

THE ADVENTURES OF AUSTERITY. A SYMPATHETIC CRITIQUE
OF CLARA MATTEI'S *THE CAPITAL ORDER*

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ABSTRACT

The Capital Order presents some absolutely correct contentions against the stream. The author, Clara E. Mattei, presents a “backwards history” (*storia a ritroso* is an expression by Piero Sraffa), where the past is questioned from the present. The Great War is considered the crucial turning point in capitalism’s timeline. Economists are rightly subjected to merciless criticism as custodians of esoteric and neutral expertise. Economic policy is scolded as the politically biased management of the capital order, with Keynesianism as a variant. Mattei’s is an original archival research containing the first English translation of important material from Italian. The book is splendidly written, in a crystal-clear style, but we think it is important to integrate some ignored and yet important elements which are not dealt with by Mattei. A problem in the book is that the fertile anachronism of the questions too often turns into the anachronism of the answers. The review is organised as follows. First, we give a summary of *The Capital Order*. Second, we problematise some conclusions of the volume. Third, we concentrate on Mattei’s key comparison between Britain and Italy just after WWI, to draw different inferences. In conclusion, we pull together the main themes, looking at the more recent decades and the book’s theoretical foundation. What follows is to be intended as a *critique* and not as a criticism: recognising the inner truth of what is discussed, even if we cannot agree with the whole of it, and trying to reframe it in a larger vision. Sometimes, when needed, we turn the argument upside down so that what is actual and vital in it may stand out in its usefulness and richness for the theoretical and political debate. That is why ours is a *sympathetic* critique.

Keywords: Austerity, Great War, Gold Standard, Ralph G. Hawtrey, John Maynard Keynes, Conservative Marxists, Fascism, Luigi Einaudi, Antonio Gramsci.
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INTRODUCTION

For sure, we are not the first, nor will we be the last, to point out how significant this book is. *The Capital Order* advances absolutely correct contentions against the stream.¹ Clara E. Mattei presents a “backwards history” (*storia a ritroso*, an expression by Piero Sraffa),² where the past is questioned from the present. The Great War is considered the crucial turning point in capitalism’s timeline. Economists are subjected to merciless criticism as custodians of esoteric and neutral expertise. Economic policy is scolded as the politically biased management of the capital order, with Keynesianism as a variant.

Mattei’s volumes³ are wide-ranging. They present original archival research and the first English translation of important material from Italian. The book is splendidly written, in a crystal-clear style, but a narrow focus: it is like in a Zoom meeting, where you can see nothing more than the image of the speaker against a blurred background. For our dialogue, it will be essential to dissolve the blur, integrating some ignored but important elements.

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1. THE ARGUMENT OF THE BOOK

Before commenting on the volume, it is appropriate to give a summary. “Austerity” after the “War” is defined as “produce more [work hard],

¹ MATTEI 2022a, 2022b.

² The expression “*storia a ritroso*” is found in the Sraffa Papers, D3/12/11, item 55, and it goes back to November 1927.

³ The plural is because the Italian translation (not by Mattei) does not always exactly follow the original.

consume less [thrift, abstinence]”. The means to the end were: (i) *cuts in social spending* (austerity in fiscal policy); (ii) *high rates of interest* against rampant inflation (austerity in monetary policy); (iii) *restructuring and wage stagnation* (austerity in industrial policy).

Mattei insists that the austerity of *current* economic policies goes back to immediate post-WWI. It was *the* weapon to restore the “order of capital”, *private property* and *wage relation*.

[A]usterity was *conceived*, and *succeeded*, as a *counteroffensive*: it functions to preserve the primacy and indisputability of capitalism in times when capitalism is under political threat. And it does so by introducing structures – policies – that shift resources from the working majority to the saver/ investor minority (p. 271, *our italics*).⁴

Austerity was *invented* by economists who *paved the way to Fascism*: it was the essential mechanism to defeat workers’ struggles and to avoid the collapse of capitalism and a socialist upheaval. War collectivism entailed that social production became political, *laissez faire*⁵ was suspended, profit was subordinated to political aims and even to popular needs. The political nature of the capitalist process was in plain sight. The balanced budget myth disintegrated, the gold standard dissolved (its formal suspension being evidence of the newfound employment priority), nationalisation seemed the permanent path forward. Expanding national ownership and mounting pressure for workers’ control signalled that capitalism was crumbling. Self-organized workers’ councils, like at Clydeside or Turin, were conceived as a concrete alternative towards a new social order where production is for use.

Against radicals, there were the “Reconstructionists”: officials from the state and the elite pushing for more egalitarian policies. It was an answer to mounting popular needs (for housing, health care, insurance at work, etc.) and a revolution in social life (co-operative buying and selling, spread of

⁴ Mattei writes regularly of a “saving-and-investing class”, not realizing the reversal brought by the Robertson-Keynes tradition, but also by Schumpeter and even Wicksell. More on this, later.

⁵ Usually, the expression is rendered as *laissez-faire*, and in fact a referee suggested to follow this usage. We rather agree with Augusto Graziani’s comment on Lunghini in a review on *L’Indice dei libri del mese* (GRAZIANI 1991, *our translation*): “the reader will allow us to write the famous motto in the French manner, and indeed also in the Italian manner, rather than according to the English usage of ‘laissez-faire’; a usage which, even if you forgive the abomination of the hyphen, conflicts with the anecdote explaining the origins of the motto: ‘Et alors, que faut-il faire pour vous aider?’, the minister asked the delegation of merchants; ‘Nous laissez faire’, they replied”.

communal living, adult education, and so on). The aim was integrating the working classes and establishing social control, but society's polarization prevailed. The revolutionary stance is summarized in the *struggle for economic democracy*, an ambiguous formulation equated with going beyond political democracy towards a system abolishing private property and the wage system.

