*Continuity of Economic Policy and Economic Thought in Italy between the First and Second World Wars**

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1. Premise

As an economist I shall limit my contribution to some aspects of the documentation collected by Renzo De Felice on the public administration's analyses of Italy's economic situation and to several of his ideas on economic history and the history of economic thought most notably, his recurring view that not only the Fascist era but the war years themselves constituted an element of continuity in Italian history and an important springboard for Italy's postwar economic development.

De Felice wrote political history, and so it might seem unlikely that his work should contain contributions to specific "varieties" of historiography. In reality, his output referred continually to economic events and to the debate on economic theory and policy, and in this respect it represents a lesson for economists, who are overly inclined not to fit their reasoning into the historical framework and not to check their theorems against the facts. The great majority of contemporary economists

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presume that historians need to know economics but that economic research can dispense with the contribution of historical studies.

De Felice never drew a conclusion on the basis of a single document or even several documents of the same nature. Starting out from particular aspects, as Delio Cantimori observed in his preface to *Storia degli ebrei italiani sotto il fascismo* [History of the Italian Jews under Fascism], De Felice widened the scope of his inquiry to assess the responsibilities of individuals and groups and to study the conduct of the government and its most authoritative representatives, of the population, of Italian Jews, of the Zionist movement, of the various strands of anti-Fascism, of the Roman Curia, of certain religious orders of Catholics, and also to examine British and Italian policy in the Mediterranean.[1] In his biography of Mussolini, he expanded and deepened this method of inquiry. Renato Moro has quite rightly remarked that De Felice wrote political history using the tools of economics, sociology, economic sociology, social psychology, institutional and juridical studies.[2]

Another observer has written: "The various segments of De Felice's reasoning fit together, from the largest to the smallest, from the general to the particular, with hairsbreadth precision. He proceeds by successive descriptions of events, assembles evidence and documents, enters into the details of the matter, investigates collective motivations, analyzes moods [...] He doesn't impose a prefabricated interpretation, doesn't dispense world views of the past and present, but retraces the path of his research, exploring every detail with dogged passion. And when he comes to the end, just when you have the feeling that you have lost the thread of discussion [...], the overall picture suddenly comes into focus, clear and precise".[3] I shall conclude these preliminary remarks on De Felice's method by stressing that his work provides important indications for university teaching and research. In a single body of work De Felice brings together economics, statistics, law, sociology, political commentary, disciplines proper to the Faculty of Political Science but which students often perceive as discrete entities on account of the way they are

[1] Cantimori, 1961.
[2] Moro, 1997.
[3] Chessa, 1995.

commonly treated by professors, scholars and researchers. Renzo De Felice's lesson for Italian culture is also that of the unity of knowledge, specifically the knowledge that is the object of the disciplines studied in political science.

2. Governmental documents on the economic situation during the war

Mussolini, as De Felice remarked, was prone to consider "even the most technical, economic and military" questions "essentially as accessory to and dependent on politics".[4] This perspective made Mussolini sensitive to the effect of economic conditions on the morale of the population and, indirectly, that of the fighting men. In his words, events at the front could cause negative or positive "psychological fluctuations",[5] but they had a smaller impact than the rising cost of living, the shortages of staple foods, the malfunctioning and organizational shortcomings of the rationing system and the corruption that this reflected. Accordingly, the Duce closely monitored the information on the economic situation that he received in the periodic reports of the police, military and civilian censorship offices, ministerial departments and Fascist party and trade-unions.

Those documents, accompanied by very effective tables, diagrams and charts, were clear and objective, written in plain and simple language that is a far cry from the incomprehensible jargon that bureaucracy and research habitually use today. More important, and surprisingly, they analyzed economic phenomena and the functioning of the market in the light of an essentially laissez-faire culture, not in terms of the *dirigiste* logic then prevailing in political debate.

