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Capitalism, Austerity and Fascism[1]

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Abstract

There is a strong resonance between events of the inter-war years and today. These include a questioning of laissez-faire capitalism and austerity, and the rise of so-called "populist" parties on both the left and right. Clara Mattei's (2022) *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* thus makes an interesting contribution, by locating the key argument of her book in the febrile period of European history between the wars. According to Mattei, the First World War disrupted the pre-war capitalist system to such an extent that it created a crisis of capitalism, itself. As a result, following the end of hostilities, there was a conscious effort to restore the pre-war "capital order" by means of a technocratic "austerity strategy"; and this was strongly linked to the rise of fascism. We argue that the inter-relationship between capitalism, austerity and fascism during the 1920s and 1930s was rather more complex, and that to make sense of this, it is necessary to broaden the focus beyond Italy and Great Britain and the international financial conferences at Brussels (1920) and Genoa (1922). Otherwise, we risk misunderstanding and mis-diagnosing our own times, as those inter-war politicians, financiers and economists discovered to their cost. We therefore also include Germany and the United States and base our analysis on the events of the entire inter-war period.

JEL Codes: N12, N14, P1, P30, P52
Key Words: Laissez-faire capitalism; Fascism; Austerity; Insecurity cycle; John Maynard Keynes; Karl Polanyi

1. Introduction

A pandemic, the breakdown of world trade, the rise of populism on both right and left, concerns about national debt and confidence in the currency – resulting in austerity policies that fail to achieve their objective of reducing government debt – conflict and migration.

In broad terms, this overview of events could describe both recent decades and those immediately following the First World War. The resonance between these two periods of uncertainty, during which a rapidly evolving and volatile situation produced a succession of new challenges – but previously successful policies, notably austerity, no longer seemed to have the desired effect – makes comparison of these two periods so compelling. Clara Mattei's (2022) *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* thus makes an interesting contribution, by locating the key argument of her book in the febrile period of European history between the wars.

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The First World War was not only a ruinously expensive industrial war; it also severely disrupted the pre-war system of free-market capitalism. Governments played an active role in their countries' political economies, intervening in resource allocation and labour markets, strengthening the position of both workers and their unions, and extending social welfare provision. States also engaged in domestic and international markets to secure required raw materials, commodities and foodstuffs; and many private industries were brought into public ownership, subordinating private economic profit to collective wartime needs. In this context, suspension of the gold standard served to both facilitate these political priorities and motivate novel financial alternatives for funding the war effort.

However, according to Mattei (2022), by threatening "its core relationship (the sale of production for profit) and its two enabling pillars (private property in the means of production; and wage relations between owners and workers)" (p. 3), all of this created much more than a postwar economic crisis – it gave rise to a crisis of capitalism, itself. In response, she argues that there was a conscious effort to restore the pre-war capitalist system which had been dismantled to meet the exigencies of waging war. To this end, the overall objectives were to widen the scope for private enterprise, concentrate income and wealth in the hands of the capitalist class, and disempower the working class. This was viewed as producing both "social harmony", by putting people back into their rightful place within society, and a "fair" distribution of the resulting prosperity. Internationally, the aim was free trade and capital mobility.

Mattei contends that this attempt to restore the "capital order" was driven by the British, Italian and wider European movement of capitalists, politicians, and professional and academic economists, whom she collectively terms the "economic technocracy". In her view, they evolved an "austerity strategy" for achieving these outcomes at two international financial conferences, the first held in Brussels (1920) and the second in Genoa (1922). For Mattei, these conferences "constituted landmark events in the rise of the first global technocratic agenda of austerity" (p. 14), which itself was strongly linked to the rise of fascism: "Austerity required Fascism – a strong top-down government that could impose its nationalist will coercively and with political impunity – for its prompt success. Fascism, conversely, required austerity to solidify its rule" (p. 206).

These assertions, however, raise a number of fundamental questions – not least, concerning the history of austerity, which itself reaches much further back in time than the early 20th century (Blyth 2015).[2] There is also the decidedly thorny issue of whether, and under what circumstances, austerity could possibly achieve its stated objective of balancing a government's budget and reducing public debt – and why so many nations felt compelled to use it. We will argue that attempts to return to the long-standing convention of the international gold standard – which effectively enshrined austerity into policy – is a much more likely candidate for shaping the direction of policy between the wars than any attempt to preserve or restore the pre-war system of capitalism.

[2] Prior to the Second world War, austerity was primarily used to refer to harsh physical conditions and/or rationing. Between the wars and more recently, it has been used to describe government deficit reduction policies, involving spending cuts and, sometimes, tax increases. However, it has also been used for political and ideological reasons (stated or not) as a means of reducing the size and economic role of the state, particularly with respect to social welfare provision.

And what of fascism? Even before the war, Paris had seen a commune in 1870, and there was an attempted communist revolution in Russia in 1905. Shortly before the end of World War One, Russia was forced to withdraw, following the successful 1917 Bolshevik revolution. A year later, Italy experienced her “biennio rosso” (two red years), during which many factories were taken over by their workers; and in Germany an attempted communist revolution resulted in several short-lived “soviets”, notably the Bavarian Soviet Republic. Had these movements in Italy and Germany been supported by the main trade unions and socialist parties, revolution might well have followed. Instead, these experiments with communism were met with violent counter-responses. We will argue that it is difficult – if not impossible – to explain the rise of fascism, without also taking account of communism.

All of this suggests that the aims and events of the inter-war years were rather more complex than Mattei’s argument suggests. Other significant developments include the rapid expansion of universal suffrage in many countries, along with the associated appearance of labour and/or socialist-leaning political parties, and the evolution of welfare states. Together, these contributed to fundamental changes in the dynamics of political economies – as well as the effects of austerity. No longer could austerity policy have any chance of reducing government deficits or debt, unless the economy was in a sustainable recovery or period of strong growth (Konzelmann 2019). This, coupled with the need to re-establish international trade and encourage inward investment in war-torn Europe, gave rise to some fundamentally new thinking about economics; and whilst John Maynard Keynes played a leading role, he was not alone – especially in America.

In this essay, we explore the interrelationship between capitalism, austerity and fascism between the wars; and rather than limiting our focus to Italy and Great Britain, as Mattei does, we also include both Germany and the United States. Section 2 introduces the “insecurity cycle” as a conceptual framework for making sense of the dynamic interaction between the competing interests and objectives of different groups within society, to help explain the crisis of capitalism and appearance of fascism in all four countries – and the victory of democratic capitalism in both Britain and the United States. Section 3 explores the history, nature and economic dynamics of austerity, as well as evolving ideas about it during the 1920s and 1930s; austerity is then considered in the context of attempts to restore the pre-war orthodoxy of balanced budgets, free trade and the gold standard. Section 4 examines the drivers, influence and dynamics of radical inter-war social movements on both the left and right in Italy, Germany, Britain and the United States – and the nature and role of the state in mediating these competing forces – along with the resulting outcomes. Section 5 concludes.

2. The “Insecurity Cycle”

Mattei (2022) asserts that “the degree of state intervention during the [First World] war and the heightening of class antagonism that it engendered constituted a great revolutionary rupture from 1918 to 1920. It was the largest crisis in the history of capitalism” (p. 26). This, she argues, provoked a widespread questioning of the future of capitalism, which itself had contributed to both the economic and social insecurity that manifested itself in the rise of extremist movements on both the left and right, and the financial and economic crises that ultimately culminated in the Great Depression. Disillusionment with the hope that capitalism would lead to a better life for the majority – who themselves had made enormous wartime sacrifices – resulted in serious questioning of the legitimacy of the capitalist system itself, particularly with the emergence of visible alternatives in the form of communism, fascism and state socialism.

2.1. Liberal Capitalism – And its Alternatives – Between the Wars

On the ideological left, communism is a totalitarian form of socialism, in which the socio-economic order is organised around the common ownership of the means of production and a system of distribution and exchange that is equally inclusive of everyone within the society; it also involves abandonment of private property, social class, money and the state. State communism first appeared in Russia, with the 1917 Bolshevik revolution. Similar attempts in other countries were, for the most part, crushed by extreme right-wing counter-responses.

On the ideological right, fascism is a totalitarian form of capitalism. Kershaw (2016) notes that whilst "attempting to define fascism is like trying to nail jelly to the wall" (p. 228), there are features shared by extreme right movements, whether they call themselves fascist or not. These include:

> "hypernationalistic emphasis on the unity of an integral nation; … racial exclusiveness … expressed through insistence on the 'special', 'unique' and 'superior' quality of the nation; radical, extreme and violent commitment to the utter destruction of political enemies … ; stress upon discipline, 'manliness' and militarism (usually involving paramilitary organisations); and belief in authoritarian leadership" (ibid.).

During the inter-war years, in most cases, fascism emerged as a response to the fear of socialism and communist revolution – and the possibility that a successful revolution would mean the forceful overthrow of capitalism (Graham 2023). And it rose to dominance in both Mussolini's Italy (during the inflationary crisis of the early 1920s) and Hitler's Germany (during the deflationary crisis of the early 1930s).[3]

During the 1920s and 1930s, both John Maynard Keynes (a left-leaning Liberal) and Karl Polanyi (a committed Socialist) closely followed political developments and participated in debates about the global economic crises and widespread questioning of laissez-faire capitalism and its future. As an economic system *per se,* Keynes did not object to capitalism; and he respected its efficiency as an engine of progress. But he was deeply critical of "individualistic" or "laissez faire" capitalism, where individualistic and laissez-faire refer to both the nature of the economic system and the motivations of the people within it. Describing the capitalism of his time, Keynes wrote:

> "The decadent international but *individualistic* capitalism, in the hands of which we found ourselves after the war, is not a success. It 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, p.183, emphasis added).

