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## Radical Mercantilism and Fascist Italy's East African Empire

This article traces the evolution of Italian strategies for imperial expansion from the decades after unification—when many came to believe that imperial conquest would more advantageously position Italy in the liberal capitalist global economy—to the height of the fascist colonial project in the Horn of Africa—when the fascists tried to break with the liberal global economy and construct a new, radical mercantilist and corporatist empire. Taking inspiration from their predecessors, the fascist regime extracted capital, resources, and labor from Africans and Italians to finance its war against the Ethiopian empire and its colonization of the Horn. While the war temporarily stimulated Italian industry, employed hundreds of thousands of work-hungry Italians, and consolidated the regime's many corporatist institutions, it drained Italy's reserves and alarmed the *Duce's* allies among Italy's industrial and financial elite. The regime, thus, shifted strategies, focusing on reducing the cost of the empire by exploiting African workers, eliminating inefficient small enterprises, and creating vast concessions for Italian industrialists. Conquering new territories and markets, acquiring a variety of primary resources, and empowering industry, Mussolini and the radical mercantilist-corporatists aimed to resolve Italy's perceived under-development, by placing Italy at the center of a great

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fascist Eurafrican empire that could dictate the terms of its engagement with the rest of the world.

**Keywords** Fascism, imperialism, Horn of Africa, industry

By July 1937, the Kingdom of Italy's hard-won gold reserves had dwindled so low that the Undersecretary for Exchanges and Values, Felice Guarneri, worried they would be exhausted by year's end. Italy's public sector debt neared 140 billion lire and gross public debt is estimated to have been 95.7% of GDP in 1937.<sup>1</sup> Over the previous two years, the regime had thrown the entire national economy—from soldiers to savers—into conquering the Ethiopian Empire and colonizing the 1.7 million square kilometer territory they called Italian East Africa (hereafter, AOI), which included occupied-Ethiopia and Italy's adjacent colonies, Eritrea and Italian Somaliland.<sup>2</sup> An estimated 20–25% of all public expenditures, equivalent to about 10–12% of national income, was directed towards AOI (1935–40).<sup>3</sup> Mussolini's inordinate expenditures on his imperial project, Guarneri warned, were about to bring the Italian economy—and the war in Ethiopia—to a grinding halt. If Mussolini were unwilling to scale back his imperial plans, he should, at the very least, consider taking steps to offset Italy's huge outlays in AOI. As an example, Guarneri suggested that the government could encourage Italians to migrate to Brazil and Argentina, as they had in the past, generating remittances and trade that had contributed credits to past liberal governments' balance of payments.<sup>4</sup>

To Mussolini and his close advisors, Guarneri was a 'Cassandra' for his dire predictions.<sup>5</sup> Guarneri, a liberal by instinct, was certain that Italy needed to reduce its deficit and increase its reserves to prepare to re-enter the global market, as sanctions were lifted and the global economy picked up in the late 1930s. By contrast, Mussolini and the radical mercantilist-corporatist thinkers, such as the nationalist Luigi

<sup>1</sup>G. Salvemini and Vera Zamagni, "Finanza pubblica e indebitamento tra le due guerre mondiali: il finanziamento del settore statale," in *Ricerche per la storia della Banca d'Italia*, vol. 2 (Bari, 1993), 151, table 2.3; Vito Tanzi and Ludger Schuknecht, *Public Spending in the 20th Century. A Global Perspective* (Cambridge, 2000), 65, table III.5; Vera Zamagni, *The Economic History of Italy, 1860-1990: From the Periphery to the Centre* (Oxford, 1993), 250, table 8.3. Precisely, public sector debt was 139,553 million lire.

<sup>2</sup>"Superficie e popolazione dell'Africa orientale italiana (valutazione al 30 giugno 1936)," *Rassegna economica delle colonie* 24, no. 7–8 (July-Aug. 1936): 455.

<sup>3</sup>Alessio Gagliardi, "La mancata 'valorizzazione' dell'impero. Le colonie italiane in Africa orientale e l'economia dell'Italia fascista," *Storicamente* 12 (2016): 19; Gian Luca Podestà, *Il mito dell'impero* (Turin, 2004), 244.

<sup>4</sup>Felice Guarneri, *Battaglie economiche tra le due guerre*, ed. Luciano Zani (Bologna, 1988), 754, 778, 759–760.

<sup>5</sup>Galeazzo Ciano, *Diario 1937–1943*, ed. Renzo de Felice (Milan, 1980), 395–396.

Federzoni, were convinced that the liberal capitalist global market—the one that Guarneri wished to rejoin—was biased, unstable, and on the verge of collapse.<sup>6</sup> The fascists claimed that liberal capitalism, a system of free trade governed by the gold standard, balanced budgets, and sound currencies, benefitted great territorial empires, especially Britain, and disadvantaged Italy, which had been denied its fair share of global resources and markets when the European powers divided the world into their respective empires.<sup>7</sup> To survive, Italy needed not just to occupy Ethiopia but to exploit its new empire.<sup>8</sup> By increasing the number and variety of resources at its disposal, capturing vast markets, and strengthening Italian industry, the fascist regime aimed to move Italy from the “periphery” of the global economy to the center of a new fascist Eurafrican empire of colonies and satellite states.<sup>9</sup> That said, so long as Italy had to purchase essential goods, such as petroleum, on the global market, it needed to husband Italy’s gold reserves and sustain the lira’s value overseas. Reluctantly, Mussolini ordered cuts to expenditures for AOI in July 1937.<sup>10</sup>

This article examines how the fascist regime extracted capital, labor, and other resources from Africans and Italians to wage war in Ethiopia, expand its empire, and consolidate its own economic and political power.<sup>11</sup> It is divided into three time periods, each sketching a general model of how the Italians sought to finance their imperial projects and the forces that made them change strategy. The first section examines how the liberal Italian government in the late nineteenth and early twentieth century used emigrants and state-backed enterprises to expand Italy’s influence overseas and generate the exports and remittances needed for the metropole’s balance of payments. Liberal Italy’s expansionist strategies shaped industrialists’ expectations of Mussolini’s imperial project and informed

<sup>6</sup>This group included nationalists, most notably Federzoni who served twice as Minister of the Colonies, men within the Ministry of Foreign Affairs, such as Corrado Zoli and Count Vinci Gigliucci, and others. For examples, see: Luigi Federzoni, 1927. *Diario di un ministro del fascismo*, ed. Adriana Macchi (Florence, 1993); Luigi Federzoni, *A.O. Il posto al sole* (Bologna, 1936); Alessandro Rosselli, “Appunti sul colonialismo fascista. Venti mesi di azione coloniale (1926) di Luigi Federzoni,” *Études Sur La Région Méditerranéenne* 26 (2017): 90, 94; Sven Beckert, “American Danger,” *The American Historical Review* 22, no. 4 (October 2017): 1166; Angelo del Boca, *Gli italiani in Africa orientale*, vol. 2 (Milan, 1992), 12–18.

<sup>7</sup>Adnan Türegün, *Policy Responses to the Interwar Economic Crisis* (Cham, 2022), 2.

<sup>8</sup>Podestà, *Il mito dell'impero*, 240; Giuseppe Maione, *L'imperialismo straccione* (Bologna, 1979), 108–109; Franco Catalano, *L'economia italiana di guerra* (Milan, 1969), 2–3, 10–12; Davide Rodogno, *Fascism's European Empire* (Cambridge, UK, 2006), 42–47.

<sup>9</sup>Rodogno, *Fascism's European Empire*, chap. 2, esp. 47–57.

<sup>10</sup>Guarneri, *Battaglie economiche*, 761–67.

<sup>11</sup>Charles Tilly, “War Making and State Making as Organized Crime,” in *Bringing the State Back In*, ed. Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge, UK, 1985), 171, 181–182. The term “extraction” is often used by historians of colonialism.

the fascists' tactics.<sup>12</sup> The second part analyzes how the fascist regime financed the invasion and occupation of Ethiopia (1934–37). While Mussolini and his propagandists often proclaimed that Italy's "proletarian" empire was made by and for Italians, I demonstrate that fascist "proletarian imperialism"—a term I critically appropriate—in fact, extracted capital, labor, and other resources from Africans and working-class Italians, effectively crushing consumption among the poorest, to finance its imperial campaign and temporarily stimulate Italian heavy industry.<sup>13</sup> The third part studies how Mussolini attempted to reduce the empire's cost to the metropole in response to Guarneri's 1937 alarm.<sup>14</sup> Mussolini needed to convince Italy's industrial giants, such as Fiat, Pirelli, the Italian Cotton Institute, and others, to invest in the empire and a new fascist, radical mercantilist capital order (1937–40). These self-made elites were considered economic and spiritual leaders of the nation, whose contribution to the empire was indispensable.<sup>15</sup> The process of engaging industrialists and reducing the costs, referred to as "normalization," entailed replacing Italian laborers with local African workers and creating concessions, as illustrated by case studies from the trucking and cotton industries in AOI.

Studying how the fascist regime extracted capital, labor, and other resources from Africans and Italians to channel them toward empire-building suggests that many within the fascist regime sought to construct a radical mercantilist, corporatist capital order. The term radical mercantilist—unlike more commonly used terms such as interventionist, developmental, autarchic, or protectionist—emphasizes Mussolini's attempt to remake society and its institutions to empower the state to overcome Italy's perceived "under-development" relative to its European peers.<sup>16</sup> I argue that Mussolini, like early modern mercantilists, thought of

<sup>12</sup>Jane Burbank and Frederick Cooper, "Imperial Trajectories," in Burbank and Cooper *Empires in World History* (Princeton, 2010), 2–17.

<sup>13</sup>See, for example, Confederazione fascista dei lavoratori dell'agricoltura, *L'impero del lavoro* (Rome, 1937); Confederazione fascista dei lavoratori dell'industria, *L'impero del lavoro è una realtà. possibilità del lavoro nelle terre d'oltremare* (1940).

<sup>14</sup>Alessio Gagliardi, "Il ministero per gli scambi e valute e la politica autarchica del fascismo," *Studi storici*, no. 4 (Dec. 2005): 1051, 1065–66.

<sup>15</sup>Federzoni, 1927, 164, 224; Joseph Femia and Alasdair Marshall, "Introduction," in *Vilfredo Pareto: Beyond Disciplinary Boundaries*, ed. Femia and Marshall (London, 2016), 1–8; Rosselli, "Appunti sul colonialismo fascista," 37–38, 94n; del Boca, *Gli italiani in Africa orientale*, vol. 2, 13; A. Asquini, "La politica economica dell'Italia in Etiopia," *Gli annali dell'Africa italiana* 1, no. 3–4 (Dec. 1938): 850–57.

<sup>16</sup>On underdevelopment, see Erick Reinert and Sophus Reinert, "Mercantilism and Economic Development," in *The Origins of Development Economics*, ed. Jomo K.S. and Erik Reinert (London, 2005), 13; Philip Stern and Carl Wennerlind, "Introduction," in *Mercantilism Reimagined*, ed. Philip Stern and Carl Wennerlind (Oxford, 2013), 4–22; Eli Heckscher, *Mercantilism*, vol. 1 (London, 1994), 19–30; Stern and Wennerlind, xi–xxxv; on mercantilism in modern Italian political and economic thought, see Marcello de Cecco,

society in terms of corporations—that is, groups based on people's socio-economic function. Bestowing distinct privileges to certain corporations, Mussolini and the fascist corporatist thinkers aimed to organize production and growth of entire economic sectors supposedly in the name of the common good of society as an “organic whole.” Within their hierarchical corporatist system, the fascists understood “development” as the empowerment and enrichment of the state, while the distribution of wealth and well-being was, at least, secondary and would follow predetermined hierarchies.<sup>17</sup> To increase state power, the regime aimed to grow the population (“The Battle for Births”), increase agricultural production to feed the increasing number of workers and soldiers (“The Battle for Grain”), and stimulate manufacturing by providing Italian industry with raw materials and captive markets in the Italian empire.<sup>18</sup> Manufacturing, in particular, was directly linked creating wealth. Increasing industrial production would strengthen the military, decrease Italy's dependence on overseas markets, and increase national wealth, especially the capital at the regime's disposal since the state had become the primary shareholder in Italian heavy industry and defense industries in the early 1930s. In sum, Mussolini and the fascist radical mercantilists tried to use the imperial conquest to accumulate capital and resources, solidify its power, and prepare Italy—for what they imagined—was the forthcoming global order of great, autonomous imperial blocs.

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“Keynes and Italian Economics,” in *The Political Power of Economic Ideas*, ed. Peter Hall (Princeton, 1989), 195–230; Silvio Lanaro, *Nazione e lavoro* (Venice, 1979), chaps. 1 and 3. On more commonly used terms, see for example, Ludwig von Mises, *Interventionism*, trans. Thomas McManus and Heinrich Bund (Irvington-on-Hudson, 1998); A. J. Gregor, *Italian Fascism and Developmental Dictatorship* (Princeton, 1979); Paolo Farneti, Review of *Italian Fascism and Developmental Dictatorship* and *Young Mussolini and the Intellectual Origins of Fascism*, by A. J. Gregor *Journal of Modern History* 53, no. 3 (1981): 565–568.

<sup>17</sup>On early modern mercantilism, see Lars Magnusson, *The Political Economy of Mercantilism* (New York, 2015), chap. 2; Henry Turner, “Corporations: Humanism and Elizabethian Political Economy,” in *Mercantilism Reimagined*, 153–176; on twentieth century corporatism, see: Philippe Schmitter, “Still the Century of Corporatism?,” *Review of Politics* 36, no. 1 (1974): 93–94, 103–104.

<sup>18</sup>So often taken as opposites, industry and agriculture were, in fact, complementary, according to the Neapolitan mercantilist thinker, Ferdinando Galiani, whose work was analyzed and distributed around the turn of the century by Fausto Nicolini, a close friend and collaborator of Benedetto Croce and Giovanni Gentile, the philosopher most closely associated with fascism. Gentile likely asked Nicolini to contribute an article on Galiani to the *Enciclopedia italiana* in 1932. See Galiani quoted in Sophus Reinert, “‘A Sublimely Stupid Idea’: Physiocracy in Italy from the Enlightenment to Fascism,” in *The Economic Turn*, ed. Steven Kaplan and Sophus Reinert (Cambridge, UK, 2019), 704–705; Fausto Nicolini, “Galiani, Ferdinando,” in *Enciclopedia italiana* (Treccani, 1932); Maria Toscano, “Nicolini, Fausto,” in *Dizionario biografico degli italiani* (Treccani, 2013).

## Italian Imperialism in the Age of Liberal Capitalism, 1882 to 1934

Since the waning of the Renaissance, Italians debated how to overcome Italy's increasing "peripheralization" in the world economy and its perceived "under-development" relative to its European peers.<sup>19</sup> The problem was taken up with new urgency by the newly unified Kingdom of Italy, whose leaders feared Italy might, again, come under the influence of a greater European power.<sup>20</sup> They worried that Italy's lack of heavy industrial plants and high rate of emigration would leave the nation without enough weapons or soldiers to defend itself.<sup>21</sup> On one side of the political spectrum, laissez-faire liberals argued that Italy should open up to the wider world and facilitate the exchange of goods and ideas; on the other, protectionists asserted that the newly independent state needed to be sheltered until it could engage with the wider world from a position of strength.<sup>22</sup> In both camps, some argued that Italy needed colonies to rival its European peers.<sup>23</sup> In general, the Italian government took the middle road, protecting certain industries and tentatively expanding overseas, but always aiming to facilitate Italy's participation in the global market.