Opposed to the revolutionary practices of Gramsci's *Ordine Nuovo*, but also of the Reconstructionist, was the reactionary bourgeoisie supported by the *economists*, who campaigned against the bureaucratic state intervention, and who were at the centre of the scene in the Brussels (1919) and Genoa (1922) conferences. The supposedly classless, neutral and scientific, emerging paradigm of *pure economics* forged the new logic of *austerity*, hitting against the "agency" expressed by workers' councils, and actively dismantling the post-war welfare capitalism. The hero of pure economics was the "rational saver", and the goal of the economists was to transfer resources "from the many" (workers) "to the few" (savers/investors). Keynes was one of them until at least 1924, as his 1919 "hard money" positions would testify.

Austerity was theory *and* policy-making. The determination, *sanctioned* by economic theory, was to "tame" public opinion into accepting budget cuts and monetary stabilisation via consensus coercion, technocratic power, and authoritarian repression. The outcome of these policies was the *renaturalisation* of the economic sphere: private property restored, wages lowered, capitalist relations of production reaffirmed, the working class subjugated. The economic downturn was not a natural disaster but a welcomed effect of a policy ensuring wage repression and profit dominance.

Ralph G. Hawtrey's views about the *credit economy* – a cashless market economy where economic exchanges are just debt-credit relations between buyers and sellers, removing from view class relations – are taken as representative of the economists' view of inflation as due to "overconsumption", and of the necessity of monetary management to stabilize the economy. The *gold standard* was not seen anymore as an automatic mechanism and required austerity to return to it and be defended.

Austerity connects the *laissez faire* (1922-1925) and the corporatist (1926 onwards) phases of Fascism, explaining the solidarity between economists like Alberto De Stefani, Maffeo Pantaleoni, Umberto Ricci, and Luigi Einaudi: classical liberals and fascists. For all of them, the "essence of things" is that capital, not labour, is the engine of the economic machine. There is no contradiction between austerity and *laissez faire*: the revaluation of the currency and the naturalisation of the economic sphere reinforce workers' exploitation. Fascism was the best chance to mould society so

that its reality corresponded to the ideal supposedly free-market model, like in Britain.

For Mattei, “the mingling of authoritarianism, economic expertise and austerity is a recurring trend in modern history” (p. 301). After the 1970s, marked by an empowered working class, the *austerity trinity* came back on the scene, and so in many successive episodes (e.g., Maastricht in Europe, the government of the technicians in Italy and elsewhere) until today (the fiscal balancing the budget after the COVID years, the monetary policy of high-interest rates against the return of inflation, the greater popular contestation of the capital order in the form of the “great resignation”).

2. ECONOMIC POLICY, THE GOLD STANDARD, THE ECONOMISTS, HAWTREY AND THE ‘CONSERVATIVE MARXISTS’

Most of the lines of reasoning in *The Capital Order* advance arguments that contain partial truths. They must be *contextualized* so that that truth is not disfigured into the opposite.

A *first observation* is that it is true that the War revealed the political nature of capitalism and opened a phase of instability that could threaten the bourgeois system, but this was not the beginning of a political management of capital. As Suzanne de Brunhoff argued in *State, Capital and Economic Policy*,⁶ there has *always* been the need for the capital of an *external* (though *immanent*) state managing money and labour power, and later effective demand. We could update this picture with *privatized Keynesianism* (indebted consumption based on monetary policy and the current return of deficit spending).⁷ *Laissez faire* is nothing but a myth.

The *second consideration* is that “gold standard” was manoeuvred *before* the War. The English economy only functioned *thanks to the Empire*. Internal and external equilibrium held thanks to the gold standard and its variant, the “gold exchange standard”. The system worked because Britain was the financial heart governing the whole system via the management of the interest rate. The seeds of the crisis were *already* gathering force a quarter century before the outbreak of the War. Many countries adopted the system to *increase*, rather than *decrease*, centralised control over monetary affairs.⁸ *Here* we find a parallel with the euro. It is true, however, that there were many “experts” who wanted to revert to the good old days.

⁶ Cf. DE BRUNHOFF 1978.

⁷ See our BELLOFIORE and GARIBALDO 2019 and 2022.

⁸ Cf. the “Preface” in DE CECCO 1984.

The *third consideration* is about “economists” defending the capital order. That bourgeois economists are *bourgeois* is not very surprising. All of them, one way or the other, favoured the re-establishing of the power of capital against the threat of a revolution. Post-WWI meant the rebuilding of a capitalist economic and social/political order. As Charles Maier titled his 1975 book, it was the *Recasting of Bourgeois Europe*.⁹ To avoid turning the “capital order” in a night in which all cows are black (as Hegel’s Absolute) it is crucial to detect the *differentiae specificae* among the *dramatis personae*: the pure economists, Hawtrey and Keynes.

Pure economics: if a theory is built around the idea that “capital” (i.e., means of production) comes from “saving” (i.e., abstention from consumption), and production is the result of human labour efficiently applied to those means of production putting to good use those saving, what is needed after the huge capital destruction of the War is to rebuild production capacity. *Thrift and frugality* in consumption. *Work and productivity* in production. *There is nothing new here*: just the coherent application of basic principles. If public opinion refrains from the inevitable disutility in the present, that is just irrational. This is, in fact, made clear by De Stefani in a quote which is only partially reported by Mattei:¹⁰

We need to speak plainly: a finance based on criteria of persecution of capital is a mad finance ... instead of impeding the amortization of capital by pressing on savings *that can be reinvested* and that have been contended from the state to private economic action, it is better to press on consumption and this in the true and definitive interest of the disadvantaged populations (De Stefani 1926: 12).

What has been cut in the quote is just one phrase: “The economic equipment of the Nation requires a continuous inflow of capital for it to be maintained and for it to continue”. It is nothing but *vulgar economics*, widespread well before the War. In Mattei’s book *all* economists are flattened to “vulgar political economy”, and no “political economy” is recognized as departing from that view.¹¹ This is damaging, since it prevents a proper understanding of Hawtrey or Keynes.

⁹ Cf. MAIER 1975. The book by Maier has a larger comparison, including France and Germany, and Great Britain.

¹⁰ The quote is at p. 221 in Italian and p. 226 in English. The relevance of De Stefani for Mattei follows the studies by Giacomo Gabbuti, duly quoted in her bibliography.

