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The neo-liberal experiment in Italy. False promises and social disappointments¹

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Abstract

As the first part of an early contribution to the international research on the foundational economy, in this paper a reconstruction is developed of the three-decade neo-liberal turn in Italy, enlightening the Italian specificities in the process of depoliticisation of economy, privatisation of state-owned firms, liberalisation of markets, and financialisation of companies. Four fundamental aspects of Italian neoliberal transformation are summarized, and described as ‘broken promises’ of neo-liberalism: the promise of efficiency, which has been the main explicit justification of the privatization of state-owned companies; the promise of autonomy of work, which has legitimated the deregulation of the labour market; the promise of democratization of the financial market, resulting in the integration of Italy in the international financial system; the promise of local development, by which a principle of competition between territories has been promoted. Each of them – it is argued – have finally resulted in a social disappointment, increasing insecurity, poverty and inequality for the working classes (as well as the overall economic conditions of Italy), and strenghtening the privileges of a clique of business leaders and block stockholders. In Italy as elsewhere, the processes of neo-liberal globalisation and financialisation of the economy have broken the double integration of economic actors: their integration into time and history, that is the conception of the enterprise as an institution designed and managed over the long term; and their integration into space and territory. The purpose of the international research to come, therefore, is to examine the conditions of possibility of an economy *connected* in time and space: a framework for economic activities that do not take place *in spite of* or *against* society, but for its well-being.

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1. Introduction

A paralyzing feeling of decline, rather than a sense of crisis, is gripping Italy. The most common perception is that the country is suffering the consequences of its chronic problems, its historical deficiencies: the inefficiency of public administration, the corruption and the unreliability of the political class, the diffusion of organized crime, the historical gap between the economy of the North and South of the country. All this must be taken into consideration, when it comes to understanding the Italian malaise.

However, Italy's problems are not entirely country-specific. After the financial collapse of 2008, the condition of Italy, like that of other Mediterranean countries, is particularly severe. Nonetheless, the economic and social unease that is affecting the Italian people is largely common to all the peoples of Western Europe: and its roots date back to long before the collapse of the international financial system. All Western European countries, although with significant specificities, have basically shared a long period of transformation of economic systems, inscribed in a neo-liberal agenda. Since the last two decades of the Twentieth Century, the political control of the economy and the construction of a social welfare state have no more been the aims pursued by national governments.

Of course, the national specificities of the neo-liberal transformation shouldn't be overlooked. The aim of this paper is indeed to deal with the Italian ones.

First, the main actors of the transformation have been (and currently are) largely different. One fundamental specificity of the Italian case – it will be argued in what follows – is that a fundamental role in the transformation of the regulation of economy has been played by a class of technocrats, rather than by political parties and their leaders. This is probably due to the fact that Italian political parties are bound to christian-catholic and to socialist-communist cultural traditions: since no one of these traditions could be an appropriate basis for the spread of a neo-liberal regulation, a privatisation and a liberalisation agenda could hardly be explicitly supported by any of these political forces. A body of technocrats has thus played an interstitial yet fundamental role. They kept on playing the role of the 'razza padrona' (the 'master race') described by Scalfari and Turani (1974), ie of a kind of a powerful State bourgeoisie able to hijack political action towards the satisfaction of private interests.

Secondly, also as a consequence of what just mentioned, all the 'reforms' – though based on a shared set of assumptions – have been legitimised on the basis of partially different, country-specific justifications. This will be argued, in what follows, in reference to Italy.

The hypertrophy of financial accumulation has probably been the most relevant symptom of a deep transformation of economy. Even after the collapse of the financial markets, it has not been adequately confronted.² The financialisation of the economy –or, rather, the most recent phase of financialisation of the economy – has a deep connection with the intertwining of economic elites and political elites (see Krippner 2011), and there is no reason to think that it can be hindered in a post-democratic regime, when the power of bureaucracy, technocrats, intergovernmental bodies, lobby and enterprises has outcompeted the representation of the working classes (see Crouch 2004).

However, a strong awareness of the unsustainability of the processes of capitalist exploitation is widespread in the social body. An alternative political and cultural agenda is still far from being ready, but the promotion of 'alternative economies' is the focus of countless initiatives, claiming the need for spaces of economic action free from the short-term maximisation of

invested capital. Great is the variety of actions and claims: each of them has a specific political, cultural, moral and sometimes religious background. Nonetheless, they express a common instance: they urge to conceive (and to regulate) the economy and the market not as spaces of intrinsically unfair competition, but as a means of social reproduction and promotion of wellness.

The idea of an economy at the service of the social wellness is also the basis of the research programme on the ‘foundational economy’, conceived and promoted by the scholars of the CRESC (see Bentham et al., 2013), to which this paper aims to contribute. The overall purpose of the research on the foundational economy is to propose some key ideas – resting on a sober set of theoretical premises and on a robust set of empirical evidences – for a ‘new experiment’, meant to go beyond the “There is no alternative framework” (TINAF).

We need a *connected* economy – this is the basic assumption of the research. The processes of neo-liberal globalisation and financialisation of the economy have broken the double integration of economic actors: their integration into time and history, that is the conception of the enterprise as an institution designed and managed over the long term; and their integration into space (not only in what we refer to as the environment, but also in the social space and in the space of relations between economic actors). The purpose of the research agenda, therefore, is to examine the conditions of possibility of an economy *connected* in time and space: a framework for economic activities that do not take place *in spite of* or *against* society, but for its well-being.³

Which kind of economic activities could match such qualities, in the near future? It’s highly unlikely that large multinational companies will embody the idea of connection: they enjoy a great freedom of movement, an absolute arbitrariness in the management of investments and a variety of worldwide supply chains allowing an endless fragmentation of production processes. The possibility of a connected economy should be rather sought in some economic sectors which are still rooted in a national, regional or local (sometimes in a communitarian) dimension. This is what the CRESC scholars call the *foundational economy*. In other words, the foundational economy is the economic infrastructure of the social reproduction.

We define [the foundational economy] as the economic zone that produces mostly mundane and sometimes taken-for-granted goods and services that have three inter-related characteristics: first, they are *necessary to everyday life*; second, they are consumed by *all citizens* regardless to income; and third, they are therefore *distributed according to population through branches and networks*. The list of such activities includes: the privatised pipe and cable utilities together with transport; some traditionally private activities such as retail banking, supermarket food retailing, and food processing; and some traditionally state-provided activities including health, education, and welfare or social care, which are now increasingly outsourced. (Bowman et al. 2014).

So far, the research conducted in the CRESC covered only the British context (see Bowman et al. 2014). But the scope of the programme is widening, and the research is going to be developed on a transnational scale, involving researchers from UK, Italy, Spain, the Netherlands.

This paper is the first part of an early contribution to the introduction of this programme into the Italian context. Introducing this research agenda into a different context requires a series of intellectual moves: first, a reconstruction of the tendencies and drifts of the regulation of economy in the context observed, in the last three decades; secondly, a survey on the current condition as well as on the potential of the foundational economy (this requiring, in turn, an enquiry on the scale and scope of the foundational economy, and the research – or rather the experimentation – into suitable social and institutional devices for its governance). Of course,

a comparison with other (and possibly complementary) country-specific theoretical approaches is also essential.

