

Political and administrative elites under authoritarian rule: Elite transformations and economic policymaking in Italy and Germany during the Interbellum

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Paper prepared for the IPPA Workshop, Budapest, June 28-30, 2022

Abstract

Populists often come to power with the goal of replacing the existing social order with a new order organized along the lines of some greater ideology, whether based on religion or a strong leader. Yet, these societal transformations are negotiated with existing political, bureaucratic and economic elites. The degree and shape of societal transformations thus depend crucially on the processes of elite transformation that take place after populists come to power. Combining insights from historical institutionalism and political elite theories, the paper examines the interaction between populist power-holders and bureaucratic and economic elites in economic policymaking after the rise to power of the fascists under Mussolini in Italy (1922) and the national socialists under Hitler in Germany (1933). Hitler largely replaced existing elites with new party elites or subjugated old elites to the wishes of the party, paving the way for a far-reaching transformation of economic policy. Mussolini to a greater extent relied on non-fascist bureaucratic and economic elites in formulating economic policy, setting the stage for more layered institutional change in economic policy. This historical comparison allows for lessons to be learned that can help us understand the politics of populism today.

VERY FIRST DRAFT – ALL COMMENTS ARE WELCOME

Introduction

The first thing that the populist and right-wing party of Victor Orbán, Fidesz-KDNP, did after it had won the 2010 elections with a landslide, was repealing the neo-liberal policies of its predecessors, the socialist and neoliberal coalition, and implement a nationalist-conservative policy agenda that came to be known as ‘illiberalism’ (Miklós and Simons, 2021). The driving force of the Orbán-government’s ‘illiberal’ economic policies was, and still is, a reaction against a broadly felt disappointment with the unfettered financial capitalism that had dictated economic policies of its predecessors. Those policies wreaked havoc within the financial and political system as it widened the social and economic gaps between capitalist institutions and ordinary citizens. However, Orbán’s policies have been more than a transformation of the financial capitalist system that was so detested by his followers. Although he is known to have been an atheist in the early stages of his political career, he successfully, but to many deceitfully, managed to present himself as the defender of Christianity. In a speech he gave in August 2020 in commemoration of the 1920 Treaty of Trianon, a painful event in the history of Hungary, Orbán argued that Western Europe had given up on a Christian Europe and that Europe had chosen the path of experiments with “a godless cosmos, rainbow families, migration and open societies” (The Conversation, 27 October 2020). Not him and not Hungary, that would remain on the righteous path of the Christian faith and be its bastion amidst the faithless.

The history of Viktor Orbán’s ascendance to power resembles those of many other populist leaders in Europe and in other parts of the world. Although from a different religion, the Turkish President Recep Tayyip Erdogan pursues the same path as Orbán with his policy of turning Turkey into a pure Islamic state. Erdogan, too, has issues with the theories and prescriptions of modern liberal economics as he bashes, amongst others but notably, the Turkish state’s central bank’s interests rate policies. In China, which in comparison to Turkey and Hungary is already an established autocracy, President Xi Jinping has managed to bend the tenets of established policies towards a personalized ideology of Xi’ism, thereby imposing his and his clique’s worldview on the larger Chinese economy and society.

What these examples have in common with each other, and with several others that we cannot mention here, is the rise to power of a political leadership that depicts the prevailing order as defunct and in need of a complete make-over along the lines of some greater ideology, be it based on the religion of the majority or the idolatry of the leader. In general, populism deploys varieties of images in which the ‘true people’ are pitched against the ‘elite’, further aggravating societal cleavages between lower and higher income groups within societies. Populism is not only a vehicle to mobilize (latent) constituencies, but it contains a holistic blueprint of society. So, whereas populism and the populist discourse may display the same basic structures, substantively they differ per historical and national

context. The populist power grab brings in new elites to power and very often with the aim to impose a new social order upon the ‘defunct’ social order. That is, the rise of populism is the harbinger of societal transformation.

In this paper we will focus on changing political, bureaucratic, and economic elite constellations in the process of societal transformation that is the result of a populist rise to power. We will particularly zoom in on the role of civil servants and the bureaucracy after populists take power. Much has been written on ‘modern’ coups whereby power is assumed by a singular elite group without the ostensible use of violence or force, but the role of the bureaucracy has remained somewhat underexposed (Bauer et al., 2021). Societal transformation can be of different kinds – violent or non-violent, top-down or bottom-up – but as Bermeo (2016) indicated, the populist-induced societal transformations are usually of the non-violent top-down category. Societal transformations that follow the route of executive aggrandizement are transformations whereby fundamental changes to a society’s political, economic, social, and cultural systems, are, primarily, induced by the populist worldview but negotiated with and co-engineered by other elite groups, i.e., administrative and economic elites.

Our main argument is that the process and outcomes of societal transformations that are driven by populism are initiated and shaped by the process of political elite transformations. To understand populism-driven societal transformations, we argue, we need to focus on elites, the processes and mechanisms of elite circulation, the interactions between different elite groups as well as the constellations that shape their interactions. A populist power grab is not revolutionary in the sense that it destroys the prevailing institutional order. It is the democratic institutional order par excellence that allows populists to set into stage the aggrandizement of the state’s key institutions and resources.

Our theoretical argument consists of two parts. First, we conceive the process of democratic backsliding as essentially the reconstitution of the existing institutional order as a mix of displacement, drift, conversion, and layering (Mahoney and Thelen, 2010b; Streeck and Thelen, 2005). The concept of democratic backsliding is a normative expression and is less well suited to analyze systematically the processes of institutional and policy change under the influence of populism. However, the term as such is not that sophisticated to point to other things than the overall regression of democratic norms and institutions (Burton and Higley, 2001). Democracy is a thick description of a political system. To understand how democratic institutions decay, we need to apply concepts and observe mechanisms that are generic.

Our second theoretical argument is that displacement, drift, conversion and layering and combinations thereof are related to the transformation of political elite constellations and the process of elite circulation. The extent to which societal transformations under a populist regime witness

degrees of these institutional change mechanisms will depend on the types of political elite constellations and processes through which elite transformations take place. For analytical purposes we separate political elites and institutions and study the social mechanisms through which the characteristics of elites affect institutional change.

Combining insights from historical institutionalism and political elite theories we examine economic policymaking after the rise to power of the fascists under Mussolini in Italy (1922) and the national socialists under Hitler in Germany (1933). Although the historical context very much differs from our times, these two instances represent some of the first historical cases of democratic backsliding. The story of the rise of fascism and national socialism has been told very often. Here we specifically focus on the role of bureaucratic and other elites in economic policymaking after the fascists and national-socialists assumed power.

