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The Guardians of Capitalism: International Consensus and Fascist Technocratic Implementation of Austerity

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THE GUARDIANS OF CAPITALISM

International Consensus and Fascist Technocratic Implementation of Austerity

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Current debates on austerity often forget that these policies are almost 100 years old .This paper explores how the combination of austerity and technocracy acted as a powerful tool to secure the compliance of European countries to socio-economic stabilization after WWI. Austerity emerged as an economic, moral and technocratic message as economic experts sought to educate the restless post-war civil society. This paper analyses primary austerity documents from the international economic conferences of Brussels (1920) and Genoa (1922). In addition I use a case study of Italy (1922-1925) to show how austerity succeeded under the first years of Fascism, when the government authorized prominent economics professors to implement the international financial codes devised at Brussels and Genoa. This essay considers the scientific writings of De Stefani, Ricci and Pantaleoni to examine the theoretical roots of the technocratic nature of austerity.

Key Words: Austerity, Technocracy, Post-WWI Financial Conferences, Economists as Consultants, Fascism.

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Introduction

> In an era of upheaval, it is continuity and stability that need explanation. The premise of this study is that European social hierarchies in the twentieth century have proved strikingly tenacious when men often expected otherwise [....] If in the turmoil of 1918-1919 a new European world seemed to be in birth by the late 1920's much of the prewar order appeared to have been substantially restored. (Maier 1975, 3)

This work sets itself in the framework of research put forth by the magisterial book of Charles Maier Recasting Bourgeois Europe and recently taken on in Adam Tooze's The Deluge. It contributes to the investigation of "How so great a degree of hierarchical social ordering was preserved," (Maier 1975, 4) when, in the wake of the First World War, both progressive trends and economic dislocation were poised to bring about radical socio-economic changes. As Maier noted: "If the weakness and divisions of the attackers [left wing parties and unions] are well known, the strategies of social and political defense remain unexplored" (Maier, 1975, 4). In this work I show austerity to be a crucial component of such a strategy of social and political defense.

Both Tooze and Maier agree that this post-war socio-economic turmoil brought about an unprecedented challenge to capitalism that was crushed by a strong and conservative commitment to uphold the socio-economic status quo. Nonetheless, this could never have been a status quo ante: there was no way back. In the words of the German chancellor von Bentham Hollweg: "After such dramatic events, history knows no status quo" (Tooze 2014, 3). The concrete outcome was thus a remaking of global order. While Mayer speaks of "recasting" bourgeois Europe within a corporatist political economy, Tooze stresses the reordering of the world around a single power bloc and a common set of liberal, 'Western' values, "On the third anniversary of the Armistice, in November 1921, a club of leaders gathered for the first time in Washington DC to accept a global order defined by America in unprecedentedly stark terms." (Tooze 2014, 11)[2] And again: "What were the essential elements underpinning this new order that seemed so oppressive to its potential enemies? By common agreement the new order had three major facets - moral authority backed by military power and

[2] "The rations of geostrategic power were fixed in the ratio of 10:10:6:3. At the head stood Britain and the United States, who were accorded equal status as the only truly global powers with a naval presence throughout the high sea. Japan was granted third spot as a one-ocean power confined to the Pacific. France and Italy were relegated to the Atlantic Littoral and the Mediterranean. Beyond these five, no other state reckoned in the balance. Germany and Russia were nor even considered as conference participants. This it seemed was the outcome of World War 1: an all-encompassing global order in which strategic power was more tightly held than nuclear weapons are today, It was a turn in international affairs, Trotsky remarked, analogous to Copernicus rewriting or the cosmology at the end of the middle ages," (Tooze 2014, 11).

economic supremacy." (Tooze 2014, 8)[3] These elements embody the power of normalization that will be explored through my analysis of austerity.

The conviction expressed in this work is that the combination of economic technocracy with austerity acted as a powerful tool for securing the plausibility of, and especially the compliance with, post-war stabilization. It was this twofold tool that arose at the international economic conferences of Brussels and Genoa. Held respectively in 1920 and 1922, they represent the first worldwide international financial conferences in history. However these conferences are largely overlooked by scholarship. When rarely mentioned, they are usually considered worthless, since the principles of international monetary cooperation failed to be concretely applied.[4] This article shows those opinions are misplaced; indeed the relevant meaning of the conferences of Genoa and Brussels was of ideological significance, having very little to do with any project of formal international cooperation. To be sure, the conferences formally expressed austerity as a technocratic solution to the post-war capitalist crisis. For a contemporary reader the striking similarity with the present recipes to cure the European debt crisis will immediately emerge. I will also demonstrate that the financial "code" drafted at Brussels and Genoa was indeed successfully implemented. Italy, a country where post-war social upheavals and progressive claims had been noteworthy, became one of the best students of austerity, thanks to the direct intervention of economic experts in Mussolini's cabinet.

Tooze and Maier identify the economic deflationary wave of the 1920s as the main driver of the restoration of order on the continent, both domestically and internationally. However, little attention is paid to the austerity rationale and the role of economic experts as novel and decisive legitimizing tools. By austerity, I mean not merely the economic policy of budget cuts and price deflation, but rather a full blown rationality[5] that is intrinsically theory and practice. Austerity was an economic, moral and technocratic message with which the economic experts sought to educate and civilize a restless post-war civil society. I will show that Fascist Italy achieved this objective in a particularly efficient way: in a country of extraordinary upheavals, austerity measures were rigorously applied. Social order, accompanied by a balanced budget, was achieved in just a couple of years. While Italian trains were famously running on time the needs of the civil society were disregarded in the name of financial orthodoxy.

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[3] Tooze convincingly argues that the interwar years should not be characterized as a continuum but rather as a dialectic between 1920s compliance with this anti-militarist liberal global order and successive insurgency.

[4] For a conventional view of the outcome of the conferences see Eichengreen (1992), 153-162 and Fink (1991), 1-9.

[5] The term austerity "rationality," rather than rationale, has been chosen to stress the relationship between austerity policies and standard economic rationality, an all-encompassing view that weds practical policies and economic theory.

The first section of this essay reconstructs the explosive socio-economic context that the conferences were called to normalize. The second illustrates the technocratic features of the international conferences which can only be fully appreciated through an analysis of the austere content of their resolutions, undertaken in the third section. The fourth section tackles the case study of Fascist Italy: between 1922 and 1925 the Economics professors Alberto De Stefani, Umberto Ricci and Maffeo Pantaleoni gained the "full-powers" to enact the principles of the financial conferences. Italian society was normalized and "moralized" in the name of economic orthodoxy. The last two sections look upon the thought of the engagés Italian professors, in particular at their mission, as economists, in order to explain the foundations of the technocratic nature of austerity. Thus it will become clear that austerity had a solid theoretical and moral basis that rested on a methodological practice of economic science.

I. The Struggles Of Capitalism and the Technocratic International Conferences

In the aftermath of the First World War capitalism was under attack. The pre-war social and economic order was shattered. Contemporaries indeed felt it: "A sense of a world coming apart, fantasies of conspiratorial communist influence, a prolonged state of economic crisis, a wave of strikes and industrial conflict, fuelling increasing rhetorics of class conflict and violence on both sides. The nineteenth century had been haunted by revolution. Now it was the moment, it seemed that revolution had arrived." (Tooze 2014) In the same tone: "Late 1918 and early 1919 brought a wave of apocalyptic militancy punctuated by general strikes. Attackers and defenders alike shared moments of belief that the bourgeois order was near collapse," (Maier 1975, 136). The words in Corriere della Sera[6] by the famous liberal economist Luigi Einuadi epitomize the feelings of the upper classes of the time:

> The victory of socialism seemed too close and too easy. It was the time in which one would speak of the Bourgeoisie as a corrupt social class; in which it seemed that a shoulder shove would suffice to knock the so-called capitalism regime to the ground. The communistic millennium seemed near; the reign of equality close to ensue. (Einaudi 1922, in: 1966, VII, 905)

Another Italian Liberal economist, Riccardo Bachi, reports to the League of Nations in a similar tone:

> The tremendous events of the preceding years kept men's minds in a certain state of agitation: there was a desire for change, an acute anxiety regarding the future, due to the false perspective in which political events in other countries were viewed. The frequent strikes for political purposes which occurred in the years 1919 and 1920, sometimes in connection with events of trifling importance, were symptomatic of this state of mind. The economic phenomena caused by the war had brought about very considerable changes in the distribution of wealth, partly owing to the depreciation of the currency and partly owing to changes in the rates of production and consumption. In 1919 and

[6] Milan's major daily, reflecting the Editor Luigi Albertini's elitist liberalism until his removal in 1925.

> 1920, apart from the political strikes referred to above, there was a whole series of economic strikes - which furnished the clearest evidence of the movement towards a redistribution of income on lines corresponding to the change in the level of prices. During these two years violent conflicts took place between the employer class and the working class...The working class embarked on a highly aggressive policy in order to obtain better conditions of labour under the impression, perhaps exaggerated, that enormous industrial profits had been gained during the war and the first months of peace. (R. Bachi 1922, 24)

The extraordinary escalation of class conflict was everywhere felt. Workers demanded greater economic democracy. The intensification of the struggle was marked by political demands for democratic rights and freedoms, and socio-economic appeals in the sphere of wages, length of the working day, working conditions, social insurance, etc.[7] In France, strikes reached an all time high in 1919-1920 - including the Paris engineering strike of June 1919 and the railway strike of the following February, culminating in a great general strike on May 25, 1920. In Italy the Biennio Rosso was fierce. The movement for work controls brought about national occupation of enterprise with workers' councils and committees. Between 1919 and 1921 more working days were lost in Great Britain than in revolutionary Germany and Italy.[8] Especially notable, the battle of George Square in Glasgow (January 1, 1919) was fought in the name of shorter working hours and reduced unemployment. It was halted with the intervention of tanks sent by the British government. Nonetheless, workers were granted the right to a seven hour working day.

