

# The free market logic of fascism in Mussolini's Italy, and today

by Leonardo Servadio

*This article was written shortly before the March 27 Italian general elections (see story on p. 33).*

In the context of the collapse of the First Italian Republic, the conditions are emerging for a potential new fascism\*—not like the old one, not with the rhetoric, not with those symbols, but based on the same foundations.

In the early 1920s, Fascism arose in Italy due to the conditions of enormous economic and moral degradation of the country. The dictatorship installed in 1922 was welcomed by the Anglo-American financial community, because it presented itself as the defender of economic liberalism against the “statist” threat which was alleged to be the chief danger of communism.

Today, once more, the battle cry “liberalism!” launched against the “statism” which has characterized the postwar First Italian Republic, is generating a new Manichean duality, replacing the traditional “right vs. left” schema. The “liberalism!” cry is determining a whole political, cultural, and economic climate.

It is a bitter irony that the defenders of liberalism define “statism” as an outgrowth of Fascism. The reality is that Fascism triumphed on the basis of a liberalist push, on the ruins of a previous “statist” and dirigistic effort, the which had led in the beginning of the century to the actual industrial development of Italy.

All this is now being repeated, with different faces.

## After World War I, real economy collapsed

At the time of World War I, 1915-18, the steel and mechanical industries (then the most important branch of industry) in Italy numbered 43,000, employing a labor force of 520,000 workers. Yet in 1921, the number of industries had collapsed to 39,000, employing a labor force of 400,000. The surviving industries were in desperate shape. Taxes had

increased by leaps and bounds throughout the postwar period, and varied frequently and in a very disorderly fashion, as new and “special” taxes were added in order to answer immediate needs. The real wages of workers collapsed during the war, and by 1918 had dropped to only 44.19% of their pre-war value. It was only in 1921 that real wages (in terms of purchasing power) reached 95.7% of the level of 1914. But that happened as the number of employed workers had sharply contracted.

In the summer of 1920, the workers, under the leadership of the socialist-oriented trade unions, occupied the 300 major factories in northern Italy. Under the impulse of the economic crisis and fascination with the newly created myth of the Russian Revolution, the idea was to create a sort of government of soviets in Italy. But contrary to what had happened in Russia, the Italian “soviets” did not have support from inside the state apparatus, and were fighting a hopeless battle.

The strategy of the government, led by Prime Minister Giovanni Giolitti, was to let the strikers deplete their energies, and give up out of sheer exhaustion. Had Giolitti reacted with military means, the occupation might have been able to maintain its morale longer, or at least give more credibility to the extreme left. Giolitti's attitude completely exposed the actual impotence of the extreme left wing.

Yet the middle class was terrified. The threat of “sovietization” of the country became a major reason for the middle class to support a counter-operation which sported nationalist colors and promised discipline and order. The Fascist squads, organized as a paramilitary fighting force, played the role of physically beating the factory occupiers.

Thus the defeat of the factory occupations was falsely attributed to the Fascist intervention. Mussolini skillfully exploited the aura of power his *squadristi* had started to acquire. From that moment on, Fascism appeared more and more unstoppable.

## Unemployment and foreign debt

What was the reason for the economic crisis? What is usually cited first, is the fact that when the war ended in

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\* EIR has adopted the convention of capitalizing Fascism when it refers to the Italian Fascist Party, which ruled Italy from 1922 to 1944, and using lower-case for the more generic case of a political and economic system replicating the essential features of Benito Mussolini's.

1918, the huge army which Italy had been compelled to recruit in order to fight on the side of France and Great Britain, turned into a mass of unemployed people who had spent precious years of their youth learning how to fight. There were too many of these unskilled youth, over 1 million, to find jobs in those hard times.

A broader problem was the massive foreign debt which Italy had accrued in order to fight the war. Among the "victors," Italy turned out to be the most indebted and the most frustrated. Another key problem was that before the war, the Italian economy was closely linked to the German economy, and after the war the German economy was largely destroyed.