The role of the bureaucracy and the relationship between populist politics and the bureaucracy is a neglected one (Bauer et al 2021). Still the studies that recently have started to focus on the political-administrative nexus presume that the two actor groups are two distinct and separated elite groups. Adopting an elite-theoretical perspective allows us to examine better the intersections between political and bureaucratic elites. We focus on the economy and economic policies as those were conceived as key policy areas to the totalitarian regimes. Whereas in Italy, the fascists pursued dirigiste and corporatist economic policies to stabilize the economy in the face of economic crises and social unrest, to the Nazis economic policies were key to build up their war machinery and to make Germany economically independent from foreign powers. This allows for lessons to be learned that can help us understand the politics of populism today.

Democratic backsliding, institutional change, and the circulation of political elites

A proper analysis of the regression of democracy is hampered by the very term that has become so central in academic and public debates of democracy. As Bermeo already pointed out “the term *democratic backsliding* is widely used but rarely analyzed” (Bermeo 2016: 5). The reason why this term is rarely analyzed is because ‘democracy’ is too thick a concept to examine. Democracy is a container term with multiple adjectives and stands for various sets and combinations of political institutions and processes. Democratic institutions and processes have in common that they allow for the free formation, expression, mobilization, and aggregation of preferences; have checks and balances on power; and rotations of elected politicians. However their forms may vary immensely in reality, even within the group of parliamentary democracies itself (Strøm et al., 2003). Bermeo further adds that backsliding may have so many culprits that the concept of democratic backsliding has become to

opaque a concept to analyze systematically. Her unpacking of the concept democratic backsliding yields six varieties of backsliding: open ended coups d'états, promissory coups, executive coups, executive aggrandizement, election-day frauds, and strategic harassment and manipulation. While Bermeo brings analytically clarification to the concept of democratic backsliding – six different pathways of democratic decay – her categories remain thick and, more importantly, wedded to the event of the regression of particular type of regime, i.e., democracy.

However central the concept of 'democracy' to political science may be, for the study of regime changes and societal transformations the concept is ill-suited. Since several political systems can be grouped under the heading of democracy, the term is not very useful for comparative purposes, neither. In our paper this is a serious issue as we aim to draw lessons and search for mechanisms of backsliding across time: the historical contexts within which we study the Italian and the German (Weimar) democracies are very different from contemporary democracies. We therefore turn to theoretical concepts that do lend themselves for this purpose. Before we do this, we need to state clearly what we understand as democratic backsliding. We see democratic backsliding not merely as the breakdown of political institutions, but as a process of societal transformation that encompasses fundamental changes to a society's political, economic, social, and cultural institutions. The concept of democratic backsliding is hence defunct in this sense as it only designates the ending of a specific type of system and excludes the emergence of a new political regime. The concept of democratic backsliding, in other words, expresses a regret of the end of democracy, but does not deliver the tools to understand the direction, desired by populists, it is heading.

For a more neutral and analytically rigorous set of conceptual tools we revert to more neutral theories of institutional change. In social science studies of institutions and institutional change, the main divide is between institutional stability or equilibrium, on the one hand, and institutional change, on the other hand (Mahoney and Thelen, 2010a; Streeck and Thelen, 2005; Pierson, 2011; North, 1990). As regards institutional change, the divide has been between abrupt or sudden changes versus gradual or incremental changes, on the one hand, and endogenous versus exogenous changes. Political explanations of institutional change center on explanations that focus on changing power constellations in society. In this perspective, the institutions existing within society reflect the preferences and norms of the majority coalitions that designed them (Knight, 1992; cf. Tsebelis, 2002; Moe and Caldwell, 1994). Institutional changes may come from exogenous shocks triggered by sudden and disruptive events as (civil) war or the failure of the ruling elites to handle with natural disasters (Hancké, 2005). Institutional change may also follow upon endogenous changes, such as time-inconsistent changes of preferences of members of the ruling elite regarding certain institutional outcomes or norms (Tsebelis, 2017). The executive aggrandizement path of democratic backsliding, that is the "quiet" variant of backsliding with which we are concerned with here, seems to conform

to the exogenously driven type of gradual institutional change. It is exogenous as the change is triggered by a political movement or party that has previously not been part of the existing set of parties; it is gradual change as the existing institutional order has not been abruptly altered, displaced, or broken down immediately but silently converted according to the preferences of the incumbent power holder.

While the executive aggrandizement mode of democratic backsliding tells us that the existing liberal democratic order is slowly and silently changed from within, it does not tell us how it will affect the institutions. To identify the pathways of gradual institutional change under populist and authoritarian pressures, we turn to Mahoney and Thelen (2010a) distinction between four modes of gradual institutional change. The first mode is *displacement* by which the authors mean the removal of existing rules and the introduction of new ones. They point out that the displacement type of change need not be synonymous to the abrupt breakdown existing institutions, a type of change that is associated with the outcomes of revolutions of severe exogenous shocks. Displacement may “also be a slow-moving process [when] new institutions are introduced and directly compete with (rather than supplement) an older set of institutions” (2010a: 16). A second mode of gradual institutional change is *layering*. Layering is the process whereby existing rules are amended by new rules. The existing rules are not supplanted or abolished as these may still rely on a power base of sufficient strength to be kept in place. *Drift* is the third mode of gradual change distinguished by Mahoney and Thelen and may occur “when rules remain formally the same but their impact changes as the result of shifts in external conditions” (2010a: 17). Drift comes down to change by keeping the rules steady when the conditions that were in place at the time when the rules were enacted have changed. Finally, the fourth mode of gradual change, *conversion*, is similar to drift because it denotes a change whereby the rules do not change. However, the difference with drift is that the existing rules become interpreted and implemented in a different way.

Whereas political theories of institutional change share the basic assumption that institutional changes take effect after challengers of the status quo have overcome resistance from veto players in the system (Immergut, 1990; Tsebelis, 2002) in this paper we explore the relationship between political elite constellations and elite circulation as the central exogenous factor. We follow the basic argument of Burton and Higley (2001: 188), to whom the term ‘democracy’ is “more an ideology than an analytical concept” that “[E]ach type of political elite creates a distinctive type of regime, defined as the patterns by which government executive power is actually organized, exercised, and transferred – irrespective of what a constitution, charter, or set of foundational laws stipulate.” Following Burton and Higley, we argue that the form of the institutional setup is closely associated with the elite structure in society. In their words, we subscribe to their argument that the structures and behaviors of political elites are independent from the institutions. Changes to the elite structure, i.e., elite

circulation, will be reflected at the institutional level because the shape of the institutional constellation will expectedly resemble that of the elite constellation in power. However, the existing institutional setting will not immediately take a new shape as even in situations of a populist or authoritarian take over, elites need time to change institutions and processes. Also, and this is our main argument here, the mode of institutional change will reflect elite constellations.

