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Britain and Italy before and during the interwar period in
comparative perspective**

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**Networks, power and politics : The power of business in Britain and Italy before and during the interwar period
in comparative perspective**

By

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One of the most striking contrasts, if British and Italian business is compared during the interwar period, is the difference in the relative political power of businessmen, especially industrialists. In interwar Italy, government-industry relations were increasingly close, with industrialists enjoying considerable power. This was despite the fact that employers' associations were imperfectly developed at the beginning of the twentieth century only emerging as economic growth gathered momentum. Even then their declared goal was not political action. (Baglioni, 1974: 189 ff.; Berta 1998, IX) By contrast in Britain, despite an increasing level of organization and a growing parliamentary presence, industrialists were politically impotent. (Grant 1993 : 16-7; Turner 1978 : 553) Campaigns for protection and imperial preference, which gained in popularity in Britain even before the First World War and gathered pace in the 1920s, were vigorous but singularly unsuccessful in securing any policy modifications. On the other hand, relations between Italian industrialists and the state were increasingly close and can best be described as reciprocal. (Amatori 1998: 255 ff.; Colli and Rose 1999)

Considerable attention has been directed towards explaining differences in the form and conduct of twentieth century government-industry relations internationally, in the twentieth century, with models varying from what has been described as the company state , as in the United States, where dominant firms lobby government through a decentralised political system, to a 'party state', as in Italy, where government-industry intermediation is through factions within the dominant political party in which industrialists are normally 'insiders'. Britain, on the other hand, has been placed somewhere in the middle of these two extremes, with arms-length government-industry relations and associations acting as negotiators between government and the state. Similarly political scientists have also explored the relationship between the political system and the conduct and construction of commercial policy (Grant 1993: 9-17; Katzenstein (ed.),1978) In terms of the political bargaining power of businessmen in Britain and Italy attention has been given at the national level to the manoeuvrings of industrialists.

Italian historians have especially concentrated on the emergence of a powerful liberal, industrial bourgeoisie especially following the late 1880s' tariff reforms. (Baglioni 1974: 366 ff.; Lanaro 1979). They have also looked at the evolution of employers' associations immediately before and after the First World War against the background of

socialist movements. (Berta 1978: 1100-6; Adler 1995: 18 ff.) These are not the only perspectives on government-industry relations, however, since the heavy reliance of the State on industry, during the First World War, significantly bolstered their bargaining power. (Amatori 1997: 256) The increasingly intimate relationship between industry and government continued during the inter war period, especially during the 1930s. Accordingly the Fascist government established a reciprocal relationship with industrialists, especially with big business. In return for industrial co-operation it granted protection, orders, financial aid in the form of rescue packages, and the support of non-economic production to secure both social and economic benefit. (Amatori 1998: 259; Sarti 1977: 103 ff.)

In Britain attention has been directed towards the growing prominence, but ineffectiveness of the Tariff Reform Movement, and the proliferation of organisations representing industrialists' interests during the First World War. There has been a realisation that British industry lacked familiarity with political manoeuvring, compared with European, North American and Japanese counterparts in the interwar period. (Marrison 1995; Turner 1978: 553; Tolliday 1984 : 74) Yet little attention has been given to understanding such international differences and where the relative bargaining power of industrialists has been considered, in a British context, the focus has been on explaining why the 'gentlemen capitalists of the City of London were so much more successful in influencing government than manufacturers . (Cain and Hopkins 1993)

The purpose of this article is to focus on why there were such contrasts in the political power of industrialists in Britain and Italy during the interwar period and in so doing highlight the evolution and relative effectiveness of networks within industry and between industry and the state. This paper will analyse the differing characteristics of these networks in Britain and Italy but, since their power, form and effectiveness changed through time, it will highlight the range of historical, social, political and economic forces which influenced government-industry relations in the two countries during the 1920s and 1930s. Much recent work has revered networks, as much as anything as a welcome alternative to United States' centric work on the rise of big business . Consequently the notion of network arrangements, as a viable alternative theoretical construct within which to study business is to be welcomed. (see for example essays in Nohria and Eccles 1992; Hamilton 1996; and the Special Issue of *Industrial and Corporate Change* 1995) Yet the seemingly benign interpretations of network behaviour can be taken too far, especially in the context of government-industry relations in Fascist Italy in the interwar period, as this paper will illustrate. The paper will be divided into four sections with the first laying down the theoretical and conceptual frame-work based upon a combination of network and institutional theory and history. The second section will analyse the development of government –industry relations in Britain and Italy until the end of the First World War and will give particular emphasis to efforts by industrialists to influence government policy. In a third section the extent of the interplay of contemporary and historical forces, in shaping government-industry relations, will be considered. This will allow the

analysis of the sources of differences in the political power of industrialists in Britain and Italy, in the concluding final section. This section will highlight how far, for example, differences in political power stemmed from variations in the experience of industrialisation, in the nature of interaction between government and industry and in the types of networks which developed. It will also explore the extent to which differences in the bargaining power of industrialists with governments stemmed from the specific economic and political conditions and priorities of the interwar period.

I Theory and History: Networks and government-industry relations

Designed to increase confidence and reduce uncertainty, through the development of mutual trust and flows of information, networks have become an increasingly important way of understanding business arrangements in recent years. (see for example Biggart and Hamilton 1992; Grannoveter 1985 and 1996; Gerlach and Lincoln 1992) This is particularly true in Asian societies which demonstrate a high level of collectivism. However, it seems reasonable to argue, even in relatively individualistic societies, such as Britain and Italy, that firms should be viewed in the context of their various networks rather than simply as individual entities. (Hofstede 1994 : 53) This is because the individuals who run them will look for ways of reducing business hazards, whilst some at least will be interested in enhancing their level of power, whether in the market place or politically.

The formation of networks is heavily dependent upon the institutional 'rules of the game' which may be formal laws governing such areas as collusive activity or determining the legitimate forms of collective pressure. These help to mould both the type of networking to emerge and the capabilities of any networks which may develop. Alternatively they may relate to informal codes of behaviour, attitudes and value systems which underpin loose groupings of firms or individuals. Either way they are important because they help to create order and the basis for co-operation in an otherwise uncertain world. For example, formal laws and regulations are the basis of property rights, whilst informal codes underpin trust and shape expectations of the likely behaviour of associates. As a consequence, the institutional background is the critical reference point and foundation stone which affects the evolution of organizations, whether economic or political and influences expectations and human responses. (North 1990 : 1-5) Since both formal and informal codes and rules vary internationally, it is clear that the institutional environment is a vital factor explaining why the character and capabilities of business networks may also vary between countries.