This explosion of labour struggles and protests was primarily due to the growth in the organization and strength of the working class. From 1916 onward, union membership increased steeply in the UK, Germany, France and Italy. The urgent necessity to raise war production induced governments to recognize unions and allow for concessions in their favor. The post-war labour market was characterized by diminished labour flexibility since the processes of collective bargaining increased. What is more, the State widely expanded its economic domain. It gained an active role as producer and regulator,[9] but also became a social resource: during the war and in the post-war years, consistent social reforms were put into action, also as compensation for the enormous war sacrifice of soldiers and civilians.[10] It was expansive fiscal policies that fulfilled the new demands for social

[7] For broad and in-depth studies of European social conflict and strikes, with reference to France, Great Britain, Italy, Central Europe and Russia, see: Hamison and Sapelli (1992), Wrigley (1993) and Bertrand (1976). Concerning Italy see also: Lyttelton (1973),Tasca (1975), Vivarelli (1991). For England: Cronin (1987).

[8] The Confederation General du Travail (CGT), the trade union confederation, fought for economic democracy. On France's labour militancy see: Horne (1993).

[9] In particular, in all European countries, administrative controls on prices, wages, and capital and foreign exchange markets were introduced during the war and persisted after its end. See Feinstein et al. (2008), Chapter 2.

[10] In France Clemenceau granted the eight hour work day in April 1919. In Italy it was obtained in the same year. In Germany the eight hour work day was achieved already in 1918. In Italy a legislative decree of October 1919 introduced official mandatory insurance against unemployment. Other forms of social welfare

security and public benefits advanced by the trade unions. Surely post-war economic difficulties arouse greater social claims. In particular, inflation mounted during the war but reached a legendary boom in 1919-1920. Rising prices threatened real wages, hence even more workers were driven into the ranks of the trade unions (Tooze 2014, 356).[11]

Indeed, inflation proved that the capitalist crisis was not merely an exogenous political shock but it had deep economic motivations.[12] Demand structurally exceeded supply, and one of the persistent causes of inflation was certainly the dire straits of the State's public finances, worsened by the end of the inter-allied war credit and financial cooperation.[13] Enormous amounts of savings and capital were lost; there was also a shift in income distribution.[14]The words of John Maynard Keynes demonstrate that contemporaries were well aware of the structural revolutionary effects of hyperinflation: “a continuance or inflationism and high prices will not only depress the exchanges but by their effect on prices will strike at the whole basis of contract, or security, and of the capitalist system generally,” (Keynes in Harrod 1951, 413)

The fragility of the capitalist system was once again embodied by the unprecedented fluctuation in a business-cycle: the boom of 1919-1920 was followed by the slump that began in the spring of 1920.

It is in this explosive socio-economic context that the Council of the League of Nations[15] called for the economic conference of Brussels (September 24 to October 4 1920). It was the world's first 'international financial conference.'[16] Less than two years later, at Cannes, the Supreme Council of the Allies announced the Genoa economic financial conference (10 April-19 May 1922).[17]

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were born at the time: provisions to protect needy families, credits for the poor and pensions for war orphans and invalids. In April 1919, insurance for disability and old age became mandatory and covered all private sector workers, which accounted for more than 10 million people. For details on further social reforms see article in file with the author, "Austerity and Repressive Politics." For a survey of welfare policies in other countries during those years, see: P. Flora and H.J. Heidenheimer (1983).

[11] In Italy, during 1919 the membership of the CGIL rose from 350,000 to 800,000 adherents. Federterra, by 1919, had almost doubled its war time complement to reach 457,000 militant members and redoubled it again to almost 900,000 . See C. Maier (1975),47-53; Vivarelli (1991) and Tasca (1965).

[12] On the causes and consequences of inflation see Eichengreen (1992),107-115.

[13] See Feinstein et al. (2008), 34-38. For an in-depth analysis of the inter-allied debt problem see Moulton and Pavlovsky (1971).

[14] See Maier (1975), 43-44.

[15] On the increasingly important economic and financial role of the League of Nations through the new-born economic and financial section of the Secretariat, and its technocratic imprint see P. Clavin (2013), Ch. 1.

[16] Clavin (2013), 17.

[17] Resolutions adopted by the Supreme Advisory Council at Cannes, January, 1922 as the basis of the Genoa Conference. Cmd 1621. British Parliamentary Papers, 1922.

Both winning and losing countries participated[18]. In Brussels, eighty-six delegates were present. Thirty-nine nations, containing three-fourths of the world's population, were represented, including practically all major countries except Russia, Turkey, Mexico, and Chile; the United States was only unofficially represented.[19] In Genoa, thirty-four nations participated, thirty European Countries and the British dominions. The sense of urgency for dealing with the social-economic post-war problems is clear from the language used by the Council of the League of Nations to announce the conferences. It spoke not of economic problems but of financial crisis.[20]

The aim of the conferences was to formulate an international provision of economic stabilization and normalcy. The capitalist economy had to be reconstructed on solid foundations; the compliance of each single country was crucial.

The urge to reconsolidate the social and economic order transcended immediate political affiliation for both governing conservatives and progressive liberals. In fact, with the war, politics had lost prestige and was willingly disqualified. A new source of legitimacy was sought in the super partes truth of economic science and of the experts who spoke that language of truth. It was the reuniting of the European establishment under the flag of technocracy.[21]

The few economic historians who have studied the conferences speak of a failure: economic and monetary international cooperation was not achieved.[22]Nonetheless, if one reads the testimonies of several contemporary economists, the perspective changes: a real enthusiasm for the high scientific level of the conferences is expressed. The common view was that the success of the conference lay in

[18] For a good reconstruction of the conferences, See Fink (1984), Traynor (1949), Mills (1948).

[19] At Brussels, the United States was "unofficially" represented by Mr. R. W. Boyden, a Boston lawyer, whose official position in Europe was indicated by his designation as "delegate near the Reparation Commission." At Genoa, the American Ambassador Richard Washburn Child was the unofficial observer of the conference.

[20] League of Nations (1920), 13. J. H. Davis writes: “The Conference was called ‘with a view to studying the financial crisis and looking for the means of remedying and of mitigating the dangerous consequences arising from it;’ subject, however, to the instruction that ‘none of the questions which are the subject of the present negotiations between the Allies and Germany should be discussed at the Conference.” (Davis 1920, 350).

[21] For example, Patricia Clavin tells us that one of the formal recommendations of the Brussels conference was the establishment at the League of Nations of a provisional "committee of bankers and business to frame measures to give effect to certain decisions of the conference". The author also writes: "the joint provisional economic and financial committee was not officially an intergovernmental forum, but rather a body made up of "independent experts" in theory nominated by the council, but frequently proposed by the secretariat." Clavin (2013), 22.

[22] See Eichengreen (1992), 153-162; Fink (1991), 1-9.

sanctioning the vital role of technocracy. The distinguished American economist J. S. Davis[23] argues that the conference:

> must be judged by the perspective it achieved, the soundness of its analyses, and the applicability of its recommendations within the limits assigned. Thus judged, the consensus of solid opinion is that the Conference succeeded. A conference of specialists in financial disease, assembled for diagnosis of the acute illness of the nations, it reached unanimous agreement upon the main points of a diagnosis and upon the mode of treatment appropriate to the present stages of the disease. (J. S. Davis 1920, 350)

H.A Siepmann[24] was of the same inclination, as he was sure that a "conference of highly distinguished gentleman will produce very positive results," (Siepmann 1920, 442).

The technical imprint of the conferences is visible in three different aspects. First of all, the social composition of the national representatives was decidedly apolitical. Of the delegates of each country, “very few of the representatives were either politicians or diplomats, but fewer still were representatives of Labour,” (Siepmann 1920, 443). The majority were business and financial experts. Davis writes: “The representatives were in the main leading bankers and treasury officials, who "attended as experts and not as spokesmen of [existing] official policy” (Davis 1920, 349). Mostly the same experts also sat at Genoa.

Secondly, technical documentation was unprecedentedly abundant. The secretariat of the League of Nations requested that States and their banks submit information on currency, public finance, international trade, retail prices and coal production. About Brussels, Siepmann comments: “No conference was ever so well provided with documents as this one,” (Siepmann 1920, 441).

Preparing for the event, the secretariat of the economic and financial section of the League of Nations compiled fifteen documents. The Times described them to be four inches thick.[25] Davis

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[23] Joseph Stancliffe Davis (1885-1975) was Professor of Economics at Stanford University, CA (since 1917) and Director of the Food Research Institute (1921-1952). Among many representative roles, in 1924 he was the economic assistant to American members of the Dawes Commission on German Reparations. Davis was a contributor to the Journal of American Statistical Association, Review of Economic Statistics, Journal of Farm Economics, Quarterly Journal of Economics, Virginia Quarterly Review, and Harvard Business Review. From 1919-1925, he was Editor of Review of Economic Statistics. His books of those years include: Essays in the Earlier History of American Corporations, two volumes, Harvard University Press, 1917, reprinted; Stale Bread Loss as a Problem of the Baking Industry, Stanford University, (1923); The Farm Export Debenture Plan, Food Research Institute, Stanford University, (1929).