By plotting elite types against two axes, i.e., elite integration and elite differentiation, Burton and Higley distinguish between four types of political elite constellations and regime types that associated with each elite type: consensual elites, ideocratic elites, divided elites, and fragmented elites. Table 1 below depicts the four different regime types and their main characteristics. Consensual elites are “enmeshed in dense and interlocked networks that cut across factional and sectoral boundaries and provide connections and access to key decision-makers” (2001: 187). The *consensual elite* type offers the foundations for a political regime type that is stable, peaceful, and representative. Conflicts are dealt with by positive-sum bargaining and cooperation at the helm of the key political and societal institutions. *Ideocratic elites* are found in political regime types that are dominated by a single party or movement that controls the state and decision-making bodies over the most important natural and economic resources. Ideocratic elites are further characterized by a sharp hierarchy and singular ideological belief system that is enforced upon the rest of society. When a regime harbors multiple closed and opposing clusters of elites, we speak of a *divided elite* type. The divided elite types thrive in segregated societies characterized by differentiated elite networks between which there are no ties. The elites vie for control over the same resources but lack a “game-rule consensus or single belief system to restrain competition” (2001: 188). Conflicts are settled by force or the use of violence. Finally, in systems inhabited by *fragmented elites* there is no single elite group that is hierarchically superior over the other and the groups that are lack a common agreement on how the political game should be played. In contrast to the divided elites, none of the elite groups in a fragmented elite regime is strong enough to dominate the other groups. The hallmark of this regime is pluralism and disunity.

Table 1. Types of political elites and the regime types they create

		Elite integration	
		Strong	Weak
Elite differentiation	Wide	Consensual elite Stable representative regime	Fragmented elite Unstable representative regime
	Narrow	Ideocratic elite Stable unrepresentative regime	Divided elite Unstable unrepresentative regime

Source: Burton & Higley (2001: 189)

The rise of populist political parties and their leadership within established democratic regimes may result in a profound transformation of political elites. Democratic backsliding due to the election of populist politicians differs from the otherwise stable and predictable replacement of political parties and their representatives after periodic elections within established democracies. Elite circulation of the populist-transformative type is, firstly, characterized by both a potentially wide and deep replacement of elites (Burton and Higley, 2001). The potential scope of elite replacement encompasses all elite positions at the higher echelons of the state, the economy, and society as well as that a populist-transformative elite circulation brings in social groups that have not been in power positions before. Secondly, a populist-transformative mode of elite circulation occurs in a relatively short time span. Populist assumptions to power occur in a revolutionary manner, however, without the violence and blood shedding that is custom to revolutions.

Given the two assumptions that elite structures are independent from the institutional setting that is in place and that the design and structure of institutions will reflect the structure of the elite constellation, provided the latter are a sufficiently long period in power to impose their preferences into the institutional order and public policies they inherit, we examine how elites were transformed after a populist rise to power and how these elites proceeded in reforming institutions. We now turn to our two cases: the fascists regime in Italy (1922-43) and the national-socialist regime in Germany (1933-1945).

The forging of a new world: fascist and national socialist blueprints for society during the interbellum

Our story is situated amidst a politically, economically, and socially volatile historic period. Politics during the early twentieth century was strongly colored by the struggle between Marxism, socialism, and emerging nationalism. While socialist movements were trying to break with the rigid tenets of orthodox Marxism, i.e., the view that the capitalist system would come to an end by itself as a consequence of its inherent flaws, unease in society about the incompetence of socialist movements to adequately defuse the severe economic crises through (democratic) political means grew on a daily basis (Berman, 2006). The rise of fascism and national socialism was a reaction to the failure of the socialist parties in Italy, Germany, and elsewhere in Europe to deal with the political and economic crises of the time. One of the contested issues was the extent to which socialist parties had to participate in the democratic process and acquire power through elections. In line with this, there

were intense debates within social democratic parties about whether they should enter coalitions with the liberals and deliver ministers to cabinets. These debates paralyzed these parties so much that face to face with the economic malaise and the sufferings of the vast majority of the proletariat, the parties become impotent spectators of economic events. The socialist parties were also unsure of how to relate to their internationalist orientation at a time when nationalism and imperialism were on the rise. The socialists' wavering attitudes toward liberals and the failure to produce policies to govern the economy paved the way for more radical wings of the political spectrum.

The switch that Benito Mussolini made from the socialist left to the fascist right is the embodiment of how fascism became the champion of the proletariat in Italy - and how his move later formed an example for the nationalist socialists in Germany (Berman, 2006). The political journey of Mussolini from socialism to fascism is well-known and need not be retold here. What is important here is that Mussolini started the new movement, the *Fasci di Combattimento* (1919), through bringing socialism and nationalism together. In the chaos of the First World War class conflicts reached their zenith pitting factory owners and workers against each other. The fascist movement succeeded in winning the allegiances of, on the one side, industrialists and large landowners, and factory workers and the peasantry, on the other side. This success caused the hollowing out the power bases of the socialist movement. While socialist parties went down in fratricidal feuds, then, the fascist movement managed to lay the groundworks for a new political economic order where the conflict between labor and capital was internalized. This 'national socialism' defused the fears of the industrial and middle classes for socialist revolution and tied the fate of working class to the prosperity of their national business and agrarian sectors. The role of the state vis-à-vis the economy increased as the fascists, after Mussolini came to power in 1922, through the establishment of various parastatal institutions in different sectors of the Italian economy. The fascist movement hence "reshaped the relationship among state, society, and the economy in Italy in fundamental and long-lasting ways" (Berman, 2006: 135).

Even though the socialist movement has been blamed for losing the war as well as the humiliations that Germany had to endure following the war, Hitler's rise to power did not happen until after the deepening of the economic crisis following the Great Depression of 1929. Although the Weimar Republic was not warmly embraced from the start by political movements from the right, aversion to it peaked after the stock market crash of 1929. The liberal order represented by Weimar had become associated with "rapacious" capital that was associated with "finance, commerce, and Jews". It was pitted against "creative" capital that stood for German values and virtues ... necessary for the health of society and the economy" (Berman, 2006: 141). No sooner than Hitler was made Chancellor by President Hindenburg on 30 January 1933 – but not until Hindenburg's death soon after – Hitler proclaimed the emergency law. He then initiated a series of 'synchronization' reforms

(*Gleichschaltung*) that closely knitted together his leadership, the Nazi-party, the state, the economy, and society. Especially, the economy was made subservient to the general interests of the German people, that is freed from Marxism and Jews. Like the Italian fascists, who served as models for the Nazis, the Nazi regime further strengthened state control over the economy by establishing corporatist arrangements at the national and regional levels between industrialists and unions and incorporating professional groups into national socialist branch organizations. German society had to be transformed into a “military economy” (*Wehrwirtschaft*) that encompassed so much more than the military and the economy. The aim of the national socialists was “to turn the German Reich into a modern Sparta - a thoroughly militarized social, economic and political structure in which everything would be measured by its suitability for war would have to be measured against its suitability for war” (Herbst, 2016: 622).