Giolitti, who had been prime minister four times since the beginning of the century, was vigorously pushing before the war for the industrialization of the economy and had adopted several dirigistic and statist measures in order to achieve his aim, such as nationalizing the monopolies. Giolitti had established a strong network of cooperation with German industry. As a matter of fact, Giolitti preferred to remain neutral when the conflict started in 1914. It was only because Foreign Minister Sidney Sonnino, who was of British extraction, treacherously signed a secret deal in London behind Giolitti's back, that Italy was brought into fighting the war on the British side. The other element which significantly pushed public opinion to intervene on the British side was Benito Mussolini, a former Socialist Party leader who set up a newspaper and a political faction precisely to help convince Italians that the London secret accords signed by Sonnino should be honored.

Since Italy's huge war debts were owed largely to the banks of the United States, after the war the U.S. banks were the dominant factor in determining the economic and political situation in Italy, as elsewhere in Europe.

The Italian postwar governments did not pay their war debt. Consequently, the major U.S. banks cut off money to Italy. Its foreign trade screeched to a halt. It had lost its traditional trading partner, Germany, and could not expand its foreign trade with the nations that had been its allies in the recently concluded war.

Due to this situation, the Italian governments started the chaotic series of irrational taxes which imposed a growing burden on national industry, already weakened by the war mobilization.

This produced the following explosive mix in the early 1920s: frustrated industrialists craving stability and order in order to get their businesses back into shape; frustrated national pride (according to Sonnino's secret London accords, Italy was supposed to get Dalmatia as a compensation after the war, but U.S. President Woodrow Wilson, punctually carrying out British orders at Versailles, prevented that); an enormous foreign debt; masses of unemployed; and Fascist paramilitary squads which promised to bring law and

order, and—this is the key element—which profited themselves as the defenders of "liberalism."

Giolitti was rapidly disposed of politically and replaced in 1921. The two governments which followed, led by Francesco Saverio Nitti and Luigi Facta, were unable to get the country under control. The merits of the victories Giolitti had won against the extreme left-wing socialists, were attributed to the Fascists.

Not only did the Fascist movement cultivate the image of being a strong defender of the "free market" economy (N.B.: terms like "free market economy" and "free trade" are slogans created by the British oligarchy to enforce a brutal economic dictatorship, and have nothing to do with a truly free market conducive to individual enterprise); but Mussolini was also extremely careful in maintaining close diplomatic relations with the U.S. government and banks, at least since his "March on Rome" in October 1922. Two days after the "march" ended, he went to meet U.S. Ambassador Richard Washburn Child, who from that moment on, started to praise him to the hilt.

One of Mussolini's first decisions was that Italy would repay the war debt to the U.S. banks. All previous governments had refused to endorse the war debt, because, as Giolitti explained in a message to the Italian ambassador to Washington in 1920: "Public opinion would be quite contrary to even a favorable settlement of the war debt, since the conviction is there, that the money spent for a common cause is not a true debt. We do not understand why Italy should be the first to settle the question of the war debt."

Mussolini represented the most extreme nationalistic tendencies, yet it was precisely he who underwrote the war debt, and started to pay it regularly, responding positively to all U.S. demands. (It was a textbook case of the principle that if you want to have something bad done to a certain population, you have to mobilize precisely the person who represents the political faction apparently most opposed to what you want to do. According to the same principle, today, international finance would prefer the former Communist leader Achille Occhetto to lead an austerity-oriented government in Italy.)

As soon as the democratic governments had been replaced by the Fascist dictatorship, the U.S. financial establishment was ready to turn on the credit spigots. This is not to imply that the United States supported Mussolini before he took power; but it is a fact that before Mussolini, Italy was viewed as unstable and dangerous, whereas afterward, Italy became "reliable" in the eyes of the U.S. establishment.

The U.S. press, which had previously criticized the Fascist movement, after the March on Rome immediately supported it. For instance, the *Christian Science Monitor* wrote on Oct. 31, 1922: "Fascism is an idealistic movement, born out of the patriotic imagination and the loyalty of the Italian people, exemplary of the potential power and the youth char-

## Italian elections continue destabilization strategy

The neo-conservative coalition led by the Milan-based real estate and media magnate Silvio Berlusconi has won the Italian political elections of March 27-28. The results of these elections, which many have compared to the historical political fight of 1948 when the First Italian Republic was created and the Christian-oriented parties blocked the immediate communist threat, now indicate that the political system that emerged after the Second World War has been liquidated forever. This historical system was centered around the role of the Christian Democracy (DC) of Alcide de Gasperi, followed by Aldo Moro, who in the 1950s and '60s built up Italy toward development and industrialization.

