

History of economic theory and policy of the 20th century (online course)

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Economic policies of corporatism and authoritarian political regimes

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1. Motivation and structure of the presentation

- This presentation deals with the discussion about the political rationale of economic and social organisation in the **interwar years**.
- A special comparative attention will be given to the less studied and known case of **corporatism**, in the context of the emergence of **authoritarian political regimes** in Europe.
- Though not being the main focus of this lecture, I shall also address the way how democratic versions of corporatism (neo-corporatism) conceived the development of social policies and the building up of the **welfare state**.

- The main purpose is to present the major tenets of corporatism – its origins, its doubts regarding other schools of thought, its conceptual and doctrinal apparatus, and its main proposals concerning the appropriate balance between individual rights and State responsibilities.

**2. Corporatism contextualized:
against the extreme consequences of liberalism and socialism**

- Two major characteristics prevailing in early 20th century economic ideas:
 - ▶ The existence of several different competing schools of thought that could roughly be divided into two major families – those pro-capitalism and those pro-socialism.
 - ▶ The diffuse influence of the criticisms addressed by the institutionalist, historicist, organicist and solidarist schools of thought to classical and neoclassical economics and to their unsustainable version of liberalism, an atmosphere that (at least in Europe) was to favour the emergence of several different types of eclecticism.

- The interwar years witnessed:
 - ▶ Growing doubts and uncertainty concerning the *neoclassical* belief in the self-regulating properties of a purely spontaneous market mechanism.
 - ▶ The emergence of a public opinion that was favourable to confer a more significant role to government concerning national economic (and social) regulation.
 - ▶ The surfacing of new economic systems inspired by different ideological and philosophical presuppositions and pertaining to different national traditions of thought: the problem of the “third way”.
 - ▶ The special case of keynesianism

- The corporatist solution benefited from:
 - ▶ A social and political atmosphere that was generically favourable to the admission of new solutions for contemporary pressing problems;
 - ▶ A meaningful cluster of previously developed arguments against both socialism and liberalism (capitalism).

- Departing from contemporary evidence of social and political unrest, corporatist thinkers could rely upon:
 - ▶ The social and economic concerns of several different types of catholic thought, namely the message expressed in the papal encyclicals *Rerum Novarum* and *Quadragesimo Anno*;
 - ▶ The nationalist, institutionalist, historicist and organicist revival and the arguments around the existence of a new economic reality that could no longer be explained by orthodox economics;
 - ▶ The political arguments put forward by all those who thought that democracy and mass political participation was one of the major causes of contemporary social unrest and political anarchy.
 - ▶ The refusal of class struggle as a device to understand tensions in society.

3. Corporatism defined

- Corporatism was visualised as a third way alternative, not against capitalism per se, but against its evils or extremes – extreme individualism, extreme democracy, extreme abstraction, extreme materialism and extreme liberalism.
- **A new notion of human economic agency**
 - ▶ The *homo corporativus* against the *homo economicus*
 - ▶ The individuals as members of a natural organic whole.

“We want to move to a *new economy*, working in harmony with human nature, under the authority of a strong state that defends the nation's superior interests, its wealth and its work, both against capitalist excesses and destructive Bolshevism”

(Salazar 1933, 15).

“Corporations therefore collaborate in the performance of a normative role. And this is why the activities of individuals and companies are now subjected to a form of discipline or, better still, are conditioned by certain initial positions that are implied by this discipline.

We are far removed from automatic equilibrium: instead of this, we have a directed economy. But, in this case, such control does not belong directly to the state, for it is the industries that, through their corporation, take the initiative of drawing up the rules and regulations. Afterwards, it is the task of the government, as the representative of the national interest, to decide upon these rules in the last instance, either approving them or rejecting them. Now, since the industries collaborate in their own discipline, it is said that we have instead a *self-directed economy*” (Ribeiro 1939, 61-62).

- **A new economic and social order**
 - ▶ The corporations as a suitable environment for the collaboration and harmony between capital and labour.
 - ▶ Property rights and private entrepreneurship would fulfil a national function; individual owners and entrepreneurs would be responsible for ensuring that national interests and aims were actually achieved.

- **A comprehensive doctrine of the functional organisation of the Nation**
 - ▶ A set of appropriate hierarchical relationships between the whole and its constituent parts would be firmly secured.
 - ▶ An ideal balance between individual freedom and national aims, since the prevalence of the general over the particular did not imply that man had to be entirely absorbed or dissolved by society.

