Routledge Studies in Fascism and the Far Right

GIVING CREDIT TO DICTATORSHIP

AUTHORITARIAN REGIMES AND FINANCIAL CAPITALISM IN EUROPE DURING THE TWENTIETH CENTURY

Edited by
Valerio Torreggiani and José Luís Cardoso

GIVING CREDIT TO DICTATORSHIP

AUTHORITARIAN REGIMES AND FINANCIAL CAPITALISM IN EUROPE DURING THE TWENTIETH CENTURY

Edited by

Valerio Torreggiani and José Luís Cardoso

Giving Credit to Dictatorship

This edited volume explores the interplay between political, economic, and financial development in twentieth-century European authoritarian regimes.

The book features case studies that explore the impact of domestic and international finance on the rise, stabilization, and decline of various European dictatorships of the twentieth century, such as Italy, Germany, Yugoslavia, Portugal, Spain, Greece, and Turkey. The chapters delve into the role that the regimes played in shaping and transforming the financial system, exploring their international interconnections as well as the influence of economic theory and ideological constructs in dictatorial environments. Applying the methodological framework of the history of capitalism to the analysis of the relationship between authoritarian regimes and financial systems, the book provides new insights into the relationships between politics and economics, and it offers a fresh perspective on contemporary political issues and their interaction with the global financial system.

This collection is an ideal resource for postgraduate students and researchers in history, economics, political economy, and political sciences.

Valerio Torreggiani is Research Fellow at the Institute of Social Sciences, University of Lisbon. He is the author of several works on the history of capitalism, organized interests, and corporatism in the nineteenth and twentieth centuries, such as *Corporatism in Early Twentieth-Century Britain* (2022), *Uniformità, frammentazione e conflitto* (2022) and *Capitalismo e regime fascista* (2024).

José Luís Cardoso is Research Professor at the Institute of Social Sciences of the University of Lisbon, Portugal. He is author and editor of several

books on the Portuguese history of economic thought from a comparative perspective, with special emphasis on the study of the processes of diffusion and assimilation of economic ideas.

frontmatter

Routledge Studies in Fascism and the Far Right

Series editors: Nigel Copsey
Teesside University, UK
Graham Macklin
Center for Research on Extremism (C-REX), University of Oslo, Norway

This book series focuses upon national, transnational and global manifestations of fascist, far right and right-wing politics primarily within a historical context but also drawing on insights and approaches from other disciplinary perspectives. Its scope also includes anti-fascism, radical-right populism, extreme-right violence and terrorism, cultural manifestations of the far right, and points of convergence and exchange with the mainstream and traditional right.

The Metaphysics of Race
Science and Faith in the Nazi Worldview
Amit Varshizky

Imagining Alternative Worlds
Far-right Fiction and the Power of Cultural Imaginaries
Christoffer Kølvraa and Bernhard Forchtner

The Transnational Making of Italian Neofascism
Matteo Albanese

Frege and Fascism

Stephen D'Arcy

Giving Credit to Dictatorship
Authoritarian Regimes and Financial Capitalism in Europe during the Twentieth Century
Edited by Valerio Torreggiani and José Luís Cardoso

For more information about this series, please visit: www.routledge.com/Routledge-Studies-in-Fascism-and-the-Far-Right/book-series/FFR

Giving Credit to Dictatorship

Authoritarian Regimes and Financial Capitalism in Europe during the Twentieth Century

Edited by Valerio Torreggiani and José Luís Cardoso

LONDON AND NEW YORK

First published 2025
by Routledge
4 Park Square, Milton Park, Abingdon, Oxon OX14 4RN
and by Routledge
605 Third Avenue, New York, NY 10158
Routledge is an imprint of the Taylor & Francis Group, an informa business
© 2025 selection and editorial matter, Valerio Torreggiani and José Luís Cardoso; individual chapters, the contributors
The right of Valerio Torreggiani and José Luís Cardoso to be identified as the authors of the editorial material, and of the authors for their individual chapters, has been asserted in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.
All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.
Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.
British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library
ISBN: 978-1-032-65616-8 (hbk)
ISBN: 978-1-032-65617-5 (pbk)
ISBN: 978-1-032-65619-9 (ebk)
DOI: 10.4324/9781032656199
Typeset in Times New Roman
by Apex CoVantage, LLC

Contents

Foreword by *Youssef Cassis*

List of contributors

Authoritarianism and financial capitalism in twentieth-century Europe: an introduction
VALERIO TORREGGIANI AND JOSÉ LUÍS CARDOSO

1 Convergence in decay: primo de Rivera and the new Catalan banking elite, 1925–1931
ENRIQUE JORGE-SOTELO

2 Portugal in a Greek mirror: the failed attempt of a foreign loan supported by the League of Nations, 1927–1928
ANA TOMÁS AND NUNO VALÉRIO

3 Dictatorship, authoritarian regime, and the banking sector in Yugoslavia during the 1930s
ŽARKO LAZAREVIĆ

4 The political economy of currency devaluation and trade balance: Italy, 1930s
ENRICO BERBENNI AND ANDREA VIOLA

5 The Bank of Italy goes to war: financing fascist warfare, 1935–1943
MARIANNA ASTORE, MARIO PERUGINI, AND VALERIO TORREGGIANI

6 Banca commerciale Italiana and the re-establishment of Italy's international economic relations after the sanctions, 1936–1940

FEDERICO CASTELLI

7 Support the devil: the involvement of German banks in the NS politics from the occupation to the final solution

ANNA VERONICA POBBE

8 More repression in a repressed world: the Spanish financial sector during the Franco regime, 1939–1975

JOAQUIM CUEVAS, ELENA MARTÍNEZ-RUIZ, AND MARIA A. PONS

9 Dictatorial rule and macroeconomic management: Greece, 1967–1974

MICHALIS PSALIDOPOULOS

10 The making of the transformation of Turkey between 1980 and 1983

TAYFUN MERTAN

Index

Foreword

Youssef Cassis

The question of ‘giving credit to dictatorship’ is an old issue – think for example of Daniel Guérin’s (1936) classic book, *Fascisme et grand capital*, first published in 1936 – but it is also a topical one and this book is an important step in the renewal of a debate in which historians should play a key role. The chapters that follow discuss fascinating case studies, the relationships between finance and authoritarian regimes in twentieth-century Europe, from Spain and Portugal to Greece and Turkey through Italy and Germany, from the 1920s to the 1970s.

In this preface, I would like to offer a few reflections on the relationships between international finance and authoritarian regimes from the late nineteenth to the early twenty-first century. Two questions are at the heart of these reflections, which pertain to the book’s central issue and are implicitly or explicitly present in the following chapters. First, are financial markets, and for that matter financial actors, concerned about the nature of the regime of the country to which they lend or in which they invest? Second, is there any correlation between the degree of openness of the world economy – globalisation or deglobalisation – and the amount of credit given to dictators?

For the purpose of these remarks, I have defined international finance as private capital, in terms of activities, especially foreign investment, financial centres, and financial actors. I have only considered dictatorships as authoritarian regimes, with the exclusion of the so-called ‘hybrid regimes’, but with the inclusion of colonial regimes, which were clearly authoritarian.

And I have distinguished between what could be called 'capitalist' and 'communist' dictatorships, which tend to be grouped together in the literature if the former are dominant-party dictatorships. In both cases, the conditions faced by international investors are well worth exploring, in terms of volume of capital inflows and relationships between debtors and creditors.

International finance and authoritarianism

Financial markets and financial actors are primarily concerned with business and profit opportunities and with the safety of their investment, which can be secured or endangered by the advent or the collapse of an authoritarian regime. Some investors are prepared to take higher risks, in an economically or politically unstable environment, but they expect higher returns.

Foreign investors have never hesitated to invest in authoritarian regimes. This can be considered as the default option: there must be a specific reason for *not* investing in an authoritarian regime. On the eve of the First World War, the second largest recipient of foreign investment, Imperial Russia, was an autocracy, as was another major recipient of foreign investment, the Ottoman Empire. Several other capital importing countries were authoritarian or borderline cases. In the interwar years, at any rate in the 1920s, fascist Italy was fully integrated in international finance and was the third largest debtor country, after Germany and Austria. The involvement of international finance in Latin American military dictatorships in the 1960s and 1970s has been well documented. By the late twentieth century, international capital flows had taken a new direction: from rich countries to rich countries or even from poor to rich countries. Nevertheless, in 2000, China was one of the main recipients of foreign investment and the largest amongst emerging economies (Schularick, 2016).