Their departure left the party exposed to mere power games and corruption. Indeed, after the last two years of intense political destabilization, scandals (*Tangentopoli* or "Bribe City") and effective media brainwashing, the DC, now renamed Popular Party (PPI) collapsed from about 30% to 11% of the vote, while the four parties forming the ruling coalition of Carlo Azeglio Ciampi with the PPI, have completely disappeared. They are the Socialist Party (led by Bettino Craxi till his recent expulsion for corruption), the Social Democratic Party (PSDI), the Republican Party (controlled by the free-marketeering La-Malfa family) and the Liberal Party. They were not able to reach the 4% minimum of votes. While the Republicans and Social Democrats were always quite small, the Liberal Party was Italy's ruling party in the pre-Mussolini era, and the Socialists held enough electoral clout during the 1980s to make Craxi himself prime minister for the longest mandate of any postwar head of government.

The winning coalition led by Berlusconi, sometimes called the "Italian Ross Perot," which included his Forza Italia ("Go Italy") party, the Northern League of regionalist and separatist Umberto Bossi, and the National Alli-

ance, an enlarged movement out of the old pro-Mussolini party, the MSI, got the absolute majority in the Chamber of Deputies and a large relative majority in the Senate. The coalition, called the "Pole of Freedom," won 366 seats, against the 213 seats won by the "Progressive List" led by Achille Occhetto of the PDS (formerly known as the Communist Party) and 46 of the "Pact," a coalition with the PPI. The victory of Berlusconi's coalition has been amplified by the new electoral law, applied for the first time, a combination of direct election of candidates as in the United States and the old Italian proportional system, which gives a premium of more seats to the winner.

Forza Italia, a political formation which came into being just three months before the elections, has become the first party with 21% of the votes. Exploiting popular rage and a perfectly orchestrated media campaign, Forza Italia captured the volatile sympathy of the Italians, not with ideas and programs, but with slogans. This was the same for all the other parties and candidates which tacitly agreed to ignore all the real vital issues: economic depression, mass unemployment, war in the neighboring Balkans, the British-led political and economic destabilization, forced privatizations of state-owned industry, International Monetary Fund-imposed austerity. On the contrary, all the leading political groups, beginning with the PDS of Occhetto, the Northern League, and Mario Segni of the DC splinter group, went to the City of London to get a blessing from the financial and oligarchical high priests. The same free-market liberalism which has failed everywhere in eastern and western Europe has become the driving illusion of all the politicians and candidates.

These elections have been the continuation of a strategy of destabilization. Contrary to the "stability" propagandized by the media, the future for Italy and the Italians will be one of tears. The problems which were evaded by the election campaign are there, and are going to hit very hard. If Italians do not wake up quickly, and if the neo-liberal line is not stopped, the next government will be that of the IMF and of brutal austerity.—Paolo Raimondi

acteristic of the nation" [retranslated from the Italian—ed.].

The *Boston Evening Transcript*, the *Cincinnati Times-Star*, the *Herald Tribune*, all praised Mussolini. At the beginning of December 1922, little more than one month after the March on Rome, the liberal *New York Times* praised the "Fascist revolution." The evaluation was that the Fascists had been the ones who guaranteed the defeat of the factory occupation, that they would guarantee law, order, and stability. Mussolini was portrayed as the savior of the country, a

man independent of the Fascist movement and its extremists, a man capable of defeating the Communist threat.

On Dec. 19, the *New York Times* wrote that Mussolini's Fascism was the "most interesting experiment in government today" in the world: It was the end of the terrible period in which the peoples of all countries were oppressed by their governments, by the lack of efficiency, by their cowardice and their stupidity.

U.S. diplomacy directly supported Mussolini. U.S. Am-

bassador Child argued that Mussolini should be backed in order to keep the most extreme wings of his party from disposing of him, and George Harvey, the U.S. ambassador to London, sent messages saying: From this observation point, the Fascist victory in Italy looks like a deadly blow to Bolshevism. The Fascists lack experience, wrote Harvey, but their impulses are right. "Wouldn't it be desirable that Child show a spirit of sympathy and cooperation?" [retranslated from the Italian—ed.].