Main doctrinal sources

- Ugo Spirito, *I fondamenti dell'economia corporativa*, 1932
- Mihail Manoilescu, *Le siècle du corporatisme*, 1934
- François Perroux, *Capitalisme et communauté de travail*, 1938.

4. State intervention and social policies

- ▶ To strengthen the spirit of co-operation and mutual help between producers, through the establishment of inter-corporative agreements with the capacity to determine technical rules and standards, fix prices and wages, and reduce production costs.
- ▶ To discipline and exercise an effective control over the production process, through the harmonious combination of the various corporative plans, so as to prevent extreme fluctuations of supply in relation to demand.

- ▶ To lessen the negative effects of the system of free competition and fix the limits and barriers to the entry of new firms in certain sectors of economic activity, which would thereby bring about the possibility of a certain distortion in one of the fundamental bases of the capitalist system, i.e. the determination of the market equilibrium price.
- ▶ To implement social policy measures, namely regarding social security, health care, poor relief, unemployment aid.

- ▶ Post-war developments of a new wave of (neo)corporatism.
- ▶ Social harmony, human relations and reconciliation of interests.
- ▶ A new approach to the problems of economic and social development.

5. Keynes and corporatism: convergence and divergence

- Keynes (also) accepted
 - ▶ That laissez-faire was neither a moral absolute nor a guiding principle for an ideal economic system;
 - ▶ A concept of government based on public interest and benevolent dictatorship.
 - ▶ That «capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself it is in many ways extremely objectionable. Our problem is to work out a social organisation which shall be as efficient as possible without offending our notions of a satisfactory way of life» (1926)

- ▶ That «progress lies in the growth and the recognition of semi-autonomous bodies within the State – bodies whose criterion of action within their own field is solely the public good as they understand it, and from whose deliberations motives of private advantage are excluded» (1926).
- ▶ That the «theory of output as a whole, which is what the following book purports to provide, is much more easily adapted to the conditions of a totalitarian state, than is the theory of the production and distribution of a given output produced under conditions of free competition and a large measure of laissez faire» (1936, p. xxvi).

- These views
 - ▶ Are compatible with a certain kind of societal corporatism, according to which the newly acquired decision authority of corporations should be subject to the sovereignty of democracy expressed through Parliament.
 - ▶ May be seen as an important authority reference reinforcing the historical legitimacy of corporatism, insofar as State economic intervention is considered by Keynes as an indispensable means to increase the levels of economic efficiency, to foster full employment, to encourage economic growth and to promote the betterment of social conditions through income redistribution.

- ▶ Were useful in order to reinforce the criticisms directed against 'classical economics views', and also proved to be a useful approach for convincing people of the importance of State economic intervention.
- ▶ Notwithstanding, Keynes' work gave rise to a series of economic policy guidelines that it would be almost impossible to be accepted by corporatism, specially those associated to budget deficits and active management of effective demand .

6. *Concluding remarks*

- ▶ Keynes and corporatist thinkers were likely to converge insofar as they shared a common enemy – old-fashioned liberal views – and also insofar as they both tried to find relief for the kind of economic inefficiency and associated social turmoil that was likely to emerge out of the workings of an uncontrolled market system.
- ▶ But the contents and forms of such intervention do, however, have quite distinct characteristics, namely because the array of changes that were advanced by Keynes was obviously less demanding than those required by corporatist thinkers.

- ▶ Keynes did not get along with the basic corporatist philosophical conceptions or with their proposals for a comprehensive ethical reorganization of economic and social life.
- ▶ It was only after the war was over and corporatism begun to collapse that Keynes' economic ideas finally acted as a kind of realistic alternative for the previous corporatist comprehensive ambitions – namely amongst those who still wanted the state to be directly involved in a strategy of industrial development.

Further reading

- Bastien, C. and Cardoso, J.L., From *homo economicus* to *homo corporativus*: a neglected critique of neoclassical economics. *The Journal of Socio-Economics*, 2007, 36:1, 118-127.
- Brisset, N. and Fèvre, R., The “community of labour” in troubled times (1926:1944): François Perroux’s irrational foundations of economic expertise. *The European Journal of the History of Economic Thought*, 2020, 27:5, 735-761.
- Cunha, A. and Suprinyak, C. (eds.), *Political Economy and International Order in Interwar Europe*. Cham: Palgrave Macmillan, 2021.