

The genesis of austerity (Part 4)

Test tube: Italian austerity was Fascism

By Elisa Barwick

The British and other London-allied bankers, officials and economists who in 1919-1922 dominated the Paris Peace Conference, the drafting of the Versailles Treaty, and the subsequent Brussels and Genoa conferences on economics (Part 2) were determined to reverse the credit issuance governments had allowed during World War I. The British Treasury's "austerity" policy, which they adopted and prescribed for all countries in the post-war years—starving government budgets and populations in favour of private interests' gains—was the germ of a new version of the British Empire's liberal economic policy, eventually to be called "neoliberalism". It was a toxic brew of ideologies, united in one fundamental tenet: the nation state must be superseded by private interests. If free-market deregulation did not achieve the goal, then top-down control would be used: the state itself would police the sacrifice of public interests to private gains. In Italy this system was called Fascism. (Read Parts 1-3 [online](#).)

The relentless enforcement of austerity in Austria ended in the Nazi takeover of that country in 1938 (Part 3). In Italy, a fascist movement ran the government and imposed the bankers' austerity already from 1922 on. This was the Italian Fascism of Benito Mussolini—a new system of control by the top several per cent of society. Its impact reached well beyond Italy's borders.

The circumstances of these two austerity test-tube countries differed. While Austria was a shard of the defeated Austro-Hungarian Empire, Italy was barely two generations on from the *Risorgimento*, the 1861-71 completion of the fight for unification as a nation-state. Although financiers, especially the ancient, powerful families of Venice, had positioned themselves to control and profit from the rapid process of industrialisation that followed, which included railway construction to connect isolated rail lines into a national system and the formation of manufacturing centres in northern cities like Milan and Turin, the experience of the successful upsurge to create the nation was still recent. Large trade union organisations existed, as well as a motley array of leftist and anarchist groups under the umbrella of the Italian Socialist Party (PSI, founded 1892 as the Party of Italian Workers).

In addition, Italy was not a defeated country in World War I and was therefore not subject to cash reparations, as Germany and Austria were under the Versailles Treaty. Formally allied with them at the outset of the War, Italy had stayed out of the combat until May 1915, when it resigned from that alliance and entered the war on the side of the Triple Entente (Britain-France-Russia). As a condition for taking this step, the government of PM Antonio Salandra, of the Liberal Union, had secured secret promises from London and Paris that Italy could annex territories of the Austro-Hungarian and Ottoman Empires in the Balkans (across the narrow Adriatic Sea from Italy) once the latter were defeated.

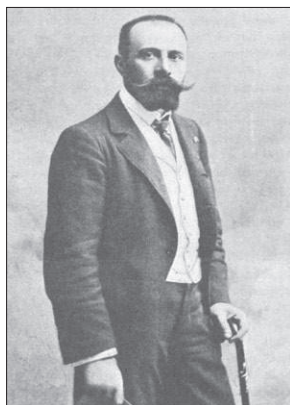
Wages had been raised and other concessions granted to the workers in northern Italy's factories, for the sake of stable operation of the war industry. Post-war inflation and the reduction of military production drove their incomes down. Economists who adhered to the austerity doctrines being set forth

at the post-war international economic conferences argued that with the war over, labour should be priced through supply and demand like any other commodity, without government interference. The falling wages fed unrest; membership in the main, socialist-led trade union confederation, the CGL, increased eight-fold to nearly two million by 1920. The so-called Two Red Years (*Biennio Rosso*—1919-20) of labour and leftist ferment, with simultaneous peasant uprisings against big landholders in the south, culminated in September 1920 factory occupations. By the time these failed, amid factional squabbles and the lack of a national economic and political program rather than merely immediate, local wage demands, Italian bankers and their political allies at home and abroad had already moved to create counterforces to ensure that such a movement did not arise again.

Dry run in Fiume

The modern *financial* empire of Great Britain, like the infamous British and Dutch East India Companies earlier, had been modelled on the central banking and monetary control innovations of the oligarchical families of Venice, developed over centuries. It emerged in its modern form at the turn of the 18th to 19th century in reaction to the American Revolution, featuring a doctrine of free trade dubbed "economic liberalism", as summarised in Part 1. But the Venetian financiers themselves were also still active, in Italy and beyond. Count Piero Foscari headed a combine of aristocrats from the old Venetian oligarchical families. His close ally was Giuseppe Volpi (later "di Misurata"), who in 1925 would become Mussolini's finance minister.

