Fascist Economic Policy and the N. R. A.

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“Perhaps the chief task of economists at this hour is to distinguish afresh the ‘agenda’ of government from the ‘non-agenda’. . . Our problem is to work out a social and economic organization which shall be as efficient as possible without offending our notions of a satisfactory way of life.”—John Maynard Keynes: “The End of Laissez-Faire.”

THE words of the distinguished British economist are as significant today as when they were written seven years ago; for, while suggestions as to how to work out an efficient and satisfactory social and economic organization continue to be offered and experimented with on an unprecedented scale, the problem itself still remains to be solved.

During the last decade two attempts at a solution have attracted particular attention, one made by Russian Communism, the other by Italian Fascism. Apparently at opposite poles in their general creed and philosophy, they have one fundamental aim in common: the realization of a new scheme for the social and economic advancement of their people. Despite fundamental differences in underlying political philosophy, the social and economic experiment attempted in Italy presents certain interesting parallels to that now being tried in the United States under the aegis of the N. R. A. Coöperation through authority appears to be the basic formula common to both programs. Perhaps it expresses the essence of the new order toward which western capitalism seems gradually to be moving.

I

Born of a reaction against the doctrines of Marxian socialism and the extreme degeneration of post-war parliamentarism, Fascism gradually developed into a movement which has transformed the whole political, social and economic structure of the Italian Kingdom. The old liberal state has ceased to exist in Italy. Its place has been taken by a new state, built according to Fascist doctrines and Fascist ideals. Intense national consciousness, intense patriotism and national fervor are the basic elements of the new social and political creed: they pervaded and inspired Fascist thought and action and supplied the driving force, the renovating power, which made possible most of the reforms introduced in Italy during the last decade.
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It is upon the ideal of a strong and prosperous Italian nation, conceived as a unitary group representing past, present and future generations of the Italian people, that the edifice of Fascist ideology has gradually been erected. In the Fascist view, the national group is something more than a mere aggregate of the individuals who compose it at any given moment of time. Individuals come and go, but the nation and its tangible expression, the state, remain. Their interests and ends and those of the component individuals are not necessarily the same. The economic or political preservation of the group may demand, as it clearly does in time of war, the sacrifice of individual rights and interests. The classical relationship between the state and the individual is thus to be reversed.1 For the liberal conception of an organized society existing primarily to benefit its individual members — solitum in singularitates, as the phrase goes — a different social philosophy is to be substituted. In place of the old emphasis upon the "rights" of the individual, stress is to be laid upon his "duties" toward the nation and state, and thus implicitly toward the social group of which he is a member.

In the economic field, Fascist theorists believe, the purposes of society as a whole are best served by a system of "controlled freedom." The task of developing the nation economically — the processes of production and distribution — are best left to individual initiative, for freedom of initiative and competition will assure the most efficient results with the least effort. But while English classicists conceived of economic liberty, if not always as a natural right of the individual which it is the duty of the state to safeguard and to protect, at least as a fundamental principle which ought to guide and to restrain the state when it seeks to regulate individual activity, Fascism merely accepts economic liberty as an expedient method, as a concession made to the individual by society in the interest of the social group as a whole; a concession which may, whenever necessary, be revoked.

While thus private property, individual initiative and freedom of competition are to be maintained as expedient methods for the achievement of social and economic well-being and progress, there is no place in Fascist society for uncontrolled economic individualism. Centuries ago, state control and state justice were substituted for unlimited personal freedom and the individual right of self-defense. In a similar manner, Fascism holds, a system

of state control and state justice must now be substituted for the unrestricted economic freedom of individuals and classes and groups.

To exercise this control and dispense this justice, the Fascists believe it necessary that the various economic groups within the nation be unitarily organized and represented. The supervision and control of these groups will in turn make it possible for the state to reconcile conflicting interests between group and group, to harmonize them with the higher interests of society, and also, it is hoped, effectively to control the main streams of the nation’s economic forces and thus to attempt, with some reasonable chance of success, a solution of the fundamental problem of securing national economic stability.