This paper deals with the first of these tasks: it aims to provide an introductory account of the “thirty post-glorious years”, or the neo-liberal age, in Italy. As well as in the UK and in other Western countries, in Italy the long lasting, ongoing ‘neoliberal experiment’ has led to the *double disconnection* of a large portion of the economy. In spite of its overt failure, in Italy as elsewhere the liberal experiment is far from being abandoned: no boundary has been drawn for the financialisation of the economy and businesses; the ‘flexibilisation’ of work is the stunningly resilient core of the government manoeuvre; the most powerful economic actors are still interpreting business as the short-term maximisation of capital gains. All this, together with the ‘austerity strategy’ imposed by European monetary institutions, is fostering unemployment, insecurity and income inequality.

A second, forthcoming paper will address some elements for an analysis of the foundational economy in Italy: how extensive is the space of foundational economy in the Italian peninsula? How advanced is the penetration of the economic and political elites in the foundational sectors? What are the institutional spaces and the forms in which a democratic control of the foundational economy might be trialed?

In both papers the social, political and economic specifics of the Italian context will be considered, as well as the different theoretical traditions which developed in Italy on these issues.

2. Nearly an experiment: the enduring neo-liberal drift in Italy

On an international scale, and particularly in Anglo-Saxon contexts, the neo-liberal turn can be considered *an experiment*. As David Harvey argued, “Future historians may well look upon the years 1978-80 as a revolutionary turning-point in the world’s social and economic history” (Harvey 2005: 1), thus meaning a deliberate political agenda. The neoliberal season appears, on the whole, as a period of class struggle with reversed roles – that is, a period in which the richest economic actors strengthened their privilege after a period of decline in profits (see Gallino 2012).

When referred to the Italian context, a description of the neo-liberal turn as *an experiment* is a reasonable hyperbole. In Italy neoliberalism was not – and currently it’s not – an explicit and clearly defined political programme. Unlike the Anglo-Saxon countries, the diffusion of a neo-liberal ideology in Italy can not be seen as an experiment founded on an explicit neo-liberal manifesto. Whereas in the UK and the USA political leaders such as Margaret Thatcher and Ronald Reagan have clearly based their political and economical programmes on explicit neo-liberal assumptions, the penetration of neo-liberal ideas has been rather progressive in Italian political field. This is probably due to the enduring strength of Italian Communist Party (PCI), which has outlived the communist regimes. Despite the historical defeat of labour movement in 1980, PCI for the first time overcame the Christian Democrats (Democrazia Cristiana – DC) in the European Parliament elections of 1984.

However, as a matter of fact, the strength of the Communist Party (and of CGIL, the most leftist Union) did not prevent Italian politics being progressively penetrated by a neo-liberal ideology. The leading actor of the neo-liberal transition was the Socialist Party (PSI) led by Bettino Craxi. Traditionally committed to a socialist reformism, Craxi progressively shifted to a *neo-reformist* approach (see Favilli 2009), largely based on a neo-liberal setting of the political regulation of economy. Sustained by a minority of the electorate, Craxi was nonetheless able to become Prime Minister in two consecutive governments from 1983 to 1987, lying upon an alliance with the Christian Democrats. The economic policy of his

government was founded upon a neat deflationary approach, which led to a significant reduction in the bargaining power of trade unions. But the main aspect of the new course was the wide social legitimacy that it was able to obtain. In 1985, the abolition of the ‘sliding scale’ (the legally enforced adjustment of wages to inflation) was approved by the Italian people in a referendum.

Since the early 80’s a long-lasting and still enduring process of liberalisation of the economy started in Italy. From 1980 on, the country has been governed alternatively by center-left and center-right government. As summarized in the synopsis (exhibit 1, see appendix), despite the considerable differences in style, the common denominator of both center-right and center-left governments has been the adoption of neo-liberal policies in the regulation of employment, industrial relations and incomes; as well as in financial regulation, bringing Italian economy into the international financial system.

The depoliticisation of economic policies has been (and currently is) a main feature of Italian political life. Regulation of economic processes has been gradually withdrawn from the control of the parliament and entrusted to ‘technical experts’ and policy makers legitimized by their academic credentials or their reputation in international business circles.

Especially since the early 90s, in Italian governments many ministers – particularly in economic and financial ministries – have been appointed on the basis of their technical expertise in the subjects assigned to the ministry (the so-called ‘technical ministers’). It’s impossible to compile here an exhaustive list of ‘technicians’ who have served as ministers of economy, budget, finance, infrastructure, development, industry and commerce. Such a list, however, would not contain many different names, since each of these personalities has been charged several times, with different governments and different positions, according to a ‘revolving doors’ logic. Most of them have previously chaired monetary control bodies and technical committees, both at national and at European level. But the list becomes longer when the Directors General of the Ministries are added.

A particularly significant example of economic and political power is that of Mario Draghi. Draghi was director general of the Treasury from 1991 to 2001, in the succession of ten governments. From 1984 to 1990 he was executive director of the World Bank. He served on the board of directors of several banks and companies such as Eni, IRI, BNL and IMI. From 1993 to 2001 he was Chairman of the Committee for Privatisation. He was the most important architect of the privatisation of the Italian state-owned companies. In 1998 he prepared the Consolidation Act on Finance, also known as ‘Legge Draghi’ (Legislative Decree 24 February 1998 n. 58) which contributed to introduce Italy in the international financial markets. From 2002 to 2005 he was Vice-President and Member of the Management Committee of Goldman Sachs Worldwide. He is a member of the Board of Trustees of the Princeton Institute for Advanced Study and the Brookings Institution. In 2006 he was appointed Governor of the Bank of Italy. Since April 2006 Draghi is also the Chairman of the Financial Stability Forum (now the Financial Stability Board). Finally, from 2011 he is the president of European Central Bank.

In particularly unfavorable economic conjunctures, so-called ‘technical government’ were appointed, led by prime ministers endowed with a technical-economic expertise. The first ‘technical government’ was chaired in the years 1993-1994 by Carlo Azeglio Ciampi, former governor of the Bank of Italy. Subsequently, other technical governments were chaired by Lamberto Dini (1995-1996), former general director of the Bank of Italy; Mario Monti (2011-2013), President of Bocconi University, former European Commissioner for the Internal Market (1995-1999) and European Commissioner for Competition (1999-2004).

The two government led by Romano Prodi (1996-1998 and 2006-2008) can be considered themselves, to a certain extent, technical governments. Romano Prodi, indeed, is probably the

figure who best embodied the primacy of economic objectives in Italian politics, and the legitimacy of the economic expertise among Italian voters. Professor of Economics at the University of Bologna, Prodi was Minister of Industry in the government Andreotti IV in 1978; president of the Italian Institute for Industrial Reconstruction (IRI) from 1982 to 1989 and from 1993 to 1994; President of the European Commission from 1999 to 2004. His professional and political history clearly shows the political legitimacy of expertise among Italian voters, who made him the first candidate for Prime Minister of the center-left elected in Italy.