Embedded in societies and moulded by institutions, networks can, therefore, be viewed as being more than the intermediate arrangements which lie between firms and markets, but as an integral part of economic activity which is itself moulded by social and cultural influences, as well as by market signals. This suggests that although the market may trigger collective as opposed to individualistic responses by firms, the form these responses take and their effectiveness depends upon the social cohesion and hence on the level of trust and understanding which exists between the parties to any agreement. In addition, the form of any arrangement will depend critically upon a combination of

market, institutional, social and legal characteristics. (Casson 1993:40-43; Biggart and Hamilton 1992 : 471-90; Hamilton and Feenstra 1995 : 51-87)

The networking arrangements of firms undoubtedly enable their owners to gain information and reduce uncertainty in their business dealings but, in certain circumstances, particular types of networks may also enhance economic and political power whilst their form and relative effectiveness may vary internationally. Collective economic arrangements by groups of firms lead to the creation of cartels to control output and prices, while trade associations and pressure groups increase the political power of business and facilitate negotiations with civil servants and politicians. (Grant 1993 : 33) Indeed, inevitably there exists a correlation between heavily cartelised sectors and the ability of groups of industrialists within them to exercise political power. Equally the attitudes of government, in framing legislation relating to collective arrangements, will influence their prevalence, organisation and prospects of success. Consequently in some societies, such as the United States, although economic collusion has been outlawed since the late nineteenth century, lobbying is seen as an integral and essential part of the democratic process and as a vital way of preventing the development of undue concentrations of power. (Grant 1995 : 23) The stability of the political system is an important consideration affecting the power and effectiveness of interest groups and it has been argued that in some countries a long tradition of stable democracy may harbour such entrenched interest groups that overall economic performance can be undermined through ‘institutional sclerosis’. (Olson 1982: 78

Individual networks have been likened to networks of trust where a coincidence of values and attitudes reduces transaction costs and encourages collective activity. (Casson 1991 : 169-70) Clearly in looking at groups intent on exercising political power such attributes are vital. However the effectiveness of pressure groups does not merely depend upon the internal cohesion of a group, but also upon its ability to communicate effectively with other organisations, an ability which is itself partly culturally determined. What are crucial here are both the values and attitudes of the members of a pressure group and the extent to which they are capable of understanding and adapting to the priorities and behaviour of politicians and civil servants. This will, in turn, determine how far they can pursue ‘insider’ as opposed to ‘outsider’ strategies with respect to their dealings with the state. ‘Insiders’ typically operate within the political system in which the state and civil servants set the ‘rules of the game’ and in which pressure groups adapt their strategies to fit these norms of behaviour and in so doing enhance their bargaining power. ‘Outsiders’ on the other hand, may often appear politically naïve and, through a lack of appreciation of appropriate codes of behaviour and a parochialism in appreciating wider considerations, undermine the power of their case. (Grant 1995: 22-3) Consequently even the most united grouping may be unable to influence a government if profound cultural differences between industrialists, civil servants and politicians prevent meaningful interaction. Yet education, social background and the like, whilst vital, are not the only factors determining whether any campaign will have an impact. Much also

depends upon the extent to which the wider political and economic priorities of the state and of the narrower concerns of an industrial pressure group coincide both historically and in any particular period. In addition the ability to convince a wider audience of the public welfare gains of specific course of action may also be critical determinants of success or failure. (Grant 1993: 130) The choice of insider as opposed to outsider activity may depend heavily upon historical forces shaping the cultural characteristics of pressure groups and those within the political system. The ability to shift from outsider to insider activity may change through time depending upon the nature of the cause and the ability of those involved to build an understanding of the priorities, procedures and practices of those within. Such choices are also likely to vary internationally, as a result of differences in the cultural background of politicians, industrialists and the norms of behaviour surrounding their interaction.

If international differences in the behaviour and relative success of pressure groups in government-industry relations is partly dependent upon social, cultural and political considerations, it is clearly important to place arrangements in any period in an appropriate historical context. This allows national differences in the experience of industrialisation, in the evolution of the role of government in industrial development and in the development of pressure groups to be set alongside attitudes to business, to collective pressure and to those social forces moulding human behaviour. In addition, if any credence is to be given to Olson's notion of institutional sclerosis, then the emergence of the political power of interest groups must be cumulative and its evolution should be analysed. (Olson 1982) Clearly, historical forces are vital to the understanding of the relative political strength of business and the detailed analysis of experience in Britain and Italy will demonstrate the substantial continuities of experience which existed by the interwar period. Yet an emphasis on continuity should not mask the role of changes, since the impact of contemporary conditions may act as important catalysts to the development of political power in business. They may bring specific interest groups to the fore, trigger new legislation and hence alter the institutional environment or they may intensify government-industry arrangements in important ways.

II The Development of Government –Industry Relations in Britain and Italy to 1918

During the twentieth century it is fairly clear that whereas Italian industrialists can be regarded as 'insiders' in the political system, in Britain they remained outsiders. This section will explore the combination of historical, economic, social and political trends which created this position.

It is to be expected that during the early stages of industrialisation family firms would be embedded in a complex array of external personal and often local networks. A hazardous economic environment, combined usually with imperfect formal institutions, goes a long way towards explaining the predominance of family firms. Thus,

whether discussion is of eighteenth century Britain, nineteenth century Italy or twentieth century developing countries, the owners of mainly small-scale firms have seen the family as the ideal interface between the market and the firm. (Ben-Porath 1980: 1-30; Nafziger 1969; 25-33) The family, widely defined to include that extended kinship group of cousins, in-laws and connections in the local business community, especially from within religious groupings, therefore represented more than just a reservoir of skill, labour and finance. It was a network of trust, the use of which reduced the transaction costs and the dangers and uncertainties of business activity. Thus, although the family might represent an internal market for managerial labour, a source of funds for establishment and expansion and of market information, the boundaries of the family business have usually lain within a rather wider group with a shared culture and values. It is within such a configuration that transactions have been undertaken and information has flowed. (Casson 1982 : 302-7; Casson 1991 : 169-70; Casson 1997: 151; Pollak 1985: 581-608)

In the intensely uncertain world of early industrialisation such vertical, localised networks were a fact of life for the family business owner. In such circumstances the very intensity of competition would normally prevent the creation of formal or informal collusive arrangements or the exertion of substantial economic or political power by firms. Yet the development of groupings, whose function was to exert pressure on other organisations, whether trade unions or the government, on issues of policy, tended to occur at the local level and be, in the first instance, based upon the capabilities of the business community. These groupings, whether formal or informal, provided the interface between firms and other elements of the economy and wider society. Their behaviour and success depended upon their internal cohesion and external economic, social and political conditions, while their ability to communicate and bargain with other organisations depended heavily upon the internal characteristics and priorities of those organisations. In the early industrialisation of New England, in the United States, all the evidence suggests that wealthy mercantile Boston families enjoyed an enviable combination of economic and political power, which enabled them to manipulate both the market and government policy at least until the 1840s. Similarly in Japanese industrialisation the power of the Zaibatsu families was closely linked to their ties with the state while in Korea there have been intimate ties between the families running the Chaebol and the state. (Danzell, 1987; Rose 1996; Morikawa 1992; Amsden 1989)

Britain

Government-industry relations based upon the relative strength of individual families was not the model in Britain in the late eighteenth and early nineteenth centuries. Indeed there were a number of factors which reduced the political power of British industrialists during the industrial revolution and which, in turn, influenced the shape and effectiveness of pressure group activity in the years before the First World War. In the first place the government played an extremely limited role in British industrialisation and in the early eighteenth century was more inclined to protect vested interests in the woollen sector and in the Monied companies than pursue policies to stimulate new industrial

sectors such as cotton. (Tolliday 1984: 74; Daniels 1920 : xxvii-ix) This inevitably meant that close personal ties between industrialists and government, to be found in some later industrialisers, were missing in Britain.