[24] Not much biographical information is available about H. A. Siepmann. All that is known is that, after having been part of the royal regiment of artillery (1914-1920), he was a British economic expert. The Treasury Archives attest that on 12 March 1919, Siepmann was elected secretary of the financial section of the Supreme Economic Council of the League of Nations (T 208/24). He was also mentioned as one of the voluntary financial experts to the League of Nations in the compilations of "Currencies after the War A survey of conditions in various countries," (1920) London: Harrisons and Sons. His most famous book is co-edited with J.A Henry: "First hundred years of the Standard Ban" (1963) London: Oxford University Press. The cover presents Siepmann as former director of the Bank of England.

eulogizes: “The volumes of statistics are not merely collections of crude figures. On the contrary, the data are selected, worked up, and carefully presented as a basis for interpretation,” (Davis 1920, 350). In preparation for Brussels, a preliminary conference on the standardization of national statistics for international use took place. The latter was seen as a great advance in the utilization of statistics internationally (Clavin 2013, 19).

Significantly, it was Economics professors who drafted the most influential body of memoranda. It was a novelty to consistently deploy academic expertise. Professor Pantaleoni (Italy), Professor Gide (France); Professor Bruins (Holland), Professor Pigou (England), and Professor Cassel (Sweden) submitted papers to instruct conference participants.[26] Subsequently, upon request, the five economists met and prepared a joint statement that set out the agenda for the conference. The economists identified three critical economic problems that had to be tackled:

> First was the threat of inflation, which could be vanquished only by balancing the governments’ budgets, allowing interest rates to rise to realistic levels, and funding floating debts. Second was the problem of exchange rate instability, whose elimination required price stabilization and the removal of obstacles to trade. Third was the problem of capital shortages, which could be resolved only through the provision of international credits. (Eichengreen 1992, 154-155)

The Genoa conference displayed the same technical characteristics, and was similarly guided by the Reports of the Committee of Experts Appointed by the Currency and Exchange sub-commission of the Financial Commission,[27] which was drafted by economic scholars, financiers, businessmen and bankers Basil Blackett, Joseph Luis Avenol, Robert Brand, Gustav Cassel, Luis Dubois, Rudolf Havenstein, Sir Henry Strakosch and Gerard Vissering, among others.

The theoretical and practical weight of the experts’ wisdom is unmistakable if one compares their statements with the official resolutions of the conference. Their advice was fully represented in the resolutions. A common rationality was expressed and agreed upon: austerity. Austerity is

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[25]“The statistical documents prepared primarily for the Conference deal respectively with (III) Currency and the Exchanges, (IV) Public Finance, (V) International Trade, (VII) Retail Prices, and (VIII) Coal Production, Consumption, and Trade. In the main, these compare the years 1913 and 1919, and as far as possible, bring the data down to a more recent date by monthly or quarterly figures,” (Davis 1920, 350).

[26] Cassel’s Memorandum of the Worlds Monetary Problems, Pigou's Memorandum on Currency Credit and Exchange Fluctuations; Pantaleoni's Memorandum Prepared for the international Financial conference at Brussels were published by the League of Nations in 1920.

[27] Reports of the Committee of Experts Appointed by the Currency and Exchange sub-commission of the Financial Commission. Cmd 1650. British Parliamentary Papers, 1922. Concerning currency problems, two types of states had to be considered: 1) "countries where inflation has taken place, but has already been stopped and where a certain amount of deflation has already been affected;"2) "countries where inflation is still going on." Countries of the second type should endeavor to reach the status of the first group as soon as possible by following three specific rules: 1) Declare the intention of returning to gold as soon as possible. 2) Balance current budgets and issue no more inflationary currency. 3) Fix, as soon as possible, the gold value of the monetary unit.

inherently technocratic, as it encompasses both theory and practice. Thus economic orthodoxy calls for technical political and moral compliance of each national government. Both the Brussels and Genoa resolutions, and their concrete implementation under Mussolini show that the three dimensions were closely intertwined. The nature of austerity itself calls for its enforcement. The next section will expand upon this crucial point.

III. Austerity and the Financial Conferences

At Brussels and Genoa, delegates and experts discussed many issues, and exposed contrasts between the theoretical and the political[28]. A particular point of contention concerned commercial tariffs and the workings of the gold standard.[29] Interestingly, there was outright consensus on the urgency for financial orthodoxy and budgetary rigor. The resolutions of the international commissions show a full-fledged austerity rationality emerging as the common guiding principle.

The first ten days of the Brussels conference were devoted to the hearings of the financial statements of the different countries. The resolutions of the Commission of Public Finance manifest a clear sense of alarm for the "extreme gravity" of their financial prospects. Resolution I states:

> The examination of these statements brings out the extreme gravity of the general situation of public finance throughout the world, and particularly in Europe. Their import may be summed up in the statement that three out of every four of the countries represented at this Conference, and eleven out of twelve of the European countries, anticipate a Budget deficit in the present year. Public opinion is largely responsible for this situation. The close connection between these Budget deficits and the cost of living; which is causing such suffering and unrest throughout the world, is far from being grasped. Nearly every Government is being pressed to incur fresh expenditure; largely on palliatives which aggravate the very evils against which they are directed. The first step is to bring public opinion in every country to realize the essential facts of the situation and particularly the need for re-establishing public finances on a sound basis as a preliminary to the execution of those social reforms which the world demands. (League of Nations 1920, 13)

This passage underlines the austere agenda that framed the conference. After giving empirical evidence of the "disastrous" financial situation, the cause of such "evil" is not found in structural

[28] The minutes and the resolutions of the two conferences were published by the League of Nations (League of Nations 1920, 1922). In this section I undertake a fist hand analysis of these documents. The main topics of the Brussels conference were public finance, international trade, currency and exchange and credits, and each was assigned to a different commission: the Commission of Public Finance, the Commission of Currency and Exchange, the Commission of Credits. The Genoa conference established similar commissions: the Financial Commission (divided into the sub-commissions on Currency Exchanges and Credit), the Transport Commission and the Economic Commission. The problem of reconstruction of Eastern Europe (particularly Russia) was also widely taken into consideration. Instead the controversial matter of Germany's war reparations was ruled out of the discussions of both conferences.

[29] Concerning the two conferences and the main points of controversy, see: Siepmann (1920), Eichengreen (1992), 153-167; Fink (1984), Einaudi (1963), vol. VI: 703-709; Cassel (1922).

economic contradictions or in the decision to wage war, but rather in the individual faults of the nations' citizens: this desire to live above their means. The solution is immediate economic reform. However, public opinion must first be cultivated: the sense of alarm must be spread, the right economic priorities must be understood. Hereafter there should exist meticulous international control and comparison of national budgets, preferably under the supervision of the League of Nations:

> In order to enlist public interest, it is essential to give the greatest publicity possible to the situation of the public finances of each State...The Council of the League of Nations should request all its members and all the nations represented at this Conference to furnish it regularly not only with Budget estimates and final Budget figures, but also with a half-yearly account of actual receipts and expenditure. At the same time, countries should be urged to supply as complete information as is possible on the existing system of taxation, and any suggestions which may appear to each State to be useful for the financial education of the public opinion of the world [...] (Resolution IX, 15)

In their words, people have to be made to understand that excess in government spending, and particularly public deficit, is the primary obstacle to economic recovery, causing both inflation and currency instability (Resolution II). Thus, Resolution II ends with telling austere rhetoric: “The country which accepts the policy of budget deficits is treading the slippery path which leads to general ruin; to escape from that path no sacrifice is too great,” (League of Nations 1920, 13).

Consequently the most urgent social and financial reform “on which all others depend” is a broad cut, both in ordinary and extraordinary public expenditure (Resolution III). Resolution IV emphasizes that the first cut should be in armaments and war expenditures. The following resolution declares that the policy revisions should also include welfare and social expenses, the demise of price controls over primary goods, the restriction of unemployment benefits, and a redefinition of the excessively low utility charges of postal and transport services. These policies were all condemned as wasteful public expenditures and interferences with markets. It reads:

> Conference considers that every Government should abandon at the earliest practicable date all uneconomical and artificial measures which conceal from the people the true economic situation; such measures include: (a) The artificial cheapening of bread and other foodstuffs, and of coal and other materials by selling them below cost price to the public, and the provision of unemployment doles of such a character as to demoralize instead of encouraging industry. (b) The maintenance of railway fares, postal rates and charges for other government services on a basis which is insufficient to cover the cost of the services given, including annual charges on capital account (Resolution V, 14) .

Universal taxation was also proposed as a means of financial diligence: “Fresh taxation must be imposed to meet the deficit and this process must be ruthlessly continued until the revenue is at least sufficient to meet the full amount of the recurrent ordinary expenditure,” (Resolution VI, 14).