The pressure towards European integration has played a very important role in this process. It should be considered that the 'European enthusiasm' of the Italian electorate has often been based on distrust of the Italian political class. Although confidence in the European institutions has drastically declined after the crisis of 2008, the Eurobarometer survey released in October 2001 shows that, among the then 15 member countries of the European Union, Italy was the one with the lowest rate of confidence in national institutions (25% as against average 35% in the EU), but the fourth country as for support to European Union membership (57% as against the average 48%). The transfer of sovereignty over fundamental economic choices from the national parliament and government to the European Commission has usually been perceived as an opportunity to bypass the Italian economy patronage and inefficiency. Italian technocrats have always considered European integration to be the most accessible form of restructuring. Whilst the lack of democracy of the European institutions has usually been clear, the (unfounded) belief prevailed that European integration would brought a more effective economic regulation. In 1991, while the Maastricht Treaty was being prepared, the then Treasury Minister Guido Carli (himself a technocrat, former director of large companies, president of Confindustria and director general of the Bank of Italy) stated that only the "big reform of power" initiated in Maastricht could save Italy from an institutional and economical bankruptcy: only a liberal and technocratic revolution could liberate Italy from the inability of its ruling class, even at the cost of a decline in democracy and welfare (Carli 1993 cit. in Berta 2014, chap. IV).

The goal of European integration and the obligation to comply with the European monetary constraints, from then on, became the 'master key', the standard justification for every deregulating 'reform'. Moreover, it should be noted that in 1981 the so-called 'divorce' occurred between the Treasury and the Bank of Italy: the latter was no longer obligated to pay the national debt through the issuance of currency.⁴ From that moment onwards, the Italian government had to obtain credit from financial markets. This led to a sharp increase in the public debt, due to the high interest rates offered by the markets (around 15-20% at that time) for the financing of public Italian expenditure. The climax was reached in the first half of the nineties. In 1994, in fact, public debt raised 121.8 % of GDP, while those of France, Germany and the United Kingdom respectively stood at 49.4%, 47.7 % and 43%. At that time, debt relief was no longer extendable, especially since wanted to join the emerging European Monetary Union. In fact, according to the Maastricht Treaty, the deficit/GDP ratio should be below 3%, and the debt/GDP ratio below 60%. Thus, since 1992 the country's economic policy focused mainly on reducing the deficit in the government budget and the consequent reduction of the national debt.

On the promise of an inspired European integration – supposedly bringing to overcome the traditional deficiencies of Italian political field – the processes of neo-liberal restructuring, begun in the previous decade, were completed. The de-politicisation of economic regulation was a paramount aspect of this transformation. It must be understood in at least two respects:

First, the boundary between the political and economic field has become more and more fleeting. In national government, the presence aroused of technical and economic experts, empowered by their academic position and, above all, by their reputation – or even membership – in most influential business circles. This trend has not declined in 2000s and

2010s. In the government in office (headed by the Democratic Matteo Renzi), for example, the Ministry of Economy and Finance is entrusted to Pier Carlo Padoan, an economist who has been (2001-2005) the Executive Director for Italy of the International Monetary Fund, in 2007 was appointed deputy secretary general and (in 2009) chief economist of the OECD; he is the representative of the OECD in G20 finance. Minister of Development is Federica Guidi, entrepreneur and financial analyst, who has held the positions of vice president of Confindustria (the association of Italian large firms) and a director of FIAT, and she is a member of the Trilateral Commission.

Since the premiership of Silvio Berlusconi, in Italian governments the presence has become common of entrepreneurs clearly susceptible of bearing private interests. This is the case, for example, of Corrado Passera, minister of development and infrastructure in the Monti government. Consultant at McKinsey since 1980, Passera has been director in several major Italian companies, he led the restructuring and the financialisation of Poste Italiane, and was the architect of one of the largest mergers between Italian banks (Banca Intesa and Sanpaolo IMI) with the creation of Intesa Sanpaolo (first Italian bank as for number of branches). In the government in office, in addition to the already named Federica Guidi, the Ministry of Labour has been entrusted to the President of the League of Italian cooperatives, which represents some of the largest companies operating in the fields of food distribution and housing.

Secondly, this elite of technocrats – who act as the link between the political field and the field of economic and financial operators – has greatly contributed to the spread of the belief that the budget constraints and the demands made by financial operators are the natural horizon of all economic policies. The conformity of policy choices to the expectations of economic and financial actors is intrinsically guaranteed – or rather certified – by the credentials of these political actors, whose legitimacy equals the discredit of Italian political parties.

The neo-liberal adjustment, in Italy, was undoubtedly progressive. Above all, no political force has never expressed a programme explicitly based on sharp neoliberal cornerstones. Rather, every step towards a renovation of the economic regulation was presented as an act of ‘reform’ and ‘modernisation.’ Although it has never been ‘trumpeted’ – or perhaps because of that – the neo-liberal approach that has dominated Italian politics for the last 35 years has produced very profound changes.

In the next paragraphs, I will summarise four fundamental aspects of Italian neoliberal transformation, describing them as ‘broken promises’. Each of them – I will argue – has finally resulted in social disappointment, increasing insecurity, poverty and inequality for the working classes (as well as the overall economic conditions of Italy), and strengthening the privileges of a clique of business leaders and block stockholders. The first is the promise of *efficiency*, used as a justification of the privatisation of large firms formerly owned by the state, which has profoundly changed the very structure of key sectors of the Italian economy (par. 3). The second is the promise of *autonomy of work* supporting the deregulation of labour and the labour market, which gradually led to a commodification of labour and to a tremendous increase of insecurity (par. 4). The third broken promise is the *democratisation* of financial markets, which was the main justification for the reforms of the Italian financial system, leading Italian capitalism within the international financial markets and promoting an orientation to financial accumulation and to the financialisation of large companies (par. 5). The fourth promise is the promise of *local development*, that inspired in the 90s the development policies for the Mezzogiorno: rather than reducing the strong divide between North and South Italy, it has placed the idea that each territory, considered as a collective economic actor, must compete by its own resources in a context of international competition (par. 6).

All these transformations have enabled, even in Italy, the development of financial accumulation, promoting a transformation of profit into rent and a transformation of entrepreneurs into rentiers (par. 7). A business model has spread over based on the pursuit of the short-term interests of stockholders, and on the disconnection of companies from the territorial dimension (ie from the liability towards the local and national communities, in respect of the territory). The idea of value in the management of enterprises has profoundly changed, shifting from the need to ensure the enterprise prosperity in the long term, to the concern for the maximisation of return on capital in the short period (par. 8). The consequences produced by these regulatory changes in terms of economic and social processes will be dealt with in the final section of the paper (par. 9). Some hints at the next stages of research (par. 10) will conclude this contribution.

3. The promise of efficiency and the privatisation of state-owned companies

According to a widespread yet poorly documented report, the opportunity to initiate the privatisation of state-owned companies in Italy was discussed in June 1992, during a restricted meeting taking place during a short cruise on board the ship 'Britannia', owned by the British Crown. The meeting – which some believe organized by Mario Draghi, then director general of the Treasury, in accordance with the 'British Invisibles', an influential lobby in the City of London – was attended by a restricted number of Italian businessmen and technocrats, strongly interested in the privatisation (among them, the heads of the companies that were later privatized).