If ties between state and industry were weak in Britain during early industrialisation, an even more important influence on the relative political power of British industrialists was their exclusion from the national political system until the 1830s. It was a factor which had a lasting impact upon the conduct of government- industry relations, It was not therefore until the First Reform Act of 1832 that industrialists were enfranchised and this meant that, whilst their opportunity for the exercise of political power was minimal during the industrial revolution, they were treated as outsiders in a world where power and prestige lay with the landed in a broadly aristocratic political system. Moreover, even when electoral reform brought the potential for industrialists to exert pressure from within, their ability to do so was limited for much of the nineteenth century since they never became the predominant interest group in parliament and remained politically and economically divided. Even by 1914 only 94 MPs were industrialists and parliament remained dominated by a party organisation which often resisted pressure from businessmen. (Turner 1984 : 4)

The ability of industrialists to influence the state can also be affected by the ability of the two groups to communicate with and understand each other. In Britain often profound cultural differences separated nineteenth century industrialists from the majority of politicians. This, combined with the proud localism of the numerous Chambers of Commerce, employers' associations and specific issue lobbying groups, which proliferated during and after the British industrial revolution, meant that groups of industrialists remained practically and, in terms of values and priorities, outside the political system, rather being integrated within it. This feature of British government-industry relations was to survive into the twentieth century and had profound implications for the bargaining power of industrialists. (Hollis 1974: vii-viii; Blank 1973 : 11)

The localisation of early business development in Britain inevitably meant that pressure from industrialists outside parliament began, at the local level, in the eighteenth century when a number of single issue, often short-lived, organisations were formed. In order to demonstrate how pressure groups developed and the limits of their effectiveness attention has been focused upon Lancashire, the home of Britain's most rapidly growing export industry. Given the differing economic and political orientation of other localities some care needs to be taken when generalising over the impact of interest groups more widely. However, if there are sometimes contrasts in both economic profile and political stance at the community level, the notion of British industrialists being 'outsiders' in this period remains valid so that using Lancashire's experience to provide insight into government-industry relations remains valid.

The prevalence of localised pressure groups was especially noticeable in Lancashire in the eighteenth century when a number of associations were formed to influence government on issues of policy. Collusive arrangements inhibiting changes in price and output were a rarity in early industrial Lancashire. (Howe 1984: 162) However

collective commercial organisations designed to influence government policy appeared especially in Manchester, during the late eighteenth century and were a reflection of a growing range of internal and external threats to the wellbeing of the cotton interests. (Redford 1934: 66)

These early associations were a localised response to a specific set of circumstances, it is not surprising that they were similarly short-lived and ineffective. It was not until 1820 that Lancashire's first permanent commercial organisation emerged, when the Manchester Chamber of Commerce was established. A supposedly apolitical body, it had the declared intention of lobbying parliament on issues 'affecting the commercial interests of Manchester and its neighbourhood'. The Chamber recruited relatively widely in Lancashire embracing most regions and sectors. Its council was, however, led predominantly from within Lancashire's enduring family dynasties and mercantile elite, so that it favoured the interests of large rather than small firms and of commerce rather than industry. (Redford 1956: 299; Howe 1984: 201) The extent to which the Manchester Chamber of Commerce truly reflected the aspirations and concerns of Lancashire can, therefore be disputed and some towns, such as Blackburn, believed they lacked representation in the decision making process and so were encouraged to establish local Chambers of Commerce and commercial associations. (Howe 1984:197-9) Nevertheless the Manchester Chamber of Commerce was to remain the mouthpiece of Manchester's commercial community, if not the whole of Lancashire, until the twentieth century. (Redford 1934:70)

The development of commercial associations, intent on lobbying parliament, were not the only potential sources of political pressure to emerge in Lancashire in this period. The Combination Laws did not prevent the formation of employers' associations in the first quarter of the nineteenth century, even though they made them illegal. There remained, for instance, the vestiges of paternalism in domestic sectors with combinations emerging to protect handloom weavers. In addition, from the 1830s onwards true employers' associations began to emerge. These were in response to a range of forces including waves of labour unrest and trade union activity, such as occurred in Preston in 1836 and 1853-4, changes in profit margins due to altered market conditions and the effects of increased government intervention such as came with the extension of the Factory Acts. By the 1860s employers' associations were active in Ashton, Blackburn, Bolton, Burnley, Hyde, Manchester, Oldham, Stockport and Wigan. (McIvor 1996: 36-7; Howe 1984: 162-4, 175) In general these remained local organisations in this period though the Manchester Committee and the National Association of Factory Occupiers, formed respectively in 1833 and 1855, represented broader groupings to oppose factory legislation. Accordingly the Manchester Committee represented the interests of eight major textile towns, while Robert Hyde Greg's National Association of Factory Occupiers had an even wider representation. (Howe 1984: 179)

If commercial and employers' associations displayed increasing permanence from the 1820s onwards, organisations continued sprang up for specific purposes. Of these the Anti-Corn Law League was easily the most

prominent and best known of the early Victorian lobbying groups. That it was needed, to highlight the economic benefits of free trade, was a reflection of a reformed political system which still rendered industrialists as ‘outsiders’ and where the overall impact of local MPs was limited. It also was a product of the inadequacies of the Manchester Chamber of Commerce’s attempts to orchestrate opposition to the Corn Laws. (Redford 1934 : 140-7) *The Times* described the Anti-Corn Law League as ‘ the most advanced political machine this country has yet seen’ (quoted McCord 1958 : 163) . It transformed free trade into a national political issue and gained a more prominent position in national life, through its ever-widening propaganda campaigns, than any other radical group. (McCord 1958 : 15; Howe 1997 : 29; Schonhardt-Bailey 1998 : 73) Its fundraising activities, which almost became an end in themselves, whereby ever rising sums were pledged in support of repeal, were legendary. Campaigns in 1843,1844/5 and 1846 raised respectively £50,000, £100,000 and £250,000, much of it from Manchester. (Howe 1984 : 212) Even electorally, although the League did not secure a Liberal victory in the 1841, there were successful Anti-Corn Law candidates in a number of constituencies inside and outside Lancashire. These included: Cobden (Stockport), Bowring (Bolton), Brotherton (Salford), Scott (Walsall), Walker (Bury), Villiers (Wolverhampton), Philips and Gibson (Manchester). (McCord 1958 : 95)