In 1894 the Foscari-Volpi group founded the *Banca Commerciale Italiana* (BCI), both to profit from the post-*Risorgimento*



Left, Count Piero Foscari. Right, a crowd cheers his protégé Gabriele D'Annunzio in Fiume. Photos: Wikipedia

industrialisation and to finance the group's economic operations in the Balkans and farther east, as well as worldwide economic cartel-building. BCI officials had great influence in several Italian governments from 1892 to 1914, especially promoting schemes for eastward expansion at Austria's expense, which both helped to trigger World War I and defined the conditions for Italy's entry into the War. All the while, the Venetian group was nurturing forces "on the ground" in Italy that would pioneer new ideas of national chauvinism and "corporativism", which in combination with revamped British economic liberalism would form the ideology of Fascism.

A dry run for a fascist regime took place in September 1919, two months before the national election. The Italian aristocrat and poet Gabriele D'Annunzio, who had been an army officer in the war, seized control of the port city of

Fiume (today's Rijeka, Croatia), east of Venice around the upper end of the Adriatic. Populated by Italians, Hungarians and Croats, formerly Austrian-ruled Fiume was disputed at the Paris Peace Conference by Italy and newly formed Yugoslavia. When the Italian government refused to annex Fiume, D'Annunzio declared it an independent state.

D'Annunzio was a protégé of Foscari, who sponsored the Fiume project and encouraged the fledgling state to use force to challenge the seat of power in Rome. Major funding was provided by Giuseppe Toeplitz of BCI, who was associated with the same wing of freemasonry as D'Annunzio.

Foreshadowing the direction Mussolini would soon take for all of Italy, D'Annunzio drafted a constitution that established a *corporative* state, a means of integrating control over every aspect of society by organising all economic sectors into

The Synarchy: power, violence, and 'government by technicians'

No discussion of austerity, the modern "bankers' dictatorship", or fascism would be complete without reference to the Synarchy, a political movement committed to maintaining the power of an international financier elite, while imposing austerity on the population at large, including with fascist methods.

The term "Synarchy" or "Synarchism" (French *Synarchie*) was popularised in the late 19th century by the French occultist Alexandre St. Yves d'Alveydre, drawing on the traditions of the Martinist Order of which he was a member. Martinism, named for one Claude de Saint-Martin, dates from the lead-up to the French Revolution of 1789.

When Lord Shelburne, of the British East India Company, strove to block the nation-building tendency in France and its potential alliance with the young United States, historian Anton Chaitkin reports, he "employed creatures from the swamp of mystics and charlatans centred in the freemasonic lodges, ... in particular the Martinist Order.... Martinism ... considers [that] Fallen Man ... can only restore his original condition by initiation to the inner ranks of a secret society, through purgative violence".¹ The Martinists were co-instigators of the Terror, when the French Jacobin revolutionaries beheaded France's aristocrats and scientists alike. St. Yves d'Alveydre also admired the Martinist occultist Fabre d'Olivet, a personal adviser to Napoleon.

Prof. Clifford Kiracofe, formerly a senior staff member of the US Senate Committee on Foreign Relations, explained at a 2006 seminar, "St. Yves created an extreme right ideology to oppose what he perceived to be 'anarchy', particularly ... anarchy among nations. He called his new ideology 'Synarchy'.... The economic dimension of Synarchy influenced the 'corporativist' political ideologies and movements of the early 20th century, such as Fascism. Corporative ideology called for the organisation of society with control held by the ruling oligarchic and plutocratic class. Labor was to be crushed and parliamentary government was to be eliminated. St. Yves' vision for Europe ... called for organising Europe through a regional (Europe-wide) council composed of corporative chambers of economists, financiers, and industrialists. At the national level, each country would have such a council of its own. Through this process, finance and industry would be concentrated, and become the main political power governing society, a society in which labor was to be coerced into submission."²

In 1894 St. Yves d'Alveydre's follower Gerard Vincent Encausse ("Papus") published his book *Anarchy, Indolence and Synarchy*, in which, Kiracofe reported, "Papus spelled out an ambitious scheme to recruit all of the leaders of industry, commerce, finance, the military, and academia, to a single power scheme".