The declarations of the other commissions harmonize with the austere position of the Financial commission. The Commission on Currency and Exchange focused on inflation (Resolution

I, 27), citing artificial expansion of national currency as the principal cause. Inflation is an "unscientific and ill adjusted mode of taxation" that produces higher living costs and consequent “labour unrest”. The commission proposed possible remedies. First, Governments should limit their expenditure to their revenues. All superfluous expenditure should be avoided. From the declarations of the financial commission, it is implicit that the latter involves social subsidies and public utilities. Secondly, Banks, in particular Banks of Issue, should be independent of political pressures in order to act solely “on the lines of prudent finance,” (Resolution III, 28). More specifically, the interest rates should rise in order to restrict the volume of credit available. Indeed “if the wise control of credit brings dear money, this result will in itself help to promote economy,” (Resolution VII, 29). The commission is aware that such measures increase the cost of repayment of floating debt; yet it states “we see no reason why the community in its collective capacity (i.e., the Government) should be subjected less to the normal measure for restricting credit than the individual members of the community,” (Resolution IV, 28). Thus the creation of new credit should cease. The priority for governments and municipalities is the payment and funding of floating debts.

Resolution V pinpoints the relationship between inflation and real wealth: inflation can be reduced through a decrease in consumption “both on public and private account and not only in impoverished countries, but in every part of the world,” and an increase in production (Resolution VI, 29). The latter objective should be attained thorough a decrease in “those frequent strikes” which “aggravate instead of help to cure the present shortage and dearness of commodities” (Resolution VI, 23). Moreover, privatization of industry is invoked: business should be put in the hands of private traders “whose enterprise and experience are a far more potent instrument for the recuperation of the country,” (Resolution VI, 19).

While the Commission of International Trade focused on the necessity of abolishing any form of protectionism and economic barriers in order to restore global laissez-faire, the Commission of International Credit openly promoted austerity. An orthodox economy was considered a pre-requisite for any further step towards receiving international credit: “The Conference is moreover of opinion that the revival of credit requires as primary conditions the restoration of order in public finance, the cessation of inflation, the purging of currencies, and the freedom of commercial transactions. The resolutions of the Commission on International Credits are therefore based on the resolutions of the other Commissions,” (Resolution II, 22).

The same prerequisite for access to credit appears, more rigorously stated, two years later in the report of the Resolutions of the Financial Commission of Genoa:

> Proof of serious efforts to improve the condition of its public finances will be the best guarantee which the borrowing country can offer to prospective lenders. The steps required for reestablishing the disordered currencies of Europe have already been set out. In arriving at a balanced budget efforts should be undertaken in the following points: a) Ordinary revenue and expenditure should be equalized by reducing

> expenditure and in so far as it is possible by increasing revenue. b) All expenditure of an extraordinary character should be progressively reduced until it is entirely abolished and should not be met out of borrowed money unless it is clearly of the nature of new productive purposes […] (League of Nations 1922,7)

The Financial Commission[30] of the Genoa conference fully endorsed the principles established in Brussels: most of the resolutions merely reiterated the recommendations made two years before.[31] However, the Genoa conference enquired more systematically into the necessity of a settlement on a common standard for European currencies. To be sure, at Brussels it was already agreed that "It is highly desirable that countries that have lapsed from an effective gold standard should return thereto," [Resolution VIII, 19].[32] With Genoa it is clear that the gold standard[33] became the ultimate means to stabilize the European economy [see Resolution I-VI, 2].[34] In the words of the President of the Financial Commission, Sir Laming Worthington Evans: "The essentials are the limitation of the issue of paper currency, the fixing of a parity with gold, the economizing of the use of gold and the coordination of credit policy designed to prevent fluctuations in the commodity value of gold. This then is the code of Genoa," (Medlicott & Dakin eds, 1974, 709).

Resolution VII underscores the connection between the objective of reaching the gold standard[35] and the requirement of budgetary rigor:

> So long as there is deficiency of the annual budget of the State which is met by the creation of fiduciary money or bank credits, no currency reform is possible and no approach to the establishment of the gold standard can be made. The most important reform of all must therefore be the balancing of the annual expenditure of the State without the creation of fresh credit unrepresented by new assets. The balancing of the budget requires adequate taxation but if government expenditure is so high as to drive taxation to a point beyond what can be paid out of the income of a country, the

30 The commission was divided into three sub commissions: Currency, Exchange and Credits. All of them produced final resolutions that were printed in League of Nations (1922).

31 The Credits Commission once more stresses the necessity of external control of the financial situation by the League of Nations. The necessity of political independence of central Banks in order to conduct prudent finance is proclaimed in the second resolution of the Currency Commission. However the Genoa commission expands on the need for cooperation and coordination amongst Central Banks in order to obtain monetary stability. See Resolutions III and XII of the Currency Commission. The principle of free trade is central to the Exchange Commission.

32 At Brussels however this was more of a vague objective and doubts still persisted on the how and when for each country a return to the former measure of effective gold standard would be possible. Theoretical controversy amongst contemporaries on the point were still strong. See B. Eichengreen (1992), 154-155.

33 For a thorough discussion on the functioning and difficulties of the Gold Standard in history see Eichengreen (1992) and (2008), Moggridge (1943).

34 At the Genoa conference the consideration of possible means of better conserving gold reserves by a system such as the gold exchange standard was adopted. See Resolution IV of the Report of the Financial Commission of Genoa.

35 Resolution VI reads: "It is the general interest that European Governments should declare now that the establishment of a gold standard is their ultimate object, and should agree on the program by way of which they should achieve it." (League of Nations 1922, 2)

> taxation therefore may still lead to inflation. Reduction of Government inflation is the true remedy. The balancing of the budget will go far to remedy an adverse balance of external payment, by reducing internal consumption. [Resolution VII, 3]·

This declaration rests upon the conviction (unequivocal also in resolution II of the Brussels Commission of Public Finance) that budget deficits cause inflation, depreciation of the domestic currency, and instability of the exchange rates. The message of the Genoa conference is that, before any enactment of restrictive monetary policies, one must implement restrictive fiscal policies in order to reach a common gold standard.

One may rationalize the argument in a more complete way in the following terms. What may trigger revaluation is the increase of demand for the national currency on the international market, and thus the purchase of domestic currency in exchange for international currency. However, in order for foreign monetary reserves to remain intact, exports are crucial. With revaluation, foreign competitiveness will tend to reduce exports (hence worsen the balance of payments). This is why the strategic and fundamental policy becomes a budgetary one. Orthodox budgetary policy is crucial in keeping a high exchange rate because, if public deficit arises, imports will exceed exports and a deficit in the balance of payments will occur. In such a case, the exchange rate decreases. On the other hand, in order to generate reserve inflow, exports must exceed imports, and thus a rigorous budgetary policy is crucial. Furthermore, the negative effect of monetary revaluation on exports reduces GDP, and thus the fiscal revenue of the State shrinks. Consequently, in order for budgetary equilibrium to hold, there must be a budgetary surplus in advance·. Once revaluation is in progress, the balance must be preserved through more fiscal austerity.

Notwithstanding its entanglement with monetary stability, in both conferences financial orthodoxy had an important independent value. The underlying reason for fiscal austerity lay in the belief that budgetary reforms were the only way to resurrect the market economy. Economic progress could only occur with financial rigor, as it produces the right incentives for the vital economic agents in society, i.e. savers. Necessary capital loans "must be met out of the real savings of the people," [Brussels VIII, 15]. Thus only through private savings is capital accumulation secured. Clearly,. thrift is the virtuous economic behavior not only for the State but for each individual economic agent. In order for savings to increase, there must be confidence in the State's financial stability. Indeed, revaluation itself favours savers by preventing monetary uncertainty and increasing the nominal value of savings.

The concluding resolution of the Brussels encapsulates the severity of the austerity rationality: no other solution to the economic crisis is deemed possible; whoever does not comply will be ruined. Furthermore, it explicitly states upon whom the burden of economic sacrifice should fall, "patriotic" citizens, and calls for greater economy in lifestyle and discipline in labour.

> The Conference is of opinion that the strict application of the principles outlined above is the necessary condition for the re-establishment of public finances on a sound basis. A country which does not contrive as soon as possible to attain the execution of these principles is doomed beyond hope of recovery. To enable Governments, however, to give effect to these principles, all classes of the community must contribute their share...Above all, to fill up the gap between the supply of and the demand for commodities, it is the duty of every patriotic citizen to practice the strictest possible economy and so to contribute his maximum effort to the common wealth. Such private action is the indispensable basis for the fiscal measures required to restore public finances. [X, 15-16]

These words declare that Austerity must be enforced. The main aim of the conference conforms to its economic message: technical expertise in favor of austerity recommendations pressures national governments to put austerity measures into operation, taming the behavior of citizens. One of the main convictions was that "The problems, though common to many nations, must in the main be attacked nationally. Although international action must supplement, it cannot supplant vigorous efforts in individual countries," (Davis 1920, 357).[36]

The conferences' proceedings reveal what is not observable in the formal resolutions. The technocratic message of the resolutions is now strengthened by normative weight: not only is austerity deemed scientifically true, it is also considered morally virtuous. In fact, the speeches of the Italian and French delegates (which follow the presentation of the resolutions of the Financial Commission at Genoa's second plenary session) draw attention to a peculiar trait of austerity: it occupies the space between the economic and the moral. Indeed, compliance to austerity principles had moral importance. Both M. Picard (French delegate) and Mr. Shanzer (Italian delegate) open their speeches by emphasizing the normative value of the austerity rationale. Picard declares:

> There are some who have smiled at a reference to monetary and financial principles, saying that what was needed was not a course of moral instruction, but the discovery of practical remedies. Such persons fail to recognize that morality has a practical application. A man who wishes to strengthen or rebuild a house must first ascertain that the foundations are secure. The foundations of all monetary and financial construction are moral. To adjust normal expenditure to normal resources; to honour obligations incurred; to pay debts in a currency which is not depreciated at the very moment it is used because it is artificially created by all too rapid printing …(W.N. Medlicott & D. Dakin 1974, First Series Vol. XIX, 710)

In a similar tone, Mr. Shanzer asserts:

> We are recommended to stabilize public expenditure in order to avoid the opening of new credits, we are advised to reduce expenditure. But is not the reduction of

[36] Davis continues: "Its prestige was considerable; unanimity of its conclusions is impressive; its views are probably in the main those of financial leaders in most countries. There is therefore reason to believe that influential pressure will be brought to bear upon the various European governments to heed the recommendations and put them into operation," (Davis 1920, 359).