¹¹ As an aside, let us note that Mattei shares the usual reading of Adam Smith’s “invisible hand” as “relying upon private enterprise and the law of supply and demand to secure the most efficient outcomes” (p. 28). For Smith the invisible hand was an entirely different thing. Yes, it “justified” capitalism, but only because it disciplined “masters”, broke their protection by corrupted politicians, pushed investment through competition, thus pushing up labour

Hawtre in fact broke with pure economics. For Keynes the Classics are those accepting the view that saving and investment are equal, ‘unlike the *neo-classical* school, who believe that saving and investment can be actually unequal’.¹² Neo-classicals like *Hawtre* were adding to saving the sums made available by any increase in the quantity of money to match investment demand. This led to the idea of a natural interest rate, and that the departure from equilibrium could lead to “forced saving”. Conflicting authors – like *Robertson* and Keynes, as well as *Mises* and *Hayek* – were Neo-classical in this sense. This secession from orthodox Classical school was planted *well before the War* since *Interest and Prices* by *Knut Wicksell* (1898).

The *instability* of a capitalist economy based on credit-money was fully recognized. The question of how to counter it had to be faced. It is interesting that the hard-core free market economists, like *Mises* or *Hayek*, were *against* central banking. What is for sure is that it was *not* the War that originated the theoretical scheme, whose seeds were already laid out. *Hawtre* developed a *variant* of the new monetary approach and applied it to the War and the post-WWI turmoil, *after* the break-up of the gold standard, to contrast rampant inflation.¹³ The instability of a commodity-based standard required the government of money both *within and beyond* the gold standard.¹⁴

About *Keynes*,¹⁵ we think that *Mattei*’s criticism is too hasty. In *The Economic Consequences of the Peace*,¹⁶ *Keynes*’ concern for the Russian Revolution and the radicalization of struggles is obvious. Versailles Treaty

demand, and determining a rise of the market real wage ratcheting up the natural wage. Ultimately an increase in employment turned beggars into (less and less) “labouring poors”. Hardly an “austerity” view...

¹² *The General Theory* (KEYNES 1973 [1936]: 177), our italic.

¹³ One is reminded of *Franco Moretti*’s argument about how a theory affirms itself. As Darwinian theory has observed regarding the evolution of literary forms, the context does not generate the new forms: it only *chooses* them. The dominant forms (or ideas), therefore, are not the forms or ideas of the ‘ruling class’, more modestly they are the forms that the ruling class has selected. See MORETTI 1988.

¹⁴ The preoccupation for the stability of money cannot one-sidedly be seen as a biased political outlook. A non-trivial problem was the conflict between the instability of credit and a stable standard of value. The debate went on mostly within the quantity theory approach but with variants. *Piero Sraffa*, friend with *Gramsci* and a collaborator of *Ordine Nuovo*, in his 1919 dissertation focused on the limits of the notion of a general price index (obscuring social conflicts). Inflation was a lesser evil than deflation because of their distributive impacts. He privileged internal price stability to exchange rate stability. This likely influenced *Keynes*’ 1924 *Tract on Monetary Reform*.

¹⁵ For a more in-depth study of what follows see BELLOFIORE 2020 in chapters 3 and 8.

¹⁶ Cf. KEYNES 1971a [1919] and DE CECCO 1983.

was opening an era of mercantilist conflicts, imbalances and instability. Isolating Russia was wrong, and so deflationary policies. Keynes asked for debt cancellation of the allies, which wasn't pursued. This problem turned out to be more relevant than a supposedly punitive peace against Germany which was not implemented. For Keynes, the prosperity of Russia, Europe, and Germany was what was needed to avoid the spread of the communist revolution.

Keynes was quite perceptive of why the War was a radical break (an important contentions by Mattei): it marked the *end of an epoch* characterized by fast growth of wealth and incomes. A rapid accumulation of capital and technical progress was grounded on a *double bluff or deception*. Improved living conditions, deep income inequality, and high propensity to save could coexist because those who got the largest slice of the cake did not consume but invest it. This celebrated virtue became a religion. That period, based on an unstable psychology of society, may be impossible to recreate:

The war has disclosed the possibility of consumption to all and the vanity of abstinence to many. The bluff is discovered; the labouring classes may be no longer willing to forgo so largely, and the capitalist classes, no longer confident of the future, may seek to enjoy more fully their liberties of consumption so long as they last, and thus precipitate the hour of their confiscation (p. 12).

This interrogation became an inspiration for Keynes's further thinking on capitalism and, or better against, 'love of money', including the *contradictory* positions we read in *Economic Possibilities for Our Grandchildren*¹⁷ and *The General Theory*. It is in this context that we must locate Keynes's position as an orthodox "dear money man" in 1919-1921, which was repeated in 1942:¹⁸ the need for controls and to break the market against inflation in the given circumstances, including the psychological conditions surrounding the end of War. Keynes also argued that the War was the "divide", allowing new thinking in economic theory.¹⁹ In a letter to Robertson (December 13, 1936), Keynes dated his theoretical emancipation to the discussions before Robertson's *Banking Policy and the Price Level* (1926), contemporary with the early drafts of his *Treatise on Money*.²⁰ In a letter to Haberler (April 3, 1938), Keynes identified in the "War" the break from (Neo-)Classical economics,²¹ and in the *Treatise on Money* he insisted that it

¹⁷ KEYNES 1972 [1930].

¹⁸ HOWSON 1973: 462.

¹⁹ BELLOFIORE 1992.

²⁰ KEYNES 1978a: 94.

²¹ KEYNES 1979: 270.

could not be financed by new taxes or forced reduction in nominal wages without raising “political complications” or “psychological objections” because of its mass character. It was, therefore, financed by the inflow of new liquidity, leading to a necessary reduction in workers’ consumption through inflation. It was obligatory to *divert* productive resources, *without the possibility of relying on the spontaneous operation of the price system.*²²

What Mattei calls “compulsory thrifts” were then defined *forced saving*. For Keynes, War exceptional conditions disclosed the working of a true monetary economy. Before the War, Keynes wrote to Haberler, we were all Classical economists.²³ With the War the question became *what happens when a government gain a command of purchasing power by an inflation of volume of money*. The answer was that “forced saving” *may release resources for the government*. In 1932 Keynes wrote to Robertson that they realized that government gained only in the sense in which every borrower gains.²⁴ Entrepreneurs got a net increment of assets over liability equal to what was lost by consumers. It was a *special* case of the *normal* operation of a capitalist economy, where bank financing makes entrepreneurs’ choices as to the level and composition of output *autonomous*, while workers’ real consumption is *dependent* on those choices.²⁵ The immense diversion of resources from the production of ‘liquid’ consumer goods to War production had the same effect as increased investment in fixed capital in ordinary times, in a capitalist monetary economy.