Political-administrative elite circulation and authoritarian transformation in Italy and Germany

The bureaucracy played an important but often neglected role in the authoritarian transformation of the economy and society in Italy and Germany during the interbellum. In this section we compare bureaucratic and political elite transformations within the economic bureaucracy during the reorganization of the liberal markets into state-directed markets and corporatism in Italy and Germany.

Italy: the interweaving of new and traditional elites

The fascist movement, created by Benito Mussolini in 1919, had explicit revolutionary ambitions. It wanted to overturn the existing political order and replace it with a new fascist regime. The movement was fiercely opposed to the old ruling class, which it saw as standing in the way of the fascist revolution (De Felice 1968: 45). This included not only existing political elites, which ranged from nationalist and conservative forces on the right via liberals to socialists and communists, and the economic elites at the head of big industries and banks, but also the bureaucratic elites in the ministries and other government bodies. Indeed, one of the main endeavors of the fascist movement was what it described as a “‘historic struggle against the bureaucracy’, that is, its partisan struggle for control for control of the bureaucracy” (Cole 1938: 1145).

The persistent inability of the existing liberal-democratic political elite to form a stable government and respond to the economic crisis in the wake of World War I played into the hands of

the fascists, who through violence and mass demonstrations put increasing pressure on the government. The crisis culminated with King Vittorio Emanuele's appointment in 1922 of Mussolini to head a broad coalition government that included fascists, conservatives, liberals, nationalists and social democrats among its ministers. While Mussolini made no secret of his authoritarian ambitions, he for the time being continued to operate within the bounds of the existing political and administrative system. "While Mussolini conquered the government, he did not conquer the state," as De Felice (1968: 6) observes.

Mussolini's first years in power were characterized by a careful balancing act between the different forces underpinning the government. While the fascist movement was eager to realize its radical political ambitions, the old ruling class sought to domesticate the movement by redirecting its actions within the bounds of the existing liberal order (De Felice 1968: 6). This resulted in a great deal of institutional and policy continuity. Public administration reforms in 1923 established a new system of administrative grades, codified the legal and economic status of officials and introduced a public sector hiring freeze. But as Cole observes, "there was nothing essentially 'revolutionary'" in these reforms (Cole 1938: 1147). The reforms of the administrative structure were based on recommendations from advisory commissions established prior to fascism and reflected the bureaucracy's wishes, and the hiring freeze was motivated mainly by a desire to balance the budgets. Moreover, the Mussolini government's economic policies in its first phase had a decidedly liberal flavor: Its economic policies responded to the wishes of the big industries and economic elites in Northern Italy, including for tax breaks (Castronovo 1976: 31).

In the 1924 elections, conducted under a new majoritarian electoral law, the National List headed by Mussolini but that also included various liberal and conservative politicians won about 65 percent of the votes. Yet, after fascist thugs assassinated a Socialist MP who denounced the violence, intimidation and fraud that characterized the elections, Mussolini and the fascist movement entered into a profound crisis. Threatened both by his allies in the old ruling elite who were appalled by the crime and by hardliners within the fascist party who called for his wholehearted support, Mussolini eventually forced the situation in early 1925 by cracking down on the free press and opposition parties and associations and by restoring order in the ranks of the fascist party.

Yet, the eventual success of this authoritarian turn was predicated largely on Mussolini striking compromises with the old ruling elites in the following months and years. As documented by Renzo De Felice, the preeminent historian of fascism, there was at this point strong opposition to fascism and to Mussolini's policies among the establishment, not only among politicians of all stripes, but also in the army, in the monarchy and among business elites (De Felice 1968: 8 ff). The establishment preferred a political solution within the bounds of the constitution that would preserve the liberal-democratic regime. At the same time, the old elites were eager to protect the economic, societal and

state institutions on which their own power was based, and some even saw in the fascist regime the opportunity to strengthen these institutions. This concerned both economic elites who feared class struggle and economic shocks and technocrats (*tecnici*) who wanted a strong state that would allow them to put into practice the need for reform and renewal (De Felice 1968: 23). The establishment feared that ousting Mussolini would produce a reaction from extreme fascist elements and/or from the communist left that would upend the existing societal order. The old elites were also internally divided, which was an obstacle to decisive efforts to block Mussolini. As a result, the old ruling class largely chose to support Mussolini and to pursue their interests within rather than outside the fascist regime (ibid: 31).

As a result, the fascist regime that emerged from 1925 onwards was anything but monolithic; it incorporated both true fascists and old elites and was profoundly shaped by the tension and compromises between these groups (De Felice 1968: 31). As De Felice observes: “In form, fascism ‘fascitized’ its backers among the old elites; in substance, these elites succeeded in de-revolutionizing fascism and making it largely their tool and incorporating it into the conservative tradition” (p. 8). Conversely, the true fascists attempted to form an alternative ruling class but never fully succeeded in replacing the old elites or in leaving a lasting mark (ibid: 32). Cassese similarly points out that the fascist regime was characterized by a great deal of continuity in public personnel, as “the new elites of the regime were intertwined with the traditional elites” (Cassese 2010: 14).

This accommodation found expression in the institutional and policy changes pursued by the fascist government from 1925 onwards. While the cooptation of the old elites and an improving political situation laid the ground for institutional transformation, this transformation occurred within the limits set by this overarching compromise.

One important manifestation of this was the role of the state within the fascist regime. In the Soviet Union and later in Nazi Germany, the party was the central pillar of the totalitarian regime and the state was subordinated to the wishes of the party. In Italy, this was also the wish of the hardliners within the fascist party, who saw the party as the true bearer of the fascist revolution. Yet, in Mussolini’s vision, the state should be at the center of the fascist regime and play a strong and active role in executing the fascist revolution, and the party needed to be subordinated to the state (De Felice 1928: 298). In Mussolini’s words: “*tutto nello Stato, niente fuori dello Stato, nulla contro lo Stato*” [“everything within the state, nothing outside the state, nothing against the state”] (cited in De Felice 1968: 164).