Synarchists in France, in 1922, formed a secret political society called the Synarchist Movement of Empire, which was uncovered by French intelligence a decade later. French investigators emphasised that in the Synarchy's emergence after the Treaty of Versailles, the French banks Banque Worms and Lazard Freres (offshoot of the internationally influential Lazard Brothers) played a central role. The movement for a Pan European Union (later promoted by the Nazis) was inspired by this network.

The Synarchist movement was no secret to American intelligence agencies during World War II. Historian William L. Langer, a veteran of the Office of Strategic Services (predecessor of the CIA), wrote in *Our Vichy Gamble* (1947) that this network had initiated the collaboration of Vichy France with the Nazis. They were "dreaming of a new system of 'synarchy', which meant government of Europe on fascist principles by an international brotherhood of financiers and industrialists."

In November 1940 the US Coordinator of Information assessed that the "reactionary movement known as 'Synarchie'" aimed to produce "a form of government by 'technicians', under which home and foreign policy would be subordinated to international economy."

A French investigator summarised in 1941 that Synarchist movement, "financed and directed by certain financial groups belonging to the top international banking community" aimed "essentially to overthrow in every country, where they exist, the parliamentary regimes which are considered insufficiently devoted to the interests of these groups and therefore, too difficult to control.... Power would be concentrated in the hands of the CEOs of industry and in designated representatives of chosen banking groups for each country."

Prof. Kiracofe observed that the implications went far beyond France: "Synarchy provided ideological orientation for Wall Street circles with respect to economic, political, and social organisation."

"Defeat the Synarchy—Fight for a National Bank", The New Citizen, April 2004, is an in-depth look at the Synarchy internationally and in Australia.

1. "Synarchy against America", *EIR*, 5 Sept. 2003.

2. "The USA: Fascism Past and Present", *EIR*, 7 July 2006.

guilds or “corporations” (*corporazioni*, derived from *corpo*, meaning body; to be discussed in Part 5). The economist Maffeo Pantaleoni, whom we have encountered at the Brussels conference (Part 2), was finance minister for D’Annunzio. Pantaleoni would go on to become Mussolini’s first economics tsar.

The larger-than-life ultra-nationalist D’Annunzio, backed by the Venetian group to lead this first fascist experiment after the war, was a member of a masonic lodge in the “Martinist” tradition, dating from the time of the French Revolution’s Terror and Napoleon. Its rites were founded on occult violence and it held that “progress” came through torture, death, and destruction. D’Annunzio sought to “destroy the ancient Classicism”, held that technology and progress were evil, and (like Friedrich Nietzsche in Germany) preached submission to the cult of Dionysus, Greek god of wine and debauched pleasure-seeking.¹ Together, the ideology and economics of D’Annunzio at Fiume express the movement known as Synarchism (box, p. 11), which underlies fascism and bankers’ dictatorships to this day.

Infamous Fascist rituals such as the balcony address, the Roman salute, “call and response” crowd chants, and the use of emotive and religious symbolism were pioneered by D’Annunzio in Fiume.

Seeing D’Annunzio as a competitor for the role of Italian leader drove Benito Mussolini to greater radicalism in his rising Fascist movement.

Mussolini’s rise: Made in London

The archives of Samuel Hoare, head of the British Directorate of Military Intelligence for Italy (1917-18), reveal that Mussolini was paid by His Majesty’s secret intelligence service beginning in 1917. Hoare arranged a secret slush fund to pay Mussolini £100 per week to produce propaganda encouraging Italy to stay in the war. The British had feared Italy would withdraw, collapsing the entire Southern front.

Mussolini had come onto the political radar in September 1911, when he was arrested for organising a blockage of troop movements to Tripoli, at the opening of Italy’s colonisation of Libya. That year he also split his local Socialist branch from the national organisation and began referring to himself and his compatriots as a *fascio*; the word stemmed from an ancient Roman insignia of power, a bound bundle of sticks with a battle axe protruding, and here denoted a *grouping* of like-minded people. By December 1914, just months after World War I broke out, Mussolini was setting up *Fasci d’azione rivoluzionaria* (revolutionary action groups) and was soon regularly speaking of the “Fascist movement”.