A key moment for Robertson and Keynes was the 1926 UK general strike. A *class* view of the capitalist economy was integral to Robertson (who distinguished a “wage and money system” from the economy of “cooperative groups”) and Keynes (who, without knowing it, in *Treatise on Money* restated the Marxian schemes of reproduction). A monetary circuitist view was advanced by Luxemburg in her *Anti-Critique*, and Kalecki in early 1930s was in this tradition. Here the true origin of macroeconomics must be found.

The “saver/investor” block in *The Capital Order* must be unpacked. The class split need to be traced back to money *as finance* commanding real resources. The origin is in Marx’s *circuit*²⁶ of *money capital*, as Keynes recognized in 1933.²⁷ The central point is the divisions within the capitalist

²² KEYNES 1971c [1930]: 152-164.

²³ KEYNES 1979: 270.

²⁴ KEYNES 1978a: 273-274. These themes are taken up again in KEYNES 1978b.

²⁵ See Book III of *The Treatise on Money*, and GRAZIANI 1981.

²⁶ The German word is *Kreislauf*, which may be translated as “cycle” or “circuit”.

²⁷ KEYNES 1979: 81.

class. Like in Keynes's *Treatise on Money*, investments and savings must be conceptualized as *independent*. Consumers decide the allocation of money income between consumption and saving. Entrepreneurs autonomously fix the *real* composition of output between the goods made available to consumers and the goods not made available to consumers. A different economic policy could follow from here than from the *General Theory*, where the problem is lack of effective demand in Depressions, and economic policy reduces to an engineer state repairing a machine: i.e., the position behind most post-Keynesians rightly attacked by Mattei.

For Mattei (p. 371) the debt-credit perspective on money and currency broke with Marx and Keynes' *General Theory*, where money is a *store of value*. Marx's money was much more than that: measure of value, means of exchange, means of payment. More fundamentally, *money as capital*: command over labour and resources, *finance to production*. It is not a surprise that Mattei does not see the Wicksell-Schumpeter-Robertson-Keynes (1930) line (partially, also Hawtrey) as a reprise of this *Marxian* theme.

Mattei claims that Keynes expelled *class conflict* and disregarded the labour theory of value (p. 308). But Keynes in the *General Theory* sympathised with the doctrine that everything is produced by *labour* and that it is preferable to regard labour, including the personal services of the entrepreneur and his assistants, as *the sole factor of production*; this is why he took the unit of labour as the sole physical unit in his economic system, apart from units of money and of time.²⁸ More than that, the *Treatise*

²⁸ KEYNES 1973: 213-214. One of the referees declared to be quite sceptical about Keynes' endorsement of a 'labour-theory of value', arguing that his reference to labour is in terms of use value, and that he did not distance himself from the Neoclassical theory of value: 'Keynes' choice of labour as a unit of measure of output is dictated by reasons which are far removed from Marx's aims: the latter is trying to explain (among the other things) what's behind the monetary return of the capitalist over her costs, while Keynes (ch. 4) is looking for a measure of the variation of output in response to changes in the level of aggregate demand, and ties it to the changes in the level of employment. The comment is right when it insists that Keynes is referring more to *concrete* labour than *abstract* labour, and hence that his labour theory of value has more in common with Smith than Marx. At the same time, it is not true that Keynes (except in a stationary and barter-like economy) would adhere to a Neoclassical theory of value; moreover, for Keynes capital is scarce but *not* productive.

What is more relevant here, however, is to understand the common (though *not* identical) terrain of Keynes and Marx when they articulate labour and money in a monetary production theory of value. One of the authors have had the repeated experience of presenting seminars in international conferences, and when he advanced the claim that Marx's had a *unique* monetary labour theory of value, he saw a hand rose in the audience: Vicky Chick reminding the other case in the history of economic thought – namely, John Maynard Keynes. We largely agree with the view by presented by WRAY (1998) and grounded in DILLARD (1984) interpretation according to which a labour theory of value is essential in Keynes. Building on Keynes' *General Theory* and Minsky, Wray shows that *two* theories of value are required

on *Money* presents a class perspective. It is true that Keynes did not see in exploitation the source of capital accumulation: Marx, however, agrees with Keynes that the engine of the economic machine are the entrepreneur and their economic investments (a formulation criticised by Mattei at p. 308). Marx's named his book *Capital*: exploitation is *internal* to capital's dynamic. Keynes is also innocent of the accusation that he was not for the emancipation from economic priorities. The problem is the opposite: that, like John Stuart Mill, he had a *bourgeois* perspective, as escape from work: nowadays, the hegemonic view in alternative left.

The line Wicksell-Keynes' *Treatise on Money* view is the "monetary" political economy of the 20th century versus the vulgar "pure" economics. In Mattei, the judgements by Minsky (who saw Keynes and Schumpeter as *conservative Marxists*)²⁹ or Graziani (stressing the line Wicksell-Keynes, 1930, as a *hidden Marxian stream*)³⁰ are unthinkable. The *New Deal* itself logically follows from the new theoretical landscape opened by the War, *not* the *General Theory* following from the Great Depression. Minsky indeed proposed a critique of the 1960s-policy-synthesis – and of Keynes' "moderately conservative" views about the socialization of investment – from a 1933 (New Deal) standpoint.³¹

Keynes recognized that the Gold Standard was already in crisis *before* 1914. The War just sounded the death knell for the Empire. Considering Great Britain-cum-Empire Keynes acknowledged that the problem was "too

for the inquiry of a capitalist *monetary* production economy: a *labour theory of value*, to determine the supply-price formation in production (including capital goods) and a *liquidity preference theory of value*, to determine asset prices (considering how expectations, yields, and the rate of interest affect their demand-prices). That is why Keynes adopts labour *hours* and not wages as a unit of measurement of production, and money as a unit of measurement of the cyclical spiral M-C-M': like Marx, in fact, but articulating a different *dual* price theory.