With these ends in view, the *stato corporativo Fascista* — the Fascist corporate state — has gradually been called into being. Several of its underlying ideas had long been advocated by Italian and French thinkers. Early in the nineteenth century, while the aphorisms of the French Revolution were still gaining in popularity, two distinguished Italian students of political theory, Sismondo de Sismondi and Gian Domenico Romagnosi, expressed the view that, while the French Revolution had destroyed the social and political structure which rested mainly upon the oppression of the lower classes, it had failed to replace it by anything substantially better. In their opinion the thought generated by the Revolution had been arrested and immobilized by an exaggerated exaltation of the individual, and had lost contact with such larger social realities as the existence of aggregates of individuals and of clearly distinguishable social and economic groups. At the beginning of the twentieth century new and challenging theories about these social groups were evolved by two Frenchmen, Georges Sorel and Léon Duguit. Sorel, the father of French revolutionary syndicalism, advocated the formation of powerful workers' guilds destined to wrest from the capitalists the control of the means of production. Léon Duguit, an eminent French jurist, saw in the syndicalist movement, not a means of social strife and war but a powerful means of pacification and union, a means for the establishment of a new society formed of strong and coherent syndical groups of employers and workers, trained into harmony and unity of purpose through a system of collective bargaining and collective contractual agreements laid down under the direct supervision of the state.
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Immediately before the World War attention had been called to these doctrines on the Italian peninsula. Sergio Pannunzio, a young Italian nationalist, had advocated the transformation of the revolutionary syndicalism of the workers into a new movement destined to further the national cause. Alfredo Rocco, a young Italian jurist, later to become Minister of Justice in Mussolini's cabinet, wrote a searching criticism of the individualistic theories implicit in current economic science and advocated substituting for them a series of doctrines based upon a truly social conception of economic life and centering around the ideal of a system of syndical groups of workers and employers established in all the major branches of productive activity under the direct supervision of the national government.

After the war these ideas were incorporated in toto into the economic program of the Fascist Party. Under the leadership of Edmondo Rossoni the first Fascist labor syndicates were formed in various localities. Then syndical organization was gradually extended to employers. Finally, a series of separate syndical organizations for employers and workers was formed in practically all the major branches of the nation's productive system. After the March on Rome, the new government took a direct and immediate interest in the promotion of the new syndical movement. In 1925 a commission of eighteen members, under the presidency of Senator Giovanni Gentile, was appointed by the government to study a scheme for the legal recognition of the existing syndical associations and for the creation of the legal bases of the new economic society advocated by Fascist syndical theorists.

II

The stato corporativo Fascista has its origin in the law of April 3, 1926, on "the legal discipline of collective labor relations." By means of that law a series of important innovations was introduced into the country's economic system. All Fascist syndical associations of workers and employers already existing within the various occupational fields were recognized as separate legal entities and were given the exclusive right legally to represent the interests of the entire occupational group within which they had been organized. Strikes and lockouts, in the Fascist view violent and socially harmful expressions of class warfare, were prohibited. For the old system of uncontrolled class struggle
was substituted a new system of collective bargaining and of collective labor agreements. Finally, the magistratura del lavoro, a new system of governmental labor courts for the peaceful settlement of labor disputes, was instituted to provide for an equitable solution of all cases in which no fair and satisfactory agreement could be reached through the processes of ordinary syndical bargaining.

Thus the productive forces of the nation emerged from their previous unorganized state, grouped into thirteen large confederations of syndical associations, six of them representing employers, six representing employees, and one representing professional men and artists. Each confederation includes a well-organized group of national and regional federations of syndicates and of individual syndicates of employers or workers vested with the exclusive right to represent and to protect the economic and other interests of all the individual members of their various occupational groups. The most significant consequence of this right is the privilege of the various legally recognized syndical associations to participate in collective syndical bargaining and in the subsequent making of collective labor agreements. According to official figures, up to the end of 1932 a total of 10,256 provincial and a total of 566 interprovincial and national collective labor agreements have actually been stipulated in Italy. Such agreements, binding alike upon all members of a given occupational group, whether members of the syndicate which represents them or not, must contain, in addition to provisions on wage rates and working hours, precise regulations regarding disciplinary matters, trial periods and such Fascist innovations as the indemnity to be paid to the worker upon discharge from employment through no fault of his own and the annual paid vacation period (usually a week or more) to which every steadily employed worker in Italy is entitled by law.

