

A “UNITED STATES OF EUROPE” –
AN IDEA WHOSE TIME HAS COME (OR GONE)?
THE INSECURITY CYCLE IN EUROPE AND AMERICA

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ABSTRACT

Our starting point is the resonance between the economic and social conditions and policies of the interwar years and those of today, with a view to understanding not only the forces that gave rise to extreme nationalist tendencies – especially in Italy and Germany, but also in Britain and America. During the 1920s and 1930s, these ultimately gave rise to dictators and another world war. But perhaps more importantly, we are interested in understanding the forces that helped to prevent such tendencies from taking hold in Britain and America. Revisiting the ideas about the economic role, social purpose and relationship between the state and both sides of industry, which informed the interwar debate about corporatism, in the light of social, economic and political developments since, has the potential to offer some much-needed perspective for today.

Keywords: Insecurity Cycle, *Ventotene Manifesto*, European Union, Corporatism, Fascism.
JEL Codes: N4, P11, P41, P52.

INTRODUCTION

The *Ventotene Manifesto* was written at a very particular point in history, and also from a particular perspective. The outcome of the Second World War, the second such war in less than three decades, was still uncertain; two fascist dictators and the Japanese empire were locked in a struggle with Britain and the United States, who themselves were in an uneasy alliance

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with Stalin's communist Soviet Union (USSR). As a result, Altiero Spinelli and Ernesto Rossi, having been interned by Benito Mussolini on the island of Ventotene, had plenty of time to contemplate what they thought might prevent a future third such war.

At the centre of their thinking – and putting the emphasis more on politics than economics – was the concept of a federal Europe. This, they argued, was the only way to prevent the re-emergence of the extreme nationalism that they believed to be at the root of the conflict. From their perspective, following a federal route would effectively remove the basis for nationalism, and in so doing, create the conditions for peace on the European continent.

By the end of the war in 1945, the idea of a “United States of Europe” was actually on the table, finding support from the Americans who, like Spinelli and Rossi, saw it as a way of avoiding another European war. The idea was certainly not new, having been discussed in Europe since the 18th century, for much the same reason (Mazower 2012). However, there was rather less consensus about how such an arrangement might work, something the Americans themselves had, and occasionally still have, been forced to grapple with. The thirteen colonies that federalised as the United States of America in 1787 did so out of a combination of necessity, a common enemy and rejection of monarchy; they also, given their origin, had similar cultural identities and a common language to unite them. But that wasn't enough to prevent heated debates about the balance between state and federal powers – nor did it prevent the more than one hundred wars that followed American independence, including a long and bloody civil war.

Today, war is not the only external threat to unity in Europe, or indeed elsewhere; liberalized international trade, manufacturing and finance are also high on the list, as are poverty and inequality. Since the 2008 financial crisis, the Eurozone crisis, the European migration crisis and, at the time of writing, the Covid-19 pandemic, the idea of a closer union of European states based on the American model of federalism has re-emerged – as have the objections to it.¹ But, as John Maynard Keynes recognised during the early 1930s, when he wrote “National Self-Sufficiency”, the factors contributing to the emergence and strengthening of destructive nationalist tendencies, is more complex than political structure or ideology. The German Confederation, for example, inaugurated at the 1814-1815 Congress of Vienna, less than 30 years after the United States of America federalised,

¹ See, for example, REHO (2015); HOFFMAN (2011); MENON and SCHAIN (2006); MCKAY (2001); and NICOLAIDIS and HOWSE (2001).

proved no obstacle to Hitler's rise to power. This suggests that there are other powerful contributing factors to social and political change (including the rise of extreme nationalism) which owe at least as much to economic forces as they do to political ones.

Twenty-five years prior to Spinelli and Rossi's *Ventotene Manifesto*, Keynes, another student of Europe and its problems did not much like what he saw. After the First World War, having resigned from the British delegation to the negotiations at Versailles, he, too, was frustrated enough to put pen to paper. In *The Economic Consequences of the Peace* (1919, cfr. Keynes 1978), he predicted that economic factors, most likely made worse by the terms of the resulting peace treaty, would soon result in the re-emergence of serious problems.

Whilst the dictators that Spinelli and Rossi were most familiar with were European, following the Wall Street crash and resulting world depression, the economic conditions that helped produce such regimes were not limited to Europe. There was significant concern that fascism could gain a strong foothold in America, again supporting the idea that a federation of states is no more immune to such extremes than any other political structure. To complicate matters still further, on the face of it, some of the economic policies deployed to try to *prevent* the rise of fascism in the United States, bore some similarity to those *underpinning* the fascist regimes in Europe; and President Franklin D. Roosevelt, himself, was accused by opponents of the New Deal of being a fascist.

But there were very significant differences in terms of both the explicit purpose of those policies and whose interests they were designed to benefit most. "Corporatist" economic planning, for example, was widely considered during the 1920s and 1930s, in both Britain and America, as a response to the economic and industrial difficulties of the time. It was advanced by many, spanning the entire political spectrum, as an alternative to both the discredited system of *laissez-faire* capitalism and state socialism. But as the Second World War morphed into the Cold War, the term "corporatism" was quietly dropped because of its association with totalitarian regimes in interwar Germany, Italy and the Soviet Union (Bratton and Wachter 2008).

This question of the possible influence of economic dynamics on social and political unrest and extremism has some thought-provoking implications. In today's system of liberalized global financial capitalism – as in the interwar system of "laissez-faire" capitalism, where international finance had also escaped regulation – economic conditions are prone to frequent and abrupt change. This can be seen in the sudden downturns that have accompanied recurring financial crises since the turn to neoliberalism during the 1970s and 1980s. This, in turn, suggests that the conditions which in the past produced the threat – or, indeed, the reality – of extremism, have the

potential to re-emerge; we are seeing evidence of this in the rise of authoritarian regimes and what is currently referred to as “populism”, due in no small part to growing poverty and widening inequality that has accompanied the return to *laissez-faire*.

The starting point for this paper is the resonance between the economic and social conditions and policies of the interwar years and those of today. On the surface, we are witnessing similar social responses to those conditions and a distrust of the institutions of *laissez-faire* capitalism. During the 1920s and 1930s, this produced nationalist tendencies, which during the Second World War, Spinelli and Rossi were responding to in their *Ventotene Manifesto*. However, whilst the contemporary causes of these developments are reminiscent of the 1920s and 1930s, the results have, so far at least, been less extreme. This is possibly a consequence of more widely available social and economic services and support.

Our paper reconsiders the interwar experience with a view to understanding not only the forces that gave rise to extreme nationalist tendencies – especially in Italy and Germany, but also in Britain and America. These ultimately gave rise to dictators and another world war. But perhaps more importantly, we are interested in understanding the forces that helped to prevent such tendencies from taking hold in Britain and America. Revisiting the ideas about the economic role, social purpose and relationship between the state and both sides of industry, which informed the interwar debate about corporatism, in the light of social, economic and political developments since, has the potential to offer some much-needed perspective for today.

Section 1 lays out our conceptual framework. Section 2 explores the ideas of Spinelli and Rossi – and those of Keynes and Roosevelt before them – about both the importance of securing a “good life” for the majority as a key aim of social justice and the conditions for peace. For Keynes, this required addressing the economic problems plaguing society. Separating corporatism, as an economic response to the economic and industrial challenges of the interwar years, from fascism, the political system which used elements of corporatism to fund military dictatorship, is the focus of Section 3; here, we explore the contrasting cases of Italy and Germany, on the one hand, and Britain and America, on the other. We then consider, in Section 4, the evolution of ideas about European unity, from the Second World War to the Cold War, when Europe again chose national sovereignty over European governance. Conclusions follow.

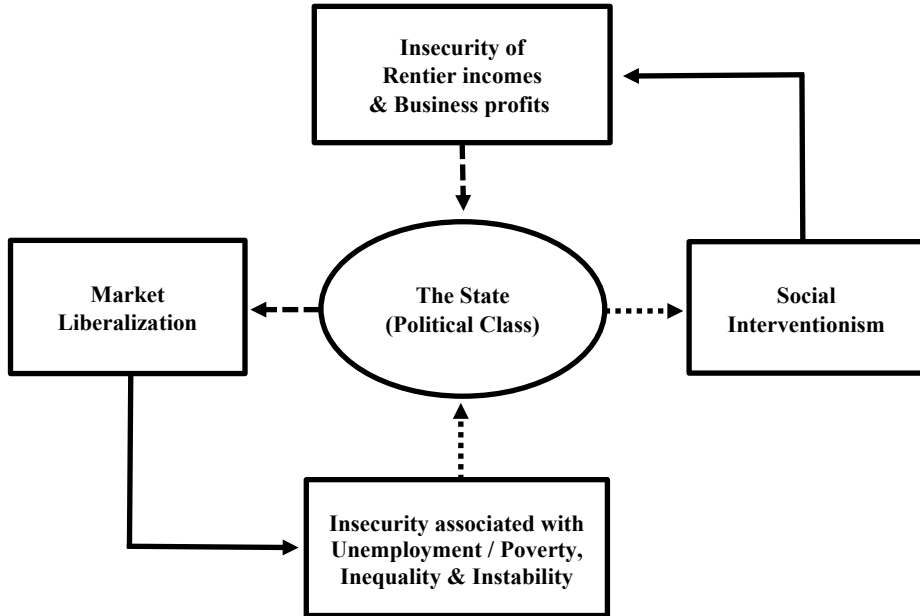
1. THE INSECURITY CYCLE

The question of why major social, political and economic paradigm shifts occur – or, indeed, fail to materialise when it appears very likely that they should – has long been a topic of debate, which has re-emerged since the 2008 financial crisis. Examining these shifts in the case of Britain, Konzelmann *et al.* (2018) identify an “insecurity cycle” at work, in which the market and the state play complementary roles in maintaining a balance between capital and labour.² This draws upon Karl Polanyi’s view of the relationship between the economy and society – and the tension between what he considered the two organizing principles of modern market society: “economic liberalism” and “social interventionism” [Polanyi 2001 (1944): 239]. From this perspective, there is an inherent conflict between capital’s interest in freeing itself from the constraints of society, and society’s interest in protecting itself from the social dislocation of the free market (particularly that for finance). The result is what Polanyi called a “double movement” of counter-reactions on the part of capital and society, mediated by politics and the legal process.