Colonial empires are a clear example of investors' search for safety, often combined with high returns, with complete disregard for the sheer violence inherent to colonial rule, as shown by Caroline Elkins in her recent book on

the British Empire (Elkins, 2022). Indeed, the loss of independence of many a country can be attributed, at least in part, to the protection of foreign investors, though the fallen regime was usually autocratic – think, for example, of Egypt in 1882. The authoritarian character of colonial rule guaranteed the safety of investments. As Niall Ferguson and Moritz Schularick argued, less developed British colonies were able to borrow at much lower rates than comparable independent countries (Ferguson and Schularick, 2006).

The world of international finance did not disapprove of authoritarianism and looked favourably at regimes that were not hostile to their interests, even if they did not always condone their excesses. Before the First World War, bankers' value systems were deeply marked by the imperialist culture of the day. For Edgar Vincent, later Viscount D'Abernon, a Governor of the Imperial Ottoman Bank, Arabs, and more particularly Egyptians, suffered from 'an absence of our ideas of honesty, of courage, of disinterestedness'. Fascist Italy had its admirers amongst high financiers, even though they deplored the violence. Thomas Lamont, J.P. Morgan's leading partner, a Republican progressive and champion of the League of Nations, served as banker to Italy during its Fascist period and coached Mussolini on how to appeal to Anglo-American opinion (Chernow, 1990). Half a century later, bankers had a similar view of the military regimes in Latin America and praised them for bringing political stability, eliminating terrorism, and adopting a pro-business attitude (Altamura, 2021). According to a recent article in the *Financial Times*, many Hong Kong expats are glad that the Chinese national security law ended the riots, and few of those who left took a stand against the change (Kinder, 2022).

This raises the related question of why financial actors should shun investing in authoritarian regimes The most obvious reason is the lack of business opportunities. This was mainly the case with poorer countries, including within colonial empires. In 1914, only 9 percent of French foreign assets were invested in its colonies, several of them considered as economically worthless (Marseille, 1984).

A recurrent concern regarding foreign investment has been the risk of default. Analyses of sovereign debt, which have proliferated in recent years, only incidentally distinguish between democratic and autocratic defaulters; and when they do it, they are concerned with specific issues, such as whether a democratic government should inherit the debt of an overthrown despotic ruler (Mallard, 2021). A glance at available data suggests that most defaults were by authoritarian regimes in emerging economies in Africa, Asia, and Latin America (Reinhart and Rogoff, 2009). However, it is not clear whether emerging economies or authoritarian regimes, or a combination of both, were more likely to default.

Whatever their lack of scruples about lending to dictators, international financiers could simply be prevented from doing so. Business opportunities fell dramatically in the Soviet Union after 1918 though they never disappeared and would increase in later periods. Branches of foreign banks were closed or nationalised, including Citibank's Moscow branch, opened on 27 November 1917! Ironically, the international financial community had welcomed the end of the autocratic tsarist regime in February 1917 (Malik, 2018). Foreign banks were also eliminated from China after 1949 though some banks, such as the Hong Kong and Shanghai Banking Corporation, could continue to operate a branch in Shanghai during the 1950s and 1960s. The rise of nationalism in a number of authoritarian regimes, especially in newly independent countries, led to the nationalisation of foreign banks, for example, in the Middle East in the late 1950s and early 1960s – Egypt in 1957, Syria in 1961, and Iraq in 1964. Discriminatory measures could also force them to reduce their activities or to entirely withdraw (Jones, 1993).

Conversely, bankers could be constrained to withdraw from an authoritarian regime because of the political stand of their own government. This happens in times of rising geopolitical tensions and, obviously, wars between their home country and the dictatorship in which they have been involved.

Could public opinion force international finance away from authoritarian regimes? The evidence is patchy but rather negative, even when criticism came from within its own ranks.

Before 1914, the Rothschilds and other prominent Jewish bankers in Europe and America campaigned against antisemitism and threatened to withdraw their support to foreign loans to Tsarist Russia. However, despite their huge influence, Russia continued to borrow on the international financial markets, with the participation of the Rothschilds (Ferguson, 1998). In 1928, the Women's International League for Peace was unable to prevent JP Morgan to issue a loan to Japan for the construction of the South Manchurian Railway. Japan was increasingly moving towards a military dictatorship and imperialist expansion in Northeast China. The Women's League campaign struck a chord with public opinion and its leaders were related through friendship and family links to Thomas Lamont, whom we encountered earlier. And yet JP Morgan was only forced to withdraw its financial support to Japan from 1931, when it clearly went against the American foreign policy (Pak, 2013).

Public criticism of the military dictatorships had no impact on European banks' increasing involvement in Latin America in the 1970s and 1980s, whether through granting loans or opening branches (Altamura, 2021). On the other hand, anti-apartheid campaigns convinced Barclays Bank of the importance of public opinion and political judgement in corporate behaviour. The bank sold its subsidiary in South Africa in 1986 at a heavily discounted price which, it has been argued, benefited White South Africans far more than Black South Africans (Ackrill and Hannah, 2001).

Globalisation and deglobalisation

According to Maurice Obstfeld and Alan Taylor, the ratio of foreign assets to world GDP was 22 percent in 1900 – almost certainly an underestimation because of the lack of data and probably nearer 50 per cent. It had fallen to 8 percent in 1930 and to 6 percent in 1960, before rising to 92 percent in 2000 (Obstfeld and Taylor, 2004). How far have globalisation and deglobalisation affected the involvement of international finance with authoritarian regimes?

Not surprisingly, these links were more intense during the period of globalisation – before 1914, and even 1931, and after 1980 – than during the fifty years in between. After all, the collapse of foreign investment affected both autocracies and democracies. But were other factors at play?

The first globalisation was the period when international finance was most involved with authoritarian regimes. On the eve of the First World War, between 35 and 40 percent of the world's foreign assets were invested in authoritarian regimes – about 30 percent of British foreign investment and 55 percent of French foreign investment. Colonial empires, not including Britain's Dominions, represented about half the investments in authoritarian regimes, in other words, less than 20 percent went to independent dictatorships (Woodruff, 1966). Interestingly, while the bulk of British investment in authoritarian regimes were in its colonial empire (78 percent, not including the Dominions), exactly the opposite was true for France (16 percent). Latin American countries and the Austro-Hungarian Empire, all big capital importers, have not been considered as authoritarian regimes.

These investments were mostly portfolio investment. Funds were raised in the leading international financial centres: London, Paris, and Berlin, with New York a latecomer and Brussels playing an ancillary role. Financial centres emerged in authoritarian regimes, but were of different types depending on their role in the global economy and the geopolitical power of the host country. St Petersburg was the political and financial capital of a great power, though it remained a financial centre of regional significance whose main banks were dominated by French capital. Constantinople was the capital of a much weaker power and mainly an outpost for the economic penetration of the Ottoman Empire. In the British colonies, centres like Hong Kong, Bombay, Calcutta, Cairo, or Alexandria played the same role as Shanghai and Peking in a 'semi colony' or Rio de Janeiro and Buenos Aires in countries with 'hybrid' regimes: they were trade centres where a number of British and European multinational banks had opened a branch to finance foreign trade (Cassis, 2010).

International finance was less involved with authoritarian regimes during the phase of deglobalisation lasting from the Great Depression to the end of

Bretton Woods. In terms of capital stocks, Russia reneged on its debts in 1918 and virtually ceased to borrow from the West. On the other hand, investment in the colonies increased – from 11 percent of Britain's foreign investments in 1913 to 20 percent in 1938, without taking into account the Dominions. The share of the French colonial empire rose even more dramatically, from 9 percent to 30 percent (Etemad, 2005).

Otherwise, international capital flows virtually came to a standstill in the wake of the Wall Street crash of 1929 – they peaked in 1928. As far as European debtors are concerned, annual capital inflows dropped from about $1.7 billion in 1928 to about $0.5 billion in 1930 (Feinstein and Watson, 1995). The withdrawal of foreign capital, in the first place American, from Germany, the largest capital importer, aggravated the depression and contributed to the advent of the Nazi regime. As a result, international finance was little involved with authoritarian regimes in the 1930s, except for colonial empires – of course in terms of capital flows, not of capital stocks.

Private international capital flows did not resume on a large scale after the Second World War. Between 1955 and 1962, foreign issues floated in New York, by then the world's leading financial centre, barely reached $4.2 billion – a feeble sum compared with the $126.5 billion for domestic issues and the $98 billion in economic and military aid granted by the United States to foreign countries (Nadler, Heller, and Shipman, 1955). So, at an aggregate level, international finance was no more involved with authoritarian regimes in the 1950s than in the 1930s.