> expenditure a moral problem? The reduction of expenditure means the abandonment of all selfish and excessive claims and pretensions of the individuals, groups and classes which are all eager for improved conditions[...] In many countries the concessions which are thus rendered necessary result in increased expenditure, which cannot be compensated with increased taxation beyond the limit. In all countries since the war, instead of a tendency towards thrift and careful living, there has been unfortunately a tendency towards luxury, pleasure and dissipation....(W.N. Medlicott & D. Dakin 1974, First Series Vol. XIX, 712)

Sins of luxury, pleasure, irresponsibility and dissipation oppose the virtues of thrift, economy, sacrifice and prudence. The search for improved welfare and labor conditions is viewed as a selfish claim which governments should overcome. Shanzer's speech continues, “The balancing of our budgets, which is essential if we are to avoid inflation and depreciation of the currency, depends upon the general and political attitude of each country.” Just a couple of months later the "political attitude" of Italy surely became very favorable to a technocratic government. The next section explores how, once Fascism came in to office (October 1922), the austerity agenda found fertile political grounds for enforcement in Italy. The excessive social claims of the Italian people were thus quickly silenced.

IV. The Justinian Code Applied: Fascist Austerity

We have seen that a key consideration that stemmed from the conference materials was the aspiration for a real impact of austerity rationality on European national policy. The sanctioning power that the technical resolutions ought to have on domestic economic measures appears once more in this hyperbolic statement of the President of the Financial Commission Worthington-Evans at Genoa:

> The resolutions come to by this commission, which this conference is asked to adopt, constitute a financial code no less important to the world today than was the civil code of Justinian. The institutes of Justinian have been the basis of the jurisprudence of not merely a large part of Europe, but of the world itself. Here at Genoa there have been assembled experts in finance and economics, each known in its own country as the leading authority upon the subjects with which we are dealing, and their combined wisdom, after a full review of the conditions of Europe, and after a full discussion of what in the circumstances is possible, has resulted in agreement upon a series of resolutions which will be a guide, and I hope a code, to be followed and observed in the same way as the laws due to the learning of Justinian. (W.N. Medlicott & D. Dakin 1974 , First Series Vol. XIX, 705-706)

Was this empty rhetoric or was the "new Justinian code" of austerity actually adopted? The case study of Fascist Italy in the twenties shows that technocracy did thrive in Italy: austerity rationality was rigorously implemented. The practical success of the international economic "wisdom" was due to the extremely favorable political state of affairs to this end: The Fascist government endowed the economic profession with unprecedented top-down power[37]. During the 1920s, Italian economic scholars produced the austerity rationale, and not just in theory but also in practice; indeed they overtly conducted Fascist economic reforms. Hence, the Italian economic policies, undeniably austere in nature, were not accidental or merely due to external pressures. Economic orthodoxy had solid domestic roots in the rationality of the economic-political elite of the time.

Alberto De Stefani surely had the leading role in formulating the first Fascist economic agenda. He was a distinguished Professor of Economics[38] who led the Ministry of Treasury and Finance from 1922-1925. On December 3, 1922, a royal decree sanctioned the delegation of full powers to the government for the reform of the tax system and public administration.[39] The Act marked the beginning of the "period of full-powers" (periodo dei pieni poteri), securing the legal authority to implement drastic austerity measures. Never in the history of Italy was such absolute power entrusted by a Parliament to the Executive, in particular to a Finance Minister.[40]

De Stefani's recipe was twofold, comprising tax reforms and spending cuts, and was well summarized by the motto: "'nothing for nothing:' for every hundred billion of greater State income, a hundred billion less expenditures" (De Stefani 1926, 8). To carry out his austerity agenda, the Minister called other reputable economists to cabinet. Maffeo Pantaleoni[41] and Umberto Ricci[42]

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[37] It is worth remembering that the Fascist party had won a small number of seats in Parliament since the elections of 1921. Mussolini came to power with the famous March on Rome, October 22-29 1922. It was a planned insurrection that involved fewer than 30,000 men. The Government leader Luigi Facta called for a state of Siege in Rome. King Vittorio Emanuele III however, refused to sign the order and asked Mussolini to form his cabinet on 29 October 1922. The raise of Fascism was thus a transfer of power within the Italian Constitution " Statuto Albertino". See Lyttelton (1973) and De Felice (1966).

[38] De Stefani (1879-1969) was Professor of Political Economy at the Scuola Superiore di Commercio of Venice. In 1925 he became Full Professor of Financial Law and Policy and, in 1929, of Economic and Financial Policy at La Sapienza University, where he was also Dean of the Faculty of Political Sciences and, since 1954, Emeritus Professor. For secondary literature on De Stefani, see: the introduction of Perfetti in De Stefani (2013), the introduction of Spaventa in De Stefani (1998), Marcoaldi (1986).

[39] Legal Decree for the Delegation of full powers to Sir Majesty's government for the rearrangement of the taxation system and of public administration. (Law 1601/1922, Official Gazette, 15 December, 1922, no. 293).

[40] Einaudi reports in the Economist: "But the most important act of the new Cabinet has been its demand for provisional powers to collect and expend revenue (esercizio provvisorio) till June 30, 1923. The Government is thus empowered to act as if the budgets had been regularly discussed and voted by Parliament. Moreover, the Chamber has passed the so-called Bill of full-powers. The Senate will certainly concur. This Bill authorises the Government until December 31, 1923, to reform the civil and military services; to suppress this or that public service; to transfer railways and the other industrial State concerns to private hands: to reduce, simplify, or increase existing taxes, and to introduce new ones; to act as they will in the domain of public administration and finance. Never was such absolute power entrusted by a Parliament to the Executive," (Einaudi 2000, 266).

[41] Pantaleoni (1857-1924) became Full Professor of Public Economics (Scienza delle Finanze) at 27. A member of the Academia dei Lincei since 1892, he taught at the universities of Camerino, Macerata, Venezia, and Bari. He then became Full Professor of Political Economy in Napoli, Ginevra, and Pavia. From 1901 until his death, he held the prestigious Chair of Political Economy at the University of Rome - La Sapienza. The

became the closest technical advisers of De Stefani. At the time a Senator of Italy, Pantaleoni was surely the most internationally renowned scholar. A founding father of the school of pure economics, in 1920 he was amongst the select economists to be called to Brussels to issue practical advice. On such an occasion, his primary contribution was a vigorous denunciation of government interference in the market economy as the root of all post-war evil, in particular, its distributive and welfare function, which he denounced as "State Socialism" or Paternalism. For Pantaleoni, Government's proper function ought to be the maintenance of law and order and the sanctity of contracts, particularly private property.[43]

The Liberal Professor Umberto Ricci undertook extensive political activity within the Fascist government. To serve in this capacity, he was exonerated from many of his duties of professorship, until the abrupt end of his collaboration in February 1925, when he distanced himself from Mussolini's regime.[44] Pantaleoni and Ricci participated in many governmental committees. In particular, they led the commission of technical experts for the Revision of Balances and the Reduction of Public Expenditures[45] (commissione per la revisione delle tariffe dei bilanci e delle spese). Pantaleoni chaired the commission.

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epistolary between Pantaleoni and De Stefani attests that the former was chief personal advisor to De Stefani, especially regarding austerity policy. See the published letters in F. Marcoaldi (1980). Regarding Pantaleoni, see: Augello and Michelini (1997), Bellanca (1995); (1998), Bini (1995); (2004); (2007); (2008); and (2013), De Cecco (1995), Michelini (1992);(1998); (2011).

[42] Umberto Ricci (1879-1946) also had an intense academic career, with Full Professorships of Political Economy at Macerata (1912-14), of Statistics at Parma (1915-18) and Pisa (1919-1921), and of Political Economy in Bologna (1922-1924). He eventually became successor to Pantaleoni's Chair at La Sapienza University (1924-1928). Ricci became part of De Stefani's cabinet from the very beginning. Letters to the Minister of Education Giovanni Gentile attest that De Stefani asked for a discharge of Ricci's teaching duties in order to have him as adviser to his cabinet (see De Stefani's Archive, Banca d'Italia, Rome). On Ricci, the main secondary literature: Bini & Fusco, ed., (2004), Ciocca (2004), Bini (2003), Busino (2000) and Dominedò (1961).

[43] Pantaleoni (1922) La Conferenza Finanziaria di Bruxelles, 49-50.