In the decade after unification, the Italian government focused its limited financial resources on developing the Italian domestic economy by building railways that would unify the internal market and, they hoped, spur industrialization.<sup>24</sup> Any overseas expansion was left to

<sup>19</sup>Sophus Reinert, "The Italian Tradition of Political Economy: Theories and Policies of Development in the Semi-Periphery of the Enlightenment," in *The Origins of Development Economics*, 24–48; Alessandro Roncaglia, "The Heritage of Antonio Serra," in *Antonio Serra and the Economics of Good Government*, ed. Rosario Patalano and Sophus Reinert (New York, 2016), 299–314.

<sup>20</sup>Federico Chabod, *Italian Foreign Policy*, trans. William McCuaig (Princeton, 1996), chap. 1, esp. 7–18, 37–38, 52–56, 61, 66.

<sup>21</sup>Harold James and Kevin O'Rourke, "Italy and the First Age of Globalization, 1861–1940," in *The Oxford Handbook of the Italian Economy Since Unification*, ed. Gianni Toniolo (Oxford, 2013), 39–40; de Cecco, "Keynes and Italian Economics," 197–99; Rosario Romeo, *Breve storia della grande industria in Italia, 1861–1961* (Bologna, 1972), 25–34.

<sup>22</sup>Chabod, *Italian Foreign Policy*, chap. 1; James and O'Rourke, "Italy and the First Age of Globalization," 40–42; Vera Zamagni, *The Economic History of Italy, 1860–1990* (Oxford, 1993), 17, 110; Romeo, *Breve storia*, 16–25; Lanaro, *Nazione e lavoro*, 14, 32–34, 57–58; de Cecco, "Keynes and Italian Economics," 200–202.

<sup>23</sup>Mark Choate, "From Territorial to Ethnographic Colonies and Back Again: The Politics of Italy's Demographic Expansion, 1890–1912," *Modern Italy* 8, no. 1 (Spring 2003): 65–75; Nicola Labanca, *Oltremare* (Bologna, 2002), 15–28; David Atkinson, "Constructing Italian Africa: Geography and Geopolitics," in *Italian Colonialism*, ed. Ruth Ben-Ghiat and Mia Fuller (New York, 2005), 17–19; Angelo del Boca, *Gli italiani in Africa Orientale*, vol. 1 (Milan, 1992), 51–56.

<sup>24</sup>Zamagni, *Economic History of Italy*, 16–17; Romeo, *Breve storia*, 17–18, 27–28; Carlo Ciccarelli and Alessandro Nuvolari, "Technical Change, Non-Tariff Trade Barriers and the Development of the Italian Locomotives Industry, 1850–1913," *Quaderni di storia economica (Economic History Working Papers)*, no. 38 (Nov. 2016); Daniela Felisini, "Railway

private initiative. Indeed, Italy had thriving communities of emigrants, known as *coloni*, in Argentina, Brazil, Egypt, Algeria, Tunisia, the United States, and elsewhere.<sup>25</sup> These *coloni* promoted Italophilic policies, created businesses linking the metropole to these communities, imported goods from the *Patria*, and sent remittances back. Recognizing the material and geopolitical benefits of *coloni*, the state worked to strengthen their ties to Italy by, for example, establishing *jus sanguinis* citizenship, subsidizing Italian language newspapers, and providing banking services to emigrants.<sup>26</sup> Between 1876 and 1913, emigrant remittances contributed an estimated 2.66% to Italy's GDP on average and reduced Italy's commercial deficit.<sup>27</sup> In short, at virtually no cost to the state, Italian emigrants aided Italy's balance of payments and facilitated its participation in the liberal capitalist global economy.

Italy also participated in the so-called "Scramble for Africa," but limited the scope and cost of its colonial campaigns. Working as Britain's junior partner, Italy cautiously advanced in the Horn of Africa, obtaining concessions and occupying garrisons and towns with a very small army in Somalia (1885–1908) and Eritrea (1882–1902).<sup>28</sup> In 1895, believing the Ethiopian Empire was weak and divided, Italy invaded.<sup>29</sup> At the time, Italy was facing an acute economic crisis, particularly affecting banks, construction, and heavy industry, in addition to violent unrest among southern Italy's landless workers.<sup>30</sup> The government

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Investments in Italy During the Nineteenth Century," in *Across the Borders: Financing the World's Railways in the Nineteenth and Twentieth Centuries*, ed. Ralf Roth and Günter Dinshoh (Aldershot, England, 2008), 109–128.

<sup>25</sup>Choate, "From Territorial to Ethnographic Colonies and Back Again," 65–75; Lorenzo Veracini, "Italian Colonialism through a Settler Colonial Studies Lens," *Journal of Colonialism and Colonial History* 19, no. 3 (Winter 2018): 1–21.

<sup>26</sup>See, for example, Mark Choate, *Emigrant Nation* (Cambridge, MA, 2008); Francesca Fauri and Donatella Strangio, "The Economic Bases of Migration from Italy," *Journal of North African Studies* 25, no. 3 (May 3, 2020): 447–471. The classical work espousing the benefits of emigrant colonialism is Luigi Einaudi's *Un principe mercante: studio sulla espansione coloniale italiana* (Turin, 1900).

<sup>27</sup>Toniolo, *An Economic History of Liberal Italy, 1850–1918*, chap. 10; Rui Esteves and Khoudour-Castéras, "Remittances, Capital Flows and Financial Development during the Mass Migration Period, 1870–1913," *European Review of Economic History* 15, no. 3 (Dec. 2011): 452, table 1.

<sup>28</sup>Labanca, *Oltremare*, 40–41, 85–94; Morten Jerven, Donatella Strangio, and Jacob Weisdorf, "A Case of its Own? A Review of Italy's Colonisation of Eritrea, 1890–1941," *Journal of European Economic History* 50, no. 1 (2021): 105; Eileen Ryan, *Religion as Resistance: Negotiating Authority in Italian Libya* (Oxford, 2018), 12.

<sup>29</sup>Harold Marcus, *A History of Ethiopia* (Berkeley, 1994), 91–103.

<sup>30</sup>Toniolo, *An Economic History of Liberal Italy*, 85–97; James and O'Rourke, "Italy and the First Age of Globalization, 1861–1940," 40–48; Zamagni, *Economic History of Italy*, 110–26; Giovanni Federico, Giuseppe Tattara, and Michelangelo Vasta, "Il commercio estero italiano dall'unificazione al 1939," in *Il commercio estero italiano, 1862–1950* (Bari, 2011), 34–35, 40–48.



argued the Ethiopian hinterland would increase the value of their Red Sea colonies, while Eritrea would give land to desperate southern peasants.<sup>31</sup> But Italian forces were routed at Adwa in 1896.<sup>32</sup> The war cost an estimated 191 million lire, or 2.7% of public expenditure, according to economic historian Giuseppe Maione.<sup>33</sup> The backlash was fierce. Liberals concerned with Italy's deficit talked of leasing Eritrea to King Leopold of Belgium or abandoning the Red Sea entirely.<sup>34</sup> Ultimately, Italy kept the colonies, but limited public investment and encouraged capitalist enterprises, such as mining concessions and cash-crop plantations.<sup>35</sup>

While many continued to oppose conquering and colonizing overseas territories, by the turn of the century, a growing chorus of voices linked imperial expansion with Italy's social and economic development.<sup>36</sup> The nationalists, in particular, argued that imperial expansion alone would materially improve the lives of the Italian proletariat, coining the term "proletarian imperialism," which Mussolini would later adopt.<sup>37</sup> A wide array of Italian imperialists, politicians, and economists argued that Italy suffered from an "over-abundance of labor" and lacked primary materials, especially carbon-based fuels and the precious metals needed to buy them on the global market. Moreover, the peninsula's small and impoverished internal market would never be able to invest in industrial firms and consume enough industrial products to sustain Italy's major industrial firms, which had grown fat with state protection and extensive credit from Italian banks.<sup>38</sup> To spur

<sup>31</sup> Alberto Aquarone, *Dopo Adua* (Rome: Ufficio centrale per i beni archivistice, 1989), 58–59; Stephen Bruner, "Leopoldo Franchetti and Italian Settlement in Eritrea: Emigration, Welfare Colonialism and the Southern Question," *European History Quarterly* 39, no. 1 (2009): 71–94.

<sup>32</sup> Labanca, *Oltremare*, 57–94.

<sup>33</sup> Maione, "I costi delle imprese coloniali," 406–409.

<sup>34</sup> Aquarone, *Dopo Adua*, 91–101.

<sup>35</sup> Podestà, *Il mito dell'impero*, 9–13; for specific examples, see chaps. 2 and 3.

<sup>36</sup> Lanaro, *Nazione e lavoro*, esp. 32–49, 173–184, 211; Zamagni, *Economic History of Italy*, 112; Maier, *Recasting Bourgeois Europe*, 26–27; on this varied coalition, see: Vanda Wilcox, *The Italian Empire and the Great War* (Oxford, 2021), chap. 1, esp. 19–25. While circumstances shaped how Italian imperialists linked imperial expansion to social and economic development, many politicians and businessmen argued that imperialism would 'develop' the nation. See, for instance, the classical work: Bernard Semmel, *Imperialism and Social Reform: English Social-Imperial Thought, 1895–1914* (London, 1960). Or more recently: Beckert, "American Danger," esp. 1143–1146, 1153–56.

<sup>37</sup> Maier, *Recasting Bourgeois Europe*, 26–27; Daniel Hedinger, "Fascism," in *The Interwar World*, ed. Andrew Denning and Heidi Tworek (London, 2024), 501; Franco Gaeta, *Il nazionalismo italiano* (Bari, 1981), 24–25.

<sup>38</sup> See, for example, Vinci to Mussolini, 18 Apr. 1934, f. 159, b. 20, Affari Politici (AA PP), Archivio Storico del Ministero dell'Africa Italiana (ASMAI), Archivio Storico e Diplomatico del Ministero degli Affari Esteri (ASDMAE), Rome, Italy; [Vinci?] to Mussolini, 18 Nov. 1935, f. 107, pos. 54/28, vol. I, ASMAI, ASDMAE; Guarneri, *Battaglie economiche*, 1041–1049; Guido Battaglini, *Con S.E. De Bono: nel turbinio di una preparazione* (1938), 1–2;



industrialization, some imperialists argued Italy needed to conquer territories overseas and establish colonies that could absorb Italy's excess labor, furnish raw materials, and serve as markets for Italian manufacturers. Ultimately, expansion would produce credits for Italy's balance of payments, thereby facilitating Italy's participation in the liberal capitalist global economy.

The Ministry of Foreign Affairs began to actively support Italian enterprises attempting to obtain overseas concessions, focusing their efforts on the Balkans and Libya. Integral to this expansion was Venetian business mogul, Giuseppe Volpi, who had extensive contacts in the Ottoman territories, the Banco di Roma, and the Banca Commerciale. Working with the Banco di Roma and the Ministry of Foreign Affairs, Volpi purchased a concession for the port of Antivari in Montenegro, hoping to build a port and railway that would consume Italian steel and other industrial products, and give Italy privileged access to natural resources. Yet, Italian "industrial imperialism"—to use historian Richard Webster's term—yielded little. In the Balkans, Italy had only a few shipping lines and moderate exports of Italian vehicles, synthetic fibers, and textiles. The most important concessions went to better-positioned French, Austrian, and German interests.<sup>39</sup> Italian firms were more successful overseas when they partnered with British or French companies. For example, the Italian electro-chemical company, Montecatini, operated several phosphate mines in Tunisia, thanks to a deal brokered between the Banco Commerciale and the French bank Paribas.<sup>40</sup> While industry's imperial offensive was only moderately successful, imperialists and businessmen alike fostered hopes that Italian manufacturers would eventually find the right market overseas.<sup>41</sup>

Italy tried to expand its borders— in the Italo-Turkish War (1911–1912) and the First World War (1914–1918). After advancing diplomatic

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Richard Webster, *Industrial Imperialism in Italy, 1908–1915* (Berkeley, 1975), 3–7, 25–39, 41–49; notably, historians dispute this account of Italian industrialization. See Emanuele Felice and Giovanni Vecchi, "Italy's Growth and Decline, 1861–2011," *CEIS Tor Vergata Research Paper Series* 11, no. 13, Working Paper No. 293 (Oct. 2013): 11–21; Gianni Toniolo Review of *L'economia italiana dall'unità alla grande guerra* by Stefano Fenoaltea, *Journal of Modern Italian Studies* 12, no. 1 (2007): 130–132; Alberto Baffigi, *Il PIL per la storia d'Italia* (Venezia, 2015), 24–35; Matteo Gommellini and Gianni Toniolo, "The Industrialization of Italy, 1861–1971," in *The Spread of Modern Industry to the Periphery since 1871*, ed. Kevin O'Rourke and Jeffrey Williamson (Oxford, 2017), 119, 122–129.

<sup>39</sup> Richard Webster, *Industrial Imperialism in Italy, 1908–1915* (Berkeley, 1975), 106–125, 196–200, 229–237, 262; Anna Balduino, *The Origins of the Libyan Nation* (New York, 2010), 33–35; Franco Catalano, *L'economia italiana di guerra*, 9–10, 31–32; Luciano Segreto, "Giuseppe Volpi. Il grande mediatore tra istituzioni, politica ed economia," *Studi storici* 4 (Oct.–Dec. 2020): 905–934.

<sup>40</sup> Webster, *Industrial Imperialism in Italy, 1908–1915*, 136.

<sup>41</sup> Castronovo, *Cento anni di imprese*, 36–38.

claims to Libya for years, liberal Prime Minister Giovanni Giolitti ordered the invasion of Libya, hoping to capitalize on the Ottomans' perceived weakness and the Libyan elites' growing strength.<sup>42</sup> In 1912, Italy obtained formal rights to the Dodecanese Islands and Libya, but Libya was largely controlled by local elites (particularly, the Senusiyya).<sup>43</sup> However, having already spent – Maione estimates – 1.2 billion lire (about 5% of public expenditure) on the war, the Italians made peace with the Libyan elites who were allowed to govern the interior.<sup>44</sup> Likewise, the Italians tried to use the First World War to expand their territory. Before entering the war on the side of the Entente, Italy negotiated the secret Treaty of London, in which they were promised the “irredentist lands” in Dalmatia, Istria, Trentino, and the South Tyrol, a protectorate over Albania, and a share of the territories obtained from the Ottomans and Germans.<sup>45</sup> Siding with the Entente also gave Italy grounds to relaunch its campaign against the Libyan resistance, as well as the Ottomans and Germans supporting them.<sup>46</sup> In sum, from 1887 to 1919, Italian politicians, thus, strategically entered wars and markets, aiming to obtain colonies and spheres of influence that would better the terms on which they participated in the global economy, not to disrupt it.

Despite Mussolini's revolutionary rhetoric, on economic policy he followed the playbook of his liberal predecessors for much of the 1920s. He worked to reintegrate a severely indebted Italy—public debt reached about 180% of GDP in 1921—into the global economy.<sup>47</sup> Using systematic violence to suppress organized labor and the socialists in the name of harmony and productivity, he bought support and consent from large swathes of the military, the monarchy, the Catholic Church, and the Italian elite, especially the industrialists and financiers grouped in the Confederation of Italian Industry (hereafter, Confindustria).