The *Report on the Kingdom's Political and Economic Situation at 31 March 1941-XIX*,[6] prepared by the Interior Ministry's Directorate General for Public Safety less than a year after the start of the war, offered

[4] De Felice, 1990, p. 537.
[5] De Felice, 1992, p. 964.
[6] The General Report on Italy's Economic Situation (in 1950) was presented for the first time by the Treasury Ministry in 1951.

an effective picture of the problems of the moment: "The cost of living is rising rapidly and progressively as the indices plainly show, even though they only partially reflect reality. It is necessary to admit that the only thing remaining of the price freeze is its name and, with it, all the complicated structures that were supposed to enforce it".[7] The Report of the following year returned to the subject, observing that "according to the official statistics, the index of the cost of living has remained more or less stationary in the last few months, [but] people hardly agree". This is because "the statistical calculations are based on official prices, whereas the public has to reckon with real and black-market prices". Realistically, the Report commented that "the expression *price freeze* has been emptied of all reality; [...] transactions at a premium are the norm and defy repression, since the parties are in agreement, there are no witnesses, the premium is paid under the table and the invoices are systematically drawn up for the permissible amount".[8]

Describing the hardships of rationing, the Report observed: "Once national resources have been evaluated and rations for the civilian population established accordingly, those rations need to be distributed effectively and regularly". It reiterated that "the Police, by means of the rigorous surveillance of the provisions teams, are doing all they can to slow the rise in prices and punish every fraud and irregularity, but their action is necessarily of limited efficacy and is obstructed, moreover, by connivance on the part of consumers themselves, who, having to choose between paying more and finding nothing, always prefer the former alternative".[9] The following year the Ministry noted that "the phenomenon is so widespread that eliminating it through repressive action is inconceivable".[10]

In 1941 the Report complained that the service sector was subject to "every sort of coercion, the artificiality of which conflicts with natural economic laws". The "incessant stream of prohibitions, permissions, derogations, added to or conflicting with the preceding ones and not

[7] Ministero dell'Interno, 1941.
[8] Ministero dell'Interno, 1942.
[9] Ministero dell'Interno, 1941.
[10] Ministero dell'Interno, 1942.

always comprehensible to the majority", had "put merchants in a position where they themselves often don't know what they are supposed to do".[11] Again, an economic document written by the police of a totalitarian state contained a reference to the *natural laws of the economy* and criticized the bureaucracy.

Early on, the police document noticed the sea change taking place in the distributive sector, where "the only ones to survive are department stores charging standardized prices, patronized by a public interested in articles that are inexpensive albeit of middling quality, while small shops have to fall back on a volume of trade that doesn't even cover their operating expenses".[12]

When in 1943 prices began rising faster as shortages developed and money wages increased, the Report acutely noted that inflation expectations caused consumers to expand their purchases: "Consumers are displaying a certain tendency to make clothing purchases beyond what is strictly necessary, owing to price rises or shortages. [...] Sales of valuables are also somewhat brisker, owing to the fact that the well-to-do are seeking to invest their money and so avoid losses due to further depreciation of the currency".[13] The increase in aggregate demand caused by the run on goods pushed up prices further and stimulated economic agents to dump depreciating lire: consumers by buying durable goods and businessmen by purchasing capital goods and raw materials, where available on the market.

The Report also examined the repercussions of rising prices on production costs, the price freeze and compliance with stockpiling, and noted that inflation had reduced real wages, whose index was subsequently estimated to have fallen from 107.8 in 1940 to 99.1 in 1942. And it periodically registered the growing unease among the middle class and workers, which for the regime became the most sensitive phenomenon, ultimately monitored more closely than anti-Fascist movements of opinion and taken as the main indicator of public morale.

These documents are evidence of a bureaucracy and a police

[11] Ministero dell'Interno, 1941.
[12] *Ibid.*
[13] *Ibid.*

technically able to draft timely and clear reports on the economic situation; a bureaucracy and police of nineteenth-century training and culture that referred to "natural economic laws" and plainly distrusted corporative theory's goal of modifying the individualism of the market by replacing *homo oeconomicus* with *homo corporativus*.

De Felice once suggested I carry out research – research I have sadly never begun – to acquire better knowledge of the bureaucracy of that era: who were the authors of these reports, these men who used Italian correctly and wrote with competence about economic matters? What was their technical and cultural background? He also remarked that it would have been interesting to conduct a comparative analysis with similar documents of the police in Britain, a country steeped in the laissez-faire tradition, where rationing and a price freeze had been adopted earlier than in Italy by the Conservative government and were retained longer after the war by the Labour government.

