experienced the apex of the economic crisis (1932), the creation of IRI (January 1933), signed the collaboration pact with Germany, Great Britain and France (June 1933), but also witnessed Berlin's decision of leaving the League of Nations (October 1933), Fascist growing nationalistic support towards colonialism and worsening of international tensions. One year later, in 1934, Mussolini began concentrating military powers in his hands and preparing the ground for imperialist claims over African territories through *politica degli scambi bilanciati* that initiated the Regime's autarchic policy through the (Farese, 2009, p.54). This provision aimed at limiting imports of certain products on the basis of their countries of origin and established State monopoly of exchange rates to compensate for reduction in currency reserves and exports, given that the State already invested public resources to back the process of import substitution and exchange rate control. Indeed, public control over currency trade became functional to increase the availability of foreign currency, guarantee a more rational use of means of payment and avoid currency imbalances, especially after the adoption of plans for the invasion of Ethiopia. Again, military operations stimulated public expenditure and national production, as it happened when colonial missions in Ethiopia urged economic operative plans to stimulate national production and employment, and back up the military invasion. As agreed by Toniolo (1980) and Farese (2009), “fu solo con il concretizzarsi di un programma operativo per la Guerra in Etiopia che l'economia italiana ricevette lo stimolo necessario alla ripresa della produzione e dell'occupazione” (Farese, 2009, p.55). With respect to economic benefits coming from military plans, De Felice (2017) clarifies that rearmament policies never aimed to relaunch the national economy, but rather to pursue Mussolini's political and strategic goals in Ethiopia, other than compensating for additional economic costs and difficulties in the balance of payment and gold reserves. As it happened throughout the course of Fascist history, political motivations overruled economic ones, but it is worth

acknowledging that Mussolini's political opportunism was responsible for a new phase of rapid economic growth, boosted by public expenditure, war orders, autarchic policies, resources mobilisation and imports substitution, and supervised by new-born autarchic institutes⁷². A couple of years later, between 1935 and 1936, growing international tensions and new sanctions matched with Fascist authoritarian turn and new colonial ambitions, and produced the economic scenario that led to autarchy and Mussolini's speech in March 1936. On that day, the Fascist head of government called for pursuing autonomy in national economic life as soon as possible, to address the critical phase of the international crisis, to pursue new goals for the Fascist revolution and to guarantee national security. In concrete terms, autarchy never comprised the total absence of imports and exports, because of the utopian nature of total economic autonomy for countries like Italy whose national economy depended on raw materials' import from the international market. Hence, "autarchy" became the general label to encompass the series of economic and financial policies adopted in a context of foreign policy aggressiveness that initiated the War in Ethiopia (3 October 1935) and the creation of the Fascist Empire (9 May 1936) despite the persistent status of non-belligerence.

This political context saw the rise of the paradigm of Fascist autarchy. As far as the meaning of autarchy itself is concerned, Professor Pecorari (2002 in Farese, 2009) clarifies that, in contrast with the emphasis of Fascist rhetoric and the strength of Fascist economic nationalism, total self-sufficiency was a totally unrealistic goal. Secondly, autarchy did not succeed in transforming Italy into a closed economy in which imports and exports are totally absent, and the balance of trade is zero⁷³. Indeed, autarchy attributed a new meaning to foreign exchanges, which reflected political meanings and technical-administrative influences of the Fascist economic policy. As a result, what differed the most between liberalism and autarchy was the meaning assigned to international trade, up to the point that "autarchy" became the general label used to encompass a range of Fascist policies, projects and plurality of actions at the service of autarchy.

More in detail, it is possible to mention three different autarchic categories that uncover the series of projects encompassed by the umbrella of autarchy, namely currency autarchy - exports, balance of external accounts and currency defence – war autarchy – heavy industry, war and imperialism –

⁷² Among the so-called autarchic institutes, Farese (2009) cites *il Comitato interministeriale per le materie prime insufficienti e per i surrogati e i succedanei (CISS)*, the Italian-German clearing agreement, *la Sovrintendenza agli scambi e alle valute (Scambival)*, *il Comitato generale per le Fabbricazioni di Guerra (Cogefag)* e *l'Azienda Carboni Italiani (ACaI)*.

⁷³ As mentioned in Section 1.4 (p.39), given the historical Italian tendency to be an open economy which heavily relied on foreign trade, Fascist claims clashed with benefits coming from international interdependence. As a consequence, Minister de Revel was forced to make some compromises, such as bilateral trading agreements with foreign countries, to be complemented with imports substitution and quest for self-sufficiency.

industrial autarchy – modernisation and full development of technical and productive forces. On one hand, these forms of autarchy shared the common influence of what Farese (2009, p.53) refers to as pragmatic nationalism, while, on the other hand, synergies between war and industrial autarchy in preparation for the military operations clashed with a structured long-term path towards development in peace time. Other than difficulties related to prioritising either short-term or long-term industrial development, it became more complex to define a clear economic plan. Given that national interests continuously changed, autarchic projects seemed to be drawn in opposite directions and experts found it difficult to achieve satisfactory outcomes. Nevertheless, the Regime managed to implement different forms of autarchy, namely *autarchia del lavoro*, *autarchia bellica*, *autarchia energetica*, *autarchia valutaria* and *autarchia industrialista*.

Beginning with *autarchia del lavoro*, to understand how the concept of autarchy applies to the Italian working sphere, it is important to recall that the most tangible consequence of the 1929 crisis was the collapse of prices, production and inevitable rise of unemployment, each of them with dangerous social consequences. As a result, a crucial aspect addressed by programs for recovery was sustaining national work and products, by valuing them, by boosting their development in the national market and by strengthening relations between producers and consumers, so as to make domestic demand prefer domestic products rather than imports from the international market. Other than reducing imports and the level of dependence from foreign countries, this program was functional to maintain national welfare within national boundaries and, consequently, to increase workers' salaries, domestic production and, as a result, domestic consumption of national products, other than social stability. Moreover, given that also worker autarchy was essentially closed, it was functional to exclude (or at least reduce) dramatic consequences of exogenous crises while empowering domestic productive forces. Notwithstanding his liberal propensity, the potential of autarchic plans to reduce unemployment was praised by former Minister of Finance De Stefani, who also argued in favour of creating new productive industrial plants for autarchic industries to guarantee full exploitation of national productive forces. As reported by Farese (2009), this approach was conducive to a close view of autarchy, according to which the ideal paradigm sees closed national economies entirely dependent on their resources. Indeed, this policy moved in the direction of productive efficiency, social stability and economic security, guaranteed by exclusive dependence on national factors of production and military protection of the domestic territory and economy.

Secondly, *autarchia bellica* or *autarchia delle materie prime* was institutionalised through a series of new-born public entities like the Cogefag and the CISS⁷⁴, and their military experts,

⁷⁴ About the institutions of war autarchy, it is important to recall the above-mentioned *Commissariato generale per le fabbricazioni di guerra* (Cogefag, 1935), in charge of disciplining and controlling activities related to military production

ministers, bureaucrats and scientists, who were in charge of war preparation and provision of raw materials for the country. In addition to the famous role played by Beneduce and Menichella, it is worth recalling the valuable contribution of other anti-fascist experts, like Henry Molinari⁷⁵, and reaffirming the special relation between Mussolini and the technocratic élite in the area of economic self-sufficiency. Indeed, the Molinari case confirmed the Fascist *gerarchia alla tecnica*, namely the protection of scientific and managerial figures whose expertise could benefit the Regime itself. In the words of Majocchi (2004, p.35), “da questa vicenda si evince come personalità avverse al regime, nel Corso degli anni Trenta, abbiano potuto aderire alla politica autarchica in quanto in essa si poteva vedere il tentativo di tradurre nella pratica un progetto che appariva al contempo razionale e patriottico”. Because of their expertise, anti-fascist figures adhered to the Fascist autarchic policy in the attempt to implement a rational and coherent plan to achieve national independence, intended as both economic autonomy in peace time and political autonomy in times of crisis. Moreover, autarchic plans confirmed the synergy between foreign policy goals and economic policies, given that the search for political independence went through the valorisation of national resources and colonial exploitation. At the same time, it also inspired a more dynamic and open model of autarchy with the potential of guaranteeing equilibrium in the balance of payment with foreign countries and limiting trade deficit. Taking some concrete examples, in 1935, the main source of trade deficit was related to scarcity of fossil fuels. This energetic problem stimulated the creation of new industrial plants for bolstering national extractive capacities and investments in alternative sources of energy to find substitutes to fossil ones. In some cases, deficit of raw materials and public investments in both technical progress and national production were conducive to concrete solutions, such as increasing the production of *metalli nazionali*, like aluminium, to meet the needs of the war industry, protect Italian political independence and reducing imports. Again, the importance of war autarchic plans was reaffirmed by the evolution of the international scenario towards colonialism and military confrontation. Indeed, in the late thirties, the importance of national strategic industries, including the one related to the production of aluminium, was enhanced by the Regime’s decision to enter the war on the Nazi side, which required military operations to be backed up by collective effort of national productive forces. As explained later in relation to structural limits of autarchic plans, hopes for war autarchy clashed with internal disorganisation, insufficient coordination, delays, inadequate

and the *Commissione interministeriale per le materie prime insufficienti e per i succedanei e i surrogati* (CISS, 1935). CISS was created within the *Consiglio Nazionale delle Ricerche* (CNR), it was composed by military, technical and scientific experts in charge of presenting to the *Commissione Suprema di Difesa* a one-year report on the country’s raw materials needs and strategies to meet these needs.

⁷⁵ Henry Molinari (1894 – 1958) was a Plants Professor in Milan, the son of a major chemical industrialists and the secretary of the CNR, who played a key role in the *Comitato* during the autarchic phase despite its anti-fascist and anarchic precedents.

implementation of autarchic plans, together with political interferences on technical evaluations. In the words of the *Commissione interministeriale per le materie prime insufficienti e per i succedanei e i surrogati* (CISS), “in estrema sintesi si può affermare che la Commissione fu dominata, al di là di ogni ragionevolezza tecnica, dalle ragioni della politica militarista” (Farese, 2009, p.69). Lastly, responsibility for failure also fell on armed forces and inefficient internal bodies in charge of testing new military equipment. The same was true for industrialists, given that, rather than investing public resources in production and technical progress, they took advantage of monopoly positions and legislative protection for personalistic gains, and ended up sharing responsibility for failure in the production of weapons with the political and military realms.

In relation to the *autarchia delle materie prime*, the thirties saw the growing strategic importance of the energy industry for the Regime and later on for the Italian Republic. As a consequence, the Fascist *autarchia energetica* relied on a well-designed strategy to meet national energetic needs through international supply – from Albania, Romania, Iraq – and support of semi-state entities – AIPA, AGIP, ANIC⁷⁶. Prior to the autarchic turn, Italy heavily relied on foreign markets and directed its foreign policy operations towards the consolidation of stronger economic ties with states like Albania, to benefit from oil concessions, as it happened for the first time at the end of WWI. In the thirties, the Regime continued to benefit from the privileged relation with the (subordinated) Balkan state and directly financed national production of oil, mainly through Agip (1926), to diversify the national economic strategy. At the same time, autarchic requirements did not preclude the establishment of new relations with Iraq, despite later difficulties born from Great Powers rivalries⁷⁷. In fact energetic diversification ended up clashing with both autarchic requirements, including the one of limiting oil imports, and with the strategic opposition of France and England, who succeeded in forcing Fascist Italy to abandon the strategic potential of the Eastern Mediterranean region (Iraq). From a historical perspective, the loss of Iraq in 1936 had severe consequences, starting from the loss of a rich source of oil to meet national needs, up to more serious considerations on the lack of long-term strategies and, lastly, contrasts between Fascist quest for autarchy in parallel to broadening economic international projects. Moreover, although hydrocarbons coming from Albania accounted for 30% of national needs, extractive processes failed in achieving

⁷⁶ The above-mentioned semi-public entities that operated on the State behalf in the energetic field were *l’Azienda Italiana Petroli Albania* (AIPA, 1925), *Agenzia Generale Italiana Petroli* (AGIP, 1926) and *Azienda Nazionale Idrogenazione Carburanti* (ANIC, 1936).

⁷⁷ Differently from Albania and Romania, the situation in Iraq triggered greater tensions with Western powers, mainly with France, the UK and the US. In the thirties, the situation worsened because of the progressive expansion of Fascist control over oil resources through Agip, which contrasted with Fascist limitations to imports and with rivals. These difficulties, combined with the Regime’s investment of time and resources on colonial operations, ultimately led to a declining role of Iraqi provisions for Italy.

enough technical progress and modernisation to reduce costs, which nullified gains. Thus, energetic, technological and infrastructural needs and limited dimensions of the domestic market, imposed additional constraints to autarchic plans, including to the *autarchia energetica*.

Autarchia monetaria is another component of the Regime's autarchic plan, namely the attempt of controlling movements of capital and foreign trade in order to secure balance of payment equilibrium. Since 1934, unitary management of foreign trade and balance of payment equilibrium were included in monetary autarchic plans. Among the main goals to be achieved through currency autarchy, there was the need to overcome institutional fragmentation in the realm of foreign trade, find a balance between purchase and currency availability, identify "essential" imports, protect domestic production and regulate both national production and exports. These programmatic lines matched with the Regime's *Piani autarchici*, designed to reorganise and plan national production, and, most importantly, to control strategic sectors – connected to war industry, foreign trade and currency exchange - through public hands, namely IRI. As discussed in Section 2.2 in relation to the growing role of IMI and IRI in the industrial-financial complex, one of the most valuable aspects of the Regime's economic lines during autarchy was the stable support of the innovative managerial class of the time and new functions performed by the State. Other than compensating for weaknesses of the liberal market, the State developed its own managerial and programmatic view and became an interventionist, protectionist and modernising actor.

Felice Guarneri⁷⁸ recalls what occurred behind the growth of the entrepreneurial State through a realist analysis of Fascist economic autarchy. According to him, the exceptional character of autarchic plans was derived from exceptional historical circumstances in which they were implemented, in between the War in Ethiopia, the War in Spain, the occupation of Albania and the European crisis. All these events caused exports collapse, the end of tourism and money from migrants and a series of financial concerns that forced the State to act and choose the most convenient economic strategy to limit the consumption of national resources, protect the domestic market and the diminishing foreign trade. As long as the Regime maintained its non-belligerent status, resources were protected and military preparation was improved, but then, economic needs started to clash with colonial ambitions. According to him, the only way for Fascism and autarchy to survive was "la ricollocazione del regime in un ruolo pacifico, ma senza rinnegare la politica imperialista e nazionalista", which, nevertheless, made it extremely difficult to maintain the equilibrium between political and economic necessities.

⁷⁸ Felice Guarneri (1882 – 1955) was a financial expert and a technocrat at State's service, who operated in the financial and banking sector under the Regime because of his pragmatic view of State intervention and of the State as an actor of modernisation.

Probably, the second-best solution was what Amedeo Giannini⁷⁹ calls *autarchia relativa* (Farese, 2009, p.79). Indeed, the notion of relative autarchy originated from attempts to find a balance between political priorities, technical evaluations and economic needs. Along the same lines of Beneduce, Menichella, Guarneri and Azzolini, Giannini embodied the stereotype of the *grand commis* of State, as a technical expert that operated in the name of the State and capable of making the Regime work in a better and more efficient way through bureaucracy. In addition to writing relevant pages of the national economic history, these figures embodied unique technical and juridical competences that enriched the Italian bureaucracy, also during the complex autarchic phase. From Giannini's perspective, autarchy needed to be interpreted in relative terms, because of the inevitable contrast between utopian autarchic models and reality. Indeed, relativist concepts paved the way to a different idea of autarchy as both open and necessary, inspired to a model of dynamic protectionism led by the State, and public facilitation of trade and imports of raw materials⁸⁰. This relativistic approach reflected an "open" view of autarchy, based on a realist, nationalist and pragmatic approach, inclined to development of international cooperation, foreign trade and advantageous neutralism. Indeed, rather than discussing on theoretical strengths and weaknesses of liberal or autarchic policies, scientific nationalism embodied by figures like Giannini evaluated Fascist autarchy in relation to the historical moment in which it was implemented⁸¹.

Lastly, *autarchia industrialista* is the last component of the Regime autarchic paradigm and probably the most relevant to learn more about empowerment of strategic industries in the later '30s. After the Great Depression, productive mechanisms already went through a revision of the capitalist notions of development and a different discipline of the international market. After the Fascist version of a protectionist foreign policy with Volpi (1929 – 1935), the Regime relied on autarchy to find better coordination between the national economy and the new international scenario, in light of strong interdependence between domestic and international factors. Hence, in spite of its literal interpretation as quest for self-sufficiency, autarchy never really identified with economic closeness and autonomy, but rather with the Regime's most comprehensive attempt to adopt measures that

⁷⁹ Amedeo Giannini (1870 – 1949) was one of the most influential figures of the CNR in the thirties, other than a juridical expert, a capable diplomat and an important *grand commis* of the State because of his juridical and economic expertise.

⁸⁰ To better understand the relative nature of autarchy, it is useful to discuss the application of the concept of dynamic and open autarchy to foreign trade. For instance, the Regime prioritised imports reduction and substitution, but it was necessary not to alter imports of those products that could lead to exports' increase, given Italian openness to foreign trade. Hence, because of benefits from the combination of imports' reduction and gains from exports, IMI, IRI and other entities were also in charge of protecting imports of basic products that were functional to trade and autarchic goals.

⁸¹ As declared by Giannini himself in relation to autarchy and to the status of political neutrality of the Regime, "1 mio neutralismo non era dunque anglofilia, ma valutazione di uno Stato di fatto eccezionalmente favorevole agli interessi del nostro Paese" (Farese, 2009, p.85). Apart from expressing their views, Giannini and other experts also converted their pragmatic nationalism into practice, such as by negotiating convenient deals, within political constraint, to address economic disorders.

could mitigate the crisis's effects – in terms of employment, industry, currency, reserves – and attain new political goals – military security, colonialism and national defence. This view of autarchic policy targeted the creation of an innovative model of development based on strategic international commerce, technical progress, maximisation of exports and minimisation of imports. With respect to the industrial sector, autarchic requirements took the form of a strong commitment to import-substituting industrialisation. This process required industrialisation to be based on the strategic substitution of imports with the domestic products. By drawing inspiration from the so-called developmental States⁸², the Regime's industrial policy was designed for both short and long-term development, given that it prioritised industrial sectors that could widen the national productive basis, reduce the degree of Italian dependence on imports and strengthen the technological potential of the industrial apparatus for both the civilian and war markets. However, also in the industrial sector, the autarchic paradigm raised some contradictors, due to additional costs imposed by autarchy, import substitution, initial inefficiency and attempts to regulate foreign trade by controlling imports and exports' origins⁸³. Despite apparent contrasts, autarchic plans reflected a dynamic view of development and costs, grounded on the possibility for countries like Italy to invest resources and bear higher costs to either develop or empower productive lines, in light of future technological progress and technical innovations. Indeed, in the late '30s, Italy prepared the ground for future economic growth and industrial development through the pragmatic approach of Fascist industry and the relative nature of autarchic plans, as explained more in detail in the next Chapter.

Going beyond the nature of autarchic provisions, it is worth taking stock of the impact of Fascist autarchy on the Italian economy. At the beginning, autarchy was more a "policy against crisis" rather than a policy of rearmament and industrial development in light of war. After the collapse of the liberal capitalist model in 1929, it was necessary to adopt an economic paradigm capable of limiting the effects of exogenous crises rather than exporting them. As a result, initially, self-sufficiency originated more from the need to guarantee domestic stability and economic survival⁸⁴

⁸² Developmental States, also known as developmental dictatorships, refer to states like China, Korea and Singapore and their past commitment to improve national productive forces, by prioritising economic development and by drawing power legitimacy from economic success around the 1950s.

⁸³ Other than autarchic restrictions on both imports and exports, foreign trade was also subjected to political requirements, given that products' exchange was destined to allied countries. As reported by Toniolo (1980) in Table 4.10 (p.179), between 1927 and 1935, imports from Germany increased significantly (from 9,9% of Italian trade to 18,3%), at the expense of products from France (from 8,4% of Italian trade to 6,0%) and the US (from 18,6% of Italian trade to 12,3%). Table 4.10 is also included in the Appendix (p.143).

⁸⁴ The impact of protectionist measures adopted prior to autarchy (before 1936) on commercial trade is confirmed by Toniolo (1980). As indicated by Table 4.9 (p.176), between 1930 and 1932, the Italian market already witnessed significant imports and exports decline. In 1930, imports amounted to 12,1% of national GDP in 1930 and declined to

rather than military goals, because the creation of autarchic spaces limited the volatility of prices and quantities of products, other than guaranteeing greater use of domestic factors of production and unemployment reduction (*autarchia del lavoro*). Only a couple of years later and facing the greater risk of military involvement in colonial operations, the search for self-sufficiency applied to the military realm in the form of *autarchia bellica*. In the meantime, Fascist autarchy was also taking the neo-mercantilist form – *autarchia monetaria*, because national wealth was guaranteed by balance of payment equilibrium – and neo-listian form – *autarchia industrialista*, because temporary production of national industries was functional to establishing more beneficial positions in the international division of labour. Hence, according to Farese (2009), autarchy was a concrete industrial policy, based on the empowerment of national industries and the temporary limitation of free trade, prior to the future re-opening of international exchanges from a position of power and the significant increase of exports over imports. Apart from political and military evaluations, this dynamic and developmental vision of autarchy reflected an innovative view of industry, innovation, State role, technocracy and use of strategic resources, and backed the increase of national GDP of 4,5% between 1934 and 1937, and growth rate of 7,5% in industrial production, especially in the so-called strategic sectors. Although in 1938 the domestic industrial production pro-capite was lower than the British and German ones, the Italian industrial structure was definitely reinforced, both in terms of productive capacity and technological development, in line with hopes of the technocratic élite born with Nitti in the 1910s. But, on the whole, Fascist autarchic projects failed because of a series of factors: the simultaneous existence of difference “autarchies”, schemes (absolute – relative), times (short and long term), policies (expansion – deflation), production specialisations (innovative – traditional) and different contexts (peace – war); power imbalance and energy constraints in the international field; delays, inefficiencies, corporatist compromises and lack of a clear and systemic project. Nevertheless, it is worth discussing more in detail the contribution of the Regime, through IMI, IRI and autarchy to the empowerment of strategic industries (Section 2.4), during and after the Fascist age.

9,4% in 1931 until 6,4% in 1935. The same is true for exports that accounted for 8,4% in 1930, 5,8% in 1932 and 4,3% in 1935. Table 4.9 is also included in the Appendix (p.143).