The situation started to change with the reopening of the world economy in the 1960s, and especially the 1970s. International finance became involved with both communist and capitalist dictatorships. European commercial banks had been granting credit to the Soviet Union since the 1950s, but most of them opened branches or representative offices in Moscow in the early 1970s, mainly in connection with the financial side of large industrial contracts. With the recycling of the petrodollars from the mid-1970s, international capital flows became dominated by commercial banks' credit to emerging economies, most if not all of them authoritarian regimes, whether Eastern European communist countries, such as Poland, Hungary, or

Rumania; Latin American military dictatorships, such as Argentina and Brazil; or non-military, such as Mexico; or African personalist dictatorships, such as Zaire.

The second globalisation, starting in the 1980s led, on the one hand, to a decrease in investment in authoritarian regimes, not only because the number of such regimes had decreased but also because the bulk of foreign investment, over 85 percent in 2000, went to the advanced economies, associated with democratic regimes, of North America, Western Europe, and Japan. On the other hand, and paradoxically, the links between international finance and the authoritarian regimes in power became much closer.

One example of such links is the emergence of leading international financial centres in authoritarian regimes. The most conspicuous example is that of Singapore. The rise of Singapore as a major international financial centre was the result of the systematic effort made on the part of the authorities soon after the country's independence in 1965. They first enabled the Asian dollar market to establish itself from the outset in Singapore and then encouraged the emergence of a bond market. Singapore's financial markets really took on an international dimension from the 1980s reflected, among other indicators, by the number of foreign banks, which reached 185 in 1995.

The rise of Singapore has been widely discussed in the economics and financial literature and seen as an example to be emulated by aspiring financial centres in emerging economies. The authoritarian nature of the regime has only been acknowledged in passing, and if so as a contributing factor to Singapore's success. Since the turn of the twenty-first century Singapore has consistently figured in the top five world's financial centres and considered not as an authoritarian regime, but alongside London, New York, Hong Kong, and Tokyo, as a competitor to Switzerland for wealth management and a rival to Hong Kong for pre-eminence in Asia (Lessard, 1994).

A similar but also a different case is Dubai, which ranked as high as eighth in the *Global Financial Centres Index* in 2019 and has consistently ranked in the top twenty in the last fifteen years. Dubai might be considered as less free

than Singapore, but all the leading banks, including HSBC, BNP Paribas, JP Morgan, Citibank, Goldman Sachs, and Morgan Stanley, are present in the Emirates.

The third case is China, which hosts several of the world's leading financial centres, including Shanghai, Beijing, and Shenzhen in addition to Hong Kong, where all the leading transnational banks are represented. As indicated earlier, in 2000, China was the largest recipient of foreign investment amongst emerging economies, and the tenth largest overall while it started accumulating vast amounts of American government bonds.

The contrast with the first globalisation is striking. No autocratic regime, including Russia, had risen to a position of financial pre-eminence, and no financial centre of international significance had emerged in an authoritarian regime. St. Petersburg was far less important at the international level than Shanghai today. And Constantinople in 1913 was in no way comparable to Dubai in 2013.

Concluding remarks

For international finance, giving credit to dictatorships was the norm, not the exception, from Tsarist Russia to fascist Italy, Latin American military dictatorships, and communist China. Considering colonialism as another type of dictatorship has also widened the field of authoritarian regimes, especially from a financial perspective in the first half of the twentieth century. On the other hand, highlighting the normality for international finance to deal with dictatorships can explain the continuity between the first and second globalisation waves, and the intimacy between international finance and authoritarian regimes at the turn of the twenty-first century. From that perspective, the looser links between international finance and authoritarian regimes, mainly observable from the 1930s to the 1980s – the period covered in this volume –could be explained by depression and wars rather than political or ideological factors.

However, such links were more complex at the national level, especially in independent 'capitalist' authoritarian regimes in Europe and Latin America. They tended to be stronger and closer at both personal and institutional levels, if only because authoritarian regimes were able to control the country's financial system and obtain credit through domestic financial institutions. These relationships were affected by many factors, as can be seen in this book's chapters, including, among others, the balance of power between state and finance, existing opportunities and constraints, the prevailing economic climate, the degree of integration in the world economy, and the regime's relationships with international finance. But in the end, whether at the international or national level, the political behaviour of the world of finance remained fundamentally the same: they adapted to events rather than shaped them.

References

Ackrill, Margaret and Hannah, Leslie. *Barclays. The Business of Banking 1690–1996*. Cambridge: Cambridge University Press, 2001.

Altamura, Carlo Edoardo. "Global Banks and Latin American Dictators, 1974–1982." *Business History Review*, 95 (2), 2021.

Cassis, Youssef. *Capitals of Capital. The Rise and Fall of International Financial Centres*. Cambridge: Cambridge University Press, 2010.

Chernow, Ron. *The House of Morgan. An American Banking Dynasty and the Rise of Modern Finance*. London: Simon & Schuster, 1990.

Elkins, Caroline. *Legacy of Violence. A History of the British Empire*. London: The Bodley Head, 2022.

Etemad, Bouda. *De l'utilité des empires*. Paris: Armand Colin, 2005.

Feinstein, Charles H. and Watson, Katherine. "Private International Capital Flows in the Inter-War Period." In Charles H. Feinstein (ed.), *Banking, Currency and Finance in Europe Between the Wars*. Oxford: Oxford University Press, 1995.

Ferguson, Niall. *The World's Banker. The History of the House of Rothschild*. London: Weidenfeld & Nicolson, 1998.

Ferguson, Niall and Schularick, Moritz. "The Empire Effect. The Determinants of Country Risk in the First Age of Globalization." *Journal of Economic History*, 66 (2), 2006.

Guérin, Daniel. *Fascisme et grand capital. Italie – Allemagne*. Paris: Gallimard, 1936 (English translation, *Fascism and Big Business*, 1938).

Jones, Geoffrey. *British Multinational Banking, 1830–1990*. Oxford: Oxford University Press, 1993.

Kinder, Tabby. "Hong Kong Expat Party Continues – But for How Long?" *Financial Times*, September 30, 2022.

Lessard, Donald R. "Singapore as an International Financial Centre". In Richard Roberts (ed.), *Offshore Financial Centres*. Aldershot: Elgar, 1994.

Malik, Hassan. *Bankers and Bolsheviks. International Finance and the Russian Revolution*. Princeton, NJ and Oxford: Princeton University Press, 2018.

Mallard, Grégoire. "We Owe You Nothing: Decolonization and Sovereign Debt Obligations in International Public Law." In Pierre Pénet and Juan Flores Zendejas (eds.), *Sovereign Debt Diplomacies: Rethinking sovereign debt from colonial empires to hegemony*. Oxford: Oxford University Press, 2021.

Marseille, Jacques. *Empire colonial et capitalisme français. Histoire d'un divorce*. Paris: Albin Michel, 1984.

Nadler, Marcus, Heller, Sipa and Shipman, Samuel S. "New York as an International Financial Center." In *The Money Market and Its Institutions*. New York, 1955.

Obstfeld, Maurice and Taylor, Alan M. *Global Capital Markets. Integration, Crisis, and Growth*. Cambridge: Cambridge University Press, 2004.

Pak, Susie J. *Gentlemen Bankers. The World of J.P. Morgan*. Cambridge, MA and London: Harvard University Press, 2013.

Reinhart, Carmen M. and Rogoff, Kenneth S. *This Time Is Different. Eight Centuries of Financial Folly*. Princeton, NJ and Oxford: Princeton University Press, 2009.

Schularick, Moritz. "International Capital Flows." In Youssef Cassis, Richard S. Grosman and Catherine R. Schenk (eds.), *The Oxford Handbook of Banking and Financial History*. Oxford: Oxford University Press, 2016.

The Global Financial Centres Index, published by Z/Yen since 2007.

Woodruff, William. *Impact of Western Man: A Study of Europe's Role in the World Economy, 1750–1960*. New York: St. Martin's Press, 1966.