Should it be impossible to reach an agreement acceptable and fair to both parties by a process of syndical bargaining, or should a dispute arise on the provisions of an existing collective agreement, no strikes or lockouts will disturb the rhythm of the country's economic life. The case in question will be brought for adjustment before the newly instituted governmental labor

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*The employers and employees each have the following national confederations: industry; agriculture; commerce; enterprises of maritime and air transportation; enterprises of land transportation and internal navigation; and credit and insurance. In addition there is a thirteenth national confederation of independent artists, artisans and professional men.
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courts. These labor courts, organized as separate sections of the
sixteen Courts of Appeal existing in the various parts of the
Italian kingdom, consist of three magistrates of the Court of
Appeals and two experts in the problems of production and labor
chosen by the president of the court from a carefully selected
list of eligible citizens. From the decisions of the labor courts an
appeal is possible to the Supreme Court of the Kingdom.

The work of the Italian labor courts may best be illustrated
by a brief description of an actual case tried before them. In
March 1927 a collective labor agreement had been stipulated
between the Confederation of Fascist Syndicates of Agriculture,
representing the workers, and the Fascist Confederation of
Agriculture, representing the employers, determining the wages
to be paid to the workers in the rice fields of the valley of the
Po. Due to difficulties resulting from the revaluation of the lira,
then in process of being made, and from the simultaneous
reduction of the price of rice in world markets, the agriculturalists
asked for a revision of the agreement and for a reduction of
30 percent in the rates of wages paid to their workers. The
representatives of the workers' syndicates refused to consider
such a proposal; and after the failure of an attempt at concilia-
tion, the case was carried before the labor court for decision.
After a careful study of the elements involved in the case, and
after hearing representatives of both sides as well as the opinion
of its own expert advisers, the court decreed a reduction corre-
sponding to about 5 percent of the average rice worker's daily
wage, in addition to the general 10 percent wage reduction
previously decreed by the government, thus evidently deciding
the case on the theory that the consequences of the country's
economic difficulties were to be equitably shared by employers
and workers.

With the creation of legally recognized employers' and work-
ers' syndicates and the institution of collective labor agreements
and labor courts, the foundations had been laid for the new
system of Fascist syndical economy. The next task before the
government was to devise the necessary governmental machinery
for the coordination and control of the new syndical structure.

As we have seen, the ultimate aims of the Fascist economic
reform far exceed the mere organization of the various occupa-
tional categories into large syndical groups. Syndical organiza-
tion is not to be conceived as an end in itself, but as an instrument
for achieving the ultimate aims of Fascist economy — the elimination of open class warfare, the harmonization of the interests of employers and workers with the interests of the social group, and the establishment of an efficient, just and stable national economic system. To this end, it was found necessary to set up a central organization of coördination and control primarily based upon and operating through the existing syndical structure, but superior to it. Such an organization has been gradually called into existence and is embodied in four newly established government organs: the individual corporation; the Ministry of Corporations; the National Council of Corporations; and the Corporate Chamber of the Italian Kingdom.

The corporation (the name is derived from the old Italian corporazioni delle arti e dei mestieri, the mediaeval guilds of Italian craftsmen) was described in the syndical laws of 1926, in which it was first mentioned, as a central governmental agency established to act as a connecting link between the various confederations of workers and employers already in existence. It was to be a board or council, formed by the direct representatives of the highest employer and employee organizations (confederations of syndicates) existing within each one of the six major fields of national production; as such it was to be authorized to make compulsory regulations on collective labor relations and on the coördination of production whenever the necessary powers were delegated to it by the affiliated syndical organizations.

Up to 1930, however, no corporation as here defined had actually been called into existence Only a kind of de facto corporation had existed, through the action of coördination and control exercised by the second of the four newly created governmental organs, the Ministry of Corporations. This Ministry, established in July 1926, is the direct representative of the national government in the syndical structure and the chief government organ through which the Fascist state directly supervises and controls the operation of the syndical machinery which it has called into existence. To it are delegated such important tasks as the direct supervision of all the syndical associations of employers and workers existing within the nation, the registration of new syndical associations, the registration of recognized ones, the audit of syndical accounts, etc.¹