Mussolini’s statist conception of fascism was motivated in part by the desire to keep the hardliners in his own party in check. But it was also driven by a desire to broaden the legitimacy of the fascist regime. This was the case in a general sense: the state represented the national interest and transcended political parties and economic classes. It was also the case in a more specific sense: inscribing the fascist regime within existing state structures ensured the allegiance of old political and

bureaucratic elites (De Felice 1968: 38, 298). As De Felice observes, “Mussolini’s government needed to insert the fascist party in the state, thereby denying it any revolutionary autonomy; at the same time, however, Mussolini’s strong state needed to be developed in the context of the established order, strengthening the state, but not altering its fundamental characteristics” (ibid.: 38). This choice was consequential from the perspective of elite transformation: rather than a new party elite replacing and/or competing with the existing elite, it implied a greater reliance on existing elites.

This conception of the fascist state was put into practice by Alfredo Rocco, Mussolini’s Minister of Justice and a representative of the technocratic and conservative currents within fascism (ibid: 163 ff). Rocco sought to give the fascist state a coherent constitutional basis and equip it with new powers to take on an active role in society and economy. The transformation of the state was thus characterized by institutional ‘layering’: rather than demolishing the existing liberal state and constructing a new one, new elements were added to the pre-fascist state architecture (Cassese 2010). The legalist approach and the continuity with existing institutions assuaged the fears of conservatives. The strengthening of the state also appealed to “the intellectual and bureaucratic elite for whom fascism represented a big opportunity to translate into practice its ideas about rationalization and modernization of Italian society and institutions” (De Felice 1968: 165).

The government did, however, move quickly to purge the bureaucracy and the judicial system of political opponents (see Cassese 2010: 41-43). In 1925 and 1927, it passed legislation that opened for dismissal of anyone whose actions were “incompatible with the general political policies of the government” (Cole 1938: 1151). This led to the dismissal of around 100 magistrates and an unknown number of other civil servants. Yet, these rules did not lead to a massive replacement of career bureaucrats with outsiders from the fascist party. Many bureaucrats stayed put. For instance, Cole reports that none of the 30 top civil servants in the Ministry of Corporations had entered the service after 1916 (Cole 1938: 1149). Similarly, magistrates were not fascistized and carefully continued to provide a check on the excesses of the fascist regime in limiting basic rights (Cassese 2010: 43-44).

Mussolini’s economic policy was another expression of the fascist regime’s accommodation with existing elites. Mussolini had received financial support from business interests as far back as 1919, and the ties between the fascist leadership and business elites grew closer over time (Castronovo 1972: 279). The situation was one of mutual dependence: big business depended on the government for social stability and for creating favorable conditions for economic production, and the fascists depended on the collaboration of industry for realizing its economic ambitions and creating prosperity that would strengthen popular support. Economic policy was thus shaped by the need to forge compromises with economic elites.

The main economic issues confronting the government from 1925 onwards was a currency crisis, stock market volatility and the role of trade unions. Mussolini’s economic ministers quickly

took decisive measures to stop speculation in stocks, which however led to a downturn of the stock market and ripple effects in the economy. Economic elites openly protested against these policies and demanded a change of course and the sacking of the ministers of finance. Indicative of the sway of business interests, Mussolini ceded to their demands and installed two economic ministers who were part of the old elite and close to big business and “who had nothing to do with true fascism” (De Felice 1968: 90). Yet, on other issues, economic elites did not get their way. On the question of the exchange rate, the new business-friendly finance minister initially convinced Mussolini that deflationary policies were necessary to stabilize the exchange rate. However, to the dismay of business, Mussolini strengthened the lira so much that it had a major negative effect on the economy and required strong measures to support economic activity and unemployment. Yet, a strong lira had political value for Mussolini and despite loud protests, economic elites eventually fell into line (De Felice 1968: 239 ff). This was the beginning of the fascists’ dirigiste economic policy, which would be reinforced after the 1929 economic crisis.

In return for a measure of influence over economic policy, business elites also had to accept the first steps towards corporatist structures. Faced with the threat of economic disruption by the fascist trade unions, the main business association (Confindustria) in 1925 agreed to give the fascist unions the exclusive right to represent workers, while it got the exclusive right to represent businesses (De Felice 1968: 100 ff). Confindustria subsequently became part of the regime and took on the title fascist, which effectively led to the inclusion of the entire production system in the fascist regime. However, the business association continued to seek a measure of autonomy within the regime.

The third phase of the fascist regime was characterized by consolidation of the fascist dictatorship and the response to the worldwide economic crisis. On the political level, the disbanding of parliament and elimination of the last liberal representatives in 1929 removed the last vestiges of formal opposition to the regime. The requirements for political loyalty within the administration were tightened with a 1931 law that required all civil servants to be members of the fascist party, and racial laws introduced in 1938 led to the firing of bureaucrats of Jewish origin. Yet, the 1930s also saw a significant expansion of the civil service. In particular, there was a massive inflow of people from Southern Italy into the bureaucracy, which was a way for the fascist regime to shore up support among the well educated in the South, who lacked other work opportunities (Castronovo 1974: 34-35). This ‘Southernization’ of the bureaucracy concerned not only mid- and lower-level officials but also the bureaucratic elite, which at the beginning of the century had been completely dominated by Northerners. More generally, the 1930s was the period in which Mussolini’s regime enjoyed broadest popular support.

In the economic field, the worldwide economic crisis that hit Italy in 1929 gave rise to a new set of economic policies and institutions. As an immediate response to the crisis, the government

adopted a rescue plan that provided economic support to banks and big industrial companies (Castronovo 1974: 33). This plan and subsequent state efforts to support industries were realized through the construction of a new economic institution in 1933, the Istituto per la Ricostruzione Industriale (IRI). Importantly, non-fascist elites played a significant role in the ideation and operation of this new economic institution. The main driving force and first president of the IRI, Alberto Beneduce, was an economist and former MP and minister for the socialist-reformist party who had worked both in the bureaucracy and as an academic, and who never publicly subscribed to fascism. Beneduce and his collaborators within the IRI and other para-statal economic bodies enjoyed significant autonomy from the fascist leadership in shaping economic policy in this period. This led to the emergence of an economic model of state capitalism with “the state as banker and entrepreneur” (Castronovo 1974: 38). Through this economic policy, “an ever-closer alliance was forged between big industrial companies and the top brass of the state administrative and public bodies governing the economy” (ibid).