2.4 The empowerment of strategic industries and the role of the industrial world in economic and political decisions

Concluding the analysis on the nature of private-public synergy in Fascist Italy and the development of the national mixed economy calls for an in-depth focus on the last component of the market-State-industry paradigm, namely industry.

As mentioned in the previous section in relation to autarchy, the industrial complex and mainly the so-called strategic industries directly contributed to the progressive expansion of the entrepreneurial State, which started to lead, reorganise and plan productive strategies through IRI in the 1930s and ended up controlling strategic sectors until the late 1970s.

Usually, a given economic system is qualified as mixed because of State direct or indirect interference with capitalist mechanisms, which, nevertheless, never transform the market-oriented nature of the economy. However, with respect to the Italian case, the XX century witnessed the growing influence of another powerful economic actor, notably the business world, whose economic power guaranteed enough leverage of the political élite to affect decision-making processes. This trend became more evident under the Fascist regime, from the liberal (1922 – 1925) to the protectionist (1925 – 1935) and in particular to the autarchic phase (1935 – 1943), which needs to be considered as an additional factor behind the Regime's economic policy. By focusing more on what happened in the selected period of interest (1937 – 1945), it is interesting to discuss both industrial groups' capacity to influence the Regime's economic and foreign policy, but also how growing public control of strategic sectors through IRI ended up empowering major industrial groups even more, because of their importance for Fascist autarchic plans, military and economic results.

After investigating the mixed nature of the Italian economy, it is worth spending some words about industry and mainly about the notion of strategic industry. First of all, the notion of "strategic" does not apply to a pre-defined list of industrial sectors, but rather encompasses all industries whose production is of strategic importance for a given State to achieve a given set of goals in a given period of time. Moving from theory to practice through the Fascist case in the autarchic phase, the Regime's primary objectives were national self-defence, imperialism and valorisation of colonial territories, which required political independence in the international sphere, military autonomy and economic self-sufficiency. In this scenario, a given set of industries became strategic for the Regime to attain these objectives, namely the ones that could provide enough resources to meet Fascist military and economic needs. In concrete, the so-called strategic sectors for public interest encompassed the steel, electricity, mechanical, chemical, mining, shipbuilding, telecommunication, shipping, iron and railways industries.

Apart from their economic role and direct contribution to national growth, these key industries went beyond the limits of the economic-industrial sphere, because their productive power indirectly affected political decision-making and altered the nature of foreign policy ambitions and military operations. Hence, their economic and political importance accelerated the expansion of the Italian State and its functions in the financial, industrial, monetary and broader economic sphere, in the quality of supervisor, banker, entrepreneur and manager. Moreover, because of their strategic value, the Fascist government moved in the direction of broader control of key industries which, rather than being subjected to temporary supervision of IRI prior to their privatisation (from 1933), ended up being subjected to State rather than private groups' control (from 1937). As mentioned in Section 2.2 in relation to IRI's control of industrial shares at the end of 1934 (p.68) and explained in relation to the transformation of IRI into a permanent private-law institute with public purpose, both economic and political factors lay behind this reform. On one hand, direct and unlimited control over selected industries was functional to direct their strategic potential towards the Regime's political and economic goals, such as for colonial operations and for expansive foreign policy without neither depending on Germany nor paying high costs of imported raw materials. On the other hand, the same structural deficiencies of the national economy and insufficiency of the domestic market prevented IRI's leadership group to succeed in the privatisation process and consolidated State's control over major industrial shares through IRI⁸⁵. Despite initial difficulties and occasional clash between contrasting interests, IRI's stabilisation benefited the relations between State, market and industrial groups, who started to see increasing benefits from stable equilibrium, fruitful cooperation and mediation of politics. As long as the technocratic élite managed to protect public enterprise from bureaucratic degeneration and excessive political interference (Section 3.3), the new synergy between public-private-industry was successful for all parties involved that probably benefited the most between 1937 and 1945, under the coverage of the Fascist Regime and Mussolini's personal relation with Beneduce and his collaborators.

⁸⁵ As explained by Ciocca et al. (2014), since the birth of IRI, Beneduce and Menichella struggled to combine economic and political interests, such as by acquiring temporary control of industries in need to meet the Regime's need for financial stability while also stimulating recovery of private production and avoiding excessive risks during privatisation. With respect to the delicate phase of privatisation, IRI's managerial group agreed to sell when it was profitable and safe to do so, which was extremely difficult to happen in the case of major industries, like strategic ones. Hence, the conjunction of difficult economic privatisation and growing political interest to control strategic sectors to pursue foreign policy goals led to long-term stabilisation of IRI and public command over key industries. Thus, in the later '30s, the more direct control over national production was necessary for foreign policy goals, the more political needs took precedence over privatisation and the more IRI supervised the national industrial sphere.

In the complex economic scenario regulated by market, State and industry, IMI was one of the backbones of the industrial-financial complex and directly engaged with autarchic plans through financing and cooperation with IRI.

As explained in Section 2.3, to address waves of economic instability and growing political confrontations, the Regime implemented different autarchic projects to improve efficiency in the use of domestic factors in a closed economy – *autarchia del lavoro* – balance of payment equilibrium – *autarchia monetaria* – self-sufficient military production – *autarchia bellica* – and empowerment of industrial productive capacity – *autarchia industrialista*. While IRI directly supported industrial sectors classified as strategic, IMI acted as a credit body in charge of financing autarchic plans and the same strategic industries in the name of Fascist policy guidelines. To do so, IMI relied on the leadership of the new President after Beneduce’s retirement (1939), namely Vincenzo Azzolini, who aimed at unifying functions and control of the credit sector and at creating a centralised structure to direct financial fluxes under the supervision of the Bank of Italy. The IMI-IRI cooperation was extremely successful in the Fascist age, including in the autarchic phase, especially with respect to financing and reorganising controlled industrial shares, and empowering strategic industries. For instance, Azzolini tried to shape the Italian autarchic system on the German one, by learning lessons from the German experience in metallurgical research and provision of military supplies, and by improving the Italian model⁸⁶. Indeed, autarchic plans acted as incentive to restructure the national productive apparatus, solving technical problems related to the availability of raw materials, improve coordination between public bodies and private firms and create new capital to be invested in the construction of autarchic plants (Farese, 2009)⁸⁷. Hence, IMI was required to get in touch with the country’s economic and productive needs and to deploy its financial activities for autarchic goals, both through ordinary and special financial operations⁸⁸. However, the more IMI was involved in activities to finance autarchy, the higher was the quantity of loans granted by IMI under State guarantee to strategic industries, which was institutionalised as *attività straordinaria dell’IMI* in 1938 (r.d.l. 140/1938). Evidence provided by Farese (2009) confirms that, from 1938 to 1943, the number

⁸⁶ Nevertheless, IMI’s President was conscious of profound differences between the two countries. Italy was still limited by a poor economy that lacked key elements for development, especially in a closed autarchic scenario, since Italian growth was still highly dependent on foreign markets.

⁸⁷ Another concern to be addressed by IMI was about the inability of minor firms to get credit and the dichotomy between loans granted to big industries because of their strategic importance for the Regime, and difficulties faced by smaller ones, which were more dependent on exports of manufactured products and imports of raw materials (limited by autarchic requirements).

⁸⁸ As explained by Farese (2009), as others *Enti Beneduce*, IMI collected means for financing through the emission of bonds, acting as a buffer in the saving-investments circuits, which was an innovative intermediate collocation between the State and the market. Nevertheless, the more IMI granted loans through operations “in the general public interest” rather than ordinary ones because of growing political pressures, the more it moved towards the “public pole” and the more it was subject to political interference, like a vicious circle.

of special loans granted by IMI to strategic industries increased and outweighed ordinary operations, which stabilised the involvement of interest groups at the expense of IMI's autonomy of action and purely private initiatives. In the late thirties, activities of both IMI and IRI concentrated more in strategic sectors, in order to mitigate risks and stimulate modernisation. Nevertheless, financing and implementing autarchic plans became increasingly difficult on the eve of war, mainly because of the need to prioritise war effort over backing private consumptions and investments through public funds, and because increasing military production could be attained only at the expense of civil production. Although circuit of capitals performed well until 1942, war finance overwhelmed IMI, given that the expansion of tasks to be performed to match autarchic requirements, up to the point that in late 1943, the State entered into a financial crisis because growing needs could only be satisfied by extraordinary advances of the Bank of Italy and printing of paper money.

The other key instrument behind industrial empowerment was IRI, which definitely became an essential component of the institutional and economic structure, other than the major promoter of technological development and human capital. In the early thirties, without IRI, the Italian economy, industries and banks would have lost advanced production of goods and services, since it was impossible for privates to succeed without public support. In less than a year, IRI managed to acquire significant shares of major industries in need and improve the mechanism of financial intermediation through IMI. Later on, from 1937 onwards, IRI became the preferred public instrument to empower strategic industries and stimulated material progress at the basis of the future economic miracle (Ciocca et al., 2014). Hence, when it comes to the legacy of IRI for the new economic paradigm, it is worth mentioning concrete economic benefits in both recovery from the 1929 crisis and later from the Second World War, and the capacity of its managerial group to combine technical autonomy under the protection of Mussolini's himself with the liberal nature of the Italian economy. In the 1930s and mainly during autarchy, IRI resisted against pressures from Fascist ranks and protected its working methods based on pragmatism, technical efficiency and critical thinking. Thus, in the context of military defeat and economic suffering caused by the war, IRI prevented the collapse of the whole nation, by combining public control and private minority shares, and by operating in light of an innovative model of governance free from bureaucratic constraints and political interference. As far as strategic industries are concerned, the autarchic phase strengthened the new role of IRI in the industrial-financial complex, once IRI's original mission was modified by economic contingencies and political goals⁸⁹. In the late 1930s, State control stabilised over both industries of

⁸⁹ In the words of Podestà, "aldilà del carisma e della competenza di Beneduce, il vero paradosso dell'IRI è che un organo in fondo essenzialmente tecnico dovette la propria definitiva stabilizzazione anche a due fattori apparentemente tecnici

social and political interest, and credit mechanisms, which, according to Beneduce, were the unique instruments to regulate and lead the national economy in the direction of State interest and national development. In spite of the “normalisation” of public control over the industrial-financial complex, Beneduce was always coherent with his belief in IRI’s role of stimulating productive sectors, reinforcing the private market, organising the system of credit in the general interest and controlling *industrie di pubblica utilità*. As described by Podestà, Beneduce’s experience and the organisation of IRI combined “interesse pubblico ed efficienza privata, operando con la logica del mercato, costituivano l’organo ideale per gestire le partecipazioni che lo Stato avrebbe deciso di mantenere” (Podestà, 2012 in Castronovo, 2012, p.430). In this scenario, IRI became the permanent public body that acted as a state organ designed to manage financial and industrial shares on State behalf, which also became of the distinguishing features of the Fascist third economic way. On one hand, this innovative economic paradigm was centred on the expansion of State’s role as an active economic player capable of controlling and directing productive activities through technical and managerial leading groups. On the other hand, the Italian version of public intervention was not sufficiently defined because IRI was not conceived as an instrument of economic planning (yet), due to the absence of codified modalities of intervention, control and functions. As a consequence, IRI’s actions were limited to regulation and definition of managerial guidelines and policies of controlled industries, other than supervision of firms’ autonomous private management and the valorisation of colonial conquests in East Africa⁹⁰, under the direction of architects of the mixed Italian system. In the meantime, autarchic provisions increased the number of functions to be performed by IRI for the implementation of industrial projects, in conjunction with social functions in the Regime’s interest through employment levels in strategic industries and construction of new industrial plans in Southern regions. In this scenario, IRI’s lines of action became the heart of Fascist propaganda based on the concepts of strategic and key industries for the national economy, broadening public intervention,

(l’autarchia e la valorizzazione economica dell’Aoi), ma che in realtà erano – e così li interpretava certamente Mussolini – eminentemente politici, anche perché sapientemente utilizzati dal duce per la mobilitazione di massa della società italiana nella costruzione della società totalitaria “ (Podestà, 2012 in Castronovo, 2012, p.439).

⁹⁰ In the Italian Empire, IRI was in charge of enhancing the potential of Fascist colonial territories in East Africa, by cooperating with privates for the construction of basic industries for economic development and for absorbing colonists from the Italian motherland. In practice, IRI was supposed to take part in industrial initiatives through the provision of financial capital to major industries, namely Italian industrial groups interested in investing resources in Italian Africa. However, this process turned out to be more complex than expected due to severe economic underdevelopment of colonial territories, which prevented the construction of innovative industrial plants, together with military instability and security, that disincentivised new investments. Hence, the Italian empire had more a political and ideological meaning rather than economic one, because, apart from economic backwardness and risky investments, it was impossible for colonial territories to achieve economic self-sufficiency, both in terms of raw materials and industrial products. As a result, it was more likely for the Empire to be a burden for the motherland rather than to contribute to the Empire’s autarchy, due to difficulties in reducing food and financial burden on Italy, in achieving military self-sufficiency to face war, stimulating exports of local products and improving the Italian’s balance of payment (Podestà, 2012 in Castronovo, 2012).

capitalist and hyper-capitalist industry⁹¹. In the context of mutually beneficial relations between IRI and Fascist government, Beneduce, Menichella and the Institute's groups accepted the ideological subjugation of IRI to the Regime – confirmed by the way in which totalitarian rhetoric depicted IRI as an instrument of the Fascist economic and social policy – with the aim of protecting its substantial autonomy from political interferences.

More in detail, autarchic plans defined between 1935 and 1937 laid down a series of productive goals to be attained before 1941, through the collaboration of public and private firms and through IRI's permanent capacity to make up for private industry's limits in low-profitable sectors. In spite of the unrealistic character of self-sufficiency goals, IRI benefited from autarchic plans by enacting a comprehensive reorganisation of key industrial sectors and by setting the basis for modernising strategic industries, so that they could contribute more to the national economy due to their technological innovation and high productivity. In the attempt to maintain a balance between autarchic projects and economic strategies, IRI was extremely cautious in stimulating modernisation and productivity of basic industries without being drawn into explicit autarchic initiatives⁹². In the meantime, because of the Regime's financial support, the Institute invested some resources on dedicated educational programs for technicians, managers and industrialists, with the aim of promoting experience, expertise and efficient corporate models, educating the future managerial class, defining specialisation models and modernising strategic sectors⁹³. Concurrently, IM's credit activities contributed to the development of key industries because of the so-called industrialist logic of credit, according to which loans were granted to selected industries because of their industrial-political power rather than their economic potential. It is certain that the increasing percentage of

⁹¹ Hyper-capitalist industries coincided with heavy ones, also known as strategic because of their purposes. These industries were characterised by their connection with the defence and military sectors, their need for huge capital (here comes the expression hyper-capitalist), and potential to benefit the whole society with their production. Due to the combination of strategic importance, exceptional public interest and need for the State to provide such a huge capital, this class of industries was subjected to growing State control from 1933 onwards.

⁹² As reported by Podestà, "IRI mantenne una linea di condotta prudente, non lasciandosi invischiare se non marginalmente nelle iniziative più propriamente autarchiche e sterili, che furono gestite in larga parte dagli enti parastatali direttamente controllati dal governo" (Podestà, 2012 in Castronovo, 2012, p.451). Taking a concrete case may be useful to learn more about IRI's effort to find a balance between implementing autarchic plans and promoting industrial development, IRI invested resources in the modernisation of the chemical sector, through research on new technologies for reducing costs related to raw materials and trade liberalisation. Indeed, in June 1937, IRI cooperated with Pirelli in the creation of two different entities, namely *Istituto per lo studio della gomma sintetica, per l'attività di studio e di sperimentazione*, and the *Società italiana per la produzione di gomma sintetica*, given the strategic nature of synthetic rubber for military operations and for the car industry.

⁹³ Section 3.3 will address the issue of technical expertise and technocratic élites in the Fascist and post-Fascist age, but for the time being it is interesting to note that the role of experts like Beneduce and Menichella went beyond short-term commitment to reform Fascist economic management and to value efficiency and progress. Because they believed productive innovation to be modern determinants of progress, they prepared the ground for future development, productive modernisation and for the future managerial class to rise, whose benefits became more evident in the post-Fascist rather than in the Fascist era (Ciocca, 2012).

autarchic loans for strategic industries and operations *di eccezionale interesse pubblico*⁹⁴ were the main causes of empowerment experienced by some sectors, but it also forced IMI to depart from its original approach and technical evaluations, take greater risks and constraint its room for manoeuvre in face of political pressures⁹⁵.

With respect to a more comprehensive analysis of different strategic industries, one of the first indicator that confirms the Regime's commitment to their empowerment is derived from an overview of IMI's operations, given that 90% of them were destined to strategic sectors: 37% to the electricity industry, 36% to the mechanical, 10,5% to steel and 6% to chemical industries, which also implies that more than 50% of IMI's credit benefited industries placed under control through a semi-public circuit of credit that gave public money to public industries⁹⁶.

What lay behind privileged industrial development of key sectors was the same factor mentioned by Mussolini in relation to the Regulatory Plan of the Italian Economy, namely relying on State intervention to generate economic and industrial growth, as well as political success, "quando fosse stato inesistente o insufficiente l'iniziativa privata, o fossero in gioco interessi politici dello Stato" (D'Antone, 2012 in Castronovo, 2012, p.220). Castronovo (1972) classified this economic paradigm as the Italian life-saving mixed economy, given the combination between the capitalist nature of the Italian economy and State intervention, which, nevertheless, is accepted only in extraordinary situations, rescuing operations and as long as it benefited privates through exchange of technical know-how. Given that one of the tools of State intervention was IRI, Beneduce placed it at State service for the implementation of autarchic projects, but without IRI to be dissolved into the State. Indeed, the Regulatory plan presented three different options to be selected on the ground of case-by-case evaluations: direct state control (public control); mixed management between State and privates (temporary nationalisation); direct State management (extended IRI control). In concrete terms, each strategic sector for the Regime's military and economic projects was analysed on the ground of both

⁹⁴ The qualification as "exceptional public interest" could be granted on the basis of a specific legislative provision (law n.100/1942) which authorised the Ministry of Finance to assign the State guarantee to IMI for credit operations deemed to be of exceptional public interest by the Head of Government. Given that these operations fell outside IMI's bond market, they were special handlings on the State behalf, for which neither technical evaluations nor autarchic purposes was needed, given that they were functional to serve general national interests (Farese, 2009, p.153).

⁹⁵ With regards to growing political interferences with IMI's operations, Farese (2009) also mentions the obligation imposed to IMI's technical Committee for autarchy to report for the Executive Committee for any operation – the supposedly ordinary one – different from the autarchic ones, which is a major indicator of the complete overturning of IMI's operational approach. Similar compromises were requested to the CNR, which was in charge of managing financial resources for the industrial sector and was required to serve interests of major private enterprises and directing investments to specific sectors that could contribute to the country's military, technical and productive empowerment.

⁹⁶ Data about the sectoral distribution of IMI's operations are displayed in Figure 4, retrieved from Farese (2009, p.271) and included in the Appendix (p.144).

technical and political considerations prior to the selection of a specific strategy for that industry, as later discussed in this section⁹⁷. In any case, IRI acted as a fundamental instrument for the Regime's economic plans and as the State's best representative in private-public collaboration. However, the more functions it performed on State's behalf, the more its approach and configuration departed from the original ones in an increasingly difficult context, given that Italy was increasingly isolated, poor of raw materials, savings and foreign investment. In fact the autarchic years marked a transition phase in which IRI was forced to adapt to a different economic and political scenario, while protecting its formula, control over banks and clear separation between banks and industries, and working for the reorganisation of strategic sectors.

In the context of a case-by-case overview of strategic industries, firstly, Italy obtained satisfactory results in the electric sector in the 1930s, by providing electricity to the national population despite high population density. After WWI, a significant spur of growth in the electric system was registered because war-led increase in energy consumption stimulated the construction of larger industrial plants and the rise of main electric firms. In line with this positive trend, sectorial industries took advantage of electric energy availability with significant investments in both productive infrastructures and technological progress, which allowed Italy to become relatively self-sufficient in energy production. Nevertheless, there were little import-export movements, given that the country consumed around three quarters of the amount of energy produced for productive purposes. According to Castagnoli (2012 in Castronovo, 2012), industrial development in the electric sector was mainly limited by persistent geographical dualism in the provision of electric power stations between Northern and Southern regions and concentration of industrial sites in the North. In spite of structural difficulties, this sector experienced a huge expansion in the inter-war period, in line with the main industrial economies of the time, up to the point that the Italian electricity production increased from 4,5 billion (1921) to 20 billion kwh (1940) in two decades (Farese, 2009, p.131). As a consequence, the power of privates operating in the electricity sector during fascism (Motta, Volpi, Cenzato) overcame the one of privates in the steel industry and the Regime invested more in the electricity sector and hydroelectricity. Indeed, because of its key importance for industrial autarchy, the electric sector was the most financed by IMI between 1936 and 1943, by a total amount of 1.8 billion through a series of loans that initiated after the crisis of 1929. As pointed out in this chapter, investments were stimulated by both market and defence goals, beginning with the need of satisfying

⁹⁷ For instance, main steel industries were either under IRI's control (Ilva, Ansaldo, Terni, Cogne) or under private management (Fiat, Falck, Ferriere piemontesi, Breda). By contrast, firms operating in the electricity sector were either under private management – because of the need for capital – or public control – because of their collective nature and strategic function.

energy demand and national security needs. In the meantime, IMI was required to find a balance between distributing resources to the largest number of firms, avoiding to grant excessive loans to the single and bigger one (Terni), addressing both scarcity of raw materials and internal disorganisation, and meeting the Regime's requirements of directing investments to war facilities. As a result, in 1940, Terni became one of the most brilliant achievements of the Regime's autarchic plans for economic development, which operated under market-bias. Because of constant increase in energetic demands, the Regime urged the construction of new plans in a short time and required higher costs either to be mitigated through IMI or to be covered by the State, but this development plan clashed with constant delays in national industrialisation and weakness of private industry. Nevertheless, IRI's turn towards a permanent Institute coincided with more detailed planning of State intervention to be performed through IRI, notably the symbol of mediation between private and public interests⁹⁸. Again, the conjunction between complex privatisation and autarchic goals caused failures in privatisation operations of Sip (*Società Idroelettrica Piemonte*) and Terni and expanded both the State's economic power and the State's capacity to substitute private industrial groups in less-developed Regions. Other than investing resources on the new strategic hub of the electric national system and the heart of the industrial complex, namely Terni, the Government had the potential to provide financial assistance to Southern regions and create more productive conditions for closing the gap with Northern regions, in light of the *meridionalismo* shared by IRI's managerial class. The same happened in the post-Fascist age, when IRI designed specific solution to address infrastructural problems and stimulate development in the electricity sector, by taking advantage of the "Formula IRI" – collaboration with foreign groups and investments for constructing new industrial sites – to reform the national corporate system.