The dynamics of the insecurity cycle is driven by the interaction of economic and political forces within society, as opposing interest groups – working classes on the one side and wealthier capitalists on the other – apply pressure on the state to shift the focus of policy toward their own viewpoint and interests. The insecurity cycle is illustrated in Figure 1.

Following periods of market liberalization, for example, insecurity resulting from rising unemployment, poverty and inequality, is likely to cause those affected to put pressure on policy makers for social intervention and protection. If successful, this can be expected to eventually trigger a counter-response on the part of capital and those in upper segments of the distribution of income and wealth, pressuring policy makers to scale back social protections and liberalize markets. The perceived “zero sum” nature of this ongoing contest means that a gain for one side is usually seen as a loss by the other – resulting in a continuation of the cycle. But it is not a contest of equals. The asymmetry of power, wealth and organization between the forces of free market capitalism, on the one hand, and the social welfare state, on the other, has historically meant that movement towards social interventionism has typically been long and drawn out, whilst shifts towards market liberalization have been relatively abrupt.

² This conceptual framework is developed in KONZELMANN *et al.* (2018, Chapter 1).

Fig. 1. *The Insecurity Cycle.*

Source: Konzelmann *et al.* (2018, Chapter 1).

Assuming a functional state, the existence of institutions capable of representing the interests of the various groups within society, and confidence in the state's ability to mediate these interests, together, these produce pendulum swings between varying degrees of market liberalization and social protectionism in response to pressures from different groups within society. However, with a dysfunctional state – especially if either or both sides lose confidence or feel their interests are not being effectively represented – this mediating effect is removed, paving the way for extremism from one side or the other, or both.

In the case of Britain, for example, we identified four discernible shifts in policy, which either took place within the dominant paradigm of the time or involved a complete paradigm shift (Konzelmann *et al.* 2018). The first two – from “laissez-faire” capitalism to the beginnings of the welfare state with the Liberal social reforms preceding the First World War, followed by push-back during the 1920s and 1930s with the post-war “Treasury view” that austerity was required to repay wartime debts and balance the budget – were shifts within the existing paradigm of Neo-classical economics.

The first complete paradigm shift accompanied the so-called “Keynesian” consensus following the Second World War; and it took nearly a century and a half to come about. However, this was reversed less than thirty years later, with the return to pre-Keynesian, “neoliberal” ideas and policies during the 1970s and 1980s.

The 2008 financial crisis – which, like the crises of the interwar years, severely shook confidence in free market capitalism – and now the Covid pandemic, could produce another shift. But it is, as yet, uncertain whether change will take place within the current conventional wisdom of neoliberalism, or whether we will see a departure from it, and the development of an alternative paradigm.

The academic literature suggests that the resilience of a policy paradigm – and confidence in the government’s economic management capabilities – will be influenced by a number of factors. These include:

1. the nature of the crisis (or challenge to the conventional wisdom), including its severity and how long it persists, how it is conceptualized (whether it is paradigm reinforcing or threatening), and how it is diagnosed;³

2. the ideas that are available to challenge (or reinforce) the dominant paradigm and from which a new paradigm can be constructed, including their intellectual coherence, the effectiveness with which they are articulated and promoted, and their persuasiveness and political appeal;⁴

3. the relative strength of the political and institutional support for the development and implementation of a new policy paradigm (or for maintaining the existing orthodoxy);⁵ and

4. the degree to which different groups within society are affected by the economic situation – and their ability to recognize and articulate their interests, and to mobilize support for them.⁶

Drawing upon these ideas, we found that the shifts in the insecurity cycle that have shaped British socio-economic development have been driven by combinations of five key factors (Konzelmann *et al.* 2018). These include crises, usually of considerable duration, such as the Great Depression; but such a “chronic” crisis may be exacerbated by shorter, more “acute” crises. Democratic or social pressure, often at its greatest during elections, can

³ See, for example, BLYTH (2013); BRAUN (2015); HAY (2013); SILVERWOOD (2013).

⁴ See, for example, BLYTH (2002); CROUCH (2008); GOLDSTEIN and KEOHANE (1993); HAY (2011); SCHMIDT (2010; 2011); STANLEY (2014).

⁵ See, for example, BAKER (2015); THELEN (2004); STREECK (2016).

⁶ See, for example, BÉLAND (2005); GAMBLE (2014); OLIVER and PEMBERTON (2004).

also be highly influential; over the years this has resulted in the emergence of trade unions, the expansion of the franchise and, more recently, socially based movements. Also important are new – or at least different – policy ideas and credible political backing. Fear – real or imagined – as well as over-confidence can also be significant factors.

In the sections below, we use the insecurity cycle as a conceptual framework to help make sense of the contrasting interwar experiences of Italy and Germany, and Britain and America. Our objective is to shed light on the lessons that might be learned for today.

2. SPINELLI'S AND ROSSI'S – AND KEYNES'S AND ROOSEVELT'S – VISION: A BETTER LIFE FOR THE MAJORITY

Underlying Spinelli and Rossi's vision of a federal Europe was the idea of a more humane life for the average citizen. They believed this to be an achievable objective, particularly given “the near limitless potential of modern technology to mass produce essential goods [...] with relatively low social costs” (Spinelli and Rossi 1944: 26, III (d)). In their view, this would enable “everyone [to] have food, housing, clothes and that basic level of comfort that helps maintain human dignity [...] to guarantee a decent standard of living for everyone, unconditionally, whether they can work or not” (*ibid.*).

This idea was certainly not new. A century earlier, the French social philosopher, Claude-Henri de Saint-Simon had also been concerned that European societies were in a state of crisis caused by war. Writing at a time of major technological progress during the first part of the French industrial revolution and well into the industrial revolution in Britain, he, too, recognised the scientific potential to create the conditions for material happiness on earth. But without peace in Europe, this would not be possible. For Saint-Simon – like Spinelli and Rossi – the purpose of European union was to stop all wars between the nations of Europe. He considered the Vienna Congress of 1815, at which the fate of post-Napoleonic Europe was to be decided, an opportunity to make his proposed European Union a political reality; but his proposal fell upon deaf ears (Archibugi 1992).

The idea of peace in Europe being a condition for the objective of a better life for the majority also had resonance with Keynes's view that economics was the means of achieving the ultimate objective of “the good life”. Some 25 years earlier, Keynes, an official at the British Treasury and one of its representatives at the negotiation of the Versailles peace treaty, had also pondered that future of Europe. But unlike Spinelli and Rossi, he

was part of a delegation tasked with shaping that future in the aftermath of the First World War, as indeed he would be once again when the outcome of the Second World War was no longer in serious doubt. This meant that Keynes not only saw the obstacles to lasting peace at first hand; he would resign from the delegation and write his own, equally frustrated, assessment of the situation in which he found himself at Versailles.

The resulting *The Economic Consequences of the Peace* (1919, cfr. Keynes 1978) far outsold its original 5,000 copy print run, notably in America, and was subsequently translated into numerous languages. The root of Keynes's frustration was his opinion that the future of Europe had been assessed from every possible perspective, except that of economics:

The Treaty includes no provisions for the economic rehabilitation of Europe, – nothing to make the defeated Central Powers into good neighbors, nothing to stabilise the new states of Europe, nothing to reclaim Russia; nor does it promote in any way a compact of solidarity amongst the Allies themselves; no arrangement was reached at Paris for restoring the disordered finances of France and Italy, or to adjust the systems of the Old World and the New.

The Council of Four paid no attention to these issues, being preoccupied with others, – Clemenceau to crush the economic life of his enemy, Lloyd George to do a deal and bring home something that would pass muster for a week, the President to do nothing that was not just and right. It is an extraordinary fact that the fundamental economic problems of a Europe starving and disintegrating before their eyes, was the one question in which it was impossible to arouse the interest of the Four. Reparation was their main excursion into the economic field, and they settled it as a problem of theology, of politics, of electoral chicane, from every point of view except that of the economic future of the States whose destiny they were handling (Keynes 1978: 211-212).

He went on to argue that as a result of this failure to consider the workings of a viable European economy, there would be considerable social and economic dislocation – and that the effects of this on European civilisation would be dire in the extreme:

Economic privation proceeds by easy stages, and so long as men suffer it patiently the outside world cares very little. Physical efficiency and resistance to disease slowly diminish, but life proceeds somehow, until the limit of human endurance is reached at last and counsels of despair and madness stir the sufferers from the lethargy which precedes the crisis. The man shakes himself, and the bonds of custom are loosed. The power of ideas is sovereign, and he listens to whatever instruction of hope, illusion, or revenge is carried to them in the air. [...] But who can say how much is endurable, or in what direction men will seek at last to escape from their misfortunes? (*ibid.*: 233-235).