Contributors

Marianna Astore
Universita dell'Insubria and University of Oxford

Enrico Berbenni
Universita Cattolica del Sacro Cuore
Milano

José Luís Cardoso
Instituto de Ciencias Sociais
Universidade de Lisboa

Federico Castelli
European University Institute
and
Universita di Milano and LEREPS
Sciences Po Toulouse

Joaquim Cuevas
Universitat de Valencia

Žarko Lazarević
Inštitut za novejšo zgodovino
Ljubljana

Tayfun Mertan
Koc University
Istanbul

Mario Perugini
Universita di Catania

Anna Veronica Pobbe
Universita Ca' Foscari
Venezia

Maria A. Pons
Universitat de Valencia

Michalis Psalidopoulos
The American College of Greece and University of Athens

Elena Martínez-Ruiz
Universidad de Alcala
Madrid

Enrique Jorge-Sotelo
Universitat de Barcelona

Ana Tomás
Instituto Superior de Economia e Gestao
Universidade de Lisboa

Valerio Torreggiani
Instituto de Ciencias Sociais
Universidade de Lisboa

Nuno Valério
Instituto Superior de Economia e Gestao
Universidade de Lisboa

Andrea Viola
Universita Cattolica del Sacro Cuore
Milano

Authoritarianism and financial capitalism in twentieth-century Europe

An introduction

Valerio Torreggiani and José Luís Cardoso

DOI: 10.4324/9781032656199-1

Capitalism, democracy and authoritarianism

Over the centuries, the relationship between capitalism and democracy has often faced tensions and challenges. Recent global financial crisis during 2007–2008 and the economic downturn caused by the COVID-19 epidemic have led scholars to re-examine the characteristics and history of the current economic model, which relies on self-regulating markets and a deregulated financial system, as well as its social and political consequences. This re-evaluation encompasses broader issues such as global inequality, environmental challenges, economic regulation, financial rules, progressive taxation and fiscal policies. Moreover, in recent decades, scholars from various disciplines have also focused on the accelerated pace of globalization and observed how financial capitalism can flourish in a variety of social and political contexts, spanning democratic and authoritarian

regimes alike (Milanovic, 2019). At the same time, there have been notable increases in various forms of authoritarian governance worldwide – in Russia, China, Hungary, Turkey, North Korea and several Gulf states, just to name a few – a trend that António Costa Pinto has aptly called the "return of dictatorships" (Pinto, 2021). This authoritarian shift marks a significant departure from the transitions witnessed in the second half of the twentieth century, which saw several national movements towards democratization, often referred to as the "third wave of democratization" (Huntington, 1991). Overall, despite their democratic window-dressing (Gandhi, 2008) and their hybrid authoritarianism (Levitsky and Way, 2010), the core undemocratic approach of twentieth-first century authoritarian regimes towards society and economy remains deep-rooted. Besides, the prevalence of authoritarian regimes in major potentially hegemonic nations like Russia and China is a primary cause of concern, especially in terms of global power dynamics.

As Mark Twain had written – the attribution is uncertain – history doesn't repeat itself, but it rhymes. Recent political and economic developments, discarding Francis Fukuyama's speculation on the democratic "end of history" (Fukuyama, 1992), were crucial in reopening an old debate on the relationships among capitalism, freedom and democracy (Kocka, 2015). In this regard, the economist Mordecai Kurtz has recently traced the evolution of capitalism from a promise of freedom and progress to a system marked by the concentration of wealth and influence in the hands of a few giants, perpetuating social polarization and economic disparity, and ultimately eroding the fabric of democracy (Kurz, 2024). The discourse surrounding the nexus between capitalism and democracy conceals another debate that constitutes the opposite (darker) side of the former, pertaining to the varieties of capitalism that exist in authoritarian regimes.[1] Dictatorial regimes, in fact, are not solely an expression of reactionary or anti-modern forces but are often fostered by the dynamics of capitalism, and their institutions and policies are frequently upheld by the ruling classes in specific historical settings. In these contexts, forms of violent repression are established in parallel to a process of rationalization and modernization of the capitalist structures of the society (Togliatti, 2010; Gramsci, 1971; Fano Damascelli,

1971). Given the current recession of liberal democracy and the increasing prominence of authoritarianism (Wolf, 2023), along with the rise of radical forms of capitalism without democracy (Slobodian, 2023), historical explorations into the nexus between dictatorships and capitalism appear especially relevant. In fact, history, as stated by Youssef Cassis ten years ago, although unable to predict the future, can and must inform debates about the future (Cassis, 2011: 1).

This volume delves into less explored aspects of the debate on capitalism, focusing on the interplay between finance and authoritarian regimes in twentieth-century Europe. In doing so, it aims at promoting the "natural alliance" that Barry Eichengreen (2019: 21) has identified between economic historians trained in economic departments and historians of capitalism from the humanities and social sciences – who must "stop the bickering and join forces", as Marc Flandreau has already stressed (2019: 4). Since the 1980s, the "cultural turn" in the study of fascism has significantly altered the analysis of authoritarian regimes, enhancing our comprehension of their politics, ideology and culture. However, according to Adam Tooze's observation several years ago (Tooze, 2006), this shift has resulted in a disregard for the material economy of dictatorships, which has been analyzed by quantitative economic historians who frequently neglect the impact of political agency and cultural factors.[2] This book seeks to rekindle historiographical interest in the study of the interconnected histories of European dictatorships and the development of both national and international financial systems, emphasizing the importance of time, place and context, while also exploring the connections between ideological, political, economic and financial elements. Overall, the authors of the chapters address the role that some European regimes played in shaping and transforming the financial system, examining various themes and applying diverse methodologies, tools and analytical perspectives. In doing so, by bridging the disciplinary divide between political and economic history, the objective of this book is to explore the intricate network of political and economic relations that existed between authoritarian regimes and financial systems, both domestically and internationally.

The twentieth century brought significant transformations to Europe, influenced by political ideologies, economic systems and global dynamics. The evolution of financial and banking systems towards modernity unfolded not only within the development of Western democracy but also within the intricate web of authoritarian regimes that dotted the continent. From the rise of fascist regimes in Italy and Germany to the authoritarian dictatorships in Spain, Portugal, Greece and Eastern Europe, both before and after the Second World War, the political context, characterized by centralized power structures and often repressive policies, wielded significant influence over domestic financial systems. Government control and intervention in financial matters were common features, as regimes sought to harness economic resources to consolidate power and pursue their political agendas. In contrast, financial institutions also exerted their sway over economic policies, navigating a delicate balance of power between state control and market forces. While authoritarian regimes sought to shape financial systems to serve their political objectives, financial elites often had their own interests and agendas, leading to complex dynamics of negotiation and compromise. Moreover, the interaction between authoritarian regimes and economic theories and models propagated by intellectuals allied with these regimes played a significant role. In fact, intellectuals and thinkers who were supportive of authoritarian regimes formulated economic theories and models that frequently reflected and reinforced authoritarian ideologies, providing intellectual legitimacy for the regimes' economic policies.

The connection between authoritarian governments and financial systems transcended national boundaries and extended to the global arena, where European regimes engaged with world markets and institutions. In fact, this relationship pertains to the study of the interdependence between the overarching structure of capitalism within a specific historical period, which can be described as a "singular structure" (Wallerstein, 1974), and the various subtypes that evolve within it. The relationship between European regimes and the global stage was characterized by a high degree of dynamism and complexity, as these entities sought to assert their influence through the use of economic power while simultaneously grappling with the pressures

and constraints imposed by international economic forces. Therefore, the role of authoritarian regimes in the broader context of global capitalism's transformation was multifaceted. These regimes acted as both agents and products of this transformation, navigating its complexities to consolidate power and advance their agendas. While some regimes embraced state interventionism and protectionism to promote economic development and social stability, others pursued neoliberal economic policies to integrate into the global capitalist system. The diversity of approaches reflected the unique historical, political and economic contexts of each regime. Analysing the specific histories of these regimes reveals fascinating connections as their trajectories intersect with the tumultuous interwar and post-Second World War periods, marked by hegemonic transitions and geopolitical upheaval. The chaotic hegemonic transition of the interwar period significantly influenced the political and economic dynamics of Europe, setting the stage for the rise of authoritarian regimes and the outbreak of the Second World War. This historical backdrop, in turn, influenced the post-1945 establishment of United States world hegemony, shaping the geopolitical landscape of the second half of the twentieth century. In essence, exploring these research questions illuminates the intricate interaction between authoritarian regimes, financial systems, and global dynamics, shedding light on the complex interplay of politics, economics and power that shaped twentieth-century Europe and beyond.

In the historiography of dictatorships in the interwar period, the terms fascism and authoritarianism are often referred to as if they were synonyms. The term fascism usually serves to designate a type of political regime that suspends the practice of democracy, represses individual freedom and promotes the glorification of nationalist and racist ideals. Mussolini's Italy and Hitler's Germany function as a mirror in which similar images are unified by an ideology with common traits that it seems convenient to describe as if it were a single matrix of thought and action. The historiographical contributions on the subject are immense, and it does not seem acceptable to label all totalitarian national regimes – in Europe, South America or East Asia – under just one single and simplified designation.[3]

However, the ease with which the word fascism (or the era of fascism) has entered into the definition of so many totalitarian regimes seems to legitimize its application in broad terms, notwithstanding the historical rigor that should be considered for the classification of political regimes. Therefore, fascism has become a general category of analysis that sometimes eludes the specificities of the different varieties of dictatorships. Many authoritarian political regimes, in Europe and elsewhere, may not have fully replicated Italian fascism, nor German nazism, which may have served as their central model of reference. Given the ambiguity in the use of the term fascism, for the sake of historical rigor we shall instead use as guidance the terms dictatorships and authoritarian regimes when referring to the political experiences under analysis in this book.