With regards to the communication sector, results were more ambiguous, given that Italy was suffering from industrial delay, lack of technological development, low level of consumptions and oversupply, when the country was still in an initial phase of industrial development. A common future of some strategic sectors, including the one of electricity and communication, was European tendency to nationalise these services, given high costs of production, scarcity of lands and raw materials, as well as their public function. However, many believed the limited level of development attained by the communication sector to be caused by public management and government incompetence in the industrial sector, even though this hypothesis is not confirmed by evidence. Still, growth of

⁹⁸ As explained in the previous sections, IRI's initial mission was reorganising domestic firms in needs and later privatisation, which was conducive to long-term empowerment of the private market, more stable equilibrium between industrial, political and private interests, and to national development. In 1935, IRI started to depart from the original "privatisation mission" in order to stabilise public control over strategic industries and to prevent the creation of industrial monopolies that could run against the Regime's economic plans.

communication services was highly influenced by the way in which states allowed and supported the development of local, regional and national infrastructures, either through subsidies to privates or direct control. Castagnoli believes this to apply to communication companies, given that they emerged between the '20s and the '30s, but since the crisis of 1929, national communication services were placed under State control (Castagnoli, 2012 in Castronovo, 2012). Indeed, the *Formula IRI* was applied to the communication sector when it was struggling to cope with technological delays and absence of managerial culture, which required IRI to invest financial resources in modern infrastructures, new methods of business management and equipment rationalisation, at the basis of IRI's future positive results.

The creation of IRI marked a radical change for both the communication and electricity sectors, given that it paved the way to larger public control over significant portions of both, which stabilised over time. As explained by Castagnoli, there were different reasons behind the continuation of IRI's control over strategic industries, economic ones - insufficiency of private capital to acquire IRI's industrial assets – social - high level of employment related to strategic industries like Terni and Ansaldo - governmental, political and international (Castagnoli, 2012 in Castronovo, 2012). As a result, IRI invested more resources on industries' reorganisation and improvement of their technical and economic structure, to prevent their future dependence on banks. On this point, it is useful to mention a valid example of the positive effects of the *Formula IRI* on controlled industries, namely IRI's operation on Sip. The way in which IRI acquired significant portions of Sip capital and then distributed it to small and medium shareholders is a brilliant case of public-led sectorial reorganisation. Indeed, State intervention succeeded in restructuring a private industrial activity and in shaping the managerial style in light of private-efficiency principle, according to the so-called *modello Sip*, which was later adopted in different rescue operations.

With respect to the shipping sector, it is worth recalling that in 1936 IRI created the shipping holding called *Finmare*, that wrote an important page of the Italian economic history while operating under IRI's control. Since the beginning of the XX century, the shipping industrial branch played a key role in the Italian economy, given the country's natural orientation towards the sea, which assigned a special national interest to this sector. As pointed out by Doria (2012 in Castronovo, 2012), the role played by the Italian State has been the leitmotif of the industry's development⁹⁹, given that the shipping sector also contributed to the birth of the Italian entrepreneurial State through *Finmare*.

⁹⁹ Dynamics and transformations of the shipping industry always intertwined with national political and economic cycles: early century expansion, modernisation and economic growth prior to WWI, forced reconversion during and after WWI, difficult adjustment to the 1929 crisis, war damages, complex recovery in WWII aftermath and later decline (Doria, 2012 in Castronovo, 2012).

Since the end of the XIX century, shipping firms benefited from public contributions because their operations were performed in the collective national interest. Prior to the birth of IRI, the shipping industry was already “strategic” because of activities performed in the general interest, early domination by influential private groups, stable and privileged credit relations with mixed banks, in line with the “à la *Gerschenkron* development model” (Doria, 2012 in Castronovo, 2012, p.333)¹⁰⁰. The same paradigm led the development of the Italian shipping industry in the XX century - during phases of expansion, reconstruction, mergers and reconstruction after the Great Crisis – and growing public intervention to rescue shipping industries from default, especially in the Italian case, due to huge debts towards credit institutes. Hence, apart from protecting the financial system from depression, the Regime instructed IRI to reorganise and rationalise the maritime sector, given that the State controlled more than 55% of the sector industrial shares. Between 1933 and 1935, IRI conducted the reorganisation of the maritime industry, deemed to be strategic for the Ethiopian war, commercial trade in East Africa and for connecting Italy with colonial territories. Later on, the Italian entry into WWII in 1943 worsened the economic scenario and left firms with no option other than relying on State direct control to prevent them from collapsing due to isolation, lack of commercial trade and fleets destruction, which also continued at the end of the war. In the war aftermath, IRI strived to design and implement a strategic project to reconstruct the Italian shipping industry in light of future recovery of international trade, tourism and migrations. However, high shipbuilding costs were the greatest obstacle to investment plans, together with sectoral interdependence between the shipbuilding and the mechanical sector, in a changing historical context that ran against the future of maritime transportation. In the second afterwar period, the two sides of IRI’s operations for sectoral restructuring were “ricostruzione della flotta e ripresa dell’attività da un lato, enormi esborsi di denaro pubblico e ripetuti disavanzi nella gestione delle imprese, dall’altro” (Doria, 2012 in Castronovo, 2012, p.355). Thus, the Golden age of the Western economies and IRI’s dominance clashed with the unstable future of the shipping industry, jeopardised by excessive productive capacity, declining maritime transportation and excessive costs for the public budget.

Equally to the maritime sector, the history of the Italian steel industry reflected long-term development processes and trends of the national economy. At the end of the XIX century, the path towards development of the Italian economy was still limited by difficult capital accumulation, predominance of the agricultural sector, delayed industrialisation, insufficient investment and limited expansion of the domestic market, and the same was true for the steel sector. In the early XX century,

¹⁰⁰ The “à la *Gerschenkron* development model” is based on the idea that State support is provided to the merchant navy through specific regulations, because this model believes political power to be in charge of mediating between budgetary needs, expectations and interests involved in specific industrial sectors.

the steel industry was already defined as “non-natural” for the Italian system, because of the sector’s structural dependence on raw materials – coal and minerals like iron – that are either absent or scarce in the national territory. Hence, steel sector development was highly affected by overall growth the Italian economy, waves of imports and exports, specific public policies - customs protection, rescuing operations - and later active role of mixed banks, which, according to Doria (2012 in Castronovo, 2012), is a major indicator of structural weaknesses of this industrial sector. Moreover, the Italian State always dedicated a special attention to the steel industry, through financial support and dedicated policies, because of the strategic function of steel materials for shipbuilding and military equipment, that required high accumulation of resources, construction and modernisation of industrial plants. As in the case of other heavy industries, industrial reconversion and management of excessive productive capacity of the largest steel industries, namely Ansaldo and Terni, were the greatest challenges to the Italian government, but it was also necessary to reduce losses, adapt to new market trends and invest resources in the military sector. However, the process of industrial reconstruction was complicated by discrepancy between economic necessities and political ambitions, until this precarious equilibrium exploded in the early ‘30s and urged new business accommodation and rationalisation plans to be reinstated¹⁰¹. In 1934, IRI controlled around 38% of steel national industries and almost 100% of the war-steel sector, which assigned IRI the task of reorganising the whole industrial compartment. Apart from efficient management of IRI, positive results were obtained between 1935 and 1941 because of favourable historical contingencies, given the impact of war orders and public expenditure on domestic demand and national production of steel and iron. Indeed, autarchic goals, the economic regulatory plan and competences of the managerial group led by Beneduce stimulated a more organic coordination of the productive system. The self-sufficiency target (93% as target for 1941) of the steel sector needed to be achieved through greater production (+25% between 1936 and 1937), especially in specific military compartments for national defence, expansion of main industrial plants – ILVA in Bagnoli and Piombino, SIAC in Cornigliano – and to supported by public expenditure (from 17,5% in 1933-34 to 37,7% in 1936-37, from Doria, 2012 in Castronovo, 2012, p.376). Apart from autarchic goals, IRI’s strategies for the steel sector were designed to achieve long-term results, through rationalisation of the activities performed by a single controlled firm and the privatisation of shares external to the firm’s core business, as it happened in the case of Terni and Ansaldo. The situation changed in 1935, given the Regime’s turn towards “non più smobilizzi ma

¹⁰¹ After WWI, common sense suggested to operate the rationalisation of the steel industry’s productive capacity, reduction of excessive capacity and destruction of outdated industrial plants, which was crucial in a phase of economic difficulties and financial instability. Nevertheless, rationalisation plans clashed with the Regime’s interest in catching up with European economies and backing the military section, in spite of productive inefficiency and excessive managerial costs.

nuovi interventi dello Stato per le industrie chiave” (Doria, 2012 in Castronovo, 2012, p.389). The IRI’s managerial group accepted to abandon steel industry privatisation projects on the condition that public control was limited to the most strategic components of the steel industry, after selling back to privates other non-strategic shares, which ended up being the guideline of the Regime’s programmatic vision between 1937 and 1943. However, IRI faced serious difficulties in the application of autarchic plans to the steel industry, because of its structural dependence on raw materials (steel, coal) and Italian need to import these productive factors, which classified autarchic goals into utopian. Moreover, long-term reorganisation plans clashed with historical contingencies - the approaching of WWI, rearmament needs and colonial operations - which required to prioritise military production over rationalisation despite difficulties in raw materials supply, excessive costs, insufficient absorptive capacity of the domestic market and lack of technological progress¹⁰². Later on, the situation worsened when the war became responsible for destruction of industrial plans and paralysis of industrial production in a new emergency situation in which IRI and the government were forced to address present needs rather than designing long-term development plans.

In relation to the steel sector, the mechanical industry registered huge growth in the thirties, also in terms of employment (from 478 million in 1927 to 823 in 1937, Farese, 2009, p.136), because of extensive benefits guaranteed by public expenditure and financing of colonial and military operations. Indeed, facing positive economic results and the exceptional character of the war, IMI granted additional loans (300 million) to major firms, like Ansaldo which produced Italian tanks, 65% of artillery and 50% of national warships in 1940 (Farese, 2009, p.138)¹⁰³. Similarly, loans granted to Alfa Romeo and new industrial plants in the South were seen as a great contribution to the national program of industrialisation in the Southern regions, implemented with the support of IRI and the commitment of IRI experts.

After difficulties faced at the end of WWI, the Italian chemical industry made huge progress with declining foreign and growing war needs, which increased monetary liquidity and range of investments in national firms. Undoubtedly, extensive progress in the chemical sector was a direct consequence of governmental decisions, aimed to back the development of national resources and make progress in the process of import substitution in the direction of autarchy. As a consequence,

¹⁰² Taking the case of the *Finsider*, prior to the conflict, its situation was already ambiguous, with strengths and weaknesses: contrast between commitment to strong renewal and internal reorganisation, and unfavourable historical conditions, between need to import coal and steel, and autarchic limits.

¹⁰³ The extent of political-autarchic influence over the financial-industrial complex is confirmed by the fact that three major IMI’s operations were directed to firms that directly provided instruments for the conflict – 325 million to ILVA, 211 million to Breda and 213 to Pirelli – which are referred to by Farese as war finance operations directed to firms of exceptional public interest (Farese, 2009, p.152). Hence, the whole history of IMI and IRI was affected by political dynamics, especially between 1943 and 1946, when IMI became the public entity *per eccellenza* to finance autarchy.

also the autarchic turn of 1936 generated positive effects, mainly in terms of investments in the chemical and mechanical sectors, including in the production of magnesium (*Società Magnesio*), to meet war requirements. Given that, ultimately, also economic decisions were taken at Palazzo Venezia, the Regime's consistent interest for the chemical sector went beyond political evaluations and security needs, because of the potential for chemical products to guarantee commercial and economic advantages, which led to long-term development of this sector.

Lastly, Farese (2009) also mentions mining industry in relation to IMI and credit activities because, despite lower investment from IMI, this sector was functional to the Regime's war and industrial autarchy through the exploitation of national resources and the expansion of national productive capacity. Although national fossil fuels were characterised by impurities and extremely variable composition, and their use was problematic, tax and financial incentives were adopted to back the expansion of this sector¹⁰⁴. As a consequence, the majority of credit operations destined to the mining sector were justified by autarchic arguments and goals, despite higher risks and less warranty, which ended up backing up the development of another important sector for the country's future.

In the late thirties, IRI's operations in these sectors marked a clear institutional change from privatisation to public control which formed the basis for future collaborations between public and private on an equal footing. Hence, once the Institute became permanent, Italian capitalism did not accelerate in the direction of nationalisation of strategic industries, but rather forged an innovative paradigm of State intervention based on private-public synergy: through financial support and organisation the State substituted market capitalism without interfering with internal management, but required firms to operate in light of private-law principles - cautious investments, correctness of administrative criteria, rigour, efficiency, group cohesion, managerial education and technical expertise. In this scenario, IRI became the coordinator and financial intermediary of important industrial projects, to be deployed through cooperation with privates and with expertise of public managers, trained and selected by Beneduce himself.

In the war aftermath, many European states relied on corporate strategy for developing and modernising technological sectors designed by the State, like France. In Italy, the innovative public-private-industry synergy survived the end of Fascism, given that new governments trusted managers and experts of IRI to play a central role in reorganisation of finance and productive industrial sectors.

¹⁰⁴ As recalled in Section 2.3, structural scarcity of raw materials, including fossil fuels, forced Minister de Revel to derogate from autarchic requirements and imports' limitations and to sign bilateral agreements with allied countries like Albania, Romania and Iraq.

The series of events and decisions that led to extended public control over strategic sectors like the electricity and communication sectors after the Great Crisis have a deep historical meaning, because they confirm the importance of adequate managerial style and technical expertise behind economic results. Indeed, the peculiar and innovative mix of public property and private methods was the most significant novelty, which became the preferred strategy for the Italian State to lead public intervention in the realm of industrial control. At the same time, the compass needle of the Italian economy that operated in the space created by Beneduce between the State and the Market was moving towards the public pole in the last phase of the Regime (Farese, 2009). Nevertheless, this innovative style of dynamic statism lie the basis for future operations, paved the way to development projects dedicated to Southern regions and forged a new model of corporate management, based on private-efficiency principles, administrative rigour and leadership of technocratic experts, which led the transition to the Italian Republic. Thus, beyond defeats and contrasts, the capacity of IMI, IRI and the leading group to reform financial-industrial mechanism in spite of political interferences created the long-term structural basis for national Reconstruction and economic miracle, which benefited more from structural, economic and managerial continuity rather than political ruptures (Chapter 3).

Chapter 3 - Post-Fascist age: survival of the Enti Beneduce and the birth of the Italian mixed economic system

Although private-public synergy and public control of strategic industrial sectors are usually associated with the Fascist age, it is interesting to discuss how the economic architecture of the *Enti Beneduce* survived the collapse of the Regime and prepared the ground for the mixed economy of the new-born Italian Republic. From this perspective, institutional, economic and managerial continuity prevailed over radical political transformations and shaped the rest of the national economic history of the XX century.

Measuring the degree of continuity between the Fascist and post-Fascist periods requires defining the notion of continuity itself and its relations with institutional and economic features of the Italian system (Section 3.1). Then, it is worth focusing on the evolution of symbols of continuity between the two ages, namely IMI and IRI, their relationship with the Republican economy (Section 3.2) and, most importantly, the survival of their managerial group and its relationship with both the Fascist and Republican politics (Section 3.3). Lastly, the analysis will be completed by some considerations on the main features of the new Italian model of economic development and the relation between market-State-industry in the early years of the Republic (Section 3.4)

3.1 Continuity between Fascism and post-Fascism in the management of the economic system during the XX century

Before initiating the discussion about continuity, it is worth making some early clarifications about the notion of continuity. First of all, “continuity of the State” refers to the continuity of national socio-economic structures and dominance of the ruling élite (Pavone, 2006, p.172). However, continuity does not stand for immobility for political immobility, given that, taking the case of Italy, post-Fascist economic and institutional reconstruction occurred in a new political scenario and was led by different class forces. By contrast, it is better to discuss continuity in relation to the relative autonomy of the State machine from economic, political and social mechanisms, as the stable and neutral factor of national history. In this way, it is possible to answer this complex question: “qual è in concreto la quota di presenza, e incidenza, di uomini, idee, strutture, organizzazioni del fascismo negli apparati dello Stato e dintorni durante la decisiva, prima fase della Repubblica?” (Fimiani, 2019 in De Nicolò & Fimiani, 2019, p.11).

Other than offering arguments in favour of these claims and mainly the degree of continuity guaranteed by the State and its institutions, this research will also discuss the role of the Italian State in the intersection between past and future, between Fascism and the Republic and throughout the Fascist age. Nevertheless, in order to grasp the degree of continuity between the Fascist and post-

Fascist experience, it is necessary to go beyond the political nature of the Regime at stake, and focus on the State in the quality of a public apparatus and an organisation, made of procedures, bureaucratic mechanisms and public administration, also known as the “parastate” (Pavone, 2006). From this perspective, the State as an institutional apparatus becomes the symbol of continuity itself and the essential element of every type of political regime, independently from their ideological characterisation. Moreover, apart from the political and institutional components, what must be remembered from discussing the degree of institutional continuity in the management of economic and financial sectors is the role played by efficient technostructures. Beyond the nature of the regime itself, the most important features of continuity are the strategic importance of technostructures in advanced economies and human capital. In the Italian case, both factors were present and facilitated the transition from Fascism to the Republic, but the persistent absence of dynamism and modernisation prevented the Italian model of capitalism from achieving outstanding economic results under both regimes. The last theoretical consideration to be made prior to a more detailed discussion on continuity between Fascist and post-Fascist age is about the value of State continuity in such a divided country like Italy. Indeed, historians have frequently referred to the importance of a centralised state apparatus for countries like Italy, notably a dualist country in need of a unitary instrument of government to rule over internal divisions, strong social and territorial fractures, disequilibrium in development levels.

Other than considering the importance of technocratic structures, evaluating the degree of continuity between the Regime and the Republic opens the way to additional considerations on the origins of the Republic itself, which is necessary to learn more about its past and to measure the impact of Fascist heritage on national history (De Nicolò & Fimiani, 2019). After different economic and political experiences – monarchy, Fascism, suffering, global wars and economic crises – in 1945 Italy went through the most significant transformation, notably the first democratic experience since national unity. This political metamorphosis prepared the ground for the construction of institutional mechanisms of the “new State” and for the delicate transition from authoritarian to democratic political dynamics. In spite of changes in both the form of State and government, it is interesting to analyse the level of continuity in national institutions from Fascism to Democracy, and the heritage of the authoritarian experience, especially in the economic realm. As far as this research is concerned, this aspect is relevant to discover how the management of the national economic system and equilibrium between private initiative and public support changed during the XX century, and, more specifically, between the retirement of Alberto Beneduce from public life (1939) and the birth of the Italian Republic (1945). The common tendency, especially in Italy, is to look at the past to find deep causes of current problems and to learn more about past difficulties in the Italian institutional and

economic development. But, when it comes to learning from the past, it is important to explain events in the right historical context, which is essential to protect the authenticity of collective memory and of past experiences. Therefore, conducting a proper evaluation of Fascist heritage is functional to the construction of a solid collective memory free from ideological considerations, which, however, has always been difficult in the case of Fascism and has prevented many from grasping the value of Fascist institutional and economic lessons for a long time. More in detail, some of the historical contradictions of the Italian Republic inevitably date back to its origins and to inevitable discrepancies born in the transition from authoritarianism to constitutional democracy. Probably, the greatest paradoxes were generated by the shared need for change and total rejection of any ideal and institution linked to Fascism, and the practical survival of both Fascist institutions, administrative mentality and public personnel in the new Republic. Indeed, the two-year period between 1943 and 1945 was characterised by contrasts between shared belief in the incompatibility between the Italian path towards democracy and constitutionalism, and the national authoritarian past, despite the historical value of the innovative institutional and economic architecture built by technocrats under Fascism (Section 2.2). Such ambiguous feelings with the Fascist experience penetrated the institutions of the new democracy and backed the application of de-fascistisation laws, which contrast with the ongoing collaboration between governments and previous Fascist figures, mainly technocratic ones. As explained by Fimiani (2019 in De Nicolò & Fimiani, 2019, p.15), “una serie di concause favoriscono, o non evitano abbastanza, una continuità e, in certi casi, un’imbarazzante porosità di troppi ambienti della macchina statale democratica nei confronti delle influenze ereditate dal potere fascista-monarchico-clericale”.

In facts, the most interesting factor for the purpose of this research is the way in which certain institutions, notably the *Enti Beneduce* and IRI, and prominent figures like Menichella, Saraceno and Giordano, survived the end of Fascism and entered a new phase of their career under the Republic, in spite of their past collaboration with the Regime. Although many of them were born under Fascism and reached the apex of their public career in the Fascist age, they ended up becoming part of the new Republican system for different reasons, including the need for institutional continuity and their technical competences in the process of economic recovery and creation of a new state. This trend has raised different opinions, given that, on one hand, the capacity of public servants to continue serving the State independently from political changes argues in favour of institutional and administrative stability of the State itself, but, on the other hand, the survival of Fascist inheritance within democratic institutions is seen as a continuous source of instability for the new Republic since its birth. As explained by the historian Marc Bloch (1970 in De Nicolò & Fimiani, 2019), independently from the political nature of the regime, Italy is destined to suffer if instruments of

power clash with the spirit of public institutions. This tendency is probably amplified in the Italian case and mainly during the Republican experience, which was threatened by the absence of democratic precedents in national history. Hence, the history of the Italian Republic, as well as its legislative, institutional and social results, was the outcome of continuous tensions between the civil dimension of democracy and the Fascist legacy, up to the point that many believe the Italian Republic not to be “new” because of bureaucratic continuity with Fascism.