This bleak assessment would prove to be uncomfortably accurate, with economic conditions in a number of European countries following World War One giving rise to dictatorships, including those in Italy – which in turn motivated the *Ventotene Manifesto* – and in Germany. Whilst it is difficult to entirely separate the economics from the politics, during the interwar years, the more extreme groups on both the left and (particularly) the right were able to gain support, due in no small part to the combined effects of the First World War and the resulting debt, economic and social dislocation, and misguided policies (including austerity) to address those effects. All of this was exacerbated by the 1929 Wall Street crash and the Great Depression which followed it.

In this context, whilst more traditional economic policies – like austerity – seemed to offer little hope, to the outside world at least, the fascist regimes in Italy and the Nazi Party in Germany appeared to have considerable success in addressing some of the main economic difficulties they were facing, including high levels of unemployment and inflation as well as sluggish economic growth. This didn't go unnoticed, notably in the United States, where in response to the 1929 Wall Street crash and Great Depression, Roosevelt was formulating his "New Deal" legislation with the explicit aim of improving the lives of the majority of Americans, who at the time were suffering greatly. Meanwhile, in Britain, having spent two years investigating the problems confronting British industry as a member of the Liberal Industrial Inquiry Committee, tasked with charting its future, Keynes was also pondering the question of the economic and social purpose of business and its relationship with the state.

However, by the early 1930s, he was growing concerned about the nature of globalization – particularly of finance capital – and the threat to peace he perceived this to be:

To begin with the question of peace [...] The divorce between ownership and the real responsibility of management is serious within a country, when, as a result of joint stock enterprise, ownership is broken up among innumerable individuals who buy their interest to-day and sell it to-morrow and lack altogether both knowledge and responsibility towards what they momentarily own. But when the same principle is applied internationally, it is, in times of stress, intolerable – I am irresponsible towards what I own and those who operate what I own are irresponsible towards me [...]

I sympathize, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel – these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national (Keynes 1933: 179-181).

At first sight, this domestic motivation appears to sit oddly with Keynes's internationalism and his paramount concern about providing an alternative to laissez-faire capitalism and the nationalism and totalitarianism he was witnessing in Europe. But it is a pragmatic reflection of his recognition that successful internationalism – the "willing and unimpeded exchange of goods and services in conditions of mutual advantage" (Keynes 1973: 383) – depends upon the right operation of the international system *as a whole*, which itself relies upon the maintenance of full employment at home. Only this can be expected to lead to stable economic activity, more and better work and a higher standard of living and life for the majority.

Keynes's ultimate objective was to preserve British society and its institutions and, like Spinelli and Rossi, to improve the lives of the many. By contrast, Mussolini – and later, Adolf Hitler – were also looking at the relationship between the state and industry, but with very different aims in mind.

3. VARIETIES OF "CORPORATISM" BETWEEN THE WARS

During the late 1920s and 1930s, the idea of corporatist economic planning was a central theme of the recovery debate in Britain, the United States and many other countries. It was advanced by many, spanning the entire political spectrum of the day, as an economic alternative to both the discredited system of laissez-faire capitalism and Marxist socialism.⁷

As an *economic* system, corporatism⁸ assumes private property rights and a capitalist system of production, in which the company is viewed as a public institution with obligations to help mitigate the capitalist system's inherent instability and serve the agreed "public interest". Through consultation with the major groups in society, the two most important being industry and organized labour, the public interest is articulated by government, with the various groups adapting their positions to support it. Corporatism accepts a legal model of corporate governance, where company directors have a duty to manage the business in accordance with clearly articulated public policies, themselves designed to achieve the public interest, even if they conflict with the property interests of shareholders. Relationships – between different groups and between the state and these groups – are cooperative; and laissez-faire competition is viewed as a de-

⁷ See, for example, CARPENTER (1976) and RITSCHEL (1991).

⁸ For a useful discussion of corporatism as a legal and political economic system, see BRATTON and WACHTER (2008, especially: 113-114).

structive force that must be controlled and channelled through institutions that practice fair competition under the mediating influence of government. An important objective is to create a stable business environment in which price levels simultaneously support high levels of employment, fair wages, and a satisfactory return on investment.

However, there is considerable diversity in the *political* systems that have to some degree been identified as “corporatist”. This is especially the case when we observe political responses to the highly fluid and unstable economic and social conditions that followed the First World War, which produced a variety of corporatist experiments.

Even at the time, keen observers, including Keynes, were shifting their views as these experiments unfolded – particularly during the 1930s. In March 1932, for example, Keynes delivered a radio lecture, later published as “The State and Industry”, in which he emphasized the difference between state planning and the emerging alternative systems to the discredited system of *laissez-faire* capitalism of the time:

There is a new conception in the air today – a new conception of the possible functions of government [...] It is called planning – state planning: something for which we had no accustomed English word for even five years ago. It is not Socialism; it is not Communism. We can accept the desirability and even the necessity of *planning* without being a Communist, a Socialist or a Fascist (Keynes 1982: 84, emphasis in the original).

He then went on to explain the difference:

[S]tate planning [...] differs from Socialism and from Communism in that it does not seek to aggrandise the province of the state for its own sake. It does not aim at superseding the individual within the fields of operations appropriate to the individual, or of transforming the wage system, or of abolishing the profit motive. Its object is to take deliberate hold of the central controls and to govern them with deliberate foresight and thus modify and condition the environment within which the individual freely operates with and against other individuals (*ibid.*: 88).

But he did not condemn experimentation with corporatist state planning – in fact, he seemed to view them with optimism:

It may be that other countries will enjoy the rare opportunity of seeing three experiments carried on simultaneously, differing vastly on the surface yet each directed to the solution of the same essential problem – the Five-Year Plan in Russia; the Corporative State in Italy; and state planning by Public Corporations responsible to a democracy in Great Britain. And as lovers of our species, let us hope that they will be successful (*ibid.*: 92).

However, a year later, in “National Self-Sufficiency”, Keynes raised concerns about the hard forms corporatism was taking, or might soon be taking, in Europe:

In those countries where the advocates of national self-sufficiency have attained power, it appears to my judgment that, without exception, many foolish things are being done. Mussolini may be acquiring wisdom teeth. But Russia today exhibits the worst example which the world, perhaps, has ever seen of administrative incompetence and of the sacrifice of almost everything that makes life worth living to wooden heads. Germany is at the mercy of unchained irresponsibles – though it is too soon to judge her (Keynes 1933: 188-189).

3.1. *Italy and Germany between the wars*

3.1.1. Italy – Red Years and blackshirts

At the outbreak of the First World War, Italy had only recently been unified, with Rome being made the new nation’s capital in 1871, less than fifty years earlier. It initially assumed a neutral position, not least due to the anti-war sentiments of Italian socialists, prominent among whom was Benito Mussolini. However, the influence of ongoing irredentism – seeking the return to Italy of all Italian-speaking districts subject to other countries – and the question of which regions should, or should not, be under Italian control, eventually led Italy to enter the war on the allied side, following the Treaty of London. Much of the justification for this had been the promise of significant territorial gains. However, when these gains were not fully honoured by the Paris Peace Conference at the end of hostilities, confidence in the ruling policy makers was seriously eroded.

But this was not the only problem confronting the young government. The war had done little for the economy, resulting in a substantial increase in the national debt. The end of hostilities also brought a sharp recession and high unemployment, made worse by large numbers of soldiers returning from the war in search of work. To mitigate these problems through state welfare provision, Italy was playing catch up. At the outbreak of war, only about 4.8 per cent of the new nation’s population were covered by some form of social and economic protection, compared with 42.8 per cent in Germany and 36.3 per cent in Great Britain; and only 1.56 per cent of Italy’s GDP was allocated to social welfare. A great deal of effort was made to extend this both during and shortly after the war – with 337 measures with some relevance to social welfare being passed by 1919 (Pavan 2019). But by then, trouble was already on its way.

As confidence in government evaporated, Italy experienced the “*Bienno Rosso*” (Two Red Years), from 1919 to late 1920. This brought consid-

erable growth in membership of the Italian socialist party, and even greater expansion of both the anarchist movement and trade union membership. The resulting sharp increase in militancy produced a rise in industrial action; it also spread to rural areas. However, whilst there was considerable militant activity on the left, it was fragmented, with little overall vision or leadership. Also, as in many other nations at the time, with the Russian Revolution so fresh in the memory, extremism on the left tended to mobilise opposing activity on the right, which usually involved politically and economically more influential groups within society. As a result, the right-wing opposition was typically better funded and organized, giving it a significant advantage.

Italy's right-wing opposition also had its roots in the previous war, providing many of its leaders with a volatile mix of nationalist fervour, a sense that their country had been poorly treated, and experience of military organization and values. One such leader, who had been in favour of Italy's intervention in the war, was Gabriele D'Annunzio, a colourful war hero whose exploits had given him a strong following, not least amongst his troops. In many ways, he laid the foundations for what would become Italian fascism, which would also influence Hitler's National Socialism. D'Annunzio had emerged from the war with the strongly held view that the nation state was far more important than class struggle and that Italy should take her place amongst the then great powers of Europe. The Free State of Fiume (in present day Croatia) had a majority Italian population. To D'Annunzio, this justified his leading a small private army, known as the "blackshirts", to take over Fiume, which he held from September 1919 to December 1920.

