Was it successful?

Even in 1926 the ideology of the Corporate State was not fully developed; many ideas and propaganda slogans were added as time went on. Mussolini’s thinking was not strongly influenced by the philosopher Giovanni Gentile. It was not until 1932, for example, that Mussolini produced a coherent overview in the Doctrine of Fascism, published in the fascist encyclopaedia. This has led to the widespread belief that there was no coherent economic thinking in corporatism. It has also been claimed that the Corporate State was a sham policy, pretending to make workers equal partners with employers but actually used by Mussolini to bring the trade unions under control and to give big business everything it wanted.

In your opinion, was the Corporate State successful in its involvement in Italy’s economic activity?

What economic problems did Mussolini inherit?

Dualism or the huge contrast between the far more modern, industrialised economy of northern Italy and the much more traditional, far lower growth, largely agrarian economy of the south continued to be a problem. This was because this sharp contrast meant that the Italian economy was far smaller than that of the stronger nations that Mussolini wanted to emulate and because it sustained very problematic social, political and cultural divisions that created a fault line through Italy.

Inflation had been a factor in the desire for political change that had led to Mussolini coming to power in October ‘22, so he was conscious of the need to bring it under control.

Poor industrial relations stemming from the increasingly class conscious nature of Italian society, particularly in the north in the huge industrial enterprises, plagued the Italian economy with frequent strikes.

The Battle for Lira—background

Inflation had been one of the key economic factors responsible for Mussolini’s rise to power in October 1922, and although government spending had been brought under control and the economy recovered, thanks largely to the skilful management of Mussolini’s first Finance Minister, Alberto Di Stefani, inflation was again very high and was resulting in a massive decline in the value of the lira in relation to other countries, e.g. 1922 £1.90 lira 1926 £1 – 138 lira.

Mussolini saw the weakness of the lira as an opportunity to highlight in a very high profile way that Italy was becoming a much stronger nation under his regime thanks to his bold, decisive leadership.

In August 1926 Mussolini made a speech outlining his intention to tackle the issue and in 1927 he decided on ‘quota novanta’, an exchange rate of £1: 90 lira which was the rate it had been in October 1922, when Mussolini came to power. This was very much against the advice of Mussolini’s new finance minister, Count Volpi and other businessmen who had suggested a rate of £1 :120 lira and was a rare occasion where Mussolini ignored the views of big business.

One of the pressing economic problems of the post-war crisis that helped Mussolini come to power was inflation. Although there was an economic recovery from 1922 and government spending was brought under better control, price inflation remained a worry- it started going up again in 195. As a result, the Italian currency, the lira, was falling in value in relation to currencies in the international exchange markets. In 1922, the rate of exchange was £1-90 lire; by 1926 it was £1 – 138 lire and the value of the lira seemed likely to fall further. There were fears that Italy might suffer a complete collapse of the currency.

The Battle for the Lira, launched in 1926, was Mussolini’s attempt to bring about an upward revaluation of the lira. Typically, Mussolini’s motives were only partly economic. There was also a rather simplistic belief that a strong lira would show that Italy was a strong country. Mussolini also hoped to make Italy more economically independent in relation to foreign countries, especially the United States. As with so many of his policies, it was also supposed to play well as propaganda, demonstrating his ability to take bold and decisive actions.