One of the main features of such authoritarian regimes is that they have an undisputed leader – such as Mussolini, Hitler, Franco and Salazar – who imposes his power and authority and who creates around him an impregnable stronghold of complicity, networks of interests and influences that make it impossible or improbable to overcome them by the vote alone. Furthermore, such a vote cannot be freely exercised, or else its exercise is limited and controlled by an elite with specially reserved access to the administration of power. The undeniable success of these anti-democratic solutions was to some extent due to the crisis of liberal political regimes coupled with an economic depression that definitively called into question the possibility for Western economies to restore social and economic equilibria without strong government intervention.

Thus, the concept of authoritarianism or dictatorship is multifaceted and can vary depending on the historical background and interpretation. In the context of this volume, we have chosen to define authoritarian regimes as those in which the political and economic elites hold power without the presence of free and fair elections. The notion of free elections, as emphasized by Schumpeter (1976), is fundamental to democracy, serving as the cornerstone of the democratic regime. In democratic systems, individuals can participate in the political process by freely choosing their representatives and their economic proposals, through competitive electoral

contests. However, in authoritarian regimes, this fundamental aspect of democracy is denied or restricted, leading to a concentration of power in the hands of a select few. Authoritarianism can manifest in various forms, ranging from overt dictatorships characterized by outright repression and suppression of political opposition to more subtle forms where democratic institutions may exist nominally but lack genuine competition and accountability.

This definition aims to capture the essence of authoritarianism by focusing on the absence of democratic processes that allow for the free expression of political will through competitive electoral mechanisms. Nonetheless, the absence of political and civil freedoms does not mean that the dictator ruled alone or enjoyed exclusive decision-making power, especially regarding economic issues. As the authors of the chapters illustrate, an authoritarian regime, while suppressing opposition and eliminating dissent on one hand, secures and maintains its power by promoting a mechanism of mediation and compromise among the most powerful social and economic forces in society. Another relevant issue is that these regimes have almost always been able to find the financial resources to implement political action in the many aspects of government intervention, especially in the economic sphere. This is, after all, the theme explored in this book, through historical examples that prove the inseparable relationship between political agency and economic and financial power. In the twentieth century, as Thomas Piketty wrote, politics is everywhere (Piketty, 2014).

Money, markets and institutions

Over the past twenty years, there has been a substantial increase in the interest of capitalism as a socio-political economic system. Scholars from multiple social science disciplines, including law, sociology, economics, political science and history, have increasingly acknowledged the usefulness of (re)placing capitalism at the centre of their studies, examining its

characteristics in contemporary societies, legal frameworks, varieties and historical development[4] and prompting fresh examinations of what is often referred to as "capitalism in action" (Beckert and Desan, 2018). As a result, an increasing number of analyses have focused on the social, political and economic actors of capitalist development, such as social classes, economic interest organizations, businesses, banks, trade unions, political parties and so on. Overall, these analyses investigate the relationships that these actors establish with one another and with the state to set up the rules of the game, as well as the complex set of effects of these interactions on the functioning of the entire system in terms of growth, technological development, systemic crises, expropriation, violence and inequalities. In this regard, it is imperative to acknowledge that the notion of capitalism gives rise to difficulties in definition, as Louis Hyman pointed out (2013). This may be attributed to its dualistic nature as both a social analytical tool and a political category, or it may be ascribed to its flexibility, which can sometimes verge on vagueness.[5] Although the emergence of a new history of capitalism has generated debates and uncertainties among historians (Hilt, 2017; Wilkins et al., 2010; Edwards et al., 2020), the concept appears to have the advantage of bringing the dialectical relationship between social, economic and political groups back to the forefront of reflection, emphasizing the conflictual nature associated with it and its tensions, contradictions, instability and transformation.

The analytical framework provided by the concept of capitalism offers very promising perspectives for rethinking the history of authoritarian regimes. One of the most significant consequences of this approach has been to reestablish political economy as a central category of analysis. Indeed, while economic life is crucial to understanding the history of capitalism, it must be studied as a politically constructed phenomenon. This allows us to highlight the interplay between market dynamics and political structures, as well as to consider the impact of institutions, political movements and legal frameworks, such as debt, contracts and property rights, on both material conditions and ideological beliefs (Beckert and Desan, 2018). In this context, the history of finance can also be better understood as a system constructed

by law and politics (Piketty, 2014), while the concept of capitalism can offer new research opportunities in the field (Cassis, 2016). A fundamental characteristic of a capitalist economy, in fact, is related to investing savings and returns in the present with the expectation of higher gains in the future, prioritizing profit as a primary measure of success and accumulating wealth with the aim of fostering innovation and growth. Therefore, the fluctuations of the economic cycle, as Keynes emphasized in the thirties, are driven by the financial sector, which constitutes the primary driving force of capitalism. Nonetheless, Keynes argued that investments are inherently unreliable, as they are influenced by our views and expectations of the future, about which we know so little (Keynes, 1937: 221). Consequently, as Minsky's interpretation of Keynesianism reminds us, the core functioning of a capitalist economy is directly influenced by uncertainty, which profoundly affects the financial structure, namely the relationships between various economic units (Minsky, 1975).

Given the fundamental role of financial interactions in driving economic processes and the inherently political nature of financial systems, it becomes crucial to examine money and the monetary framework as key aspects of historical analysis. Within monetary theories, two primary frameworks emerge. Firstly, the commodity theory posits that specific commodities, particularly gold and silver, serve as the foundation of monetary structures. Conversely, the credit or claim theory of money underscores the significance of debt and credit, acknowledging credit as the essential underpinning of monetary systems (Schumpeter, 1917). In this volume, money is mostly analysed as a social institution, thus as a community-based process of social positioning. Community-wide acceptance, in fact, is crucial because money is characterized *per se* by contractual incompleteness (Giannini, 2011). The primary function of money, namely its capacity to create future obligations and discharge past ones (Lawson, 2016), naturally intertwines with the semantic realm of our future-oriented relationships – encompassing our hopes, fears, expectations, promises and deferred realities. However, because of the uncertainty inherent in the future, monetary contracts cannot provide absolute certainty regarding the future value of money. As a result,

social and political interactions, such as conflict, negotiation and compromise, have led to the emergence of political institutions that enforce and implement rules to maintain user confidence in a specific monetary and financial system. This, in turn, shapes its structure and oversees its operations. Consequently, institutions are necessary to safeguard investors who have tied their investments to a particular payment mechanism (Giannini, 2011). Therefore, the overall framework of money, along with its associated elements of monetary and fiscal policies, banking regulations and financial system structures, can be understood as political actions articulated in response to recurring social and economic needs advocated by specific socio-economic groups engaging with policymakers.

This viewpoint regarding the issue of money is essential for understanding the fundamental attributes of any political system and, within our context, of the authoritarian regimes under examination and their interactions with the socio-economic environment in which they emerge. Understanding money, debt and credit as social institutions, whose roles are upheld and regulated by politically constructed norms enforced by governmental authorities, entails interpreting the evolution of financial systems as an ongoing progression shaped by the intricate interplay between divergent socio-economic groups and the political, legal and institutional contexts, both domestic and international. As Woody Holton has noted, in fact, market-making is always a constituent part of nation-building processes (Holton, 2018).

Through the role of money in creating and discharging obligations, complex markets can exist and function. Traditionally, markets have been studied as the result of innate human behaviour. However, this tendency to frame markets as the product of natural human activities and egoistic interests often leads to analytical misunderstandings. This way of thinking about markets is misleading for three reasons. Firstly, it tends to conceal the legal and political foundations of markets, as well as the variety of market relations and different forms of capitalism that arise from these foundations. Secondly, it produces a false separation between private activities and public structures, suggesting that they are completely independent of each

other. Finally, it focuses on isolated individuals as the unit of analysis, concentrating on their decentralized activities as buyers and sellers, while neglecting the significance of collective action and socio-economic groups. In contrast to prevailing analysis trends, a more productive approach lies in recognizing markets as political entities, that is, understanding the political underpinnings of specific market types. Additionally, it is essential to abandon methodological individualism and adopt a perspective that considers social classes and socio-economic groups as the primary units of inquiry, specifically in their relationships with the political sphere and decision-making processes. Essentially, understanding economic and financial history in authoritarian contexts as a complex network of interactions, conflicts and compromises between divergent economic interests and priorities involves focusing on collective action and interest group behaviours.