D'Annunzio's Charter of Carnaro identified nine "corporations" or economic sectors; these included seafarers, employers, industrial and agricultural workers, cooperative workers, industrial and agricultural technicians, doctors and lawyers, teachers and students, private bureaucrats and administrators, and civil servants. A tenth corporation, "superior individuals", was also identified, comprising poets and musicians – as well as D'Annunzio himself. These ten corporations would represent their members in discussions with the seven-minister executive, with legislation being managed by a combination of the Council of the Elites (elected by the general population) and the Council of Corporations (consisting of 200 representatives appointed by their respective corporate sectors).

D'Annunzio's nationalism, militaristic style and corporatist approach to economic and political organization together led some to regard him as the "John the Baptist of Italian Fascism" (Ledeen 2001: XIII). Meanwhile, the once ardent socialist, Mussolini, had lost interest in class struggle; and, in March 1919, he founded the Fascio di Combattimento. This strongly

appealed to many unemployed war veterans, of whom there was a plentiful supply; and it effectively laid the foundations for a more organized (and militaristic) approach to politics, economics and (shortly afterwards) national government, something that the rather more fragmented movements on the left, had still failed to achieve.

As a result, at around the same time that D'Annunzio had been squeezed out of his fiefdom of Fiume and the Biennio Rosso was fizzling out, Mussolini and his own rapidly growing number of blackshirts marched to Rome. In October 1922, fearing a civil war between Mussolini's fascists on the one side, and the Italian communists and left-wing groups on the other – which the government was unlikely to control or survive – King Victor Emmanuel III capitulated and installed Mussolini as Prime Minister.

The loss of confidence in the ability of the government to resolve Italy's post-war problems had effectively pitted the right and left directly against each other, with little or no mediation. If government was unable to regain control, the inevitable outcome was almost certainly going to be an extreme government of one sort, or the other.

Under Mussolini's leadership, a Ministry of Corporations was created and the economy organized into 22 corporations. Strike action like that during the Biennio Rosso was made illegal. Confindustria, the employers' main body, and the fascist trade unions recognised each other; but all other trade unions were excluded (Blamires and Jackson 2006: 150). This exclusion is just one indicator of the reality of the relationship between Italy's ruling Fascist party and industry on the one hand, and organized labour on the other; and it was quite the opposite of the cooperative relationship, focused on public purpose, envisaged by Keynes. The Italian Fascist party – and therefore the state – was entirely dominant.

3.1.2. Beyond Versailles – Austerity policy and the rise of the Nazi Party in Germany

Following the First World War, Germany had also, against its expectations, not been treated as well as it expected. The Versailles Treaty imposed war reparations totalling 132 billion gold marks or 260 per cent of 1913 GDP – demands that would have been difficult to meet, even without the loss of much of its industrial capacity.⁹ During the 1920s, Germany did indeed struggle to pay the reparations, being reliant on foreign loans (particularly from the United States). Not only was industrial output severely depressed and unemployment high, the currency depreciated and inflation

⁹ CRAFTS and FEARON (2010); EICHENGREEN (1992); RITSCHL (2013: 113).

was rising rapidly; however, to cover expenditure and pay its debts, the government continued to print money, resulting in hyperinflation.

In an attempt to restore investor confidence and make the country more attractive to foreign capital, a new currency backed by gold, the Rentenmark (RM), was introduced, being replaced by the Reichsmark in 1924. Until the Great Depression, this proved a very stable currency, which supported the flow of foreign capital into Germany's financial markets, driving economic expansion in both the private and public sectors.

The final stages of the war had also seen seismic social and political change in Germany, including the forced abdication and abrupt flight from the country of Kaiser Wilhelm II, as Germany became a democratic republic. Nor did it take long for the more extreme parties to establish themselves, with both the Communist Party of Germany (KPD) and the National Socialist German Workers Party (NSDAP) – the Nazi Party – already established and attracting members by the early 1920s.

The 1920s also brought much needed progressive social reforms, which went a considerable way towards limiting the poverty and unemployment that might otherwise have provided the fuel for extremism during the 1920s. Germany's domestic population had suffered badly during the later stages of the First World War, in particular due to the allied blockade against imports; and the terms of the armistice did little to raise the mood. Without this extensive package of welfare support, things might have been rather different.

However, it was not to last. The strength of the 1920s expansion, along with the earlier bout of inflation, had led to wage increases that outpaced gains in productivity. As a result, competitiveness was undermined and in 1928, investment began to fall. But much worse was to come. Following the 1929 Wall Street crash, access to credit became almost impossible as the supply of loans to German banks dried up; and protective trade measures contributed to a sharp decline in exports and a return to high and rising unemployment.

By 1930, the situation was so serious that President Hindenburg dismissed the government and appointed a presidential cabinet without parliamentary backing, under the chancellorship of Heinrich Brüning, with the Weimar constitution authorizing him to rule by emergency decrees. Given Germany's commitment to the gold standard, Brüning was convinced that there was no alternative to the imposition of harsh austerity measures.

Between 1930 and 1932, total nominal public spending was cut by about 30 per cent whilst both real total revenue and real GDP fell by 15 per cent. The German workforce witnessed the rapid erosion of all of the social gains of the 1920s. German industry was also hard hit, with exports falling by 50 per cent; and many businesses became insolvent, causing a sharp

increase in unemployment (Rahlf 2015). Large sections of the population were thrown into poverty and hunger was widespread, with Brüning being dubbed "the hunger chancellor".

The Nazi Party responded by launching an anti-austerity campaign. On 13 December 1931, Adolf Hitler issued an Open letter to the Reich Chancellor, "The Great Illusion of the Last Emergency Decree". In it, he declared that "although that was not the intention, this emergency decree will help my party to victory, and therefore put an end to the illusions of the present System" (Hitler 1932a).

In May 1932, the nazis published another pamphlet – "Emergency Economic Program of the NSDAP" – offering "fundamental improvements in agriculture in general, multiple years of taxation exemption for the settlers, cheap loans and the creation of markets by improving transportation routes, and making them less expensive". Its promises for the construction of a highway proved effective in boosting popular support for the nazis by signalling "economic 'competence' and an end to austerity". The party also promised to "do all it can to maintain social insurance, which has been driven to collapse by the present System" (Hitler 1932b).

On May 30, 1932, Brüning was removed, with Hindenburg appointing a minority cabinet under Franz von Papen, who, upon taking office, introduced a number of stimulus packages, including employment programmes and tax credits and subsidies for new employment, public works projects and agricultural improvement – and Germany's economic situation began to improve. But confidence in the government had been lost; and on March 5, 1933, elections delivered both Hitler and the nazis to government. Among their first acts was to outlaw the KPD. Had the population been better shielded from the effects of the depression, world history might well have been very different.

Although much of the philosophy and statecraft of the nazi regime would be familiar to Italian fascists, Hitler's plan for expansion, through rapid and extensive military conquest, handed him a very particular economic problem. The Treaty of Versailles had put many of Germany's industrial areas under foreign control. This, combined with various treaties limiting the scope of German armed forces, meant that Hitler not only needed to find the funds to pay for the massive rearmament required to implement his policies; he also needed to keep it secret.

Part of the solution was facilitated by the nature of the relationship between the Nazi Party and Germany's major manufacturers. The nazi approach could therefore be seen as another variant on the corporatist theme, which like the system in Italy, put the state firmly in the driving seat.

Shortly after Hitler became chancellor, Hjalmar Schacht was appointed president of the Reichsbank, and an innocuous sounding company, Metal-

lurgische Forschungsgesellschaft (MeFo) or “Metallurgical Research” was set up. MeFo was, in reality, a shell corporation that would become one of the main engines for the covert funding of Hitler’s massive rearmament programme. Germany’s four main manufacturers, Krupp, Siemens, Gutehoffnungshutte and Rheinmetall, formed the core of the scheme, with the German government, on the face of it at least, completely uninvolved. The reality, however, was that the party had compelled these manufacturers to fund MeFo’s initial share capital, making it look like a private company – but its directors were appointed by the Reichsbank and the Ministry of Defence.

As in Italy, the relationship between the German state and the corporate sector was heavily one sided, with the emphasis firmly on warfare, rather than welfare. As we will see, below, a rather more balanced relationship, with a very different aim – that of benefitting the general population, whilst mitigating against extremism – is what would define the fundamental difference between Italy and Germany, on the one hand, and America and Britain on the other.

3.2. *Britain and America between the wars*

3.2.1. British Corporatism – An idea that didn’t take root

Although on the winning side, the Britain that emerged from the First World War was not the same as the one that went in. Just before the war, Lloyd George and Winston Churchill, who had begun to see the concentration of wealth and power as the greatest threat to society, started doing something about it. The “Peoples” budget, which after considerable opposition, was passed in 1910, not only provided more “dreadnaughts” for the Royal Navy; it also imposed taxes on the wealthy, in many cases, for the first time. The proceeds were invested in the beginnings of a welfare system, which helped to alleviate some of the social costs of unemployment that followed the end of hostilities.

Another significant development was the steady increase in suffrage, such that by 1928, the vote had been extended to the majority of British adults. The large numbers of those in the industrial workforce, where trade union membership was increasingly dense, contributed to steady growth of the new Labour Party. This produced Labour-led governments in 1923 and 1929, albeit not without travails of their own.

In the British debate about corporatism, Keynes’s (little-known) ideas about industrial strategy, governance and purpose played a central role.¹⁰

¹⁰ See CHICK (2018); KONZELMANN (2019); KONZELMANN, CHICK and FOVARGUE-DAVIES (2021; 2022), for a further discussion.

