Review Essay

Clara E. Mattei (2022) *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism*. Chicago: University of Chicago Press. ISBN 978-0-226-81839-9. 480 pp. US$30.00 (hardcover)

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When we were fighting the International Monetary Fund (IMF) and World Bank-imposed structural adjustment or austerity programs in the 1980s and 1990s, many of us thought that we were up against a strategy that had been formulated mainly as a response to the social democratic compromise with capital in the Global North and to state-led developmentalist initiatives in the Global South. Of course, we knew that the intellectual inspiration for neoliberalism came from nineteenth-century classical free-market-oriented economics. What few of us realised at the time was that the neoliberal counterrevolution that took off in the late 1970s had an earlier manifestation in the early part of the twentieth century, and this had provided a theoretical and policy arsenal that the later movement drew upon.

Clara Mattei's *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* is a masterful fusion of archival research, ideological deconstruction, and political economy that captures the post-World War I era, which was marked by acute class conflict. Although the revolution in Russia is quite familiar, less well-known is the situation in Western Europe, where there was a revolutionary challenge to capitalism, though of a less violent sort. Mattei is convincing when she documents how the role of the state in controlling all dimensions of the economy for the war effort led unwittingly to a "denaturalization" of the market economy, that is, to an unmasking of the "laws of the market" as really a political project benefiting a few that provided workers with a glimpse of a possible alternative order.

Reconstructionists and *L'Ordine Nuovo*

Focusing on the situation in Britain and Italy, Mattei details the two key responses to the revolutionary ferment. The "enlightened reconstructionist elite" sought to buy social peace by having the state take an active role in providing workers with better housing, social insurance for old age and disabilities,

[1] An earlier and shorter version of this review essay appeared as "Capital's Organic Intellectuals", *Foreign Policy In Focus*, 8 June 2026, https://fpif.org/capitals-organic-intellectuals/. Reprinted with permission. The author has revised the text and added a concluding discussion, written for the *Global Labour Journal*. The piece is published as a review essay and therefore exceeds the length of the Journal's standard book reviews.

and greater educational opportunities, all of which entailed expansive budgets. The reconstructionists were not a homogeneous grouping, nor did they seek to dismantle the hierarchical order. Yet, they shared "a revulsion to competitive individualism and laissez-faire capitalism," thus "profoundly disputing the economic doctrine that for centuries had stood as the cornerstone of capital accumulation." In many ways, they were the ideological predecessors of the Keynesian economists of the post-World War II era.

The reconstructionists triggered a process that saw a "mutually enhancing relation between reforms and working-class consciousness," so that "ironically, the reformists, who had bent the iron laws of the market to avoid a revolution, had actually contributed to sparking another one." The leading force in this radical offspring of the reformists was the Turin-based *L'Ordine Nuovo* group whose key movers were the young Antonio Gramsci, Palmiro Togliatti, and Angelo Tasca.

Gramsci is often encountered only as a theorist, as the source of the many provocative insights of the *Prison Notebooks*. One of the many delights of Mattei's book is its showing how these ideas were forged by Gramsci in action, as he, along with his comrades, sought to channel a spontaneous working-class rebellion into a revolutionary movement. The "factory occupation" movement that radiated throughout Northern Italy from Turin was guided by four insights, developed in industrial combat. One was that there was no natural order of things, that market relations, especially the sale of labour power in return for wages, were socially constructed assertions of the power of one class over another.

Second was that if the labour-capitalist relationship was not a functional one but one of exploitation, then it was the task of workers to create a new relationship to the means of production, which was to take over managing them, mainly through the agency of "factory councils." Third, praxis was central in forging the new relationship between workers and machines, and among workers. As Mattei puts it, "L'Ordine Nuovo was a full-blown experimental trial of Marx's Eleventh Thesis on Feuerbach: 'Philosophers have only interpreted the world; now is the time to change it.'" Thus, the practical experience of organising within factory councils was understood as the people's "new school." The factory councils, she observes, "were the living expression of praxis, their regulations guaranteed a melding of theory and practice that was in concept essential for self-government."

The final principle that animated Gramsci and his comrades was the unity of politics and economics, as opposed to the separation between a formally democratic political sphere and an autonomous economic realm governed by immutable laws over which people had no control. As Gramsci put it, "[B]orn from labour, the [council] adheres to the process of industrial production […] within it economics and politics merge, in it the exercise of sovereignty is all one with the act of production […] in it the proletarian democracy is realised."

Saving Capital

Massive strikes in Britain and the factory occupations in Italy in the years 1919-1920 gave the establishment the sense that the European working class had capitalism by the throat. It is at this juncture that economic technocrats came to the rescue. These figures, like R.G. Hawtrey and Otto Niemeyer in Britain and Alberto De Steffani, Maffeo Pantaleoni, Umberto Ricci, and Luigi Einaudi in Italy, realised that the challenge was not simply to impose economic and political order; it was, fundamentally, to reestablish the ideological hegemony over workers that had been destroyed by the

explosive conjuncture of the war economy, the reformist movement, and the factory insurgency. In short, the ideological context that would allow capital accumulation to take place had to be restored.

What they formulated, though working largely independently, was an economic paradigm whose centrepiece was savings. The economy could not function without savings, which were needed for investment in production. This meant savings had to be channelled to the figure who could invest rather than consume them, meaning the capitalist or entrepreneur, the person who personified the virtues of austerity. Workers in this model were seen as people who were unable to save but consumed resources that could otherwise be invested, or they were depicted as incapable of managing the process of turning savings into investment that would keep the industrial machine functioning, to the benefit of the whole society.