In the event, the Italian documents unquestionably reflect a continuity in the functioning of the public administration between the first fifty years of Italian unity and the Fascist period, a continuity, alas, not to be found between the latter and the postwar period.

3. The roots of the "economic miracle of the fifties"

3.1 *Productive capacity, industrial output and changes in the labour market*. In his researches De Felice made clear his view that Italy's preparations for war showed what today we would call *mobility, flexibility* and *enterprise* alongside improvisation, inefficiency, technical inadequacy and insufficient morale. The effects of the former elements carried over into the postwar years.

In Germany, as in other countries, there was a sharp acceleration in capital spending for the production of old and new sorts of weapons, warships, military aircraft, transport infrastructure and equipment and everything necessary to supply the troops and for defensive and offensive operations. By contrast, Mussolini, aware that Italy's economy and public morale were not prepared to support a another Great War, believed that the country had to limit its war effort as much as possible and bet on a

rapid end to the fighting. Up to the second half of 1942 he was inclined to consider the country's participation in the conflict from the perspective of the "coming war" rather than the "war being waged", and consequently avoided putting the economy on a wartime footing. The upshot of this was that available resources were underexploited, factories not used to capacity and crucial technical and production decisions deferred. For example, given the conviction that it was unnecessary to step up war production radically, much existing plant was not converted and industry was still producing below capacity at the start of 1942.

When it became clear that the war would be protracted, a far-reaching reorganization of industry became necessary. Despite difficulties and shortcomings, the productive and organizational effort made was far from insubstantial and initially at least managed to cope with the situation, according to De Felice. The entire economy was affected by this headlong campaign, which created the preconditions for the economic growth of the fifties.

As early as 1936-37 IRI, the Institute for Industrial Reconstruction, had begun rationalizing the steel industry with the aim of increasing raw steel output by around 25 per cent in 1940 and doubling it in 1943 with the entry into service of the new Cornigliano works. However, the latter, like other facilities whose construction had begun before the war or after 1940, did not enter into service because of shortages of raw materials or owing to the events of war. The result was that Italy had spare capacity available when peace came.

According to Pasquale Saraceno, during the war key branches of production were beefed up, new divisions were created in existing companies, and small and medium-sized companies were born. "In several sectors", Saraceno writes, "the needs of war accelerated the as-yet incomplete evolution from semi-artisanal to true industrial processes and fostered coordination among firms in planning and execution".[14]

In the early war years the labour market recorded transformations in sectoral and geographical distribution and women's participation that changed the economy's employment structure and had effects in the

[14] Saraceno, 1969.

immediate future. From the territorial point of view, in contrast with the policy of ruralization that the regime had pursued in 1928 and consolidated with Law 1092/1939 against urbanism, aimed at making change of residence practically impossible, there was a movement of people into cities, where they settled in difficult and precarious conditions.

One year into the war a labour shortage began to develop in industry, since the male workforce was now under arms. Although women and children were brought in, the shortage continued. Lured by wage differentials, agricultural workers showed a marked tendency to move to the cities and take work in the factories. According to W.A. Lewis, the movement of population from countryside to city is one of the preconditions for growth, a process that would soon emerge after the end of the war.[15] Still, the supply of labour remained inadequate, while unemployment remained high in the construction, port, tourist and retail trades, owing in part to the weakness of demand reflecting the low level of consumers' income. Between 1940 and 1943 unemployment declined, but this resulted in larger wage differentials and had repercussions on production costs, the price level and hence real wages.

In De Felice's view, the construction of new plants, the underutilization of new capacity, the failure to put the entire productive economy on a war footing, the greater weight of industry, urbanization and the larger presence of women in the labour market "had a stronger influence on the so-called economic miracle of the fifties than is generally believed or than some would have us believe".[16]

3.2 *Financing the war economy.* In the First World War Italy, like nearly every other belligerent, had financed war spending with massive recourse to money creation, generating an inflation that harmed the middle classes most of all and to which Luigi Einaudi, among others, attributed the rise of Fascism.[17] The experience of the Great War suggested adopting a different policy to finance war spending this time. Like Britain, which now took its cue from Keynes's suggestions in *How to Pay for the*

[15] Lewis, 1951.
[16] De Felice, 1990, p. 532.
[17] Einaudi, 1961.