The J.P. Morgan and Co. bank, one of the most active in Europe, was an important factor in convincing the U.S. government to intervene in World War I on Britain's behalf (as it had in the United States—see box). The Morgan bank, after Mussolini took power, became the Fascist regime's main financial prop and financial adviser.

The Fascist revolution was effectively the revolution of the so-called free market economy, according to the British system.

Mussolini was the champion of *laissez-faire*. As soon as he came to power, in 1922, he undertook a series of liberalizing measures, which undid all that Giolitti had achieved since the beginning of the century to lay the basis for Italy's industrial development.

Giolitti in his last government had established that financial instruments had to be denominated by name, and had introduced a strong progressive inheritance tax. Mussolini abolished all this, and also did away with the taxes on war profiteering. He privatized the telephone network, the match industry, the life insurance companies; he policed the labor unions so as to drastically reduce wage demands. Indirect taxation was abolished, and direct taxation increased, particularly to gouge wages. The economy was thoroughly "liberalized," or, to use the term now in vogue, subjected to shock therapy.

### **The majority election law**

At the end of 1923, the Parliament, largely but not totally dominated by the Fascist Party, approved a "majority" electoral law, which gave whichever party won the most votes in the election, two-thirds of the seats. The earlier system had been proportional. This shift prepared for the definitive consolidation of Mussolini's power. The elections took place in 1924, and Mussolini's party won with 60% of the votes, taking 356 seats out of a total of 535. The opposition was weak and divided among Socialists, Communists, the Popular Party, and the Republicans.

The only moment in which Mussolini's power seemed to tremble was in the summer of 1924, when the Socialist leader Giacomo Matteotti was assassinated and Mussolini was strongly suspected of being the political mastermind behind the assassination. The new U.S. ambassador in Rome, Fletcher, defended Mussolini, upholding the theory that it was the extremist wing of the Fascist Party which had killed

Matteotti, while the "moderate" Mussolini was fully innocent. U.S. Treasury Secretary Andrew Mellon, that October, publicly defended Mussolini as the hero of the anti-communist fight, and explained his virtues: Mussolini had ended government direction over industries, reduced taxes, and balanced the budget.

Meanwhile, Thomas W. Lamont, of J.P. Morgan and Co. bank, had become the representative of Fascist interests in the United States and Mussolini's personal economic adviser. (Just as Thomas Lamont was Mussolini's banker, his son Corliss Lamont was banker to the Communist Party in the United States!) In effect, the Morgan bank representative decided Italy's financial policy. From the time Mussolini and Lamont first met in 1924, they stayed in close contact on all financial and monetary issues.

### **Now as then**

History is repeating itself. Now, as then, the press, both national and international, is portraying the democratic regime of the First Italian Republic as corrupt and bankrupt, just as the parliamentary regime of the Italian Kingdom was accused of being in 1920. It is ready to praise anyone who goes the "free market" way.

As the Fascist movement exploited its "law and order" image, today the "new" political movements, such as the Northern League, portray themselves as the force behind the clampdown by the magistracy on the corrupt political parties which constituted the First Italian Republic.

Now, as then, the international financial establishment is working feverishly to destabilize the Italian state (with the attack on the lira in 1992 and parallel, continuing downgradings of the Italian economy by Moody's) and is pushing for privatization, liberalization, and for a more authoritarian ("efficient") regime (this is the aim of the propaganda campaign which led at the end of 1993 to a new, majority electoral system similar to the one Mussolini pushed through in 1923).

Today again, the Italian economy is in shambles, and—this is different from the period when Fascism took over—all or nearly all the political forces have caved in to the pressures of international speculative finance. The new "fascism" is profiling itself not as a dramatic coup d'état, or a violent movement, but as a transformation of the political landscape.