The 1926 General Strike had drawn his attention to these questions; and for two years, as a leading member of the Liberal Industrial Inquiry (LII) Committee, he was engaged in a detailed empirical investigation of Britain's industrial problems. The result was the 1928 report of the LII, *Britain's Industrial Future*, known as the "Yellow Book" because of the colour of its cover. This set the pattern for much of British thinking about economic planning during this period.

Britain's Industrial Future begins by articulating its authors' vision of the *purpose* of both industrial strategy and public policy generally:

The measures we advocate in relation to [...] financial and industrial reforms, international trade and national development, the just distribution of wealth, the worker's right to be a citizen, not merely a subject in the world of production [...] spring from one clear purpose. We believe with a passionate faith that the end of all political and economic action is [...] that individual men and women may have life, and that they may have it more abundantly (LII Committee 1928: xxiv).

This has resonance with Spinelli and Rossi's vision, laid out more than a decade later in the *Ventotene Manifesto*. And it reflects Keynes's overall vision, that the purpose of public policy should be aimed at enabling people to live the "good life" – a theme that runs throughout all of his policy proposals.

British corporatism had initially emerged as an approach to crisis-avoidance, in response to the problems created by working-class political and economic unrest during and after the First World War (Booth 1982). In this context, a tripartite negotiating framework involving industry, organized labour and the state was established. Industry was given access to government, which facilitated the development of economic policies favourable to industrial stability and rationalisation; and organized labour was assigned a role in representing and advancing the interests of the working class. This ultimately proved useful in averting some of the causes of social and political instability which were also plaguing other European countries during this period.

In Britain, the idea of corporatism as a form of national economic planning and an alternative to both laissez-faire capitalism and Marxist socialism held broad acceptance across the political spectrum. But despite general agreement about the *idea*, there was profound disagreement about the nature of the planned economy and the distribution of power among democratically elected political authorities, industry and organized labour within the corporatist structures of planning (Ritschel 1991).

The Great Depression exposed divisions not only in the capitalist class (between finance and industry), but also within industry (between export-

ers and home market suppliers, as well as between employers and organized labour) and within labour (between workers in the declining export industries and the new industries). Following the Armistice, four key groups – financial interests, industrialists, labour, and government – competed over policy (Booth 1982; 1987). The City fought to restore the gold standard and return London to its position as a leading centre of international finance. Industrial employers were divided between those seeking a continuation of the wartime pattern of consensual bargaining and those hoping for the return of managerial prerogatives and laissez-faire policies. Organized labour was split between moderates wanting to consolidate wartime political and material progress and those seeking revolutionary change. And although the post-war coalition government promised reform, the Treasury was determined to regain control over public expenditure through pre-war orthodoxy. Since these widely divergent goals could not be reconciled by consensus, the direction of British policy was determined by conflict, which only served to polarise classes and weaken those occupying the centre political ground (Booth 1987).

Thus, although the *idea* of corporatist state planning had broad appeal, the problem was that it was impeded in practice by the fractious relationship between finance and industry; the unwillingness of the various groups to fully involve organized labour; and the prioritisation of narrow sectional interests over the interests of the economy and society as a whole. Moreover, because the 1929 general election did not result in a Liberal government, Keynes's ideas about industrial strategy, corporate purpose and governance embodied in the Yellow Book – effectively the Liberal Party's manifesto – were never actually tried out in any systematic way.

Soon after, the Wall Street stock market crashed and as the financial crisis morphed into the Great Depression, unemployment in Britain ballooned. The increased scale of the problem of unemployment combined with concerns that business confidence might be damaged by loan-financed public works. This prompted a return to the orthodox diagnosis of Britain's economic problems; and by the summer of 1930, Liberals were questioning whether public works would stimulate economic activity in the way Keynes had suggested (Sloman 2015: 77). Although by late 1931, his optimism would return, even Keynes, who by this point was a member of the government's Economic Advisory Committee, appears to have become more pessimistic, believing that "the effect of [the Liberal national development schemes] on unemployment and business psychology would be very small compared with what their effect would have been before the world depression began" (quoted in Sloman 2015: 57). During the 1930s, Keynes's attention thus turned towards developing his *General Theory* – and, soon after, planning for another war – and away

from questions of industrial structure, governance and purpose, never to return.

Like many other countries between the wars, Britain also had its share of extremist groups – with communists on the left and fascists on the right. But *unlike* others, British corporatism was quite separate from these groups. British communists and fascists also struggled to achieve much.

Because the British Labour Party had rebuffed the idea of both closer links with the Communist Party of Great Britain and revolutionary change, British communists lacked the political support of the party representing the interests of the working classes. Their regional strongholds in the coal industry were delivered a serious blow by the government's response to the General Strike of 1926, which also severely undermined the British fascists, who were looking for opportunities to become involved in violent strike breaking activity. These included the likes of Rotha Lintorn-Orman, Leopold Canning, R.B.D. Blakeney and William Joyce's "British Fascists", which had been established in 1923 and three years later boasted a membership of around 6,000 to 7,000 (Hodgson 2010: 101).

From the government's point of view, controlling the fallout from the General Strike was a key objective. So extremists on both left and right were targeted. Key members of the Communist Party of Great Britain were imprisoned; and fascists were banned from joining the newly created Organization for the Maintenance of Supply (OMS) – which had been established to keep the economy functioning during the strike, rather than using the armed forces – without having first formally renounced their fascist views.

There was good reason for both of these moves, as Mussolini's black-shirts had already received some favourable press in Britain, not least as a result of their violent approach to countering industrial action in Italy. By the time of the General Strike, Mussolini had been in power for four years, and the fascist *modus operandi* was well known. The imprisonment of key communists (who also espoused revolution) and the ban on fascists joining the OMS drastically reduced the potential for violence; and had a divisive effect on the disappointed British fascists. Deprived of the opportunity to emulate Mussolini's strike breaking tactics, the group quickly split, with many supporters drifting away. Thus, unlike the single party approach taken in Italy and Germany, Britain's fascists consisted of various splinter groups, often with conflicting aims; the movement was therefore fragmented and ineffectual.

During the 1920s, the British fascist groups also attempted, without much success, to evolve a peculiarly British type of fascism. One such effort was made by Oswald Mosley, an MP who in the past had represented both the Conservative and Labour Parties, and his short-lived "New Party". Like many during the inter-war years, the New Party espoused a corporat-

ist approach to economic planning, with increased powers for government, a smaller, more active cabinet reminiscent of Lloyd George's war cabinet, and substantial investment in, amongst other things, a major housing programme. But there were also some clear fascist components, notably, Mosley's "Biff Boys" (in place of the more usual blackshirts). Mosley also explored the use of new media, especially film. But unlike Columbia Pictures' 1933 film, *Mussolini Speaks*, which at the time grossed \$1 million (Thomas 1967: 102), Mosley's film was banned by the censors from British cinemas. The reason given was that it would bring parliament into disrepute, allegedly because of its footage of MPs asleep on the benches (as opposed to its extremist content) (Worley 2007).

But things did not go well for the New Party in terms of electoral success. After a poor showing in the 1931 general election, Mosley toured Europe and in the process acquired first-hand experience of the workings of the rather more successful fascist regimes there, especially in Italy. Upon his return, he attempted to not only apply many of their principles, but also to unite the various fractious fascist groups already in existence, notably the New Party and the British Fascists, into the British Union of Fascists (BUF). The result was a movement that was rather larger than before, with a claimed membership of around 50,000 at its peak (Olechnowicz 2004: 643). Its supporters included some significant members of both the House of Commons and the House of Lords, notably Lord Harmsworth, 1st Viscount Rothermere, and his *Daily Mail* – which provided a significant source of both financial support and media coverage for the BUF. But Mosley's adoption of a more obviously European style of fascism and, in 1936, his espousal of strong antisemitism, in particular, would cost him and his movement dearly (Blamires and Jackson 2006: 228, 435).

The first notable disaster was a rally in early 1934 at London's Olympia, which aimed to attract an audience of some 10,000 supporters. In spite of all of the organization – and the theatrical nature of the presentation itself – the event was almost entirely undermined by the levels of violence used to eject opposing hecklers (Gunther 1940: 362-364). This not only made it much harder to attract middle class supporters; it also discouraged established politicians from having anything to do with the BUF. But perhaps the biggest blow of all was the withdrawal of the *Daily Mail's* support.

However, worse was to come in 1936, as a result of what became known as the "Battle of Cable Street" in London's East End. In this, a planned march of blackshirts through Whitechapel resulted in another major – and very public – disturbance, involving the BUF, various left-wing groups and the police in a running battle. This further outbreak of violence resulted in more direct action than the debacle at Olympia, with Mosley's activities being further limited not only by the Public Order Act of the same year,

which banned political uniforms, such as those of the blackshirts, but also by the requirement of specific police permission before any future marches could take place.

Mosley and the BUF never really recovered. In spite of a rebound in membership as a result of supporting popular causes, such as keeping King Edward VIII on the throne, growing tension between Britain and nazi Germany put the party firmly on the back foot; and by 1939, it was able to boast only 20,000 members (Thurlow 2006: 94). The following year, the party was banned, and Mosley found himself – along with other notable fascists – interned for the duration of the Second World War.

3.2.2. Roosevelt's "New Deal" – America's variety of corporatism

The United States emerged from the First World War in much better shape than Britain and following a brief depression in 1920-1921, aside from agriculture, which was in recession throughout the 1920s, the economy grew rapidly and employment remained high.