War, Italy turned to rationing. Despite the rationing system's grave inefficiencies, it was the means for controlling aggregate demand, reducing consumption and allocating a larger proportion of private saving to financing the budget deficit.

As consumption fell, saving rose and there was an increase in bank deposits together with a decrease in pledge loans. In contrast with the pattern of the First World War, up to 1942 consumption lagged behind income, resulting in an average saving ratio of 7.96 per cent. Some 60 per cent of the funds raised by credit institutions was used directly to finance the war. The reduction in consumption and the increase in savings deposits led to a modest growth in small farmers' land ownership, business investment and corporate capitalization.

All this does not erase the hardships the vast majority of the population suffered on account of food shortages, the inefficiency of rationing, black-market prices and low income. Less than a year after Italy entered the war, the *Report on the Kingdom's Political and Economic Situation at 31 March 1941-XIX* treated the population's discontent and unhappiness as a matter of decisive importance. But if "the economic situation that came about with the war and the difficulties created for wide sectors of the country undeniably affected the attitude of Italians towards the war and the regime", according to De Felice the impact of this was less important than is commonly believed.[18]

The goal of financing war spending without expanding the budget deficit and currency in circulation beyond sustainable limits was basically achieved, thanks in part to the determination of the Governor of the Bank of Italy, Vincenzo Azzolini. A contribution also came from the Institute of Fascist Finance, whose staff included such worthy economists as Celestino Arena, Gino Borgatta, Francesco Coppola D'Anna and Benvenuto Griziotti, who had participated actively in the economic policy debate of the twenties and thirties and now produced a stream of discussions and documents on financial theory and policy, often of a very high quality. In 1941 the Institute was joined by

[18] De Felice, 1992, p. 707.

Costantino Bresciani Turroni[19] and Giovanni Demaria,[20] two internationally renowned scholars who held important public positions after the war and are generally classed among the opponents of Fascism.

Many authors have dated the anti-Fascism of Bresciani Turroni from the period he spent outside Italy, between 1927 and 1940, and that of Demaria from his report to the Conference for the Study of the Economic Problems of the New Order, held in Pisa. In reality, their entry into the Institute of Fascist Finance in 1941 shows that, at a time when Italy is generally described as breaking up, the leading economists joined the old guard of the Institute in the defence of the nation, and this despite the disgraceful racial laws having ended the university careers of eminent scholars such as Gustavo Del Vecchio, Marco Fanno and Giorgio Mortara and forced them into exile.

The scholars of the Institute of Fascist Finance exerted considerable influence on the policy of the Bank of Italy. Consequently, according to De Felice, "the financial side of the economy – thanks largely to the greater expertise and sense of responsibility and to the powers of those who held its reins – managed to hold up longer than the rest.[21] This was possible thanks to the 1936 Banking Law, a law superseded by the time Law 218/1990 (the Amato Law) and which scholars such as Massimo Severo Giannini and Sabino Cassese, in the eighties, considered

[19] In 1920 Bresciani Turroni was appointed to the Reparations Committee, charged with overseeing the payment of German war reparations and wrote a volume on the subject, *Le vicende del marco tedesco*, which also appeared in English. He taught at the University of Cairo from 1927 to 1940. In 1945 he served on the National Consultative Assembly. Subsequently, he was chairman of *Banco di Roma*, executive director of the International Bank for Reconstruction and Development, Italian Foreign Trade Minister, and founder of the *Review of Economic Conditions in Italy*.

[20] Giovanni Demaria had studied in London, Berlin and the United States, thanks to a Rockefeller Foundation grant. He taught at Bocconi University of Milan beginning in 1934. In 1939 he was named editor of the *Giornale degli Economisti e Annali di Economia*. Demaria's general report to the Conference for the Study of the Economic Problems of the New Order, held in Pisa in 1942, criticized autarky and the corporative economy. In 1945 Demaria became chancellor of Bocconi University, chairman of the Economic Committee for the Constituent Assembly and advisor to the Minister for Industrial Reconstruction and the Treasury.