Germany: ideocratic elites

Having reached the helm of the German state a decade later than Mussolini in Italy, Hitler’s ambitions stretched farther than transforming society. Hitler not only wanted to replace the existing political and societal order with a new one, but he also aspired to conquer the whole of Europe, unite the German-speaking populations in Europe, subject the non-Germanic peoples in Europe, and eliminate the Jews. For a considerable period, however, it did not look like Hitler would be able to fulfill his ambitions. After World War I, Hitler and the nationalist socialist movement he headed were just one of many conservative and nationalist political fractions that were bent on tearing down the Weimar democracy that after the November Revolution of 1918 had replaced the constitutional monarchy. From the very beginning, the Weimar Republic had to endure severe opposition from conservative and monarchist politicians, top military brass, and the highest civil servants within the bureaucracy. On the extreme left flank of the political spectrum, the Weimar Republic had to face the German Communist Party (KPD) as a fierce opponent of democracy. Under these circumstances, the German Social Democratic Party (SPD) and two smaller pro-democratic center parties managed to keep parliamentary democracy on course for about one-and-a-half-decade.

The global financial crisis of 1929 dealt the final blow to Weimar. A year after the stock markets crashed, the Weimar Republic could no longer count upon a coalition that enjoyed the support of a majority of the parliament. In 1930, Hindenburg stepped in and used his formal presidential prerogative that the constitution granted to him to appoint a presidential government (*Präsidentialkabinett*) that does not rest on a parliamentary majority. This so-called presidential cabinet

hastened the downfall of the Weimar Republic and eventually lead to Hitler's appointment on 30 January 1933 as Chancellor. Hitler was appointed chancellor after it became clear that none of the political parties after the 1932 general elections could form a viable government without the NSDAP. Also, Hindenburg and the conservatives' calculations were that with Hitler in government they could better contain him, while at the same time let Hitler demolish the Weimar Republic that they detested as much as Hitler. But much faster than Mussolini, Hitler managed to sideline the old elites and assumed steady control over the state and the bureaucracy (Berman, 2006).

Hitler's cabinet was initially a coalition cabinet that consisted of the NSDAP, the conservative-right German National People's Party (DNVP), and several independent politicians and could count on substantial support in parliament (Will, 2004). Next to Hitler himself, the NSDAP was represented by Wilhelm Frick and Herman Göring (Fonseca, 2009). At this stage, Hitler was 'surrounded' by the conservatives Alfred Hugenberg and Franz Gürtner, the leader of the para-military *Stahlhelm*, Franz Seldt (Labor). Other non-partisan conservatives present in the cabinet were Franz von Papen and Count Lutz Schwering von Krosigk (Will, 2004). The deep-seated mutual distrust between these men was only overcome by a common dislike of democracy and Weimar (Silverman, 1988). Within a month after Hitler became chancellor, he pushed through parliament the Enabling Act (*Ermächtigungsgesetz*) that conferred absolute power to Hitler. He eliminated the opposition from within his own ranks in the "Night of the Long Knives" as well as outside by banning all political parties. This paved the path towards the establishment of a totalitarian state under the leadership of himself and his party.

After his cabinet was installed, Hitler quickly moved forward with a series of administrative reforms aimed at the reconfiguration of the state and the bureaucracy. On the one hand, the prime purpose of the administrative reforms was the cleansing of the state from Hitler's political opponents and all those who were disqualified as 'Aryans'. Despite the early elimination of his political opponents, Hitler's swift moves to reform the bureaucracy were not void of any opposition, however. With his external opponents sidelined, the reforms turned into a balancing act with the Old Fighters from within his own party and with the incumbent bureaucrats inherited from the Weimar Republic. After the power grab, the "Party as an institution became ever less effective, primarily because it became functionless. It had served its purpose, lifting its leaders to the leadership of the state. With that done, what else was there to do?" (Peterson, 1966: 190). Between 1933 and 1937, a series of laws were passed that would redefine the relationship between the party and the bureaucracy.

The first civil service law was enacted just two months after Hitler's seizure of power. The Law for the Restoration of the Professional Civil Service of 7 April 1933 (*Gesetz zur Wiederherstellung des Berufsbeamtentums*) permitted the dismissal of civil servants "without reservation at all times in the interest of the national state" (Article 4). This article's primary purpose was the purging of

communists, socialists, and other pro-democratic officials from the civil service and to open up positions within the civil service for proven party members (Mommsen, 1966; Bracher, 1993), Article 3, the “Aryan Paragraph” was aimed at purging “non-Aryans”, a category of persons defined as anyone with one or more Jewish grandparents. The next step came with adoption of the Law to Securing the Unity of Party and State of 1 December 1933 (*Gesetz zur Sicherung der Einheit von Partei und Staat*).¹ This law preceded the Law against the Establishment of Parties (*Gesetz gegen die Neubildung von Parteien*) and the Law on Referendums (*Gesetz über Volksabstimmung*) of 14 July 1933 that allowed the Nazis to organize referenda to mask the fact that democracy was effectively dead. With the Law to Securing the Unity of Party and State the Nazi regime attempted to institutionalize a single-party state. No sooner than these laws were enacted Hitler appointed his top national socialist leaders to key position within his government and bureaucracy. Partly to avoid alienating the bureaucracy too much and partly to accommodate the many old fighters, parallel structures were established. (Peterson, 1966).

Winning the loyalty of the bureaucracy was one of the main purposes of the Nazis – and they largely succeeded. Several factors played an important role in this. Firstly, the Nazis kept consistently alluding to a return to the pre-Weimar order in their narratives, giving the civil service hopes of seeing the status it enjoyed under the monarchy being restored. Also helping in this was the aversion that top officials had to Weimar and that they shared with the Nazis. Thirdly, the Nazis projected the image of a bureaucracy that abided by administrative order, stability, efficiency, rationality, and the abolishment of parliamentary democracy which convinced the top civil service of the Nazi’s good intentions with the state. So, for reasons as these, the Nazi takeover of the bureaucracy did not meet any serious resistance from within the bureaucracy. By keeping the purge limited to socialists, communists and the Jews, the Nazis hoped to win over the bureaucracy to their cause (Bracher, 1993).