But he also believed that capitalism could be made workable, with the state playing a role in articulating a democratically agreed public purpose and regulating to ensure that this was delivered:

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[3] There is now consensus that only Fascist Italy and Nazi Germany were truly "fascist" regimes. This is because only in these two countries did fascist parties – the Partito Nazionale Fascista (PNF) and Natiotionalsozialistiche Deutsche Arbeiterpartei (NSDAP) – both succeed in exercising autonomous power over an extended period of time; they also had a significant influence on similar right-wing movements and parties across Europe and the United States, which sought "to emulate, replicate or adapt the recipe of 'success' of the PNF and the NSDAP" (Kallis 2014, p. 14).

> "For the most part, I think that capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself it is in many ways extremely objectionable. Our problem is to work out a social organisation which shall be as efficient as possible without offending our notions of a satisfactory way of life" (Keynes 2010 [1926], p. 294).

Thus, despite its drawbacks, Keynes believed that of all the economic systems available at the time, capitalism offered the most efficient means of providing the material and institutional preconditions for people to be able to choose a plan for their lives that would enable them to live the "good life". But he did not see the capitalist economic system's efficiency as being automatic, natural, or beyond interference. Like anything else, Keynes believed that as the environment within which capitalism was evolving changes, capitalism could – and should – be examined, reconceived and improved (Backhouse and Bateman 2009). He thus envisaged capitalism changing, but with no suggestion that it would disappear and be replaced by another economic system. Its *ends*, however, needed to be turned toward the satisfaction of social needs and away from private greed.

Polanyi, on the other hand, favoured socialism, which he viewed as "essentially, the tendency inherent in an industrial civilisation to transcend the self-regulating market by consciously subordinating it to a democratic society" (Polanyi 1944 [2001], p. 242). But he attentively followed debates on both the left and right about the anatomy and trajectory of fascism.[4] In his writings and lectures from the mid-1930s onward, one of the lines of argument he developed was that the experience of the First World War and Great Depression had violently torn the political and economic spheres of society apart, causing a clash between "economy" and "democracy". He believed that under conditions such as those experienced during the crisis years of the early 1920s,

> "the routine conflict of interests between employers and employees took an ominous character. While a divergence of economic interests would normally end in compromise, the separation of the economic from the political spheres in society tended to invest such clashes with grave consequences to the community" (ibid., p. 243).

From this perspective, the crisis of the inter-war years had its roots in the mutual incompatibility between economics (the self-regulating market) and politics (democracy) in both the economy and industrial spheres. Whereas socialism made capitalism workable by subordinating it to democratic society, fascism was a movement aimed at saving capitalism by suppressing economic democracy and unifying society on the basis of absolute capitalist power. Thus, Polanyi concluded that the two alternative solutions to the crisis of capitalism were socialism – which he, of course, preferred – and fascism.

Keynes, too, took a keen interest in the various experiments he was observing with alternatives to capitalism between the wars. In March 1932, he delivered a radio lecture, later published as "The State and Industry", in which he emphasised the difference between state planning and alternatives to capitalism:

> "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

[4] See, for example, Polanyi (1944 [2001]), Polanyi (1935 [2018]) and Polanyi (n.d.).

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 [1932], p. 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., p. 88).

But he did not condemn experimentation with state planning:

"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., p. 92).

However, a year later, in "National Self-Sufficiency", Keynes expressed grave concerns about the forms it was – 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 to-day 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, pp. 188-9).

Polanyi and Keynes were approaching the crisis of free-market capitalism of their day – and assessing the emerging alternatives to it – from different political and ideological perspectives: Polanyi believed the solution could be found in socialism whereas Keynes favoured a "wisely managed" capitalism. But there is not so much difference in their view of the incompatibility between the "self-regulating market" and a "satisfactory way of life"; and both saw democratic politics as centrally important to effectively reconciling the two.

2.2. Conceptualizing the "Insecurity Cycle" [5]

With extension of the franchise, which was significantly increased before and after the First World War, inclusion of the working class in the political economy gave rise to (and continues to power) what can be seen as an "insecurity cycle" (Konzelmann, et al., 2018). Its dynamics are driven by the interaction of economic and political forces, as opposing interest groups within society – 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.

In the insecurity cycle, the market and the state play complementary roles in maintaining a balance between the interests of capital and labour. This draws upon Karl Polanyi's (1944 [2001]) view of the relationship between the economy and society – and the tension between what he considered the two organising principles of modern market society: "economic liberalism" (the freeing-up of market forces and a reduced role for the state), and "social interventionism" (government spending on social welfare and protection, and an expanded role for the state) (p. 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. 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 (p. 79).

In this context, Michal Kalecki's (1943) assessment of "political aspects" of the cycle offers insight into the role of institutions and powerful interest groups in driving or inhibiting policy maintenance and change. Such policy goals as maintenance of a high level of employment, for example, serve the interests of organized labour and workers – despite also serving the general interest by delivering prosperity and having a positive effect on profits and the general price level. They are therefore likely to meet with opposition from groups within both industry and banking and finance, who feel their interests threatened by political interference. From this perspective, the government's commitment to a high level of employment can be expected to elicit responses in the form of the withdrawal of investment, fueling a "political business cycle". Kalecki concluded that to be sustainable, "'full employment capitalism' will … have to develop new social and political institutions which will reflect the increased power of the working class" (p. 326).

Other significant ideas informing the nature and dynamics of the insecurity cycle can be found in John Maynard Keynes's (1936) analysis in which cycles are driven by fundamental uncertainty – with the tendency of market capitalism to generate involuntary unemployment and excessive inequality – and an important role for the state in stabilizing them. Keynes, like Kalecki, also acknowledged the importance of power relations in the economy (Hein and Kramer 2024). But whereas Kalecki's focus was on the conflict between capital and labour, Keynes's was on the conflict between financial capital, on the one hand, and industrial capital and labour on the other. In his view, properly managed, the long-run tendency in capitalism

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[5] This conceptual framework is developed in Konzelmann et al. (2018), Chapter 1. This section builds upon and extends the analysis to more explicitly incorporate the nature and role of the political class and the state, as well as perceived external threats to a nation's sovereignty, in order to better understand how extremism on both the right and left might affect the dynamics of the cycle.

towards full employment would erode the power of financial capital, ultimately resulting in "euthanasia of the rentier" (Keynes1997 [1936], p. 376).

Hyman Minsky's (2008 [1986]) insight about the inherent instability of the free market economy – particularly with respect to finance – is also significant; but unlike Keynes, he saw financialization as a long-term trend within capitalism.[6] Polanyi, too, had drawn attention to the significance of "haute finance" during the mid-eighteenth century, which accompanied the emergence of global finance capitalism based on free market values – and the role this played in the "double movement". At the time, London was "the financial center of a growing world trade" (Polanyi 1944, p. 202); and as the world's creditor, Britain was able to impose the gold standard worldwide, effectively placing domestic economies at the mercy of international capital.

More recently, attention has again been drawn to the tendency of unrestricted international capital flows to increase economic volatility and the risk of financial crises, the arrival of which contributes to rising inequality (Ball et al. 2013, Furceri and Loungani 2015). This, in turn, has the potential to significantly reduce both the level and sustainability of economic growth.[7] There is also a nexus between inequality and recession / depression. During an extended downturn, as unemployment rises and incomes fall, demand is weakened and a vicious cycle is set into motion. This is made worse by the impact of falling tax revenues and rising social protection expenditures, which causes an increase in public deficits and debt that is likely to provoke calls for market liberalization and austerity.

The combined consequences of persistent inequality, a deficient social welfare net and austerity bear down hardest on the working classes. Whereas those at the bottom of the distribution of income and wealth rely more heavily on public services and tend to spend everything they receive, the wealthy are less reliant on public services and likely to spend less than they receive (Dynan et al. 2004). A significant amount of this can be expected to fund one form of speculation or another, some of which is destabilising, potentially contributing to economic crises (Atkinson 2015).

Those at the top are also likely to channel money into efforts to influence and distort politics – perpetuating inequality through the political process – with a damaging effect on democratic government (Stiglitz 2013). There is thus a two-way relationship between increased inequality and the role of money in determining the outcome of democratic elections (McCarty, et al., 2006). According to Joseph Stiglitz (2013), the "price of inequality [is] an economic system that is less stable and less efficient, with less growth, and a democracy that has been put into peril" (p. xli). This, in turn, has the potential to put citizens' sense of national identity into jeopardy.

In this context, Beth Rabinowitz's (2023) conceptualization of "defensive nationalism" offers a useful framework for making sense of nationalist responses to the insecurity arising from globalization and *external* disturbances to a country's social and political order.[8] In her view,

[6] These ideas are elaborated in Konzelmann et al. (2018), Chapter 1.
[7] See, for example, Atkinson (2015), Ostry et al. (2016) and Stiglitz (2013).
[8] Rabinowitz (2023) distinguishes defensive nationalism from "creative nationalism" – "the study of how nations come into being" – and "consolidating nationalism" – "the process through which the nation-state is continually reproduced, reimagined and reintegrated" (pp. 26-7).