A perspective like this permits what is unthinkable in Clara Mattei's outlook: understanding that Keynes has provided important insights that must be *incorporated* within Marxian analysis. The same is the intent of Graziani, grounded in the *Treatise on Money*. Both Marx and Keynes allow to conclude that the source of profits is the *rate of exploitation* (the rate of surplus value), which corresponds, as in Kalecki, to the *ratio of the wage-bill of investment sector workers to the wage-bill of consumption goods workers*.

This does not mean, of course, to affirm an *identity* of purpose or method or theoretical structure between the two authors.

An aside. The referee speaks of 'the monetary return of the capitalist over *her* costs', adopting a politically correct way of writing academically nowadays. We do not think it is appropriate here. It may be argued that capital as a social relation may turn out to be in solidarity with patriarchy (hence it should be *his* rather than *her*). At best, capital is gender-neutral (hence it should be 'the monetary return of capital over *its* costs').

²⁹ MINSKY 1981: 54.

³⁰ GRAZIANI 1982.

³¹ Cf. MINSKY 1975.

much savings, too little investments". He was, like Ricardo, a bourgeois *political* economist. As de Cecco observed in his *The last of the Romans*,³² for both workers were *secondary*, mere clay in the hands of the *real* protagonists of economic life, but they were *capable of revolt*. Both lived in periods when *workers had been rebelling*. Ricardo thought that cheap food was the solution. Keynes thought that cheap money would be the equivalent of cheap food, and that, if even that was not enough, direct investment by the State would do the job. Both were enlightened conservatives, and both were advocating – as Tancredi, the Prince of Salina's nephew, in *The Leopard* – that everything change, so that everything might remain the same, and gave the prescriptions that would permit the miracle.

3. AUSTERITY AND THE DEFEAT OF THE WORKING CLASS

Mattei declares that she does not claim that austerity was the *only* reason for the defeat of the socialist proposals. At the same time, the original edition's title and the Italian translation are unambiguous. Austerity was not only invented by economists, it also *paved the way* to Fascism.

First, a problem is the *order of causation*. Did austerity "pave the way" to the defeat of the working class and then Fascism, *or the other way around*? We argue that the defeat of the radical working-class movements in Italy and Great Britain made possible austerity and Fascism. This doesn't dismiss austerity as a most powerful weapon in the class struggle.

Mattei is right that the War made evident to the working class a crisis of capitalism, a new role of the State, and the possibility to channel all the existing material and social resources to a common goal: irrespective of the capitalists' prerogatives. Early after War there was a synergy between reforms and working-class consciousness (p. 73). It was more than a *struggle for economic democracy* (p. 74), it was a push for a *socialisation of production*, and an *alternative economic system* (p. 100). The state in Britain and Italy had then a proactive role of renewal for the industries. Governments needed the collaboration of the working class to reach a high level of productivity. Vittorio Foa wrote that Britain provided, together with the other belligerent states, a new model of the relationship between the state and the enterprise system with a new role of the political and trade union organisations of the working class. The model would later have a full expansion, and even a long success, after Second World War.³³

³² DE CECCO 1977: 22-23.

³³ FOA 1985: 209.

It was a *corporative reformism* supported by a political coalition:³⁴ ‘The management of industrial relations by the state became a vital matter in which Lloyd George was closely involved before, during and after the war. He was central to creating a system which had been called corporate bias, whereby the state dealt at a national level with single organisations of both labour and capital (newly formed during the war), which both understood their role as being partly agents of the state.’ Giovanni Giolitti wrote³⁵ that the definitive solution to the industrial question would be to promote workers’ interests in the industry with participation in profits, even, if necessary, in the form of enjoyment of shares, and above all, participation of workers’ representatives on Boards of Directors so that they know the true conditions of the industries and the level of profits.

An *industrial and institutional restructuring* as well as a *social one*. Not “the many against the few” – the working classes against capitalists and rentiers – neither in Britain nor Italy. Fordism and Taylorism implied a new level of productivity, the introduction of piecework, a new working-class composition. Mass production redefined the traditional role of the skilled workers. Industrial restructuring led to an upgrading of the social and income situation of some (women and unskilled) and a downgrading of others, such as the skilled workers, who before restructuring were more like artisans losing their art because of mechanisation.

Class consciousness coexisted with initial widespread support for the war. At the same time, there were vital social movements, widespread strikes, and factory occupations. Radical wings displayed a tentative claim to hegemony: to become a real threat to the social order, it should have been able to forge and maintain class solidarity. In Britain and Italy, when the full force of the state and capitalists’ reaction were unleashed, solidarity and political cohesion didn’t resist, because of the internal weakness of the movement in both countries.

The sequence of the events is the critical point. In Britain, the crucial moment were the first months of 1919. The upsurging English working class had to bring to fruition the government’s promises made during the war. The climax of the conflict between the working class and the Labour Party, on the one hand, and capitalists and the government, on the other, was April 1, 1921, the miners’ strike. It tested the ‘triple alliance’ among miners, transport workers and railway employees created in 1914 to reinforce working-class solidarity. Transport and railway workers left the

³⁴ EDGERTON 2019.

³⁵ DE ROSA 1958: 139.

miners alone for three months until they were driven back on worse terms than at the start on April 15, 1921 (Black Friday).