The relative strength of the American economy during the 1920s helped suppress any significant tendency to radicalism. But like most countries between the wars, groups on the left and right were certainly present and agitating. Following the Russian Revolution of 1917, the communists were among the first to organize, with the Communist Party USA being set up during the first half of 1919 (Buhle 1987). During the 1920s and 1930s, it played an active role in helping to both organize labour and support the rights of African Americans and the unemployed.

In 1929, however, the "roaring twenties" came to an abrupt halt when the Wall Street stock market crashed. This ushered in the Great Depression; and it soon became clear that this was no re-run of the previous short depression a decade earlier. As in Europe, the depression produced a sharp rise in radical thinking and activity.

The more agricultural states, in particular, which had already suffered through the farming crisis of the 1920s, were especially hard hit, with the state of Iowa providing all too clear evidence that normally peaceful farmers could rapidly become radicalised. Unable to keep up their loan repayments due to depressed agricultural prices, the banks foreclosed on one farm after another. With nothing left to lose, the farmers responded, in one case going so far as to nearly lynch a judge. This resulted in deployment of the National Guard, armed with machine guns, in an attempt to limit the spread of such activities (Rauchway 2015: 55-56).

President Herbert Hoover had arrived in the White House only months before the Wall Street crash; so the initial response to the deepening depression fell to him. From 1931 and 1932, Hoover pursued a policy of refla-

tion, through public works and financial assistance to agriculture, banking and industry, doubling the rate of federal government investment in the process. However, this had little expansionary effect, as the level of investment was simply too low; and it was entirely negated by an even larger contraction in public works at the state and local levels. Historically, given the distribution of power between the American states and the relatively weak federal level of government, responsibility for the delivery of public services had been devolved to the states. But without the scale of resources required, they turned to the federal government for assistance. The depression was made still worse during the Spring of 1933, when the economy was rocked by a second banking and financial crisis.

On the eve of the American presidential election in 1932, it was believed that, if elected, the Democratic candidate, Franklin Delano Roosevelt, would follow the lead of many European leaders at the time and adopt a form of corporatism in response to the economic and industrial challenges of the Great Depression (Bratton and Wachter 2008: 102).

In Italy, in particular, Mussolini's corporatist policies appeared to be effective, especially with regard to employment and GDP growth – so much so that in 1933 Columbia Pictures produced a film entitled *Mussolini Speaks*. The decision was based on the view that it would appeal to a sufficiently large audience to be financially viable. The film premiered on Broadway on March 10, five days after Hitler's nazis took control of the Reichstag, and six days after Roosevelt's inauguration. The promotional poster for *Mussolini Speaks* offered the enthusiastic opinion that the "The world listens when he speaks – this man of the hour is making history!" as well as an image of Mussolini giving the fascist salute.¹¹ The film eventually grossed \$1 million at the box office – or about \$20 million in current terms. By comparison, the highest grossing film that year was Metro Goldwyn Meyer's *Roman Scandals* at \$2.4 million, with *Dinner at Eight* coming in at \$1.4 million in 1933 values.

With news like this coming out of Italy, by the late 1920s, it was a common view that state and industry might benefit from working together – in the case of Italy, the state, especially. But it was becoming increasingly difficult to separate the forms that corporatism was taking in Italy – and soon after, in Germany – from fascism.

A major question, therefore, was whether corporatism might be used to benefit a democracy, like the United States, by improving the living standards of its citizens and their expectations about the future. Roosevelt was aiming to build just such a partnership between the federal government,

¹¹ To watch the first 10 minutes of the film, see: <https://youtu.be/O1ZJVgB8POg>.

the states and the private sector, with the aim of turning the economy around, and in so doing, providing a better life for the American people. But he was also deeply concerned about the threat to democracy resulting from fascism, in particular:

the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism – ownership of Government by an individual, by a group, or by any other controlling private power (Roosevelt 1938).

The legislation of the New Deal, although it had corporatist elements, was not broadly corporatist. Instead, it developed pragmatically as events unfolded, drawing upon a range of different ideas (Rogers 1998: 409-412).

The centre piece of the New Deal was the National Industrial Recovery Act (NIRA), passed by Congress in June 1933. At the time, it was recognised that – together with the Davis-Bacon Act (1931), Robinson-Patman Act (1936), Miller-Tydings Act (1937), and state and local price maintenance laws – the NIRA drew upon the corporatist models being created in Europe (Brand 1988: 83-85). It was administered by the National Recovery Administration (NRA), whose leaders were committed corporatists who believed that free market capitalism had brought the USA to the brink of collapse. They therefore sought to replace it with a system built around concerted activity involving both sides of industry, under government supervision (*ibid.*: 99-100).

At the core of the NIRA were legally-binding codes of fair (as opposed to free) competition for individual industries; these could be proposed by Trade Associations for government approval, or, if necessary, imposed upon industries that refused to voluntarily comply. The NIRA also strengthened the position of organized labour by acknowledging its right to organize, free from interference by employers.

The NIRA got off to a quick start. But it fell apart almost as rapidly because the cooperation required for the system to succeed was not forthcoming. Businesses and unions proved unwilling to exercise self-restraint in their bargaining demands; and they refused to subordinate their own sectional interests to the national interest. Since neither management nor labour were willing to cooperate within the new corporatist structure, strikes and lockouts quickly spread. Eventually, the NIRA's political base – which had rested upon an alliance between New Deal corporatists and antitrusters – became unstable (*ibid.*: 128-129). Although they shared a common belief that the free-market system had failed, they had different explanations for this and therefore offered opposing solutions. The antitrusters, for example, supported wage increases for newly organized workers; but they

opposed price increases to cover the costs. Contradictions like this led to legal challenges of price-fixing practices and other key aspects of the NIRA, which ultimately led to its collapse.

But this did not spell the end of American corporatism. Rearmament for the Second World War and the need to increase the production of war machinery would result in full blown corporatist practices in response to the exigencies of war. In this context, Roosevelt would replace the soft sanctions of the NIRA with authoritarian sanctions, including wage and price controls, low (or no) tolerance for union work stoppages, and executive orders to seize companies if parties failed to resolve their disputes. After the war, however, the term “corporatism” was abandoned, due to its association with totalitarian regimes that had formally adopted it between the wars (Bratton and Wachter 2008: 112).

Meanwhile, during the early 1930s, it had become clear that the potential for instability in the United States extended well beyond the agricultural states. Whilst Mussolini had had the fascist stage largely to himself for over a decade, in 1933 he was joined by Adolf Hitler. This would not give America’s new president reason to sleep any easier upon his arrival in the White House that same year. As well as the economic dimensions of the Great Depression, Roosevelt would also need to consider the potential impact of the expanding number of fascist groups that were active in America. Like their European counterparts, some – including the Silver Legion of America (frequently referred to as the silver shirts, the white shirts, the khaki shirts, and a number of other “shirt” groups) and later, the German-American Bund – were espousing antisemitic views. They were also strongly opposed to communism, socialism and liberalism.

In addition to these groups, there were outspoken individuals, such as Huey Long in Louisiana and the Canadian-American priest Father Charles Coughlin, who, like Mussolini, was attracting audiences numbering in the tens of millions through the use of mass media – in Coughlin’s case, radio. The impact of those broadcasts was not lost on Roosevelt, who embraced the medium for his series of “Fireside Chats” to explain his ideas, policies and values to American citizens. Both Long and Coughlin started out as supporters of the New Deal, but both subsequently changed their views; Long’s extensive “Share Our Wealth” movement adopted a more left-wing perspective whilst Coughlin gravitated towards right-wing fascist and anti-semitic approaches, both reaching very significant audiences in the process.

Roosevelt soon recognised the alarming potential of these groups and individuals; and shortly after becoming president, he drew the attention of his Treasury Secretary, Henry Morgenthau Jr., to the possibility of war with Germany. Because the nazis had already demonstrated their disregard for law, Roosevelt expected them to defy the terms of the Versailles Trea-

ty and re-arm. He therefore committed himself to preparing the United States to meet that challenge, and in so doing, thwart the "latent nazism in Americans", many of whom felt that fascism presented less of a threat than communism or socialism (Rauchway 2015: 113).

Even in 1936, after two years of improving economic conditions, Harry Dexter White, a senior US Treasury official who would later be one of America's delegates at Bretton Woods, noted that persistently high levels of unemployment were driving support for "groups led by Huey Long and Father Coughlin, who are rapidly gaining mass support for extremely radical programmes", presenting "grave dangers to our democratic form of government and our economic structure" (Stout 1997). Roosevelt recognised this as a threat to democracy; in the same speech in which he drew attention to the dangers of fascism, he argued that "the liberty of a democracy is not safe if its business system does not provide employment and produce and distribute goods in such a way as to sustain an acceptable standard of living" (Roosevelt 1938).

However, perhaps the greatest threat that Roosevelt faced, especially as the situation in Europe deteriorated, was the America First Committee, which came with its own powerful talisman – the famous pilot and national hero, Charles Lindbergh. To what extent he shared the fascist viewpoint, and what he might have been prepared to do about it, has been a subject for debate. But the America First Committee's main objective – keeping America out of any fresh European war – was also high on the list of foreign policy objectives of nazi Germany, which went so far as to set aside very significant funds with the intention of influencing the 1940 presidential election (Carrier 2014). Preventing America's intervention in Europe would significantly increase the fascists' chances of success in the current war, whilst a fascist Europe might subsequently increase the pressure on America. Lindbergh had visited Germany, meeting Hermann Goering on a number of occasions between 1936 and 1938; Those with similar views included Henry Ford, who had opened an automobile plant in Germany and, like Lindbergh, had been awarded the Service Cross of the German Eagle by Goering (*ibid.*).