¹ This includes the solution of general problems of syndical organization, the legal recognition of new syndical associations, the registration of recognized ones, the audit of syndical accounts, etc.
tion and enforcement of national and provincial collective labor agreements, the general supervision of collective labor relations, the carrying out of programs of syndical education and instructions, the elaboration of statistical information on questions of production and labor, and the supervision of the great Fascist social welfare organizations. Foremost among the last-named are the system of free national and provincial governmental employment offices; the National Institute for Maternal and Infant Welfare, caring for thousands of poor children; the National Institute for Social Insurance, which provides insurance against accidents, sickness, old age and unemployment, all of which every Italian worker is forced to carry by law; and, finally, the *Opera Nazionale Dopolavoro*, the national "after labor" organization, a semi-governmental institution for the promotion of recreational activities. In carrying out this vast program of work the Ministry of Corporations has the cooperation of the prefects of the various provinces and of the Provincial Councils of Corporate Economy, new government-supervised provincial economic boards, taking the place of the old Chambers of Commerce.

After the passage of the syndical laws of 1926 and the promulgation on April 21, 1927, of the Charter of Labor, containing a formal declaration of the social and economic policies of the Fascist state, the next major step for the completion of the new system of corporate economy was the enactment (May 17, 1928) of the law on the reform of political representation in the Kingdom. This law, substituting a new method of vocational or trade representation for the old system of political representation, fulfilled one of the major aspirations of Italian syndicalists. In the new corporate Chamber, the lower of the two branches of the Italian Parliament, were now to sit, not the exponents of a number of political parties and of political groups and cliques, but the direct representatives of all the principal groups of the nation's productive forces. In fact, the four hundred members of the new Chamber are to be selected by the Fascist Grand Council from a list of one thousand names submitted almost exclusively by the major syndical organizations of workers and of employers existing within the country. The new deputies thus represent, not a variety of political parties and, as the Fascists put it, contradictory party platforms and programs, but, openly and sincerely, the interests, needs and aspirations of the various economic groups from which they have been drawn.
The Corporate Chamber, in spite of its new vocational formation, performs functions essentially akin to those of any other legislative assembly. But the last of the four major organs of the corporate state, the National Council of Corporations, provided by the law of March 20, 1930, is an original creation. This law was the last and perhaps the most important major step taken in the building of the Fascist corporate system. It provides for the establishment of a national economic council, to be composed of seven separate sections, six of them formed by the direct representatives of the six pairs of confederations of Fascist employers’ and workers’ syndicates existing within the six principal divisions of the nation’s productive system, the seventh including the thirteenth confederation of syndicates, that of professional men and artists. The seven sections of this Council, thus constituted, truly represent the “corporations” as first conceived by the Fascist legislator in 1926. As the highest authority in its own economic field, each corporation is empowered by law, in addition to dealing with all matters immediately affecting the interests of its own particular economic group, to make compulsory regulations concerning collective labor relations and the coördination of economic activities within its own special field. For instance, during the meetings of one of the seven sections of the Council (the Corporation of Industry) there was discussion of such questions as the promotion of industrial exports, new industrial salary and wage rates, the stipulation of industrial collective labor agreements, the position to be taken toward new legislation on industrial accidents proposed by the government, etc.

Finally, there is a General Assembly of the National Council of Corporations, consisting of the members of the seven sections drawn together in common council. To it is entrusted the task of dealing with major questions of broad economic policy such as the organization and regulation of the syndical system, problems of collective labor relations and of the national and regional coördination of employment, and all other questions directly concerning the apparatus of national production. Moreover — and this provision is possibly the most significant one in the new law — the Council is empowered to formulate rules and regulations for the coördination of the economic relations existing among the various branches of the nation’s productive organism. All this means that the National Council of Corporations is empowered by law to issue direct rules for the regulation and
coördination of the economic activities of the nation according to plans and programs which the Council may work out and approve.

Constituted not by a governmental bureaucracy, but by the direct representatives of all the major productive forces existing within the nation, the National Council of Corporations is thus destined to be, as Mussolini suggested, the "general staff" of Italian economy, the planning authority which acts — through the almost military organization of the national syndical system which the Council controls and of which it is at the same time the highest expression — on the major problems of the nation’s economic life.