<sup>42</sup>Ryan, *Religion as Resistance*, 20–35; for domestic political motives, see Labanca, *Oltremare*, 108–111.

<sup>43</sup>The Senusiyya was a Sufi sect that exercised substantial power through its network of *zawāyā* (religious, educational, and community centers). For reference, see Ali Abdullatif Ahmida, *The Making of Modern Libya* (Albany, 1994), chap. 4; Eileen Ryan, *Religion as Resistance: Negotiating Authority in Italian Libya* (New York, 2018), 1–10; Baldinetti, *The Origins of the Libyan Nation*, chaps. 1–2.

<sup>44</sup>Maione, “I costi delle imprese coloniali,” 406–409; Ahmida, *The Making of Modern Libya*, 105–107; Ryan, *Religion as Resistance*, 19–20, chap. 3; Labanca, *Oltremare*, 112–22; Giorgio Rochat, *Le guerre italiane 1935–1943* (Turin, 2005), 24–34.

<sup>45</sup>Mario Toscano, “Appendice: Accordo di Londra (26 Aprile 1915),” in *Il Patto di Londra: storia diplomatica dell'intervento italiano, 1914–1915* (Bologna, 1934), 183–188; Robert Hess, “Italy and Africa: Colonial Ambitions in the First World War,” *Journal of African History* 4, no. 1 (1963): 105–126; Wilcox, *The Italian Empire and the Great War*, 51–56.

<sup>46</sup>Wilcox, *The Italian Empire and the Great War*, 44–45, 100.

<sup>47</sup>Marina Marinkov, “Conquering the Debt Mountain: Financial Repression and Italian Debt in the Interwar Period,” in *Debt and Entanglements Between the Wars*, ed. E. Dabla-Norris (Washington, D.C., 2019), 174.

Indeed, the fascist takeover did little to encroach on the autonomy of Confindustria, which was even able to pressure the regime to act in its favor when needed.<sup>48</sup> In the 1920s, Mussolini enacted several policies that the Confindustria had previously proposed.<sup>49</sup> He appointed the Manchesterian Alberto de Stefani as Finance Minister (1922–25), followed by the Confindustria's own man, Volpi (1925–28). His government consolidated several government agencies; reformed the tax code to encourage investment in business; established good working relationships with businessmen in Italy and the US; reduced Italy's public debt to manageable levels; and tried to restore the gold standard and Italy's credit overseas.<sup>50</sup>

His imperial policy, likewise, focused on exploiting Italy's internationally recognized colonies at little expense. After the First World War, the liberal Italian state had set out to reconquer Libya, which they had all but lost control of during the war.<sup>51</sup> Beyond doubling down on this commitment, Mussolini set the Italian military on a genocidal campaign against the Senusiyya and the Libyan people to conquer Libya's interior.<sup>52</sup> This, however, was not a departure from his liberal predecessors. For most of the 1920s, Mussolini conducted colonial policy on a shoestring, and average annual colonial expenditures were only 38% higher (FYs 1923–1924 to 1933–1934) than those of his liberal predecessor Giolitti (FYs 1896–1897 to 1922–1923).<sup>53</sup> Between the “economic wars” the fascists waged at home and the colonial wars they prosecuted abroad, the fascist government spent its first decade angling,

<sup>48</sup> Charles Maier, *Recasting Bourgeois Europe* (Princeton, 2015), 428–429, 547–561; Alberto Aquarone, *L'organizzazione dello stato totalitario* (Turin, 1965), 117–124; Franklin Adler, *Italian Industrialists from Liberalism to Fascism* (Cambridge, UK, 1995), chap. 2.

<sup>49</sup> In particular, see the Confindustria's call for an “Alleanza economica parlamentare” in *Il Sole*, 28 June 1922; Castronovo, *Cento anni di imprese*, 158; Piero Melograni, *Gli industriali e Mussolini. Rapporti tra Confindustria e fascismo dal 1919 al 1929* (Milan, 1972), 23–27.

<sup>50</sup> Marina Marinkov, “Conquering the Debt Mountain,” 173–204; Marianna Astore, “Una montagna di debiti. L'Italia e la gestione del debito pubblico tra le due guerre,” in *I mille volti del regime*, ed. Piero Barucci, Piero Bini, and Lucilla Conigliello (Florence, 2020), 193–208; Marianna Astore and Michele Fratianni, “We Can't Pay': How Italy Dealt with War Debts after World War I,” *Financial History Review* 26, no. 2 (Aug. 2019): 205–215; Marcello de Cecco, “Keynes and Italian Economics,” 202–205; Gian Giacomo Migone, *The United States and Fascist Italy*, trans. Molly Tambor (Cambridge, UK, 2015), chap. 2; Segreto, “Entrepreneurs and the Fascist Regime in Italy,” 81–84; Castronovo, *Cento anni di imprese*, 159, 191–193; Adler, *Italian Industrialists from Liberalism to Fascism*, 293–295, 303–310, 352–355.

<sup>51</sup> Wilcox, *The Italian Empire and the Great War*, 102–117, 230–237.

<sup>52</sup> Ahmida, *The Making of Modern Libya*, esp. 105–107; Giorgio Rochat, *Guerre italiane in Libia e in Etiopia* (Treviso, 1991), 24–37, 42–125; Eileen Ryan, “Violence and the Politics of Prestige: The Fascist Turn in Colonial Libya,” *Modern Italy* 20, no. 2 (2015): 123–135.

<sup>53</sup> My calculations using the State Accounting Office's data (constant prices) provided in: Federico, “Italy's Late and Unprofitable Forays into Empire,” 383–384, table 1.

like their predecessors, to more advantageously position Italy in the global economy.<sup>54</sup>

By 1932, Mussolini had decided to abandon liberal capitalism and turn towards radical mercantilism, corporatism, and imperialism. The shocks to the world monetary order in the 1920s disabused the former socialist of whatever faith he had in free markets and international institutions. In periods of economic turmoil like the Great Depression, remittances dried up and Italian exports crumbled as the US, Britain, and, to a lesser extent, France retreated to imperial isolationism. Their immense empires provided them with essential resources, including fossil fuels and precious metals, and captive markets.<sup>55</sup> In contrast, Italy struggled to maintain the gold bloc alongside a few European countries that, like Italy, depended on the global market for food, fuel, and other essentials. Mussolini was convinced that it would be impossible for Italy to survive—let alone thrive—among competing empires and unstable capitalist markets.<sup>56</sup>

The economic chaos of the Great Depression spurred the regime to embrace a decisively illiberal economic stimulus centered on the synergy of marrying state-owned enterprise to imperial conquest.<sup>57</sup> In 1933, the regime created the state-shareholding company, the Institute for Industrial Reconstruction (hereafter, IRI), which took over stocks and assets of distressed Italian banks and companies. While many healthy firms were quickly reprivatized, IRI retained a significant share of firms deemed essential to national interest, especially defense-related firms, and “super-capitalist” firms that had an outsized impact on the financial system and economy. In economic sectors such as banking and finance, shipbuilding and maritime transport, heavy machinery, and defense, IRI’s leadership sought to

<sup>54</sup>Maione, *L'imperialismo straccione*, 118. “Wars of economies” is Maione’s phrase.

<sup>55</sup>See, for example, Vinci to Mussolini, no. 393/273 Ris., 18 Apr. 1934, AA PP b. 20 f. 159, ASMAI; [Vinci?] to Mussolini, 18 Nov. 1935, vol. I pos. 54/28 f. 107, ASMAI; Emil Ludwig, *Talks with Mussolini*, trans. Eden and Cedar Paul (Boston, 1933), 146; Türegün, *Policy Responses to the Interwar Economic Crisis*; Gagliardi, “La mancata ‘valorizzazione’ dell’impero,” 9; Liane Hewitt, “The World in Blocs: Leo Amery, the British Empire and Regionalist Anti-Internationalism, 1903–1947,” *Journal of Global History* 18, no. 2 (2023): 236–258; Beckert, “American Danger.”

<sup>56</sup>Catalano, *L'economia italiana di guerra*, 3–9; Maione, *L'imperialismo straccione*, 109–110; Migone, *The United States and Fascist Italy*, 269–286; Luigi de Rosa, “The Consequences of the Crisis of 1929 on the Italian Banking System,” *Journal of European Economic History*, no. 2 (2007): 225, 239, 249.

<sup>57</sup>Gianni Toniolo, *L'economia dell'Italia fascista* (Bari, 1980), 272–276; Catalano, *L'economia italiana di guerra*, 3–7; Gagliardi, “La mancata ‘valorizzazione’ dell’impero,” 10, 17–19; Mattia Bertazzini, “Towards an Economic History of Italian Colonialism,” *Rivista di storia economica* 36, no. 3 (Dec. 2020): 328–329. Notably, Podestà who has written extensively on IRI in AOI, disagrees with this analysis. See Podestà, *Il mito dell'impero*, 239–241.

create a mix of private firms and firms held in IRI's portfolio (for example, Fiat remained private while IRI held on to Alfa Romeo) that allowed the state to influence these industries without eliminating private enterprise, as well as use their shares to issue long- and medium-term credit.<sup>58</sup> A year later, Italy began preparations to invade Ethiopia, purchasing billions of lire of steel, arms, vehicles, and other services from firms whose shares were held by IRI. Hundreds of thousands of unemployed Italians were enlisted as soldiers and workers. The war's anti-cyclical effects even led some economic historians, most recently Alessio Gagliardi, to suggest that the regime's outsized expenditures in AOI could be understood as a kind of "colonial Keynesianism."<sup>59</sup> However, anti-cyclical stimulus did not imply that the regime intended to return to the liberal capitalist global economy that Keynesian economics ultimately aims to uphold.<sup>60</sup> Indeed, their pure magnitude suggests that Mussolini did not intend to return to the liberal capitalist global economy. Instead, this stimulus directly channeled funds back towards the state, in that the regime monopolized savings, suppressed consumption, and the economic stimulus to industry provided by public investment went into IRI's coffers. As the next section demonstrates, Mussolini broke with Italy's past and the whole liberal capitalist order. He wanted to build a radical mercantilist, corporatist empire.

As Mussolini's ideas of Italy's Eurafrican empire took form in the 1930s, he studied maps much like the one below (Fig. 1), examining the distribution of Italian emigrants and companies across the Mediterranean and Italy's central geographical position. According to the fascists, Italy had the material basis and the right - inherited from Rome - to govern the Mediterranean and the Red Sea.<sup>61</sup> Stretching from

<sup>58</sup> Leandra d'Antone, "Da ente transitorio a ente permanente," in *Storia dell'IRI*, ed. Valerio Castronovo (Rome, 2012), 170–175, 182, 187–210; Zamagni, *Economic History of Italy*, 294–301; Franco Amatori, "Beyond State and Market: Italy's Futile Search for a Third Way," in *The Rise and Fall of State-Owned Enterprise in the Western World*, ed. Pier Angelo Toninelli (Cambridge, UK, 2000), 128–130, 138–142.

<sup>59</sup> Gagliardi, "La mancata 'valorizzazione' dell'impero," 17–19; James and O'Rourke, "Italy and the First Age of Globalization, 1861–1940," 59.

<sup>60</sup> On the general rejection of Keynes's theories in Italy, see Piero Bini, "Keynesianism in Italy," in *The Elgar Companion to John Maynard Keynes*, ed. Robert Dimand and Harald Hagemann (Northampton, 2022), 610–617; de Cecco, "Keynes and Italian Economics." Moreover, it is difficult to disentangle Keynes' economic thought from his broader philosophy, which demonstrated his commitment to a degree of individual autonomy that would have been intolerable for the fascists. See John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (Cham, 2018), 337–338; John Maynard Keynes, "Am I a Liberal? (1925)," in *Essays in Persuasion* (New York, 1963), 323–338.

<sup>61</sup> Étienne Deschamps, "L'Eurafrrique. Le Fascisme et la Collaboration Francophone Belge," *Cahiers d'Histoire du Temps Présent* 1 (1996): 141; Florian Wagner, *Colonial Internationalism and the Governmentality of Empire, 1893–1982* (Cambridge, UK, 2022),

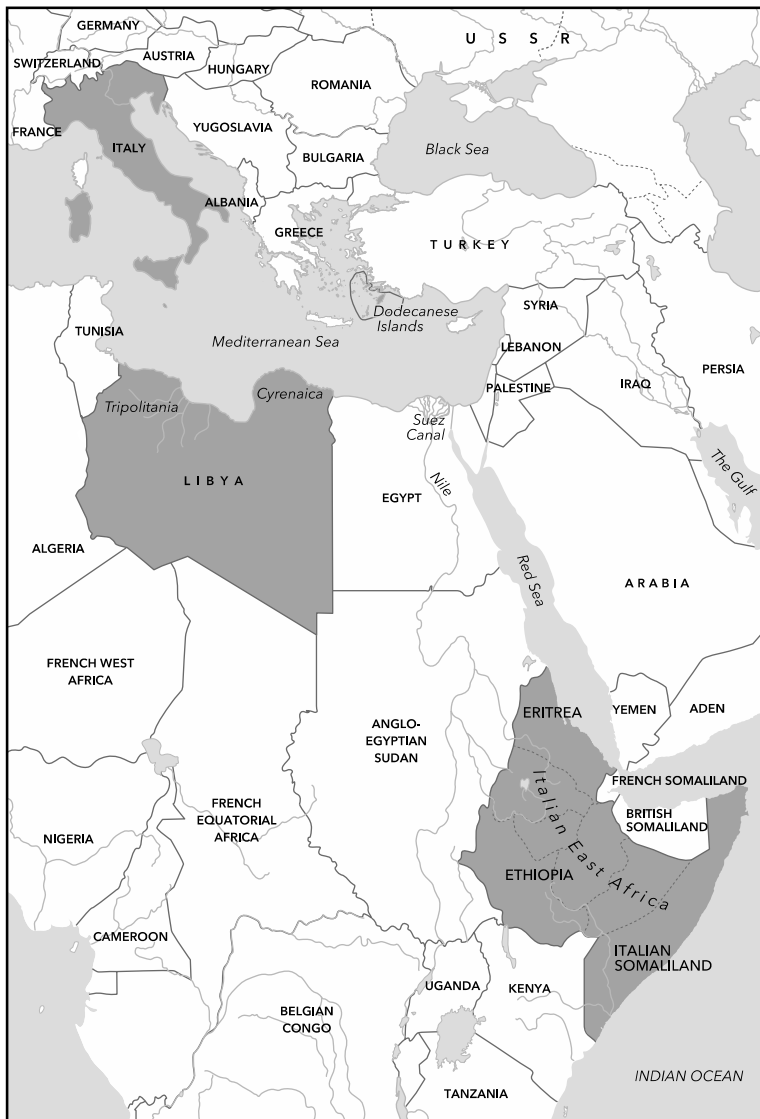


Figure 1. Mussolini's empire, c. 1937. Map by Isabelle Lewis.