"defensive nationalism is … a form of national populism that combines anti-liberalism and anti-globalization with economic nationalism" (p. 4). To understand its nature, dynamics and political implications, she examines parallels between the events unleashed by the technological revolutions of the turn of the 20th and 21st centuries – especially involving changes in transportation and communications. These "contributed to internationally contagious economic crises, great flows of labor migration, extreme wealth inequality, and international terrorist movements that spread fear and distrust globally" (ibid.), giving rise to profound insecurities across Europe and in the United States. Societies thus became vulnerable to left-wing populist and proto-fascist movements, with the potential to develop into defensive nationalism. But Rabinowitz argues that defensive nationalism requires a "political entrepreneur", capable of taking advantage of citizens' insecurity and discontent to galvanize fear and anxiety. If such an individual mobilizes enough support to assume a position of political influence and power, there is then the possibility of taking control of political processes for their own purposes.

The insecurity cycle is illustrated in Figure 1, below.

Figure 1: The Insecurity Cycle

Insert Figure 1 about here.

Source: Konzelmann, et al. 2018, p. 8.

As illustrated in Figure 1, following periods of market liberalization and austerity, the insecurity resulting from rising unemployment, poverty and inequality, is likely to cause those affected to pressure 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 through austerity and to liberalise 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 organisation, 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 swift (Konzelmann et. al 2018).

Historically, the existence of a functional state, institutions capable of representing the interests of the various groups within society, and confidence in the state's ability to mediate these interests, have, in combination, tended to produce pendulum swings between varying degrees of market liberalisation and social protectionism. Ian Kershaw (2016) argues that the nature of a country's electoral system can also play a role (pp. 131-34). In countries (including Britain and America) with a "first past the post" system, where there is a single winner in each constituency, political stability is reinforced by deterrence of the emergence of small parties; this encourages party discipline, reduces the likelihood of coalition governments and reinforces the state's legitimacy. By contrast, after the First World War, most European countries (including Italy and Germany) introduced proportional representation systems, which tend to produce a wide range of parties, including Communist, Socialist and Nationalist, Catholic and Protestant, Liberal and Conservative; this contributes to the potential for fragmentation, political instability and challenges to the government's authority.

However, with a dysfunctional state – especially if either or both sides lose confidence or feel that their interests are not being effectively represented – the government's mediating effect is removed, paving the way for extremism from either the left or right, or both. The successful 1917 Bolshevik revolution in Russia, which encouraged similar attempts elsewhere, is a case in point. The resulting threat of communist revolution – and/or the possibility of social democrat/anti-rentier revolution – caused significant concern among the propertied classes of the time, prompting violent counter-responses. In many countries, these took the form of defensive nationalist or proto-fascist movements; and where totalitarian leaders gained control of government (as in Russia, Italy and Germany between the wars), the mediating function of the state was removed, effectively putting a halt to both alternating policy directions and the insecurity cycle.

We will return to the discussion of inter-war capitalism, socialism, communism and fascism in Section 4. But we now turn attention, in Section 3, to the question of austerity.

3. Austerity – Old Economics, New Economies

Austerity is a state policy related to fiscal spending, with the interrelated objectives of reducing public deficits and debt and maintaining confidence in the currency. During the 1920s and 1930s, it was a key debate in Europe, as heavily indebted governments struggled with wartime loan and reparations payments and attempted to return to the pre-war "normality" of balanced budgets, free trade and the gold standard.

Mattei (2022) contends that economists "invented" austerity during the early 1920s as a means of "foreclos[ing] alternatives to capitalism" (p. 3) and restoring the pre-World War One capital order. In her view, austerity would transfer resources to the saving and investing class, reduce inflation and public debt, and strengthen currency values and the balance of trade; at the same time, cuts in public spending (particularly on social welfare provisions), increased taxes, tight monetary policies (reducing the supply and increasing the cost of credit), and industrial policies aimed at raising unemployment and cutting wages would disempower and discipline the working class. She goes on to argue that since austerity, in turn, required a strong government, able to see these policies through in the face of rising social opposition, it "paved the way to fascism". But both austerity and fascism have longer histories than that – much longer in the case of austerity (Blyth 2015) – and any link between the two is far from direct.

3.1. The Economic Dynamics of Austerity

Although there is some logic underlying how the outcomes Mattei ascribes to austerity might perhaps restore the pre-war capital order, what is missing in her analysis is consideration of the changed nature of many inter-war economies – as well as their state of health – and the impact that both of these factors will have on the *actual* outcomes resulting from austerity.

As an economic policy, austerity dates back to the late 17th century (Konzelmann 2019, pp. 6-7); and prior to the first decades of the 20th century, it made a degree of sense as a policy aimed at reducing government deficits and debt and restoring the capital order. However, this was no longer the case following World War One. Previously, there had been few public services, low reliance on income tax and very little in the way of unemployment, health, child or old age support. Government spending was mainly associated with relatively finite military activities. As a result, national finances could be more convincingly compared to those of a household or business since it was far less likely to undermine economic growth or government revenues and increase public deficits and debt. At that point, austerity had some chance of helping governments balance their budgets. However, all that changed with the introduction and development of welfare states and income tax.

Austerity, though, was not always about reducing government debt, purely for its own sake; in some cases, it was closely tied to other policies – notably, the gold standard. For more than a quarter of a century before the First World War (and far longer in Britain), the gold standard was considered synonymous with financial stability, providing the framework for both domestic and international monetary relations. Currencies were convertible into gold on demand and linked internationally at fixed rates of exchange, with gold shipments being the ultimate means of balance of payments settlement. This also meant that the amount of currency in circulation was restricted by the amount of gold in the treasury's reserves. Since governments followed a balanced budget rule, changes in revenues dictated changes in the level of public spending – in other words, austerity had been an inherent component of the gold standard framework since its inception. As a result, countries rarely found themselves confronted with the need to eliminate large budget deficits to stem the outflow of gold reserves (Eichengreen 1992).

However, when governments accepted responsibility for open-ended, effectively permanent, financial commitments such as public welfare, the dynamics of the economy abruptly changed. During the industrial revolution, the exponential growth of the urban poor – and their reliance on the labour market for subsistence – caused unemployment to emerge as both a social and an economic problem by around the turn of the 20th century (Konzelmann et al. 2018). Prior to this, unemployment had been assumed to be a result of individual failings and was therefore considered a purely social problem, rather than a problem linked to macroeconomic dynamics as well. The spread of unionism and the progressive extension of the franchise had also enhanced the political influence of those most vulnerable to loss of work, increasing the pressure for improvements in social security.

Meanwhile, the appearance in most countries of permanent (rather than temporary) income taxes, as well as the beginnings of the welfare state, completely changed the dynamics of the political economy – and with it, austerity. Now, during a recession, when confidence was low and unemployment high, the new commitment to social welfare would increase government costs. At the same time, the state's growing reliance on income tax (as opposed to property or consumption taxes) meant that whilst social welfare costs were going up, tax receipts went down, with the combined effect being an alarming increase in government deficits and debt. In this context, for austerity to have any hope of delivering the outcomes required for debt reduction – let alone restoration of the capital order – the economy would need to be in a sustainable recovery or, preferably, a strong period of growth (Konzelmann 2019). During the inter-war period, prior to the stimulus generated by re-armament for World War Two, both of these situations were rare, indeed.

3.2. Keynes and Austerity

Although Mattei (2022) maintains that "Keynes … in 1919 … shared with colleagues at the British Treasury a sense of terror around the threatened breakdown of the capital order – and surprisingly enough, he also shared their austere solution to the capitalist crisis" (p. 13), by May 1919, Keynes' opposition to austerity was clear. Having been unsuccessful in persuading delegates at the Versailles Peace Conference of his deep concern about the consequences of imposing austerity on the defeated Germany, he resigned from the position of H.M. Treasury advisor to the British Government (Sen 2015). He then gave voice to his concerns in *The Economic Consequences of the Peace*, setting out the arguments he had tried (and failed) to communicate during the conference. In Keynes's view, the burden of reparation payments would not only destroy the German economy; it would cause unbearable suffering and economic turmoil for her people. He also predicted that the terms of the Treaty would foster both animosity among the victorious countries (Britain, France, Italy and the United States) and economic nationalism across the European continent – ultimately undermining reconstruction and the possibility of a lasting peace.

As he observed the rapidly evolving events of the 1920s and 1930s, Keynes actively contributed to debates about both restoration of the gold standard – which, as discussed above, effectively enshrined austerity into policy – and austerity, more generally. He was perhaps the first to recognise the fundamental change in economic dynamics associated with the introduction of a full set of "automatic stabilisers", which accompanied the beginnings of both the British, and other European, welfare states. This, in turn, had serious implications for austerity, which now came with unwelcome – and initially inexplicable – side effects.

During the 1920s, as unemployment in Britain ballooned and industrial strife intensified – made worse by the 1925 return to the gold standard at pre-war parity – Keynes directly challenged the "Treasury view", that state borrowing and spending put the government into competition with the private sector for limited resources but created no permanent additional employment. He argued that the solution to Britain's economic problems lay not in austerity but in its polar opposite – stimulus – aimed at increasing home demand to compensate for shrinking export markets (Keynes 2010 [1929], p. 115).