Something similar happened in the mechanic sector. In the Clyde region, the starting point was Bloody Friday, January 31, 1919, when the cavalry attacked workers on strike for a 40 hours week. The strike ended on February 12 with a total defeat. Final clash was in 1921, when capitalists in different sectors declared a lockout and obliged the Trade Unions to accept the old agreement of 1898. At the political level, in the quick post-war election in December 1918, Lloyd George scored a crushing electoral victory, and of 300 labour candidates, only 57 entered the House of Commons.³⁶

In July 1921, any reformist program *collapsed* together with the wartime political coalition. The working class had been defeated socially and politically, through traditional means: repression, intimidation, the breakdown of class solidarity. Lloyd George appointed Sir Eric Campbell Geddes, a businessman and conservative politician, as head of a Committee on the August 3, 1921. The report was published in February 1922. The *Geddes Axe* implemented huge cuts in public expenditure. *At this point*, what nowadays we would define as austerity policies were the effective means to keep the working class in a subordinate position through post-war high inflation.

In Italy, the genesis of factories occupation was *defensive*: a reaction to the lock-out organised by industrialists to combat the strategy adopted by FIOM. In August 1920, the FIOM Congress engaged in a “work-to-rule” action starting from the 21st: work-to-rule meant the refusal of overtime and a slowdown in performance.³⁷ FIOM also decided that workers would occupy factories against their shutting down by industrialists with a lock-out.

Alfa Romeo was the first to lock-out workers August 30, 1920. Occupations spread throughout Italy. Despite the lack of some technicians, threatened with dismissal by the owners if they went to work, in many factories production went on without interruption.³⁸ More than 600 companies were occupied. The occupants went from 400.000 to a final peak of 500.000.

Giolitti’s government adopted a line of neutrality, fearing that an openly repressive reaction would trigger an escalation to civil war. Factories occupation represented a *qualitative leap*, well understood by Gramsci, which entailed a dialectic between the spontaneity of the movement and the calculations of trade union leaders and the socialist party. Being able to control factories and restore the production process produced

³⁶ TOOZE 2015: 245.

³⁷ ANTONIOLI and BEZZA 1978: 648.

³⁸ *Ibid.*: 653.

a radicalisation. Workers in the occupied factories armed themselves with rifles and even machine guns, which were stored in the armaments factories, fearing they could be driven out by force.

There is an obvious disproportion between the radical turn taken by the occupations and the initial motivation about wage increases. The point at issue was either moving towards a revolutionary solution or finding a way out. The confederal trade union – the CGDL – passed a resolution on September 5, 1920 that set the goal “to achieve collective management and socialisation of all forms of production”.³⁹ The movement’s leaders believed that ‘it had to take on a political character and had to set the conquest of political power as its aim’.⁴⁰ This conviction also arose from the spread of occupations in other sectors. The struggles had no central coordination, except for Turin.

Clara Mattei’s narrative looks at the conjuncture from the point of view of *Ordine Nuovo*, but the group was almost non-existent outside Turin, and the constraints due to the lack of income during the occupation grew. The leaders of the CGDL were against an insurrectional perspective. Mattei writes that “workers after the war lost all the agency that the theories and actions of the *Ordinovista* movement had won for them” (p. 12). *Ordine Nuovo* is indeed taken to be representative of the theory and actions of all the Italian workers: a sort-of *synecdoche*, mistaking the part for the whole.

In this climate, at the meeting of the national council of the Confederation on September 11 there were two motions: from CGDL leadership; and from Socialist Party. The first by D’Aragona proposed trade union control as a positive conclusion for the movement. The other asked for socialising means of production, an insurrectional perspective. D’Aragona won September 11, by a majority with many abstentions. The reaction among the occupiers was “more radicalisation or absenteeism and widespread fatigue”.⁴¹ It was time to conclude.

Giolitti forced the industrialists’ submission by issuing a decree on September 19, 1920: a joint commission should provide the government with proposals for a draft law to organize industries based on workers’ involvement in technical and financial control or company administration. All personnel should go back to their jobs, backdating the application of the agreed wage increases to July 15. Industrialists were divided: some industrial groups radicalised, others hoped that a crisis would suppress the project.⁴²

³⁹ *Ibid.*: 654.

⁴⁰ *Ibid.*: 655.

⁴¹ SPRIANO 1964: 124.

⁴² *Ibid.*: 131.

The commission never delivered any suggestions, and the crisis came in 1921. A referendum to approve the agreement delivered a clear majority. Factories were “liberated” September 25-26, after three weeks. Fascist violence began already in September with the assault on the Chamber of Labour in Pola.

At the end of 1918 the disintegration of the Orlando broad-based coalition, plus Versailles Treaty and the so-called mutilated victory produced political polarisation. Fascists were still a minority of the electorate and the left triumphed in the 1919 polls. The Socialist Party voted to join Lenin’s Comintern, waiting for an imminent revolution due to the workers’ and peasants’ mobilisation, strikes and land seizures in 1919-1921. In 1921, after the failure of factories’ occupation at the end of the *Red Biennium* (1919-1920), the movement collapsed, as in Britain, because of its *internal* weakness. The austerity regime, if it may be called so – and then Fascism came *after* and *through* the workers’ defeat.⁴³

The case stated by Mattei can be summarized with Sraffa’s 1927 Lecture on *The Corporative State*.⁴⁴ The struggle between capital and labour was at a critical stage after the War. Every particular question led to the more fundamental ones: who governed the factory, who controlled the state. Class war, won by the capitalists. But considering the next years, Sraffa’s reasoning diverges from Mattei. Austerity is not the key point. After interventions of a negative character, the knot was the construction of a *corporative state* where “capital” and “labour” become *organic* functions of a single imperative, production as such is left to private initiative, distribution is rationalized by the state. Sraffa in 1927 believed this authoritarian turn was *inevitable*. The political message for the comrades Gramsci passed to Sraffa in their last meeting in 1937 was opposite: engaging in a battle for a democratic constituent assembly within capitalism.

What was fascist economic policy after 1926? Once again, the balance sheet may be different than Mattei’s. Oddly enough, it was exactly fascist economic policy that planted the conditions for the development of Italy as an *industrial* economy in the full sense of the world, until the economic miracle of the end of the 1950s and early 1960s. *Quota Novanta* itself was instrumental to introduce in Italy, in spite of low wages, the “American” model of durable mass consumer production.⁴⁵ An industrial policy whose costs were most certainly paid by workers, peasants, and middle classes, but which ultimately hooked the Italian economy to the international market.