III

Some of the main features of the economic system described in the preceding pages are not unlike certain of the provisions of the first part of President Roosevelt's National Industrial Recovery Act. The new American codes of fair competition, fixing as they do minimum wage rates, maximum working hours and the minimum age of workers in industry, read almost as do the national collective labor agreements stipulated between the major syndical organizations of Italian employers and workers since 1926, with the omission, however, of provisions for compulsory sickness, for old age and unemployment insurance, for an annual paid vacation, and for an indemnity to be paid to the worker if discharged through no fault of his own — a series of benefits to which every Italian worker is entitled by law.

The provisions in the National Industrial Recovery Act giving jurisdiction to the United States district courts to prevent and restrain violations of any code of fair competition remind one of the powers of the Italian labor courts, with the difference that no judicial agency yet exists in this country for the settlement of disputes arising between labor and capital before a code of fair competition is agreed upon and put into effect. A peaceful solution of such cases seems to depend upon successful arbitration by the President and his representatives, and, ultimately, upon the power given the Chief Executive independently to prescribe and to put into effect a code of fair competition and thereby to settle all controversial points by an act of executive authority.

In the broader field of the coördination of production and of economic planning, additional similarities are found between the Italian and American programs. As the N. R. A. comes into
force, industrial advisory boards and economic planning com-
mittes are being organized in the various major industries of
the country. While these boards resemble the Italian corporation
in some respects, no provision for including the direct representa-
tives of the various classes of industrial labor seems as yet to
have been made.

Under the elastic provisions of the new American law the most
extensive experimentation is possible. If this is carried on as
promised, we may see American economic individualism replaced
gradually by a new system of national economic coördination
and supervision, evolved in accordance with the requirements
and the needs of the American economic system and in harmony
with the country's political traditions and institutions.

It is an open question, however, how far coördination and
planned control of any capitalist economy can actually be carried,
even in an almost militarily organized economic system such as
that existing in Italy. For whenever that coördination and
control ventures out from such relatively safe domains as the
regulation of collective labor relations or the supervision of
production, and attempts to deal with the fundamental problems
of general economic stability, it will immediately find itself
confronted with a twofold difficulty: the almost total absence
of guidance from past experience, and an overabundance of
plans of attack, ranging from a centralized management of the
monetary and credit system and a consequent (hoped for)
control of the price level to a system of direct planning of produc-
tion and consumption. In addition, even though a workable
system for effective economic control and the consequent reduc-
tion and elimination of economic instability could be found and
applied within one nation, the vital problem would still remain
of how to maintain that national economic stability in the closely
interconnected and eminently unstable world of independent
nations in which we live.

Despite all difficulties, however, we seem bound to try out
the new system, and we shall learn more about it in the process.
Faith in traditional laissez faire economics has been severely
shaken. Adam Smith's system, in which natural liberty and the
principle of self-interest were to be satisfactory and sufficient
guides for the affairs of men, has shown its inadequacy as a code
of general social and economic organization. Laissez faire has
gradually been forced from its exalted position as a cardinal
principle of economic life into the subordinate rôle of a convenient instrument for social progress under the supervision of the state. It is coming to be recognized more and more that if the pillars of the capitalist system—private property and individual initiative—are to be successfully maintained, our social and economic organization is bound to be transformed. Economic forces must not be allowed to work their will blindly. They must be harnessed by intelligent action.

In our attempts to solve the problem of national economic control the Fascist experiment seems able to furnish us with several interesting examples and suggestions. Rational organization of a nation’s economy is hardly conceivable unless individual economic categories and groups are clearly defined and well organized. Syndical organization of employees and workers in each economic category seems an inevitable part of the effort. Legally recognized and autonomously administered employers’ and workers’ associations, entrusted with the sole representation of their individual economic group, are in a position to act not only as the official mediators between their individual members, in disputes with the other syndical organizations and in dealing with the national government, but also to perform a most valuable social service in achieving effective individual and group cooperation in the economic field. Under such a coördinated and unitarily organized national syndical system, the recommendations, plans and rulings of a central economic authority could promptly and effectively be put into operation in the various branches of the nation’s economy. Italy shows us that this central authority can itself be a direct emanation of the existing national syndical structure—a freely chosen national economic élite which, inspired by new ideals of social right and social justice, is ready and able to limit, through its dependent organizations, the freedom of the one in the interest of the many.