Although witnessed by prominent journalists (Gaggi 1992), this is an anecdotal story, sometimes recalled in conspiracy theories, and no serious historical reconstruction can be argued on it. Nevertheless, the dissemination of such a report clearly shows that the privatisation of state enterprises was not an easily acceptable policy choice for Italian public. Whereas in the UK privatisation was held since the mid- 90s as an official programme, explicitly developed by the government, in Italy its neo-liberal vocation has never been clearly spelled out, and the privatisation process has been designed and managed by technocratic elites devoid of a democratic legitimacy. In other words, once again, what in Anglo-Saxon contexts was an 'experiment' clearly and publicly defined, in Italy it was rather a gradual, silent process: only prudence and understatement allowed Italian policy makers to circumvent the strong opposition of left-wing political forces and the reluctance of Italian voters to neo-liberal economic policies.

Of course, the privatisation of state-owned companies was a widely debated topic, at that time, in the Italian political arena. However – though this was one of the objectives declared in the Green Paper on State Holdings prepared in 1992 by the Ministry of Treasury (Ministero del Tesoro 1992) – few or none have openly argued that privatisation was designed to strengthen the financial structure of Italian capitalism. Its supporters, rather, publicly justified the privatisation of companies as a necessary measure to overcome the inefficiency of the state management and the waste of public resources, providing the state with the necessary cash to pay a portion of the public debt. Indeed, the privatisation was justified as a necessary step for Italy to comply with the iron budgetary discipline and the constraints for membership of the European Monetary Union. Thus, privatisation was brought forward during the '90s by a series of coalition governments with the involvement of public officials and experts. Economic and financial advisory bodies and international financial institutions (large banks) took part in the transactions, directly or indirectly interested in the disposals.

According to the report of the Court of Auditors, which uses data from the Privatisation Barometer, the process of privatisation in Italy can be divided into five steps: (i) the preliminary stage, which embraces the 80s until 1991; (ii) the stage of launch, 1992-1995; (iii) the acceleration phase, from 1996 to 2000; (iv) the stage of consolidation, which began after

the global crisis of 2001 and continued until 2005, (v) the present stage of decline and uncertainty, in which the only major privatisation was the sale, in 2008, of Alitalia.

Certainly, the privatisation has been a source of cash for state coffers: according to a research commissioned by the Italian Court of Auditors (Corte dei Conti 2010), privatisation has made it possible to save 38 billion euros in interest on the state debt. More uncertain is whether this has been a long-term benefit and whether privatisation has brought efficiency gains to businesses.

However, two aspects are clear:

- 1) At the end of the process of privatisation, Italy appears to have privatized more than any other European country. Both the legal structure and the ownership of large companies in strategic sectors changed;
- 2) The privatisation (successfully) pursued the task of increasing the amount of capital in the Italian stock market. And this was probably the fundamental aim of its promoters.

On the first point, it should be considered that the extent of privatisation of Italian state enterprises is awesome.

It's worth noticing, first, that Italy had a long tradition of state intervention in the economy. The core of the system of state holdings was the IRI (Istituto for Industrial Reconstruction), which was established in 1933 with the intention of relieving some of the major Italian banks and businesses hit by the Great Depression. The IRI expanded its range of activities during the period of industrial reconstruction after World War II, and continued to rise in the 70s and 80s. At the end of the 80s, the state holdings encompassed all branches of economic activity, particularly in infrastructure, utilities, oil and gas, steel, manufacturing, as well as in the banking and insurance sector. In 1991, 12 out of 20 of the largest companies and a third of the top 50 Italian companies were owned by the state. Italian state holdings proved to be the first in Europe as for contribution to the value added, employment and investment (Corte dei Conti 2010, fig. 1, p. 15). The system of public banks played a major role, accounting for about 70% of the total value of deposits and bank loans in Italy.

According to the Privatisation Barometer (<http://www.privatisationbarometer.net>), the number of privatisation operations carried out until 2007 was 114, with a total revenue of 152 billion Euros. This proved to be the most extensive process of financialisation in the world, after the Japanese.

As to the second point – namely the strengthening of the financial assets of Italian capitalism – it must be pointed out that this process has brought a huge mass of capital into the financial market. In late 2006, 41 out of 290 listed companies (accounting for approximately 60% of stock market capitalisation) were privatized concerns (Barucci, Pierobon 2007, p. 607). In addition, the ratio of market capitalisation to GDP shifted, between 1990 and 2006, from 0.138 to 0.528 (Borsa Italiana 2008, p. 3), with growth rates “double the European average” (De Luca 2002, p. 66). The symbolic impact of privatisation was just as important: It enhanced the “financial socialization” of large portions of the population and facilitated the creation of a favourable financial habitat for economic activities in Italy, closing an era in which public law was the cornerstone of a liberal-universalist approach to government.

Italian promoters of shareholder value were fully aware of the political importance of the process then unfolding: According to Mario Draghi, head of the Treasury at the time, “the privatisation operations that dismantled the system of state holdings [...] were intended specifically to contribute to the growth of the stock market in a way that went beyond mere dimensional aspects” (Draghi 2008, p. 78). And Paolo Scaroni, CEO of ENI, argues that

privatisation has revitalized the Stock Exchange and it was the only chance to restart it. [...] Banks, highways, telecommunications were public and accounted for a large proportion of Italian companies, with substantial turnovers. This inevitably implied a limited stock exchange. The only way to get out of this situation was privatisation (Scaroni 2008, pp. 162 ff.).

In addition, it should be noted that one of the most important effects of the privatisation campaign is to have cemented a deep bond between financial capitalism and the social body: “[...] The securities market arises as both a tool and a goal of privatisation. [...] The spread of corporate culture has important political effects: The distinction between shareholders and employees is eroded, and the ‘anti-enterprise’ attitude of many social sectors fades” (Guatri and Massari 1992, p. XXV).

4. The post-fordist promise and the deregulation of the labour market

While the promise of an efficient productive system has been the official rationale of the privatisation of state-owned companies, the deregulation of work and industrial relations has been, in Italy as elsewhere, what could be defined ‘the post-fordist promise’. The basic idea promoted by the postfordist vulgate is that a reduction of the ‘rigidity’ of the labour market allows greater prosperity to businesses and to the employees themselves: the companies become able to meet ‘just in time’ the increasingly fickle demands of consumers; workers would enjoy more opportunities, a wider choice: in another word they would gain *autonomy*.

The overcoming of the Fordist compromise – and the abandonment of a job protection based on a logic of status (Streeck 1988) – has actually been a sharp loss of bargaining power for workers and the unions. This process has been carried out on two different levels: (A) the rearrangement of industrial relations; (B) a major restructuring of the legal regulation of employment.

A) As for industrial relations, the defeat of the labor movement in Mirafiori in 1980 can be considered the beginning of the transformation. It also marked the beginning of a gradual strengthening of the hegemony of the blockholders on the management (a hegemony never completely lost, in Italy). The political climate favoured the restoration of the power of capital (I have already mentioned the success of the referendum for the abolition of the legal adjustment of wages to inflation in 1984, which marked the political and cultural hegemony of neo-reformism).