257–258; Marco Antonsich, “Eurafrica, dottrina Monroe del fascismo,” *Limes* 3 (1997): 261–263; Marco Antonsich, “La Géopolitique Méditerranéenne de l’Italie,” in *L’Évolution de La Pensée Navale*, ed. Hervé Coutau-Bégarie (Paris, 1995), 166–170, 177; Andrew Denning, “Unscrambling Africa: From Eurafrikan Technopolitics to the Fascist New Order,” *Journal of Modern History* 95, no. 3 (Sept. 2023), esp. 643–644; Servizio studi economici e statistica, “Canale di Suez” *Supplemento alla Rassegna n. 106 del 18 luglio 1940 – XVIII*, 18 July 1940, f. 6, n. 2, Pratt., Affari Coloniali, Fondo Banca d’Italia (Aff. Col. BI), Archivio Storico della Banca d’Italia (ASBI), Rome, Italy.



the Horn of Africa to the Balkans and perhaps as far west as Algeria, the regime would have areas of economic influence and settler colonies across which it would impose corporatist and racial hierarchies that would dictate labor, production, and consumption.<sup>62</sup> At the center were Italian demographic colonies—Libya, Eritrea, Italian Somaliland, and Ethiopia (Fig. 1)—which would be settled by hundreds of thousands of Italians. In these colonies, the government would be run entirely by Italian civil servants, who lived in European-style homes with their Italian wives, children, and household help. The center of life would be the main *piazza*, which—just like the ones in Italy—was to be flanked by the municipal government, the *Casa del Fascio*, a Catholic church, and a school. Italians would sit at the apex of this imperial hierarchy, while Africans would be relegated to the physical and mental peripheries of everyday life.<sup>63</sup> In sum, Italy's empire would enable Rome to control production and consumption across the empire, providing a variety of resources and markets, and labor to exploit.

### “The Empire Is Swallowing Italy!”: Financing Fascist Imperial Expansion, 1934–1937

In 1934, Mussolini seized his chance to rapidly expand Italy's empire. The League of Nations had barely responded to the Japanese invasion

<sup>62</sup>For an overview, see Rodogno, *Fascism's European Empire*, 42–67; Wagner, *Colonial Internationalism*, 261–269. For example, anticipating an Axis victory in North Africa and the ousting of British forces from Egypt, the Banco di Roma and the Ministry of Foreign Affairs drew up plans detailing how the Italian government could reorganize the economy, institutions, and government of the emigrant colony to favor Italian enterprise and trade. See “Egitto,” Sept. 1940; G. P. Veroli [Banco di Roma], “Breve studio sui problemi bancari dell'Egitto e del Sudan,” n.d., f. 4, n. 2, Pratt., Aff. Col., BI, ASBI; Rainero, *La politica araba di Mussolini nella seconda guerra mondiale*, 103–105, 210–212. Other examples could include Yemen and Palestine, where Italian foreign policy had focused on eroding British influence. The Ministry of Foreign Affairs drew up plans to make Yemen and Palestine into spheres of Italian economic dominance: see Angelo del Boca, *Gli italiani in Africa orientale*, vol. 2 (Milan, 1992), 44–55; Antonsich, “La Géopolitique Méditerranéenne de l'Italie,” 185–186; N. Arielli, *Fascist Italy and the Middle East, 1933–40* (New York, 2010), 60–79, 84–92; Podestà, *Il mito dell'impero*, 317–318; *Corriere dell'impero (CI)*, 10 Oct. 1936. In sum, the Italian empire was to be a variegated space, including demographic colonies, ethnographic colonies, and areas of economic domination.

<sup>63</sup>Roberta Pergher, *Mussolini's Nation-Empire* (Cambridge, UK, 2017); Gian Luca Podestà, “Eurafrica: Vital Space, Demographic Planning and the Division of Labour in the Italian Empire,” *Journal of European Economic History* 50, no. 1 (2021): 17–21; Patrick Bernhard, “Borrowing from Mussolini: Nazi Germany's Colonial Aspirations in the Shadow of Italian Expansionism,” *Journal of Imperial and Commonwealth History* 41, no. 4 (1 Nov. 2013): 618, 629–635; Emanuele Ertola, *In terra d'Africa* (Bari, 2017), chaps. 3 and 4.

of Manchuria in 1931.<sup>64</sup> Hitler's rise gave the Italian dictator increased political leverage with the British and French governments, as they hoped he would keep Nazi Germany in check.<sup>65</sup> Moreover, in these years, Italian and British anti-slavery societies publicly decried the persistence of slavery in Ethiopia, casting doubts about the legitimacy of Emperor Haylä Sellasé's government and limiting its status as a sovereign nation.<sup>66</sup> By 1935, both Britain and France privately conceded that they did not consider Ethiopia to be a true sovereign state and were willing to make various arrangements to divide up its territory and sovereignty to further their own regional interests and placate the Italians.<sup>67</sup> Sensing a window of opportunity, Mussolini envisioned a lightning-fast campaign, seizing Ethiopia's ample natural resources, settling Italians en masse, and creating an enormous market for Italian goods. With this empire, Italy would be more than self-sufficient; it would be strong and capable of dictating the terms of trade with its fellow empires. The question was how could Italy possibly afford it.

Italy's capital shortage had also shaped how previous governments approached imperial expansion. Their cost-saving tactics, unsurprisingly, likely influenced Mussolini's government when it devised "proletarian imperialism," its strategy to finance the war by extracting capital, labor, and other resources from Africans and working- and middle-class Italians. One key lesson was the importance of obfuscation. Like Giolitti in 1911, Mussolini in 1935 authorized the State Accounting Office to doctor the accounts to make the public budget appear balanced.<sup>68</sup> Hiding the expenditures and their effects on the Italian economy was essential to maintaining the fascists' alliance with the more liberal members of their party and industrialists whose businesses relied on access to overseas markets, such as Pirelli, Agnelli, and the cotton manufacturers.

<sup>64</sup>Susan Pedersen, *The Guardians* (Oxford, 2015), 327; Elisabetta Tollardo, *Fascist Italy and the League of Nations, 1922–1935* (London, 2016), 45.

<sup>65</sup>Angelo del Boca, *The Negus* (Addis Ababa, 2012), 175; Rose Parfitt, "Reconnecting the Crisis," in Parfitt, *The Process of International Legal Reproduction* (Cambridge, UK, 2019), 318.

<sup>66</sup>Amalia Ribi Forclaz, *Humanitarian Imperialism* (Oxford, 2015); Parfitt, "Reconnecting the Crisis," 330–331; Adom Getachew, *Worldmaking After Empire* (Princeton, NJ, 2019), 64–67.

<sup>67</sup>Parfitt, "Reconnecting the Crisis," 315–327, 333–340, 351–352, 368–372. In fact, Parfitt suggests that the British only slightly preferred Emperor Haylä Sellasé's government because they feared an Italian autarchic government in Ethiopia might limit opportunities for British trade. They also feared Haylä Sellasé might lose power, in which case, they would support the Italians.

<sup>68</sup>Maione, "I costi delle imprese coloniali," esp. 400–401, 414; Maione, *L'imperialismo straccione*, esp. 149–150.

For the delicate task of managing the regime's finances and overseas exchanges, Mussolini appointed Count Paolo Ignazio Maria Thaon di Revel as Finance Minister in January 1935 and, a month later, Felice Guarneri as Commissioner of Exchanges and Values (later, Undersecretary, then Minister).<sup>69</sup> Thaon di Revel was a committed fascist since 1919, but also a Savoyard noble and the former *Podestà* of Turin. If Thaon di Revel was a fascist who could speak to Italian liberals, especially the Turinese industrialists, Guarneri was a liberal who understood that the fate of Italian industry, which he had long served at the Confindustria, now rested in the regime's hands.<sup>70</sup> The two were charged with raising the capital needed for the war, controlling the effects of the gross colonial expenses on the Italian economy, and ensuring Italy could continue to service its foreign debts and conduct essential business overseas. These tasks were made even more challenging by the sanctions imposed by the League of Nations in November 1935.<sup>71</sup>

To raise the four to six billion lire the regime estimated were needed to conquer Ethiopia, Thaon di Revel turned to the typical instruments of public financing: bonds, taxes, and money creation.<sup>72</sup> The latter proved the most important, covering an estimated 30% of the public deficit in June 1937.<sup>73</sup> Bonds and taxes raised some revenue but mostly served to mop up liquidity and place it in the state's hands, thus eliminating inflation by suppressing consumption. The money financed military operations, infrastructure needed for the campaign, and various private firms whose services supported the invading army. Mussolini's proletarian imperialism, like emigrant imperialism, depended on hundreds of thousands of under- and unemployed Italian men. However, unlike emigrant imperialism, their labor served the nation-state and was supervised by fascist party officials who would ensure a substantial portion of their earnings went back to the metropole. In addition, large public contracts for much of the work undertaken in AOI—from building

<sup>69</sup>Toniolo, *L'economia dell'Italia fascista*, 280–281.

<sup>70</sup>Deborah Guazzoni, "Thaon di Revel, Paolo Ignazio Maria," in *Dizionario biografico degli italiani* (Treccani, 2019); Edoardo Savino, *La nazione operante* (Milan, 1934), 53; Sapelli, *Fascismo grande industria e sindacato* (Milan, 1975), 15–16; Luciano Zani, "Introduzione," in *Battaglie economiche*, 26–59; Castronovo, *Cento anni di imprese*, esp. 235, 257, 271.

<sup>71</sup>Cristiano Andrea Rusticcia, "The 1935 Sanctions against Italy: Would Coal and Oil Have Made a Difference?," *European Review of Economic History* 4, no. 10 (2000): 85–110; Nicholas Mulder, *The Economic Weapon* (New Haven, 2022), 203–214.

<sup>72</sup>Maione, *L'imperialismo straccione*, 130. According to Maione, the War and Finance ministries estimated the Ethiopia campaign would cost 200 million lire per month and would last about two to three years.

<sup>73</sup>Maione, "I costi delle imprese coloniali," 416; Toniolo, *L'economia dell'Italia fascista*, 289–290.

to trucking to banking—were issued to industrial firms, many of which were held in IRI's portfolio. Mussolini's proletarian imperialism 'solved' Italy's capital problem by aggressively suppressing consumption among the working class, while stimulating Italian industry and strengthening the mercantilist state's hold over capital.

Bond manipulation served to maintain control over Italian savings capital and, whenever possible, squeeze additional capital out of working- and middle-class Italians, who held their savings in treasury bonds.<sup>74</sup> Already in the 1920s, the regime forcibly converted short-term government bonds into long-term bonds, thus enabling the regime to monopolize savings capital.<sup>75</sup> Again, in preparation for the war, in 1934, the regime gave bondholders only six days to object to the conversion of the Consolidated 5% bond, due in 1937, into a new bond with an interest rate slightly above 5% for the first three years, followed by a longer investment at 3.5%. Less than 2% of bondholders objected to the conversion in time, generating an amortizable loan of about 60 billion lire. A year later, new bonds issues drew few buyers. To salvage the bond market and raise revenue, in 1936 the regime offered to convert the Redeemable Bond—purchased at L. 80 with a nominal value of L. 100 but now valued at only L. 68 on the market—into a new bond of L.100 nominal value, if the bondholder paid L.15 in cash. With little alternative, most bondholders accepted the conversion, generating six billion lire net.<sup>76</sup> While these bonds generated some revenue, they mostly allowed the state to monopolize savings capital and control inflation.<sup>77</sup> Raising capital by restricting liquidity and suppressing consumption also led to wage compression among workers, as economic historians Vera Zamagni, Maria Gómez-León, and Giacomo Gabbuti demonstrated; the wages of industrial workers, in particular, declined or stagnated, even as industry

<sup>74</sup>Toniolo, "Italian Banking, 1919-1936," 301-302; Marcello de Cecco, "La 'protezione del risparmio' nelle forme finanziarie fasciste," *Rivista di storia economica* 3, no. 2 (June 1986): 239-240; Marco Molteni and Dario Pellegrino, "The Establishment of Banking Supervision in Italy: An Assessment (1926-1936)," *Business History* (advanced online publication), 28 Oct. 2022, accessed 7 Feb. 2024, <https://www.tandfonline.com/doi/full/10.1080/00076791.2022.2134347>, 4; Donatella Strangio, *The Roman Stock Exchange between the 19th and 20th Centuries* (Cham, 2022), 238; Domenicantonio Fausto, "L'idea di una finanza pubblica su basi corporative," in *Il corporativismo nell'Italia di Mussolini*, ed. Piero Barucci, Piero Bini, and Lucilla Conigliello (Florence, 2018), 102.

<sup>75</sup>Marinkov, "Conquering the Debt Mountain," 190-191.

<sup>76</sup>Paolo Ignazio Thaon de Revel, "Seguito della discussione del disegno di legge: stato di previsione dell'entrata e stato di previsione della spesa del Ministero delle finanze per l'esercizio finanziario dal 1° luglio 1936-XIV al 30 giugno 1937-XV," 19 May 1936, Atti parlamentari - Camera dei deputati, Legislatura XXIX, 1° sessione, 2749-2750; *L'imperialismo straccione*, 112-123; Toniolo, *L'economia dell'Italia fascista*, 289-90; P. Baffi, "Monetary Developments in Italy from the War Economy to Limited Convertibility," *PSL Quarterly Review* 11, no. 47 (1958, rep. 2014): 400-401.

<sup>77</sup>Marinkov, "Conquering the Debt Mountain," 176-177.

flourished.<sup>78</sup> Workers' well-being, measured by any metric, fell substantially throughout the 1930s. For example, the number of under-nourished Italians grew from one in five in 1922 to one in three by 1938.<sup>79</sup>

As working-class tables grew more spartan, the property owners remained relatively unmolested.<sup>80</sup> After 1936, Thaon di Revel studied various tax reforms to target the wealthy, but few were successfully introduced, such as a 10% withholding tax on the coupons of all private bearing securities and other taxes to limit the distribution of dividends. More serious reforms failed. Property owners decried the October 1936 special property tax as a "forced loan," pressuring the regime to modify the measure to allow property holders to borrow the taxed amount from the bank, in effect, using the tax as cover for further money creation.<sup>81</sup> Consequently, the regime continued to rely primarily on indirect taxes, which disproportionately affected working-class consumers and increased inequality.<sup>82</sup>

By creating money, soaking up liquidity, and suppressing consumption, the regime financed military operations and multi-million-lire public contracts to Italian industrial firms, especially those in IRI's portfolio, to supply and support the invading armies. The largest civil expense was road construction, which represented some 81% of public expenditure on civil projects (ca. 8,075 million lire).<sup>83</sup> Most of the work was done by Italy's premier road construction company, Puricelli. By 1936, the firm had been taken over by IRI and its leader, Piero Puricelli, was replaced with a man of IRI's choice, suggesting it was more closely

<sup>78</sup>Vera Zamagni, "La dinamica dei salari nel settore industriale, 1921–1938," *Quaderni Storici* 10, no. 29/30 (Dec. 1975): 544, 547–548; Zamagni, *Economic History of Italy*, 309–311, table 10.3; Giacomo Gabbuti, "When We Were Worse Off: The Economy, Living Standards and Inequality in Fascist Italy," *Rivista di storia economica* 36, no. 3 (Dec. 2020): 272; Maria Gómez-León and Giacomo Gabbuti, "Wars, Depression, and Fascism: Income Inequality in Italy, 1900–1950," *LEM Working Paper Series*, no. 26 (2022): 21–24, 28–29.

<sup>79</sup>Maria Sorrentino, "Nutrition," in *Measuring Wellbeing: A History of Italian Living Standards*, ed. Giovanni Vecchi (Oxford, 2017), 34–35; for a summary, Gabbuti, "When We Were Worse off," 263–272.

<sup>80</sup>Gómez-León and Gabbuti, "Wars, Depression, and Fascism," 28–32.