The prominence of the Anti-Corn Law League does not mean that it should be credited with achieving repeal or dictating its timing. That this was so, was a product of both internal and external divisions, the difficulty of achieving meaningful influence in parliament and the complexity of the political map in this period. (McCord 1958:108) Pressure from without was nevertheless essential to keeping free trade to the forefront of peoples’ minds, at a time when rival causes included Chartism and the Poor Laws. The Anti-Corn Law League had ‘turned free trade into a popular moral crusade, converting a ‘pocket question’ for the cotton lords into a symbol of a new community of interest and a new understanding of nation itself’. (Howe 1997: 36) Yet the timing and scope of Repeal was decided from within Parliament and was part of a wider and more complicated political and economic picture than that which concerned the Lancashire cotton interests. In this arena outsiders may have orchestrated pressure, but they did not finally precipitate change. This was because the decisive battle was parliamentary and the League, after 8 years of struggle, controlled neither the procedure nor the terms utilised. (McCord 1958 : 203-4) Rather the timing was partly dictated by the prospect of the Irish potato famine, which gave Peel the opportunity to restructure Irish agriculture and break reliance on the potato, while the long-term support of trade liberalisation from the Board of Trade was also a significant factor. (McCord 1958:196-7; Brown 1958 : 183; Kinnealy 1998 : 13; Grampp 1987) Repeal must surely also be placed against wider economic and fiscal issues and especially the rise in government deficits during the severe depression from 1837-1842. This made it easier for Peel to restore income tax and reduce duties on semi-manufactured and manufactured goods making the Corn Laws an anomaly. It is inconceivable that it could have been contemplated

without these other tariff reforms which Peel secured in his 1842 budget. (Lloyd-Jones 1998: 99) As had been the case in 1818, when duties on raw cotton were substituted for those on printed cottons, success in all campaigns for tax reform, depend as much upon the revenue requirements of governments and their ability to tap alternative sources, as upon the bargaining power of particular interest groups.

It might be anticipated that the bargaining power of the Lancashire cotton industry would have grown substantially as the nineteenth century progressed and the significance of their exports rose. Yet analysis of efforts to manipulate Indian tariffs suggest that their status as outsiders in the political system inhibited their impact while wider policy issues, not always fully appreciated by industrialists, remained the overwhelming consideration governments. The Manchester Chamber of Commerce, campaigned to gain the largest possible share of the Indian market. However, far from enjoying the power and leverage that might be expected from Britain's premier export industry, cotton industry pressure groups were sometimes treated with derision within government circles and by civil servants, especially those connected with the India Office. Public school educated and part of a gentlemanly tradition, these individuals had little understanding and still less patience with the attitudes and concerns of what they saw as a gauche, whinging, parochial interest. For instance, Sir Charles Wood, the Secretary of State for India, who had been impatient with Lancashire's demands for reductions of Indian duties in the 1850s, admitted that there were serious dangers for the government and Britain if the impending American Civil War created serious social problems. Yet his dislike and incomprehension of the cotton masters, whom he described as 'a hopeless set [who will] do nothing effectual for themselves', was patently obvious. (Harnetty 1972 :14-16; Longmate 1978: 219; Cain and Hopkins 1993 : 177)

The case of Lancashire is a good illustration of the development of industrial pressure group activity in the nineteenth century. Clearly the role of Manchester, in orchestrating the Anti-Corn Law campaign, brought the city a national prominence not shared by other industrial cities until Birmingham industrialists became involved in the Tariff Reform Movement in the late nineteenth and early twentieth centuries. (Marrison 1995 : 25) More generally, despite continued electoral change and the increasing numbers of politicians who were industrialists, Chambers of Commerce and other predominantly local organisations continued to play a significant role, as the mouthpieces of industry with government, in the years before the First World War. (Blank 1973: 11) In addition local employers' associations proliferated in the staple industries especially after 1860, while concern over growing trade union power in the 1890s led to the emergence of sectoral employers' associations in many industries, such as cotton, coal and engineering. These were federations of existing associations which retained substantial powers of veto and membership was never universal, so the power of locality was retained. (McIvor 1996) Consequently discussion of issues such as foreign competition and the problems of depression remained largely local in nature with protagonists exerting pressure from without and lacking much understanding of the codes of practice and wider priorities within the political system.

Some ostensibly national extra-parliamentary organisations such as the Employers' Parliamentary Council and the Employers' Parliamentary Association were set up to lobby parliament on issues which worked against industrial interests. (Turner 1984 : 4) However, there were deep political and economic differences dividing British industrialists which made any display of collective political strength difficult to achieve. Indeed dissatisfaction with the Employers' Parliamentary Council led to the formation of the Cotton Employers' Parliamentary Association in 1899. (GMRO B14/17/1 Cotton Employers' Parliamentary Association) Such organisations were generally weak and ineffective and continued to exert pressure from without never becoming integrated or taken especially seriously within the political system. Nor is there much evidence of groups of industrialists using political parties to achieve their aims in this period. In terms of political allegiance, generalisation is difficult since there were profound inter and intra regional differences in political stance. Where industrialists favoured liberalism, it was a liberalism based upon relatively narrow and sometimes shifting and contradictory self interest rather than on an ideological stance. Moreover the prospect of liberal welfare reforms held out in Lloyd George's 1906 budget led to an exodus of business support and marked the beginnings of a shift of business interests to the Conservative Party, which gathered momentum in the twentieth century. (Turner 1984: 3) Although, subsequently ties with the Conservative party proved mutually beneficial for business generally (if not industry in particular) in this period such political uncertainties only served to ensure that industrialists continued to enjoy limited bargaining power.

Italy

There were some similarities in the evolution of political power among industrialists in Britain and Italy. Yet, a comparison of experience between the two countries reveals many historical contrasts which were to have lasting implications for the political bargaining power of industrial interest groups in the two countries well into the twentieth century. Most striking of these is the role of the state which, whilst peripheral in Britain was so central to Italy's early industrialisation. On the one hand, early Italian governments channelled resources into infrastructure development including railways, roads and the like while on the other, the State promoted industrial initiatives, especially in steel and other heavy sectors [Amatori 1997: 249 ff.].