[44] Umberto Ricci began his criticism of Fascism in January 1925, when Mussolini declared the end of the constitutional and Parliamentary State and the beginning of the dictatorship (see Lyttelton 1973). Yet his critiques were mostly based on economic reasons: he exposed the inefficiencies of the emerging corporative economy and the consequent abandonment of the free market. So, for instance, in one of the first critical articles, "Sindacalismo giudicato da un Economista" (Ricci in Rivista di politica economica, 1925, 113), Ricci argued against the role of unions in the labor market and the abolition of private property in the name of collective entities, like Fascist corporations. Another article, "La scienza e la Vita" (Ricci 1928), where he criticized some economic reforms made by the regime that did not comply with the principles of political economy, ended his academic career in Italy. In 1933, he was one of the only three members who preferred to resign from the Accademia dei Lincei rather than take the oath of allegiance to the regime.

[45] Regarding Pantaleoni's experience as a commissioner, Ricci testified in the 1925 Giornale degli Economisti (republished in Ricci 1939, 19): "Maffeo Pantaleoni was a spotless and fearless citizen, a champion of many battles, which sometimes provided him with bitter enemies...I had the fortune to collaborate with him in more than one commission, in particular the one for the reduction of public expenditures in Italy, that had him as president. I saw him work without pause, day and night."

Surrounding these key governmental experts there were a plethora of many other moderate and liberal economists who publicly supported Mussolini's austerity policies.[46] Among them, the most influential was Luigi Einaudi. At the time a Senator and prolific journalist, Einaudi would become the leading representative of the Liberal party in the Italian Constitutional Assembly (1946), and first elected President of the Republic (1948).[47] Throughout the 1920s, his articles in the national press and especially in The Economist supporting Fascist economic policy had enormous influence on public opinion.

Significantly, a report was sent to the provisional Economic and Financial Committee of the League of Nations on July 1922, entitled: On the application in Italy of the resolutions of the international financial conference held at Brussels 1920.[48] This document attests that Liberal governments attempted to conform to the international prescriptions, making efforts to reduce the deficit in 1921-1922,[49] but it was only during the Fascist years that the country's economic agenda embodied austerity. In particular, fiscal austerity peaked between 1922 and 1925. These years, in which Professor Alberto De Stefani led the Ministry of Treasury and Finance, are known as the normalizing phase of the Fascist government. Monetary austerity, which demands fiscal rigor and wage deflation, characterized the second half of the decade,. This trend represented a drastic change of direction with respect to the social and distributive reforms of the war and immediate post war years,[50] Nonetheless, after the march on Rome in October 1922, Mussolini's first cabinet brought the democratizing trend to an abrupt halt. Austerity became the guiding principle, supplanting hard-won social reforms.

With his first speech in Parliament (November 16, 1922), Mussolini made it clear that his primary economic objective was to balance the budget:

> The directives of domestic policies are epitomized by these words: thrift, labour, discipline. The financial problem is crucial: the budget has to be balanced as soon as possible. Austerity regime:[51] spending intelligently, helping national productive forces, ending all war controls and State interferences. (Mussolini 1933, 22)

Mussolini's words represented the common ground for moderate and liberal public opinion; the majority of the national press depicted Mussolini as the only individual capable of rebalancing the

[46] See De Felice (1966). For example the economists Giretti, Nitti, Giolitti, Salvemini, De Viti and Einaudi.

[47] The bibliography on Einaudi is endless. Among the most important: Faucci (2014), Faucci (1986), the preface by Marchionatti in Einaudi (2000).

[48] Bachi (1922).

[49] On the post-war economic policies of the Liberal governments, see also Fausto (1972), G. Toniolo (1980) and Ciocca (2007), Chapter 7.

[50]For details on the progressive trend in the economic policies of the immediate post-war years, see "Austerity and Repressive Politics," on file with author. See also: Vivarelli (1991), G. Toniolo (1980), Chapter II and Ciocca (2007), Chapter VII; J, De Stefani (1926a).

[51] Literally: "regime della lesina" where "lesinare" is synonymous with the verb "to economize."

economy.[52] Many influential liberal economists and politicians were ready to test Mussolini's ability to normalize the financial situation.[53] He delivered: thanks to Minister De Stefani's reforms, the budget was balanced by the end of the 1926 fiscal year (30 June 1926).

The tax reform was highly regressive.[54] The government reduced the deficit mostly through striking cuts in public expenditures: between 1922 and 1926, public spending fell from 27.6% to 16.5% as a share of GDP.[55] Investments were reduced in all social sectors. Ricci and Pantaleoni worked day and night to revise all items in the State budget.[56] The results were impressive. Drastic cuts followed in particular from the budget entry "War expenses and war employees." In three years, the budget went down from 20.3 billion to 3.1 billion lira. This decrease meant a dramatic reduction in the subsidies for war veterans and their families. Public investments also suffered severe cuts: "During the whole period in which Italian public finances were directed by De Stefani, the expenditures for public works continued to decrease, until, in the years 1924-1925 and 1925-1926, they reached numbers that were inferior to the pre-war financial years," (Cecini 2011, 333).

Budgetary rigor also drove the 1923 reform of the bureaucracy.[57] The public administration pursued efficiency through drastic public layoffs: more than 65,000 people were fired.[58] Of all sectors, public services experienced the strictest "spending review." Following a press campaign that had exposed their deficits, postal and railway services fell under De Stefani's ax.[59] The railway administration was forced to lay off 15% of its employees: between 1923 and 1924, 27,000 workers were left at home. Regressive increases of fares secured greater income. Prices of third-class tickets increased 15%, second-class by 6%, while first-class tickets remained unchanged (Toniolo 1980, 50). Diminishing investments in railway track maintenance also helped improve the budget.

[52] See De Felice (1966), 390.

[53] See De Felice (1966); For example the economists Giretti; Nitti, Giolitti, Salvemini, De Viti and Einaudi held this view.

[54] The Government sought larger tax revenue at the expense of workers and peasants. On the other hand, medium-high income groups benefited from tax reliefs. Also regressive was the decrease in the ratio between direct and indirect tax revenue, which fell from 0,94 in 1922 to 0,72 in 1925. Between 1922 and 1925 duties on basic commodities grew by approximately 5% per year.

[55] See Zamagni (1990).

[56] In an article in the Rivista di Politica Economica, titled "Il miglioramento dei bilanci dello Stato", Ricci praised De Stefani's achievements in his mission to cut the budget: "Minister De Stefani imposed upon himself the supreme duty of the reduction of expenditures; it has become such a burning passion to him that it is reproached as an obsession. He formed a small committee, to which he himself participated every day. This committee worked day and night, and has revised the public balance chapter by chapter and proposed economies that have been agreed with the single Ministers. This is a new event; already, in itself, the signal of a new willpower [...] now a formidable device is in place: if correctly used, it can do miracles to put expenditures in check," (Ricci 1926, 612).

[57] R.D 11 November 1923, no. 2395.

[58] See De Felice (1966), Vol. 1.

[59] See Flora (1923), Einaudi (1966), Vol. v-vi, and Mortara (1920).

In the name of spending cuts, a large privatization of public services and State monopolies took place. Germà Bel calls it "the earliest case of large-scale privatization in a capitalist economy," (G. Bel 2011, 3-4). The analysis of a few cases shows the drastic change with respect to policy at the start of the century. For example, in 1907 the State had become the main provider of telephone services, which were previously owned by private firms. In February 1923, a Royal Decree,[60] however, established the conditions to grant the franchises to private providers. By 1925, the telephone sector was fully privatized. Another example concerns the insurance industry. In 1912, the Istituto Nazionale delle Assicurazioni was created. Life insurance, previously controlled by foreign firms, would now rest in the public domain. However, on 29 April 1923, a Royal Decree abolished the State monopoly: a de facto duopoly by private companies (Assicurazioni Generali and Adriatica di Sicurtà) began. That same year, the State even gave up the control of match sales, which it had gained in 1916. In 1923, private firms took over the building and management of motorways. Users funded the enterprise by paying a toll. In addition to the contribution made by local governments, the State provided private businesses with annual subsidies.[61]

Budget cuts, regressive taxation, public layoffs and privatizations represent the measures of fiscal austerity pursued by De Stefani. In the second half of the 1920s, monetary austerity became the government's prevailing goal. Mussolini's famous speech in Pesaro on August 18, 1926 began the "battle of the lira." After one year, the lira had re-achieved full convertibility against gold through the Decree of 21 December 1927 and, at Quota Novanta, the exchange rate was fixed against the British pound[62]. Revaluation triggered restrictive monetary measures, such as circulation limits and credit cuts.

Revaluation policy further ignited fiscal austerity measures: financial rigor was an essential condition to make up for the increased deficit in the balance of payments. In addition to savings, wage deflation constituted a crucial variable of an economic policy coherent with currency revaluation. A stronger lira required lower labour costs, leading to lower prices and thus greater international competitiveness, which in turn had the potential to better the balance of payments. The revaluation policy promoted a solid and permanent intervention to lower nominal wages. By the 1930's, "the overall nation-wide reduction of real salaries, could be considered of 15-40% with respect to 1920-1921," (B. Buozzi 1972). Finally, in 1927 the Labor Charter was signed. Any chance for class conflict or workers' bargaining power was definitively suppressed.

In sum, Fascism thoroughly performed all the recommendations of the international Financial conferences. A contemporary observer would find it difficult to identify the difference between these

[60] Royal Decree 399/1923, of 8 February 1923, (Gazzetta Ufficiale, March 29 1923, number 74).

[61] See Bortolotti (1992) and De Luca (1992).

[62] Quota 90 lasted until 1936.

measures and the structural readjustment reforms that the BCE or the IMF suggest for Italy or other European countries today.