<sup>81</sup>Guarneri, *Battaglie economiche*, 642–649; *CI*, 13 Oct. 1936, 14 Oct. 1936; Toniolo, *L'economia dell'Italia fascista*, 289; Maione, *L'imperialismo straccione*, 187–199.

<sup>82</sup>Mastroiacovo, "Il diritto tributario," 141–176; Stefano Manestra, "Per una storia della tax compliance in Italia," *Bank of Italy Occasional Paper*, no. 81 (Dec. 2010): 27–33; Baffi, "Monetary Developments in Italy," 400–401. Mastroiacovo argues that Thaon di Revel feared that any reform would temporarily disrupt tax revenue at a critical moment. A disorganized system for reporting income and assets also hindered effective taxation, in addition to evasion and protest, according to Manestra. Baffi emphasizes that the regime did tax the wealthy after 1940.

<sup>83</sup>Podestà, *Il mito dell'impero*, 245–246. Data is from 1940. Only accounts for civil, not military, expenditures.

controlled than other firms in IRI's portfolio.<sup>84</sup> According to economic historian Gian Luca Podestà, Puricelli obtained 1.3 billion lire in public contracts to build roads in AOI between 1936 and 1940, putting the company in the black by 1939.<sup>85</sup> By February 1939, the Italians had built or reinforced an estimated 3,352 km of road in AOI.<sup>86</sup>

All sorts of enterprises popped up to supply and service the advancing Italian military apparatus and the construction sites across the Horn. One of the largest was trucking, as everyone and everything had to be trucked from the low-lying Italian Red Sea ports to the Ethiopian high plains. Mid-sized trucking companies, like Gondrand Transports, saw the imperial project as a chance to make themselves a globally significant firm. Even very small companies like Gotti S.p.A. of Massa Lombardo, a company with only eight trucks, jumped at the opportunities offered by the imperial market flush with public money.<sup>87</sup>

The booming battlefield economy pulled Italy's under- and unemployed workers to AOI. An estimated 330,000 Italian soldiers and militiamen, together with 100,000 militarized Italian workers, were in East Africa by late-Spring 1936.<sup>88</sup> Many furloughed soldiers stayed. An estimated 102,548 Italians migrated to AOI in 1936 alone.<sup>89</sup> By June 1937, an estimated 63,530 Italians were employed as roadworkers, alongside 43,720 "native" workers, and 10,680 Yemeni and Sudanese workers.<sup>90</sup> Unskilled Italian workers could expect to make about ten times the daily wage of an equivalent African worker (ca. 1934–1936) and about twice what they earned in Italy. The differences were even greater for Italian skilled workers and professionals, who had ample opportunities as African workers were summarily removed from skilled positions and excluded from most forms of skilled work.<sup>91</sup>

<sup>84</sup>Stefano Cecini, "La realizzazione della rete stradale in Africa orientale italiana (1936–41)," *Dimensioni e problemi della ricerca storica*, no. 1 (2017): 127–128.

<sup>85</sup>Gian Luca Podestà, "Nell'economia fascista: autarchia, colonie, riarmo," in *Storia dell'IRI*, 448–450; possibly referring to a different timeframe, 408 million lire is reported in: Podestà, *Il mito dell'impero*, 246–247; Cecini, "La realizzazione della rete stradale," 127–128.

<sup>86</sup>Giuseppe Pini, *L'autocaminabile Assab-Addis Abeba* (Rome, 1939), 56, cart. 92/v, Archivio Gabinetto Segreto (AGS), ASMAI, ASDMAE.

<sup>87</sup>P.B. quoted in Irma Taddia, *La memoria dell'impero* (Manduria, 1988), 112; Soc. Nazionale di Trasporti Frat.lli Gondrand, *Nel centenario della attività Gondrand presenta la sua organizzazione per ogni trasporto in Europa e nel mondo, 1866–1966*, 1966, 1–4, Archivio Gondrand presso Fercam; *CI*, 8 Oct. 1936; Podestà, *Il mito dell'impero*, 249–250.

<sup>88</sup>Giorgio Rochat, *Guerre italiane in Libia e in Etiopia* (Treviso, 1991), 45.

<sup>89</sup>Stefano Bellucci, "Italian Transnational Fluxes of Labor and the Changing of Labor Relations in the Horn of Africa, 1935–1939," *Workers of the World* 1, no. 3 (May 2013): 165; Carl Ipsen, *Dictating Demography* (Cambridge, UK, 1996), 130.

<sup>90</sup>Collis, "Paving the Way to Empire," 114.

<sup>91</sup>"Regolamento dei rapporti di lavoro dei cittadini italiani e stranieri equiparati nei territori dell'AOI (DGG 10 Mar. 1937, n. 83)," *Rassegna economica delle colonie* no. 3 (1937): 368–383; Richard Pankhurst, "Italian and 'Native' Labor during the Italian Fascist Occupation of Ethiopia, 1935–41," *Ghana Social Science Journal* 2, no. 2 (1972/71):



Although wages were high, Italian workers were subject to strict laws that, as in the metropole, suppressed their consumption and forced them to save. Formalizing earlier decrees, the late-1937 imperial labor law required workers to set aside between 8–15% of their earnings in a savings account, which their employer used to buy their ticket home and the employee could access only in Italy.<sup>92</sup> Additionally, workers were expected to send remittances back to Italy to support their families. Those who did not send remittances could find the police at their door!<sup>93</sup> Between 1935 and 1938, these remittances amounted to 5.2 billion lire, about 1–2% of Italy's GDP. While these were less than those Italy had received from emigrants (ca. 1.3 billion lire per year on average compared to 2.3 billion lire in 1929), they nevertheless contributed to the Italian metropolitan economy.<sup>94</sup> Perhaps more important was the revenue they generated for the few Italian banks authorized to work in AOI, all of which were either public institutions (BNL, Banca d'Italia) or held in IRI's portfolio (Banco di Roma).<sup>95</sup> For example, the BNL's Asmara branch became one of the bank's most important, dealing with over 20 million lire daily and generating L. 900,000 in profits in the first half of 1936.<sup>96</sup>

This qualitative evidence is supported by industry indexes. Podestà shows, using 100 as a base for industrial production in 1929, that the general index rose by 19 points between 1934 and 1938, with particular gains in metallurgy (31 points), mechanical manufacturing (56 points), and the chemical industry (53 points

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43–47, 53–55; Podestà, *Il mito dell'impero*, 335–340. My estimates for African labor; Podestà's for Italians in the metropole.

<sup>92</sup>“Regolamento dei rapporti di lavoro . . . (DGG 10 Mar. 1937, n. 83)”; “Regolamento dei rapporti di lavoro . . . (DGG AOI 17 Dic. 1938, n. 1442),” *Rassegna economica dell'Africa italiana (REAI)*, no. 2 (1939): 205–217; *CI*, 17 May 1936. Workers could access their savings from Africa if they settled permanently.

<sup>93</sup>See, for example, *CI*, 8 Jan. 1939, 4 Mar. 1939, 7 Apr. 1939; Amodio to Mambrini, 22 July 1939; Mambrini to Questure AOI, 16 June 1939, f. 1.2.9.13, Ethiopian National Archives and Library (ENAL), Addis Ababa, Ethiopia; Luisa Luchetti to Questore di Addis Ababa [28 Dec. 1937]; Michele Attilio, [Report on Nolletti], 2 Apr. 1938, f. 1.2.9.01, ENAL; Mambrini to PAI Rome, 23 May 1939, f. 1.2.9.1, ENAL.

<sup>94</sup>Alessandro Parisi, “Problemi creditizi dell'impero,” *REAI* 26, no. 4 (Apr. 1938): 568; Podestà, “Eurafrica,” 28; Podestà, *Il mito dell'impero*, 340–341.

<sup>95</sup>Franco Amatori and Pier Angelo Toninelli, “Does a Model of Italian State-Owned Enterprise Really Exist?” in *Reappraising State-Owned Enterprise*, ed. Franco Amatori, Robert Millward, and Pier Angelo Toninelli (New York, 2011), 34; Zamagni, *Economic History of Italy*, 295; *CI* 31 Jan. 1939, 18 Dec. 1938, 2 May 1939; Ercole Tuccimei, *La Banca d'Italia in Africa* (Rome, 1999), 176–179. Later, the Banco di Napoli.

<sup>96</sup>Roberto Saliola, “La Banca Nazionale del Lavoro [BNL] in Africa orientale italiana, 1936–1941,” *Storia contemporanea* 20, no. 3 (1989): 458, 466; *CI*, 17 May 1936. A May 1936 decree also required employers to deposit employees' required savings in the BNL's Asmara branch.

between 1935–38).<sup>97</sup> Moreover, new taxes encouraged Italian firms to invest their profits in expansion rather than distributing profits. For example, a tax created in September 1935 forbade firms from distributing dividends of over 6% of share value; in October 1936, it was replaced with a new progressive tax on dividends over 6%, except for profits generated in the colonies.<sup>98</sup> The military campaign in AOI had been a boon to Italian industry.

Proletarian imperialism strengthened Italy's many corporatist institutions and concentrated the regime's hold over capital. In June 1937, IRI was formally converted from a temporary holdings firm into a permanent institution, whose industrial holdings and command over medium- and long-term credit could direct economic development and industrialization from the Alps to the Red Sea. Moreover, between 1934 and 1937, Mussolini used proletarian imperialism and IRI to prove that the state could use credit and paper money—rather than gold and overseas loans—to animate the economy, even during war.<sup>99</sup> It was a trial that seemed to demonstrate that a corporatist, mercantilist Italy could survive.

But, as the war dragged on, Guarneri and Thaon di Revel grew increasingly concerned about Italy's reserves and Italy's difficulty accessing foreign markets.<sup>100</sup> In October 1936, Guarneri and Thaon di Revel convinced Mussolini to devalue the lira under the guise of pegging it to the floating dollar. This devaluation of more than 40% would enable Italy to continue buying and selling on foreign markets.<sup>101</sup> Guarneri privately urged Mussolini to be cautious with the treasury reserves—as the liberal government had been—because Italy would need them to rejoin the global capitalist market.<sup>102</sup> Extending the Italian economy so far was a colossal risk.

And it did not pay off.

<sup>97</sup>Podestà, *Il mito dell'impero*, 247; for 1934–1937, see Castronovo, *Cento anni di imprese*, 244.

<sup>98</sup>Guarneri, *Battaglie economiche*, 536–539, 647–649; Baffi, “Monetary Developments in Italy,” 400–401; Salvemini and Zamagni, “Finanza pubblica e indebitamento tra le due guerre mondiali,” 199. In 1935, companies were also required to raise their capital and issue new shares. Later, the regime taxed joint-stock companies (*società d'azioni*) and industrial firms.

<sup>99</sup>Podestà, *Il mito dell'impero*, 242–243, 242–243; Castronovo, *Cento anni di imprese*, 253–256; D'Antone, “Da ente transitorio a ente permanente,” 213, 219–238.

<sup>100</sup>Maione, *L'imperialismo straccione*, 125–126.

<sup>101</sup>Guarneri, *Battaglie economiche*, 634–646; Toniolo, *L'economia dell'Italia fascista*, 290–295; Castronovo, *Cento anni di imprese*, 245–246. Guarneri emphasizes the importance of the devaluation of the French franc in September and the countries that subsequently abandoned the gold standard.

<sup>102</sup>Guarneri, *Battaglie economiche*, chap. 17; Maione, *L'imperialismo straccione*, 186–187; Catalano, *L'economia italiana di guerra*, 14.

The war was neither lightning-fast nor conclusive. The Italians confronted a much stronger and more enduring resistance than they had anticipated. By early 1937, the Italians occupied only the main cities of Ethiopia and some of the hinterlands. The countryside was a stronghold for the Ethiopian resistance, which grew only stronger in response to the regime's brutal attacks on the civilian population. The regions around Gondar, Lake Tana, and Addis Ababa were in continuous revolt (see Fig. 2).<sup>103</sup>

Not only did the war last longer than expected, but the cost ballooned. While more research is needed to establish exact expenditures, even Podestà's conservative estimates show the regime far exceeded the estimated 2,400 million lire per year in expenditures (Table 1).<sup>104</sup>

Maione, in contrast, estimates the Italians spent in total 57,303 million lire (1935–40).<sup>105</sup> By most estimates, the occupation and colonization of AOI amounted to about 25% of all public expenditure and between 10–12% of national income.<sup>106</sup>

The war was the most important factor in increasing these expenses. Roads were also costly, especially because the hastily built roads needed constant repairs.<sup>107</sup> Moreover, Italy had to use its reserves to buy war matériel, including petroleum, and pay taxes and service fees at Djibouti in French Somaliland and the British-controlled Suez.<sup>108</sup> And it was precisely here—the weakest point in the Italian economy—that the League of Nations' economic sanctions hit the hardest.<sup>109</sup>

<sup>103</sup> Angelo del Boca, *Gli italiani in Africa orientale*, vol. 3 (Bari, 1976), 78–137; Matteo Dominioni, *Lo sfascio dell'impero* (Roma, 2008), 76–213; Ian Campbell, *The Addis Ababa Massacre* (Oxford, 2017).

<sup>104</sup> The regime's manipulation of the accounts has generated substantial confusion about the exact expenditures. Presently, historians can work from the State Accounting Office's data, as Podestà did, or the data set created by the economist Francesco Répaci, as Giuseppe Maione did. Federico considers the State Accounting Office's more accurate. For Federico's explanation of accounts, see Federico, "Italy's Late and Unprofitable Forays into Empire," 398–400; for Maione's estimates, see Maione, *L'imperialismo straccione*, 130–131, table IX; Maione, "I costi delle imprese coloniali," 415, Table VI.

<sup>105</sup> Maione, "I costi delle imprese coloniali," 401, table 1.

<sup>106</sup> Gagliardi, "La mancata 'valorizzazione' dell'impero," 19; Podestà, *Il mito dell'impero*, 244; Zamagni, *Economic History of Italy, 1860–1990*, table 8.4.

<sup>107</sup> Cecini, "La realizzazione della rete stradale in Africa orientale italiana (1936–41)," esp. 117–120; Masi, *Camionisti d'Africa, 1937–1941* (San Marino, 1995), 114; Lessona to Graziani, 14 Apr. 1937, f. 41, sc. 46, Fondo Graziani, ACS.

<sup>108</sup> Guarneri, *Battaglie economiche*, 753–761; Federico, "Italy's Late and Unprofitable Forays into Empire," 390; Podestà, *Il mito dell'impero*, 241–242.

<sup>109</sup> Parfitt, "Reconnecting the Crisis," 340–351; Mulder, *The Economic Weapon*, 205–225; Toniolo, *L'economia dell'Italia fascista*, 281–282; Catalano, *L'economia italiana di guerra*, 15–16. As Parfitt demonstrates, the *de facto* recognition of Italian sovereignty, including in British courts, shortly followed the occupation, while *de jure* Italian sovereignty was only recognized with the Easter Accords (16 April 1938).