In December 1917 over 200 members of the parliament, including former Prime Minister Antonio Salandra, joined a fascist parliamentary union for national defence. Mussolini had just returned, in August, from nine months fighting in the trenches, where he was wounded. As the war came to an end the following year, he declared that a time had arrived in which “the whole earth shakes, ... men disappear, systems crumble, institutions collapse”—language that, willy-nilly, echoed the dithyrambs of UK minister David Lloyd George and US President Woodrow Wilson about a “deluge” of change, “chaos”, and a “typhoon” sweeping the planet (Part 2). And he began agitating for dictatorship.

1. Allen Douglas, “Italy’s Black Prince: Terror War against the Nation-State”, *EIR*, 4 Feb. 2005.



Mussolini with his four key lieutenants, the *Quadrumviri*, preparing for the March on Rome. Photo: Wikipedia

By early 1919, dozens of *Fasci di combattimento* (armed returned soldiers leagues) had formed all over the country. In March Mussolini convened a meeting in Milan to establish a national organisation.

Local fascist groups grew, driven by the same worsening economic conditions as had touched off the boom in trade union and socialist activism. The cost of living in 1920 was four times that of 1913, with inflation fed by profiteers and speculators. During the 1920 labour strikes leading up to factory occupations, especially in the Po Valley where the industrial cities are located, the *Fasci* appeared as strike-breakers, using increasingly violent methods. Mussolini positioned himself as the only leader who could restore law and order.

In the May 1921 election 35 Fascists, including Mussolini, entered Parliament. They joined a coalition government headed by Liberal Union Prime Minister Giovanni Giolitti, who was keen to utilise the fascists to rein in the labour unrest. In November of that year, Mussolini officially established his Fascist Party.

On 27-29 October 1922, local Fascist groups, which had a reputation for violence and routinely used rifles, machine-guns, clubs and whips against strikers, socialists, or Catholics, burning to the ground party headquarters, newspaper offices, clubs, union halls and cooperative stores, descended on Rome with plans for insurrection. They threatened to occupy government buildings and seize ministries; the previous night, in preparation for the coordinated action, local Fascist branches cut off electricity in major regional cities, seized police stations and surrounded train stations.

Some 26,000 men participated in this March on Rome—Mussolini would claim there were 300,000—facing off against 28,000 Italian troops.

Sir Samuel Hoare admitted that British money was used both to “form the Fascist Party and to finance the march on Rome”, reports a recent book by Mario José Cereghino and Giovanni Fasanella.² Under Hoare’s scheme to control Italy, which he dubbed “The Project”, he had fostered Mussolini’s “political and paramilitary movement”. Hoare’s code-name for Mussolini was “The Count”, and the British operative worked with powerful Italian freemasons to assure Mussolini’s rise. Fasanella told the London *Times*, “Hoare had specialised in the use of violence and propaganda in Britain and he brought that method to Italy.” Cereghino added,

2. Claudio Celani, “Britain’s role in creating fascism, yesterday and today”, *AAS*, 25 Jan., reviews their *Nero di Londra (Black of London. From Caporetto to the March on Rome: How British Military Intelligence Created the Fascist Mussolini)* (Chiarelettere, 2022), based on examination of Hoare’s personal archive, declassified in 2001.



British intelligence operative Sir Samuel Hoare ran "The Project" to bring Mussolini to power. Photo: Wikipedia

"Mussolini's career between 1917 and 1922 would not have taken the path we know, without the influence of the British ... establishment."

UK archives show that British Ambassador to Italy Sir Ronald William Graham was in touch with Fascist leaders prior to the March on Rome. Graham cabled to London that one of his men was being "constantly" updated by the leaders of the march. Afterwards, Graham and Mussolini met; the ambassador reported back to London that he

was impressed by the leader.

The Liberal Prime Minister Luigi Facta declared a state of emergency to disperse the fascists, but King Victor Emmanuel III refused to sign the order, evidently believing it would be better to have Mussolini on side. Facta resigned in humiliation. The King tried to persuade wartime Liberal Union PM Salandra (a self-described "honorary Fascist") to form a coalition government with Mussolini's faction, but Mussolini rejected this option. With Mussolini holding all the cards, the King invited him to form a government.