With respect to more detailed considerations on institutional continuity, today it is possible to claim that a typical characteristic of the Italian public administration is continuity of structures and personnel, independently from changes at the level of State and political regime (Cacioli, 2019). First of all, the process of bureaucratisation of the Italian State began prior to the Fascist Regime, since the Giolittian age saw the first bureaucratic project through the so-called bureaucratisation of local administrations for greater institutional stability. Hence from Pavone’s perspective (2006), early administrative measures adopted by the Regime complied with the national tradition and with moderate provisions of the Giolittian government. As a consequence, this trend was simply reinforced under Fascism through power centralisation, administrative reforms and rationalisation (Section 1.1), and innovative economic changes (Sections 1.3 - 2.2). Something similar occurred in the post-Fascist age for different reasons, such as difficulties in changing the consolidated line of economic development without altering precarious equilibria between the new public administration and recovered parliamentarism. Something similar already occurred in the transition from the Liberal to the Fascist age, when the Regime struggled to bring institutional change while preventing existing institutions from being absorbed within Fascist bodies (Section 1.1). Nevertheless, Melis and Cassese believe rhetorical claims about the Fascist revolution and administrative fascistisation to be functional to hide the absence of deeper institutional changes, given that a consistent part of norms and public servants from the Liberal age remained in force, which reflected a consistent degree of institutional continuity with the liberal Regime. It was not just a matter of choice, but rather a necessity according to De Nicolò (2019), proving how it is easier to conquer power rather than to occupy the State¹⁰⁵. Therefore, leadership and technical positions were assigned to valuable experts like Nitti and Giolitti, rather than new Fascist personnel, because of the need for technical competences and professionalism

¹⁰⁵ As explained more in detail by De Nicolò (2019), “al di là delle roboanti dichiarazioni della rivoluzione fascista, al di là di mutamenti istituzionali sostanziali, che pure, ovviamente, vi furono [...] una parte delle norme e una parte del personale che già aveva occupato posti di rilievo nel periodo liberale segnarono una continuità con il periodo precedente.” Hence, with respect to political transitions, it is important to consider “il necessario tempo di adattamento e di crescita delle strutture: il potere può essere conquistato in tempi più brevi di quanto possa essere occupato lo Stato e le persistenze possono dipendere da molti fattori” (De Nicolò, 2019 in De Nicolò & Fimiani, 2019, p.21).

to achieve political goals, while fascistisation propaganda was necessary to galvanise the public opinion during the war. Despite huge support of State institutions and technocratic élite, administrative continuity did not prevent the Regime from collapsing. At the same time, the fall of Mussolini in 1943 raised confusion in all institutions except for the ones who remained solid on their technical basis, namely the ordinary and parallel administration that escaped from the fascistisation process. The inner separation between the State and the Regime is what better describes the Italian State in the Fascist period, guaranteed by the capacity of the State apparatus to maintain its dominance over the PNF, to protect its from Fascist institutions and propaganda. Most importantly, the nature of the dichotomy between the State and the Regime changed over time: initially, it was a source of instability and the obstacle that pre-empted Mussolini from creating a totalitarian regime, but then, it became symbol of institutional continuity, represented by national institutions that managed to overcome the Fascist experience from 1943 onwards. Already in 1943, the new government of the King and Badoglio in the South did not enact a total revolution of the institutional apparatus, which can be explained by two different factors. On one hand, it was the shared belief that changing leaders in the highest bureaucratic ranks was sufficient to convey the feeling of strong discontinuity with the past and increase people's trust in the new government. On the other hand, there was the need not to generate chaos in the administrative apparatus that could threaten government authorities, which urged them to make compromises with Fascist public personnel, guarantee institutional stability and protect the bureaucratic backbone from de-fascistisation processes. Hence, as Fascist bureaucracy counted on the administrative structure of the Liberal regime in the early 1920s, a couple of decades later, the Badoglio government and the Republic relied on the same institutional bodies and technicians that served during Fascism, because, apart from ideological considerations, radical transformations of public servants' structure required the (impossible) substitution of personnel and availability of competences¹⁰⁶. Probably, this strategy was also functional to compensate for institutional weakening, including representative ones, in the attempt to give new energy to the restoration of parliamentary equilibria and to make the State "rentrai d'abord, tout simplement, chez lui" (Pavone, 2006, p.185).

This implicit decision in the direction of administrative continuity was taken despite ongoing debates about either purging or requalifying Fascist personnel. More in detail, the issue at stake was the ongoing discussion between the ones who supported the potential requalification of Fascist personnel and the ones who believed Fascist staff turnover to be necessary for eliminating ties with the Fascist

¹⁰⁶ As a consequence, "uomini, idee, pratiche – che durante il regime dittatoriale si formano e sperimentano, condividendo scelte, operando nella prassi, costruendo fortune e scalate di *status* – finiscono per traslocare dal fascismo alla Repubblica durante il primo decennio postbellico, cruciale nel modellare, e condizionare, tutta la successiva storia italiana." (Fimiani, 2019 in De Nicolò & Fimiani, 2019, p.15).

State and conveying the idea of political impermeability of the administrative apparatus. The combination of these factors led to the decision of prioritising the recovery of competent anti-Fascist personnel, even from the liberal age, before accepting the possibility to requalify Fascist political figures. This process was complemented by efforts to purge public servants that entered the public administration for political loyalty to Fascism rather than competences, in the attempt to “free” the prefectural body from the ones who had a militant career in the PNF, and to rediscover the value of administrative neutrality. Indeed, between 1943 and 1945, the Badoglio government was in charge of doing the “cleaning” within national institutions and recreating a public body of loyal political officials, by cutting ties with people with clear Fascist origins and with public servants appointed for political merits. Hence, one of the first and most complex challenges was to free the public administration from the authoritarian and political influence exercised by Fascism for over two decades. Because of the series of practical considerations mentioned above, this process required a series of compromises to be made, as explained by the jurist Jemolo, since a radical renewal of all public servants required a wide sphere of competent substitutes that were not available at the time, so that the strong desire for justice was constrained by the need not to damage the country’s institutional backbone (De Nicolò & Fimiani, 2019)¹⁰⁷. This approach was the basis of the compromise between de-fascistisation and requalification of the Italian State which encompassed the public administration, the national judiciary, public security, order of journalists, the banking and economic systems¹⁰⁸. More satisfactory results were achieved in some fields in comparison to others because of a series of practical difficulties, but all these operations were led by the commitment to de-fascistisation, in the name of rebirth and detachment from Fascism. Nevertheless, in 1945, it was already evident how this rigorous approach threatened to dismantle the administrative apparatus that was necessary for the continuation of military operations and the survival of the State (Carucci, 2019). The more contrasts aroused between ideological targets rigour and need for public order in the new democratic context, the more the epuration process started to be depoliticised¹⁰⁹.

¹⁰⁷ Just to mention one of the legal provisions that guaranteed institutional continuity with Fascism, in 1946, the *legge delle garantigie* (n.511, 1 May 1946) explicitly advocated continuity in the composition of both the CSM (*Consiglio Superiore della Magistratura*) and CDM (*Corte Disciplinare per la Magistratura*) before and after Fascism. This choice was justified by the fact that both entities were composed by judges who reached the apex of their careers under the Fascist Regime, mainly because they managed to coexist with Fascism without sacrificing the dignity of the judicial profession, rather than because of loyalty to the Fascist ideology (Neppi Modona, 2019 in De Nicolò & Fimiani, 2019, p.63).

¹⁰⁸ As recalled by De Nicolò (2019) “se l’obiettivo principale rimaneva la possibilità di disporre di un corpo affidabile, questo poteva essere conseguito solo attraverso il consenso e la fiducia nella burocrazia confermata nei ruoli e nelle funzioni, dando così un segnale che era sì di continuità, ma anche di stabilità” (De Nicolò, 2019 in De Nicolò & Fimiani, 2019, p.27)

¹⁰⁹ A similar compromise was preferred in the journalistic world, where the purging process was abandoned for reconstructing the unitary character of this category and for the need to protect freedom of speech and of the press

Apart from ideological considerations, the new ruling class was becoming aware of the convenience of institutional continuity. By learning from the past, it was evident that political stability and administrative efficiency depended more on technical competences rather than political ideology, because technical expertise already guaranteed enough stability in public administration management from the liberal, to the Fascist and the Republican eras (Cacioli, 2019). Hence, after an initial push towards renewal, protecting technical know-how was prioritised over moral judgements, which guaranteed high-level managerial continuity (Sbetti, 2019). Similarly, new attempts of combining different aspirations emerged during the restructuring of national institutions, because of a huge debate on the nature of parliamentarism, the executive and the ruling class. Initially, representative bodies were discredited, since parliamentary games and complex decision-making were seen as responsible for the collapse of the Liberal regime that paved the way to Fascism. At the same time, any proposal aimed at strengthening and stabilising the executive to compensate for parliamentary instability caused fears after the authoritarian experience. In fact the quest for governmental stability and authority could not clash with the predominance of the Parliament, despite the need for institutional renewal. Lastly, the country needed a new ruling class, with a democratic and liberal orientation, and with the potential to build a new equilibrium. However, many distrusted both the Giolittian élite, because it was deemed responsible for corrupting the Liberal regime, and the Fascist one, because of their collaboration with Fascists leaders. Pavone (2006) identifies the so-called paradox of Italian history in this ambiguous reconstruction process, based on the protection of traditional independence and neutrality of the public administration, and complex equilibrium between innovative drives and liberal normality. Thus, before discussing what happened in the economic realm, it is relevant to emphasise that institutions with such a degree of continuity and capacity of the state apparatus to operate under different political regimes are two major indicators of the absolute independence of the administrative system from political changes. In this analysis, institutional neutrality is interpreted as a priceless feature of the Italian State, because it guaranteed the survival of the State itself to Fascism and it offered solid basis to the new-born Republic¹¹⁰.

As far as economic continuity is concerned, Mattoscio (2019) points out that a similar pattern can be identified in the degree of continuity that characterised the management of both the financial

previously violated by the Regime, namely the *sine qua non* condition of the journalistic profession. Hence, condemning the Regime while paradoxically violating basic freedoms in the same way would have been inadmissible, but sometimes pacification attempts and consequent readmission of previously-sanctioned Fascists ended up being even more contradictory (De Nicola, 2019).

¹¹⁰ By contrast, many have already interpreted this neutrality as a symptom of institutional weakness and tendency to comply with political regimes, including authoritarian ones, rather than protecting the democratic nature of State, freedom and rights.

and economic spheres after the fall of the Regime. Probably, the most delicate phase of this renewal process was the age of transition, mainly between the armistice (September 1943) and the birth the Republic (June 1946)¹¹¹, because of the combination of intense activities aimed at pushing for development and innovation, but also conservative attitudes not to damage recovery processes.

In the realm of economic continuity, there are two broad factors to be considered, notably the nature of the Italian economy itself – including its structural features, determinants of economic growth and development – and management of economic dynamics – through technical expertise and private-public synergies. As far as the paradigm of the Italian economy is concerned (Sections 1.3 / 2.1 / 2.2), the XX century has shown both structural difficulties and potential for growth of national industries. According to Sraffa (2019), the early 1930s denounced the perverse relation between banks and industries, which became the main source of weakness of Italian capitalism, together with financial instability, rising inflation and insufficiency of private capital¹¹². Undoubtedly, the series of reforms enacted from 1931 onwards addresses these severe issues, since new financial intermediaries mitigated systemic instability (IMI) and backed the industrial empowerment of strategic industries (IRI). Nevertheless, some of the inner features of Italian retrenching capitalism survived the end of Fascism¹¹³ and raised new economic challenges to the Republic, such as relative economic backwardness, economic dualism, excess of low labour costs and geographical differences. At the same time, post-Fascist Italy also inherited some of the innovative economic mechanisms previously stimulated by the Regime, namely development of local production to substitute imports, campaigns of productive rationalisation, empowerment of strategic industries and protectionism. Moreover, the second and most important feature inherited by Fascism was the institutional architecture of the *Enti Beneduce* (Section 3.2) and mainly, technocratic management of economic dynamics (Section 3.3). As frequently mentioned, the survival of the technocratic élite and cooperation between technical and

¹¹¹ The so-called transition phase refers to the period in between the Italian armistice and the fall of the Fascist Regime (8 September 1943) and the constitutional referendum that led to the birth of the Italian Republic (2 June 1946). Within this period, and more specifically between the armistice and the Italian Liberation day (25 April 1945), Italy has been divided into two halves, between the Italian Social Republic in the North and the Badoglio Government in the South. Later on, the new Constitution, approved between 1946 – 1947, came into force on 1 January 1948. This political division influenced the evolution of IRI and the economic system itself, as explained in Section 3.2.

¹¹² With respect to the structural features of the Italian economy in the XX century, Bonelli et al. (1976, in Cianci, 1977) consider that neither foreign demand nor exports of local products, but rather workforce supply and low level of wages as the two main factors that created the conditions for profits and growth. The importance of low-wages for Italian capitalism is confirmed by the Regime decision to control them through institutional provisions, given that it was functional to compensate for low levels of entrepreneurship and incapacity to boost productivity through investment.

¹¹³ Bonelli et al. (1976, in Cianci, 1977) refers to Italian capitalism as retrenching or lazy capitalism. The historical origin of this laziness dates back to the inter-war years, when the economic system was ruled by the predominant interest of the national bourgeoisie for short-term gains, poor economic stimulus, poor wages and lack of a unitary approach to mediate among conflicting interests. These features combined with technological delay, backwardness of the industrial mix and low wages, embodied the essence of Italian capitalism, together with missed opportunities for development.

political power are the heart of continuity between Fascist and post-Fascist age, made of the new primacy of technical competences over political merits and privileged relations between managerial figures and political élites. Most importantly, the Regime was the first to give enough discretionary autonomy to experts in the management of the industrial-financial complex on State behalf to guarantee both managerial efficiency and economic development. Hence, one of the aspects inherited by the Italian Republic was the capacity to prioritise good functioning of the real economy and collective well-being, by protecting the institutional architecture of Beneduce, enhancing existing synergies between private and public power and operating in the name of efficiency and rigour¹¹⁴. As explained more in detail in Section 3.2, the early post-war years were not free from a huge debate on the *Questione IRI* and its connections with the Regime and Fascist corporations, which could not be accepted in a democratic country. However, the combination of difficult historical contingencies and capacity of IRI's managerial group (Section 3.3) to gain trust of new political figures guaranteed IRI's survival and possibility to play a determinant role in the Italian economy. As long as Fascist memories were associated with IRI, the Institute kept facing threats to its survival, but in the meantime, the unity of the group was maintained and continued to operate because of direct contact with governmental figures. After a while, ideological debates left space for more realistic considerations about difficulties related to privatisation and about the potential of IRI to be an instrument for planning, industrial development and integration with the private market. Hence, because of absence of real alternatives, De Gasperi¹¹⁵ ruled in favour of IRI's survival and granted the Institute enough managerial autonomy to operate in consistency with economic principles, cooperate with national political economy and coordinate public interventions (Section 3.4).

Therefore, apart from changes in leadership roles to give the feeling of discontinuity with Fascist management, structural internal equilibria of economic institutions and bureaucratic mechanisms went through no substantial change in terms of procedures, ruling, technocratic management, operative behaviours and managerial principles. From an economic perspective, it is

¹¹⁴ Mattoscio (2019) selects a key example to demonstrate the survival of Fascist administrative reforms over time, namely the banking reform of 1936. The most important feature of this reform is that it continued to regulate the Republican financial system until the early 1990s, when it was substituted by the Amato-Carli law (1990 – 1991). Meaning that, no clear sign of discontinuity emerged from the Fascist-Republican transition in the economic and financial spheres, at least until the 1990s and the global turn towards liberalisation, privatisation and credit de-specialisation. Mattoscio believed the Amato-Carli law to be a step back in Italian financial history, because it paved the way to the coming-back of credit de-specialisation, mixed banks and sectors' privatisation.

¹¹⁵ *Alcide De Gasperi* (1881 – 1954) was one of the most important politicians of Italian Republican history and the founder of *Democrazia Cristiana* (DC), the centrist Italian party *par excellence*. In the early post-Fascist years, he reached the apex of his career as Secretary of the DC (1944 – 1946), Minister of Foreign Affairs (1944 – 1946), Minister of Interior (1946 – 1947) and, most importantly, *Presidente del Consiglio dei Ministri* (1945 – 1953).

worth acknowledging that in the aftermath of the war, negative judgements were expressed about the economic policy of Fascism, because of the dominant economic belief in international economic integration as a key determinant for national economies to flourish. By contrast, the wave of economic disillusion at the end of the 1960s led to the progressive re-evaluation of past lessons, most specifically, the potential of relying on State support and IRI (Section 3.2), and prioritising domestic trade rather than international one to address economic difficulties. Therefore, the autarchic legacy came back as moderate protectionist policies and measures directed at the internal market and organisational retraining of the productive system, to create the basis for more stable development (Bonelli et al., 1976 in Cianci, 1977). In the meantime, the Republic renewed pre-existing ties with the technocratic élite (Section 3.3), protected its independence from politics and cooperated to take the best of the Fascist mechanisms of growth for the future of the country (Section 3.4)

3.2 Evolution of the role and power of IMI and IRI before and after the fall of Fascism

The transition phase between Fascist and post-Fascist age was definitely a critical juncture of Italian history, notably a situation of “uncertainty in which decisions of important actors are casually decisive for the selection of one path of institutional development over other possible paths” (Capoccia, 2016 in Fioretos et al., 2016). Indeed, in the two-year period between 1943 – 1945, Italy was divided between the authoritarian and Fascist regime in the North and the early democratic government under the King in the South, which, together with the ongoing war, threatened both the country’s political unity and the capacity of the economic system to survive. With respect to economic changes, it is interesting to evaluate the flexibility of the institutional architecture built by Beneduce and the capacity of adapting to radical political changes, relying on its managerial group to implement economic programs with a certain degree of autonomy from political guidelines and coping with the disastrous economic legacy of the war (Clark, 2014). Hence, the first focus is placed on the evolution of the role and power of *Istituti Beneduce* and mainly IRI, in the last years prior to the fall of the Regime (1939 – 1943) and in the transition period (1943 – 1945), prior to the birth of the Republic (1946, Section 3.4). Later on, the second focus will be dedicated to the technocratic élite that ruled over difficulties and protected its independence from antagonist political forces (Section 3.3).

To start with, the political and economic scenario dramatically changed again between July and September 1943, when the King Vittorio Emanuele III removed Benito Mussolini from office and nominated the General Pietro Badoglio¹¹⁶ as the new Head of Government while the former Duce was arrested. A couple of weeks later, Italy signed the armistice and was invaded by Nazi forces in the North, while the Badoglio government tried to recover the Italian parliamentary tradition in the South. In the meantime, this political division was reflected by economic institutions, including IRI, which was temporarily divided between Milan and Rome, overwhelmed by economic suffering¹¹⁷ and shackled by the retirement of its own creator, Beneduce, from public life (1939).

Making a step back, since 1933 and mainly since 1937, IRI became the main character of the Italian economic history of the XX century (Castronovo, 2012). Starting from its creation in 1933 with the temporary mission of tackling the major banking and industrial crisis, IRI later became a permanent body and a long-lasting institution capable of boosting economic development and national

¹¹⁶ *Pietro Badoglio* (1871 – 1956) was a general and an Italian politician, who initially reached the apex of his career under Fascism, in the quality of *Capo di Stato Maggiore* and *Governatore* in Libya and Eritrea. Later on, his career took a step forward after Mussolini’s deposition (1943), when he became the Head of Government of the famous Badoglio Government (July 1943 – June 1944) in the South.

¹¹⁷ With respect to the level of economic suffering in 1943, Ciocca (2014, p.99) mentions a drastic fall in GDP growth and exports – from +10% in 1939 to +0,5% in 1945, explosion of inflation and unemployment, other than serious damages to national production and infrastructures.

modernisation between the 1950s and the 1960s. Later on, IRI managed to overcome difficulties in the complex economic scenario of the 1970s through internal restructuring, and survived until the end of the century and its forced disappearance from the national and international scenario. The opposite was true in the early 1930s, since IRI was created when relying exclusively on market mechanisms became increasingly complex, because of an unstable international scenario, limited income redistribution, low productivity, inefficiency and high instability, which urged more intense economic activism (Ciocca, 2004). In Castronovo's words, the way in which Beneduce and Menichella intervened by reinforcing the private nature of the Italian economy and enhancing the potential of domestic forces in light of public interest was "un atto di coraggio, di saggezza economica e di opportuna previdenza politica" (Castronovo, 2012, p.25). Once the age of active State intervention began, Italy was rescued from worse economic depression through substantial increase in public expenditure¹¹⁸ and through growing investments of IRI¹¹⁹, functional to the recapitalisation and public acquisition of distressed banks and industries. In less than a year, IRI already acted as "curatore fallimentare", through the acquisition of the ownership of main national banks and control over important industrial shares (Castronovo, 2012). What emerged in the thirties was that, in modern economies, resources allocation is performed by both markets - products and other factors through the system of prices - and other actors - major firms, banks and the State - that performed the allocative role at the institutional level, in a complementary and integrative way to markets. In this scenario, IRI was one of the allocative options, that could either be used as an instrument available to policy markets for pursuing objectives defined by the government's economic policy - as an instrument of development - or as a mechanism to implement the economic policy - as a mechanism of development¹²⁰. When it comes to evaluating State intervention in the national economy in the thirties, experts' opinions differ¹²¹, but there is no doubt about the impact of IRI, given that "attraverso l'IRI la presenza dello Stato nelle attività produttive compì anche in Italia un balzo quantitativo e qualitativo" (Ciocca, 2014, p.49). Here lies the key of IRI's success, since, as pointed out by Einaudi, one of the most important factors of economic policy is not State intervention per se, but rather the correct use rather than the extemporal use or the abuse of instruments of public intervention (Ciocca, 2004). In the Fascist age, by relying on temporary support (from 1933), permanent control of strategic

¹¹⁸ Evidence confirms the expansion of governmental expenditure, given that in one decade, it increased from 13% of national GDP in 1926 to 31% in 1936 (Ciocca, 2004, p.291).

¹¹⁹ Huge economic support also came from IRI, whose investments already amounted to 11% of national GDP in the first year, between 1933 - 1934, and whose control over strategies industries was growing (see evidence in Section 2.1).

¹²⁰ Further information about the distinction between instrument and mechanism of development were provided in Section 2.1.

¹²¹ On this point, Einaudi believed that neither IRI nor the entrepreneurial State managed to go beyond rescuing the Italian economy from further decline, given that they both failed in generating waves of economic growth comparable to the ones of the Giolittian age.

industries (from 1937) and expert leadership of the managerial group, IRI succeeded in eliminating the symbiotic relation between banks and industries, separating industrial from ordinary credit and creating more stable mechanisms of financial intermediation. As a result, the Italian system evolved towards an industrial-military complex that operated under State supervision, through synergies between public bodies and private industrial groups and under the “cabina di regia” of IRI (Castronovo, 2012). Nevertheless, the survival of this unique and precarious equilibrium was seriously threatened in the late 1930s and early 1940s, by the Regime’s unrealistic colonialism, contradictory decisions in the international realm and, later on, by the collective effort of breaking all ties with Fascism.