From this perspective, the cure for unemployment involved both monetary reform and major public works expenditure, financed by borrowing. The logic underpinning the Treasury view had been largely rooted in the international gold standard, which limited the amount of capital available – potentially creating competition between the private and public sectors for the then finite resources. However, after 1931, when Britain was forced off the gold standard and many other countries also abandoned gold, as well as the large increase in available currency, that was no longer a problem. In Keynes's analysis, though, the timing of stimulus and austerity was also critical, with austerity being a necessary counterpart to stimulus, to be applied during the boom (not the recession) to help avoid the risk of inflation or financial collapse and to build up the resources for dealing with the next economic slump.

Keynes would later go on to write *The General Theory*, published in 1936, providing the theoretical framework for understanding the important role played by demand as a driver of economic activity – and the damaging consequences associated with austerity for an economy in recession.

3.3. The American "pre-Keynesians" and Austerity

Keynes, however, was not the only voice advocating government intervention to stabilize the economy – nor was he the first. The United States had emerged from World War One in much better shape than Britain, with a massively stronger economy and a position of financial hegemony. Between 1922 and 1929, the US economy grew rapidly and employment remained high. However, this was not confined to the level of expenditure and the way the economy was organized; it was also related to the way the economy was theorized.

In economics, there had developed a “vigorous, diverse and distinctly American literature dealing with monetary economics and the business cycle” (Laidler 1999, p. 211). It was essentially institutional; and, unlike in Britain, there was little opposition to countercyclical fiscal and monetary policy involving increased government spending and tax cuts during recessions, and austerity during booms. There was, however, considerable debate about its effectiveness and how public spending should be financed. The main centers for these ideas were Harvard (where Lauchlin Currie, Paul Ellsworth, and Harry Dexter White were located) and Chicago (where contributors included Aaron Director, Paul Douglas, Frank Knight, Henry Simons, and Jacob Viner).

In many ways the American institutionalists anticipated Keynes’s ideas, particularly with regard to stabilizing the economic cycle. With the arrival of the Great Depression, the Chicago economist, Paul Douglas, made the case for public works, to be financed by monetary expansion; this was on the grounds that “it is possible for government to increase the demand for labour without a corresponding contraction of private demand and … this is particularly the case when fresh monetary purchasing power is created to finance the construction work” (Douglas and Director 1931, pp. 210–11). The Americans thus preferred money creation to finance government deficit spending because it injected new liquidity and did not incur an interest charge or increase the rate of interest. Also, as long as inflation remained manageable, it might have a greater expansionary effect than debt financing, since bond sales to the public leave them with less money to spend.

Although Franklin D. Roosevelt had advocated a balanced budget during the 1932 presidential campaign, when he took office in March 1933, national income was less than half the level it had been four years earlier; and nearly a quarter of the labour force – around 13 million Americans – were out of work (Schlesinger 1959, pp. 17,19). According to Heinz Ardndt (1972 [1944]), the US was suffering “from the most extreme prostration which any capitalist country had ever experienced in peace time” (p. 34). Likening the depression to war, Roosevelt claimed emergency war powers to fight it.

Robert Skidelsky (2003) describes Roosevelt’s “Hundred Days” as “a presidential barrage of ideas and programmes unlike anything known to American History. Eager young lawyers, college professors, economists and sociologists flooded into Washington as the New Deal gathered pace” (p. 506). It was inspired by no consistent plan but emerged as a set of pragmatic responses to the situation at hand – and the results were almost immediate: between March and July, confidence surged, production almost doubled and the Wall Street Stock Market boomed. Between 1933 and 1937, under the “New Deal” reforms, the American economy recovered. But fear of inflation checked expansionism, slowing the recovery; and in 1937, pressure to reduce the fiscal deficit brought a brief return to austerity (Konzelmann 2019, pp. 72-75). The sharp recession that resulted almost returned the economy to depression, but with the stimulus provided by rearmament and World War Two (1939-45), the economy fully recovered.

3.4. The Gold Standard and Austerity: The Brussels and Genoa International Financial Conferences

As well as arguing against austerity during the 1920s and 1930s, Keynes also argued against restoration of the pre-war gold standard, citing its deflationary dangers. The gold standard had been widely viewed as an essential condition for the relative prosperity experienced during the late 19th and early 20th centuries (Bordo and Kydland 1990, Morrison 2015). However, with the outbreak of World War One, it was suspended or abandoned as governments printed money to help stimulate their economies and pay for the war. Following the war's end, the desire to return to pre-war "normality" and the gold standard was strong (Bernanke and James 1991). Concerns about high rates of inflation, the need to attract inward investment to finance European economic recovery and reconstruction, and the importance of re-establishing world trade added urgency to this debate. At the time, most policy makers, bankers, financiers and economists supported restoration of the gold standard.

To this end, governments sent delegates to international financial conferences at Brussels in 1920 and Genoa in 1922. The objective was to reassure financial markets that governments were committed to restoring the traditional gold parity, in the hope that the financial capital required for economic recovery and post-war reconstruction would flow into Europe (Pasvolsky 1933; Eichengreen 1992). The American Wilson administration had refused to sponsor a programme of inter-governmental loans to help eliminate capital shortages. But so long as the New York financial market continued to advance short-term credits to European borrowers, this had only minor consequences – and until 1920, such credits were extended freely. But US lending dried up when concerns about inflation produced an increase in domestic interest rates during the first half of 1920. This made it increasingly difficult to finance the imported capital equipment required for reconstruction, forcing European governments to choose between economic reconstruction and monetary stabilization.

The Brussels Conference of 24 September to 8 October 1920, was convened by the new League of Nations; and like the four international financial conferences before it between 1867 and 1892, it mainly focused on the operation of the gold standard; and it sought to recreate the old pre-war order (Orde 1990). To set the agenda for the conference, opinions were solicited from five leading economists – Gustav Cassel of Sweden, Arthur Pigou of Britain, Charles Gide of France, Gijsbert Bruins of Holland and Maffeo Pantaleoni of Italy – who prepared a joint statement but did not participate in person. Although Gide was from the left, Cassels and Pigou were liberals, Bruin was more conservative and Pantaleoni was aligned with Italy's fascists, they – and the conference's delegates – held relatively homogeneous views with respect to banking and finance; and they were wedded to the 19th century fiscal orthodoxy which stressed that budgets should be balanced and taxes kept low.

Their joint statement identified three critical economic problems – the threat of inflation, exchange rate instability, and capital shortages; and it emphasised their mutually reinforcing nature: Exchange rate stabilization required that inflation be subdued; price stability depended upon the budget being in balance; balancing the budget relied upon the resumption of economic growth; economic growth could resume only if capital shortages were eliminated; and access to the international loans required to relieve capital shortages depended upon exchange rate stability. According to Eichengreen (1992), "[c]omprehensive intervention was required to break out of this vicious cycle [of inflation, exchange rate instability and capital shortages]" (p.155). But the delegates chose to address each problem in isolation, and only limited progress was made.

The conference recommendations stressed the necessity of re-establishing sound finance, balancing government budgets, reducing inflation and eventually returning to the gold standard, restoring freedom of trade and removing trade barriers. One new initiative was the endorsement of central banks with the power to resist government pressure to fund additional spending through the printing of money. Given the significant extension of the franchise following the war's end, this shielded politicians from pressure to respond to voter discontent over the social, economic and industrial consequences of the austerity required for the gold standard's success.

But "[i]t was agreed from the start that governments would not be bound by any of the conference's recommendations … Thus, whilst both the British and US had already adopted severely deflationary policies, most others continued to finance reconstruction by a greater or lesser degree of inflation" (Orde 1990, pp. 105-7). At the time, Keynes gave the conference little regard. Commenting on it in a letter to his collaborator, Dudley Ward, on 15 October 1920, he wrote:

> "I think the conference did absolutely no harm, whatever, and could not possibly have done more good than it did. I suppose it is useful to have these confabulations from time to time, but I really do not attach the faintest importance to any of the discussions, do you? … I am more and more disposed to see no end or solution except in a general shakeout involving a pretty widespread repudiation of paper money and war loans. … [T]he public finance position seems to me to be now practically insoluble – at any rate in Poland, Germany, Austria and Italy. By no possibility can their budgets ever balance. Who can argue that they can? Yet if they can't, must not the end be as I have suggested above?" (Keynes 2010 [1920], p. 196).

The United States' ambivalence about international commitments, disputes over war debts and reparations, and disagreements among policy makers over delegating financial problems to markets would impede attempts at international cooperation throughout the 1920s – as they did at Brussels – and would, again, at Genoa in 1922 (Eichengreen 1992).

The Genoa Economic and Financial Conference of 10 April to 19 May 1922, was planned by British Prime Minister David Lloyd George to resolve the major economic and political issues facing Europe, to develop a strategy for rebuilding Germany, along with the economies of Central and Eastern Europe, and to negotiate a relationship between the capitalist states of Europe and Soviet Russia. In a speech to the British Parliament, he argued that the primary intent of the conference was to provide for the "reconstruction of economic Europe, devastated and broken into fragments by the desolating agency of war":

> "International trade has been disorganized through and through. The recognized medium of commerce, exchange based upon currency, has become almost worthless and unworkable; vast areas, upon which Europe has hitherto depended for a large proportion of its food supplies and its raw material, completely destroyed for all purposes of commerce; nations, instead of cooperating to restore, broken up by suspicions and creating difficulties and new artificial restrictions; great armies ready to march, and nations already overburdened with taxation having to bear the additional taxation which the maintenance of these huge armaments to avoid suspected dangers renders necessary" (Lloyd George 1922, p. 131).