[21] De Felice, 1990, p. 549.

technically flawless, up to date and serviceable for the foreseeable future.[22]

As De Felice has demonstrated, the 1936 Banking Law and the decrees on *Istituto Mobiliare Italiano* (IMI) and IRI (Royal Decrees 1398/1931 and 5/1933 respectively, ratified by Law 512/1933) were born in the climate of corporative economic thought that permeated much of the economic policy debate of the time. In line with the argument then being advanced by Keynes, corporatism considered the market unable to guarantee full employment and growth; it therefore entrusted government intervention with correcting the market's trends and compensating for its failures. On the assumption that the Italian economy would remain a market economy, IRI and the banking system were assigned the mission of, respectively, technical-economic and financial reorganization of industrial enterprises that had prospects of profits and growth. According to Pasquale Saraceno, the paramount concern, reaffirmed in IRI's bylaws of 1937, was to "give management a sphere of decision-making autonomy akin to that in which private management operates". But, as early as 1981, Saraceno went on to remark that during the postwar period "the type of public enterprise created with IRI's bylaws of 1937 entered into crisis with the inception of a process directed towards fitting the state holding companies into the procedures of a parliamentary democracy, at the expense of managerial independence" and with the well-known economic and financial consequences.[23]

4. Corporatism

With the fall of Fascism, corporative economic theory was branded an expression of the regime, introducing another fault line between Italian economic thought of the years following the first and second world wars. Einaudi, rooted to his vision of a world made up of atomistic producers and consumers who achieve equilibrium via the workings of the market, wrote in 1950: "Love of country dictates that we forget the untruths or

[22] See the contributions by Giannini and Cassese in AA.VV., *Banca e industria fra le due guerre*, (Il Mulino, Bologna, 1981).
[23] Saraceno, *ibid.*

conscious falsehoods written about so-called corporatism".[24] However, in the same year Giorgio Fuà commented: "Nearly every Italian economist participated in the debate or, rather, the inquiry into the theoretical bases of corporatism. The discussion [...] led some of our economists to undertake a critical re-examination of the traditional structure of the science [...]. Interesting studies were produced on the development of our economic culture. Some tended to raise inexhaustible metaeconomic problems, such as the search for a universal conception of individual aims on which to found all economic analysis [...]. Others tended to renew the empirical notions regarding the workings of the economy. The latter included many studies of such subjects as the economic imbalances deriving from the action of lobbies, risk and uncertainty, etc., which corporative literature used in coming to grips with a range of issues that in other countries were treated by the literature on the crisis".[25]

De Felice paid attention to corporatism in his work, and with the *Bibliografia orientativa del Fascismo*[26] he left us a document of vital importance for exploring the subject. Economists have tried, but so far failed, to produce a thorough investigation comparable to that conducted by De Felice on the plane of political history, a study able to shed light on the continuity between pre-Fascist and postwar economic thought.[27]

The starting point of the corporative reflection, following Pantaleoni's 1909 contribution to economic dynamics[28] and in line with the analysis of Chamberlin, Robinson and Sraffa, is the theoretical unsustainability and practical non-existence of the perfect-competition equilibrium. Focusing on different market forms, from imperfect competition to monopoly, on trusts and their consequences for the price system, on income distribution, on crises, the corporative reflection reaches the conclusion that state intervention is necessary.

As Masci, Arena, Amoroso, de' Stefani, Carli and others have shown, corporative economic theory is actually the theory of market forms

[24] Einaudi, 1980.
[25] Fuà, 1982.
[26] De Felice, 1991, pp. 93-164.
[27] Finoia, 1983; Mancini, Perillo and Zagari, 1982.
[28] Pantaleoni, 1964.

different from perfect competition and monopoly and, given the instability of the equilibrium of those market forms, of state intervention, proposing to provide "elements of both static and dynamic determination".[29]

The corporative statement can be seen as an unsuccessful embryonic attempt to alter the premises of economic science by abandoning microeconomics for a macroeconomic approach and harnessing the state to it. Noting that the state was absent from the general economic equilibrium model, Ugo Spirito argued for a theory that would take its presence into account. The fact that such a theory "is called corporative and not otherwise does not mean that it is identified with the corporative order directly and in contingent fashion, but only that explicit and clear recognition of that necessity is to be found in the corporative order. That the state is an essential constituent of individual and hence of economic life is not a truth that is instituted with the corporative regime, nor is it limited to present-day Italian political life."[30]