After the age of brilliant reforms (1936 and 1937), the Italian industrial-military complex was challenged by the contrast between the Regime’s imperialism and the lack of organic military planning. As pointed out by Podestà (2012, in Castronovo, 2012), until late 1938, there was no attempt to design projects, military strategies and plans to reach sufficient levels of preparation and equipment¹²². Only after the Italian entry into war (June 1940), first military production plans were designed¹²³, which confirms that the most dramatic aspect of the conflict for Italy was the total absence of war planning itself, together with: insufficient coordination of equipment production; ambiguous foreign policy decisions; absence of long-term strategies; low level of army’s mechanisation; inadequate military command. On one hand, probably, lack of military planning condemned Italian operations before they began, but on the other hand, it left great room for manoeuvre to private industries in productive plans and investments. In the meantime, IRI benefited from this organisational vacuum to dedicate time and resources to industrial plants’ modernisation, with the aim of closing the gap between national industries and new productive standards. According to Podestà (2012), this twofold strategy – military production and industrial modernisation – was at the basis of IRI’s survival in the post-Fascist age, because it was not perceived as a political instrument for the Regime, but rather as a key actor for sustaining and developing basic sectors of the national industry. Moreover, IRI also had the opportunity to show the extent to which it could operate autonomously from the Government, stimulate national production, improve coordination between economic actors and address controversies of modern industries. At the same time, prior to the

¹²² Lack of organic military plans continued after the outbreak of WWII. According to Podestà (2012), this climate of uncertainty reflected Mussolini’s attempt to mediate between the Pact of Steel’s requirements and Italian unpreparedness for the war, which was confirmed by doubts of IRI’s managerial group on the country’s capacity to face the war with other European powers.

¹²³ In late 1938, the Regime adopted the first organic rearmament plan, called CS41, which defined the number of financial resources to be invested in the production of artillery, portable weapons, ammunition, vehicles, armour and fortifications in Italy and Libya, and it assigned IRI a special role in the field of artillery and tanks.

transition from Fascism to post-Fascism, the Institute's plans already proved to be flexible and contingent to economic and political needs, given that the ambiguity of the Regime's foreign policy left no choice other than modifying industrial strategies in accordance with new circumstances and compensating for technological delay. Lastly, also in the dramatic scenario of WWII, IRI's managerial group was a step ahead, since getting in touch with military unpreparedness and political instability was enough for the Institute's leaders to prioritise post-war reconstruction over military industrial production. Differences with Nazi Germany and with the system built by Albert Speer¹²⁴ were clear: Fascist Italy lacked similar levels of industrial and managerial efficiencies, collective effort in military production and productive anarchy caused by tensions between industrial groups¹²⁵, and such a divide with Nazi Germany could not be filled by IRI alone.

Although many depict the age of reforms (1933 – 1937) as the apex of IRI's history, most significant changes for the Institute and the Italian modern economy occurred between 1940 and 1943, under the leadership of some of Beneduce's most valid collaborators, Menichella and Giordani. Other than external changes, this internal revolution had more implications than expected. First of all, it caused waves of internal instability in administrative coordination, which worsened the difficult complex in which IRI was operating. Secondly, the loss of Beneduce's personal relationship with Mussolini and growing pressures for the implementation of autarchic plans initially amplified IRI's fear of losing its managerial autonomy. In the meantime, the political vacuum generated by the retirement of the charismatic and authoritative character of Beneduce (1939) amplified IRI's risk of being subjected to industrialists' pressure and to emerging anti-Fascist authorities. In such a critical historical moment, IRI's new managerial group declared that autarchic plans offered great opportunities for empowering the Institute's economic capacity and increasing its prestige, but they also threatened the Group's independence, by extending Ministries' political supervision and Fascist totalitarian control over both IRI and industrial production. Other than political ambitions, Podestà (2012) points out to an additional reason behind shared interest in widening public control, notably better results achieved

¹²⁴ *Albert Speer* (1905 – 1981) was a German architect who served as the Minister of Armaments and War Production in Nazi Germany (February 1942 – April 1945) and who achieved outstanding results in armaments production and organisation of the national industrial-military complex under the Third Reich, up to the point that he became one of the most powerful figures in Nazi Germany, also known as Europe's economic dictator.

¹²⁵ The inadequacy of the Italian industrial apparatus in comparison with the Nazis was condemned by a leading industrial figure of the steel sector, namely Agostino Rocca (1895 – 1978) between 1941 and 1942. He believed production of military equipment to be obstructed by the lack of clear and organic industrial programs, scarcity of raw materials caused by inadequate programs of resources redistribution, together with fragmentation of war orders. Moreover, he claimed that the State missed the unique opportunity for a radical modernisation of the Italian productive system, which was crucial for post-war economic growth and international competitiveness.

by IRI-controlled industries rather than private ones¹²⁶. Hence, prior to the fall of the Regime, there was already a visible trend of broad public (IRI) control over national industries at the expense of original preferences for privatisation. This tendency was confirmed by additional funds granted to IRI (1941) for expanding its activities in new territories controlled by Italian military forces. By taking up Beneduce's legacy, Giordani and Menichella decided to increase the pace of IRI's operations under the Regime's political umbrella, because empowering domestic industry and public enterprise was functional to increase collective well-being, especially in difficult historical moments in which the State's future was in the hands of competent and honest State servants¹²⁷. In 1943, there were no residual doubts that IRI did its part in mitigating the impact of the war on the national economy, given that IRI's controlled industries provided 100% of heavy weapons, 80% of ships, 50% of marine diesel engines and 25% of aeroengines (Podestà, 2012 in Castronovo, 2012). Nevertheless, at the end of the same year, the Italian economic and political situations dramatically changed. In 1943, the Italian State registered the most dramatic fall in production due to the cessation of war orders and public investment, and severe war damages to strategic industrial plants, which required IRI to concentrate efforts on avoiding the total cessation of production in order to maintain occupational levels. In the meantime, the series of abrupt political changes that occurred between July and September 1943 – Mussolini's removal from office, Italian armistice, parallel creation of the Italian Social Republic and the Badoglio government – escalated uncertainty about IRI's future, given that no explicit decision was taken about it.

Between 1943 and 1945, the institutional architecture built by Beneduce was menaced by the above-mentioned political division, political pressures from the PNF and Nazi military commands in the North, opposition to Nazi supervision by private industry, as well as tensions caused by processes to eradicate Fascist heritage in the South. After the establishment of the Salò Republic, IRI's offices were divided between Milan and Rome, as a reflection of the country's dualism of power. Once Giordani substituted Menichella at the Institute's leadership¹²⁸, the new managerial group elaborated some arguments to defend IRI's operations under the Regime and convinced Allies' political

¹²⁶ Although many private groups strived to defend their independence from IRI's control, other influential figures like Piccardi advocated broader influence and control of IRI over the group's firms, in order to implement coordinated projects for reconstruction, reorganisation and reparation of the Italian industry.

¹²⁷ This approach and main principles of Beneduce's legacy were also recalled in the document called *L'Intervento dello Stato nell'attività industriale* sent to Mussolini in 1936, in which the IRI's group declared its commitment to collective well-being and to the implementation of the Regime's economic regulatory plan.

¹²⁸ In 1943, Menichella tried to retire from IRI's presidency. He was convinced about the need for a generational change within the Institute's managerial group to give new strength to IRI itself, to give the impression of discontinuity with Fascism and to gain trust among Allies, so that the Institute could lead the process of national reconstruction. Nevertheless, he would have never abandoned its own creature, as long as he would have remained within the group, as a *riserva per l'avvenire*. In fact, later on, he ended up convincing the Allies and the De Gasperi's government about IRI's potential for the Italian future.

authorities about IRI's potential to drive the country out of the war. In the North, Giordani was charged by the Social Republic to restore normal productive activities, coordinate controlled industries and comply with Nazi guidelines about production and management of raw materials. In the meantime, Asquini¹²⁹, namely the new IRI's extraordinary commissioner, became a major factor of continuity in the elaboration of economic and social policies centred on IRI's strategic role for both the North and the South. On one hand, Asquini believed the Institute to be essential for addressing unemployment, industrialisation of Southern regions and redefinition of private-public relations, while, on the other hand, complying with Nazi guidelines was necessary for protecting Italian industries and the country's industrial potential¹³⁰. In the meantime, the most brutal and extreme version of Fascism embraced by the Salò Republic was affecting IRI's economic equilibria between private and public hands. Indeed, the Republic backed a more radical turn towards socialisation of national industries functional to collective well-being and statism in the economic realm, as the apex of Fascist radicalisation process. The combination of ideological aspirations and economic gains guaranteed by public-controlled industries moved in favour of Mussolini's claim for extending direct State control over war industry and other strategic sectors, in light of an innovative model of State and its social mission. As a consequence, push for nationalisation of basic industries would have also changed IRI's internal organisation, since it required the State to take direct control and management of specific industrial sectors deemed to be essential for the country's economic and political independence, for the production of raw materials and other key services for the community. In conjunction with IRI, the *Istituto di gestione e finanziamento (Igefi)*¹³¹ would have controlled industries' productive activities, by acting as the Regime's instrument of control over nationalised sectors and main provider of financial support. Under the umbrella of Igefi, IMI was in charge of financing and IRI was in charge of managing industrial shares, while both operating under the direct supervision of the Minister of Finance¹³². Nevertheless, in spite of State's push in the direction of socialisation and political control, IRI continued to enjoy great deal of autonomy because of the

¹²⁹ *Alberto Asquini* (1889 – 1972) was an Italian jurist and politician, who adhered to the Fascist movement, became the Minister of Corporations and later on, IRI's Extraordinary Commissioner under the Social Republic.

¹³⁰ For instance, Podestà (2012) mentions that IRI's managerial group managed to convince the new Fascist government to rely on domestic industrial plants rather than importing industrial products from Germany, which allowed the Italian productive system to benefit from Nazi war orders and keep industrial machines active, avoid unemployment and registering positive results. Step by step, IRI's leaders succeeded in protecting national industries.

¹³¹ *Istituto di gestione e finanziamento (Igefi)* was a public-law entity created in 1943 to manage banking and industrial assets of the new State, born after the armistice, to operate for the nationalisation of strategic national firms and to act as an *ufficio studi* at the service of the new government, in the name of economic dirigisme.

¹³² Many, including Podestà (2012), identify political pressures of the Social Republic and Igefi's supervision as the major indicators of State's attempt to expand its power in the economy through political control and nationalisation of private industries, as it was happening in Soviet Russia.

cautious but capable approach of IRI's managerial group, in contrast with the Fascist élite's commitment to socialisation as an ideological myth of Fascism rather than to concrete progress. In the South, the Institute was free from Fascist ideological constraints and witnessed the emergence of a different idea of State, which matched public intervention with protection of the market economy, private property and IRI's experience for the Nation's economic future. In line with Beneduce's legacy, the aim was creating a system that respected private-law mechanisms and technical management of economic activities, but subordinated them to clear goals defined by the government and included in a clear, coherent and unitary industrial policy. However, it is worth recalling that IRI's readjustment to the new economic scenario in both the South and the North was not linear as everyone thinks. Undoubtedly, synergy within IRI's managerial group and Menichella's excellent management guaranteed the survival of the Institute itself, given that they convinced the Allies, American captain Kamarck - responsible of the Finance Sub-Commission of the Allies Control Commission - and the early Republican government about the crucial contribution of IRI for the national economy. To do so, rather than focusing on IRI's relations with Fascist nationalistic politics and autarchic measures, Menichella emphasised the potential of IRI to lead the process of industrial reconversion for development purposes. In the meantime, he managed to renew IRI's collocation between economic and political spheres, as well as between private and public enterprises, by taking advantage of the Institute capacity of carrying out a valuable consulting activity to the government.

As far as the nature of the Italian economy and its transformation are concerned, it is worth mentioning the emerging dichotomy between theory and practice. At the end of the 1930s, IRI succeeded in exercising (absolute) control over the financial system and significant portions of the industrial one – other than the totality of strategic industries – which stabilised the Regime's totalitarian control over the economic sphere. Nevertheless, the growing State presence in the economy was not institutionalised in accordance with a specific economic paradigm, because of the lack of ideological orientation behind the ongoing economic transformation. Probably, this non-codified economic system, in which market mechanisms combined with State regulation and technocratic management, was the key behind the survival of the system itself during the transition phase, given that it stood neither for Fascism nor for Socialism, but rather for capitalism and technical expertise. Hence, IRI's results, matched with the talented leadership of Menichella, convinced both the Allies and early national governments to rely on the *Sistema Beneduce* for the Republic's rebirth. As recalled by Podestà (2012), in spite of geographical and ideological divisions, IRI survived this transition phase because of the renewed strength, cohesion and group spirit of its managers, together

with their inner belief in IRI's mission of national modernisation and in the need for a competence technocratic group to do so.

In concrete terms, IRI mitigated the economic consequences of the Regime's fall, by preventing unemployment from increasing, by reconstructing vital infrastructures and by negotiating with Nazi to benefit national industries – in terms of food supplies, provision of raw materials and intermediate products. The partial normalisation of the general situation favoured an initial recovery in industrial production, but after 1944, the Institute was forced to prioritise the protection of industrial machineries from German assaults and to minimise damages in order to avoid the paralysis of the whole productive system. In such a dramatic scenario, IRI's efforts to design programs of industrial reconversion for civic purposes clashed with deficiencies of short-term development plans, lack of clear boundaries between public and private industries, and uncertainty about future orientation of the Italian industry and government. Thus, despite efforts, the dramatic condition of Italian industries in 1945 was the heaviest legacy to be managed by IRI in the post-Fascist period (Podestà, 2012 in Castronovo, 2012).

Apart from the institutional economic architecture per se and technocratic management, another sign of continuity between the Fascist and post-Fascist age was the role played by the *raison d'état* behind IRI operations (Castronovo, 2012), given that, in 1945, the political destiny of Italy changed, but the one of IRI did not (Ciocca, 2014). More in detail, as frequently mentioned, there has always been a strict correlation between evolution of the economic system and political goals, both in the domestic and international realm. Undoubtedly, this trend became increasingly evident under the Regime, especially in the autarchic-colonial phase (Section 2.3), but, according to Castronovo (2012), the instrumental interpretation of the economy as functional to political interests has been shared by ruling élites even before the rise of Fascism¹³³. This approach probably guaranteed IRI's survival until the late 1990s, namely until it was necessary for operating in the name of the *raison d'état*. This tendency is typical of the *politique d'abord*, characterised by the extensive impact of political goals on configuration and development of the national economy, which survived the Fascist age and was repeatedly mentioned in relation to the *Questione IRI* in the post-war years. Because of such a strict relation between economy and politics, initially, there was an ongoing debate about the

¹³³ To prove his point, Castronovo (2012) mentions both the autarchic phase as the moment in which the foreign policy goals determined the most the Regime's economic policy, but also another historical precedent. Indeed, according to him, in the Giolittian age, it was already evident that industrial development and early forms of public financial support were functional to the nationalistic goal of making Italy a great colonial power in the Mediterranean. This approach created the basis for larger public expenditure in war-related industrial sectors and for a military-industrial type of capitalism, mainly dependent on public financing and State-led growth in strategic sectors, as it became clear in the thirties (Section 2.4).

future of IRI and its connections with Fascism. Just to mention some of the most convincing arguments, Sergio Paronetto¹³⁴ defended IRI by arguing in favour of the Institute's positive experience and its future role in the Italian economy, its technical value, *raison d'être* and capacity of combining market mechanisms and public support within the paradigm of the mixed economy. This vision clashed with the ones of other political parties, that either argued in favour a regulated market opened to foreign trade – the liberals – or to the nationalisation of major firms – *Partito D'Azione*¹³⁵– and expressed different opinions on IRI's potential to stimulate industrial growth. After a while, ideological debates left the space for more realistic considerations about difficulties related to privatisation and the possibility to rely on IRI as an instrument for planning, industrial development and integration within the private market.

In 1945, the Badoglio government also had to cope with the disastrous economic legacy of war, in terms of unemployment, inflation, war damages and industrial reconstruction¹³⁶, and with the complex process of Fascist purge of the Fascist tradition (Section 3.1). As described by Clark (2014), in late December 1945, the birth of the first government led by De Gasperi formally initiated the new phase of Italian parliamentarism and the triumph of the “State” over the “Resistance”, when, because of the absence of real alternatives, De Gasperi also ruled in favour of IRI's new role in the Republic. As done in the past, the Institute was trusted enough for operating in consistency with economic principles, cooperating with the national political economy and coordinating public interventions, by benefitting from a significant degree of autonomy from the political sphere. Thus, “it was still recognizably the same State, with the same officials and the same institutions” (Clark, 2014, p.383). Probably, this was a major indicator of institutional and economic continuity in spite of radical political changes, favoured by those technical and industrial figures (Section 3.3) that protected the institutional configuration of the Italian economy (Section 3.4) while the country was threatened by external and internal enemies.

¹³⁴ Sergio Paronetto (1911 – 1945) was an Italian economist, politician and industrial manager, whose economic ideals were extremely influential in the aftermath of WWII.

¹³⁵ *Partito d'Azione* (PdA) was a centre-left party in the transition age from Fascism to the Republic (1942 – 1947). In line with his left-wing tendency and goals of universal suffrage, freedom of speech, freedom of the press and government accountability to the public opinion, it was also in favour of broader State economic control and nationalisation of biggest private firms.

¹³⁶ As mentioned by Clark (2014, p.381), the magnitude of economic difficulties was represented by hundreds of thousands of ex-soldiers and former prisoners-of-war clamouring for hobs, record levels of inflation – prices in 1945 were 24 times the 1938 level – lack of government revenue after the collapse of the tax system and destruction of over 3 million houses. Moreover, industrial output radically declined - in 1945 output was ¼ of the one of 1941 – and the same was true for GDP – GDP in 1945 was at the same level of 1911 – and income per head – it was lower in 1945 than in 1861.

3.3 The relationship between *Enti Beneduce* and politics: coordination, independence or subjugation? The survival of technocratic élites to political changes

What emerges from the historical analysis conducted until now about the evolution of the Regime's economic policy, the national economic system towards the mixed paradigm and the degree of continuity in economic management and institutions between Fascism and post-fascism is the role played by Beneduce, Menichella, Giordani, Saraceno and the technocratic élite of the time. The key moment of this process was the series of transformations triggered by the Great Crisis of 1929 and the radical turn of the political and foreign policy of the Regime, which forged a new managerial class in between the public and private sphere. Throughout the thirties, Mussolini heavily relied on the technical support they provided, but granted them enough operational autonomy to protect them and the *Enti Beneduce* from interferences coming from the PNF (Section 3.2). Beyond the innovative cooperation between the Regime and this innovative managerial group, it is important to recall that the politics of expertise survived the end of Fascism, and the same was true for the technocratic élite, who lived through the collapse of the Regime because of the *strategicità* it developed during the 1930s and the 1940s. Later on, Beneduce's technocratic and institutional legacy was embraced by the new Republic, as one of the core features of the Italian version of capitalism (Section 3.4).

Beginning with some considerations on the origins of technocratic power, it is possible to draw valuable insights from the historical evolution of technocracy to learn more about the relationship between the *Enti Beneduce* and politics, in its combination of necessary coordination, operational independence and formal subjugation.

Usually, the evolution of technocratic power draws less public attention in comparison to transformations of representative mechanisms, even though this non-elective and organic power always acted in the shadow of both authoritarian – the Fascist regime - and democratic states – the Italian Republic. Other than operating in conjunction with political mechanisms, technocratic power has frequently influenced the organisation of political power itself, given that, in modern times, technocracy refers to “una crescente concentrazione di potere decisionale nelle mani di una serie di istituzioni, che derivano la propria legittimazione dalla competenza tecnica e dall'expertise amministrativa” (Castellani, 2020 in Masala & Viviani, 2020). What can be grasped from this definition is that, although the modern notion of legitimacy through representation did not apply neither to early democratic states - Liberal Italy - nor to authoritarian ones – Fascist Regime – technocratic power never lied on this type of legitimacy, because of the hierarchical and non-representative nature of the power itself. Guido Melis (2008) clarifies this point in relation to the *impronta efficientista* brought by the *Enti Beneduce* and its managers to Fascist institutions, by

explaining that the new wave of collaboration between experts – Stringher, Beneduce, Menichella – and Fascist figures was based on the precarious equilibrium between technocratic and political power, namely between an administrative-technical legitimacy and a political one. By contrast, the growing role played by technocrats within political realms was justified by their competences, merits and the so-called politics of expertise, which increasingly influenced decision-making in both political and technical realms, including the economy. More in detail, politics of expertise refers to the tendency for political decisions to be integrated by technical and bureaucratic competences, as well as by parallel institutions detached from the political realm. This is what Melis (2008) refers to as *dislocazione del potere*, relative autonomy and institutional functions among different figures operating in the national institutional apparatus, including technical experts. The origins of this revolutionary synergy between the political and technocratic spheres date back to the age of Comte and Saint-Simon (XIX century), when technical figures started to be in charge of organising public life because of the experience they acquired in the private and industrial spheres. Moving from private to public power, these individuals continued to adopt the same private working methods to administer the public realm, in light of efficiency and rationality. As explained later, Beneduce and Menichella are probably the best example of neutral and committed public servants, because, a part from their private-style working methods, they believed in citizens' responsibility of serving the State and relied on their expertise to guarantee social progress and collective prosperity¹³⁷.

The same private-style approach was later embraced by Beneduce and all those collaborators who believed in the capacity of private efficiency to prevent public administration from being caught by bureaucratic mechanisms, which formed the basis of the technocratic and productivist aspirations of Fascism. With respect to the relation between technocratic and Fascist power, the first interesting factor is their common autarchic, elitarian and non-representative nature. On one hand, the versatility of technocratic ideals allow them to coexist with both authoritarian – Fascism – and democratic forms of government – the Italian Republic – which definitely argues in favour of continuity of both technocratic and institutional structures between the Fascist and post-Fascist ages. On the other hand, this research has shown deeper level of synergies reached between technocratic and authoritarian rather than democratic power, probably because of their common oligarchic and non-representative nature. Moreover, Castellani (2020b) adds that such interaction frequently originates from the need of authoritarian regimes, including the Fascist one, to rely on technocracy for building an organised

¹³⁷ Learning from Comte and Saint-Simon and their belief that “Tutta l’organizzazione era finalizzata a massimizzare il benessere collettivo” (Castellani, 2020a, p.97), Beneduce was willing to serve the Fascist Regime in the name of the general interest, and more specifically, to serve “il Paese, il Regime e il Duce” (Franzini & Magnani, 2009, P.217).

public administration and to lead the restructuring of productive forces on the basis of efficiency¹³⁸. In Italy, these objectives led to birth of the *amministrazione parallela*, the *Enti Beneduce* and the systemic reorganisation of the industrial-financial complex for political goals. Similarly, it also led to the construction and later stabilisation of the new technocratic élite at the apex of the Regime's power structure, because of its commitment to modernisation of productive forces (Felisini, 2015). At the same time, the technocratic revolution also changed the paradigm of the “new man” of the public realm, whose success was based on his technocratic education, managerial experience and potential of forging a new modern élite. Political ambitions matched with economic circumstances at the end of 1929 and the Great Crisis, when the Regime could not lead the process of economic recovery without relying on support coming from this revolutionary class of experts and their potential of regulating both public administration and private industrial forces. As later claimed by Beneduce himself in 1935, IRI aspired to form a new managerial class, capable of combining experience, intuition, technical and scientific culture. That was the basis of a revolutionary model of managerial capitalism enriched by technocratic components, valorisation of technical competences and supremacy of technocrats in the management of economic activities, with the potential of controlling economic, social and cultural development (Ferretti, 2013). Moving from necessity to the normalisation of emergency, the 1930s showed that technocratic management was more conducive to technical process and economic growth in both expansionary and recessionary times, in comparison to private market mechanisms alone and political-administrative dynamics.