In the nineties, the new structure of industrial relations has been consolidated. The inter-confederal agreement of 23 July 1993 – a framework agreement between trade unions, employers’ associations and government – officially marked the adoption of a deflationary incomes policy and the functionalisation of legal regulation of labour to the competitiveness of business. On that occasion the Government’s commitment was announced to put in place a far reaching ‘modernisation’ of labour law, based on neo-liberal principles: ‘an organic bill aimed to amend the regulatory framework on the management of labour market and occupational crises, making it more suitable to the needs of an active and consensual governance, enhancing employment opportunities by adopting a regulative approach similar to those enacted in other European countries’. Flexibility was in there defined as the fundamental driver for the construction of the new rules on employment and working time, as well as the rationale of the introduction of temporary employment. Particular attention was paid to the furthering of the active role of companies in the financial market; and even for the management of public services it was advocated “the need to overcome the logic of containment of prices, moving towards a system that safeguards the profitability of invested capital and fosters the growth of investments”.

From that moment on, the demands of the workers have been increasingly subordinated to the imperatives of business competitiveness. The climax was reached after almost two decades, in 2011, when Parliamentary Act no. 148 (article 8) permitted enterprise bargaining to waive national collective bargaining.

In the three ‘postfordist’ decades, the market and the competition were claimed to be fundamental principles of regulation. The urge of business competitiveness was perceived as justified by the objective, inevitable rationality of the market. Thus, everything happened as if the market was solely responsible for the choices of investment, divestment, management of labour relations. Even the figure of the employer, in this ideological framework, has become indistinct and empty (see Hannoun 2008), and industrial relations tend to be conceived as a means for the mere adaptation of the working conditions to the needs of competitive business.

B) The diffusion on the post-fordist ideology – i.e. the belief that the deregulation of the labour market and the flexibilisation of work can secure the liberation of work and a time of plenty for both workers and business – has been decisive also for the regulation of labour relationship. It’s worth noticing, here, the coincidence – a *structural homology*, as Bourdieu would have put it – between the dominant ideas in the field of management; the dominant ideas in the legal field, and in particular in the field of Italian labour law; and the dominant ideas in the political field. These three are fundamental elements of what could be called – paraphrasing Nigel Thrift – the *cultural circuit of post-fordism*. The fundamental junction between managerialism and legislation has been the legal culture, and particularly the dramatic changes in the ideologies of labour jurists. From 1980s onwards, Italian labour jurists have largely shared the managerial point of view on the transformations of work and firms. This shift towards a managerial perspective can be observed on the two fundamental topics of contemporary labour law: a) the question of subordination and autonomy of workers; and b) the question of the relations between firms in value chains. On the first question, in the jurists’ reasoning, flexibility – which of course implies some discretion in the execution of jobs – is often regarded as a gain of *autonomy* for workers. This equivocal equation of flexibility and autonomy is the very core of the postfordist promise; and it is one of the main devices for the legitimization of the changes in labour regulation, as it can ostensibly justify new legal rules for labour on the basis of a pluralistic and individualistic ethics. Thus, the conviction emerged among jurists that legal protection is an obstacle for the potential of autonomy and freedom of workers in labour market.

As for the second question, namely the relations between enterprises in value chains, Italian labour jurists have borrowed the postfordist myth of decentralisation, thus tending to assume that outsourcing, and even offshoring, are intended to exploiting and enhancing the distinctive competences of firms. It must be taken for granted that these assumptions have not been unanimously accepted in the legal field: probably, the majority of labour jurists didn’t share them, or at least they fed skepticism. Nevertheless, they became – borrowing Bourdieu’s lexis once again – *dominant ideology*, as they have been widely represented in mass-media and celebrated as the spirit of the times. Managerial and organisational economists’ thought has become increasingly influential in legal theory, and it has progressively replaced the representation of work which labour had borrowed from sociology in the second half of the Twentieth century.

The postfordist transition of labour law doctrine has influenced the courts and the legislative body. Whilst Italy is a Civil law country, the courts being supposed to enforce the acts of parliament, the main innovations of Italian labour law have been first promoted by the doctrine, secondly adopted by jurisprudence, finally put into law by the Parliament: the construct of *parasubordination*, for instance, has been developed by the courts on the basis of some doctrinal suggestions, before being codified in parliamentary acts. Progressively, the new categories of labour law have been acknowledged in Italian legislation, by left-wing as

well as by right-wing governments. The postfordist promise has become the official canon for the reforms of labour law, dogmatically observed by all Italian governments.

Another peculiar Italian feature should be added, namely the influence of so-called *post-workerist* thought on a part of Italian cultural and political left. According post-workerist theorists such as Antonio Negri, new ways of working (which they consider highly cooperative) reveal a “social liberation of the worker”, or a “reappropriation of the command on cooperation, by proletarians” (Negri 1989). Even in the post-workerist theory an idealized representation of postfordist work has emerged, thus contributing to the raise of the promises, promoting the false prophecy of the liberation of work. Some former insiders of post-workerism have now explicitly abandoned or even criticized its assumptions (see f.i. Formenti 2013). But a whole generation of radical intellectuals, in Italy, grew up cultivating this belief, a reverie disguised as a social theory.

The most representative outcome of thirty years of post-fordist ideology is probably the Parliamentary Act n. 30 of 2003, which has greatly increased the number of flexible labour contract types and liberalised the fragmentation of productive processes, the outsourcing and the staff leasing. Although this Parliamentary Act can be hardly worsened, further measures of liberalisation have been adopted from them on by every Italian government. The latest (Decree-Law n. 34 of 2014) is a full liberalisation of terminable labour contracts, promoted by the ministry of Labour in office, Poletti.

5. The transparency promise and the liberalisation of finance

The era of privatisation of state-owned companies and of the liberalisation of the labor market has also been the one of liberalisation of financial markets and of the integration of Italy in the international financial market. Again, no ‘reform’ would have been possible without a subtle political and cultural justification. The ideas of ‘disclosure’ and ‘democratisation’ of the financial market have played a key role.

Between 1980 and 2000, a number of wide-ranging reforms of capital markets and corporate law were undertaken in Italy (Ciocca 2000; Costi 2010). Initially viewed as a way of increasing the technical efficiency of the financial system⁵, by the late 1990s these measures were being touted as nothing less than the democratisation of capital markets, triggering the regeneration of share ownership among large enterprises in Italy and thereby empowering the traditionally subservient minority shareholders. The general regulation of the securities market in Italy started with Parliamentary Act n° 77 of 1983, which regulated mutual funds, the first form of institutional investor to appear in Italy.

In those years, gambling in the stock market, making money out of money, became a widespread practice among the middle classes of all cultural backgrounds. This is the era of what could be called more intense financialisation of Italian society, celebrated in the chronicles of that time:

The stock exchange has never been so strong [...]. After the ‘brick-momentum’ [ie a phase of strong profitability of real estate investments], once the consumist intoxication has been digested, once that governments’ bonds have lost their appeal, millions of savers have ‘rediscovered’ the stock exchange [...]. While someone on the left side lingered on preaching or predicting the escape from capitalism, millions of Italians decided to enter it in full sail (Riva 1986 cit. Crainz in 2012, p. 187).