Fovel's attempt to define the nation or community as the single or unitary object and actor of the economy takes on meaning in the light of national-income theory. In Fovel we glimpse an attempt to shape a macroeconomic approach, where he states that "the notion of collective unity is in any case necessary in order to make a full-blown economic theory derive from or converge with it; a theory that today would be called corporative and that tomorrow could become, in its turn, pure economic science".[31] National-income theory sheds new light on the economic significance of Article 18 of the 1927 Charter of Labour, which states that the nation "is a body with aims, life and means of action superior in strength and duration to those of the individuals or groups of individuals composing it". Moral, political and economic unity: full employment, control of aggregate demand, equilibrium in the external accounts, for example, are not goals that individual economic actors can strive to attain but objectives proper to economic policy of the nation (to use the language of the age).

[29] Masci, 1982.
[30] Spirito, 1982.
[31] Fovel, 1982.

5. Continuity of public intervention in the Italian economy

The dominant economic thought of the fifties, sixties and seventies, the strand closest to a not always orthodox Keynsianism, constantly argued for an expanding role of government in the economy, as was in the logic of corporatism. Among other things, it approved extraordinary investment in the South, launched in 1950; the expansion of publicly-owned enterprise, with the National Hydrocarbon Authority (ENI) in 1953 and the National Electricity Authority (ENEL) and Shareholding and Finance Agency for Manufacturing Industry (EFIM) in 1962; the creation of plants such as the complexes in Taranto, Gela and various other "cathedrals in the desert", comparable to the holes to be dug only to be filled up again, in Keynes's extreme suggestion; it participated actively in the bankrupt experience of economic planning of the sixties and seventies; it accepted the expansion of the public debt beyond the limits of sustainability that would be established at Maastricht.

As Vera Zamagni has remarked, government intervention in the economy was a constant feature of Italian history from national unity to the years of Fascism and the postwar period.[52] With the coming to power of the historical Left in 1876, the state intervened massively; first with the construction and expansion of the road, railway, telegraph and postal networks; then with the policy of industrialization, fostered by protectionism, government contracts, subsidies and preferential treatment, public-credit channels, bailouts and nationalizations, and even with a series of legislative measures in 1904 that stand as precursors of the later policy for depressed areas (Law 104/1904 for Basilicata, Law 185/1904 for local authorities in the South, Royal Decree 368/1904 for the reclamation of swamplands, Law 351/1904 for the city of Naples, Law 381/1904 for the aqueduct in Apulia).

If early government intervention had mainly been directed towards creating the physical infrastructure necessary for economic growth, intervention during the Fascist period concentrated on building what might be called economic and civil infrastructure. In addition to the

[52] Zamagni, 1981.

creation of IMI and IRI and the 1936 Banking Law, which have already been mentioned, the measures included the 1926 Banking Law, the Integral Reclamation Scheme of 1928, the reform of the State Accounting Office of 1939, and the establishment or strengthening of public entities such as the Credit Consortium for Public Works (Crediop), the Credit Institute for Public Utilities (Icipu) and *Banca Nazionale del Lavoro*. Especially important for the country's cities was Law 1150/1942, Italy's first urban renewal law, which aimed, "in the building, renewal and expansion of cities, to ensure respect for traditional environments, to foster urban decongestion and to brake the trend towards urban growth" (Article 2).

In the field of industry, Agip (petroleum), ANIC (chemicals), LATI and ALA (airlines) and EIAR (forerunner to the RAI broadcasting agency) were among some of the most important initiatives in "advanced" sectors. "After 1936 the Italian state owned a larger share of national industry than any other European state except the Soviet Union".[33] The state also intervened extensively in the field of art and culture, for example by creating Opera Authorities (Law 1570/1936), the Experimental Centre for Cinematography (Law 419/1942), the Agency for Italian Theatre (Law 365/1942), and by financing the *Biennale of Venice*, born in 1895 (Royal Decree Law 515/1927), and other cultural institutions.