The *Black of London* authors report that before appointing Mussolini, the King sought assurances from the British representatives that the Italian Crown would not be endangered by the Fascists. While the fascists rallied, Mussolini's lieutenants (the *Quadrumviri*) waited at the Perugia estate of one of Hoare's lackeys, the British-Italian aristocrat Romeo Gallegastuart, for the outcome of the negotiations.

Just what the bankers ordered

Top British and American political figures continued to praise Mussolini, particularly his commitment to "righting" the financial order.

In 1919-22 the British had seen Italy's financial situation as untenable and feared a Russian-style socialist revolution. They had renewed loans to Italy in 1919, prior to Mussolini's rise, on condition that the money be directed to payment of outstanding debts to Britain. British Embassy official Sir Edward Capel-Cure had noted in April 1920 that the banks raising the loans had insisted that "the city of London would probably not entertain any proposal from Italy [for a loan] until the [public] subsidy was taken off bread, and other betterments of the finances began". He later railed against state control of railway, post and telegraph services, calling them "white elephants". Wage increases organised by trade unions had added to the problem, he said. British officials agreed that austerity was the only pathway out.

In March 1922 former PM (1919-20) Francesco Nitti of the Italian Radical Party (a centre-left group) spelled out in a speech an "unpleasant and inflexible" truth for the nation if it was to "restore the confidence of capitalists": it must "consume less and produce more". He called for the adoption of the "principles of recent English legislation" which included "austere and quiet behaviour".

In July 1922 Riccardo Bachi, an Italian liberal economist who had been an economic consultant at Versailles and was tasked with reporting back thereafter to the League of Nations

on Italy's economic policy, filed a report on difficulties in applying the austerity dictates of the 1920 Brussels conference. Instability, he wrote, had impelled "the adoption in the political economy of the State during the years 1919-20—particularly in financial affairs—of principles which were contrary to the recommendations of the Brussels conference." Specifically, Italian governments were still intervening to stabilise food supply and prices, as during the war.

On 27 October 1922, as the March on Rome began, British Ambassador Graham suggested the "need of a strong government" to enforce austerity. Days later, he reported that the rise of Mussolini had "had a favourable effect on the Italian exchange". Shifts were in motion, Graham indicated, that would attract foreign capital to Italy.

Writing to Mussolini on 2 November 1922, Italy's Ambassador in London Giacomo De Martino reported that the City of London was ready to approve the Fascist experiment.

Economist Luigi Einaudi, the future President of Italy (1948-55) and at this time an advisor to Mussolini, wrote in the London *Economist* a few months later in favour of "an Italian Geddes Committee" (modelled on the 1921 British budget-axing body; Part 2). He noted that Finance Minister Alberto De Stefani was looking to the British Treasury's example of how to rein in expenditures. Amb. Graham praised De Stefani's training as "a theoretical economist" with a commitment to "balancing the budget and declining all temptations to inflate the currency".³

It was only under Fascism that austerity really clamped down. While Fascism built up control by the "political state", it favoured the "gradual demobilisation of the economic state", Mussolini had said before he came to power, railing that "every state-owned concern is an economic disaster".

In early 1920 he had declared that the state was a "Moloch" (a divinity demanding sacrifice of its worshippers' children) when it acted as "a banker, a lender, a gambling-house keeper, a seaman, a bandit, an insurer, a postman, a railway-worker, an impresario, an industrialist, a teacher, a tobacco shop-owner, a judge, a gaoler and a taxman". Just over a year later, he would make an adjustment to this position, telling Parliament that the state should run the police, judiciary, army and foreign policy, after all, but everything else "must go back to the private activity of individuals". He told an audience in Rome later in 1921 that "as far as economics is concerned, we are liberals, because we believe that the national economy cannot be usefully entrusted to collective or governmental and bureaucratic organisations". State spending on rail, post and insurance, he said, "wastes the money of all Italian taxpayers and worsens the exhausted finances of the Italian State." One of his first actions as prime minister, therefore, was to privatise state-run sectors of the national economy (Part 5).

Mussolini would leave economic policy-making largely to the experts, but those experts were either part of, or advised by, members of the Venetian network described above, or dedicated acolytes of British Treasury/Bank of England austerity programs (Part 2).

Next week: Fascist economics opens new era of governance

3. Citations from Clara Mattei, *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* (U. of Chicago Press, 2022).