This wide involvement – intensely promoted by the media – was described as a perspective of democratisation of financial markets, as well as a fresh opportunity for overcoming the dialectic between capital and labour:

This is the ultimate popularisation of finance, which a few months ago was the playground of few experts. [...]. From aristocratic, elitist, almost unapproachable, finance becomes popular, accessible to all [...]. The crowds betting on this or that share didn't accomplish their graduation at Harvard. They are only people desiring to get rich, as quickly as possible. They have found that the stock market would work better than pools. If we also consider the decision of 'L'Unità' [the Communist Party newspaper] and of 'Corriere dello Sport' [a sport newspaper] to publish the share prices of Milan stock exchange, we get a portrait of the average Italian in 1985. [...]. He is no longer just a wagekeeper, he rather accumulates savings and financial resources [...] and he no longer looks at his money with the peasant's resignation he was feeling a few years ago (Turani 1986 cit. Crainz in 2012, p. 188).

In the 1990s, this process accelerated. The enactment of the 'SIM Act' (n° 1 of 1991), which activated the centralisation of the Italian stock market, closing local markets and adopting computerized trading in the stock market, was a fundamental step. The Consolidation Act on banking (Testo Unico Bancario, Act n° 385 of 1993), reintroduced in Italy the possibility of concentrating all types of financial asset in a 'universal bank', thus reducing the already feeble separation of investment, lending and brokering activities. The same period saw the start of the integration of the European financial market, with the adoption of the 1993 Investment Services Directive (ISD), implemented in Italy in 1996 (Legislative Decree no. 415), which allowed remote brokerage operations in several European markets. However, the fundamental steps in this process came after the anti-corruption campaign known as 'Tangentopoli' during Romano Prodi's first government⁶. In 1998, the Italian Stock Exchange was privatized, merging with the futures market created in 1991 (MIF). The 'Draghi' Reform (Consolidation Act n° 58 of 1998) constituted the regulatory pillar of the new season: it summarized and completed a cycle of regulative transformations, inspired by European institutions, marked by a private conception of markets and their support structures and anchored in the principles of "entrepreneurship, competition, international openness, efficiency, stability, transparency" (Ciocca 2000, p. 119 ff.).

In Italy, as in Germany, France and the United States, the integration of capital markets and the strengthening of the financial market was promoted, paradoxically, by centre-left parties. Wishing to be seen as 'modernizing' coalitions that were prepared to weaken economic elites, these political forces "were the driving force behind corporate governance reform and institutional adjustment to finance capitalism, while right-of-centre parties resisted reform to protect established forms of managerialism and organized capitalism." (Cioffi and Höpner 2006, p. 464).

The distinctive feature of the Italian case is that this tough offensive against the financial establishment was not as successful as its promoters had hoped⁷. However, although the prolonged reform cycle of the nineties did not strike down the power of Italian blockholders, it was not entirely ineffective. The resilience of blockholders and the continuity of "family capitalism" should not lead one to think that the Italian financial and entrepreneurial context remained anchored to 'traditional' schemes of control and governance (which began to be superseded, as mentioned earlier, in the mid-seventies). Rather, the statutory reforms enabled the dominant coalitions within Italian capitalism to operate in a regulatory framework harmonized with a transnational context, largely assimilated to Anglo-Saxon norms, promoting a finance-oriented conception of control and managerial practices. It should be added that this reform framework – presented as a program for Europeanisation, modernisation and democratisation (with its corollaries of accessibility of financial investments, transparency and market efficiency) – changed the social perception of financialisation, fostering the acceptance of the growing financial dimension of the economy and the financial orientation of firms.

6. The promise of local development and the abandonment of the Mezzogiorno

The neo-liberal approach has finally prevailed also in the development policies which have tried to reduce the gap between North and South Italy. As the sociologist Franco Cassano (2012) noted, the traditional idea of modernisation – which also included an agenda for the universalisation of rights and the equalisation of incomes – has been replaced, especially since the nineties, by a neo-liberal idea of modernisation, according to which each local context has to compete as part of an international competition.

The theoretical driver of this transformation was the idea of local development. The theory of local development was born in Italy in the late '70s. In a context of crisis of the Fordist large companies, some Italian researchers – mainly economic sociologists and industrial economists – noted that some small and medium-sized companies, based on the principle of flexible specialisation, managed to maintain a high level of competitiveness on an international scale.

The explanation that was drawn – which is based on the theory of local development – referred to the concept of social capital. Small and medium-sized enterprises in some regions Italian (mainly Emilia-Romagna, Tuscany and Veneto) were organized through a tacit macro-regulation that allowed two key competitive advantages:

- as the firms were engaged in similar or complementary activities, they could in some respects behave like a single large firm, without facing the organisational complications of mass-production;
- since they were located in the same geographical area, they could exploit the positive externalities offered by the territory: the sector-specific skills, the support of the administrative institutions, the support of the local banking system.

This experience has provided the bases for the theory of local development, which rely on the idea that a system of relationships based on a long-term trust is paramount for economic innovation. At first, this experience of economic development was considered quite alien to the South. In southern Italy the “extraordinary intervention” policies, from 1950s to 1980s, had fueled an overall income growth, but not a tendency to self-reliance and to autonomous development. The failure of any business initiative seemed to be the essential feature of South Italy's economic environment.

In the 90s, however, something changed. Southern regions have shown some economic dynamism, giving the impression that even in Southern Italy the growth of the industrial districts was possible. Therefore, the theory of local development has been increasingly used as a ‘recipe’ for the so-called *questione meridionale*. At that time, among Italian sociologists and economists the main credited explanation of the difference between the Italian regions was the one proposed by the American political scientist Robert Putnam. According to Putnam – who took over in renewed forms Richard Banfield's analysis – the economic backwardness of the South was due to the lack of a strong civic tradition (and thus to a lack of civicness), ie to the lack of relationships based on trust and on weak ties. According to the approach of local development, the experimentation of forms of cooperation among economic actors and institutions could increase the social capital of southern Italy contexts, thus creating a relational environment conducive to innovation, competitiveness and economic growth. In the 90s and 2000s, this has become the prevailing approach in development policies for Southern Italy. Act n° 317 of 1991 on industrial districts and Act n° 662 of 1996 on territorial pacts have promoted the testing of a cooperation between companies and institutions. Although this has led to some successful results, it can be certainly said that the experiment has failed.

Gradually, the theorists of local development have shifted attention from the need to develop local social capital to the possibility for companies to use the tangible and intangible resources of the territories. The basic assumption of this approach is that some resources are not owned by every firm, whilst every 'post-Fordist' firm undoubtedly needs them when in search of a quality leadership. Such resources, which can be both material or intangible, might be classified as *local public goods*, since they are inherently linked to the region, to the local context. Some examples of such goods are skilled labour force, research facilities and qualified services for business, communication infrastructure, professional training services, reliable industrial relations.

As I showed in a study on strategic territorial planning in Puglia (Salento and Stabile 2012), the local policy makers tend to interpret the canon of local development, rather than as a tool for the promotion of local communities, but as a path to survival in a highly competitive national and international environment. In other words, the canon of local development is considered as a new universal rule for development, as a set of normative claims, requiring the constitution of neo-communitarian identities based on a productive specialisation, and binding them to a strategy of competition in the international economic field. Such a conception of local development is a contemporary (post-Fordist, one might say) version of capitalist socialisation of the territories. It is, in short, a mode of integration of local context into a competitive international economic system.