Instrumental in this process were individuals who had been involved in the political unification of Italy, people who remained friends of the State and were also sometimes embedded in both government and industry. The combination of proximity to the ruling class and their existing political influence, meant that these people helped to initiate some of the most profitable and prestigious activities in the new country. This was, for instance true of Pietro Bastogi, a Tuscan banker, who was the Minister of Finance in one of the earliest Italian governments. He was also the founder and president of the Società per la Strada Ferrata Meridionali, a railway society entrusted by the State with the construction of the railway between Ancona and Foggia (Amatori and Colli, 1999, ch. 3). To gain parliamentary support

and defeat the House of Rothschild, Bastogi stressed that his society was based on Italian finance— even though this was not strictly true – and managed to corrupt the parliamentary commission which had to decide about the state concession for railway building. It was also as a result of orders and financial aid from the State that the former Risorgimento’s patriot and entrepreneur Vincenzo Stefano Breda founded the Terni Steelworks in 1884. Three years later, the struggling firm was rescued by the State with the financial support of the Banca Nazionale. Vincenzo Stefano Breda who, in meantime, had been elected as senator in the Parliament, went on trial (carried out by the Parliament itself) but was discharged (Bonelli 1978). The political class could not, in the end, condemn itself and its ideology. There are numerous similar examples during Italy’s early industrial development when, in contrast to Britain, the State pursued ‘Gerschenkronian’ intervention. This often took the form of rescue packages for loyal ‘friends’ of the state. Consequently many otherwise struggling private firms, especially in such strategic sectors as steel were saved from failure through State assistance. This Italian alliance of politics and industry in ways which were both personal and financial, was in sharp contrast to the position in Britain, where industrialists were initially largely excluded from national politics, remaining outsiders for many years after they were enfranchised.

Close government-industry relations were, therefore a feature of the early industrialisation of Italy and the political power of industrialists increased initially during the agrarian crisis of the early 1870s. This brought dramatic economic change and a shift in support by both farmers and industrialists, from free trade to tariffs (Baglioni 1974: 77 ff.) . Unlike the position in Britain, where industrialists were ‘outsiders’ in a land dominated political system, in Italy the crisis brought the landed aristocracy and the industrial elite together as a formidable lobbying force requiring protectionism both for agricultural and industrial products. Moreover, during the agrarian crisis the notion that Italy only avoided ruin through the fruits of industrialisation found a sympathetic audience among the ruling classes, significantly bolstering the new role and political strength of especially entrepreneurs in heavy industry. (Lanaro 1979: 19 ff.)

Yet there were some similarities in experience between the two countries. Thus, in Italy, as in Britain, early industrialisation was heavily regional and local Chambers of Commerce proved extremely effective mechanisms through which local groups of businessmen could pressurise government (see for instance the well known case of Milan Chamber of Commerce, Paletta 1998 and Fontana-Magliaretta 1997). However, the power of localities was vastly increased in Italy by the numerous local businessmen who became MPs. Consequently pressure was both Parliamentary and from the grass-roots through emerging local associations. Chambers of Commerce were, however, especially important in those areas and sectors where numerous small firms meant that individuals exerted minimal power.

In the Italian case, therefore, for a long period before the emergence of well organized employers associations at the beginning of the twentieth century, lobbying by industrialists was both on a personal basis (a characteristic in any

case deeply rooted in Italian government-industry relationships) and by means of locally based associations, of which the Chambers of Commerce were an important part. For instance, local Chambers of Commerce produced some industrial censuses and statistics, and periodically published reports on the economic situation of a certain area which gave important indicators and economic policy suggestions. It should be remembered, however, that the power of these locally based associations was limited, and only occasionally were they able to exert stable pressure on the government, most especially when they successfully operated together. The local Chambers of Commerce were, however, the first organizations to give a stable representation of local interests, when most other initiatives were unstable and short-lived, created for only specific and well defined problems.

When it came to commercial policy Italian industrialists never shared Britain's enthusiasm for free trade and were increasingly staunchly protectionist. However, this contrast does need some clarification, since support for protection, whilst strong was not universal and certainly was not shared by export oriented sectors. In Italy protection was seen as a necessary condition for industrialisation and the new country needed to industrialise to gain in international standing and political influence : an ideology which emerged soon after unification. (Lanaro 1979: ch. 1; Villari 1999: 65 ff.), However, it was strengthened and became increasingly politically influential , after the agrarian crisis of the early Seventies, when the traditional specialization of the Italian economy was seriously challenged. In this way protectionism gained a growing consensus among the landed aristocracy and at the beginning of the nineties Italy was effectively a protectionist country trying to stimulate the creation of a national heavy industry in steel, engineering, mechanical engineering and so on. From this standpoint the pressures exerted by heavy industry over the ruling classes found great support in the nationalist ideology which was so widespread in a new country. It was the same nationalism that was the origin of the colonial policies in North Africa which was seen as a promising opportunity of expansion by the industrialists.

Given the growing concentration of political power among industrialists during early industrialisation it is interesting to note that the campaign for protection was pursued jointly by the industrialists in the new, capital intensive industries and by the landed aristocracy with these elites enjoying almost unrestricted access to the internal market. The power of locality and of the heavy industrial sector was also especially evident when the *Circolo Industriale e Commerciale di Milano*, an association of the town's leading industrialists, successfully lobbied parliament for high tariffs on imported iron and steel. This policy helped to achieve the goal of a strong national capital intensive steel industry albeit in an inefficient way , (Amatori 1997) However, it worked against the metal working industry, which was forced to buy national scrap iron and steel at higher prices than those prevailing internationally but lacked the political leverage to do much about it. This highlights the relative power of the heavy industries, the strategies of which, in relation to the State, have been highlighted in much of the historiography. Rather less attention has been

given to traditional, light and export oriented industries (clothing, for instance, wood and leather, artisanal and specialized productions, food and beverages) or to the metal working industries . In some cases, as in that of the metal trades (nails, wires, buckles etc) of Lecco, local interests far from seeking protection, favoured elimination of custom tariffs for both imports of raw materials and above all for finished products' exported abroad but were overruled by heavy industry. (Colli 1999: 35). The unevenness of political effectiveness between heavy and light industry was a story which was to be repeated in the fascist period too. (Colli 1999b).

In 1914 the First World War unleashed an array of forces in Britain and Italy. However, whereas in Italy the power of heavy industry continued to increase in Britain the ties between government and industry, although strengthened by war were not very robust when the prospect of power from 'within' became a real, though relatively fleeting, possibility. In Britain, following the notorious and embarrassing period of 'business as usual' in the first year of the war, government and industry moved into closer proximity than they had ever experienced before. The state under the umbrella of the Ministry of Munitions, established in 1915, covered all aspects of industrial production and orchestrated a dramatic increase in industrial output, through initiating changes in technology and industrial organisation. Prominent businessmen industrialists, such as Eric Geddes and Dudley Docker, became closely involved in framing both labour and production policies and for the first time there was a move away from the arm's length relationship between government and industry which had characterised relations in the nineteenth century. Equally trade union involvement in the decision making process enhanced the power of the TUC. (Kirby 1995 : 57) If the intervention of the Ministry of Munitions was intended to be short lived, fears of a trade war with an undefeated Germany prompted the formation of the Ministry of Reconstruction the long-term plans of which, had they come to fruition, would have altered the template for government-industry relations fundamentally. At the core of these plans, which had the vocal and enthusiastic support of Dudley Docker, was the idea of a combination of government-initiated change with a corporatist stance designed to create a workable consultative process between government, employers and the labour force. (Kirby and Rose 1991 : 24-27) However, the military, political and economic collapse of Germany in 1918 removed the incentive for such fundamental changes and most of the plans of the Ministry of Reconstruction were still-born. (Cline 1982 : 157-81)