Apart from the versatility of technocratic power and economic benefits generated by public support to the market, an additional factor behind institutional continuity between the Fascist and post-Fascist age was the progressive supremacy established by the economic realm over the political one, in contrast with the supposed dominance of the *politique d'abord* (Section 3.1). Probably, at the beginning, primacy of the politics of expertise was motivated by the Regime's commitment to take any means for achieving political, totalitarian and imperialist goals (1930s). The same was true in the transition phase towards the Republic, when IRI's protection was more the result of necessity rather than a voluntary choice (Section 3.4), which legitimised a phase of “benign neglect” (Felisini, 2015, p.140). As explained more in Section 3.2, the survival of IRI and the whole Beneduce's architecture was motivated more by the competence of its managerial group and the need to lead the country out of the crisis, rather than ideological preferences or political goals (early 1940s). But then, technocratic

¹³⁸ As discussed in Section 1.1, administrative reforms were implemented by the Regime already in the semi-authoritarian phase (1922 – 1925) to widen Fascist control over the national territory, and then to facilitate the process of power centralisation in the hands of the Duce (1925 – 1943). As a reflection of the Napoleonic model of administrative state (note n°6, p.16), the Fascist Regime relied on administrative rationalisation for building a hierarchical, unified and stable State, through both political control and collaboration with managerial experts, as done by Beneduce in the thirties.

management of strategic industries and support in the organisation of the public realm ended up being more conducive to economic expansion, rationalisation of productive mechanisms and industrialisation, as shown by the economic miracle (1950s)¹³⁹. Paradoxically, the primacy of technocracy and economy has the potential of leading to the convergence between opposite political words – Fascist Regime and the Italian Republic –overcoming, or at least, reducing ideological distances and mitigating political conflicts. In theory, “se tutto si riduce all’economia, tralasciando i valori politici e le differenze culturali, la convergenza e l’omogeneità possono essere raggiunte se accomunate dall’unico obiettivo della produzione efficiente e della sua distribuzione” (Castellani, 2020b, p.161 in Masala & Viviani, 2020). At the same time, when political élites understand the potential of technocratic power to bring both economic – growth, development – and political – stability, continuity of power – benefits, they take the best out of support provided by technocratic experts, rather than subjecting them to political pressures and transforming them into instruments of political gains¹⁴⁰. Hence, despite differences between political and technocratic powers, their synergy became crucial for economic development and adequate management of the public sphere. On one hand, technocracy relies on information and analytical competences to serve political decisions. On the other hand, the modern system of government trusts experts to control national resources in the collective interests, because their neutrality and technical specialisation allow them to do so. The combination of these trends led the so-called *rivoluzione silenziosa*, in which political decisions start to be colonised by specialists, whose legitimacy comes from technical competences rather than political loyalty, with growing influence on policy making. The next step of this process would be the tecnicisation of politics, namely transforming politics into a rational project designed to rescue public bodies from irrational decisions and political biases through rational and scientific management, and consequent depoliticisation of decision-making. Most importantly, what can be learnt from the importance of technical élites in past and modern societies, is how the technocratic revolution transformed the State into a positive instrument for pursuing economic and social progress, to be achieved through expertise and economic planning. As a result, technocracy becomes always more intertwined with political realities, while history confirms the progressive growth of technical institutions and *legittimazione per competenza* in both democratic and authoritarian regimes, combined with evolution towards economic regulation, rationalisation of capitalist mechanisms and scientific development.

¹³⁹ Evidence from the economic miracle confirms the unpredictable progress registered by the Italian economy, mainly in terms of GDP increase, around +6% per year between 1950-1973 and +7% between 1958-1963 (Ciocca, 2014, p.130).

¹⁴⁰ In Castellani’s words, “se la storia è nella sua essenza unicamente rivolta al progresso, la politica sarà di necessità, nella sua essenza, unicamente volta al progresso” (Castellani, 2020b, p.163 in Masala & Viviani, 2020).

Moving from theory to practice, the evolution of the politics of expertise in Italy followed a very similar path, beginning with the 1920s, Nittismo and scientific nationalism, and the later emergence of Beneduce as the symbol of the new technocratic élite that conquered the political and economic spheres in the 1930s and survived the end of Fascism in the 1940s. Apart from recalling the emergence of the Italian class of experts, it is interesting to analyse its ambiguous relations with the political realm, and mainly with the Regime.

The best way to get the meaning of the technocratic transformation in Italy is to focus on the figure of Alberto Beneduce, the civil servant who “ha posto la cultura scientifica a disposizione dei compiti dello Stato” (Lepore, 2014, p.45) and relied on technical competences to overcome ideological differences, transform the conceptualisation of public intervention in the economic sphere and build a new alliance between industrials, technocrats and politicians. In one sentence, his unique personality and charismatic figure led the historical transformations of the Italian economy and the evolution of the Italian State towards an *Economia Nuova*. As a result, the State and public economic intervention became functional to economic integration and development, because of the convergence between public and private spheres, political and economic ones. Indeed, knowing more about Beneduce means knowing more about Italian history and the degree of continuity between liberal, Fascist and Republican ages, since “Beneduce rappresenta un nodo che connette due direzioni opposte: il passato a lui prossimo e il futuro che contribuisce a determinare” (Giannola, 2014, p.259). In fact the administrative and economic culture of Beneduce embraced the legacy of Nittismo, liberal and socialist traditions, *meridionalismo*, as well as growing pragmatism typical of public functionaries. Throughout his career within national institutions, he witnessed the quest for administrative rationalisation of Nitti (1910s) and the progressive expansion of the State in important sectors for social life, such as insurance, which required a competent and efficient class of civil servants to be properly managed. In the meantime, early synergies between public administration, market mechanisms and bureaucracy combined with his socialist tendencies and commitment to rely on State power for guaranteeing collective well-being and development of the most disadvantaged Southern regions¹⁴¹. The brilliant combination of these influences allowed Beneduce to make a step forward in the reinterpretation of the organisational form of the public economic entity previously designed by Nitti and later defended by technical figures like Menichella, Saraceno and Giordani. The early twenties witnessed the birth of the *osmosi tra politica e amministrazione* (Sabino Cassese, in D’Antone, 2000) and *decollo amministrativo* (Guido Melis in D’Antone, 2000), but also the

¹⁴¹ The commitment of the Italian technocratic élite towards *l’interesse pubblico, generale e nazionale* was shared by other international figures, who believed technocracy to be something more than technical progress and economic efficiency, given that it described “il governo del popolo reso effettivo dall’azione dei suoi servi, gli scienziati e gli ingegneri” (Felisini, 2015, p.138).

progressive decline of the traditional form of parliamentary representation in favour of non-representative political – Fascism – and technocratic power. In fact, from a historical perspective, Italian history reveals what Castellani (2020b) mentions in relation to the evolution of technocratic power, notably the correlation between rise of authoritarian political models, technocratic and oligarchic élites and expansion of public power in the economic realm, in the case of Fascism through the parallel administration and *Enti Beneduce*.

As far as the technocratic élite as a whole is concerned, Beneduce, Menichella, Giordani, Saraceno and all their collaborators were united by “rispetto della competenza, della difesa delle istituzioni non maggioritarie, dall’espansione del potere tecnico su quello rappresentativo e dal culto dei miti della neutralità, dell’indipendenza e della scientificità” (Castellani, 2020a, p.49). Apart from their technical expertise, they managed to alter historical equilibria between the political and technical realms in their favour because of their capacity of going beyond the administrative spheres and building new relations with national political authorities. In line with the above-mentioned growth of the politics of expertise at the expense of traditional political mechanisms, the most outstanding example in Italian history probably dates back to the selected period of interest, between 1930s and 1940s. Other than cooperating with political authorities in the coordination and implementation of the Regime’s economic policy, Beneduce, and later on, Menichella, conquered more prominent places in the national and international political realms. Beginning with Beneduce, in the 1920s, his figure appeared in the international sphere in the occasion of the Conferences held in Brussels (September 1920) and Genoa (April 1922)¹⁴² to pursue the goals of European integration and peace. In these occasions, he emerged on the international scene because of his moderation, technical merits, rhetorical capacity and pragmatic hope for cooperation between States, in light of mutual benefits¹⁴³. Similarly, in the transition phase (1943 – 1945), Menichella took the responsibility of representing IRI and the whole economic-institutional complex created by Beneduce in front of the Allies. As mentioned above, during Captain Kamarck’s evaluations about IRI’s history and activities, Menichella was successful in depicting IRI as the engine of Italian economic growth and modernisation, led by a competent and committed managerial group. In spite of initial diffidence towards the uniqueness of the *Formula IRI*, the Allies decided to safeguard the Institute’s potential of stimulating progress, efficiency of public administration and private industrial management. As

¹⁴² The Conferences held in Brussels (1920) and Genoa (1922) took place in a specific historical moment in which main Western powers still relied on diplomacy and international dialogue to address the complex issue of monetary stability. In this context, the two conferences succeeded in creating the gold exchange standard, which required countries to hold both gold and strongest currencies of the time as reserves.

¹⁴³ As described by Franzinelli and Magnani (2009, p.342), he urged to “sfruttare e coordinare all’interno dei diversi paesi, gli apparati industriali, le capacità tecniche, le risorse umane e finanziarie disponibili”, in the attempt to weaken trends of economic isolation, guarantee international monetary stability and favour trade liberalisation.

reported by Ciocca, Kamarck reached a threefold conclusion: “l’IRI era cruciale per il futuro economico dell’Italia; la sua sorte non doveva essere decisa dagli alleati, ma dai rappresentanti del popolo italiano; la sua gestione doveva essere immediatamente restituita a una dirigenza provvisoria nominata dal governo italiano.” (Ciocca, 2014, p.108). In fact when it comes to discussing the relation between technocratic and political élites, it is important to go beyond the surface of the supposed collaboration of the Beneduce’s group with Fascism. In one sentence, this relation was the brilliant combination of necessary coordination, operational independence and formal subjugation. Firstly, it is worth recalling that the more the Regime intensified its totalitarian control over the national society, the more experts needed to be perceived by political authorities as essential for attaining their political goals, such as by providing administrative solutions to pressing economic problems that could trigger social and political instability. Doing so urged Beneduce and Menichella in the first place to stabilise their reputation as neutral state servants interested in serving the State and the Regime in light of collective well-being, rather than on the ground of ideological preferences or personal prestige. Indeed, their collaboration with Fascism was motivated by their commitment to the State as the supreme entity rather than as a political one, because of “un credo nello Stato che va al di là di qualsiasi ideologia o appartenenza politica e partitica che possa minimamente indebolire o intaccare il primato dello Stato” (Franco, 2014, p.233). In spite of cultural and professional differences, experts working within the *Istituti Beneduce* shared deep loyalty to the State, pragmatism, strong belief in the distinction between technical and political spheres and commitment to operate in the name of collective well-being by placing their technical competences to the service of national governments, including the Fascist one¹⁴⁴. Their neutrality matched with their well-known expertise and reputation and prevailed over political loyalty when Mussolini decided to intensify the collaboration with technocrats, and mainly, with Alberto Beneduce, who was in charge of finding the proper balance between economic and political needs in the Regime’s best interests. In order to coordinate economic solutions to pressing financial and social issues, experts needed to influence decision-making processes at the governmental level, while remaining outside the political system itself. In contrast with the tendency of the *politique d’abord* to convert economic policy into a political instrument, Beneduce relied on his personal relationship with the Duce to overcome political constraints and indicate the most adequate strategies to address economic issues rather than pursuing political goals. Nevertheless, doing so required a certain degree of operational independence from Ministerial control that could be attained only by showing devotion to the Regime and the Duce

¹⁴⁴ In the words of Guido Melis (2008, P.178), “l’autonomia che i dirigenti pubblici degli anni Trenta mantengono rispetto ai dettami delle immediate scelte politiche del regime è nel nome di quell’interesse pubblico, generale e nazionale che ne ha improntato da sempre la formazione culturale e l’operato professionale”.

himself, together with formal subjugation to the Fascist ideology, in order not to be perceived as threat to the Fascist political power. The last factor that allowed this unexpected collaboration between Fascism and technocracy was the convergence of interests and mutual gains, between Beneduce and Mussolini (1930s), and later on between Menichella and the Republic (1940s). Beginning with the first case, in the twenties and mainly after the Great Crisis, dramatic economic conditions and the Regime's need for power stabilisation convinced Beneduce of the possibility to implement his economic program of public intervention for addressing deeper causes of the crisis – instability of mixed banks, perverse relations between banks and industries, inadequate management of the industrial-financial complex – and creating a new model of State intervention. In the meantime, the more Mussolini got in contact with the technical competences and personal intelligence of Beneduce, the more he was convinced of the potential to rely on his expertise to rule over complex financial issues and facilitate the implementation of Fascist economic-political programs. Hence, reciprocal benefits and personal trust paved the way to a brilliant phase of collaboration between technocratic and political powers, whose outcomes probably went beyond expectations, given that the *Sistema Beneduce* ruled the Italian economy until the late XX century. By following the footsteps of Beneduce, Menichella's defence of IRI against accusations of collaboration with Fascism was intended to convince the Allies about IRI's potential to increase mutual benefits, for the Allies themselves – in terms of economic recovery of a reliable partner – for the future Italian governments – in terms of political gains from economic growth – and for the country itself – given the tendency of positive economic trends to reduce the risk of authoritarian political turns. Indeed, rather than focusing on ideological considerations behind State economic intervention, and IRI's role in implementing autarchic policies, Menichella emphasised the complex scenario in which IRI was created and how it succeeded in substituting mixed banks, eliminating their perverse relationship with industries and reforming the industrial-financial complex. Lastly, after Menichella showed the extent of IRI's control over national industry in such a complex transitory phase, Allies agreed not to take a binding decision on the future of the Institute, which left enough space for a new age of collaboration with the Republican institutions.

With respect to more detailed considerations on equilibria of power under the Fascist Regime, power dynamics between Beneduce, Mussolini and other influential figures were reflected by institutional equilibria, which initially got upset by the creation of IRI. As the managerial group was external to the PNF and Fascist establishment, the *Enti Beneduce* and IRI were detached from the ordinary

administrative system and the Bank of Italy¹⁴⁵. Moreover, although IRI was formally subjected to governmental decisions, in practice, Fascist discretionary power only extended to administrative offices and appointment of administrative posts. Hence, given the absence of internal political guidelines to be followed, IRI's internal bodies enjoyed great powers in their own administration. As explained by Ferretti, IRI was “un soggetto amministrativo pubblico, che riceveva dallo Stato il primo impulso e la propria legittimazione, ma che era collocato al di fuori delle amministrazioni ministeriali, capace di autofinanziarsi attraverso l'attivazione di un circuito finanziario autonomo, gestito con criteri privatistici da amministratori ai quali era attribuita la piena responsabilità di gestione che doveva rimanere estranea ad ogni inframmettenza della sfera politica” (2013, p.113). The same was true for Beneduce and Menichella, who were the highest economic authorities of the time and operated on the basis of their autonomy from political constraints and full trust of the Head of Government, up to the point that “nessun potere dello Stato o del partito interferiva con loro” (Guarneri, 1988 in Ferretti, 2013, p.114). Nevertheless, because of the reciprocal dependence of IRI's managerial group and the Regime to act, equilibria of power and mutual spheres of action were the object of continuous negotiations and compromises, necessary for the technocratic élite not to be crushed by the PNF, not to be overturn by industrial groups and not to be controlled by Ministries. Probably, the most delicate phase for the IRI group initiated in 1937, because the stabilisation of the Institute as a permanent component of the national economy required stricter administrative arrangements to be defined. Initially, the Regime seemed interested in reducing the margin of IRI's operational freedom in light of stronger relations with political power. In practice, the technocratic élite relied heavily on mediation with corporate bodies and compensation between different interests for legitimising IRI's activities and room for manoeuvre, which progressively reduced Fascist control to the mere supervision and approval of ongoing operations. Undoubtedly, both this mediation process and future negotiations with early Republican governments were favoured by the absence of a clear economic orientation of the State and defined procedures for public intervention, which benefited technical figures and their capacity of reading situations and tip the scale in favour of technocratic rather than political power. According to Ferretti (2013), the key factor that protected the independence of the *amministrazione parallela* in the Fascist age and guaranteed its survival after 1943 was the growing awareness of the technocratic élite about his role and the importance of IRI for the economic-administrative national system. Indeed, the managerial group was committed to convert IRI into a technocratic instrument for the government to analyse and implement industrial policies,

¹⁴⁵ As recalled by Ferretti (2013, p.119), “gli Enti Beneduce sembrano essere sfuggiti allo stretto controllo del regime, sia per quanto riguarda le politiche di gestione, sia per il complesso problema della dirigenza e del personale, in tema di reclutamento e promozioni”.

and lead the process of national development, by combining substantial operational autonomy with governmental supervision. In the meantime, the group was involved in the process of national reconstruction and planning of economic recovery probably on the ground of necessity rather than other considerations, which, nevertheless, guaranteed IRI's survival and managerial continuity. Hence, "la continuità e la presenza della struttura tecnocratica dell'IRI, oltre a rivelarsi inevitabile, risulta così particolarmente funzionale al primo radicamento di un nuovo modello di potere nell'Italia repubblicana" (Ferretti, 2013, p.244).

In less than two decades, the revolutionary impact of the institutional architecture built by Beneduce and Menichella and cultivated by Giordani and Saraceno became the backbone of the Italian economy, the centre of its industrial complex and, most importantly, an essential instrument for national political authorities. In one word, the *Sistema Beneduce* and his managerial group became essential for the country's survival to Fascism because of their *strategicità*. As declared by Amedeo Lepore, "se il Sistema Beneduce è sopravvissuto al suo creatore e al crollo del fascismo, se quegli Enti hanno fornito il massimo del loro contributo allo sviluppo economico dopo la Seconda Guerra Mondiale, significa che non era un fenomeno transitorio, né tantomeno la manifestazione di uno statalismo dispendioso e dissennato" (2014, p.60). By contrast, it was the birth of an innovative mixed economic paradigm and a revolutionary technocratic State, whose activities valued specialised competences for increasing national efficiency and backing the processes of industrialisation and modernisation. This paradigm comprised the most influential and competent figures of the time, ranging from the public to the private sphere, including bankers, *grand commis d'Etat* and industrialists, such as Felice Guarneri, Raffaele Mattioli, Leopoldo Piccardo, Donato Menichella, Vittorio Valletta, Alberto Pirelli, Oscar Sinigaglia and Angelo Costa. These were some of the most prominent individuals included in the technostructure created by Beneduce during Fascism, which led the cooperation between private and public power, and which relied on technical expertise and managerial capacities to gain strategic autonomy. The so-called *tecnocrati al servizio dello Stato nuovo* (Felisini, 2015) shared the paradigm of national economic modernisation, which needed to be attained by coordinating State control and technocratic management, in the interest of private economic groups, collective well-being and the whole Nation. Their shared nationalistic feeling and commitment to operate in the name of the State prepared the ground for *un Nuovo ordine*, based on the revolutionary cooperation between the State, the market and the national economy, rather than *una fuga dallo Stato e dai vincoli burocratici*. It is important to stress that the new technocratic order, or, at least, the emerging influence of technical figures over decision-making process was not at the expense of political representation and public interests, as claimed by critics of technocracy and its authoritarian degeneration. The opposite is true for the technical bureaucracy created by Beneduce

and led by his loyal collaborations, whose operations were always motivated by public purposes rather than personalistic goals, which legitimised and stimulated detachment from traditional bureaucratic mechanisms and political games of power (Felisini, 2015). Indeed, the technical revolution of the 1930s and the 1940s was probably the most authentic Italian version of technocracy, embraced by “il maggior esempio di capitalismo di Stato del mondo occidentale” (D’Antone, 2000, p.112) and the mixed paradigm of State-market-industry, which survived until the ultimate crisis of public enterprise and Beneduce’s legacy.

Hence, the Fascist age coincided with the silent revolution of the technocratic élite, whose power and influence over governmental processes increased and led to the birth of a revolutionary collaboration with political dynamics, up to the point that non-representative élites entered the political realm while protecting their autonomy¹⁴⁶. Such an innovative relation between the State and the technocratic culture empowered the politics of expertise and technical figures to the point of overcoming the end of Fascism. In fact the technocratic and administrative revolution of Beneduce lived through the collapse of the Regime because of its *strategicità* and the potential of its *cultura di efficienza* in stimulating national development. As explained by Melis (2008), the 1930s witnessed *il mutamento della Sapienza governamentale*, intended as the transformation of processes leading to governmental decisions, which resulted from negotiations between political, economic and institutional actors, and got influenced by technical competences and knowledge of managerial figures. Then, the institutional legacy of Beneduce and innovative synergies between the technocratic and political powers were taken up by the new-born Republic and forged the new Italian model of capitalist development (Section 3.4).

¹⁴⁶ In the words of Guido Melis (2008, p.178), “le élites non rappresentative entrano così anche all’interno del sistema politico e di governo, in un processo che vede sia il rafforzarsi del loro peso, sia il determinarsi di momenti di conflitto (tra le “esigenze di modernizzazione” e quelle “di stabilità del sistema politico”).”

3.4 Public management, private efficiency and centrality of strategic industries: from Fascism to the Italian Republic

After the delicate transition from the Fascist to the post-Fascist age, Italy's liberation from the Nazi control in April 1945 started a new phase of uncertainty made of open issues to be addressed, such as the coming back of representative politics after Fascist authoritarianism, the technocratic revolution and the new model of managerial capitalism led by IRI. Apart from international pressures, in the years prior to the birth of the Republic (June 1946), Italian political and managerial élites were in charge of taking the best out of recent transformations and stabilise the new components of the national economy - public economic intervention, control of strategic industries and cooperation with technocrats – while preparing the ground for economic recovery and a new age of prosperity.