⁴³ “One could argue instead that Fascism – the term used here generically for rightwing and nationalist dictatorship – or military take-over became a strategy when a ruling class *could not* impose austerity” (MAIER 2023).

⁴⁴ See the *Sraffa Papers*, D2/2.

⁴⁵ GUALERNI 2010.

It jettisoned the traditional textile and steel industries and completed the industrial matrix, adopting and adapting foreign technology. Italian economy was constrained by the peculiar conditions in the 1930s, and had to find artificial exports, most obviously but not only the military sector. A premature leap in growth exacted a violent huge burden on the masses: but it was a *growth* strategy, to which the successive economic miracle is partially indebted.⁴⁶

4. WHICH “AUSTERITY”, AND WHY DOES IT MATTER?

Carlo Ginzburg maintains that when we make history, the words change, the meaning changes, the context changes, and the actors change. No wonder that the questions we advance are *anachronistic*, but we have to get answers that are *not*. In Mattei’s book, the anachronism of the question can be fertile. Unfortunately, her research is endangered by the anachronism of the answers.⁴⁷

Anachronism is evident when Mattei applies to post-WWI and the 1920s a characteristic of the mainstream since 1980s, when the so-called *natural* equilibrium is the result of an institutional *design* about “property rights” and of an *active* economic policy in favour of the “market” (whatever the preferences). Equilibrium is a *political* outcome – this is particularly true for ordoliberalism – and preferences are biopolitically constructed. Nothing of this kind in the traditional theory of “the economists”, where the *capital order* is the self-adjusting natural order.

The retroactive filter becomes a rewriting of the documents. An example is a quote from Benito Mussolini’s first speech in Parliament on November 16, 1922, epigraph of Ch. 7:

The directives of domestic policies are summed up in these words: thrift, work, discipline. The financial problem is crucial: the budget has to be balanced as soon as possible. *Austerity* regime [*regime della lesina*]: spending intelligently; the support to the productive forces of the Nation; ending all war controls and state interferences (p. 205, our italic).

Regime della lesina means to economise efficient use of resources. We understand it not as austerity in its current sense, instead in the traditional understanding akin to Neoclassical theorization.

⁴⁶ On Gualerni’s views see DE CECCO 1995.

⁴⁷ We thank Bruno Settis for attracting our attention to Ginzburg on this. See: <https://legrandcontinent.eu/it/2021/03/09/la-storia-come-decifrazione-una-conversazione-con-carlo-ginzburg/>.

Mattei's contention is shifting. In the title, after WWI economists *invented* austerity *opening the way* to fascism: in the book, austerity is a *recurring* trend in modern history. Capitalism *requires* austerity. The novelty may be in turning this structural necessary feature into a *political* project. For Mattei, austerity *really* works most of the time: she is right that austerity is *not* an error, nevertheless for us it is *self-defeating*. Fiscal austerity, rather than balancing the budget, originates passive government deficits.

No proper notion of "objective" capitalist crisis is present in the book, only an *existential* and *legitimation* crisis. There are no economic laws, and capitalist objectivity is an *illusion*: 'strong and conscious class struggle may completely overthrow the current order and reinvent a new social world' (p. 109). This *idealist* position is attributed to Gramsci's *Ordine Nuovo* (pp. 111-112): "Action is thought, and thought is action". This is more akin to Negri, or better Gentile, than Marx, or Gramsci. Claudio Napoleoni reminded us in 1974, that economic laws are not natural but indeed they are *objective*.⁴⁸ Otherwise, what is needed for a revolution is just the postmodern motto of *changing the narrative*, which is what is argued in *The Capital Order*. With the War, public opinion saw the fault in the *narratives* of the economic toolbox of Classical political economy; since then it has become possible to change the *interpretative lens*, break the political shell and change the world.

Marx's *Capital* it is quite different than *The Capital Order*. 'Capital' has both a *fetish-character* (it is the Thing as the "automatic Subject", positing its own presuppositions) and is a *social relation*. The latter cannot be reduced to people selling their labour power for a wage: this is the subsumption to the money wage form (in a sense, the *formal* subsumption), that opens to the command of labour within the immediate valorisation process and the consequent *real* subsumption of labour to capital. The social power of the Fetish is *real* in the given *historical* conditions: what is *fetishism* is mistaking these historically specific powers as springing from the things *as natural* objects. It is an *impersonal* domination, subjects are character-masks. It is not enough to demystify them to change reality: what is needed is the patient construction of a different practical human relation. *What is mystified is reality itself, not the "representation" of reality*. Fixations and obsessions (two recurrent terms used by Mattei to indict capitalist society) are therefore also a fact of structure, not of psychology.

Social change must be rooted in the peculiar foundation of capital in valorisation. Workers are the human bearers of labour power who are consumed through the extraction of living labour. They are the *living labour power* included within capital as a whole. Even though they produce only as

⁴⁸ NAPOLEONI 1974.

part of the capital, capital cannot produce without consuming them in the labour process. Labour, in this sense, is an *internal other*.

The key issue is the distinction of *emancipation* from *liberation*. “Emancipation” has to do with *ownership* and *distribution*. Being freed of a subordination, most often of a personal nature. Or getting a better remuneration. The same state property may be “private”, as long as social subjects are deprived of a possibility to really control that nominally public property. “Liberation” is another thing altogether: it is freedom from social, political, patriarchal, economic oppression. It is freedom from exploitation and impersonal domination. It is freedom from an obsessive and totalitarian centrality of the economic sphere. This does not mean “exiting labour” but making it the first need, a co-essential dimension for the human being, together with care, contemplation, and *otium*. It is a freedom “from” requiring at the same time a freedom “of” and a freedom “with”: the collective capacity of *socialised* subjects of deciding and using their condition of *common life*.

Mattei is right that the category of “practice” is central, but we give a different interpretation.⁴⁹ Marx emphasised the role of *practice* in the assessment of claims to knowledge about the objective world, against *both* traditional materialism and idealism. Practice is *not* empiricist “experience”. It is an activity of *transformation*. In Marx’s Second Thesis on Feuerbach is written that what matters is ‘actuality and power’ (*Wirklichkeit und Macht*) in proving the ‘truth’ of putative knowledge items. Neither mere *observation* nor mere *narrative* or *interpretative lens*, rather the capacity of bringing into life a social process. This activity *changes the object in front of us changing at the same time the subject*. Human practice must be understood by the subject themselves in its *specific mechanisms*.