Due to concerns about the supply of gold relative to world demand for money, one of the conference proposals recommended that central banks make a partial return to the gold standard, permitting them to keep part of their reserves in currencies, which were themselves directly exchangeable for gold coins. However, unlike the prewar gold standard, citizens would not receive gold coins in exchange for their notes. Instead, in the expectation that this would help keep gold reserves in central bank vaults, they could redeem their banknotes in large gold bars, which were unsuitable for day-to-day transactions.

Ralph Hawtrey was the main author of the Genoa Resolution (1922), calling for a general resumption of the gold standard, based on the belief that recovery from the war required putting the pre-war structure of the international economy back into place. Keynes, by contrast, increasingly took the view that each country must first balance its own economy, with the least social cost to itself. In his *Tract on Monetary Reform*, Keynes (1923) attacked the gold standard for not providing enough price stability; and he implicitly argued against a further deflation of British prices to restore the pre-war gold value of Sterling. His "central proposal was that monetary policy should be used to stabilise the price level, not the exchange rate" (Skidelsky 2003., p. 330).

Keynes attended the conference as a special correspondent of the *Manchester Guardian,* for which he wrote a series of articles, in which he was critical of the conference delegates' desire to return the past rather than building something new and fit for the future. In "The Finance Experts at Genoa", published on 15 April 1922, he wrote:

> "What we need is something in the nature of a draft convention to which those delegates who approved it could recommend their governments to adhere, something that is to say, which might actually come to pass. Actually, nothing is being considered at present but a series of pious declarations of general principles. Many of these are old and stale. It does not help much to repeat in general terms that currencies should be stable, that budgets balance, and that banks of issue should be free from political pressure" (Keynes 2010 [1922], pp.382).

However, the conference soon arrived at an impasse when, on 16 April 1922, having convened a secret meeting at Rapallo, the German and Russian delegations signed a treaty. The Treaty of Rapallo established diplomatic relations between the two countries, renounced financial and territorial claims in both directions, and pledged more expansive trade and economic cooperation. This not only marked the end of diplomatic isolation and equal rights for Germany; under the treaty, Germany recognized the Soviet regime as the only legitimate government of Russia. Although the treaty did not include explicit military provisions, secret military collaboration, in violation of the Versailles Treaty, was already underway (Mueller 1976). The Treaty of Rapallo thereby laid the foundations for future cooperation between the two countries (Kochan 1950, p. 117).

Meanwhile, at Genoa, nothing was approved, Germany was expelled, Belgium and France withdrew, and the final draft communication to Russia – which was signed by Britain, Italy, Japan, Poland, Romania, Sweden and Switzerland only – was duly rejected.

4. The dynamics of the Insecurity Cycle

For clarity, the insecurity cycle is portrayed here, as a contest between the perceived interests of wealthy capitalists (on the political right) and the working class (on the political left), mediated by a state that both sides have confidence in. However, this functioning can be – and usually is – affected by a range of factors, including such things as war, pandemics, rapid social and/or political change, financial crises and economic depression. In responding to these, deeply held social, financial and economic conventions can suddenly stop working as they previously appeared to. The combined effect can be an abrupt loss of confidence in the state, the consequences of which can be far-reaching – potentially resulting in a breakdown of the cycle. The interwar years provided all these challenges and more; and whilst no two nations had identical experiences, most were required to address several of them, before another world war would change the game again.

Both the inflationary crisis of the early 1920s and the deflationary crisis of the 1930s created environments that fuelled political extremes across Europe and the United States (Kershaw 2016). During the years immediately following the First World War, the success of the Bolshevik revolution and emergence of the Soviet Union – an alternative model of society that had overthrown capitalism – represented an unprecedented challenge for European and American capitalists. Fear of further communist revolution – and/or socialist/anti-rentier revolution – catalysed violent counter-movements across Europe and split the left, fatally weakening it as it simultaneously strengthened right-wing nationalist forces.

At the same time, outside of the Soviet Union, representative parliamentary democracy became the model for government across Europe; the vast numbers of people, having been mobilised to fight the war, now demanded change, representation and hope for the future, resulting in a significant widening of the political base of society. As the right to vote was extended to all men and, in some countries, all women, political parties were able to mobilise large numbers of voters. As evident in Table 1, by the end of World War One, extension of the franchise was significant, giving the working class a voice in democratic politics. Germany, Britain and the United States had nearly universal suffrage, which was extended to all British women in 1928 and to Italian women in 1945.

Table 1: Extent of Suffrage, Unemployment, Poverty and Inequality in Italy, Germany, Britain and the United States (1920-1940)

Insert Table 1 about here.

Sources: Extreme Poverty (Bouguignon and Morrisson 2002). Inequality (World Inequality Database). Unemployment: Germany and Britain (Galenson and Zellner 1957, p. 455); United States (Lebergott 1964).

In all four countries, aside from the United States, although falling, extreme poverty (defined as the proportion of the population below the income threshold of $1 per day in 1985 purchasing power parity) was a major problem. This is especially the case in Italy, where it rose from 45 per cent to 47 per cent between 1920 and 1930 before falling to 40 per cent in 1940. In both Germany and Britain, poverty followed a relatively comparable pattern, falling between 1920 and 1930, respectively, from 32 per cent to 22 per cent and 33 per cent to 20 per cent; and during the 1930s, it fell further, to 14 per cent in Germany and 6 per cent in Britain by 1940. This suggests that insecurity arising from poverty was highest in Italy throughout the entire interwar period; it was also high in Germany and Britain during the

1920s and early 1930s. Only in the United States was poverty a relatively insignificant cause of insecurity.

Inequality was also high in all four countries (measured by the top 10 per cent to bottom 50 per cent ratio). In 1920, the share of national income for the top 10 per cent was around 3 times that of the bottom 50 per cent in both Germany and the United States, compared with 2.5 and 2.2, respectively, in Italy and Britain. In the United States, unsurprisingly during the "roaring twenties", it increased to 3.4 by 1930, where it remained until the outbreak of the Second World War. In the other three countries, inequality fell to between 1.6 and 1.8 by 1930; only in Germany did it significantly increase during the 1930s, rising to 2.4 by 1940. This suggests that in all four countries, to varying degrees, inequality was a source of insecurity, which would have fuelled fears on both sides of the insecurity cycle.

Although reliable unemployment data is not available for Italy due to misrepresentation of these figures for political purposes, particularly during the 1920s and 1930s (Salvemini 1934), in 1920, it was relatively low in Germany, Britain and the United States. But it quickly became a significant problem in all four countries, especially with the arrival of the Great Depression. Between 1920 and 1932/33, unemployment ballooned, reaching 43.8 per cent in Germany, 22.1 per cent in Britain and 24.9 per cent in the United States. By this time, Mussolini had been in power for more than a decade in Italy; and Hitler was Germany's new chancellor. This meant that the insecurity cycle had come to a halt in both countries, precisely at the time the working class's insecurity was heightened by unemployment.

By contrast, in Britain, the Labour Party leader, Ramsay MacDonald was overseeing the country's second National Government which, despite changes in leadership during the 1930s, was a relatively stable government that remained in power until 1939, when war was declared on Germany and Neville Chamberlain's War Ministry was formed. Similarly in the United States, Roosevelt's Democratic Government was in power, where it would remain until his death in 1945. So by the early 1930s, the insecurity cycle had broken down in Italy and Germany whilst the British and American states were in a position to secure democratic confidence and consent and mediate responses by both the political right and left to the heightened insecurity that accompanied the Great Depression.

4.1. Italy – The Insecurity Cycle and appearance of Fascism

At the outbreak of World War One, Italy had – like Germany – been unified for just 43 years, with the new nation adopting a constitutional monarchy. She 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 inclusion of Italian-speaking districts subject to other countries in the new nation – eventually led Italy to enter the war on the Allied side. This followed the Treaty of London, which promised significant territorial gains. However, when the treaty was not fully honoured by the Paris Peace Conference, confidence in the still young political establishment was seriously eroded.

Worse still, the war had done little for the economy. There was a sharp recession and Italian munitions and shipbuilding businesses collapsed for lack of government orders. Wartime governments had accumulated enormous debts that now needed to be paid down; and they had printed money to pay for arms, causing a sharp rise in inflation and a drop in the lira to one-sixth its 1913 value (Cohen 1972, p. 644). At the same time, unemployment rose sharply as large numbers of ex-soldiers returned in search of work.

On top of this, both inequality and poverty were high. Welfare provision could certainly have helped to ameliorate this; but here, 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 Britain; and only 1.56 per cent of Italy's national income was allocated to social welfare (Pavan 2019). A great deal of effort was therefore made to extend this both during and shortly after the war; but time had run out, and trouble was already on its way.

Even before Italy's entry into the First World War, suffrage reforms in 1912 had nearly tripled the number of Italian voters, from under 3 million to nearly 8.5 million (Kershaw 2016, p. 134). And immediately following the war, in December 1918, as a reward for soldiers, all adult Italian males were given the vote. The cumulative result was a major boost to the left of the insecurity cycle. The following year, with the aim of bolstering support, a new electoral law introducing proportional representation was enacted. This back-fired badly as a serious loss of confidence in the liberal politics of the new state, resulted in an enormous increase in both the Italian People's Party (Partito Popolare Italiano, or PPI), representing Catholic interests, and the Socialist Party, the left-wing of which split off to found the Italian Communist Party (Partito Communista d'Italia). Party politics fragmented and the government was destabilised (Payne 1996).