In the immediate post-Fascist age (1943 – 1948), Italian managerial capitalism went through a period of transition, instability, and uncertainty, during which IRI was subjected to three different regulators and exposed to a widening political debate on its future. Ultimately, IRI's story ended with strong reaffirmation of continuity with the Fascist economic experience, the Institute's authentic working method and its technocratic group, which opened a new age of collaboration with Republican governments. However, this outcome could not be taken for granted a couple of years before. After the armistice and the fall of Mussolini (1943), the new Badoglio government suppressed corporate and administrative organs of the Fascist State. In the meantime, IRI's functioning was not interrupted but rather slowed down by organisational, institutional and moral disaggregation, amplified by Menichella's resignation and forced transfer of IRI's administration in the North. However, Menichella succeeded in maintaining some of IRI's offices in Rome, by claiming the need for coordinating industries located in central and Southern regions, which later facilitated the resumption of relations between IRI's administration and authorities of the Badoglio government. During this dualist phase, absolving IRI's leaders¹⁴⁷ and saving assets required their subjugation to both the Social Republic and the Badoglio government, which was necessary to protect the Institute's original configuration, functionality and control over industries and banks. Again, formal subjection to constituted power was functional to escape from more intrusive forms of political control and maintain more room for *manoeuvre*, as done by technocrats under Fascism (Section 3.3). This strategy was part of an organic program designed by Menichella to save the Institute, resist against both Fascist

¹⁴⁷ As explained in Section 3.1, the transition period that preceded the birth of the Republic was characterised by strong commitment to de-fascistisation and purge of Fascist collaborators. De-fascistisation processes also subjected Menichella, Saraceno and other managers to penal procedures on the ground that they had agreed to the transfer of IRI's offices to the North and had followed Fascist-Nazi orders. Nevertheless, a couple of months later they were absolved *con formula piena* and authorised to maintain their leadership position within IRI.

and anti-Fascist pressures, serve Liberation groups and protect national resources for the future reconstruction. Evidence confirms the program's effectiveness in protecting IRI's assets between 1943 and 1945, given that IRI's group managed to limit Nazi interferences on banks and industries' operations, protect industrial infrastructures from Nazi sabotage and initiate the process of industrial reconversion. As described by Fumi, "pur rispondendo formalmente ai commissari nominati dalla Rsi, furono compiute audaci azioni clandestine in favore della Resistenza e in vista della ripresa dopo la Guerra, muovendosi su un doppio binario" (Fumi, 2012 in Castronovo, 2012, p.528). This conservative approach, combined with Menichella's direct commitment to convince the Allies about IRI's role in the Italian industrial-financial complex, was ultimately successful. From 1944 onwards, the Institute continued to operate in line with its consolidated strategy under Piccardi, despite difficulties related to separation of productive units, instability of private groups, political changes and the evolving international scenario, which complicated the process of industrial reconstruction. With respect to IRI's control over strategic industries, Fumi (2012, in Castronovo, 2012) suggests that, in such dramatic historical contingencies, Piccardi increased IRI's task of providing financial and technical assistance. This decision accelerated the Institute's evolution towards a managerial body whose actions needed to be more incisive for reconstructing *ex novo* huge portions of national industry and renewing their productive basis¹⁴⁸. Other than economic planning, IRI's technicians were also committed to mediate between private firms and public administration organs, as already done with the Allies in strategic sectors. More in detail, after the armistice, Nazi authorities tried to control, paralyse and transfer Italian industrial plants to Germany, despite Giordani's effort to prevent this happening with the aim of protecting the future of national industries. By discussing with private groups, mainly Finsider, Giordani succeeded in drawing some common defensive guidelines against German claims, in order to ward off the risk of industrial displacement to Germany prior to the recovery of the country's productive potential. This was another brilliant case of cooperation between Italian technicians and the Allies, as well as with the Nazi counterpart, which ultimately renewed their prestige and protected key industrial sectors, namely the basis for national recovery.

The hierarchical and administrative separation between IRI's offices located in Milan and Rome continued after the Liberation (April 1945), but this diarchy did not prevent the establishment of a unitary managerial unit supported by personal contacts and spirit of collaboration between the two administrations, followed by more intense concentration of power in Rome's offices. Then, in the first months of 1946, IRI's administrative units finally transferred back to Rome in order to better

¹⁴⁸ In Piccardi's words (March 1946), in the past "l'IRI è sempre stata molto cauta nel non diminuire quella che è l'autonomia delle varie aziende [...] Oggi io ritengo che l'azione dell'IRI debba essere più importante [...] non soltanto per la fase dell'emergenza, ma per tutta la fase che si può chiamare di ricostruzione, di riorganizzazione, e di riassetto dell'industria italiana." (Ciocca, 2014, p.102).

address the critical financial situation of controlled industries, worsened by supply shortage and abrupt interruption of military orders. In spite of divisions, political groups agreed on the need to design an organic plan of public control over the financial-industrial complex, so as to tackle this unsustainable financial situation for both firms¹⁴⁹ and IRI, whose financial means were reducing and not compensated by privatisation¹⁵⁰. Apart from administrative reorganisation, IRI managerial group struggled to conduct its original activities in such an abnormal and difficult context¹⁵¹. As explained by Fumi (2012), given that the most damaged sectors were controlled by IRI, it is not difficult to understand why IRI was more affected by the war in comparison to other industrial groups, due to a series of factors: war damages on the productive apparatus; requisition of industrial plants; disorganisation; forced work interruption; decentration and concentration of plans; defence works like trenches; irregular fluxes of raw materials; unbalanced concentration of production in the North. In spite of adverse historical contingencies and lack of clear economic programs to be followed, Piccardi emphasised that IRI succeeded in finding a temporary institutional equilibrium and being considered a stable, safe and efficient organism of the Italian economy.

Apart from concrete problems to be managed by IRI and its managerial group, there were other open issues to be addressed in the post-Fascist age. Many of them revolved around IRI but have many implications on developments of the technocratic revolution and the future of Italian managerial capitalism, other than the progressive coming-back of representative politics.

In the meantime, there was an ongoing debate among Italian authorities about IRI's future, given that no ultimate decision could be taken during the war, under commissarial management and the ongoing "political truce", which convinced Captain Kamarck to delegate such a crucial task to Republican authorities. Although many agreed on the need for IRI to maintain its control over key industries and to privatise shares external to strategic sectors, there were no clear directives or governmental decisions that could legitimise IRI's role in the Republican economic and institutional configuration. Indeed, at the end of the war, a huge debate on the *problema IRI* broke out (Ciocca, 2014), despite

¹⁴⁹ Undoubtedly, dramatic trends of the international economy, combined with regime changes and Fascist purges, caused earthquakes within single firms and compromised their productive efficiency. This extreme scenario overcomplicated IRI's attempts to restore daily company management and to renew administrative groups in light of impartiality, technical expertise and absence of both personalisms and political prejudice.

¹⁵⁰ Apart from financial support to controlled industries, IRI's financial straits were amplified by war damages, requisitions, limited capacity utilisation during air strikes and unpaid debts, which caused a reduction of -25 / -30% of IRI's assets (Fumi, 2012 in Castronovo, 2012, p.546).

¹⁵¹ As confirmed by evidence, worsening of the financial scenario and stall of the domestic market decreased both banks and industries' revenues, and reduced the national industrial productive capacity, with -90% cut in shipping and steel sectors, -45% in the mechanical, -40% in the electric and -15% in the one of communication (Fumi, 2012 in Castronovo, 2012, p.553).

widespread appreciation for IRI's technical merits. Apart from political influences on economic problems, rapid economic changes and ideological beliefs, IRI was considered the first valuable experiment of public management in the industrial complex, with the potential of shaping future relations between State-industry-finance in the modern configuration of social economy. Even though IRI was born from the degeneration of perverse relations, the Institute became the mediator between banks and industries, between private initiative and public control, and between economic and political powers. Hence, IRI was the most brilliant expression of a vibrant, active and efficient public administration that could learn from the experience and expertise of its managers to lead the country's future development and improve public management of industrial sectors, other than protecting them from personalistic and political interferences. What emerges from this prophetic view is the undeniable value of IRI as the symbol of economic continuity and progress, but also the need for institutional rules on IRI's activities and control. It was not just a matter of control, but rather of protection from political interferences that could threaten IRI's autonomy. However, adopting these guidelines required finding a solution to the ongoing debate about IRI's future, in which there were different political views: in favour of the nationalisation of IRI's industries to extend State's control over financial and industrial monopolies; continuation of the IRI's formula and its technical value; privatisation of public enterprise. Probably, the common element between these positions was the value attributed to IRI's historical function in interrupting the vicious cycle of rescuing operations and improving the credit-industrial complex. Similarly, it is important to recall that IRI itself was born from a compromise, between public control and private business efficiency, which inevitably facilitated the convergence between most radical positions. Lastly, the majority of positions expressed in the debate agreed on IRI's potential to become the main economic instrument for national reconstruction, industrial reconversion, and economic coordination, since the debate revolved more around ideological rather than technical arguments about IRI's impact on the national economy. Thus, "grazie a Menichella, Kamarck, De Gasperi e pochi altri, in un ambiente economico e politico largamente ostile, l'IRI sopravvisse" and "c'era ancora Beneduce dentro. C'era l'idea che lo Stato fosse il vero soggetto dello sviluppo [...] che doveva prendere le cose in mano e modificare la situazione" (Ciocca, 2014, p.115-126).

Starting from the 1960s, after the temporary presidency of Piccardi in the quality of Special Commissioner (1944 – 1946), the new De Gasperi government (II De Gasperi government, 1946 – 1947) nominated Paratore as the first president of IRI in the Italian Republic (1946 – 1947). Paratore was responsible for updating the Institute's statute and modifying the governance system in the direction of technical expertise. In the meantime, Menichella recovered his job as IRI's director general prior to his nomination as director general of the Bank of Italy (1946), which ended his history

at IRI and his long-term commitment to renew the national credit system. Once the institutional impasse was over, IRI addressed persistent financial problems through its liquid assets, in the attempt to rescue industries whose balance of payment was worsened by reconstruction expenses, operative losses and wages payments. Although this process required more organic financial plans to be implemented, IRI could neither be converted into an instrument of government – for instance, to lead Southern industrial development – nor it could threaten privates by extending its control over the private market. Between 1946 and 1948 both this precarious equilibrium and IRI's managers discontent worsened because of governmental authorities' disregard for a more detailed plan of actions to manage IRI's increasing tasks. Nevertheless, because of the lack of clear organic plans and organisational guidelines, IRI ended up contributing to the reorganisation of industrial sectors – like the mechanical industry – without adhering to defined programs and criteria. Hence, at the beginning of national reconstruction, the overall situation was really complex for the IRI group, which was worsened by the ongoing debate on IRI's reforms and the need for new compromises between public and privates, and between political subjugation and operational autonomy.

In this context of difficult economic reconstruction, the Institute did its own best to apply the expertise learnt from Fascist autarchic plans, in terms of planning, coordination, investment, research and technological progress. More in detail, IRI's activities prioritised the maximum exploitation of national productive capacities, development of Southern regions and empowerment of strategic industries, in spite of difficulties in all of them. Taking the case of national resources' exploitation, major limitations were imposed by insufficient transportations and infrastructures, as well as delayed development in the *Mezzogiorno*, which enhanced Saraceno's commitment to stimulate national production and redistribute income in favour of Southern regions. Also strategic sectors fought against structural problems, such as difficulties in reconversion of steel and mechanical industries, administrative immobilism, delayed reconstruction of shipping industry due to war damages, unemployment and insufficient financial means. Lastly, all these difficulties were amplified by ongoing public delegitimation, uncertainty and constant pressures on IRI's managerial group, which managed to be patient and concentrate efforts on day-to-day economic reorganisation. Again, IRI succeeded in warding off both the spectre of privatisation and larger political control and making the politics of expertise prevail over the political and economic power. Thus, at the beginning of the Republican phase, IRI was still a public-law entity in a different political context and was required to act in the name of technical rigour, efficiency and autonomy, as recognised by the new Statute (1948),

which ultimately reinforced IRI's legitimacy, power and independence after years of uncertainty around the *Problema IRI*¹⁵².

With respect to the economic architecture of the Republic, a lot has already been said about the uniqueness of IRI and its centrality in the innovative framework designed by Beneduce, under Fascism and the Republic. In a nutshell, IRI was a precondition, a mechanism for and a determinant of economic growth: the synergy between IRI's managerial group and governmental institutions was the basis of public-private cooperation and development (precondition); IRI had the potential of accelerating the economic transition towards advanced industrial development (mechanism); lastly, it was responsible for major upsurge in productivity and progress in the Italian history (determinant). Apart from IRI and immediate gains generated by economic development, in the post-Fascist age Italy benefited from the stabilisation of the mixed economy, intended as the new economic paradigm based on the fruitful coexistence and complementarity between private initiative and public support to development through stabilisation and investment. From a theoretical perspective, this economic model is coherent with liberal principles and the market-orientation of the Italian capitalist economy, since Adam Smith praised the "ruler", notably the State and its role in the proper functioning of capitalist economies. As mentioned in Section 2.2, the mere existence of possible failures in the capitalist economy justifies public intervention, and, more specifically, the possibility for the State to act as a legislator, regulator, allocator of resources, stabiliser, promoter of development and producer of goods and services. Therefore, the Italian economy could be classified as "mixed" not only because of public presence in the economy, but rather because of strong complementarity between the market and the State. This system was born from the economic vision of Beneduce and the political will of Mussolini, but then, its survival was guaranteed by the political belief of De Gasperi in the State as both a mechanism and instrument for development (Ciocca, 2014)¹⁵³. Hence, after going through a transitory phase, IRI succeeded in preserving its autonomy from politics and operating as both an independent mechanism for development and an instrument of economic policy, which were both necessary for long-term economic development. As explained by well-known experts as Saraceno

¹⁵² With respect to the resolution of the *Problema IRI* with the Statute of 1948, Fumi explains that "in un certo senso veniva meno il problema IRI, dal momento che più che esistere oggi un problema IRI esiste in seno all'IRI una quota, se può così dirsi, dei problemi propri a vari importanti settori della produzione e dell'economia italiana: ricostruzione dei quadri direttivi e tecnici, ristabilimento di un equilibrio delle rispettive funzioni e responsabilità, ammodernamento tecnologico e produttivo" (Fumi, 2012 in Castronovo, 2012, p.599).

¹⁵³ As specified by Ciocca (2014), because of its nature as a mechanism of growth, IRI was required to substitute privates in the name of efficiency, with no political constraints on its management procedures. In the meantime, because of its nature as an instrument for development, the political world was required to provide clear guidelines and public interest goals to be pursued by IRI, but without further interference on how the Institute would have performed its tasks.

and Paronetto in the *Codice di Camaldoni*¹⁵⁴, “la libertà economica è necessaria all’ordine economico ma non sufficiente” (Ciocca, 2014, p.165), because of the need to regulate economic life through clear guidelines that can stimulate, control and coordinate private initiative. Therefore, wealth and equity can be reconciled in a market economy through strong actions and clear presence of the State. Indeed, in a mixed economy, the State is empowered to intervene through laws, rules, distributive decisions, stabilisation policies and, in the Italian case, to act as an efficient producer through IRI, in the Community interest. From a broader perspective, it turns evident that, in the early 1940s, Italy experienced both the practical stabilisation and theorisation of its third economic way, inspired by the idea that public intervention is essential for development because the State can be an active productive subject, capable of respecting market boundaries and taking responsibility for market inefficiencies. Other than finding the proper middle ground between capitalism and socialism, the evolution of the mixed Italian economy was facilitated by synergies between the dominant political party and IRI’s managerial group. Moreover, the Institute was responsible for the consolidation of revolutionary and more flexible equilibria between freedom of private initiatives and social unity, by combining free enterprise, social responsibility, public enterprise and efficiency.

In addition to IRI’s mediating role and the mixed economic paradigm, the early 1940s gave new life to the Italian model of industrial development, by reinforcing the combination of State intervention with public control of strategic industries. As discussed in Chapter 2, State-led industrial development was born from the need of eradicating structural weaknesses of Italian capitalism, notably the parasitic relation between banks and industries, and anti-competitive tendencies that repeatedly preempted economic growth. To do so, capitalist development matched with more structured State intervention on a day-to-day basis rather than emergency, and stimulated new synergies between private firms and public companies. Over time, this approach opened a huge debate on nationalisation or privatisation of main industries, since, on one hand, nationalisation of key sectors was preferable because of IRI’s capacity to take care of their management and economic planning, stimulate the private market and support the national economy. On the other hand, private groups, Confindustria and industrial entrepreneurs argued in favour of strategic industries’ privatisation, because nationalisation was perceived as a threat to private initiatives, other than the beginning of the end of market capitalism. Nevertheless, it turned evident that nationalisation or privatisation was not a matter of choice, but rather of convenience, influenced more by structural capacities of the Italian market rather than ideological considerations and political interest in showing discontinuity with Fascism. In

¹⁵⁴ The *Codice di Camaldoni* was published in April 1945, before the Liberation, and it was a brilliant synthesis of Paronetto and Saraceno’s reflections on their personal, civil and economic life in the transition phase between Fascist and post-Fascist age, which were collected to lead the rebirth of Catholic social studies after the war.

practice, because restructuring the national organisational complex was impossible in the immediate aftermath of the war, it was preferable to re-establish the previous economic and industrial apparatus, and operate a re-composition of managing groups, in spite of ideological opposition to the survival of economic institutions inherited from Fascism. Similarly, the issue of industrial development stimulated a new debate on preferred strategies for industrialisation and growth, either through “light” industrial development based on small-medium specialised firms, or through “heavy” industrialisation on capital intensive sectors. Again, private industrial groups like Fiat and major public companies took a clear stand in favour of the Fordist development model, because the dominant managerial class was inspired by the notion of free enterprise and absolute market power, rather than economic planning. Nevertheless, ideas clashed again with structural limitations of the Italian market and insufficiency of private capital, which condemned the Italian version of “heavy” industrialisation to be attained only through public support and long-term control of IRI’s managerial group. As a result, the Italian system of public enterprise and State-empowerment of industrial sectors ended up being a huge factor of continuity with ideas and operative plans of the Regime, as well as the most durable and dynamic component of Fascist legacy in the evolution of Italian capitalism. Over time, Italian turn towards managerial capitalism became the key pillar for development, even though the historical meaning of these far-reaching changes in economic regulating mechanisms was not initially grasped by the ruling and industrial élite, who could not appreciate the value of this essential component of the Fascist legacy.

Lastly, the Italian version of State capitalism also identified with strong *meridionalismo* and commitment to address one of the most serious weaknesses of the national economy, the so-called Southern Question, inherited by the Founder of IRI. Apart from managerial experience and technical competences, what Beneduce and Giordani had in common was their commitment to serve the State and act in its interest, beyond the political character of the current government, which emerged also in relation to Southern development. What Giordani learnt from Beneduce was the importance of reducing development gaps between Italian regions for more unitary and consistent national development. Hence, the first Southern initiatives of IRI were dedicated to industrial upgrading of Southern areas, such as the one of Naples¹⁵⁵, and to better exploit territorial resources, in light of a pragmatic version of “meridionalismo” and Southern industrial development. In this context, it was necessary to intensify local production and reduce unemployment – *meridionalismo minimalista* – and to create the basis for long-term industrial development and regional growth through organic

¹⁵⁵ Taking the case of Naples is useful to learn more about IRI’s actions in the *Mezzogiorno*, given that “su Napoli si concentrarono le prime intenzioni meridionaliste”, since, in the 1930s, areas around Naples were occupied by strategic industries, namely aviation, maritime and production of war equipment. Hence, IRI’s activities were directed at reducing unemployment and stimulating industrialisation in the area.

plans and future investments – *meridionalismo di prospettiva* (D’Antone, 2012 in Castronovo, 2012). Although the end of the war opened a radically new scenario in which reconstruction was prioritised over Southern issues, IRI managed to bring forwards its development projects, including the most innovative one for the South. In facts, the *Cassa del Mezzogiorno* (1949) was born from waves of international investments and was conceived as a pragmatic and financial entity in charge of coordinating Southern development plans and investing in innovative sectorial structures. Between 1946 and 1948, Giordani directed financial resources of the Marshall Plan (1948) towards public and private industries in charge of economic reconstruction, and towards Southern development plans, in the interest of the whole nation. By learning from the original *meridionalismo* of Nitti and Beneduce, Giordani and Menichella were convinced that only industrialisation could fill the Southern income gap and lead to economic redemption, together with reconstruction and progress of the national economy. In this scenario, commitment to Southern development, innovative credit reorganisation, high professional and moral profile of managers, and foresight of some strategic projects consolidated IRI’s qualification as a valuable resource for post-Fascist Italy, especially during economic recovery. During economic reconstruction and the political phase of *centrismo degasperiano* (1947 – 1957), IRI’s managerial group enjoyed wide operational freedom, because the new ruling party – *Democrazia Cristiana* (DC) – ruled in favour of delegating extensive economic powers to technical collaborators, in attempt to stimulate economic innovation and social stability. Throughout the reconstruction phase, IRI’s strong technocratic character became the symbol of Italian public enterprise and technological progress, which continued during the economic miracle because IRI’s technical management closed the gap with most advanced industrial economies, empowered the private sector and established fruitful collaboration with industrial groups. In one sentence, the Italian state became “Stato democratico come soggetto di sviluppo”, and IRI was praised as the ideal instrument for the State’s reformist project, which is the nature of mixed economy itself (Felisini, 2015, p.141). In practice, Italian synergies between political and technocratic powers prepared the ground for the *miracolo economico*, notably a constructive moment for the national economy because of democratic reforms and programs of social renewal, inspired to common spirit of belonging, national pride, meridionalism, atlantism, and lastly, the *Formula IRI*¹⁵⁶. As explained by Ciocca (2014), it became evident that economic growth was strictly dependent on four key factors of the

¹⁵⁶ More in detail, the phase of outstanding Italian economic growth (1950s and early 1960s) was born from the brilliant combination of international peace and recovery of commercial trade, monetary stability and financial solidity, which were essential conditions for national development. These favourable circumstances matched with Italian political stability, fruitful cooperation between the ruling party, the technocratic élite led by Menichella and private industrial groups, and public expenditure to support economic recovery. The outcome was the most brilliant phase of economic growth in national history (D’Antone, 2000).