### **How the situation developed**

The Italian state has been sinking for years under an enormous public debt, which grew, particularly in the 1980s, to over 1.5 quadrillion liras (\$914 billion). The political management of the First Italian Republic was unable to control this debt and resume real economic development. On the contrary, anti-industrial policies have been heavily pushed. Exemplary is the case of the effort made by then-Socialist

## How Morgan Press Trust brought U.S. into war

J.P. Morgan and Co., banker to Benito Mussolini's Fascist regime, had earlier played a vital role in convincing the U.S. government to enter World War I on the side of the British. This was the subject of a vigorous debate in the U.S. Congress at the time, which put a spotlight on the way the Morgan-controlled press empire manipulated American policy.

Rep. Joseph Hampton Moore, the congressman from Philadelphia's Liberty Bell district, rose before the April 17, 1917 session of the House of Representatives, demanding discussion on a "matter of privilege affecting the honor and dignity of this House."

"Mr. Speaker," he continued, "I wish to say it is apparent to anyone who reads the daily newspapers that the war issue is being very much befogged by reports from London and that there has been a wonderful change in editorial sentiment in certain papers during the last six months."

The congressman then read to the House: "On March 15, the J.P. Morgan interests . . . got together 12 men

high up in the newspaper world and employed them to select the most influential newspapers in the United States and sufficient number of them to control generally the policy of the daily press of the United States. . . . They found it was only necessary to purchase the control of 25 of the greatest papers. The 25 papers were agreed upon; emissaries were sent to purchase the policy, national and international, of these papers; an agreement was reached; the policy of the papers was bought, to be paid for by the month; an editor was furnished for each paper to properly supervise and edit information regarding the questions of preparedness, militarism, financial policies."

### London is 'impatient'

The congressman further charged that the British press control was an attack on the honor of the Congress of the United States. "London, gentlemen, seems to be 'impatient' because the United States is not going into the war. The spirit of London as translated by these American newspapers is that the United States unduly hesitates to join Great Britain in the war.

"If we are to forget that once we severed the yoke that bound us [to Great Britain], and must put that yoke again upon our necks, I want to leave these congressional halls forever," Representative Moore concluded.

Party Deputy Secretary Claudio Martelli, who in 1987 launched a full-scale deindustrialization policy, promoting an anti-nuclear referendum and then closing down all the nuclear plants Italy had, making it the first and only country to have abandoned nuclear energy.

As a result of the lack of an industrial policy and lack of research and development (Italy has the lowest rate of expenditures for R&D of all highly industrialized countries), and as a result of the near-total dependency on foreign energy sources, which was maximized by the Socialists' anti-nuclear referendum, public debt soared in the 1980s and began to weigh dangerously on the backs of the citizens.

At the end of the 1980s, favored by the collapse of the Berlin Wall, which upset the "little Yalta" policy of "collaborative confrontation" that had existed between the Communist and Christian Democratic parties, the growing dissatisfaction of the small industrialists and the desperation of the broader populace (largely caused by the tax burden) gave way to the emergence of anti-state movements, spearheaded by the Northern League.

The political corruption scandals which emerged in February 1992, hitting the Socialist Party and all the other parties of the First Republic, dealt the death blow to the structure of the First Republic. That structure had been based on the

balanced integration of public and private sectors. Italy was, among western countries, the one where public industries, accounting for about 50% of overall production, had the highest relative weight in the economy.

### Enter the free market

The "free market" battle cry began to be heard more and more loudly. "Italy must liberalize! Must sell its public industries! The state is corrupt and corruption must end!"

The triumph of liberalism occurred in September 1992, when, under the hammer-blows of international speculation, the lira collapsed in a few days by 30% against the German mark and was forced out of the European Monetary System. That was not only a setback for the Italian economy, but also marked the inability of the European countries to stay united and the persistence of the Anglo-American financial grip over Europe.

From that moment on, Italy has entered a phase in which its economy is more and more controlled by the logic of international speculative finance. Through mass media propaganda, the population has been lulled into a series of well-planted delusions: With the lira devaluation, exports boomed, and this has been portrayed as the onset (a perpetual onset which never really starts) of the "recovery." In reality,

the internal market has crumbled, and consumption has decreased at an annual rate of 15-20%, while the price of imported goods has increased.

The wave of privatizations has started: Banks, insurance companies, communications, the state-owned food conglomerate, and mechanical industries are on line to be sold to private parties or have already been sold, and each sell-off is greeted as a big success. Since it succeeded, that means that the Italian economy is "credible." "Credible" in this case, means "under the control of international speculative finance."