Italian government-industry relations were also reinforced by the war in ways which were a logical conclusion of patterns which had emerged during the late nineteenth century. The *Mobilizzazione Industriale* (ie the State agency for armaments) left industrialists free to run their enterprises with a militarized workforce while earning enormous profits (Amatori and Colli 1999: ch.8). As a result, some enterprises, for instance Ansaldo, but also Fiat and those firms active in the steel industry, grew dramatically through both vertical and horizontal integration. On the other hand relationships established among the entrepreneurs, in the most advanced industries and the State during the last two decades of the

XIX century intensified and became much more articulated during the war. The State did not nationalise the heavy sectors necessary for the war production. Instead enterprises remained in the hands of the entrepreneurs who could benefit from huge and growing orders at favourable prices and with a militarized workforce (Castronovo 1995: 203). As shown in the Ansaldo case, the growth of the main Italian industrial groups rarely stemmed from the quest for efficiency and scale economies but were much more often driven by the desire to enhance the enterprise's political bargaining power with the state. The end of the War again saw the State bailing out these vast business groups, further strengthening the ties between big business and government in a trend which continued in the Fascist period (Amatori 1997: 256-7).

The close financial ties between government and industry, detected even in the nineteenth century, continued in Italy during the First World War. At that time some industrialists, like the Perrone brothers owners of the Ansaldo, a former heavy engineering and naval factory in Genoa, started an impressive program creating a giant, vertically integrated trust embracing everything from the iron mines of Aosta Valley to the machine shops of Genoa. Their purpose, financially supported by the State and by a bank, the Banca Italiana di Sconto, which was effectively strictly connected to the trust itself, was a "patriotic" one, largely shared by the political and military élites of the time: a new, political and economic power like Italy needed powerful heavy industries and the war provided the opportunity to create them. Individuals such as the Perrone brothers, who were prepared to take the risk of setting one up, gained State support. However, the outcome differed from the brothers' intentions. They implemented part of their strategy, but their undertaking was unable to withstand the period of reconstruction, at the end of the war, which so limited the internal market. The financial crisis of the Banca Italiana di Sconto led to the failure of the Ansaldo trust, even if the State, by means of the Bank of Italy, in the end succeeded in rescuing the engineering activities of the Genoese firm (Webster 1974; Row 1997)

As well as seeing growing links between government and industry in Italy, the First World War also marked a period of consolidation for general employers' associations such as Confederazione Generale dell'Industria a force which indirectly played a role in the evolution of closer government-industry relations in the Fascist period. After the war the return to normalcy saw increasing tensions between employers and workers. This was especially noticeable during the so-called 'Biennio Rosso' ('Red Two Years') when the number of strikes grew considerably and the employers reacted to the situation by closing their plants, which were immediately occupied by the workers. This brought the country perilously near a socialist revolution. The government of Giovanni Giolitti seemed to support the requests of the workers, and in so doing lost the support of industrialists. Businessmen in their turn were hostile towards any form of State intervention in the capital-labour relationships, unless the 'established order' was under threat. (Adler

1995: 160 ff.; Berta 1996: 57 ff. Castronovo 1995: 236 ff) During these difficult years the Confederazione played a major role becoming a stable representative of the industrialists' interest.

III The Interwar period

Clearly, even before the First World War, there were some sharp differences in government- industry relations between Britain and Italy. These manifest themselves most particularly in the emergence of potentially powerful groupings in the heavy industrial sector in Italy, which had enjoyed political power almost since unification. This had come through a combination of economic significance of such industries as iron and steel but was also based upon personal contact. It had created the framework for effective protectionist lobbying in the late nineteenth century, despite opposition from export oriented industries. No industry in Britain enjoyed such cosy relations with government in the nineteenth century as iron and steel did in Italy and although the cotton industry dominated the export oriented economy, its entrepreneurs largely remained outsiders in the political system. Clearly the First World War had brought about some changes, especially in relations between the armaments' industry and the government (Singleton 1993 : 229-258) Yet British industry (whether heavy or light) remained relatively impotent in its dealing with the state at a time when government-industry relations were reinforced in Italy.

In Britain the casting aside of the war-time vision of the Ministry of Reconstruction and the hasty 'return to normalcy' in the role of government and its financial arrangements, which followed the armistice, did not wipe out all the changes which had occurred and whilst it is an exaggeration to see the First World War as marking a shift towards corporatist government-industry relations in Britain, some changes in organisation were lasting. For instance the establishment of national bodies such as the Federation of British Industry in 1916 marked a significant and lasting break with the past. As Sir Raymond Streat observed the First World War 'cut the first slit in the opaque curtain between industry and government'. (quoted Blank 1973 : 11) Yet organisational changes should not be confused with changes in attitude and there is considerable evidence that before the war civil servants and the military had been happy to exploit the comparative inexperience of industrialists and out manoeuvre them with ease. It was a trend which the war did nothing to reverse (Singleton 1993: 229-258; Jones 1984) The lasting impact of industrialists becoming 'insiders' during the war seems to have been limited.

The Federations of British Industry's founder, the productioneer Dudley Docker, envisaged a business grouping which would achieve industrial modernisation against a background of corporatist labour relations and tariff reform. Fundamentally he saw the FBI as a vehicle to secure 'insider' status for industry and involve industrialists directly in the process of government. (Davenport-Hines 1984: 106) However, although membership grew, from 337

firms and associations in 1917 to 1,392 in 1920, his hopes were not realised and Federation of British Industry did not become either the automatic mouthpiece of industry or an integral part of the British political system during the interwar period. There were a number of reasons for this, and some have suggested that deep divisions on the tariff question lay at the heart of the FBI's interwar problems. Yet, since new evidence points to fairly widespread support for tariff reform, the more plausible explanation is that Dockers' ideas on labour relations alienated many employers leading to a general unwillingness to confront potentially divisive issues. (Davenport-Hines 1984 : 118-20; Marrison 1995; Blank 1973: 29)

Internal divisions rendered the pursuit of radical strategies by the FBI a hopeless dream, yet this was not the only reason why its overall impact was limited in the interwar period. This is because the FBI was not the only ostensibly national cross-sectoral organisation representing industry and the rival British Manufacturers' Association (set up in 1914 to represent the interests of British large firms and soon to become the National Union of Manufacturers) did not merge with the FBI until 1965. (Blank 1973 : 19) Nor was creation of such organisations seen as the only way forward. The British Commonwealth Union shared some of the concerns of the FBI, regarding the role of industry in government and tariff reform, but was an overtly political organisation which believed that securing business representation in parliament was the most effective way of influencing policy decisions. It was set up by British industrialists in 1916 to confront foreign competitors in political as well as industrial ways especially with regard to the tariff question. Seen as a liability by members of the FBI and the Tariff Reform Movement, its comparative failure highlights the relative political backwardness of British business in this period. (Davenport-Hines 1984:1920-1; Marrison 1995: 324-6; Turner 1978 : 553-4)