V. The Italian Economists and Technocracy

The first Fascist government proudly promoted austerity. It was primarily thanks to such economic policies that Italy achieved social and economic normalization. The revolutionary years of the Biennio Rosso, the scare for the collapse of the market economy in the name of socialization of resources and class claims, seemed to be far away ghosts. The establishment and its institutions were again secured. Surely austerity had served to give Mussolini's government national and international legitimacy.

In those years, Einaudi's articles in The Economist reported the austerity achievements in a very satisfied tone.[63] In a text from 1922, he states:

> The first financial acts of the Fascist Government are promising [...] the most important act of the new Cabinet has been its demand for provisional powers to collect and expend revenue till June 30, 1923 [...] This Bill authorizes the Government until December 31, 1923, to reform the civil and military services; to suppress this or that public service; to transfer railways and the other industrial State concerns to private hands; to reduce, simplify, or increase existing taxes, and to introduce new ones; to act as they will in the domain of public administration and finance. (Einaudi 2000, 266, November 27 1922)

One year later:

> The Mussolini Government is working in earnest [...] the Minister for Public Education reduced the total number of employees in his department from 1898 to 1159. An experiment which will be watched with the utmost interest is the appointment of Mr. Edward Torre, M. P., to the newly created post of Extraordinary Commissioner for State Railways [...] It is said that Mr Torre is determined to dismiss 50 ,000 railwaymen, and truly nothing short of such a drastic measure can save the railway budget. (Einaudi 2010, 269).

An article in the Times entitled "Mussolini and his Lieutenants" reveals the international awareness of the reason why the Italian financial and political stabilization was successful: in those years, Italy had put technocracy into power. The glorifying tone for Italian compliance with the international call for austerity is clear: "Materially Fascismo is merely an anti-waste government which has secured more than bourgeois backing, and as much his task is measurable by time. But morally it is ‘discipline order work’ and these things call for permanence.” Indeed permanence is secured thanks to technical expertise:

> The most interesting of all Mussolini's lieutenants is the forty-four year old ex-university professor who is in sole charge of Italian finance. De Stefani is praised for his qualities of a technical economist who secures a purity that is well above any politician. De Stefani reminds one strongly of an Oxford Don - of which type, indeed,

[63] Einaudi’s enthusiasm for Fascist austerity policies is well documented by his articles in The Economist: see in particular Einaudi (2000): 266, 27 November, 1922 and 269, 31 December, 1923.

> he is the Italian parallel. His virtues are well-known - a charming courtesy, a dogmatic certainty of opinion, perfect honesty of mind, and an undeviating conscientiousness. These essential qualities produce a simplicity of policy too often lacking in the professional politician. De Stefani has called to cabinet other economists who one and all are soaked in the English economists. Their unconcealed ideal is to apprehend and copy the British system of public finance. (The Times, 13, July 2, 1923,)

The executors of austerity, De Stefani, Pantaleoni and Umberto Ricci were all very prolific scholars. They participated in academic debates, where they exalted "pure economics," as well as regularly contributed to national newspapers.[64] Through the analysis of this complex body of literature, the austerity rationality of the three economists comes to light. Various interconnected building blocks make up the content of austerity. Nonetheless its analysis goes beyond the scope of this article.[65] Here I bring attention to the aspect crucial in the understanding of the theoretical basis of the technocratic nature of austerity. That is, one ought to enquire as to the meta-economic conceptions of Pantaleoni, Ricci and De Stefani.

To fully grasp the roots of technocracy, it is crucial to reflect upon the foundations of the intrinsic practical afflatus for austerity. It is the self-awareness of the empowered economists regarding their role that is illuminating to this end. De Stefani, Pantaleoni and Ricci do not perceive their governmental action as historically contingent, but the authentic realization of their mission as economists. The practical vocation of the "pure economist" is a clear trait of this group of economists; it helps explain their function as exemplary executors of the international "Justinian code" drafted at Genoa and Brussels.

While Umberto Ricci covered the topic most extensively, the writings of De Stefani and Pantaleoni reveal that Ricci expressed an outlook common to all three. According to Ricci, the economist has the tough but vital task of being the super partes guide for the redemption of austerity. He must educate humanity to adopt correct economic behaviour in order to bring forward economic

[64] Pantaleoni made frequent contributions during and after WWI in the press (especially, Il Mezzogiorno, Il Popolo d'Italia and La Politica). Editor Laterza collected and published many of his articles as books. Pantaleoni (1917); (1918); (1919); (1922). The same holds for Ricci: Ricci (1919); (1920); (1920b); (1921); (1926). De Stefani' public speeches and press were published by Treves editor: De Stefani (1926); (1927); (1928); (1929). On the other hand, the academic writings of the economists are numerous, including their lectures. Both Pantaleoni and Ricci were active scholars in the scientific Journal Il Giornale degli economisti.

[65] In the work of the three economists, one can spot five main conceptual foundations: 1) idealization of the free market; 2) skepticism of the role of the state in economics (retrenchment of the State), in particular the refusal of its social and welfare function; 3) policy of fiscal and monetary rigor; 4) a moralizing rationale of self-sacrifice (economic crisis is never produced by the economic system but rather by citizens' faults, exemplified by public debt) and the virtue of savings; 5) the need for a strong and technocratic government. For details, see the author’s forthcoming PhD dissertation.

equilibrium and progress. Ricci gave two important speeches on the matter: in Pisa for the opening of the academic year 1921-1922, entitled "The alleged decline of political economy," and at the University of Bologna in January 1922, "The unpopularity of political economy." On both occasions he conceded that ignorant and opportunistic masses hated economists and viewed them as public enemies (Ricci 1926, 1, 72). His rhetoric properly conveyed the idea of the economist under siege by brutal and irrational citizens, much like the economic system was under siege by class claims. Austerity policy was especially loathed: "By proclaiming the principle of universal taxation, promoting the shutdown of useless public offices, the dismissal of redundant employees, the abandonment of public works, the economist surely doesn't make new friends" (Ricci 1926, 102).

The economist should never be discouraged, however, because in his purity he is spiritually gratified. In the conclusion of the Bologna speech:

> Not always [the economist's] words are listened to, not always the conscience of accomplishing his duty is accompanied by the joy of the result. But if sometimes he is affected by the sorrow of having spoken in vain, a reward awaits him, one that no human force may subtract from him. As he progressively climbs the ivory tower, and abandons at each floor his prejudices and interests, his vision gets ever more refined, his horizon is enlarged; eventually, when the high summit is reached, he discovers the unity in the truth, the order in the disorder...and the spectacle from the high tower becomes even more marvelous when, in the exchanges among firms, groups, classes and nations, one is capable of distilling rigorous and elegant laws, worthy of competing with the laws of celestial mechanics. This vision of beauty is the economist's sovereign reward. (Ricci 1926, 104-105)

All three economists shared this intellectually elitist position, a belief that stemmed from their conception of the nature of economic science. A description of this meta-economic perspective offers a fuller understanding of the repressive nature of austerity.

VI. Pure Economics and the Roots of Austerity

The authors shared a positivist view of economic knowledge: economics was a rigorous and universal science, with the same epistemic legitimacy of other hard sciences: "The socialist and the protectionist are to the economist like the astrologist to the astronomer, the alchemist to the chemist, the sorcerer the doctor", Ricci wrote, (1926, 25).

De Stefani and Ricci considered themselves direct disciples of Pantaloeni[66], who was internationally recognized among the founding fathers of "pure economics,"[67] the discipline that truly brought economics to the height of all other objective sciences:

[66] I am aware that controversy exists amongst scholars on the degree of "purity" of Pantaleoni's theory by the 1920s. Michelini observes that in Erotemi, the most important collection of Pantaleoni's economic theory in that decade, two Pantaleonis seemingly coexist: the author of Pure Economics and that interested in economic dynamics and the sociology of economics. However, what is relevant for the present paper is that Ricci and De

> Pantaleoni saw something that today is more than obvious, that is, that there must be a theoretical part of economic science, a nucleus of doctrines, that are independent of opinions, as well as of ethical, political and religious predilections. Something similar to physics and mathematics, something that is science for Italians, for English, for the brunets, the blonds, the socialists and for the individualists: this is "pure economics"... Pantaleoni appeared as the archangel with the flaming sword, to do justice against all false schools and proclaim pure economics sovereign. (Ricci 1939, 44)[68]

"Pure economics" reaches truth status by using mathematical tools and an analytically deductive method to investigate the phenomenon of economic equilibrium. It is based on logic. The outcomes of these experiments lead to rigorous laws: given certain premises, the fundamental economic theorems follow.[69] The universality of economic theorems allows disregard for the institutional and historical-relative character of economic phenomena.[70] It follows that pure economics is endowed with normative neutrality, confirming its universality and analytical power.

Pure economics aspires to excellence of Platonic form. Yet, austerity rationality occupies the space between theory and practice. How can pure economics be relevant to its analysis? The three economists were *engagés* precisely because, despite its "purity," economics has an undeniable practical aim. Thus, we can reconcile the economists' frequent interventions in public conversation or in policy-making with their self-portraits as champions of universal economic truths. Such economic truths have no partisan and political implications but, rather, are in the interest of all. Ricci and De Stefani agreed with a famous passage of Pantaleoni's magisterial book, which emphasized economic theory as a prerequisite for policymaking:

> First of all, one must be well-read in pure economics, then trained in applied economics, that is, pure theory; finally one can embark on the resolution of concrete

Stefani clearly praised just one Pantaleoni: the "archangel" of *Pure Economics*, the work that bestowed him scholarly fame, both nationally and internationally.