That’s where the problem lies. Contrary to the backwards reading method in her book, when Mattei discusses *Ordine Nuovo* she decides to take the point of view of the early 1920s struggles. May be that that socialist and communist culture actually believed that capital could be reduced to private property and the wage relation, and hence that capitalists are just “parasitical”. They were defeated. Not the last reason of the defeat was the inability to “measure up” against capitalist initiative which was already *subverting* production techniques and labour organisation (as in the 1970s). The problematic point is not being defeated: Luxemburg rightly argued

⁴⁹ We prefer to translate *praxis* as *practice*, which makes impossible the distinction she offers between the two. For a justification see SUCHTING 1979, p. 29: “praxis” in German is a fairly non-technical word, differently than in English, and that is probably the way it is used by Marx.

that defeats were unavoidable on the road to revolution. She added that there is *one* condition, though: the question of *why* each defeat occurred must be answered. Luxemburg could not venture into this analysis since she was murdered in January 1919. Gramsci spent the rest of his life trying to provide an answer.

After Panzieri and *Quaderni Rossi*, we cannot confidently maintain either a culture of the glorification of labour nor a view blind to the internal drive to growth of capital and its tendency to objective crises. We cannot believe in “planning” as a simple solution to class contradiction, nor that the problem is just the capitalist use of machinery and not the technological design of it. The key issues are *the control of access to resources* (not just public ownership), *the command over money and the composition of output* (at the centre of Keynes and Schumpeter as conservative Marxists), *the resistance of the socialized workers over being used up as living labour power*, *their intervention within the labour process and on techniques* (the high points were the 1920s and the 1960s/early 1970s), more generally *the struggle of social movements over the organization of social time and over gender and nature as cross-cutting issues*. It is, yes, a political struggle, but concerning the *structural* determinants of the way we live together.

Since the author of this book has, like us, Italian origins, let us remind that “austerity” as a problem was heatedly debated in our country with a peculiar *left* declination. In the “long 1970s”, workers’ and social struggles were able to set in motion substantial reforms, but also to generate a social crisis, compounded by international factors. The capitalist reaction, already in the early 1970s, took the form of the economic policy of a *fine-tuning* pressing the “stop” pedal, which was aggravated by the 1974-1975 oil crisis well before the Monetarist turn. *The Keynesians did that*, which is somehow in line with Mattei’s views. Against this background, Enrico Berlinguer, the secretary of the Italian Communist Party, at a national meeting promoted by the Cultural Section of his Party and Gramsci Institute, on January 15, 1977, introduced “austerity” as a decisive reference point, almost as a battle-cry, urging for a profound renewal of economy and society. It was presented as a *progressive* policy that the workers movement had to pursue and fill with class content to cope with the economic and social crisis *in view of a socialist transformation*. A policy of “austerity”, according to Berlinguer, must have as its aim that of establishing *justice*, not only efficiency and order. And, he added, a new morality. That is why the labour movement should embrace it.

Though we were and are *against* this view, we believe that Berlinguer’s position cannot be too easily trivialized. Among the many critiques presented just after Berlinguer’s speech, at least two were particularly poignant and are still relevant today.

The first was by Claudio Napoleoni, who welcomed Berlinguer's austerity as a short-medium term policy.⁵⁰ He observed, however, that austerity was merely rationalising the inherited system of needs and that the intervention he proposed was only on consumption, without putting in question the relations of production, breaking with the Marxian notion of labour as the first need.

The second was put forward by Rossana Rossanda, and it was even more significant.⁵¹ Not only she emphasised that the crisis was "*objective*" though *not natural* – a position, by the way, which was attacked (and still is) by a great part of the far left, who stopped at the political nature of it, in tune with Mattei. She also maintained that the issue of a *different quality* of economic and social development must be put at the centre of the social battle *before* the conquer of political power: *failure to do so was the main reason for the failure of revolution in the West after WWI*. She wrote that if we are witnessing natural limits to quantitative growth (nowadays enhanced by climate change), and if this latter cannot be anymore taken for granted and as positive, the challenge of an alternative economic logic as well as of an alternative allocation of employment to meet different social needs must be faced head on. It cannot be postponed after taking power. Rossanda concluded that this issue would be in front of us *even if the crisis were not there*.

CONCLUSION

Among the many merits of Mattei's *The Capital Order* others can be added to those anticipated in our introduction. It is a book of social science disregarding disciplinary boundaries. The centrality of class struggle is the main interpretative filter. It refutes any separation of economic and political: no pure abstract "technical" sphere with "natural" economic laws and unassailable compatibilities is recognised. It is a passionate book. We endorse and welcome these aspects of the book. That is why our review article is also passionate and deserves a theoretical/political closure going to the heart of the matter.

Since the 1980s, most progressives have insisted on offering alternative *narratives* about capitalism. We should instead go back to the task of constructing the theoretical/practical conditions for a social transformation leading to a *different quality of structural development*. This challenge, Mattei is *right*, was there *since WWI*: but also behind the New Deal in the 1930s,

⁵⁰ Cf. NAPOLEONI 1977.

⁵¹ Cf. ROSSANDA 1977.

the social crisis in the 1960s/1970s, the collapse of Neoliberalism, health crisis and climate change.⁵² The problem however is *not* what the alternative left is emphatic about: 99% versus the 1%, distribution inequality, lack of demand. All real but *secondary* (i.e., derivative) issues. Instead, we must learn from Marx *and* the “conservative Marxists”, Keynes and Schumpeter. *Theoretically*, we have to put *money and production* at the centre; *practically*, we have to connect social *and* workers’ struggles with the *political command over resources*, not just focusing on private property and wage relation. As was customary to say in the tradition we were raised on: *hic Rhodus, hic salta*.

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⁵² Cf. BELLOFIORE and GARIBALDO 2022, especially Chapter 4.

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