An example is the privatization of SME, the Italian food-processing conglomerate. The state sold it for something in the range of 5 trillion liras (\$3.1 billion). Now all the firms which belonged to that conglomerate have ended up in the hands of foreign multinationals, and what the state gained from the operation is next to nothing when compared to the total amount of its debt, or with what SME could have produced as profit, if properly managed.

### Savings eroded

The privatization mechanism is not only a simple way for the holder of dollars or German marks to buy Italian firms valued in devalued liras at fire-sale prices; it is also a way of eroding the Italian citizens' savings. It has created the illusion of the transformation of the state companies into "public companies": Small investors buy a small amount of shares of the privatized company, whose possession, in this way, remains in the hands of the Italian people—or so goes the propaganda line. In reality, given the large number of shareholders, it is sufficient to own a packet of 3-4% of all shares, to control the whole shebang.

Quite recently, Comit—Banca Commerciale—the second largest Italian bank, was privatized. The day when the shares were sold to the public, queues of small investors overflowed the sidewalks next to the bank offices, evoking the sinister images of the long lines of unemployed during the 1929 stock market crisis and the ensuing bank holidays. These were people who feared for their savings, who were striving to put their money in the hands of the foreign financial holding company which in the end will turn out to control 3-3.5% of the shares.

Thus the small investor withdraws his money from Italian government debt and puts it into foreign hands. The same foreign financial structures will end up controlling the state debt too, which, since the 1992 devaluation, in the quest for "credibility," began to be sold abroad, denominated in foreign currencies (through the so-called global funds). In this way, international financial structures not only control Italians' savings, but will determine whether or not the Italian state will be bankrupt.

As this process goes on, taxes are not going down, but up. Two major new taxes have been introduced since 1992.

After installing their financial control, speculative inter-

national finance is looking for somebody to manage the country politically. Notably, the two key leaders of the left (Democratic Left Party leader Achille Occhetto, the ex-Communist) and of the right-wing coalition (Northern League boss Umberto Bossi) have started meeting with the U.S. ambassador to Rome and traveling to London to "inform" the City of London financial community of their respective plans.

Two other important leaders of the "new" political scenario, mass media magnate Silvio Berlusconi and the referendum promoter Mario Segni, are on the same wavelength. The former loves to portray himself as the country's most successful capitalist, but, as the former Communists charge, his empire was built with the help of the Socialist Party. The Socialist Party has been known since the late 1970s as a mouthpiece for U.S. influence in Italy, and has been a primary promoter of the dismemberment of the First Italian Republic.

Certain elites are known to be seeking a "man of destiny"—as Mussolini, the purported savior of Italy from communism, liked to be known. Today Berlusconi most directly tries to fit that image. But the danger of fascism in Italy does not lie in one man's policy, it lies in the situation itself.

As when Fascism took over in the 1920s, the cultural reference-points of Italians are hurtling in the opposite direction from rationality. The "magic" of the market mesmerizes popular attention. Lotteries, horoscopes, and sects are proliferating. The average level of culture is declining rapidly after two decades of the drug-sex-rock counterculture, culminating now in a creeping educational reform which is apparently pivoted around "sex education."

Submerged by the mounting wave of disappointments, the Italian population has reached the world nadir for demographic growth: 1.25%, well below zero population growth. The number of retired people has already surpassed the number of active workers. In this way the economy is dying, and desperation enters the stage. In the long-depressed South, unemployment is over 30%, mostly among the youth.

The decade of the 1980s was like a lost war, a decade when mindless consumerism (which makes the consumption of ephemerals the aim and guiding principle of life) and the lack of a concrete policy debate, have left the country in shambles.

The new fascism will not be militaristic and vindictive like the old Fascism. It will be "technetronic" and mass media-based, it will sport the ideology of "efficiency," and it will be depoliticized. It will arrive as a "conservative revolution." Fear and selfishness reign, and the incapacity for formulating a policy for defending Italy's immense cultural heritage has come to prevail. The question of which group will run the country in the coming years is purely secondary. The primary fact is that it is now the policy of international financial speculation, with its "free market" ideology, which has the upper hand.