It was not just the case that it was hard for industrialists as a group to articulate their needs and find consensus. At the level of individual industries pressure groups remained relatively impotent in their relations with the state. The problems of industrialists as 'outside' lobbyists was especially noticeable in the difficulties encountered by Lancashire's industrialists, attempting to first reverse and later modify Indian tariff changes during the 1920 and 1930s. Before the First World War a vast cultural divide had separated Lancashire from both the London government and from those governing India. This was partly eroded by individuals within the Manchester Chamber of Commerce which remained the cotton industry's mouthpiece in this period. The Chamber's Secretary, Raymond Streat, proved a tireless ambassador, building close personal relationships with key political figures, especially the Earl of Derby- dubbed the 'King of Lancashire' for his championing of the industry. Articulate, urbane and with finely tuned political antennae, Streat appeared the ideal negotiator, seemingly equally at home in Manchester or with London politicians. (see (ed) Dupree 1987 Vol. 1) Yet the difficulties he and his colleagues encountered on Indian tariffs highlights the complexities of lobbying on commercial policy, whilst demonstrating the growing limitations of Lancashire's bargaining power with

government. A number of factors made progress tortuous and these ranged from the political complexity of all decisions involving India in this period, to the limited political power of Lancashire's MPs and Lancashire concerns. In addition, an in-built and mutual distrust which existed between all branches of manufacturing in Lancashire and the merchant-dominated Manchester Chamber of Commerce, created at times, a climate of confusion regarding whose views the Chamber was championing.

The main obstacle to progress was the delicacy of the Indian political position, after the First World War. Fiscal autonomy became a potent symbol of the growing Independence movement in India between 1918 and 1921 and when the surfacing of Nationalist tensions coincided with increasing budgetary difficulties in the Subcontinent the government in London was left with little alternative but to sanction the bolstering of the wartime tariff. The progressive increase of duties from 3 ½% to 7 ½% during the war was intended to deal with budgetary problems, whilst that to 11% in 1921, despite opposition from Lancashire was an attempt to pacify the Nationalists and simultaneously raise revenue. (Chatterji 1992 : 202-4) Indian import tariffs had not peaked in 1921, however, and in 1930 they were raised to 15% and peaked at 25% a year later. (Tomlinson 1994: 348) Broadly, any support which the Government showed for Lancashire, throughout the 1920s and 1930s, had to be weighed against the budgetary and political consequences for India. This became especially noticeable in the 1930s, as the National Government strove to achieve constitutional reform for India at a time when the Lancashire cotton industry was in a state of collapse. In 1933, the Manchester Chamber of Commerce and Federation of Master Cotton Spinners' Association prepared a joint statement opposing the idea of fiscal autonomy to be given as evidence before the Joint Select Committee on Indian Constitutional Reform. This unprecedented co-operation was a measure of the depth of concern over Indian tariffs that was felt throughout Lancashire.

In the event the evidence was changed and Lancashire's views on Indian tariffs were couched in such moderate terms that their thrust was lost. This became the centre of a major, if brief, political controversy initiated by Winston Churchill, who invoked the Privileges Committee of the House of Commons against Lord Derby and Sir Samuel Hoare. He accused them both of using undue influence on members of the Manchester Chamber of Commerce to persuade them to change their evidence. Although the case was thrown out and Churchill has been cast as a mischief maker opposed to Indian Reform, the true origins of the changes remain somewhat obscure and the consequences for Lancashire and its relations with the Government unclear. Streat, who was intimately involved in the case, was contemptuous of Churchill's intentions emphasising that it was the delicate position reached in the India Mission talks in November 1933 which led to the change. He was also critical of both his colleague Sir Thomas Barlow who he felt had panicked and of those in the industry who condemned the emasculation of Lancashire's evidence, believing them to be politically naïve. He is doubtless correct that the majority of manufacturers lacked his experience and understanding

of political negotiation. Yet the Privileges Committee was composed entirely of members nominated by Party Whips of all three parties who supported the Government's policy in India and was clearly not objective. (Churchill 1959 : 595) Equally , whilst Streat was keen to emphasise the importance of the India Mission for Lancashire, taking it as a sign of the high esteem with which the industry was held by the Government , it is probable that his position at the centre of the talks led him to overestimate the importance attached to the industry he represented. It is not clear, therefore, whether the true motive for the changes was indeed to salvage the India Mission and secure something for Lancashire or rather that a breakdown of the talks, precipitated by the evidence, would have had serious and wide political implications for relations between London and the sub continent. Moreover, the incident serves to confirm the ease with which even the apparently politically adept Streat could become embroiled by the sophisticated political games of others and easily be outmanoeuvred by them. Eventually, the Lees-Mody Pact of November 1933 brought agreement the principle of amending Indian tariffs on imported cotton goods and this was followed in 1936 by a reduction of the tariff on Lancashire goods to 20%. (Robson 1957 : 265; Dupree 1990 : 110) However, this was mainly the result of continuing Japanese import penetration of the Indian market and was set alongside a 75% tariff against foreign, especially Japanese, goods. The best that can be said is that without the pressure which the cotton industry's representatives brought to bear, it is likely that market conditions would have been even worse. (Dupree 1990: 106-8)

At the very least this episode serves to emphasise the extent to which Lancashire interests were a relatively minor priority for a Government facing the likelihood of Indian independence and the consequences which this would have, especially for the City of London. Although briefly eclipsed during the First World War the power of the City to influence the affairs of state were underpinned by cultural ties with both Treasury and Government which while difficult to quantify and itemise reinforced the regular technical consultations which occurred on monetary and financial matters. (Cassis 1994 : 286; Cain and Hopkins 1993 : 50-57) In such a difficult environment., Lancashire's case cannot have been helped by the lack of mutual understanding and sympathy which existed between the Manchester Chamber of Commerce and industrialists. In his diary Streat made no secret of his contempt for the industrialists he was representing and whilst some (though not all, Oldham and Blackburn being important exceptions) employers' association minutes frequently reveal considerable parochialism, it was an attitude which cannot have helped to create an impression of unity .