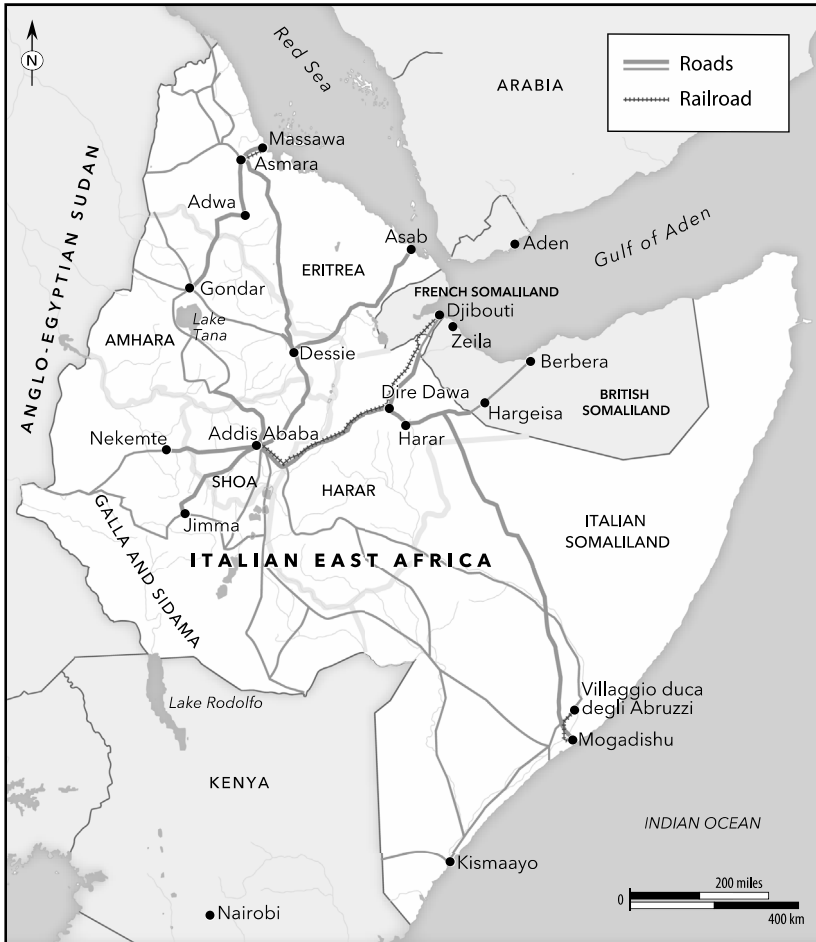


Figure 2. Roads and railroads in Italian East Africa, ca. 1940. Note that Galla is a pejorative term for Oromo peoples. Map by Isabelle Lewis.<sup>110</sup>

While sanctions eased in 1936 and European powers had largely accepted Italy's claims to Ethiopia by 1937, Ethiopians continued to resist the Italian occupation.<sup>111</sup> As a result, agricultural output in the

<sup>110</sup>To compare the Italian road work to the Ethiopian imperial road network, see: Caitlin Collis, "Paving the Way to Empire: Roads in Ethiopia from Menelik II to Mussolini" (Ph.D. diss, University of Pennsylvania, 2022), chap. 1; Richard Pankhurst, "Transport and Communications in Ethiopia, 1835–1935 (I)," *The Journal of Transport History* V, no. 2 (Nov. 1961), 69–88.

<sup>111</sup>John Spencer, *Ethiopia at Bay* (Addis Ababa, 1984), 87–89; Angelo del Boca, *Gli italiani in Africa orientale*, vol. 3, 295–297; Mulder, *The Economic Weapon*, 218–225.

*Table 1*  
Funds Allocated for Extraordinary Military and  
Civil Expenditures in AOI, 1936–1940

	<i>Podestà's Estimates</i>
FY 1937–38	4,335
FY 1938–39	2,817
FY 1939–40	4,816
Total	11,968

Source: Podestà, *Il mito dell'impero*, 245–246, table 79. Figures are rounded.

Note: Current prices, in millions of lire.

Horn of Africa diminished substantially due to the ongoing conflict, land seizures and failed agricultural experiments, and the number of Africans abandoning agriculture for wage work.<sup>112</sup> At the same time, the Italian population of AOI grew by 3,000%, reaching almost 185,000 in 1940.<sup>113</sup> To support the army and this growing population, Italy exported foodstuffs, fabric, machinery, and fuel to AOI.<sup>114</sup> Some products, like petroleum, had to be imported and then re-exported to AOI.<sup>115</sup> In 1938, Italian exports to AOI totaled 2,447 million lire, an amount that dwarfed AOI's exports, which amounted to 192 million lire, about 60% of which was to Italy.<sup>116</sup> The empire was a disaster for Italy's commercial deficit, much to the alarm of certain members of the business community, such as Giovanni Agnelli of Fiat and Alberto Pirelli of the Pirelli [Tire] Company, who needed to source materials

<sup>112</sup> Michele Sollai, "Microcosms of Colonial Development. Italian and Ethiopian Farmers at the Crossroads of Fascist Empire Building (1937–1941)," *Contemporanea* 24, no. 1 (Mar. 2021): 79–101; Podestà, *Il mito dell'impero*, 314–318; Haile M. Larebo, *The Building of an Empire* (Oxford, 1994), 248–249, esp. 235.

<sup>113</sup> My calculations based on: *Annuario statistico italiano 1939–XVII*, vol. 4, quarta serie (Rome, 1939), 348; Adrien Zervos, *L'empire d'Éthiopie: Le miroir de l'Éthiopie moderne, 1906–1935* (Alexandria, 1936), 415; Croce Rossa Italiana (CRI), "Appunto Popolazione nazionale civile residente al 30 Aprile 1940–XVIII in A.O.I.," attached to CRI to ICRC Secertariat, no. 935, 6 June 1941, sf. AOI, box 787, G. 48, Archives du Comité International de la Croix-Rouge (ACICR), Geneva, Switzerland. Precisely, the Italian civilian population of AOI was estimated at 184,824 in April 1940. According to the 1931 census, the Italian population of Eritrea and Italian Somaliland was 5,819, while 350 Italians were living in Ethiopia in 1934, according to Zervos.

<sup>114</sup> Simone Cinotto, "The Fascist Breadbasket: Food, Empire, and Modernity in Italian East Africa, 1935–1941," *Journal of Modern Italian History* 28, no. 3 (Dec. 2023): 296–322; Podestà, *Il mito dell'impero*, 258–259.

<sup>115</sup> Guarneri, *Battaglie economiche*, 753–761; Federico, "Italy's Late and Unprofitable Forays into Empire," 390.

<sup>116</sup> Podestà, 312–319.

abroad.<sup>117</sup> In an alarmed missive to Mussolini, Guarneri declared that “the empire is swallowing Italy.”<sup>118</sup>

Guarneri’s incensed letter on July 9, 1937 effectively convinced Mussolini that proletarian imperialism was uneconomic and now politically untenable. Even if a substantial portion of Italians’ earnings were returned to Italy in the form of savings or remittances, their labor and consumption in AOI was heavily subsidized by the state. Whatever economic stimulus was offered by increased employment was ultimately not worth the cost. So long as Italy had to import fuel, certain rules of the game had to be obeyed. Mussolini ordered the ministries engaged in the colonization—from the Ministry of War to the Minister of Corporations—to submit new, substantially reduced budgets.<sup>119</sup> By the end of the year, Mussolini replaced Viceroy Graziani and Minister of Italian Africa Alessandro Lessona, respectively, with the refined scion of the royal family, Duke Amedeo d’Aosta, and his trusty ally, the eternal quartermaster Attilio Teruzzi.<sup>120</sup> The regime needed a radically different political economy to retain its fragile hold on the empire – and the Italian economy.

### Big Business, Labor, and the “Normalization” of Italian East Africa, 1937–1940

Guarneri’s 1937 letter and the subsequent budget cuts inaugurated a new policy: “imperial autarchy” or “normalization.” Normalization implied the conclusion of the war and the replacement of the *ad hoc* enterprises of the battlefield economy with an organized planned economy that was self-sufficient and capable of supporting the metropolitan economy.<sup>121</sup> Like industrial imperialism, it would engage Italian industrialists, who were now wary of Italy’s increasing isolation in global markets, in the imperial project by directly linking industries that needed raw materials, like cotton, with an imperial supply and

<sup>117</sup> Gagliardi, “Il ministero per gli scambi e valute,” 1051, 1065–66; Nicola Tranfaglia, *Vita di Alberto Pirelli* (Turin, 2010), 214–220, 229–235; Valerio Castronovo, *FIAT, 1899–1999* (Milan, 1999), 572–573.

<sup>118</sup> Guarneri, *Battaglie economiche*, 749.

<sup>119</sup> Guarneri, *Battaglie economiche*, 761–767.

<sup>120</sup> del Boca, *Gli italiani in Africa orientale*, vol. 3, 127–131; Victoria de Grazia, *The Perfect Fascist* (Cambridge, MA, 2020), 23, 97, 218, 406.

<sup>121</sup> See, for example, *CI*, 24 June 1936, 18 Apr. 1937; Alessandro Tarabini, “Discussione del disegno di legge: stato di previsione della spesa del ministero dell’Africa italiana per l’esercizio finanziario dal 1° luglio 1939–xvii al 30 giugno 1940–xviii” 10 May 1939, Camera dei fasci e delle corporazioni, Legislatura XXX, Assemblea plenaria, 149; Attilio Teruzzi, “Discussione del disegno di legge: stato di previsione della spesa del ministero dell’Africa italiana per l’esercizio finanziario dal 1° luglio 1939–xvii al 30 giugno 1940–xviii” 10 May 1939, Camera dei fasci e delle corporazioni, Legislatura XXX, Assemblea plenaria, 155; Carlo Giglio, “Industriali e lavoratori nell’organizzazione del partito in AOI,” in *L’industria in AOI*, ed. Confederazione fascista degli industriali (Rome: U.S.I.L.A., XVII), 17–37.



industries that needed markets, like automakers, with an imperial market. Unlike industrial imperialism, these enterprises would no longer depend on the whims of the global market, but their actions and profits would be coordinated as part of the regime's "organic" plan. It was, in sum, Mussolini's final assault on industrialists who still believed Italy needed to work within the liberal capitalist economy. He had to show them that the empire would replace foreign trade and that fascism's mercantilist, corporatist empire would supersede global liberal capitalism.

Analyzing the trucking and cotton industry reveals how the regime pursued normalization, which aimed to reduce the cost of the occupation and increase the empire's material benefits to Italian industry. In response to Guarneri's July 1937 letter, Mussolini ordered Italian roadworkers replaced with local African workers.<sup>122</sup> By year's end, 84,426 Italian workers had been repatriated. Mostly, they were replaced by low-wage, coerced, and unpaid African workers.<sup>123</sup> Exploited labor was a step towards forcing colonial subjects to pay for the colonization.<sup>124</sup> At the same time, the MAI created large concessions that consolidated and coopted smaller enterprises run by Italians or Africans. These concessions were offered to Italian industrial giants, such as Fiat, Montecatini, Ilva, and the Italian Cotton Institute (hereafter, ICI), a sales cartel that Italian cotton manufacturers were required to join. Like Fiat, the ICI was closely tied to Guarneri and the Confindustria.<sup>125</sup> These firms began to operate in AOI primarily through *società anonime miste*, or juridically private companies that pooled public and private capital and expertise. With public financing, political support, and concessionary rights that limited competition and risk, even skeptical industrial firms began to expand their operations in AOI.<sup>126</sup> These were the fascist regime's next steps towards building an

<sup>122</sup> Guarneri, *Battaglie economiche*, 764–765.

<sup>123</sup> Bellucci, "Italian Transnational Fluxes of Labor," 165; Ipsen, *Dictating Demography*, 130; Collis, "Paving the Way to Empire," 113–14, 122–31; Pankhurst, "Italian and 'Native' Labor," 59, 61–62, 64.

<sup>124</sup> See, for example, Marlous van Waijenburg, "Financing the African Colonial State: The Revenue Imperative and Forced Labor," *Journal of Economic History* 78, no. 1 (Mar. 2018): 40–80; Denis Cogneau et al., "Fiscal Capacity and Dualism in Colonial States: The French Empire 1830–1962," Working Paper No. 2018-27 (Paris School of Economics, July 2018), 14–19, accessed 7 Feb. 2024, <https://shs.hal.science/halshs-01818700v2>. For a general overview, see Leigh Gardner and Tirthankar Roy, *The Economic History of Colonialism* (Bristol, 2020), chaps. 5 and 6.

<sup>125</sup> Confederazione fascista degli industriali, "Enti ed istituti di assistenza tecnica. Enti vari," in *Annuario 1937-XV* (Rome, 1937), 505–508; Castronovo, *Cento anni di imprese*, 54; Bertilorenzi, Cerretano, and Perugini, "Between Constraints and Opportunities," 331.

<sup>126</sup> Lello Gangemi, "L'economia mista nelle colonie," *L'Italia d'oltremare* 5, no. 4 (20 Feb. 1940): 50–51; Vincenzo Arangio-Ruiz et al., "Società," in *Enciclopedia italiana* (Treccani, 1936); *CI*, 22 Jan. 1939, 28 Jan. 1939, 12 May 1939, 17 Feb. 1938; Consiglio di Stato,

economically integrated empire that would thrive in a world after liberal capitalism's collapse.

Trucking was perhaps the most important single industry in AOI in terms of the number of companies (1,236 firms, equivalent to 14% of all Italian firms in AOI) and total invested capital (1,676.6 million lire, equivalent to 44% of all Italian company capital in AOI). Moreover, it had a rippling effect across all other industries that relied upon trucking.<sup>127</sup> With such demand for trucking during the war (1934–1936), truckers with their own trucks earned enormous gross payments—as much as L.25,000 for just two weeks of work—and were rumored to return home “millionaires.”<sup>128</sup> Back in Italy, the automakers also reaped the benefits of this booming demand. At a time when the Italian auto industry only produced around one billion lire worth of vehicles per year, military contracts – amounting to 855 million lire worth of vehicles for Fiat – represented a significant stimulus to the industry, as economic historian Valerio Castronovo points out.<sup>129</sup>

Yet, the booming trucking industry was highly disorganized and inefficient. Most trucking companies were small or very small firms, such as Gotti S.p.A. whose Asmara office had only three trucks and a mechanic, that lacked the scale to operate efficiently.<sup>130</sup> A blown-out tire or a broken axle could take weeks to repair, leaving contracts unfulfilled and operating costs high. As a result of these inefficiencies, trucking was both expensive and unreliable.<sup>131</sup> To overcome some of these problems, many trucking firms formed cooperatives, sometimes independently and sometimes at the behest of local officials.<sup>132</sup> But these cooperatives did not yield the price reductions or the hierarchical business models that the regime wanted.<sup>133</sup> Truckers were vilified in the press, which held

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“Adunanza della Sezione 10 gennaio 1940–XVIII n. sez. 11. Quesito: Se la Compagnia Italiana Trasporti Africa Orientale . . .,” War Office (WO) 230/30, The National Archives, London, England; Podestà, *Il mito dell'impero*, 320, 256. For instance, Ilva invested in S.A. Meccanica Metallurgica Coloniale (SAMMA); Montecatini in the Compagnia Mineraria Etiopica (COMINA).

<sup>127</sup>“Le industrie e il commercio,” 1117–1118. This Confindustria survey conducted in late 1939 only counted registered companies and, thus, likely underestimates total firms in AOI.

<sup>128</sup>P.B. quoted in Taddia, *La memoria dell'impero*, 112; Farinacci qtd in Podestà, *Il mito dell'impero*, 351n.

<sup>129</sup>Castronovo, *FIAT*, 495. Figures include Fiat's subsidiaries. Tractors excluded.