7. Point value, financialisation, shareholder value: the rentier Italian capitalism

As I said in the previous paragraphs, thirty or thirtyfive years of neoliberal economic policies have radically transformed the Italian economy and society. The behavior of economic actors has profoundly changed in a neo-liberal regulatory environment. The major Italian companies, since the second half of the 70s, started to pursue financial accumulation, taking advantage of the high rates of return on capital on an international scale. Since the 90s, even in Italy the maximisation of shareholder value has become the main concern of large companies. This change has been driven both by the great regulatory changes I mentioned above, and by a profound change in management culture and in academic business economics.

In the second half of the 1990s, in Italy and elsewhere, accounting was restructured in accordance with finance-oriented models, aiming to maximize the value of shareholder equity. Recognizing the primacy of shareholder expectations, the evaluation system now "assesses the overall performance of the enterprise not as a function of the maximisation of income [...], but rather as a function of the ability to offer stock returns in line with those provided by the financial market for comparable investments" (Agliati 1999, p. 51).

Restructuring their accounting tools, Italian companies have adopted the fundamental canons of the global financial environment in which they operate: They have learnt to assess themselves, and to act, in accordance with the same criteria that guide the choices of financial operators. "Within this framework, the aim of managerial control mechanisms is to reproduce the mechanics used by the market for its evaluations, correlating performance indicators with the dynamics of the value of capital and therefore orienting management in a direction consistent with this aim" (ibid., p. 52). Even in Italy – an area where the penetration of institutional investors is relatively weak – the stock market has thus become the regulatory principle for all players, ensuring compliance of individual action with the rules of the context. The adoption of market-based accounting parameters – including EVA (Economic Value Added), which is perhaps the most sophisticated – means that the goal is "to achieve a positive return on investment in all parts of a business, and therefore in all sectors and in all geographic areas" (Parazzini 1999, p. 66), thus making the whole enterprise responsible for the performance of its financial value.

It should be added that in Italy, as in the rest of Europe, adoption of International Financial Reporting Standards (IFRS) is compulsory. Developed by the International Accounting Standards Board (IASB), an organisation headed by a private foundation, these accounting standards provide an assessment of the company consistent with the expectations of investors, in order to “compare the performance of companies in a cross-border context and to exert an influence on management” (Deeg 2009, p. 560). At the very heart of this approach is the desire of investors to minimize the gap between the value of the assets of the company as shown in its financial statements and its current stock market value. To this end, international accounting standards make extensive use of the idea of *fair value*, which in practice makes it possible to inflate the value of items included in financial statements – and hence the value of the business itself – to the level of their current market value. A consequence of this – in strong discontinuity with respect to traditional Italian accounting methods – is the appreciation of so-called intangible assets, or resources that can be evaluated only in terms of expectations of future economic benefits.

A brief review of indicators drawn from previous research and aggregate data shows the following:

a) Since the early 1970s, blockholders of large Italian companies have systematically and increasingly pursued financial accumulation; b) Since the mid 1990s, this tendency has become even more acute, and the canon of shareholder value maximisation has taken root in Italy as well.

Both these two waves of financialisation have been marked by a steep reduction in labour costs and employment. Compared to the first stage, the second is not just quantitatively, but also qualitatively different, since it is supported by the privatisation of public enterprises, reconfiguration of the banking and financial system, increasing deregulation of the labour market, and a decisive opening up of Italian corporate culture towards Anglo-Saxon canons of management and accounting.

The first wave of financialisation

In the 1970s and 80s, large Italian firms were caught up in a transnational process of financialisation: the abandonment of the gold standard (1971) and the raising of interest rates by Paul Volcker's Federal Reserve (1979), together with the difficulties for production arising from the oil crisis (1973), prompted big companies to reduce fixed investment and to enter the world of finance. The first evidence of this process in Italy can be seen in the gradually rising number of companies listed on the Italian Stock Exchange. On the basis of an extensive study of Italian listed companies, De Luca (2002, p. 25), noted the clear “tendency among the Italian capitalist elite, since the oil crisis of 1973, to concern themselves less and less with industry and increasingly with finance; the latter is conceived [by them] not as a means to support the growth of production, but as a separate asset, a real ‘industry’ capable of generating the bulk of the profits”. Since the early 1980s this tendency has intensified in Italy, and has been facilitated by concomitant regulatory reforms (starting with the legalisation in 1983 of mutual funds). In those years, major Italian companies set up units specialized in financial brokering and began to abandon the divisional setup in favour of a ‘group’ configuration: this served not only to reduce financial liability, but also to acquire a certain financial agility, with the finance function centralized in holding companies and firms conceived as investment portfolios. As Fulvio Coltorti noted at the time (1988, p. 617 ff.), this was “a new type of enterprise, no longer characterized by specialisation based on industrial assets, but strongly oriented towards financial assets, organized into ‘pieces’ that are legally separate and can be dismantled and reconstructed in the short term”.

Industrial companies became increasingly involved in financial intermediation: on the one hand via the growth of direct financing relationships between enterprises (by virtue of the

greater integration allowed by group configurations), and on the other by implementing certain services (leasing, factoring, franchising) entailing activities that are clearly financial as well as productive (Zanetti 1987). The functional distinction between industry and banks thus began to erode.

Aggregate data gathered by Mediobanca's Research Department clearly illustrate the trend towards financial accumulation: between 1974 and 1985, the total financial income (dividends, coupons and interest) of 980 companies surveyed in the time series 1968-2002 went from EUR 2.6 billion to EUR 10.6 billion (constant prices base 2000) (Fig. 1, see appendix).

Hailed in the mid-1980s as a necessary "financial restructuring" of Italian companies, this process soon proved to be a long-term trend: the transformation of accumulation strategies. Siracusano and Tresoldi (1988, p. 299 ff.) pointed out that "In recent years in Italy the growth of industrial enterprises' financial commitments has assumed atypical dimensions [...] Investments in liquid financial assets are not in tune with the nature of industrial enterprises, supposedly committed to production". The risks of this process began to be perceived in the late 1980s: the addiction of major economic players to financial accumulation and short-term dynamics. The new relationship between firms and the financial market – argued Fulvio Coltorti (1988, p. 629) – "can be sustained only if it is based on the preservation of capital gains, which in turn legitimize expectations of satisfactory yields. This tends to be pursued through increasing attention to short-term results, obtained with financial assets rather than industrial ones". The macroeconomic consequences of this trend could be noticed as well: according to the Keynesian economist Marcello De Cecco (1988, p. 11), the tendency of companies to engage in financial transactions and the simultaneous tendency of banks to securitize receivables would soon lead to the development of "an immense financial market covering all Western economic space, dominated by arm's-length exchanges of securities".

The quest for financial accumulation was also supported by recurring cycles of corporate restructuring from the 1970s onwards. In the same sample of 980 companies, the ratio of labour costs to gross sales fell between 1971 and 1985 from 0.26 to 0.15 (Fig. 2). The shifting strategies of Italian blockholders therefore already foreshadowed what the sociologist Luciano Gallino (2003) would later call "the demise of industrial Italy".