The result was the "biennio rosso" (two red years), from 1919 to late 1920. This brought further growth for the Italian Socialist party, as well as the anarchist movement and trade union membership, producing a steep rise in industrial action. But the left had little overall vision or leadership – in no small part due to the PPI's, Italian Socialists' and the trade unions' refusal to back the Italian Communists. They, after all, could work for progress via the existing political channels, whilst communism required revolution.

As in other nations at the time, with the Russian revolution still in progress, extremism on the left tended to mobilise opposing activity on the right of the insecurity cycle, usually involving politically and economically more influential groups – those with the most to lose from a communist revolution (Eley 1983). As a result, this right-wing opposition was typically better funded, better organized and more focused, giving it a significant advantage (Acemoglu, et al. 2022, p. 1233). It also drew heavily on the large numbers of now unemployed ex-soldiers, who came not only with experience of military organization and values, but also a volatile mix of nationalist fervour and a strong sense that both they and their country had been very poorly treated.

Meanwhile, the once ardent socialist, Mussolini, had lost interest in class struggle and instead, saw the nation state as the key priority. In March 1919, he founded the Fascio di Combattimento – better known as the "blackshirts". This laid the foundations for a more organized (and militaristic) approach to politics and economics and (shortly afterwards) national government, something that the more fragmented left, had failed to achieve. As a result, at around the same time as the biennio rosso was fizzling out, the rapidly growing number of blackshirts marched to Rome.

Whilst the bienno rosso clearly suggested a possible communist revolution, providing the justification for a counter movement, also crucial to Mussolini's success was the impact of the war on the economy. This had seriously undermined the legitimacy of the pre-war liberal state, effectively removing its ability to mediate the opposing pressures in the insecurity cycle. In the eyes of many ex-servicemen and others, Italy had been cheated out of what she had been promised for entering the war in the first place. Both these factors fed a bitter rejection of the existing state, fuelling the sense that the ruling class had betrayed Italy's war veterans. The emotional appeal to national rebirth – and the destruction of the weak and decadent liberal state – thus held strong attraction for many (Graham 2023).

Nonetheless, Mussolini did not seize power – he was invited to take it. The loss of confidence in the state, had effectively removed the mediating element of the insecurity cycle, pitting the radical right and left directly against each other. The inevitable outcome was likely to be an extreme government of one sort, or the other. So in October 1922, fearing a civil war between the fascists on one side, and the communists and left-wing groups on the other – which the government was unlikely to survive – King Victor Emmanuel III capitulated and installed Mussolini as Prime Minister (Wiskemann 1967). With that, the insecurity cycle in Italy ceased operating for more than two decades, until the Italian people abandoned both Mussolini and the Axis powers towards the end of World War Two.

4.2. (Anti-)austerity and the rise of Nazism in Germany

Following the First World War, Germany, like Italy, had only been unified for less than fifty years, and there was a feeling that she had been treated much worse than expected. The Versailles Treaty imposed war reparations totalling 132 billion gold marks or 260 per cent of 1913 national income – which would have been difficult enough to meet, even without the loss of much of her industrial capacity (Ferguson 1997, Ritschl 2013). The final stages of the war had also seen the German Revolution, resulting in seismic social and political change, including the forced abdication and abrupt flight from the country of Kaiser Wilhelm II, as Germany moved away from a semi-constitutional monarchy, to become a democratic republic – boosting the left of the insecurity cycle.

The *extreme* left, however, was also active, resulting in a communist uprising in 1918-19, which was far more ambitious than the activity in Italy's biennio rosso, resulting in the brief appearance of a number of soviet republics, notably in Bavaria, but also in Saxony, Bremen, Würzburg and Alsace-Lorraine. As in Italy, though, these were not supported by the Social Democratic Party of Germany (SPD), which preferred to integrate political and economic elites into the new, parliamentary democracy. Also, as in Italy, the communists soon experienced violent opposition, albeit this time by the German army and the Freikorps (volunteer military units), who crushed the uprising in an emphatic – and brutal – manner. Other extremist parties also established themselves, with the National Socialist German Workers Party (NSDAP) – the Nazi Party – already attracting members by the early 1920s. However, whilst the fledgling liberal democracy had survived its first crisis and was still mediating the insecurity cycle, it was not out of the woods yet.

The issue of German war reparations kept political tensions high, with violence never far away. War, defeat, revolution and the peace settlement had traumatised and divided the German people and polity. The middle-classes feared and reviled socialism, giving rise to nationalist agitation and paramilitary violence on the anti-democratic right, reminiscent of post-war Italy. Adolf Hitler – who in 1921 became leader of the Nazis, which in some ways resembled Mussolini's early Fascists – had been making a stir in the beer halls of Munich (Kershaw 2016, pp. 142-7).

Like Mussolini, Hitler had also served in the military during World War One and maintained close links to the army, where there was a strong sense that the German military had not in fact been defeated in the field but had instead been let down by financial and political elites. This was reminiscent of the reaction of the Italian military following World War One. The mixture of a sense of their nation having been very badly treated and a plentiful supply of unemployed ex-soldiers with a strong feeling that they'd been "stabbed in the back" proved to be a heady one. Not only did it provide the back story for extreme nationalism; it also provided the means to do something about it.

Predictably, during the early 1920s, Germany struggled to pay the reparations. Not only was industrial output severely depressed and unemployment high, reaching 13.1 per cent in 1924 (Galenson & Zellner 1957, p. 455); the currency depreciated, causing a sharp rise in inflation. To cover expenditure and re-pay its debts, the government simply printed whatever money was needed (Fergusson 2015). In 1923, as hyperinflation destroyed the Papiermark (PM), and the savings of middle-class Germans, politics rapidly polarised and the spectre of communist revolution reappeared.

Right-wing extremists, however, were also seen as a threat. In Bavaria, where paramilitary groups had been mobilised and Hitler served as political spokesman, a "march on Berlin" – inspired by Mussolini's march on Rome – was planned. But without the backing of the German military, it stood little chance of toppling the government. Even so, Hitler felt he should attempt it anyway. The attempted "putsch" was theatrically launched in a large Munich beer hall on 8 November 1923; but it collapsed in a barrage of police gunfire and its ring leaders – including Hitler – were sentenced to a brief period of imprisonment. With that, the extremist right fragmented and the crisis subsided. Although Italy was now firmly under fascist control, the new German state had maintained its mediating role at the centre of the insecurity cycle – albeit having had to resort to violence.

To address hyperinflation, restore investor confidence and make the country more attractive to foreign capital, something needed to be done about the currency. With the large amount of PMs in circulation and a lack of gold in the Treasury, a new currency, backed by something other than gold, was needed. On the 15th November 1923, the PM was replaced by the "Rentenmark" (RM) – or "Mortgage" mark – at the rate of one RM to one trillion PM. Inspired by the economist Karl Helfferich's idea that a currency could be backed by real goods rather than gold, the RM was effectively backed by a mortgage on all the land in Germany that was used for agriculture or business, for the equivalent of around 3.2 billion gold marks (Fergusson 2010, Chapter 13). Renamed the "Reichsmark" the following year, the new currency successfully supported the flow of foreign capital into Germany's financial markets and drove economic expansion until the Great Depression.

Using real goods rather than gold to back the currency also had another welcome benefit – it did not require an already impoverished population to endure a severe bout of austerity, but instead opened-up the fiscal space for funding much needed progressive social reforms (Moss 1982, pp. 89-91). As a result, not only was insecurity on the right of the cycle reduced; insecurity on the left was also addressed, which went a long way towards limiting unemployment and extreme poverty which might otherwise have fuelled further extremism. Again, the mediating influence of the state had survived.

But it was not to last. Following the 1929 Wall Street crash, the supply of American loans dried up. Meanwhile, protective trade measures contributed to a decline in exports and rising unemployment. By 1930, the new democracy had effectively been suspended, as President Hindenburg dismissed the government and appointed a presidential cabinet without parliamentary backing under Heinrich Brüning. Brüning's commitment to liberating the German economy from the burden of foreign debt and reparations payments – which had been greatly reduced by the 1929 Young Plan – convinced him that there was no alternative to harsh austerity measures (Cassis 2002, p. 274).

And harsh they were: Between 1930 and 1932, total nominal public spending was cut by around 30 per cent, causing a sharp decline in real total revenue, whilst national income fell by about 15 per cent. Workers lost almost all of the social gains of the 1920s, with many being thrown into poverty; and Brüning became known as "the hunger chancellor" (Galofre-Vila et al. 2021, p. 6). Exports fell by half, with many businesses becoming insolvent, causing a spike in unemployment, which reached 43.8 per cent in 1932 (Galenson and Zellner 1957, p. 455). This had two pivotal effects on the insecurity cycle: Not only did it undermine confidence in the state; it also created a golden opportunity for a "political entrepreneur" – and Hitler's Nazi Party responded by launching an *anti*-austerity election campaign (Konzelmann 2019, pp. 67-70).

On 30 May 1932, Brüning was replaced by Franz von Papen, who introduced a number of emergency stimulus measures; and Germany's economic situation began to improve. But confidence in the government did not follow suit; and in the Reichstag elections of 1932, the Nazis became the largest party with 230 seats – but still short of an overall majority. The following January, von Papen resigned and persuaded a reluctant Hindenberg to appoint Hitler as the new chancellor, with himself as vice-chancellor. But loss of confidence in the government, meant there was no controlling Hitler; and, as chancellor, he worked against attempts by the Nazi Party's opponents to build a majority government. Because of the political stalemate, he requested that Hindenburg again dissolve the Reichstag; and in the 6 March 1933 elections, the Nazi Party acquired the largest number of seats in parliament, enabling Hitler to consolidate control over government. Thus, like Mussolini, Hitler did not actually win power; he was invited to take it – and the insecurity cycle lost the mediating role of Germany's political class.