The changing and increasingly difficult international political and economic conditions of the 1930s had implications for the interaction of industry and the state in Britain and could, in certain circumstances created a degree of reciprocity in which industrialists became actively, if indirectly and inadvertently involved in policy. Although the National Federation of Iron and Steel Manufacturers had emerged during the First World War 'the steel lobby remained a muted, internally divided affair' in the 1920s and played no active role in the 1923 tariff election. (Tolliday 1984 : 53;

Tolliday 1987 : 293) In the 1920s internal divisions removed any hope of securing tariff protection for the steel industry. Yet Depression led to a shift in bargaining power in favour of the heavy steel sector, which brought them both tariff protection and placed them in a position of potential reciprocity with the government in the area of international cartel arrangements. In the conditions of growing international crisis experienced during the 1930s Whitehall became increasingly aware that international negotiations between industrialists could be less sensitive than inter-governmental negotiations and bring benefits for both state and industry. In the steel industry momentum for the quest for an international cartel agreement with Germany came from the industry but received the support of government as part of a complex war-game. Cotton was of less strategic importance to the government than steel yet, at the initiative of the government, industry representatives became embroiled in unsuccessful inter-industry negotiations with the Japanese over a cotton cartel. Such moves can be seen as a cynical manipulation of politically inexperienced industrialists who unwittingly became involved in international relations at a time when political relations were fragmenting. (Wurm 1993 : 299)

In Italy and especially for heavy industry, the political and economic turmoil of the interwar period further reinforced the increasingly reciprocal links between industry and the state. In the 1920s it was on the basis of hostility towards the late liberal governments and towards the bureaucratic structure of the State that Mussolini obtained growing support from the industrialists (Melograni 1980). At the beginning Mussolini's support came from the landowners who feared a socialist and communist revolution; after the 'Marcia su Roma' [The March on Rome] of October 1922, the relationship between the fascism and the industrialists remained quite loose. However, the economic policy of the new Fascist government, which initially aimed at a sharp reduction in the presence of the State in the economy and of fiscal pressure, was welcomed by the industrialists. The so called 'produttivismo', i.e. the support given to the free private initiative was the policy undertaken by the Fascists during this first period, and was a (even if not original) response given to the general economic growth of the mid-Twenties (Gualerni 1980: 40 ff.). The industrialists did not support the Fascists very strongly at the beginning, appreciating only the 'social function' of the movement necessary to contain the workers' protest.

The relationship among the industrialists and the Regime was, however, growing in intensity and articulation. For instance, Mussolini's revaluation of the lira was undertaken for ideological and nationalistic reasons but had considerable economic effects. Indeed, if exports suffered a considerable fall (above all in the traditional, light, export-oriented industries), the reduction of the inflation was possible thanks to the compulsory reduction of wages. Again, the authority shown by the Fascist regime in this situation reinforced the national investors' trust in the Italian economy, and led to a substantial and growing flow of international finance (especially from the U.S.) into Italy. (Toniolo 1980: 83 ff.)

The growing closeness of the government-industry relations took varying forms during the interwar period. There was for instance the prosecution of the ‘bargaining policy’ whereby entrepreneurs undertook investments not for economic but for ‘strategic’ reasons. These include the case of Arturo Bocciardo, the leader of the Terni steel works, which had been progressively transformed into a diversified industrial group producing a range of goods from steel to chemical products to electricity. During the Thirties Bocciardo granted the prosecution of the non-economic steel production while Mussolini granted Terni favourable prices for the electricity it sold. Similarly, Montecatini, the most important national chemical company, obtained the monopoly of the Italian market for fertilizers. In return the firm was asked by Mussolini to rescue various companies active in totally different fields, from marble to synthetic dyes (Amatori 1997, 285). In the motor car industry too, Fiat obtained massive protection in the internal market against foreign penetration thanks to high custom tariffs (Castronovo 1999: 418 ff.).

Mussolini’s practice of orchestrating rescues was at first sporadic, but the policy gathered momentum until the creation of the Istituto per la Ricostruzione Industriale (IRI). This State-owned holding company had among its main tasks the granting of long term loans to the companies which had been affected by the Depression (Amatori 1997, 257). At the same time it took over the industrial securities held by the three Italian main banks (Banca Commerciale Italiana, Credito Italiano and Banco di Roma). In the end, in 1936 IRI was declared a permanent institution and controlled most national heavy industry.

If financial ties between government and heavy industry became increasingly tight during the Fascist period, the relationship between Mussolini and Italian entrepreneurs became more and more ideologically-based. One of the political tasks of the Fascist regime was the creation of a ‘Corporatist State’ in which class conflict had to be eliminated thanks to the co-operation between the workers and the entrepreneurs. The result of this policy was not the socialization of enterprises, as some of the most radical Fascist ideologists required but the Confederazione Generale dell’Industria became the only interlocutor of the Regime, and succeeded in obtaining the monopoly the capital-labour relationships overcame the resistance of, for instance, of the small-employers’ associations which were closed or absorbed by the main organisation (Colli 1999: 834).

In the end, the relationships among the entrepreneurs and the State (and above all among the entrepreneurs active in the strategic sectors of the economy, i.e. those capital intensive industries) during the Fascist period show a high degree of continuity with the past. Not only the bargaining practice went on, and also the use of rescues by the state, but also the entrepreneurs’ association obtained a substantial, political legitimacy and monopoly and a sharp control, in the end, over the labour force.

IV Conclusion

It is strikingly clear if the political power of industrialists is compared in Britain and Italy in the interwar period that there were sharp contrasts in experience, which can be explained by a combinations of historical, institutional and socio-cultural forces stretching back to the nineteenth century. The timing of industrialisation may be significant since whilst Gerschenkron's interpretation of the significant role of the state, in relatively backward industrialisers, has proved controversial there is evidence that in Italy the state initiated and encouraged heavy industry. This was in sharp contrast to the position in Britain where, governments may have facilitated growth through the mercantilist policies, there were few historic links between industry and the state. However, it is not enough to say that the comparative impotence of British industrialists compared with the captains of Italian 'big business' was the result of differences in the experience of industrialisation. It is necessary to consider the socio-political underpinnings of government industry relations to understand why British industrialist were most usually 'outsiders' whilst the heads of Italy's large industrial groups were, as early as the 1870s, 'insiders'. British captain's of industry were not enfranchised until the 1830s and even then were numerically of limited impact in parliament. More important until the late nineteenth century social and cultural divisions from a still landed parliament and from that major organ of state the Treasury reduced the ability to influence the state on issues of policy.

In Italy, on the other hand, there were direct political ties between those political elites who wanted unification and industry which were both direct and metaphorical. Some key movers in unification and members of the first parliaments were also industrialists (or at least financiers and bankers) There began a symbiotic relationship between the two movements which time served to reinforce. Moreover, such an overlap also meant that the hopes and aspirations of the government and industry coincided more often than it conflicted rendering industrialists 'insiders' in ways not replicated in Britain at any period before the Second World War. Equally during the 1870s and 1880s industry was lauded as the potential saviour of agricultural Italy enhancing industrialists' bargaining power. Differences in the political system in Britain and Italy are also critical here, for Britain's centralised political system undermined localities, whereas in Italy with a far more decentralised system, localities and regions were and remain politically significant. Likewise historical forces mean that big business is extremely powerful in Italy. The crucial factor, however, which underpinned the emergence of reciprocal arrangements in the Fascist period was the critical financial role of the state, which began in the 1870s and was reinforced by the First World War. Historically Italian governments launched rescue packages for their friends in 'big business' and this was especially noticeable after the First World War. Ties had developed in Britain between the state and armaments producers during the First World War but in other staple industries not only were there no financial links but any trend toward corporatism, which began during the First World

War, was reversed with the defeat of Germany. Whilst interwar governments tacitly supported collusive arrangements in industry they rarely overtly supported the cause of specific industries.

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