During the early 1940s, as the war in Europe progressed, although the America First Committee showed little sign of softening its own view, as the American economy continued to strengthen, sentiment in some parts of the country began to shift, especially following the fall of France. Lindbergh, however, would contribute significantly to his own downfall during a speech in Des Moines, Iowa, in September 1941, which would terminally undermine his public image. Rather than confining himself to a general assessment of the issues surrounding America's involvement in any European war, he opted to specifically identify the groups he believed were responsi-

ble: “The three most important groups who have been pressing this country toward war are the British, the Jewish and the Roosevelt Administration” (Lindbergh 1941). But he didn’t stop there; he went on to contend that:

[i]nstead of agitating for war, Jews in this country should be opposing it in every way, for they will be the first to feel its consequences. Their greatest danger to this country lies in their large ownership and influence in our motion pictures, our press, our radio and our government (*ibid.*).

The speech was very badly received, resulting in significant reputational damage to Lindbergh. One organization after another cut all ties and affiliations with him, causing significant damage to the America First Committee in the process. Two months later, on December 21, debate surrounding US war policy came to an end when the Japanese attacked Pearl Harbor and Italy and Germany declared war on America.

The German-American Bund had also misjudged the shift in opinion. Their rally at New York’s Madison Square Gardens in 1939 was the largest nazi rally in America, with more than 20,000 attending (*The New York Times* 1939). The event, carefully choreographed in the usual fascist fashion, met with a fate reminiscent of Oswald Mosley’s rally at London’s Olympia, not least because of the antisemitic content that had been such a key part of both these rallies – and that had done so much damage to Lindbergh’s public profile. In New York, with the Bund going into a terminal decline before finally being banned altogether, the window of opportunity for the extreme right was rapidly closing; and the American fascists had missed any opportunity they might have had.

Whether it was simply the result of the personalities involved, or the increasing impact of the New Deal policy package in ameliorating the worst effects of the Great Depression, the various radical groups in America failed to unite. And no individual ever quite managed to provide the political leadership or coordination that would have been necessary to unseat Roosevelt and significantly shift American politics and society. Had some of their leaders curbed their own personal ambitions or been able to persuade their most potent electoral asset – Charles Lindbergh – to run for high office, things might perhaps have been different. Philip Roth’s well received novel, *The Plot Against America* (2004), for example, offers an interesting perspective on the possible consequences of Lindbergh defeating Roosevelt in the 1940 presidential election.

As it was, it was Roosevelt who, in response to the chronic crisis of the Great Depression, was able to provide the enduring political credibility to harness popular unrest and implement the new ideas that would underpin the New Deal over three terms in the White House, and a few weeks of

a fourth. This policy package brought other changes, not least, the abrupt increase in the power of the federal government, as the individual states did not have the resources to either reflate their economies or provide sufficient social welfare support. It was also a corporatist policy package, involving cooperation between state and the private sector, including an uneasy relationship with the financial sector.

Although the New Deal policies would keep Roosevelt in the White House for an unprecedented four terms, they did not prevent him from being denigrated as a fascist on the one hand, or his policy package being referred to as “Rosenfeld’s Jew Deal” by the German-American Bund’s Fritz Julius Kuhn on the other (Boes 2019: 139). The confusion over what was – and was not – fascist, started early.

4. EVOLVING IDEAS ABOUT EUROPEAN UNITY

The Second World War rekindled the idea of building a “United States of Europe” but also, eventually, a world-wide “United Nations”, as a means of ensuring peace, particularly among the resistance movements of Europe.

4.1. *European ideas*

Early in the war, when it became clear that France was about to fall, the French entrepreneur, Jean Monnet, then Chairman of the Franco-British Economic Coordination Committee, convinced General Charles de Gaulle of the need for a “Franco-British Union”. They approached Winston Churchill, whose War Cabinet was concerned that a French surrender would hand Hitler control of the French navy – then the fourth largest in the world. The result was the proposed “Proclamation for an Anglo-French Union”, which included provision for joint defence, foreign, financial and economic policies. The two countries would also have “a single War Cabinet, with the combined forces of Britain and France under its direction” (Churchill 1952: 179). The French government, however, saw this as a means of reducing France to the status of a mere “British dominion” and rejected it (Bromberger and Bromberger 1969: 29).

Following France’s defeat, Churchill appointed Monnet to the British Supply Council in Washington, D.C., arranging contracts for American war supplies, this time for the British government. As allied victory appeared increasingly likely, Monnet’s attention turned to the kind of Europe he hoped to see develop in the post-war era. In Monnet’s view, Europe could only achieve lasting peace under a supranational authority, with enough power to override divisive national sovereignty.

In an August 5, 1943, Memorandum for the Comite Francaise de Liberation Nationale (the French government in exile), Monnet wrote:

There will be no peace in Europe if states are reconstituted on a basis of national sovereignty with all that that implies in terms of prestige politics and economic protectionism. If the nations of Europe adopt defensive positions again, huge armies will be necessary again. Under the future peace treaty, some nations will be allowed to re-arm; others will not. That was tried in 1919; we all know the result. Intra-European alliances will be formed; we know what they are worth. Social reform will be impeded or blocked by the sheer weight of military budgets. Europe will be reborn in fear.

The nations of Europe are too circumscribed to give their people the prosperity made possible, and hence necessary, by modern conditions. They will need larger markets. And they will have to refrain from using a major proportion of their resources to maintain “key” industries needed for national defence and made mandatory by the concept of sovereign, protectionist States, as we knew them before 1939.

Prosperity and vital social progress will remain elusive until the nations of Europe form a federation or a “European entity” which will forge them into a single economic unit [...] Our concern is a solution to the European problem. The British, the Americans, the Russians have worlds of their own into which they can temporarily retreat. But France is bound to Europe. France cannot opt out, for her very existence hinges on a solution to the European problem. Developments on the European scene in the wake of imminent liberation, will inevitably prompt the three major powers to protect themselves against Europe and hence France. For no agreement into which France might be drawn with Britain, America or Russia could cut her off from Europe, with whom she has so many intellectual, material and military ties (Fontaine 1988: 41).

The war had also given rise to resistance movements in occupied European states, many of which were also seeking a new beginning in Europe’s post-war reconstruction. In this context, the idea of a United States of Europe played a central role, not least because excessive nationalism was seen as a key contributor not only to the latest war on the European continent, but most of its predecessors as well.

Among the most vocal supporters of European unity were the Italian Communists. While imprisoned by Mussolini on the island of Ventotene, Spinelli had broken with Communism but became increasingly convinced that European unity was a necessity. In 1941, with fellow prisoner, Rossi, he wrote what came to be known as the *Ventotene Manifesto*, under the title “Towards a Free and United Europe”.¹² Spinelli’s ideas were soon adopted

¹² Union of European Federalists, *The Ventotene Manifesto*. Available at: <https://www.federalists.eu/uef/library/books/the-ventotene-manifesto/> (accessed December 1, 2021).

by the Communist-dominated Italian Resistance, leading to the formation of the European Federalist Movement in 1943. The following year, a conference was held in Geneva, where the assembled representatives of the resistance movements of Italy, Denmark, France, Norway, Poland, Czechoslovakia and Yugoslavia produced their *Draft Declaration of the European Resistance Movements*. This stated that post-war life must be:

based on respect of the human individual, on security, on social justice, on the complete utilisation of economic resources for the benefit of the whole and on the autonomous development of national life, [aims which] cannot be fulfilled unless the different countries of the world agree to go beyond the dogma of the absolute sovereignty of the state and unite in a single federal organisation (Vaughan 1976: 17).

However, it did acknowledge that it would be foolish to imagine that such a world-wide organization could be achieved immediately and did not, therefore, advocate revolution (Vaughan 1979: 54-55).

Post-war geopolitics, however, would have a major bearing on the evolution of European ideas. Whereas prior to and during the Second World War, thoughts about building a united Europe had been motivated by a desire to blunt the rivalry between Germany and France, soon after the war's end, this objective paled into insignificance when compared to the new and much greater threat to both countries – as well as the rest of Europe – from the Soviet Union, which was now armed with nuclear weapons. As a result, the Cold War, plus the need to prevent nascent economic recovery being killed off by renewed nationalist rivalries, effectively drove greater coordination and integration of both economic and security policies. This is probably the point at which a United States of Europe could have realistically been crystallised, had the USA made it a precondition for the receipt of Marshall Aid. However, the Americans ultimately chose to let Europe decide its own post-war structure – and Europe chose to preserve national sovereignty over European-level governance.

4.2. The "United Nations"

The Second World War also made it more than clear that the world order which followed it would be far less "Europe centric"; so the idea of a global, rather than a purely European reorganization was also gathering pace. During Churchill's visit to Washington, DC, in 1941, Roosevelt had already coined the term "United Nations", which he considered rather more inspiring than the then current "Associated Powers" wartime alliance. Things moved quickly; the following month, the war time United Nations (UN) duly came into being in a declaration in which Britain and

the USA were joined by 26 other countries, including the European governments in exile, the dominions of India, Central America and the Caribbean states, and the USSR. They pledged not only to fight on until victory, but to also defend the principles of the Atlantic Charter, signed months earlier by Roosevelt and Churchill.

Roosevelt believed that beyond security, the best way to gain American public support for peacetime internationalism was to demonstrate its humanitarian potential. In 1943, his administration announced planning for the post-war international economy, with the first UN Conference being held at Hot Springs, Virginia, to discuss food needs. This resulted in an agency that would later become the UN's Food and Agriculture Organization.