In this sense, to fully understand the concept of financial transactions, it is essential to consider three key dimensions: legal, competitive and political. According to Robert Coase, a transaction is a voluntary action that involves the transfer of goods or services through legal means, such as property rights, money and contracts (Coase, 1987). This legal dimension plays a crucial role in each financial transaction, as the type and effectiveness of the transaction depend on the legal context in which it takes place (Commons, 1950). However, the legal background of the market is not a natural given fact. This is because it arises from a specific geographical and historical context and from the relationships between different political and socio-economic groups. Therefore, in addition to the legal dimension, it is necessary to consider the competitive dimension, which refers to the relationship between the transactor and their competitors. In fact, each transactor's choice is affected by and affects the choices of other transactors (Williamson, 2010). Additionally, the political dimension must be considered, as each economic agent is a political actor who influences and is influenced by the evolution of legal structures that shape the market. Finally, it is important to recognize that these three dimensions are interdependent and affect one another (Vatiero, 2020).

These theoretical perspectives emphasize the paramount significance of social positioning and political economy. In this context, the term political economy refers to the investigation of economic decisions in relation to the influence of political forces. Its primary objective is to comprehend the power dynamics that influence economic outcomes and how socio-economic groups utilize political and ideological resources to promote contentious economic policies (Maier, 1988). Political economy, therefore, in both democratic and authoritarian regimes, is always the result of socio-economic group divisions, preferences, power, influence and actions. Moreover, the intricate interactions between the political economies of different nation-states, which are rooted in non-homogeneous and conflictual dynamics, shape the structure of both domestic and international markets and financial systems.

The most significant implication of these theoretical assumptions for historical research is that understanding the structure and scope of any financial system requires an analysis of its political, legal and cultural bases. In this regard, institutional economists assist economic historians in approaching such complex issues by emphasizing the importance of both formal and informal institutions. Douglas North defines institutions as "the rules governing a society or, more formally, . .. the human-made constraints shaping human interactions" (North, 1990: 3). Throughout history, North maintains that "institutions have been created to bring about order and reduce uncertainty" (North, 1991: 97). Since it is impossible to predict the future, communities establish institutions to mitigate this inherent uncertainty. Consequently, the diverse approaches taken by social groups and political-national communities in addressing this uncertainty shape the types of institutions they create. However, as regulations impact the interests of individuals and groups, they seek to shape the institutional framework and legal rules in line with their economic goals. For this reason, rather than focusing on efficiency, it is more appropriate to describe the institutional process in terms of its effectiveness for specific groups. In this sense, North argues that "institutions are not necessarily or even usually created to be socially efficient; rather, they are created to serve the interests of those with

the bargaining power" (North, 1990: 16). Thus, political economy becomes a battleground where choices regarding taxes, tariffs and commercial or banking regulations significantly affect different social groups. Interest groups engage in politics to influence legislators and obtain favourable laws as "products". Ultimately, transformations in institutions follow political channels. Therefore, understanding how financial institutions and markets are established requires examining various actors including decision-makers, business organizers, consumers, merchants, workers, financers, bankers and speculators.

Accordingly, it is essential to challenge the traditional boundaries between politics and economics and states and markets when analysing financial capitalism in authoritarian contexts. This involves exploring the relationships among money, business and dictatorial political power, as well as the influence of interest groups on decision-making processes and political regulation. In fact, the destruction of democratic processes does not eliminate politics or the need to make compromises but rather leads to the development of new, opaque mechanisms of political bargaining that exclude certain social forces while allowing different sections of the dominant classes to participate (Maier, 1975). In these contexts, the study of finance must be approached as a product of both authoritarian law and politics, while authoritarian law and politics must be viewed as products of socio-economic group negotiation. Ultimately, the interaction between dictatorial governments and economic systems is part of a narrative that revolves around "the connection between money and force" (Tilly, 1990: 16), and it contributes to understanding what Charles Tilly defined as "the two interdependent master processes of the [modern] era: the creation of a system of national states and formation of a worldwide capitalist system" (Tilly, 1984: 14).

Giving credit to dictatorship in twentieth-century Europe

In his historical view, Commons distinguished the three economic stages of scarcity, abundance and stabilization. The stage of scarcity, which preceded the industrial revolution, was one of little individual liberty along with a great deal of governmental control at a time when national welfare was subordinated to the demands of a war economy. The following stage of abundance covered the first hundred years of the industrial revolution. This was the era of employer capitalism when the manufacturer found himself at the helm of the economic system. In this age of abundance, there was a maximum of individual liberty of action and a minimum of governmental interference. After 1850, a notable shift occurred as the world transitioned into the stabilization era, which characterized the twentieth century. The earlier stage of employer capitalism became the era of banker capitalism, an era of widespread stabilization movements in which each vested interest seeks to protect its own position as against all other competing interests (Commons, 1934: 773).

Within this era of banker capitalism, vested interests and stabilization, twentieth-century European history was clearly marked by the rise of authoritarian regimes, in different epochs and countries. Through historical examples, this book explains how that rise intertwines with domestic and international financial systems and provides a European answer to the problem in the form of a complex set of different responses and interchanges. While there is no ideal model of how to give credit to dictatorship, or how authoritarian regimes exert their influence on the domestic financial system or how they interact with the international context, the response to the question of how authoritarian regimes deal with financial matters is the sum of different national outcomes. Besides, if on the political level fascist Italy could have been a model that other authoritarian regimes tried to adopt and reshape, in relation to financial issues there was no authoritarian national model that proved ideal or dominant.

The first case study provides a rationale for a better understanding of the emergence, evolution and collapse of the new Catalan banking elite during the interwar period, particularly on the role of the Banco de Cataluña (1920–1931) and its connections with Primo de Rivera's Dictatorship (1923–1930).

Drawing on new archival evidence, Enrique Jorge-Sotelo discusses the idiosyncrasies of this alliance, in terms of both its historical political origins and its implications for banking management at the dawn of the Great Depression. Overall, the chapter stresses the importance of understanding the role played by political factors and political regimes in financial and banking crises throughout history, namely the consequences of political actions regarding the shaping of institutions dealing with situations of financial fragility.

In 1927–1928, Portugal asked for the support of the League of Nations to issue a foreign loan, but its negotiations failed. More or less at the same time, Greece succeeded in a similar process. This is the historical background of Chapter 2, which tries to explain the reasons for the different outcomes of negotiations and to identify the consequences of this difference. According to Ana Tomás and Nuno Valério, there were political reasons – not structural characteristics, nor the short-term situation – explaining the different outcomes of negotiations. The main consequence was a delayed consolidation of Portuguese monetary stabilization as against Greek immediate adoption of gold-exchange standard. However, this did not ensure a better financial and political Greek performance in the medium term. Approaching the topic through the lens of comparative historical analysis and exploring the interactions between nation-states and international institutions suggest that investors do not discriminate between democratic regimes and dictatorships, under similar profitability and credibility conditions, although democratic regimes seem able to provide higher confidence.

The relationship between politics and the functioning of the banking sector is the main topic of Chapter 3, by Zarko Lazarevic, which deals with the Yugoslavia experience. The royal dictatorship and the subsequent authoritarian regime in the 1930s have shaped Yugoslav society and economic life. The dictatorship itself did not represent a turning point in the concepts of economic or banking regulation. The continuity of the basic principles of regulation is beyond any doubt. In the 1930s, there was major state intervention in the structure and business policy of banks. The reason was the great economic crisis that coincided with the emergence of the

authoritarian regime. Economic stabilization, including the restructuring of the banking sector, became a precondition for political and social stability. This chapter also explains how the state banking sector has played a decisive role in economic policy during and after crisis. Government intervention preserved the functioning of the private banking sector. By prescribing business policy, the government diverted part of the private banking sector's resources to finance government spending at the expense of the real sector and the population.

The authors of Chapter 4, Marianna Astore, Mario Perugini and Valerio Torreggiani, address the practice and theory of wartime financing in fascist Italy between 1935 and 1943, mainly in relation to the role of the central bank. Therefore, this essay focuses on the role of the Bank of Italy in giving credit to the war effort, looking at the case of 'Consorzio Sovvenzioni sui Valori Industriali', created in December 1914. In addition to the medium-term financing, starting from the mid-thirties, the Consorzio undertook a series of operations defined as "special". The special operations constituted almost all the total amount of the Consorzio's activities during the Second World War and were essentially financed through monetary circulation, that is, by the Bank of Italy. Additionally, the chapter delves into the financing of fascist warfare through the lens of the history of economic thought. In this regard, particular emphasis is placed on the development of the theory known as the "circuit of capital", which was formulated within the Institute of National Corporatist Finance, established in 1939 by the Bank of Italy.