However, instead of administrative rationalization, administrative pluralism became the underlying principle of the Nazi state. The prime source for the disarray that characterized Hitler’s state was the disinterest of Hitler in the public administration himself. This resulted in “imprecise orders” from the leadership cadres. “When orders do not have specific content and when they are not directed at anyone in particular,” as Breton and Wintrobe (1986: 914) wrote, “they will elicit a large response from diverse quarters [and] lead to competitive behavior.” The bureaucracy was further thrown into disarray as “Hitler’s form of personalized rule distorted the machinery of administration and called into being a panoply of overlapping and competing agencies dependent in differing ways upon the ‘will of the Führer’” (Kershaw, 2001). Neither was the fusion of party and state successful,

¹ From website German History in Documents and Images, http://ghdi.ghi-dc.org/sub_document.cfm?document_id=1502&language=german , <http://germanhistorydocs.ghi-dc.org/pdf/eng/English10.pdf>, consulted on 29 May 2018. See also website documentArchiv.de: <http://www.documentarchiv.de/ns/partei-staat.html>

nor was the barring of party irregulars from obtaining administrative posts successful. To appease the incumbent civil service, the civil service laws were used to prevent lateral entries by untrained party members. To keep the Old Fighters in check, new positions and agencies were created through layering. The Nazi leadership designated a mix of existing and newly created agencies, especially for the implementation of the “Jewish question” and appointed SS and SA members to staff them.

In addition, several parastatal bodies were established and tasked with organizing specific professional and occupational groups. Here too, party loyalists without prospects of a position within of the regular central ministries or agencies were appointed to these organizations. Leaders such as Himmler, Goering, and Goebbels, who were part and parcel of the old party and who constituted the core of the regime, were given free rein to carve out their own empires. This resulted in the growth of the number of agencies and bureaus that claimed jurisdiction over the ‘Final Solution’. All of this came at the expense of the regular bureaucracy. Many agencies and bureaus felt themselves encouraged to assume a substantial say on the matter, because it “was widely appreciated throughout the Nazi bureaucracy that, in the eyes of the political leadership, ‘solving’ the Jewish question had a priority that was second only to the war, and possible not even second to that” (Breton and Wintrobe, 1986). Hitler’s Minister of the Interior, Wilhelm Frick, wrote 1940 to Hitler that within the civil service “[T]o an ever-growing degree ... bitter feelings are spreading ... about the lack of appreciation of their abilities and services as well as unjustified neglect.... The civil service is also suffering badly from the fact that new tasks are not being entrusted to it, but to the Party organizations, although this often concerns genuine administrative duties” (Broszat, 2007). The German central administration was inhabited by various bureaus and bureaucrats who enjoyed considerable degrees of independence.

As regards economic policymaking, the Nazis were very intent on controlling the economy but had no theory of economic change when they assumed power in 1933. The economic outlook of the national socialists was an amalgam of populist and capitalist slogans propagated in a manner that fit with the Nazi interests (Herbst, 2016; Berman, 2006; Bracher, 1993; Overy, 1996). For Hitler, the economy was to operate in the service of wellbeing of the (Aryan) German people and become the main instrument for the rearmament of the German armed forces.

Economic historians distinguish between two periods: between 1933 and 1936 and after 1936 until the end of the war. In the early years of his reign, emphasis in Hitler’s economic policies lay with the securing the legitimacy of his reign by generating jobs and securing food to citizens. Military expenditures were relatively low in this phase (Overy, 1996: 44). In 1936, the Nazis shifted gears and stepped up their rearmament program. Though void of a coherent economic plan, the primacy of economic management clearly rested with Hitler and his grip increased over the years. Instead of seeking accommodation with the industrial elites, as Mussolini did, Hitler subsequently put the German industrialists and entrepreneurs under a strict tutelage of the Nazi regime. Although some of

the larger German industrialists managed to obtain certain leeway in the running of their business, overall, the economic elites were subordinated to national socialists. As such the Nazi state was not so much a representative of authoritarian capitalism, but of a state that had effectively curbed the autonomy of private sector.

The experiences of Kurt Schmitt (June 1933- August 1934) as economics minister are exemplary for economic policymaking under Nazi rule. Being the top executive of Allianz insurance company, Schmitt came from the business sector and had a clear *laissez-faire* view on economic policymaking and very keen on weeding out politics from economy. Schmitt's appointment went very much against the wishes of the NSDAP radicals, such that his appointment was almost torpedoed by them.² It can safely be argued that Schmitt gained his position because of Hitler and Göring's beliefs that successful business men and not "party radicals" had to lead the German economy (Feldman, 2001; Kopper, 2016). Nonetheless, Schmitt had to tolerate the "Old Fighter" Gottfried Feder, an author of the Nazi program and staunchly anti-capitalist, as his permanent secretary (Feldman, 2001; Fisch, 2016). Under the influence of Feder and the likes, Schmitt had but to relate to this wing of the Nazi party. Despite pressures from the inside, Schmitt managed to keep experienced and pro-Keynesian expert civil servants within his ministry (Kopper, 2016). Nevertheless, once the political competition was eliminated by the Enabling Act, the economy was brought fully under the control of the NSDAP. Herewith, economic policymaking was subjected to the fuzziness of Nazi economic policymaking. Schmitt's ambitions to reorganize the German economy along liberal market ideas faltered due to several reasons, but most importantly because of politicization.³ Instead of the influence of politics in the economy diminishing, politics kicked back hard, harder even than in the period of the Weimar Republic, which was also detested by Schmitt.

To the business community, it became clear that the new rulers were bent on subjecting the logic of market economy to their own authoritarian ideology. The expulsion of the Jews from the economy was one demonstration of this logic. Although Schmitt was antisemitic like most of the German business elite at that time, he maintained that there was "no Jewish question in the economy" and was against the expulsion of Jews from business or other financial positions (Feldman, 2001: 97). Also, Schmitt was against the erection of multiple corporatist arrangements and the personal fiefdoms that many Nazi leaders pursued for themselves and that together came to be part of the "polyarchic" structure of the German polity (Broszat, 2007). The German Labor Front, for example, which had

² Radicals within the party fiercely opposed the appointment of Kurt Schmitt. Instead, they wanted to have Otto Wagener (head of the SA Chief of Staff and head of the economic policy office of the NSDAP) appointed as the new economics minister. The NSDAP radical were supporters of "an anticapitalist 'second revolution'" and against the market liberals from which Hitler sought support. Wagener's appointment was prevented by Göring at the last minute (Feldman 2001: 74).

³ In the words of Feldman (2001:82): "Political considerations often took precedence over economic ones. The ambitious Nazi leaders at the top of the regime were jockeying for position, and Schmitt was constantly having to take into account their plans and programs, many of which made no sense at all to him."

turned into a fiefdom of Nazi leader Robert Ley, challenged both Schmitt's ministerial jurisdiction as well as his economic policies. Eager to cash in on his position, Ley tried to attract as much power as possible to the Labor Front to the detriment of the Ministry of Economy. Until the end of his term, Schmitt kept resisting against an economic vision that he deemed "very muddy, which is not surprising given the utter absurdity of trying to base a modern industrial society on corporatist principles and the empire-building that characterized the new Nazi regime" (Feldman, 2001: 87).