Had the population been better shielded from the effects of extreme austerity, world history might well have been different. Instead, the German state's inability to address the country's economic and social challenges had paved the way for right-wing extremism. And as in Italy, it would take another world war to restore it.

4.3. Extremists in Britain

The Britain that emerged from World War One was not the same as the one that went in. But a key factor that allowed the British state to maintain a (mostly) credible role as mediator between very polarised groups within society was a slow, but steady adaptation to the major social, political and economic shifts that had been catalysed during the industrial revolution and early decades of the 20th century.

Prior to the war, David Lloyd George and Winston Churchill, noting the attempted 1905 revolution in Russia, not only saw the concentration of wealth and power as the greatest threat to British society; they had started doing something about it. The "Peoples' Budget", which after considerable opposition in the House of Lords, was finally passed in 1910, imposed taxes on the wealthy – in many cases for the first time (Lee 2008). The proceeds were then 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. On the political front, developments included a steady increase in suffrage, and by 1928, the majority of British adults could vote. The industrial workforce, where trade union membership was high, also powered the growth of the new Labour Party, balancing the left and right and producing Labour-led governments in 1923 and 1929.

In response to the problems created by working-class political and economic unrest during and after the First World War, Britain had adopted a more corporatist approach to industry, with the state playing a significant role. Following the 1917 Russian revolution, and in the wake of the shop stewards' movement and a wave of strikes over wages and other issues, John Henry Whitely was appointed to chair a committee that produced a *Report on the Relations of Employers and Employees.* Initially, this had emerged as a pragmatic means of crisis-avoidance (Booth 1982). To that end, from 1919 onwards, Joint Industrial Councils, known as Whitely councils, were established as a tripartite negotiating framework involving industry, organized labour and the state; 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 approach ultimately helped the state maintain the confidence of the other two parties as mediator in the insecurity cycle – in the process, ameliorating some of the causes of social and political instability which were plaguing other European countries.

Like other nations between the wars, Britain also had her share of extremist groups – including communists on the left and fascists on the right. But British communists struggled to achieve much; and – with no conspicuously worrisome communists to attack – so did the British Fascists. Nor was there any general sense of national humiliation following the war to provide a focus for disaffected military personnel. Also, like its socialist counterparts elsewhere, the British Labour Party and trade unions distanced themselves from the Communist Party of Great Britain, who therefore lacked the support of the party representing the interests of the working classes in parliament.

Britain, as a financial powerhouse, did, however, suffer from self-inflicted damage as a result of a strong attachment to the concept of the gold standard. In 1925, Churchill's speech in favour of returning Sterling to the gold standard at pre-war parity, eventually resulted in a currency value that undermined both exports and employment, which played a key role in precipitating the violent 1926 General Strike. However, the way the government handled the strike dealt the communists' regional strongholds in the coal industry a serious blow; it also severely undermined the British fascists.

For the government, controlling the fallout from the General Strike was essential, so extremists on both the left and right were targeted. Key members of the Communist Party of Great Britain were imprisoned, whilst fascists, looking forward to some violent strike breaking, were banned from joining the newly created Organization for the Maintenance of Supply (OMS) without first formally renouncing their fascist views. The OMS had been established to keep the economy functioning during the strike, rather than using the armed forces. This had a divisive effect on the disappointed British fascists; deprived of the opportunity to emulate Mussolini's strike breaking tactics, the group quickly fragmented, with many drifting away. Thus, unlike the single fascist parties in Italy and Germany, Britain's fascists consisted of various splinter groups, and were largely ineffectual (Hodgson 2010).

On 1 October 1932, the British fascist leader Oswald Mosely – after a tour of Europe to gain first-hand experience of the rather more successful fascist regimes there – attempted to address this by uniting these fractious groups into the British Union of Fascists (BUF). The result was a larger movement, with a claimed membership of around 50,000 at its peak (Olechnowicz 2004, p. 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 source of both financial support and media coverage. This use of the modern media of the time, was a central means of getting the fascist message out to a wide audience; it was used by Mussolini, and Hitler, as well as Father Charles Coughlin in America, whose use of radio broadcasting was so effective, that President Franklin D. Roosevelt adopted a similar approach in his "Fireside Chats" to *counter* extremist movements in the United States.

However, modern media and the adoption of a more obviously European style of fascism – especially his espousal of antisemitism in 1936, failed to impress many in Britain. By 1939, the BUF could boast only 20,000 members; and it was banned the following year. Mosely, along with other notable fascists, were interned for the duration of the Second World War (Blamires and Jackson 2006).

The longer established British state had thus continued to evolve throughout the 1920s and 1930s. But unlike her more recent European counterparts, she successfully maintained the critical mediating role at the centre of the insecurity cycle.

4.4. Roosevelt's "New Deal" for America

The United States emerged from World War One in much better shape than Britain, in large part due to her late entry into the war and strong demand for wartime production and finance. Between 1914 and 1918, American national income nearly doubled, from $33 to $61 billion, whilst its gold reserves increased from $1,887 to $3,079 billion (Duroselle 1963, p. 133, Migone 2015 [1980], p. 1). But the 1917 Bolshevik revolution sparked panic – and fear that communist revolution might spread to other countries, including America.

This nervousness resulted in increased opposition to both political parties and organised labour. As a result, the production demands of the First World War had been used as justification by the Justice Department to launch a frontal attack on both the American Socialist Party and the Industrial Workers of the World (IWW) – the "Wobblies". On the eve of the war, both were sizeable organizations. But by the war's end, they had been decimated; and Eugene Debs, leader of the revolutionary unionists of the Wobblies, along with many of his comrades, were imprisoned for sabotaging the war effort. However, this had not completely suffocated the fighting spirit of the working class; and the Bolshevik revolution only encouraged its desire for a better future. In January, a five-day General strike in Seattle created a state of high anxiety across the country. This was made worse by a wave of wildcat strike activity and attempted assassinations of high-profile political leaders, which were generally blamed on "the reds"; and this was met with violent counter-responses by both employers and the police (Migone 2015 [1980], pp. 6-8).

But the protests lacked political leadership and the Socialist Party split into three factions, making the unrest relatively easy to repress, especially when the depression of 1920-21 brought a sharp increase in unemployment. Following this brief depression, aside from agriculture, which remained in recession throughout the 1920s, the economy grew rapidly and employment recovered. The general strength of the American economy during the 1920s helped suppress any significant tendency to radicalism. But like most countries between the wars, groups on both the left and right were still 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 in early 1919; but during the 1920s and 1930s, rather than fomenting revolution, it played an active role in helping to organize labour and support the rights of African Americans and the unemployed (Buhle 1987).

In 1929, 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 would be no re-run of the short depression a decade earlier. As in Europe, the arrival of hard times significantly increased the insecurity of the working classes, in particular, producing a sharp rise in radical thinking and activity.

President Herbert Hoover had arrived in the White House only months before the crash; so the initial response to the deepening depression fell to him. In 1931 and 1932, he attempted a policy of reflation, 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 because the level of investment was simply too low; and any effect it might have had was entirely negated by a matching contraction in public works at the state and local levels. Until then, the distribution of power between the states and the relatively weak federal government, meant that responsibility for public services rested with the states. But lacking the resources required, these now turned to the federal government for assistance.

When the presidential election in 1932 replaced Hoover with Franklin D. Roosevelt, it was believed that he – like many European leaders at the time – would adopt a form of corporatism in response to the economic and industrial challenges of the Great Depression (Bratton and Wachter 2008). A major question, therefore, was whether it 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’s “New Deal” aimed to build a partnership between the federal government, the states and the private sector, with the aim of turning the economy around, and providing a better life for the American people. The legislation of the New Deal developed pragmatically as events unfolded, drawing upon a range of different progressive ideas (Rogers 1998, pp. 409-12). It included new safeguards and constraints on the banking and finance industry and programmes focused on providing relief for the unemployed and poor, improving wages and working conditions and strengthening the organizing power of trade unions. All of this served to reduce insecurity on both the right and the left.

Meanwhile, during the early 1930s – and especially after 1933, when Mussolini was joined by Adolf Hitler – 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. By then, Mussolini had been in power for over a decade – almost the equivalent of three successive presidential terms. From the outside at least, he also appeared to have successfully addressed many of the issues of the day, not least, communism (Eley 1983).

Like their European counterparts, some American fascist groups – 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; as well as the Black Legion and later, the German-American Bund – were espousing antisemitic views. In the case of the Silver and Black Legions, they were also attacking organised labour, often at the behest of large businesses such as General Motors and Ford. And they strongly opposed communism, socialism and liberalism (Hart 2018).

At the same time, outspoken individuals – such as the left-leaning Louisiana governor, Huey Long, and the radical Canadian-American priest Father Charles Coughlin – like Mussolini, were attracting audiences numbering in the millions through the use of mass media, in Coughlin's case, radio. However, having started out on the left – and a supporter of Roosevelt's New Deal – Coughlin soon after took an antisemitic stance and supported many of Mussolini's and Hitler's policies. Roosevelt recognised the alarming potential of these extremist groups and individuals, and the threat this posed for American democracy (Stout 1997). He therefore committed himself to preparing the United States to meet the challenge they presented, and in so doing, to thwart the "latent Nazism in Americans", many of whom felt that fascism presented less of a threat than communism or socialism (Rauchway 2015, p. 113).