Countries faced many challenges in restoring their external accounts during the Great Depression due to increased protectionism. Italy provides a perfect case study to demonstrate the various provisions that were put in place to safeguard the country's gold reserves, as explained by Enrico Berbenni and Andrea Viola on Chapter 5. The devaluation of the currency was an intervention aimed at rebalancing a structural deficit in the trade balance, which was an important part of the problem. This chapter examines how the 1936 devaluation affected Italy's trade balance and the potential impact it had on foreign counterparts and the overall dynamics of Italian trade. It reveals that the structural impact on imports, exports, or the overall trade

balance is not significant. Conversely, the international sanctions imposed on Italy following the war in Ethiopia, in addition to escalating political tensions, appear to have a great influence on Italian trade dynamics.

In Chapter 6, still dealing with the Italian experience, Federico Castelli offers new insights into the financing of the fascist dictatorship following the economic sanctions imposed by the League of Nations between 1935 and 1936. Firstly, attention is given to the role of Banca Commerciale Italiana (Comit), particularly its London branch, in the normalization of Anglo-Italian financial relations after the sanctions. The director, Carlo Lovioz, focused his efforts at the primary London clearing banks to reopen acceptance credits, which were crucial for short-term trade financing. During the sanctions and after their removal, Italy faced a substantial deficit in raw materials, primarily those imported by sea. Consequently, starting in 1936, there was a heightened need to acquire tankers and steamships to transport goods to Italy and its colonies. This shift occurred after many years, during which the ministerial budget had continued to support the reinforcement of the fascist war industry. Therefore, this contribution aims to examine Comit's proactive role in extending credits to Italian shipping companies for the acquisition of merchant ships.

Chapter 7, by Anna Veronica Pobbe, explains the economic strategy used in Gemany by the nazis, which should be defined as a robbery, rather than a planned economy of war. This essay examines how German banks supported nazi projects, using a specific case study: the Polish-occupied territories. The first part of the chapter is devoted to the support provided by some banks to the invasion of Poland. Not only did they provide credit for the operations, but they also established a series of branch offices in the territories directly annexed to the Third Reich (such as the Warthegau) as early as October 1939. Secondly, the essay discusses how specific tools, such as Sonderkontos ("special bank accounts"), were used to draw resources from activities such as deportations, killing operations, and the liquidation of ghettos and camps. Finally, this chapter addresses the active role played by German banks in the complex relationship between productivity and profitability. Overall, the picture that emerges from this

analysis is a dark one, highlighting how the Nazis were able to draw resources from their criminal activities with the support of the German banking system.

The financial repression of the Franco regime in Spain between 1940 and 1975 is the main topic analyzed by M. Angeles Pons, Elena Martínez-Ruiz and Joaquim Cuevas in Chapter 8, with a particular focus on regulatory mechanisms such as banking regulation, stock market regulation and exchange rate controls, along with their impact. The main effects on the banking system included the lack of competition, inefficiencies within the banking sector, distortions arising from privileged credit circuits, the Bank of Spain's limited authority to regulate the entire credit system, and the absence of genuine banking supervision. From a monetary policy perspective, the use of financial repression had significant implication for inflation. While the Spanish level of financial repression was relatively high, it closely aligned with the average of most European countries. However, the distinctive characteristic of this case lies in the political regime, given Spain's status as dictatorship. Consequently, financial repression likely served not only as a mechanism to guarantee government revenues but also as a means to reallocate financial resources to benefit the economic and political groups that supported the Franco regime.

Michalis Psalidopoulos is the author of Chapter 9, which is devoted to the analysis of macroeconomic management and development policy of the Greek dictatorship (1967–1974), with an emphasis on the evolution of economic thought in Greece. During this period, an old generation of Greek economists, mostly exposed to interwar German Historical Economics, went into retirement, and a new generation with an Anglo-Saxon graduate education assumed the conduct of economic policy. Views and policies pursued by these economists and the different expansionary roles played by the central bank and by specialized development banks during that period are discussed in this chapter. Monetary expansion, planning and *ad hoc* intervention were pronounced as keys for growth in the place of monetary stability. Fiscal policy was used through incentives and exemptions rather than to monitor effective demand. Changing international economic

conditions after the breakdown of the Bretton Woods system in 1971 were also considered, and they revealed that the dictatorial regime lacked alternatives and a long-term strategy for the Greek economy. Economic growth met an impasse and led, next to foreign policy blunders, to high inflation and the breakdown of the dictatorship.

The last chapter, Chapter 10, is authored by Tayfun Mertan, who examines the process of transformation in Turkey between 1980 and 1983, as a consequence of a neoliberal hegemony. Framed as a solution to socio-economic instability that emerged towards the end of the 1970s, the January 24, 1980, decisions marked the start of the neoliberal transformation of the relations of production and the form of state in Turkey, aiming at transitioning its economic system into an open market economy. However, internal ideological conflicts prevented the minority government from implementing neoliberal policies. The Junta rule that took power on September 12, 1980, ended the crisis of hegemony in the country and adopted the pre-coup neoliberal agenda. Until the general elections in November 1983, the Junta rule realized a legal and institutional transformation and received both ideological and material support from the United States as well as from international organizations such as the International Monetary Fund, the World Bank, the European Union, and NATO. This final case study illustrates in a clear way one of the underlying topics of this book, dealing with the relationship among political regimes, financial systems, international dynamics and economic changes.

Taken together, the historical examples gathered in this book offer a broad and diverse perspective on how authoritarian political regimes obtain financial support for the development of their policies, as well as on the political backing that financial institutions receive from the governments they support. The lessons of these historical examples are relevant to understanding similar situations in the present day. History does not serve to legitimize or condemn today's political decisions or financial strategies. But it certainly offers a pretext for reflection on similar issues that continue to worry us. We hope that readers will share this conviction about the importance of enriching learning through historical case studies.

***

This volume is an outcome of a conference convened at the Institute of Social Sciences of the University of Lisbon in November 2022 under the theme "Giving Credit to Dictatorship: Authoritarian Regimes and Financial Capitalism in the Twentieth Century". We wish to express our appreciation to the Institute of Social Sciences of the University of Lisbon and the scientific committee of the conference for their support. We also extend our gratitude to Youssef Cassis, who delivered the keynote lecture at the conference, enriching our discussions with his expertise. Additionally, we acknowledge the anonymous referees for their rigorous feedback, which has contributed to the scholarly rigor of this work. Our thanks are also extended to the editorial team at Routledge for their professionalism and support throughout the publication process. Lastly, we are thankful to all the authors who have contributed their expertise and dedication to this collaborative effort.

Notes

1. For some recent analysis, see Mattei (2022) and Astore and Torreggiani (2024).
2. For details on the limits of the cliometric school, see Fenoaltea (2019, 2020).
3. Among the numerous studies on fascism viewed from a comparative perspective, due to their systematic and comprehensive nature, see, above all, Payne (1995), Paxton (2004), Pinto (2011) and Griffin (2018).
4. Just to give a few examples, see Hall and Soskice (2001), Mueller (2012), Neal and Williamson (2014), Kocka and Van der Linden (2016), Slobodian (2018), Milanovic (2019), Pintor (2019) and Martin (2022).
5. For details on the advantages and disadvantages of not precisely defining capitalism, see the various positions expressed in Beckert

et al. (2014).

Bibliography

Astore, Marianna and Torreggiani, Valerio (eds.). "Capitalismo e regime. Classi sociali e gruppi d'interesse nell'Italia fascista", *Studi storici*, vol. 65, no. 1, 2024.

Beckert, Sven, Burgin, Angus, et al. "Interchange: The History of Capitalism", *Journal of American History*, vol. 101, no. 2, 2014: 503–536.

Beckert, Sven and Desan, Christine (eds.). *American Capitalism. New Histories*. New York: Columbia University Press, 2018.

Cassis, Youssef. *Crisis and Opportunities. The Shaping of Modern Finance*. Oxford: Oxford University Press, 2011.

Cassis, Youssef. "Economic and Financial Crises", *Capitalism. The Reemergence of a Historical Concept*, edited by Jürgen Kocka and Marcel Van der Linden. London and New York: Bloomsbury, 2016: 13–31.

Coase, Robert. *The Firm, the Market and the Law*. Chicago, IL: University of Chicago Press, 1987.

Commons, John Robert. *Institutional Economics*. New York: Macmillan, 1934.

Commons, John Robert. *The Economics of Collective Action*. New York: Macmillan, 1950.