At the UN's Moscow Conference in October 1943, shortly after the collapse of Mussolini's fascist regime in Italy, representatives of the "Big Three" powers – the USA, Britain and the USSR – together with China, proclaimed:

[t]hat they recognize[d] the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving states, and open to membership by all such states, large and small, for the maintenance of international peace and security (Committee and Department of State 1950: Clause 4).

This organization did not yet have a name, but the following year, attention turned to rewriting the rules of the post-war international economy; and a month after the allied troops had landed at Normandy, more than 700 delegates of 44 countries met for the UN's Monetary and Financial Conference at Bretton Woods, New Hampshire. The objective was to work out the principles of a global economic order for the post-war world that would permanently overcome the forces which had given rise to economic nationalism and two world wars. The most important delegations were the British, led by John Maynard Keynes, and the American, led by Harry Dexter White. However, where the British and Americans diverged in their views, the interests of the United States usually took precedence.

In 1945, the peacetime "United Nations" was duly established, whilst its predecessor, the unloved and unsuccessful League of Nations, was formally dissolved the following year. The UN initially comprised the 50 member states who had signed the United Nations Charter on June 26 (fewer than a third of them European). Five countries – the Big Three, plus France and China – formed the permanent members of the Security Council, each with powers of veto over any Council decision. But Britain and France had been greatly weakened by the war, whilst China had been crippled by eight years of war with Japan and the continuing civil war between nation-

alists and communists. So in reality, the dominant powers were the USA and USSR. Europe would need to define its place in this new and changed world.

CONCLUSIONS

It is clear that circumstances significantly influence events; and in response, political and economic structures evolve. The circumstances that produced the *Ventotene Manifesto* did not long survive the end of the war, with fresh developments providing new challenges – and a new world order – to which nations, blocs of nations and economies were forced to adapt. However, not all of the factors that motivated Spinelli and Rossi have been necessarily confined to history.

The factors driving the rise of the two dictators – and subsequently the war that resulted in the *Ventotene Manifesto* – were primarily economic; but they were not unique. During the interwar years, Italy, Germany, Britain and America all confronted a broadly similar set of economic circumstances, which, in turn, put pressure on social cohesion and confidence in the institutions of the state. Spinelli and Rossi, as well as Keynes before them, had objected to the asymmetry of globalised laissez faire capitalism, which at the time (like today) was closely aligned with rentier interests. Its tendency to generate inequality and poverty for most had significant implications for peace. But they did not advocate overthrowing capitalism and replacing it with something else; rather they sought to manage it in such a way as to deliver the societal benefits they believed so important.

Keynes, for example, argued that:

no obvious case is made out for a system of State Socialism which would embrace most of the economic life of the community. It is not the ownership of the instruments of production which is important for the state to assume. If the state is able to determine the aggregate amount of resources to devote to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary. Moreover, the necessary measures of socialisation can be introduced gradually and without a break in the general traditions of society (Keynes 1973: 378).

And Spinelli and Rossi, whilst advocating socialism, took care to explain what they meant:

The European revolution must be socialist in nature [...] [E]conomic forces, rather than dominating man, should be ruled over by him, like the forces of nature, guided and controlled by him as rationally as possible, so that the general

population does not fall victim to them [...] The forces of progress must be extolled and extended, with more opportunity for development and employment and, at the same time, we must strengthen and improve the banks through which these forces are channelled towards the most advantageous objectives for the whole of society (Spinelli and Rossi 1944: 24-25, III).

Almost a century later, when the return to *laissez-faire* is producing comparable outcomes to those which Keynes and Spinelli and Rossi were responding to, a comparison of two nations where extremism was able to take hold between the wars, and two where it did not, is extremely relevant.

So what made the difference? Considering the factors driving the insecurity cycle, a chronic crisis was common to all four nations, as was a significant degree of working class and industrial unrest, giving rise to periodic acute crises. All four nations had their own communists and fascists, and all four explored corporatist (but not necessarily fascist) ideas to address the economic and industrial challenges confronting them. Democratic pressures in all four were also strong. But the failure to address the severe economic difficulties of the general population in Italy and Germany produced fascist dictators who used corporatism to fund military expansion and aggrandise the state. By contrast, in Britain and America, the objective was to *support* the general population by addressing the economic problems they faced with the aim of improving social and economic security for the majority of citizens.

There were also new ideas. In Italy and Germany, once Mussolini and Hitler were in power, every media was used to promote the fascist agenda, with all other ideas and interest groups being suppressed. In Britain, the idea of formalising left-wing pressures within the existing political system, rather than resisting them, provided institutional voice for these groups within the Labour Party. It was hardly without its problems; but it helped to isolate the more extreme communist factions. The idea of maintaining the welfare net established by the Liberal social reforms prior to the First World War was also important. In America, too, new ideas included welfare reforms under Roosevelt's New Deal, which also strengthened the position of organized labour, providing voice to those it represented. Both countries also experimented with corporatist ideas in responding to their industrial and economic challenges – but the aim was to provide the economic resources required for the majority of citizens to live a better life.

There were also key differences in the credibility of political leadership and support within the four countries. Unlike Italy and Germany, neither Britain nor America produced particularly convincing fascist leaders; but they did produce quite a lot of fairly average ones, which hampered progress by fracturing the movement. British governments shifted within the

established political party system, with the Labour Party replacing the Liberals as the main opposition party in government. America also produced progressive political leadership with the 1932 election of the Democratic president Franklin D. Roosevelt, who during his four terms in office was able to sell and implement the new ideas embodied in the New Deal.

The insecurity cycle was originally developed to help explain the drivers – or inhibitors – of significant social, economic and political change in Britain, from the industrial revolution to the present. But it is also able to explain the experience of America between the wars. Despite the existence of extremist political groups – particularly the fascists – and the outbreak of social tensions, the institutions of the state proved successful in managing these. At the same time, the strengthening of institutions giving voice to both labour and industry in experiments with corporatist planning helped balance both fascist pressures on the far right and communist pressures on the far left.

By contrast, in interwar Italy and Germany, dysfunctional institutions – of the state, political economy and society – and institutional break down created the conditions favourable to the emergence and strengthening of extremist groups and alternative political movements and parties. Under Mussolini and Hitler, the fascists were well enough organized and able to give hope to those who had lost confidence in the existing political and economic system to represent and reconcile their interests. This brought them to power, although they didn't deliver on their electoral promises – at least, not to the majority.

Following the Second World War, having learned lessons between the wars, both Italy and Germany received the support required to reintegrate them into the community of Europe. And across the industrialised world, the general move towards more "Keynesian" approaches to social and economic management produced a decisive shift to the left. However, less than thirty years later, this was followed by an equally decisive shift to the right with the return to *laissez faire* during the 1970s and 1980s.

The response to the 2008 financial crisis – the most serious since the 1929 Wall Street crash and Great Depression – brought harsh and prolonged austerity to much of Europe, particularly the UK (which voluntarily opted for austerity) and Greece, Italy, Spain, Portugal and Ireland (which were forced to impose austerity as a condition for financial assistance from the Troika). This is reminiscent of Brüning's strategy in Weimar Germany – to which Hitler responded by campaigning on an anti-austerity platform, which ultimately brought him to power. In Britain, the Labour Party swung sharply to the left; and tensions over continued membership of the European Union escalated. So-called "populist" parties and movements grew stronger in many other EU nations, including Spain, Germany,

France, Greece and Italy, as well as in the USA. So far, these have not been as extreme as they were between the wars, possibly because, despite austerity, there is a greater degree of welfare protection to mitigate some of the effects than there was a century ago.

Between the wars, these existed in Britain, as a result of the social reforms introduced by the Liberal party prior to the First World War, and in America, they were made available through Roosevelt's New Deal. In both cases, this helped avoid succumbing to the extremes of fascism and communism. By contrast, in Italy, the extremely low level of social and economic support, and their serious erosion as a consequence of austerity in Weimar Germany, would have catastrophic results. Today, the legacy of more than a decade of austerity is eroding these stabilisers, which may, in turn, contribute to still further adverse social, economic and political consequences.

Is the insecurity cycle an inevitable part of policy-making? Probably – especially if both sides continue to see policy shifts as a zero-sum game. But what if the relationship between labour, capital and the social welfare state could be fundamentally changed? Technological change, employment, climate change and expanding populations – all in a context of finite resources – would suggest an uncomfortable intensification of the insecurity cycle if this is not at least attempted.

So what of the *Ventotene Manifesto* and its relevance for today? A central feature of the Manifesto is the overall outcome intended – a better and liveable life for the majority of citizens. Keynes and Roosevelt felt much the same way. Spinelli and Rossi, Keynes and Roosevelt had their own ideas about what might help deliver the good life for society, and what could be expected to hinder it. We, however, have the benefit of a longer view of history; and with that, the knowledge that the return of laissez faire capitalism has been accompanied by the conditions that caused so much misery between the wars. In Keynes's words, “[i]t is not intelligent, it is not beautiful, it is not just, it is not virtuous; – and it doesn't deliver the goods. In short, we dislike it and we are beginning to despise it” (Keynes 1933: 183).

Whilst the events that motivated Spinelli and Rossi's *Ventotene Manifesto*, Keynes's *The Economic Consequences of the Peace* and Roosevelt's New Deal were ultimately overcome, they have not gone away, as evident in developments since the 2008 financial crisis – and we ignore them at our peril.

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