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. 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, in the hope of influencing the 1940 presidential election (Carrier 2014). Lindbergh visited Germany on a number of occasions between 1936 and 1938, to meet with the head of the Luftwaffe, Herman Goering; and like Henry Ford, who had opened an automobile plant in Germany, he was awarded the Service Cross of the German Eagle by Goering (Wallace 2003, Hart 2018, pp. 167-71). However, whilst he was arguably one of the very few people on the right who might credibly have run against Roosevelt, Lindbergh never did; and in September 1941, his antisemitic speech at Des Moines, Iowa, effectively ended his influence. The following year, the argument became largely academic, as America was at war with both Germany and Japan.

Whether it was simply down to the personalities involved and/or the increasing impact of the New Deal in ameliorating the worst effects of the Great Depression, the various right wing radical groups in America failed to unite. Nor did any individual ever quite manage to provide the political leadership or coordination necessary to unseat Roosevelt and significantly shift American politics and society. In the end, it was Roosevelt who, in response to the crisis of the Great Depression, was able to provide the enduring political leadership required to harness popular unrest and implement the new ideas that underpinned the New Deal over three terms in the White House, and a few weeks of a fourth. Thus, whilst the insecurity cycle might have wobbled a bit, it didn't break down.

5. Conclusions

The insecurity cycle helps shed light on the processes and events shaping developments between the wars, which have relevance for today. It takes account of the dynamics and interaction of a range of factors, rather than assuming a simple linear progression in the relationship between capitalism, austerity and fascism. In Italy, Germany, Britain and America, the determination of liberal democracies to restore the pre-war ideals of free trade and the gold standard created extreme social and economic hardship for the working class, which was met with often violent resistance and industrial unrest. This, together with extension of the franchise, created the potential for political movements to challenge and undermine democracy itself. But in the 1920s, communism triumphed only in Russia and fascism only in Italy. Almost everywhere else, even in Germany, democracy (albeit fragile) survived. It would take the 1929 Wall Street Crash, which abruptly cut off international funding, the Great Depression – and Hitler's *anti*-austerity campaign – to bring the Nazis to power in Germany.

Equally significant, especially in Europe, was the emergence of welfare states, the main purpose of which was to keep trade unions and the less well-off relatively quiescent. However, with the breakdown of world trade and the dramatic increase in public debt resulting from the war, these began to look unaffordable, despite their continuing importance for the majority of citizens. At the end of the First World War, part of the plan for restoring trade and financial order involved efforts to return to the gold standard, a concept that effectively enshrined austerity when public debt was considered too high. Not only would austerity have a disproportionate effect on those the welfare state was designed to appease; worse still, with a welfare state in place, austerity would now have precisely the opposite effect – on both the economy and government debt – to that imagined.

Effectively then, Italy, Germany, Britain and the United States were confronted with a dilemma: how to balance the apparently competing requirements of maintaining sufficient welfare support to prevent radical social and political upheaval, whilst at the same time returning to policies that many still believed were necessary for maintaining confidence in the currency and sound economics. How each state addressed these priorities – and, in particular, whether they clung to old but now questionable ideas, or adapted to a rapidly changing world with pragmatic new ones – would have world changing consequences.

There is a strong resonance between events of the inter-war period and today, including a questioning of laissez-faire capitalism and austerity, and the rise of extremist movements on both the left and right. However, the conditions that gave rise to fascism, especially the form it took in Mussolini's Italy and Hitler's Germany, were in many ways unique to the times in which they emerged. In both Italy and Germany, there was a very strong sense of disappointment over the terms of the peace settlement and a loss of national prestige. Nationalist fervour found expression in the experience of returning military leaders and a plentiful supply of troops, now unemployed – as well as armed and organised – and feeling betrayed by their country's political leadership. All of this contributed to a crisis in the legitimacy of the state. Ian Kershaw (2016) argues that:

> "Fascism's triumph depended upon the complete discrediting of state authority, weak political elites who could no longer ensure that a system would operate in their interests, the fragmentation of party politics, and the freedom to build a movement that promised a radical alternative. These preconditions were present in post-war Italy between 1919 and 1922 and in Depression-ridden Germany between 1930 and 1933" (p. 232).

These seem compelling causes of fascism, some of which can be detected in contemporary political developments. Combined with deep and prolonged austerity – and the significant increase in insecurity this has meant for those most reliant on public services and support – their implications for today should not be easily dismissed. Otherwise, we risk misunderstanding and mis-diagnosing our own times, as those inter-war politicians, financiers and economists (as well as more than a few today) discovered to their cost.

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World Inequality Database, available at https://wid.world/.

Figure 1: The Insecurity Cycle

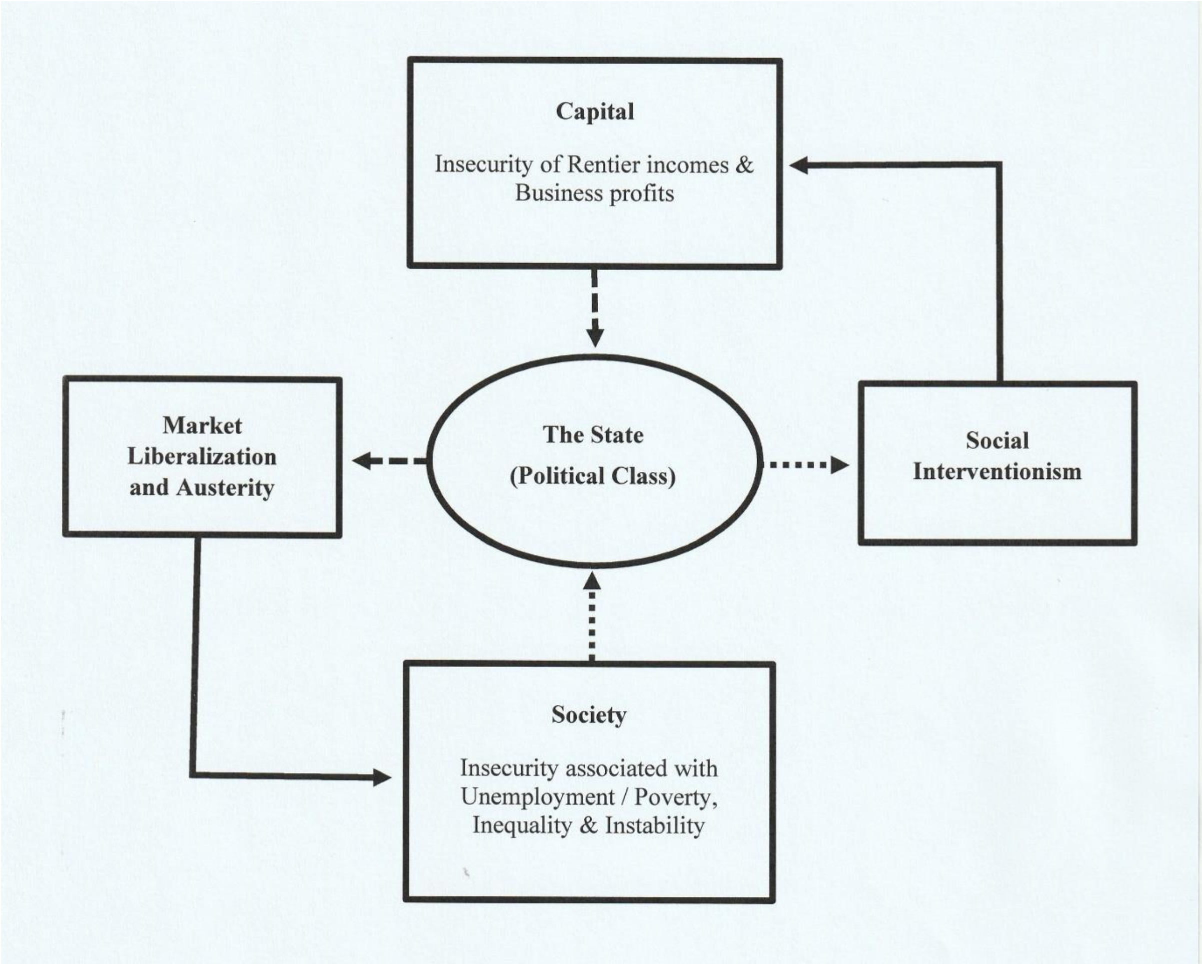

Table 1: Extent of Suffrage, Unemployment, Poverty and Inequality in Italy, Germany, Britain and the United States (1920-1940)

		Italy	Germany	Britain	United States
Suffrage	Males	1912 (over 30) 1918 (over 21 & war veterans)	1871	1918	1856
	Females	1945	1919	1918 (over 30) 1928	1920
Poverty (Proportion of population below $1 per day threshold [1985 PPP]	1920	45%	32%	33%	2%
	1930	47%	22%	20%	4%
	1940	40%	14%	6%	1%
	Average	44%	23%	20%	2%
Inequality (top 10% to bottom 50% ratio)	1920	2.5	3.0	2.2	3.1
	1930	1.8	1.6	1.7	3.4
	1940	1.9	2.4	1.8	3.4
Unemployment	1920	NA	3.8%	3.2%	5.2%
	1932/33	NA	43.8%	22.1%	24.9%
	1939	NA	0.9%	10.5%	17.2%