Edwards, Andrew David, Hill, Peter and Neves-Sarriegui, Juan. "Capitalism in Global History", *Past and Present*, vol. 249, no. 1, 2020. https://academic.oup.com/past/article/249/1/e1/6007772.

Eich, Stefan. *Currency of Politics. The Political Theory of Money From Aristotle to Keynes*. Cambridge, MA: Princeton University Press, 2022.

Eichengreen, Barry. "Financial History, Historical Analysis, and the New History of Finance Capital", *Capitalism: A Journal of History and Economics*, vol. 1, no. 1, 2019: 20–51.

Evans, Peter B., Rueschemeyer, Dietrich, and Skocpol, Theda. *Bringing the State Back In*. Cambridge: Cambridge University Press, 1985.

Fano Damascelli, Ester. "La 'restaurazione antifascista liberista'. Ristagno e sviluppo economico durante il fascismo", *Il movimento di liberazione in Italia*, vol. 23, no. 104, 1971: 47–99.

Fenoaltea, Stefano. "Spleen: The Failure of the Cliometric School", *Annals of the Fondazione Luigi Einaudi*, vol. LIII, no. 2, 2019: 5–24.

Fenoaltea, Stefano. "Choler: The Failure of the Cliometric School", *Annals of the Fondazione Luigi Einaudi*, vol. LIV, no. 1, 2020: 231–242.

Flandreau, Marc. "Border Crossing", *Capitalism: A Journal of History and Economics*, vol. 1, no. 1, 2019: 1–9.

Fukuyama, Francis. *The End of History and the Last Man*. New York: Free Press, 1992.

Gandhi, Jennifer. *Political Institutions Under Dictatorship*. Cambridge: Cambridge University Press, 2008.

Giannini, Curzio. *The Age of Central Banks*. Aldershot: Edward Elgar, 2011.

Gramsci, Antonio. *La costruzione del Partito Comunista (1923–1926)*. Torino: Einaudi, 1971.

Griffin, Roger. *Fascism. An Introduction to Comparative Fascist Studies*. Cambridge: Polity Press, 2018.

Hall, Peter A. and Soskice, David (eds.). *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, 2001.

Hilt, Eric. "Economic History, Historical Analysis, and the 'New History of Capitalism' ", *Journal of Economic History*, vol. 77, no. 2, 2017: 511–536.

Holton, Woody. "The Capitalist Constitution", in *American Capitalism. New Histories*, edited by Sven Beckert and Christine Desan. New York: Columbia University Press, 2018: 35–62.

Huntington, Samuel P. *The Third Wave. Democratization in the Late Twentieth Century*. Norman, OK: University of Oklahoma Press, 1991.

Hyman, Louis. “Why Write the History of Capitalism?”, *Symposiuam Magazine*, 2013. http://www.symposium-magazine.com/why-write-the-history-of-capitalism-louis-hyman

Keynes, John Maynard. “The General Theory of Employment”, *The Quarterly Journal of Economics*, vol. 51, no. 2, 1937: 209–223.

Kocka, Jürgen. *Capitalism: A Short History*. Cambridge, MA: Princeton University Press, 2015.

Kocka, Jürgen. “Introduction”, in *Capitalism. The Reemergence of a Historical Concept*, edited by Jürgen Kocka and Marcel Van der Linden. London and New York: Bloomsbury, 2016: 1–10.

Kocka, Jürgen and Van der Linden, Marcel (eds.). *Capitalism. The Reemergence of a Historical Concept*. London and New York: Bloomsbury, 2016.

Kurz, Mordecai. “How Capitalism Became a Threat to Democracy”, *Project Syndicate*, March 15, 2024. https://www.project-syndicate.org/onpoint/how-capitalism-became-a-threat-to-democracy-by-mordecai-kurz-2024-03

Lawson, Tony. “Social Positioning and the Nature of Money”, *Cambridge Journal of Economics*, vol. 40, no. 4, 2016: 961–996.

Levitsky, Steven and Way, Lucan A. *Competitive Authoritarianism. Hybrid Regimes After the Cold War*. Cambridge: Cambridge University Press, 2010.

Maier, Charles S. *Recasting Bourgeois Europe. Stabilization in France, Germany and Italy in the Decade After World War I*. Princeton, NJ: Princeton University Press, 1975.

Maier, Charles S. *In Search of Stability*. Cambridge: Cambridge University Press, 1988.

Martin, Jaimie. *The Meddlers. Sovereignty, Empire, and the Birth of Global Economic Governance*. Cambridge, MA: Harvard University Press, 2022.

Mattei, Clara. *The Capital Order*. Chicago, IL: Chicago University Press, 2022.

Milanovic, Branko. *Capitalism Alone. The Future of a System That Rules the World*. Cambridge, MA: Harvard University Press, 2019.

Minsky, Hyman P. *John Maynard Keynes*. New York: Columbia University Press, 1975.

Mueller, Dennis C. (ed.). *The Oxford Handbook of Capitalism*. Oxford: Oxford University Press, 2012.

Neal, Larry and Williamson, Jeffrey G. *The Cambridge History of Capitalism*. Cambridge: Cambridge University Press, 2014.

North, Douglas. *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge University Press, 1990.

North, Douglas. "Institutions", *Journal of Economic Perspectives*, vol. 5, no. 1, 1991: 97–112.

Paxton, Robert. *The Anatomy of Fascism*. New York: Vintage Books, 2004.

Payne, Stanley. *A History of Fascism, 1914–1945*. London and Madison, WI: The University of Wisconsin Press, 1995.

Pinto, António Costa (ed.). *Rethinking the Nature of Fascism: Comparative Perspectives*. London: Palgrave Macmillan, 2011.

Pinto, António Costa. *O Regresso das ditaduras*. Lisbon: Fundação Francisco Manuel dos Santos, 2021.

Pintor, Katharina. *The Code of Capital. How the Law Creates Wealth and Inequality*. Princeton, NJ: Princeton University Press, 2019.

Piketty, Thomas. *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press, 2014.

Pitteloud, Sabine, Ballor, Grace, Clavin, Patricia, Perrone, Nicolás M., Rollings, Neil and Slobodian Quinn. "Capitalism and Global Governance in Business History: A Roundtable Discussion", *Harvard Business School Working Paper*, no. 22–081, 2022.

Ricardo, David. "Letter to Thomas Malthus, October 9, 1820", in *The Works and Correspondence of David Ricardo*, vol. 8 (1819–1821), edited by Piero Sraffa. Cambridge: Cambridge University Press, 1951: 278.

Schumpeter, Joseph A. "Money and the Social Product", *International Economic Papers*, vol. 6, 1956, ed. or. 1917: 148–211.

Schumpeter, Joseph A. *Capitalism, Socialism and Democracy*. London: Routledge, 1976.
Slobodian, Quinn. *Globalists: The End of Empire and the Birth of Neoliberalism*. Cambridge, MA: Harvard University Press, 2018.
Slobodian, Quinn. *Crack-Up Capitalism: Market Radicals and the Dream of a World Without Democracy*. New York: Metropolitan Books, 2023.
Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*, edited by Edwin Cannan. London: Methuen, 1904, ed. or. 1776.
Tilly, Charles. *Big Structures, Large Processes, Huge Comparisons*. London: Russell Sage Foundation, 1984.
Tilly, Charles. *Coercion, Capital, and European States, AD 990–1990*. London: Basil Blackwell, 1990.
Togliatti, Palmiro. *Corso sugli avversari. Le lezioni sul fascismo*, edited by Francesco M. Biscione. Torino: Einaudi, 2010.
Tooze, Adam. *The Wages of Destruction. The Making and Breaking of the Nazi Economy*. London: Allen Lane, 2006.
Vatiero, Massimiliano. *The Theory of Transaction in Institutional Economics. A History*. London: Routledge, 2020.
Wallerstein, Immanuel. *The Modern World-System I. Capitalism Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press, 1974.
Wilkins, Mira, Thelen, Kathleen, Whitley, Richard, Miller, Rory M., Martin, Cathie Jo, Berghahn, V. R., Iversen, Martin Jes, Herrigel, Gary and Zeitlin, Jonathan. “Varieties of Capitalism Roundtable”, *Business History Review*, vol. 84, no. 4, 2010: 637–674.
Williamson, Oliver E. “The Economics of Governance”, *American Economic Review*, vol. 95, no. 2, 2005: 1–18.
Williamson, Oliver E. “Transaction Cost Economics: An Overview”, in *The Elgar Companion to Transaction Cost Economics*, edited by Michael E. Sykuta and Peter G. Klein. Aldershot: Edward Elgar, 2010: 8–26.

Wolf, Martin. *The Crisis of Democratic Capitalism*. London: Penguin Books, 2023.