[67] Pantaleoni's *Principii di Economia Pura* (translated as *Pure Economics*) had vast scientific impact. Apart from its contribution to international scholarship, the book was a theoretical and methodological turning point for economic studies in Italy, paving the way for the Marginalist School. On the point: Barucci (1980).

[68] Note that Ricci did not distinguish between pure economics and political economy: "Like any other science political economy is a logical system made of rigorous definitions and laws; and a law expresses a necessary connection between two facts. Any law can by schematized as: "If fact A happens fact B happens." In this system, the fundamental concept is *price*, to which all other economic concepts are connected," (Ricci, 1925).

[69] "Logic knows direct operations and inverse operations; this is why we have both in each science. A direct operation is one by which, once the premises and the laws of logic (by which the premises should function) are given, the conclusion may be searched, and there is but one...Any treatise of economics is nothing but an ensemble of direct operations," (Pantaleoni 1963, 154).

[70] "Economic progress is essentially based upon ever greater abstractions and generalizations that enable to approach any economic problem by using the same criteria, which, in the end, is that of the maximization of individual utility, both in the case of the producer, of the consumer and the saver," (Pantaleoni 1963, 165).

> economic problems, that is, the peculiar and contingent issues that everyday reality puts under our eyes and whose core is economic. (Pantaleoni 1963, 45-46)

In short, the models and theorems must dispense practical economic knowledge. During a dispute in the Giornale degli economisti against W.J. Ashley, a leading figure of the British historical school, Ricci wrote:

> If there is intransigence anywhere, purists are not to be blamed. What is dangerous is only the narrow-mindedness of those who reject abstraction and deductive reasoning and linger in monographic and fragmentary historical researches on economic institutions. It is the honest desire of any good theorist of political economy that theoretical constructions be deemed not merely a luxury of the intellect, but necessary to explain and forecast events, and essential to tame men. [my emphasis] (Ricci 1908, 389).

Even if economics as a science is pure and abstract, at its core it has an epistemological right-of-way over individual behaviour and thus over economic political reality (which, in this individualistic perspective, is merely an aggregate of individual behaviours). As the historian of economics Piero Bini put it, an "idealisation" of the relationship between theory and policy emerged, in the form of "a continuation of scientific knowledge into practical action," (Bini 2004, 306).

A close scrutiny of their works reveals that the pre-eminence of economic principles over the concrete practice of human beings is due to a sturdy ontological foundation: Pure economics' epistemological priority over reality descends from its reference to real-life facts. In fact, abstraction brings formal exactness, yet correspondence with the real world is not lost. Ontological realism and ontological universalism give legitimacy to pure economics, and thus to the policies stemming from it.

The hedonistic principle is the peculiar characteristic of the homo economicus and the founding element of pure economics. It is identified as a real life phenomenon that economists understand in a formal manner. Pantaleoni's second chapter of Pure Economics extensively discusses how the hedonistic principle is the sole realistic guide for human behaviour.[71] His disciple De Stefani taught the same to his students: "The fundamental law of conduct, which is revealed through observation, is the law of minimum sacrifice and maximum self-interest: economic progress is the historical explication of this universal norm of economic conduct," (De Stefani1920, 4).

The maximising conduct of the homo economicus brings about individual equilibrium and, through aggregation, the general equilibrium of the economy. Hence, even general equilibrium – that quintessential theoretical construction – is a fact of the real world:

[71]"The proof of the existence of the force postulated by economics is supplied both by self-observation and by observation of the motives from which other men act...Above all, it is evident that commercial or industrial activity, or the activity (whatever its nature may be) displayed by men in the pursuit of what is commonly termed wealth, has no other motive than egoism," (Pantaleoni 1898, 11).

> The recent theoretical progress of economic studies precisely consists of an ever more general formulation of the concept of economic equilibrium, to which is connected an ever more rigorous inductive and statistic study of the reciprocal dependences among the circumstances that determine that same equilibrium. This equilibrium is a fact, just like the equilibrium of our organism, or of any other organism or system one may think about.[my emphasis] (De Stefani 1920, 8)

In sum, the absolute epistemic and ontological authority of economic science over human lives is the basis of the austerity rationality. Hence the technocratic vocation of our authors is fully explained. The practical upshot is that economic categories achieve absolute preeminence in shaping the policies that affect individuals' material lives. As we have seen, this is due primarily to a methodological reason: economic categories are not perceived as theoretical constructions; on the contrary, they represent direct counterparts to the real world. Ricci, Pantaleoni and Einaudi seem to be trapped into what Marx calls "negative" ideology,[72] and thus lose the awareness that the true genealogy of the "economic" lies in the subjective and material life of human beings. Hence a structural conflict between human life and economic theory and policy ensues.[73]

De Stefani gives a famous speech at La Scala theatre in Milano in which he explicitly uses the term austerity. We may now understand the meaning of this term. He employed it to encourage individual sacrifice and, in particular, the giving up of social protections in the name of the State's superior financial needs:

> In the speech of the 25th of November I reminded the Parliament that, right after the march on Rome, the awareness of the financial necessities of the Nation were widespread, even in the most humble part of the Italian population. Today, as yesterday, I need to place on the national agenda the conscious renunciation of the rights gained by the crippled, the invalids, the soldiers. These renunciations constitute for our soul a sacred sacrifice: austerity. ['austerità' in the original text, my emphasis] (De Stefani 1926, 34)

Through Fascism, De Stefani Ricci and Pantaleoni were able to carry out their task of super partes guides for the redemption of austerity. Hence, the post-war progressive political trend was silenced. Through austerity not only was order imposed: Fascism gained domestic and worldwide admiration.

[72] It is worth remembering here that the Marxian meaning of ideology is twofold: 1) ideology in the positive sense, i.e., the collection of conceptual representations at whatever level of sophistication: no conceptualization is independent from the subjective and historical reality which creates it; 2) ideology in the negative sense, i.e., the non-recognition of the real and historical foundation of a conceptualization: hence the tendency to universalize. See R. Geuss (2008), Michel Henry (1991).

[73] For a discussion on the intrinsically repressive nature of austerity rationality see the paper, "Austerity and Repressive politics," on file with author. In the latter I argue that oppressiveness derives from the intellectual subordination of human beings to economic laws, that is, to a regime of universal and objective truth. Hence abstract categories acquire ontological primacy over the lives of individuals. This is why budget cuts and monetary deflation may become the main concerns of austerity. its purpose is to adapt reality to fit the categories of economic equilibrium and progress in a competitive economy.

Conclusion

In the critical historical moment of post-war socio-economic turmoil, austerity emerged as the consensus of the international economic establishment in order to legitimize post-war stabilization and normalcy. I have analyzed the two international economics conferences of the time to illustrate how they called for economic expertise to prevail over political affiliation. The technical imprint of the conferences was clear in three different aspects. First, the social composition of the national representatives was willingly apolitical. The majority of attendees were businessmen and financial experts. Secondly, technical documentation was unprecedentedly abundant. In particular, it marked a great advance in the use of international statistics. Finally, and most importantly, it was economics professors who drafted decisive memoranda: their academic expertise was endorsed by the official resolutions of both international conferences. I have shown how such resolutions fundamentally prescribed austerity. The prospect was of a disastrous financial situation of inflation and deficit, due primarily to the individual fault of citizens: they had lived beyond their means. In this view, citizens must be educated to true economic science in order to be aware of the inescapable personal sacrifice necessary for economic recovery. In a nutshell, the path towards redemption was defined by drastic cuts in public expenditure, especially social expenditure, "fresh taxation," privatization and labour flexibility, but also political independence of central banks, restriction of currency issue and restriction of credit. Furthermore, international credit must be conditional to restoration of order in the public finances of the States. Especially in Genoa, the restoration of the Gold Standard was called for as the ultimate means to stabilize the European currency. We have seen how monetary austerity ignited further fiscal austerity. Nonetheless I have stressed the independent value of the latter in the name of safeguarding the vital agents of society: savers. This study proves how austerity and technocracy were complementary and intrinsically interrelated: the very scientific message of austerity called for practical enforcement. Citizens had to abide by economic orthodoxy, thereby renouncing distributive justice. In sum, scholarship should not neglect the conferences of Brussels and Genoa for the reason that international monetary cooperation was not achieved: this paper has shown that the importance of the conferences lies elsewhere.

The early years of Fascist Italy exemplify a case study of the practical success of austerity: Fascism gave the austere economics professors the power of putting the international financial code into practice. Between 1922 and 1925, De Stefani, Umberto Ricci and Pantaleoni had the "full-powers" to fully realize the technocratic nature of this agenda. Reforms centered on substantial cuts in public expenditures, especially in public works and social subsidies, massive layoffs of public employees, regressive tax reforms, privatizations and monetary rigor. The results were notable for all liberals: by 1926 the budget was balanced, and by 1927 the lira was anchored to the international Gold Standard.

Focusing on the academic writings of De Stefani, Ricci and Pantaleoni, I reflected upon the theoretical foundations of the technocratic nature of austerity. I have shown that the absolute epistemic and ontological authority of economic science over human beings is the basis of austerity rationality. Mussolini's strong government gave De Stefani Ricci and Einaudi the unique opportunity to concretely fulfill their mission as economists. Italian society could finally be normalized and moralized in the name of economic orthodoxy. The outside world applauded.

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