The technocrats sought to portray the austerity paradigm as constituting a set of universal economic laws, while being quite conscious that it was designed to reassert the control of the capitalist class. Equally important, they sought not just to intellectually convince people; they were out to get them to *morally internalise* austerity. Thus, the emphasis on saving and thrift as virtuous.

Restoring Class Hierarchy

Austerity had interrelated dimensions: *fiscal*, meaning cutting or keeping down budgetary expenditures; *monetary*, meaning keeping interest rates high and tying the money supply to gold; and *industrial*, meaning depressing wages to ensure a high investment rate. It is compelling how faithful the later incarnation of austerity – in structural adjustment in the 1980s – was to the original. And likewise striking is how the austerity formula failed to produce the promised economic growth in both instances owing to what its critics pointed to as its internal contradictions.

As I pointed out in my 1994 book, *Dark Victory*, there were hardly any successful cases of structural adjustment, the reason being that its key elements got the economy stuck in a "low level trap, in which […] increased unemployment, reduced social spending, reduced consumption, and low output interact to create a vicious cycle of stagnation and decline, rather than a virtuous circle of growth, rising employment, and rising investment, as originally envisaged by World Bank theory."

Mattei's answer to this seeming paradox is that austerity was never designed to restore growth. That was rhetoric designed to pull the wool over the eyes of the workers and the reconstructionists. The real aim was to repair the fraying class relations of capitalism, to reinvigorate the "capital order."

Coercion Supplements Consensus

The technocrats' ideological offensive was aimed at both ideologically disarming the working class and discrediting the reconstructionists. In Italy, however, with the ideological liberation spearheaded by Gramsci's *L'Ordine Nuovo*, the technocrats realised that ideological disarmament had to be accompanied by violence, or as Mattei puts it, using Gramsci's terminology, consensus and coercion were an inseparable pair. Fascist terror against rebellious workers and Mussolini's authoritarian rule once the fascists seized state power were necessary to recreate the social context for capital accumulation to take place without hindrance.

Mussolini, Mattei points out, enjoyed the support of the international establishment, even of avowed adherents to parliamentary democracy in their countries, like the Governor of the Bank of England, Montagu Norman, who expressed dislike for Mussolini's elimination of the political opposition even as he wrote to his friend John Pierpont Morgan Jr., the American banker, that "Fascism has surely brought order out of chaos over the last few years: something of the kind was no doubt needed if the pendulum was not to swing too far in the other direction. The Duce was the right man at a critical moment."

This hypocritical deploring of fascist violence while approving the technocrats' ideological cleansing would be repeated 50 years later, when the international establishment lamented General Augusto Pinochet's killing and imprisonment of thousands of Chileans while lauding the Chicago Boys, inspired by economist Milton Friedman, who were reproducing the conditions for the market economy to regain traction after Salvador Allende's statist interventions. Chile in the early 1970s was the guinea pig for structural adjustment, which was then generalised to over 70 countries in the Global South over the next 20 years.

Mattei's account makes clear that economists and technocrats are not mere accessories or instruments of the capitalist class. They are essential to the reproduction of capitalism, and their relative autonomy as agents of the system becomes particularly pronounced when the system is in crisis. The managerial capitalist elite may have been unhappy with the class compromise represented by the triad of Big Business, Big Government, and Big Labour in late 1970s America, but they were willing to live with it. They were not the ones who took the lead in pushing the U.S. economy in a neoliberal or market fundamentalist direction, an enterprise that restored the hegemony of capital by disorganising and disempowering labour. It was economists with profoundly ideological convictions, like Milton Friedman, George Stigler, and Arnold Harberger that led the charge. Economists, to use Mattei and Gramsci's terminology, are the organic intellectuals of the Capital Order.

Mattei's Relevance for the Current Crisis of Capital

Mattei's theoretical approach and methodology have great relevance not only for the study of the history of the relations between capital and labour but for charting the possible outcomes of the current crisis of capital. Ideas are not simply a passive reflection of interests, and the state is not a simple servant of capital that serves as a strikebreaker, as the instrumentalist school of progressive scholarship tends to view them. Both ideas and the state have a relative autonomy from capital that becomes especially pronounced in moments of crisis, when intellectuals and technocrats take a leading role in breaking the stalemate between capital and labour, not so much in a coercive sense but in an ideological sense of providing leadership in articulating a paradigm that rearranges or modifies class relations.

Mattei shows how, in both the aftermath of the First World War and the late 1970s, neoliberal economists and technocrats took the lead in breaking the class stalemate by attributing inflationary pressures to labour and convincing key sectors of society that economic stabilisation depended on weakening or defanging labour, thus putting labour on the defensive and eventually disarming it.

But the opposite can also happen, though Mattei does not dwell on this. In the aftermath of the Great Depression and the Second World War, Keynesian economists and technocrats led the way in

forging a compromise between capital and labour based on raising profitability by expanding effective demand through higher wages, inaugurating an era of reform, the social democratic dispensation.

With neoliberalism in severe crisis, intellectuals and technocrats are again in a position to take a leading role in forging a new hegemonic paradigm. Will this process move along the lines that the far right is seeking, towards a more authoritarian capitalism, or will it go towards the left, as with post-war Keynesianism, possibly generating pressures for moving beyond capitalism itself?

References

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BIOGRAPHICAL NOTE

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