<sup>130</sup>P.B. quoted in Taddia, *La memoria dell'impero*, 112.

<sup>131</sup>See, for example, Lerda, “Tariffe e costi degli autotrasporti in AOI,” 10 Nov. 1937, b. 50, vol. 3 ASMAI, ASDMAE; Vittorio Pallotti, “Ti scrivo dall'Abissinia. Lettere di Guerrino, camionista bolognese, alla moglie Derna dall'Africa orientale italiana,” *I sentieri della ricerca. Rivista di storia contemporanea*, no. 3 (2006): 192–193.

<sup>132</sup>“Il lavoro e l'assistenza sociale,” 1052.

<sup>133</sup>See, for example, Lessona to Badoglio, 4 Feb. 1936, sf. Varie, b. 11, AGS ASMAI ASDMAE; Carlo Milanese to Col. [Hazon?], 20 April 1937, sf. 3, f. 39, sc. 45, Fondo Graziani, Archivio Centrale dello Stato (ACS), Rome, Italy.

them solely responsible for the high cost of living in AOI and single-handedly retarding the colony's development.<sup>134</sup>

Likewise, an imperial market dominated by small, scrappy firms on the brink of bankruptcy did not appear particularly promising to Italian automakers. Since the boom in military commissions, Italian automakers, like Agnelli at Fiat, were anxiously waiting for the bust.<sup>135</sup> They had no hope for the Italian domestic market, populated by poor Italians who made do with bicycles, carts, and trains.<sup>136</sup> While Agnelli had set his sights on overseas markets (especially in the British Empire), the invasion of Ethiopia and the League's sanctions had raised production costs and cut Italian automakers out of potential markets.<sup>137</sup> Safeguarding Fiat's interests as best as he could, Agnelli worked closely with Guarneri, who obtained various import and export permits for the automaker.<sup>138</sup> But undoubtedly Agnelli was one of the industrialists pressuring Guarneri to force Mussolini to abandon proletarian imperialism and open up the Italian economy again.

The imperial trucking and automotive industries were ripe for intervention. Reducing the cost and time of trucking would greatly impact the military and civil government's operating costs in AOI, as they were the primary contractors. It would also reduce the cost of living and working more broadly, as everyone and everything was trucked. Moreover, reforming the trucking industry was an opportunity to engage Italian automakers in the imperial project. If successful, Mussolini could convince some of the staunchest advocates of opening Italy for trade that fascism's mercantilist, corporatist empire would satisfy all their needs.

To this end, in August 1937, the MAI, Finance Ministry, and Fiat created the *società anonima mista*, the Italian Company [for] East African Transports, better known as CITAO to regulate and consolidate the trucking industry.<sup>139</sup> In its initial charter, CITAO was given a

<sup>134</sup> See, for example, *CI*, 18 Apr. 1937.

<sup>135</sup> Castronovo, *FIAT*, 509–510, 547–548; Castronovo, *Cento anni di imprese*, 157. Castronovo suggests Agnelli aimed to avoid social and economic turmoil, preferring slow and stable growth over booms and busts.

<sup>136</sup> Stefano Somogyi and Cesco Zanette, "I grandi problemi dei trasporti: situazione dell'automobilistico in Italia," *Trasporti e lavori pubblici* 63, no. 4 (Apr. 1937): 99–114; Castronovo, *FIAT*, 85–87, 509–510, 522, 548.

<sup>137</sup> Castronovo, *FIAT*, 495, 520–25, 553–59, 573; Franco Amatori, "The Fascist Regime and Big Business: The Fiat and Montecatini Cases," in *Enterprise in the Period of Fascism in Europe*, ed. Harold James and Jakob Tanner (London, 2017), 63.

<sup>138</sup> Castronovo, *FIAT*, 548.

<sup>139</sup> Gangemi, "L'economia mista nelle colonie," 50–51; "Bollettino Ufficiale delle Società per Azioni n. 46 da notizia della costituzione della Soc. An. 'Compagnia Italiana Trasporti Africa Orientale (CITAO) . . .,' n.d., sf. IV, f. 11, b. 1029, Pratt. Societarie, IRI, Archivi di Enti Pubblici e Società, ACS; Podestà, *Il mito dell'impero*, 255.

monopoly over all transport along the most heavily trafficked routes of the empire (see Fig. 2).<sup>140</sup> CITAO was also supposed to operate repair shops, depots for fuel and parts, parking lots, urban and inter-city busing, and postal services. This kind of vertical and horizontal integration promised to cut prices across the board by regulating the industry and making it more efficient. Moreover, it must have appealed to Agnelli, so enamored with American Fordism.<sup>141</sup> And Agnelli must have seen that the 1.7 million square kilometer territory, roughly six times the size of Italy, with only one significant railway, represented an enormous market akin to the United States for Ford. Partnering with CITAO would allow Fiat to take an active hand in the development of that market. Thus, when the Finance Ministry and MAI asked Agnelli to invest in CITAO, he agreed. The state put up four million lire, and Fiat contributed three million.<sup>142</sup> Fiat was soon joined by other firms in the auto industry, including Lancia, Pirelli, Alfa Romeo, and Breda. Other investors included the Banco di Roma, BNL, the Ministry of Communication, and the War Ministry. AOI's regional governorates contributed capital and assets to the firm.<sup>143</sup> Its capital reached 37 million lire by 1938.<sup>144</sup>

On the ground, it was soon clear that CITAO did not have the assets to fulfill all the functions foreseen in its charter. Moreover, the Viceroy Duke Amedeo d'Aosta, among others, argued that sweeping away the small truckers damaged the "good" fascist soldiers and workers who were supposed to benefit from Mussolini's proletarian imperialism.<sup>145</sup> Instead of dispensing with the small trucking firms, CITAO only took over bus lines and postal services. For all other ground transport, CITAO operated as a mediator between customers and trucking firms,

<sup>140</sup>"RDL 21 agosto 1937 – XV, n. 1702," sf. VI, f. 11, b. 1029, Pratt. Societarie, IRI, Archivi di Enti Pubblici e Società, ACS.

<sup>141</sup>Castronovo, *Cento anni di imprese*, 17–18; Castronovo, *FIAT*, 74–76, 276, 278, 282–288, 367, 406–410.

<sup>142</sup>Podestà, *Il mito dell'impero*, 255; "Bollettino Ufficiale delle Società per Azioni n. 46 da notizia della costituzione della Soc. An. 'Compagnia Italiana Trasporti Africa Orientale (CITAO) . . .," n.d., sf. IV, f. 11, b. 1029, Pratt. Societarie, IRI, Archivi di Enti Pubblici e Società, ACS.

<sup>143</sup>"Bollettino Ufficiale delle Società per Azioni n. 46 dà notizia della costituzione della: . . . (CITAO) . . .," n.d.; "CITAO Consiglio d' Amministrazione," 3 Nov. 1938; Attilio Teruzzi, "Verbale di assemblea generale straordinaria degli azionisti della . . . (CITAO)," 3 Nov. 1938, sf. IV, f. 11, b. 1029, Pratt. Societarie, IRI, Archivi di Enti Pubblici e Società, ACS; Umberto Copasso, "Appendice," *REAL*, 27, no. 4 (Apr. 1939): 426–427; *CI*, 17 Oct. 1937.

<sup>144</sup>Copasso, "La Compagnia Italiana Trasporti Africa Orientale (CITAO)," *REAL*, 27, no. 4 (Apr. 1939): 421; High Command GGAOI [Gen. De Biase?] to Teruzzi, 6 Dec. 1939, WO 230/30, TNA; Teruzzi, "Verbale di Assemblea generale straordinaria degli azionisti della CITAO," 3 Nov. 1938, sf. IV, f. 11, b. 1029, Pratt. Societarie, IRI, Archivi di Enti Pubblici e Società, ACS; Podestà, *Il mito dell'impero*, 255.

<sup>145</sup>DGG 31 Aug. 1938, n. 1018 in *CI*, 30 Nov. 1938; *CI*, 8 Jan. 1939, 28 Jan. 1939.

inspecting vehicles, fixing contracts, setting fares, and establishing a timeframe for payment. In exchange, CITAO received a 4% commission.<sup>146</sup> It also operated several large repair shops that were able to draw on the technical expertise of firms like Pirelli and Fiat, breakdown defunct vehicles into parts to be reused or recycled, and create large depots of spare parts, lubricants, and fuel. The repair shops reduced costs and contributed to industrial autarchy.<sup>147</sup>

The regime argued that CITAO performed an important public service by effectively lowering the cost of trucking in AOI. It had more resources and could operate at a greater scale—thus achieving important efficiencies—than the collection of small, disorganized trucking firms. Between July 1937, shortly before CITAO's creation, and January 1939, price of trucking fell by an estimated 43%.<sup>148</sup> Moreover, CITAO distributed almost 2.3 million lire in dividends in 1939–1940.<sup>149</sup> By 1940, Fiat's once-skeptical Agnelli had invested about 66 million lire in the transport sector in AOI.<sup>150</sup> While Fiat's leadership remained uncertain about the fascist regime, they certainly hoped there were profits to be made in Mussolini's imperial project. At least, CITAO's concessionary rights and the public financing extended convinced Fiat that it was a worthwhile investment.

CITAO's profits and cost-savings, however, were not exclusively due to good management and organization. Rather, CITAO was able to generate profits and reduce costs by suppressing labor and wages. CITAO extended ample credit to the public sector, equivalent to 86 million lire to the military in October 1939.<sup>151</sup> To afford this credit extension, CITAO simply did not pay the trucking companies, which often were too small to cover the ongoing operating costs for months while awaiting payment.<sup>152</sup> In a sense, forcing small truckers to loan the state their money and labor was not so different from proletarian

<sup>146</sup> *CI*, 8 Jan. 1939; 28 Jan. 1939; Copasso, "La Compagnia Italiana Trasporti Africa Orientale (CITAO)," 421; "Legislazione. Sviluppi della legislazione sugli autotrasporti in Africa orientale italiana," *REAI*, 27, no. 4 (Apr. 1939): 483–484.

<sup>147</sup> High Command GGAOI [de Biase?] to Teruzzi, 6 Dec. 1939, WO 230/30, TNA.

<sup>148</sup> My calculations based on the cost of transporting goods (lire/ton) from Massawa to Addis Ababa (ca. 1,171 km) as reported in: *CI*, 22 Mar. 1939; Copasso, "La compagnia italiana trasporti Africa orientale," 425; "Deliberazioni. I. Atti ufficiali commissione di competenza della consulta per il credito e l'assicurazione. Rischi terrestri nei territori dell'Impero," *REAI*, 27, no. 4 (Apr. 1939): 453; Cecini, "La realizzazione della rete stradale in Africa orientale italiana (1936–41)," 145. More significant to this reduction, however, were the improvements made to the road network, which reduced travel time and vehicle-wear.

<sup>149</sup> CITAO, "Esercizio finanziario 1939–1940," 5 Mar. 1941, sf. IV, f. 11, b. 1029, Pratt. Societarie, IRI, Archivi di Enti Pubblici e Società, ACS.

<sup>150</sup> Podestà, *Il mito dell'impero*, 255.

<sup>151</sup> High Command GGAOI [de Biase?] to Teruzzi, 6 Dec. 1939, WO 230/30, TNA.

<sup>152</sup> *CI*, 8 Jan. 1939; Copasso, "La compagnia italiana trasporti Africa orientale," 425; "Legislazione. Sviluppi della legislazione sugli autotrasporti in Africa orientale italiana," 483–484.

imperialism, which forced Italy's working classes to loan the state money and labor to finance the war. The difference was that it had given the Italian auto industry—especially its leader Fiat—a stake in the development of Italy's imperial market.

Like trucking, cotton cultivation was a small, disorganized production. Most Ethiopian households grew several small cotton plants. The indigenous varieties required no additional labor and were drought-resistant, perennial crops. Families spun the short-cotton fibers and wove whisper-thin cloth known as *abugiadid*, the basis of most Ethiopians' clothing, including the traditional *shamma*. Raw, spun, or woven cotton was either consumed directly by the producers or sold on the market, thus providing families with diversified income sources. Yet, despite the quality of Ethiopian cotton, it was not commercially produced. In the late nineteenth and early twentieth century, Ethiopia imported increasing quantities of cotton, especially from Japan, despite both Emperors Menilek II and Haylä Śellasé's attempts to increase production by creating concessions and introducing various fiscal incentives.<sup>153</sup>

Ethiopia's cotton—or rather, potential to grow cotton in great quantities—was one of the many raw materials that Italian cotton manufacturers hoped to seize from the empire. Operating in one of Italy's oldest and strongest industries that had historically benefited from state protectionism and was partially held in IRI's portfolio, cotton manufacturers had been deeply engaged in the imperial market since the turn of the century.<sup>154</sup> In particular, capitalist plantations in Somalia and Eritrea provided them with limited quantities of raw cotton, while Eritrea was increasingly important as a market for Italian cotton textiles.<sup>155</sup> Thus, while cotton manufacturers, unlike the auto industry, were particularly integrated with and attuned to the Italian imperial market before the invasion of Ethiopia, they nevertheless, like the auto industry, were primarily oriented to the global market. In particular, cotton manufacturers imported some 94.5% of their raw cotton, according to Ethiopian historian Haile Larebo. With the invasion of

<sup>153</sup>Dott. Giovanni Verdichio, "L'agricoltura indigena dello Scioa," Feb. 1938, f. 525, Archivio Istituto Agronomico d'Oltremare (AIAO), Florence, Italy; Richard Pankhurst, *Economic History of Ethiopia, 1800–1935* (Addis Ababa, 1968), 204–205; James McCann, *People of the Plow* (Madison, 1995), 125, 128, 138, 141–142; Graham, "Report on the Agriculture and Land Produce of Shoa," *Journal of the Asiatic Society of Bengal* 13, no. 148 (June 1844): 253–296; Zervos, *L'Empire d'Éthiopie*, 165–166.

<sup>154</sup>Zamagni, *Economic History of Italy*, 88–91; Toniolo, *L'economia dell'Italia fascista*, 250.

<sup>155</sup>Marco Zoppi, "Il cotone non è cosa che si possa mangiare: politiche coloniali italiane in Somalia e sicurezza alimentare, 1900–1945," *Studi storici* 4 (Oct. –Dec. 2020): 1009–33; Podestà, *Il mito dell'impero*, 41–55, 59–61; Jerven, Strangio, and Weisdorf, "A Case of Its Own?," 119. In 1905, Eritrea was the fourth largest market for Italian cotton textiles.

Ethiopia in 1935, one of the fastest growing industries in Italy had to suddenly pivot to using synthetic fibers as economic sanctions and the regime's tight control on overseas purchases limited their ability to purchase cotton.<sup>156</sup> The empire, thus, held promise as both a source of raw cotton and a market for cotton manufactures.