Disillusioned and fallen ill, Schmitt resigned from the ministry in the summer of 1934 and was succeeded by Hjalmar Schacht. The appointment of Schacht as successor to Schmitt fitted with a pattern, i.e., that of the appointment of experienced and expert administrators outside the party for positions that required technical expertise. In such matters, Hitler was pragmatic as he tolerated Schmitt's latitude towards the "Jewish question", a core element of Nazi ideology. More importantly for Hitler was his strong hesitation against seeing old fighters occupying crucial positions within the most important financial and economic institutions. Schacht was trained at Germany's finest universities and steeped in the Historical School of economics and became Weimar's most respected and Germany's internationally most well-known economist (Barbieri, 2015). At the time of his appointment, Schacht was president of the central bank and upon his appointment, Hitler entrusted him with all matters of fiscal and monetary policy (Kopper, 2016). Schacht was not a member of the party but his expertise, international reputation, and his loyalty to Hitler's military expansion policies, even though it was economically erratic (Feldman, 2001), deemed him the most logical choice for succeeding Schmitt.

Despite his intellectual pedigree and reputation, Schacht was not entirely free of opportunism. Despite knowing Hitler's rearmament policies would eventually wreck the German economy, he struck a balance between military and civilian economic priorities. Hitler's insistence on pursuing intensive rearmament schemes put pressure on the economy since the German economy was not capable of meeting the demands of the consumer markets and the demands of the military at the same time. Schacht, understanding he could not persuade Hitler to tone down the rearmament goals, struck a compromise by creating a hodgepodge of institutions and regulations. Schacht designed "a confusing bundle of regulatory interventions a system of state-organized scarcity economy that attempted to balance military and civilian needs" (Herbst, 2016: 613). The state apparatus that sprang out of this was devoid of hierarchy or any other rational organizational principle. In a sense, the economy ceased to exist and was transformed into a Byzantine system to control and regulate foreign exchange, sales, purchasing, and licensing.

From 1936 onwards, Hitler stepped up the German state's efforts to rearm the military and prepare for war. Once unemployment was curbed, military goals took precedence over civilian economic objectives. The year 1936 also marks the tipping point from where the party's hold over

economic policy-making grew to the detriment of conservative economists such as Schacht (Overy, 1996). Schacht's dismissal was marked by the advent of the Four Year Plan. Under the second Four Year Plan, the goal of the Nazis was to become independent from foreign suppliers and to increase military preparedness. With the FYP under the control of Hermann Göring, economic management turned into a "de facto [...] economic dictatorship" (Overy, 1996: 56). Together with several other ministries and agencies, the Ministry of Economy lost its autonomous position in the central government machinery and became subsumed under the new constellation. Schacht was dismissed from his office and replaced by "party hack" Walter Funk. As a result, the German economy obtained more coherence and became more managed. The "institutional pluralism" that was characterized by multiple competing bodies, a system of "multiple regulation", the absence of clear jurisdiction, and a "clumsy" way of "adapting abstract targets to realities" (Herbst, 2016: 620) was replaced by a centrally "managed economy" (*gelenkte Wirtschaft*) (Overy, 1996: 54). The relationship with the private sector, too, changed as a consequence of the FYP. While under the previous market-oriented ministers, businessmen were treated as partners and nodes in national socialist coordinated corporatist network, under the FYP the Nazis started considering them as functionaries in the service of the state. The concept of managed economy subjected the interests of the private sector to the interests of the state, of which at least the economic domain was now put more under the control of the party.

Summary and conclusion

This paper has examined the relationship between political elite constellations and institutional change in two of the textbook cases of authoritarianism. The theoretical implication of our analysis is that the likelihood of conversion of institutions to occur, political elites need to be homogenous and elite circulation to become a 'closed' system. Italy and Germany represent two different cases in this respect. The fascist movement in Italy had to co-exist with the conservative and monarchical elites – a result of the fact that the monarchy remained intact – and was unable to transform the key institution, as a result of which the fascists had to revert to institutional layering. In Germany, the absence of a monarchy and the death of the president at a moment that Hitler was just granted the office of Chancellor, the new Nazi elites could forge a strongly ideologically driven, narrow-based elite group, sufficiently strong to take over the key institutions of the state and to convert them from within.

In Italy, the outcome of the fascist rise to power was a deep transformation of government institutions and economic policy, but not the kind of complete totalitarian transition seen in Germany. The "revolution" sought by fascists was not realized; instead, institutional change reflected a combination of fascist ambitions, institutional continuity with pre-fascist arrangements and policy

elements sought by other elite groups, including the business elite and bureaucratic elites. This pattern of institutional change through layering was closely related to the character of elite transformation in the fascist period. Rather than a wholesale replacement of the old ruling class with a new fascist elite, key figures in the fascist government and administration were drawn from the old political, administrative and economic elites. Policy-making under Mussolini was thus a negotiated process, with various groups with different interests and views operating within the fascist regime.

In Germany, the Nazis were more successful in realizing their totalitarian ambitions. In addition to layering, the Nazis (partially) succeeded in the conversion of economic policymaking. The tools and concepts of markets and market regulation were put at the service of the Nazi regime. The industrial elites were drawn into the state and were forced to become part of it, at least were forced to acquiesce by the subordinate role the Nazis ascribed to them. Compared to Mussolini, Hitler's smoother path towards totalitarianism was partly paved by the absence of a monarch and the passing away of Hindenburg. This left the monarchical and presidential elements within the bureaucracy and the military headless. Whereas in Italy the king continued to serve as the head of the state and a powerful symbol of authority towards which the bureaucratic and military elites could show their allegiance, the German military and bureaucratic elites had to deal with the Nazis and to rely on Hitler's promises of restoring the pre-Weimar order.

Finally, the current study is set in a very specific historical context. The lessons for democratic backsliding in our days should be accompanied by the necessary precautions. One precaution is that the idea of liberal democracy in those days could not yet boast the value it has for us today. Liberal democracy was then considered as suspect by a far larger cluster of ideological movements than today. The social democrats, for example, were still embroiled with communist and more radical socialists over the matter of whether to participate or to resist liberal democracy. Still, the rise of fascism and national socialism in the first decades of the twentieth century offer in many respects insights for the study of democratic backsliding today. In this paper we have tried to make the case that the focus of our studies should rest at, first, the populist elites and dynamics of elite constellations; second, on populist ideologies and the worldviews of populist elites as populists do not only aim for power for the sake of power itself; and; employ historical and sociological perspectives on institutions and institutional change within the political, economic or social domains that define the nature of a polity.

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