

# **ITALY - ECONOMIC POLICIES 1919-1939**

**Aims:** To make Italy a strong, autarkic (self-sufficient) power, so that it could make its rightful position felt in the world and show the greatness of its leader.

## **1. PERIOD 1919-1922 – POST-WAR DEPRESSION**

- 3 million men de-mobilized after WWI
- Widespread unemployment (2 million people in November 1919)
- Widespread poverty in the south (especially among the landless peasants)
- Huge inflation (560% between 1914-1921)

## **2. PERIOD 1922-1925 – INCREASED PROSPERITY**

- Unemployment fell by 72% (mostly as a result of the general European recovery after WWI)
- Also a result of the Finance Minister 1922-1925 Alberto de Stefani.
- A **liberal economic policy** with few government controls. He balanced the budget (for example by reducing the government expenditure, by rationalizing the tax system, and by giving a freer rein to industry). And brought economic growth (for example by ending government monopolies on things such as telephones and insurance).
- Due to the inflation which accompanied Italian economic growth and de Stefanis cutting down of government subsidies he was replaced in 1925 by Count Giuseppe Volpi. He pursued a deflationary policy (tried to limit the economic growth) to deal with the inflation.

## **3. PERIOD 1925-1935 – DETERIORATION**

- In 1926 the 8-hour day was increased to the 9-hour day
- In 1927 wage reductions were decreed. In 1930 the ILO (International Labor Office) estimated that real wages in Italy were the lowest in Western Europe (Between 1926 and 1934 real wages dropped an average of 50%, with some farmers suffering a 70% drop in income).
- Being a primarily agricultural country Italy was not as affected by the Great Depression as the industrial countries were. (however in 1932 there were 1.3 million people unemployed)
- In 1934 to 1935 the government deficit was 2000 million lire.

### **Reasons for the deterioration:**

- From 1925 attempts were made to make Italy self-sufficient (June 1925 "Battle of Grain" later "Battle of Agriculture")
- In 1927 the currency was revalued (for prestige reasons to parity with the French franc). Mussolini insisted on a higher rate of revaluation than Volpi wanted just to assure the foreign creditors of Italy's economic strength. Consequently Italian exports were reduced.

- A faulty tax system. There were higher taxes on the unmarried and childless - married men with six children were exempt. There were also loans to newly-weds, repayable only if there were no children.
- Prestige projects especially 1928-1934 (for example building uneconomic transatlantic ships, draining 9 million acres of marshes (like the 1.5 million acres in the PONTINE MARSHES) and thereby bringing agricultural land which Italy did not need.
- Failure to prevent widespread misappropriation of funds and general inefficiency
- **The general world depression after 1929**

#### **4. PERIOD 1935-1939 – ECONOMIC RUIN**

- In 1936 the lira was devalued.
- Costly imperialist and foreign adventures - like the war in Abyssinia 1935-36. By 1939 Italy was spending 10 times on the colonies what the colonies gave Italy, while the colonial was only 1/10 that of the Italian community in New York
- Intervention in the Spanish Civil War 1936-1939 (the participation in the Second World War brought economic ruin!)
- Increasingly massive budget deficits brought inflation
- By 1939 the deficit was 29000 million after which it approximately doubled each successive year!

#### **STATE CONTROL OF THE ECONOMY**

This evolved all the time but it was always limited!

- **ROCCO LAW** (April 1926) - Strikes and lockouts were banned. Any disputes should be settled by a labor court (there were 16 different kinds) against which there was no appeal. By 1926 the Fascist unions were grouped into 13 corporations (6 for employers, 6 for employees - agriculture, banking, commerce, industry, land+transport+internal navigation and sea+air transport. The 13<sup>th</sup> corporation represented the intellectuals like priests and artists). In theory the **CORPORATIVE STATE** were set up **to advise the government on economic matters and to help coordinate the economy** but in practice they were meant to facilitate **government control** (In 1934 the corporations were increased to 22)
- **CHARTER OF LABOR** (April 1927) - Regulations for work. (Night work, overtime, dismissal, social insurance etc... but not 8-hour day or a minimum wage).
- **NATIONAL COUNCIL OF CORPORATION** (1930) was established to supervise economic development. Its consent was needed for any new project or expansion.
- **NATIONALIZATION** of industries and concerns was not very common in Fascist Italy. Though by 1939 the government controlled a number of companies especially in banking and shipping. In 1935 all foreign trade became a function of the state (and the state regulated the distribution of raw materials).

**Some progress was made during the period 1922-1939;**

- Between 1917 and 1942 hydro-electrical schemes increased electric supply fivefold
- Freeways (Autostradas) were built
- Railways were electrified
- An agricultural credit bank was established
- Cooperatives were encouraged
- IRI (Institute for Industrial Reconstruction) was created and it saved many businesses in difficulties
- Peasants were taught modern methods

**but;**

- Real wages and living conditions deteriorated
- Working conditions grew worse
- There was no break-up of large farms
- Some hospitals and orphanages were set up, and there was some development of education but in general no real attempt was made to develop social services
- Industrialists in the 1930's resented government control, capital levies, compulsory loans and high taxes. Eventually all the foreign holdings held by Italians had to be surrendered to the government because of the economic situation
- Italy did not become self-sufficient. Italy especially lacked oil, coal, iron and other minerals
- Mussolini had been moderately successful in his campaign against the Mafia but still corruption rather than being eliminated it increased...
- There were increasingly large government deficits, accompanied by inflation
- In 1945 industrial production was 29% below the 1939 level