Aiming to transform the Ethiopian cotton industry from small, disorganized household production to industrial production, the MAI collaborated with the ICI to create the *società anonima mista*, Italian Africa's Cotton Corporation (hereafter, ECAI) in July 1937. Each contributed half of the founding capital.<sup>157</sup> The ECAI was responsible for directing the long-term development of the cotton industry by studying cotton cultivation in Ethiopia, creating cotton districts that would be assigned to private concessionary firms, and working with private firms and the ministry to establish production quotas and prices.<sup>158</sup>

The ICI also founded the most important cotton concessionary firm in Ethiopia—the National Company for Ethiopian Cotton, known as Cotetio, in July 1936. Cotetio initially purchased concessionary rights for four of the seven total cotton districts the ECAI had created in Ethiopia, but soon after purchased the rights to operate the additional three, becoming a *de facto* monopoly (Fig. 3).<sup>159</sup> Cotetio, thus, owned the rights to purchase all of the cotton produced by Ethiopian cultivators in these seven cotton districts—each measuring on average 500,000 hectares, according to Larebo—for the next twenty-five years. The concessionary contracts issued by the ECAI specified that Cotetio could not expropriate land from resident Ethiopian cultivators nor interfere with their cultivation of food and animal raising specified as “indispensable to the lives of these people.” Instead, Cotetio could only encourage Ethiopians to “volontar[ily]” cultivate more cotton.<sup>160</sup>

Thus, like CITAO, the ECAI and Cotetio functioned as intermediaries between small enterprises—in this case, small family farms with

<sup>156</sup> *La Stampa*, 25 Mar. 1936; Haile Larebo, “The Italian Background of Capitalist Farming in Ethiopia: The Case of Cotton,” *Northeast African Studies* 2, no. 1 (1995): 32; Rosario Romeo, *Breve storia*, 144; Alberto Cova, “L’industria Lombarda tra le due guerre,” in *Economia, lavoro, e istituzioni nell’Italia del novecento* (Milan, 2002), 523–530; Zamagni, *Economic History of Italy*, 121, 275–276, table 9.2; Bertilorenzi, Cerretano, and Perugini, “Between Constraints and Opportunities,” 327–329.

<sup>157</sup> Larebo, “The Italian Background of Capitalist Farming in Ethiopia,” 33.

<sup>158</sup> “Recezioni e notizie,” *Rassegna delle poste dei telegrafi e dei telefoni* 9, no. 10 (Oct. 1937): 831; Larebo, “The Italian Background of Capitalist Farming in Ethiopia,” 32–38; Podestà, *Il mito dell’impero*, 297; Guido d’Onofrio, “La cotonicoltura,” in *L’industria in AOI*, ed. Confindustria (U.S.I.L.A., XVII), 183–202.

<sup>159</sup> Larebo, “The Italian Background of Capitalist Farming in Ethiopia,” 38; *CI*, 29 Dec. 1936.

<sup>160</sup> “Rapporto schematico sulle attività cotonicole svolte dall’Italia in Etiopia,” 11 July 1949, f. 1106, AIAO; Larebo, “The Italian Background of Capitalist Farming in Ethiopia,” 38–43; d’Onofrio, “La Cotonicoltura,” 198; R.D., 7 Jan. 1938 n. 443.



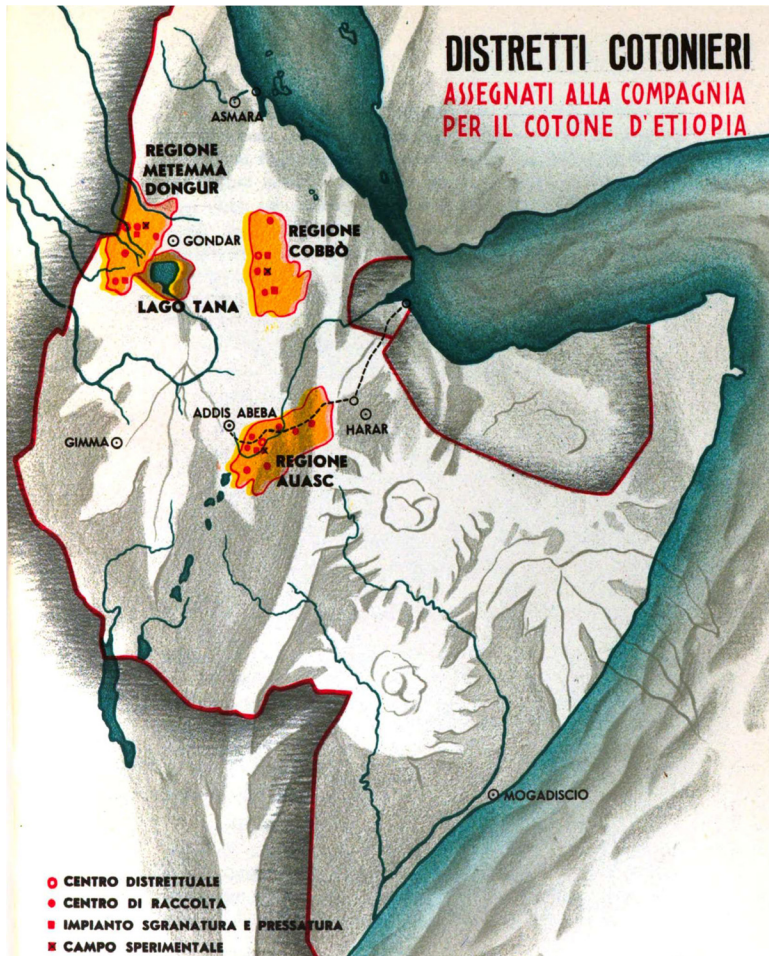


Figure 3. Cotetio's Cotton Districts in AOI, c. 1939.

limited market orientation—and the wider imperial market. They too drew on the expertise and capital of the major metropolitan firms in the cotton manufacturing sector. In particular, engaging the ICI in cotton growing enterprises operated like a salve for an industry that had been so damaged by the war and the turn to autarchy, and perhaps the regime sought to appease these industrialists and show how they could return to 'normal' within the framework of imperial autarchy.

Yet, considering the dramatic change the ECAI wanted to undertake in cotton cultivation, it is unsurprising that Cotetio used both persuasion

and coercion to increase cotton cultivation in its districts. According to Larebo, during the 1938–1939 season, Cotetio distributed pamphlets in Amharic, instructing cultivators how to obtain greater cotton yields and offered financial incentives to cultivators. Company representatives seized indigenous seeds, replacing them with American upland varieties whose longer fibers were suited to Italian textile machinery. However, American varieties were more labor-intensive than the indigenous varieties. As a result of Cotetio's attempts to rationalize and increase cotton cultivation, Ethiopian cultivators dedicated less land and fewer working hours to their crops and herds. Food production in the cotton districts decreased so substantially that the colonial government intervened, establishing requirements for food production in the districts.<sup>161</sup> Yet, despite Cotetio's persuasion and coercion, the 1,454 hectares of cotton in Cotetio's districts produced only 64,000 kg of raw cotton.<sup>162</sup> Cotetio and its agricultural advisors blamed the low yields on African cultivators' "laziness" and "congenital indolence," although they also acknowledged instances of "open opposition."<sup>163</sup>

To increase cotton production, Cotetio thus turned to increasing the scale of production and intensifying its management of Ethiopian cultivators. Working closely with the local *residente* (equivalent to district officer) and the local elites, Cotetio established large collective fields. They also fixed a minimum number of African laborers and working days that the local elites were supposed to supply to Cotetio's field. For example, in the Soddu cotton district, local elites ("*capì indigeni*") were supposed to require local cultivators to work in Cotetio's field for three days per week. Any elites who resisted were "punished."<sup>164</sup> Likely, this unpaid, *corvée* labor was framed as a tax levied on the local population, just as Ethiopian imperial elites had required a certain number of working days for public works and on the lands of local imperial authorities or the palace.<sup>165</sup> When workers did

<sup>161</sup>Larebo, "The Italian Background of Capitalist Farming in Ethiopia," 38–44; Achille Pajella, "Breve notizie ed osservazioni sul distretto cotoniero del Lago Margerita," 1 Mar. 1943, f. 1826, AIAO.

<sup>162</sup>Pajella, "Breve notizie," f. 1826, AIAO; Larebo, 43, table 4.

<sup>163</sup>"Rapporto schematico sulle attività cotonicole svolte dall'Italia in Etiopia," 11 July 1949, f. 1106, AIAO.

<sup>164</sup>Pajella, "Breve notizie," f. 1826, AIAO.

<sup>165</sup>Bahru Zewde, "Agricultural Corvée Labor in Ethiopia in the Nineteenth and Twentieth Centuries," *International Journal of African Historical Studies* 56, no. 1 (2023): 21–41; Charles McClellan, "Perspectives on the Neftenya-Gabbar System" *Africa* 33, no. 3 (Sep. 1978): 426–440; Shiferaw Bekele, "The Evolution of Land Tenure in the Imperial Era," in *An Economic History of Modern Ethiopia*, ed. Shiferaw Bekele, (Oxford, 1995), 72–142.

not arrive in the numbers that Cotetio had demanded, Cotetio's managers screamed and threatened local elites but to no avail.<sup>166</sup>

They soon discovered that Cotetio was just one of many concessionary companies demanding African *corvée* labor. The local government demanded they work on roads, while the local gold and platinum mining concession demanded they work in the riverbeds. The competition among Italian firms for African labor gave Africans the leverage to demand greater remuneration and better working conditions.<sup>167</sup> Responding with force, the Italians began to coerce Africans—sometimes at gunpoint—to work. But the local population, some of which had migrated for wage labor elsewhere in the Italian empire, was simply insufficient to meet the workforce demands of Italian companies.<sup>168</sup> In regions with labor shortages, the state began to gather formerly enslaved people—who had no property and no place to go—into so-called “freedom villages,” where they were forced to work for Italian enterprises.<sup>169</sup>

These increasing demands for *corvée* African labor reveal a broader transformation in the financing of the fascist colonial project. Turning industries like cotton cultivation over to companies such as Cotetio, which was a product of the Italian cotton manufacturers and aimed to supply them with abundant, cheap cotton, naturally generated an impetus to reduce the cost of labor. Although certain industries remained reserves for skilled white labor such as trucking, Italian firms increasingly looked to African workers to provide low-cost, if not free, labor for their enterprises. A 1940 survey reports that about 750,000 Africans were employed in construction, road-building, and agriculture. More were recruited into the military and private businesses as well. Podestà estimates that over 1 million Africans were employed in the Italian colonial machine, about 10% of the African population.<sup>170</sup> Forced, unpaid African labor became an important source of financing for the fascist imperial regime.

<sup>166</sup> Larebo, “The Italian Background of Capitalist Farming in Ethiopia,” 44–48.

<sup>167</sup> Borghese to MAI Direz. Affari Politici, 18 Aug. 1937, f. 3, b. 97, AA PP, ASMAI, ASDMAE; Borghese to MAI, 13 July 1937, f. 1, b. 97, AA PP, ASMAI, ASDMAE; Lessona to GG AOI, 18 Jan. XV [1937], f. 2, b. 97, AA PP, ASMAI, ASDMAE; Podestà, *Il mito dell'impero*, 348n; Richard Pankhurst, “Road Building During Italian Occupied Ethiopia (1936–1941),” *Africa Quarterly* 15, no. 3 (1976): 41; Pankhurst, “Italian and ‘Native’ Labor,” 59–66.

<sup>168</sup> Pier Marcello Masotti, *Ricordi d’Etiopia di un funzionario coloniale* (Milan, 1981), 136–39; Pankhurst, “Italian and ‘Native’ Labor,” 70; Larebo, *The Building of an Empire*, chaps. 7 and 8. Further research is needed to understand the scale of coerced labor in AOI.

<sup>169</sup> “Il lavoro e l’assistenza sociale,” 1100–1109; Larebo, *The Building of an Empire*, 252, 275.

<sup>170</sup> Podestà, “Eurafrica,” 30.

### The Fascists' Radical Mercantilist Capitalism

The fascists had always exalted the transformative power of war. In the “fascist war”—the occupation of Ethiopia—and the colonization of AOI, Mussolini aimed to forge new relationships among his subjects and between nations.<sup>171</sup> Abandoning the concepts of a society of self-sovereign individuals, balanced budgets, and liberal trade regimes, Mussolini aimed to build a new geopolitical bloc in the Mediterranean and Horn of Africa that could stand on equal footing with the British Empire, the United States, the Japanese Co-Prosperity Sphere, and the Soviet Union. Expanding Italy's borders, concentrating the state's power, and stimulating industry, all served to ensure that Italy would be strong and able to dictate the terms of its relations with these great blocs.

Mussolini's mercantilist, corporatist variety of capitalism would resolve Italy's so-called “under-development” by empowering the state, not by increasing the wealth and well-being of Italy's subjects. Rather, the war and colonization project concretized a hierarchical society of corporations with the state at the apex, Italian elites in the middle, Italian workers below, and African subjects at the very bottom. To wage its imperial war, the regime suppressed the consumption of working- and middle-class Italians, increasing the differences in the lives and well-being of Italian workers and the elite. During the so-called “normalization” of AOI, Mussolini replaced unskilled Italian workers with African workers, who were forced to work in conditions of extreme privation, abuse, and coercion. Normalization also swept away small- and even medium-sized Italian and African enterprises—unquestionably riddled with inefficiencies—replacing them with large *società anonima mista* that enabled the regime to coordinate entire sectors of AOI's economy.

In this process, many industrialists preserved their privileged place in corporatist Italy. As much as Mussolini may have resented certain Torinese industrialists like Agnelli, they were, to paraphrase historian Silvio Lanaro, Italy's electric “wattmen”—masters of efficiently organizing resources and labor, integrating their enterprises, and building the machines of the future that Mussolini so admired.<sup>172</sup> Their status and power meant that Mussolini had to continually solicit their consent and support of all of his endeavors,

<sup>171</sup> Federico Biastrocchi, “Seguito della discussione del disegno di legge: stato di previsione della spesa del Ministero della Guerra per l'esercizio finanziario dal 1° luglio 1936–XIV al 30 Giugno 1937–XV,” 20 Mar. 1936, *Atti Parlamentari - Camera dei deputati, Legislatura XXIX, 1a sessione, 2383*; Dominioni, *Lo sfascio dell'impero*, 5–6.

<sup>172</sup> Lanaro, *Nazione e lavoro*, 39–40.

even his decision to break with liberal capitalism and build a radical mercantilist empire.

Nevertheless, with the Great Depression and the regime's colonization of Africa, Mussolini aimed to prove that the state could animate the entire economy—deciding where to direct investment, what could be done with profits, whose needs were to be subordinated, which people were to be outright abused. Such choices were justified at the highest levels of government as “national” interest. It was not a “proletarian empire” or a “civilizing mission” as the propagandists proclaimed. It was the bloody beginning of Mussolini's radical mercantilist, corporatist, and racist new order.<sup>173</sup>

Ultimately, this article has sketched out general models of Italy's colonial strategies by studying financing, expenditures, and enterprises. It has thus dealt with ideas and histories shaping how fascist policymakers and Italian elites imagined the future, as well as the divergence between those who imagined a future within a liberal capitalist global market and those who wanted to break with it. But, despite their clear differences, they shared a common way of thinking about Italy and the world. Like their *risorgimentale* forefathers, they were preoccupied with Italy's “under-development” and other “problems.” Their ideas about the future were overshadowed by fears of Italy's military weaknesses, its perceived lack of autonomy, and the supposed absence of modern industry. These fears and this conception of Italy as “underdeveloped” and a “second-rate power” long preceded Mussolini's rule and continued long after it.

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<sup>173</sup> While beyond this article's scope, Zamagni has suggested that the investments made in industry during the war laid the groundwork for the economic miracle. See Vera Zamagni, “Italy: How to Lose the War and Win the Peace,” in *The Economics of World War II* ed. Mark Harrison (Cambridge, UK, 1998), 177–223.