Italian economic history, notably “l’equilibrio delle finanze pubbliche, la dotazione di infrastrutture, le sollecitazioni concorrenziali, il dinamismo con cui il sistema delle imprese risponde alle sollecitazioni e coglie le opportunità” (Ciocca, 2014, p.135).

In addition to the stabilisation of “ordinary” public intervention, the age of Italian reconstruction was also characterised by “exceptional” public operations, to address some of the structural deficiencies of the national economy, such as delayed industrial development in the South and geographical differences in industrialisation¹⁵⁷. Again, the commitment of *uomini di cultura specialistica* of the time to overcome the historical dualisms confirmed their engagement with both modernisation and social development, in the name of economic progress and collective well-being, which inspired their operations until the late 1970s¹⁵⁸. Hence, in spite of authoritarian experience, it is worth recalling the series of revolutionary changes that occurred under Fascism, which restructured dynamics between economic and financial institutions, empowered national industries, stabilised the role of the State as powerful economic actor, and reinforced the importance of a technical-scientific culture and its influence over political projects. Thus, the complex Fascist period ended up creating the economic and technocratic basis for future economic results of the Italian Republic and private groups, whose level of economic development boosted the country’s international prestige. Ultimately, Italian reintegration within the powerful group of Western economies in the post-Fascist age and the stabilisation of the entrepreneurial State finalised the process of institutional transformations. At the same time, these results probably realised the dream of Beneduce, Menichella and the ones who changed the course of Italian economic history.

On the whole, Chapter 3 has shown how considerations on the evolution of the Italian economic system in the post-Fascist age are intertwined with discussions on the degree of institutional and economic continuity with Fascism. In spite of risks of bureaucratic degeneration, institutional structures have always been a cornerstone in the Italian public life, capable of balancing political power, neutralising most abrupt political changes and of guaranteeing a certain degree of continuity

¹⁵⁷ Just to mention one concrete case in which IRI’s experience survived the Fascist age, it is interesting to see the degree of similarity between IRI, the *Cassa del Mezzogiorno* and the New Deal’s agencies. The common aspect is their unique institutional architecture. As described by Roosevelt in the case of the Tennessee Valley Authority (TVA), namely the lead agency of the New Deal, “a corporation clothed with the power of Government but possessed of the flexibility and initiative of a private enterprise” (Roosevelt, 1933 in Lepore, 2014, p.61).

¹⁵⁸ Although the progressive disappearance of Beneduce’s institutional legacy and efficient models of public control is not the subject of study, it is interesting to note that loss of efficiency and accuracy of Italian public intervention from the 1970s resulted from a series of factors: growing difficulties in finding agreements with productive forces, political polarisation, fragility of the DC centrist formula, negative international economic trends and, mainly, growing presence of the State in the economy by subjugating IRI to public control. The combination of these elements ended up weakening public enterprise and its administrative culture, prior to their disappearance from Italian economic history (Felisini, 2015).

in transition phases, such as between the Regime and the Republic (Cammarano, 2019 in De Nicolò & Fimiani, 2019). In this critical historical juncture, political transition was relatively smooth because of continuity in national institutions – such as the Monarchy, which continued to represent the State beyond the Fascist flag – economic structures and technocratic management initiated by Beneduce. Indeed, other than institutional and economic ones, technical continuity has probably been the maximum expression of stability, born from public recognition of expertise and the need of such technical competences for collective well-being, even in the most delicate phases. Most importantly, the value of bureaucratic and technical continuity was protected by the technocratic élite, notably the one who understood that it was possible to depart from the Fascist experience while cultivating the same technical and administrative culture, in what can be referred to as “the low-intensity transition” of the Italian state from the Fascist to the Republican age.

Conclusion

On the whole, reconstructing the Fascist age through the intertwining between the political, economic and international realms reveals more about the modern Italian system of governance than expected. In fact, going beyond the totalitarian ambitions of the Regime is functional to learn more about the value of historical transformations that occurred under Fascism, namely the reconceptualisation of State economic intervention, reorganisation of the industrial-financial complex and the technocratic revolution in decision-making, with long-term effects on the modern economy.

Conducting a political analysis of economic trends was necessary to find out about the origins of the Italian model of managerial capitalism and the evolution of public control over strategic industries from the Fascist age to the Republic. However, it was not just a matter of economic decisions and policy plans designed to address specific economic problems, but rather the adoption of economic strategies to attain political goals in the domestic – stabilisation of authoritarian power and totalitarian control over the masses (1930s) - and international realm (1935) – colonial expansion and imperialism (Chapter 1). Indeed, this research showed the strong interconnection between political and economic dynamics, which became clearer in the later 1930s, when the Regime's turn towards totalitarian political control and imperialism stimulated the economic turn towards protectionism, State intervention to support national industries and banks, and public enterprise to control strategic sectors during the implementation of autarchic plans.

In this context, the Regime's political decisions triggered a series of economic and institutional reforms that transformed the Italian economic model, moving in the direction of both political capitalism and managerial capitalism (Chapter 2). Among the most evident features of this new economic paradigm in between capitalism and socialism, special attention was raised by the State's active role in the economic, industrial and financial spheres, also because of growing political pressures from the Regime's élite. Nevertheless, the comprehensive approach adopted revealed something more about State intervention, which comprised a series of institutional reforms that transformed internal mechanisms of the industrial-financial complex, notably: the creation of IMI (1931) and IRI (1933) to finance and reorganise national industries and banks; the banking reform (1936) to update the system of financial intermediation; and IRI's evolution into a permanent component of the Italian economy (1937) with the aim of extending public control over industrial sectors deemed to be strategic for the Fascist colonial, economic and military purposes. As a result, in the early 1940s, the Fascist economic system was centred on the paradigm of business-work-State, consolidated by synergy between public and private enterprises, and mainly, State control over strategic industries. Apart from the long-term effect of the evolution of the Italian economic model

and institutional equilibria, the 1930s also witnessed the rise of a new class of experts, notably Beneduce, Menichella, Saraceno and Giordani, who started to cooperate with the Regime and with Mussolini himself to address the country's economic needs through comprehensive reforms rather than single-ended rescue operations. In this scenario, the forward-looking approach of Beneduce inspired the above-mentioned reforms and stimulated both the consolidation of State intervention in the economic sphere and modernisation of productive forces, in light of collective well-being and national development, rather than personal ambitions. Hence, in the 1930s, the Fascist economy moved in the direction of innovation, represented by empowerment of national industries, State productive role in economic mechanisms, fruitful collaboration with technocratic élite of the time and public control over resource allocations.

Although autarchic plans and Fascist failures in both the military and colonial fields initially glossed over these technocratic and economic reforms, it is crucial to focus on the long-term impact of these changes and, mainly, their survival to the end of the Regime and to challenges of the Republican economy (Chapter 3). In fact the combination of renewed public-private synergy, public control over strategic sectors, the *amministrazioni parallele* and stable collaboration with technical advisors endured over political changes. The reason behind this success was the *strategicità* they developed during the 1930s and the 1940s, which later stabilised in the brilliant paradigm of market-State-industry-expertise, notably the hearth of Italian managerial capitalism during the *Prima Repubblica*.

Recently, modern times shed new light over relations between political and private actors, and hybrid economic systems, in which private, semi-public and State enterprises operate. As pointed out by Severino (in Beltrame & Marchetti, 2022), the origins of modern complementarity between private and public power date back to the economic miracle and the role played by big multinational firms in conjunction with major Italian industrial groups – IRI, Eni with Mattei, Olivetti, Enel, Fiat, Alfa Romeo, Pirelli, Montedison – whose productive capacity was enhanced by the system of financial intermediation designed by Beneduce and Menichella. As shown by this research on the evolution of Italian managerial capitalism, the economic miracle could not be entirely attributed to the growth of private firms, given the fundamental role of public intervention in providing national infrastructures to private capital. Moreover, the State actively stimulated industrial development in the steel, electricity and fossil fuels sectors through the *aziende di stato* of the IRI group. Moving in the direction of *dirigismo economico*, “l'intervento dello Stato in economia ha spessissimo preso la forma di creazione di campioni industriali nazionali” (Beltrame & Marchetti, 2022, p.165).

In fact, IRI's legacy overcame the liquidation of the Institute in the early 2000s, because of long-term benefits triggered by public empowerment of strategic industries, and enduring synergy between

private and public firms, confirmed by the current existence of private-State societies, notably “aziende pubbliche controllate direttamente dal proprio Stato nazionale o società solo formalmente private, ma nella sostanza controllate dal governo di appartenenza” (Beltrame & Marchetti, 2022, p.39). Apart from the role they played in economic governance, also technological progress and national industrial development are led by semi-public enterprises, and mainly by the prominent role of the State in strategic sectors in the interest of national defence and the *Sistema-Paese integrato*. As pointed out by Beltrame and Marchetti (2022) in relation to economic continuity with the Fascist past, today, strategic industries are still public in nature and usually under State control, up to the point that some commercial and defence industries ended up being *Stato nello Stato*.

Taking stock of the Fascist economic and institutional legacy implies something more than focusing on the evolution of strategic industries and modern *aziende di Stato*, given that the Fascist age also initiated the phase of progressive depoliticisation of decision-making (Orsina, 2017) in the direction of technicisation of politics (Castellani, 2023). Indeed, the Fascist inheritance influenced the modern system of power management in a way that goes beyond public-private institutional equilibria, given that it affected equilibria between technical and political power and the style of modern governance. As a consequence of the technocratic revolution initiated by Beneduce and Menichella in the 1930s, the Italian system has witnessed the progressive expansion of technical influences over political decision-making and the growing presence of technocratic figures within governmental bodies. This trend probably reached the apex in the so-called *governi tecnici* in emergency situations, which legitimise the non-election of technical figures deemed to operate more in the name of efficiency and collective well-being rather than political ones. On this point, Orsina (2017) recalls that technocracy itself usually evolves into the “protagonist of a utopia of depoliticisation [...] a place where ideological convergence and scientific knowledge would close down the space for political strife almost entirely” (Orsina, 2017, p.77), which is assumed to be more conducive to structural solutions in comparison to political decision-making, especially in complex historical moment. In facts as recalled throughout this research, the progressive depoliticisation of decision-making was favoured by difficult historical contingencies, such as the Great Crisis of 1929, which urged something more than political solutions to redress the phase of economic downturn. In this context, political élites started to rely on technocratic ones and their innovative strategies, with the aim of both avoiding dramatic economic consequences and preventing social unrest to cause political instability. Something similar occurred after the age of privatisation and the financial crisis of 2008, when public intervention re-entered the public debate because of the need to defend national systems from exogenous threats, both of military and economic nature, given that “il mondo di oggi

si ridefinisce intorno a nuove domande di sicurezza e protezione, sia nella politica anche nell'economia" (Castellani, 2023).

In the 1940s, "la Seconda guerra Mondiale strinse per tutti le giunture fra scienza, burocrazia e capitalismo ponendo le premesse per il dominio del razionalismo in politica e accrescendo enormemente l'importanza delle tecnostrutture pubbliche e private" (Castellani, 2022, p.18-19). Today, the *tecnocrazia antipolitica* (D'Antone, 2000), in conjunction with renewed synergies between market-State-industry, remerge as the most valid public tool to "riannodare il filo tra sapere, politica e amministrazione" (Castellani, 2021, p.5) and address modern challenges, ranging from industrial development to technological progress and resources redistribution. To do so, learning from past dynamics and the brilliant phase of reforms enacted in the late Fascist age is the first step to take the best of the Italian model of managerial capitalism and stimulate the survival of the technocratic, industrial and economic management of Fascism throughout national history and modern times.

Appendix

Table 1.1 from Toniolo (1980, p.6)

Andamento del prodotto nazionale in alcuni paesi (tasso di crescita medio annuo in termini reali)

Paesi	1862 - 1897	1897 - 1913	1922 - 1938	1913 - 1938
Italia	0,7	2,7	1,9	1,6
Regno Unito	2,6	1,9	2,2	0,7
Germania	2,8	2,6	3,8	1,8
Francia	0,9	2,2	1,4	0,6
Svezia	2,6	3,5	4,1	2,4
Europa Occidentale	1,6	2,1	2,5	1,4

Table 4.7 from Toniolo (1980, p.166)

Andamento della produzione in alcuni settori industriali nel periodo 1929-34

Settori	1929	1930	1931	1932	1933	1934	Tasso medio annuo di crescita nel periodo 1929-32
<i>Settori non manifatturieri</i>							
Industria Estrattiva	100,0	98,8	90,2	84,6	85,7	84,8	- 5,4
Industria delle Costruzioni	100,0	104,3	91,8	85,6	91,8	104,3	- 5,1
Industria elettrica, del gas e acqua	100,0	112,4	109,2	110,0	120,0	129,2	+ 3,2
<i>Settori dell'industria manifatturiera</i>							
Industria Alimentare	100,0	91,0	86,5	94,4	94,4	88,8	- 1,9
Industria Tessile	100,0	82,4	70,1	74,6	85,1	79,0	- 9,3
Industria Metallurgica	100,0	91,0	79,1	67,8	69,2	71,6	- 12,1
Industria Meccanica	100,0	90,9	79,4	67,9	69,2	71,8	- 12,1
Industria Chimica	100,0	98,5	89,4	83,7	95,5	114,8	- 5,8

Figure 2.1 from Holcombe (2018, p.26)

Economic and Political Systems

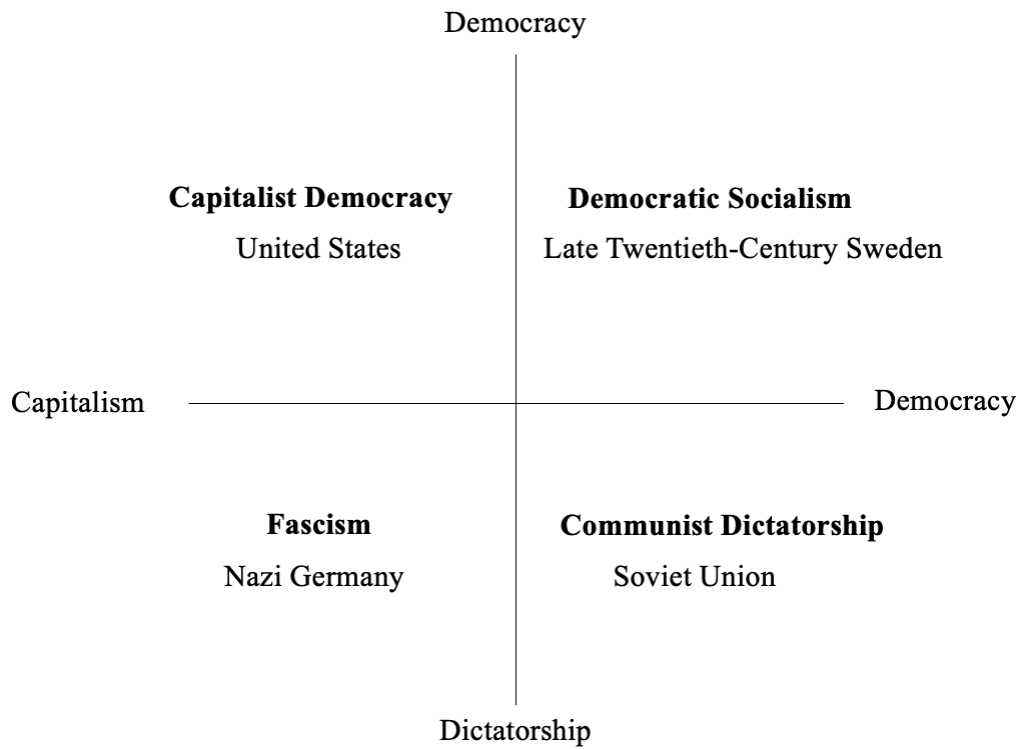


Table 4.9 from Toniolo (1980, p.176)

Importazioni ed esportazioni come quota (percentuale) del reddito nazionale

Anni	Italia	
	Imp.	Exp.
1926 - 1928	13,2	9,4
1929	13,0	9,0
1930	12,1	8,4
1931	9,4	8,2
1932	7,1	5,8
1933	6,8	5,5
1934	7,0	4,8
1935	6,4	4,3

Table 4.10 from Toniolo (1980, p.179)

Provenienza e destinazione del commercio estero italiano

Paesi	1927	1929	1932	1935
Importazioni da				
Germania	9,9	12,8	13,9	18,3
Gran Bretagna	8,6	9,6	9,0	7,3
Francia	8,4	9,6	5,8	6,0
Svizzera	2,5	3,9	3,8	3,1
USA	18,6	16,5	13,4	11,3
Altri	52,0	47,6	54,1	54,0
Esportazioni verso				
Germania	14,4	12,3	11,4	16,2
Gran Bretagna	9,9	9,9	10,8	8,2
Francia	8,3	8,8	7,6	5,8
Svizzera	8,1	10,1	8,5	6,4
USA	10,5	11,6	10,1	8,1
Altri	48,8	47,3	51,6	55,3

Figure 4 from Farese (2009, p.271)
Importo per settore

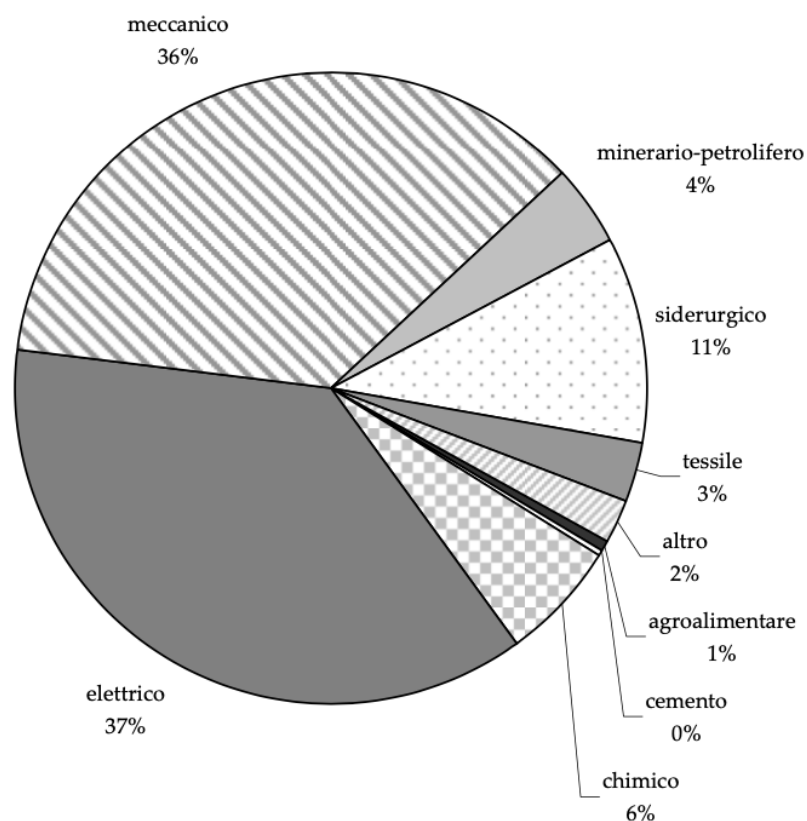


Table 1 from Ciocca (2014, p.99)

Prodotto interno lordo e sua composizione (due stime da fonti diverse in miliardi di lire 1938)

	1939		1945		1950	
	A	B	A	B	A	B
PIL	213	180	129	98	219	203
Consumi privati	125	116	93	54	150	129
Consumi pubblici	38	33	39	35	26	23
Investimenti fissi	33	25	10	13	33	41
Esportazioni	10	13	0,5	0,6	19	17
Importazioni	11	12	7	0,4	21	

Fonti: per le stime A: Rossi, Sorgato, Toniolo, *I conti economici italiani: una ricostruzione statistica*, Tab. 2A, pp.24-25; Per le stime B: Baffigi, *Italian National Accounts*, Tab.2A.2, p.31 e 2B.2, p.38.

Table 5 from Ciocca (2014, p.187)

Fabbisogno finanziario medio annuo delle aziende dell'IRI per settori (in miliardi di lire 1992 e percentuale del totale)

	1949-1955		1956-1962		1963-1973		1974-1982	
1. Siderurgia	628	25%	1127	24%	3364	38%	5964	36%
2. Energia elettrica	599	24%	559	12%	-	-	-	-
3. Meccanica e cantieristica	516	21%	696	15%	1659	19%	2811	17%
4. Telefonia e telecomunicazioni	346	14%	890	19%	1826	20%	4720	29%
5. Trasporti marittimi	262	11%	300	6%	22	-	713	4%
6. Trasporti aerei	-	-	238	5%	271	3%	347	2%
7. Banche	-	-	144	3%	155	2%	98	1%
8. Autostrade	-	-	618	13%	1343	15%	561	3%
9. Rai	28	1%	5	-	20	-	-34	-
10. Varie	106	4%	82	2%	131	1%	1334	8%
Totale	2485	100%	4658	100%	8922	100%	16515	100%

Fonte: Marsan, *L'Istituto per la Ricostruzione Industriale*, cit., pp.136, 208, 345, 542.

Timeline of Fascism

Secretaries of the Partito Nazionale Fascista (between 1922 and 1943)

Nicola Sansanelli	(1 November 1922 – 13 October 1923)
Francesco Giunta	(13 October 1923 – 23 April 1924)
Alessandro Melchiori	(8 August 1924 – 12 February 1925)
Roberto Farinacci	(15 February 1925 – 30 March 1926)
Augusto Turati	(30 March 1926 – 8 October 1930)
Giovanni Giuriati	(8 October 1930 – 12 December 1931)
Achille Starace	(12 December 1931 – 7 November 1939)
Ettore Muti	(7 November 1939 – 30 October 1940)
Adelchi Serena	(30 October 1940 – 26 December 1941)
Aldo Vidussoni	(26 December 1941 – 19 April 1943)
Carlo Scorza	(19 April 1943 – 2 August 1943)

Foreign Ministers of the Kingdom of Italy under Fascism (between 1922 and 1943)

Benito Mussolini	(31 October 1922 – 12 September 1929)
Dino Grandi	(12 September 1929 – 20 July 1932)
Benito Mussolini	(20 July 1932 – 11 June 1936)
Galeazzo Ciano	(11 June 1936 – 6 February 1943)
Benito Mussolini	(6 February 1943 – 25 July 1943)

Ministers of Finance under Fascism (between 1922 and 1943)

Alberto De Stefani	(31 October 1922 – 10 July 1925)
Giuseppe Volpi	(10 July 1925 – 9 July 1928)
Antonio Mosconi	(9 July 1928 – 20 July 1932)
Guido Jung	(20 July 1932 – 17 January 1935)
Paolo Thaon de Revel	(17 January 1935 – 6 February 1943)
Giacomo Acerbo	(6 February 1943 – 25 July 1943)

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