In the same years the foundations of the welfare state were laid with legislation protecting women workers, maternity and child labour (Laws 437/1925 and 653/1934); with measures to fight tuberculosis (Law 1276/1926) and compulsory insurance against tuberculosis (Royal Decree Law 2055/1927, ratified by Law 1132/1928). The campaign against malaria was launched (Law 851/1933) and administrative provisions were issued for preventive measures against the disease (Royal Decree 93/1935). Pension, accident insurance and health-care institutes were established, including INCIS, INPS, INAM and INAIL, and the Wage Supplementation Fund was created.

The theoretical underpinnings of this legislation are to be found particularly in the work by Mauro Fasiani, *Stato moderno o nazionalistico o corporativo*.[34] Fasiani conceived of the state as an "organization whose

[33] Romeo, 1980.

[34] See Finoia, 1987.

power is exercised in the interests of the political group considered as a *unit*", i.e. an agent, as in Keynesian thought, with macroeconomic objectives such as national-income growth, full employment, unemployment benefits, social security, which also serve as built-in stabilizers.[35]

6. The Labour Charter

The most important document of the attempt to organize a corporative state is no doubt the Labour Charter.[36] Its importance is political (it was approved by the Fascist Grand Council in 1927), legislative (it was promulgated with Law 14/1941 and inserted as a premise into the Civil Code of 1942) and doctrinal (it was the object of reflection by philosophers, jurists and economists).

The Labour Charter is divided into four parts, comprising a total of thirty articles. The four parts concern: a) the corporate state and its organization; b) collective labour contracts; c) the state employment service; d) social security, welfare, education and training. In De Felice's view, though the Labour Charter represented a cornerstone of the regime's policy, it contained "nothing that was revolutionary".[37] In reality, aside from the first part, the document appears profoundly innovative with respect to the past and very modern – so much so that it seems to have largely inspired postwar trade-union and social policy, laying the bases of the rigidity that has since characterized the Italian labour market and creating a continuity that is no less real though perhaps less evident than that in other spheres.

With regard to the "labour guarantees", the primary objective of the Labour Charter was "the obligation to regulate employment relations by means of collective labour contracts, [with] precise rules on discipline, the trial period, the amount and procedures of wage payments, and working hours (Article 11). The Labour Charter made it compulsory for there to be

[35] Fasiani, 1941. The prevailing view in Italian economic thought had traditionally been that of Antonio De Viti De Marco, who postulated that only two forms of state were possible: dictatorship, which through taxation imposes a monopoly price for public services; and democracy, which through taxes assigns such services at cost, as in the competitive market. See De Viti De Marco, 1888.

[36] Published as an appendix in De Felice, 1968.

[37] *Ibid.*, p. 296.

"weekly rest coinciding with Sunday and with civil and religious holidays" (Article 15). It also established "the right to an annual paid holiday" after one year of continuous service (Article 16) and "the right to an allowance proportionate to the years of service" in the event of dismissal without cause (Article 17), and provided that "a worker's sickness does not terminate the labour contract" if such sickness did not exceed a given duration (Article 18).

The Labour Charter also dwelt at length on cottage industry, which was very widespread in the late twenties, albeit differing in form and scale from the phenomenon prevailing today. The document established that "the benefits and discipline of the collective labour contract shall also extend to workers at home", and called for special rules to ensure the health and hygiene of such workers (Article 21).

The Labour Charter treated workplace "accident prevention" (Article 25) and "social security, as the manifestation of the principle of cooperation, with the employer and employee contributing proportionately to the costs" (Article 26). Its final article entrusted the state with the task of perfecting accident insurance, improving and extending maternity benefits, establishing insurance for vocational diseases as the premise for general health insurance, perfecting insurance against involuntary unemployment and, as part of demographic policy, adopting special forms of insurance to provide a dowry to young workers.

Only some of the objectives indicated in the Labour Charter were achieved during Fascism, but the foundations for achieving many were laid with the creation of social security and healthcare institutions, such as INAM, INPS and INAIL. All, or nearly all, these objectives were pursued by organized labour after the war, creating the welfare state and establishing a continuity with the thirties, years which De Felice's work shows are wrongly considered exceptional.

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