The 'second' wave of financialisation and the primacy of shareholder value

After a brief slowdown in the late 1980s, financial accumulation resumed at full pace in the 1990s, accelerating in the second half of the decade. In the same sample of companies just mentioned, between 1990 and 2002, financial income increased from 7.7 billion to over 10.6 billion euro (Fig. 1). In parallel, the resources allocated to labour continued to decline: in the same period (and in the same sample), the proportion of gross turnover accounted for by labour costs fell further to 11% (Fig. 2).

More recent data referring to the entire "Mediobanca sample" (2,032 companies) provide further evidence of the progress of financialisation during the last twenty years: The ratio of financial investments to capital expenditure (Fig. 3), amounting to about 0.3 in 1992, reached 0.6 in 1999 and leapt to 1.8 in 2000, declining again thereafter to about 0.6 in 2006 and rising to 1.38 in 2007 (coinciding with a period of massive acquisitions) before declining with the onset of the banking crisis. The peaks in financial investment coincide with periods of strong speculation in the financial markets, but the five-year averages and the overall trend for the whole period both show the relative growth of financial investments in the twenty years considered.

Equally clear since the mid-1990s is the involvement of large Italian companies in the spread of an Anglo-Saxon conception of control, geared to the maximisation of shareholder value. Although empirical broad-spectrum research in Italy has yet to be conducted, there are clear

indicators of the growing attention paid by non-financial companies to the market value of securities.

First, changes in dividend policy show increasing emphasis on the interests of shareholders. Between 1993 and 2001, in the Mediobanca sample of 980 companies, approved dividends increased from 10.4% to 37.1% of gross operating profit, while the number of employees fell by about 20% and labour costs fell from 16 to 10% of gross sales). This trend continued in the new century: In the entire Mediobanca sample of 2,032 companies, between 2002 and 2010 dividends increased from 28.8% to 34.1% of gross operating profit, with a peak of 41.5% in 2007 (Fig. 4). The number of employees fell by about 6%.

Another indicator of the orientation to shareholder value maximisation is the practice of share buyback: These are transactions by which companies seek to increase the value of their securities by increasing demand and sending “signals of optimism” to players in the financial market. Permitted by the ‘Draghi’ Act in 1998 to buy back shares worth up to 10% of company capital, these operations have become increasingly frequent. According to Bonini et al. (2007), buyback announcements grew by 37.4% (from 51.4 ads per year in 1990 to 70.6 in 2003), while the number of companies announcing their intention to repurchase their own shares grew by 63.9%¹³.

The orientation to maximise shareholder value is also reflected in the substantially collusive relationship between firms and financial analysts. Since the latter “are mostly employed at banks that sell securities” (Coltorti 2011, p. 97), there is a high risk that financial reporting will move away from its officially pursued objective of transparency and seek to ‘talk up’ securities, increasing their market value, instead. This risk is confirmed by the CONSOB report of 2003 (CONSOB 2004, p. 227), according to which monographic studies of listed companies more than doubled between 1998 and 2003 (from 2,288 to 5,141, with a leap in 2001); crucially, the operational advice provided in most cases urged investors to *buy* (48%-59%) rather than *hold* (25-36%) or *sell* (5-12%).

Even the remuneration of top management in major Italian companies now tends to follow Anglo-Saxon patterns (which are recommended, moreover, by the Code of Conduct for listed companies). As evidenced by one of Italy’s most accredited management compensation consultants, between 2004 and 2007, the median bonus paid in Italian ‘blue chip’ companies increased by 71%. In companies listed in the then Midex index, the increase was as much as 230% (Catani, 2010 p. 193). Crucially, “the most common performance metrics are those linked to short-term results: EBIT and EBITDA. This confirms that companies induce their managers to focus on annual profitability” (ibid., p. 194).

Of course, the bonuses of Italian top managers do not reach the levels of their Anglo- Saxon counterparts. In Italy, the pursuit of performance objectives is ensured primarily by the relationship of trust between top managers and blockholders. A survey of 164 stock option plans approved by non-financial corporations between 2004 and 2006 (Melis et al., 2012) shows that less than one third of them gave options to managers who were not either related to blockholders or blockholders themselves. The structure of senior management compensation confirms the double connotation of the large Italian company, in which shareholder value maximisation is associated with the special power of blockholders. In such a context, rather than seeking to align the interests of managers and shareholders (already in the “natural order of things”), stock option plans are used to strengthen this already existing relationship of trust, as well as to distribute a large income to very powerful managers.

Last but not least, many organisational transformations of large Italian companies can be explained not as a process of industrial rationalisation in the narrow sense but as the result of this conception of financial control. We have argued elsewhere (Salento and Masino 2012), in an empirical study based on interviews with managers of large companies in various sectors,

that the organisational changes of the last thirty years – a period in which the top management of a company has been entrusted to executives with a financial rather than technical background – have largely responded to the pressures of the financial market: regarding the organisational structure of companies, coordination has been centralized, oriented to short-term management goals; regarding the relationships between companies, outsourcing, with a view to generating cash for financial investments and reducing fixed costs, has been encouraged; regarding the labour force, there has been an enduring tendency to downsize, as well as a continuous pattern of adjusting human resources to short-term needs.

8. New conceptions of value (value chain, shareholder value, point-value) and the disconnected economy

The strong pressure towards financial accumulation has certainly been one of the most important aspects of the transformation of large companies. The increasingly close relationship between business and the financial markets has led to the spread of a process of “marketisation of the company”. The idea of *value chain*, proposed in 1985 by Michael Porter, is probably the one that best sums up the transformation of the conception of the companies. According to Porter, the basic requirement for competitive advantage is conceiving the production process not as a single stream of activity, but as a concatenation of different segments. This conception of the business allows the top management and the shareholders to submit each segment of the business to an assessment that mimics that of the market specific to each asset. The “cognitive segmentation” of the production process is the fundamental basis of restructuring, mergers, divestitures, relocations.

No longer conceived as a whole, but as a “asset portfolio”, the company can be “torn to pieces”. The fate of each segment is determined only on the basis of what suits in the perspective of capital enhancement. Adopting the perspective of the value chain, thus, allowed also large Italian companies to fragment. This has resulted in at least two major consequences:

- It has undermined the fundamental premise of the strength of trade unions, namely the coalition of workers in large manufacturing plants. The fragmentation of production processes not only reduces the size of each firm, thus reducing the organisational capacity and the bargaining power of trade unions; but also subjects workers to the blackmail of outsourcing, offshoring and social dumping.
- It has weakened the link between big business and the areas they settled. Until the 80s, the settlement of large companies in certain areas of national and regional balance created a bond between the company and the territory, between business and population. It was a two-way link: the firm could exploit a wealth of skills, habitus, and relationships (or social capital) that the territory was offering; the company, in turn, offered the territory not only a stream of income, but also knowledge, services and welfare. The best example of virtuous relationship between business and local populations, in the Italian history of the twentieth century, it is certainly the history of Olivetti. Adriano Olivetti, who had inherited the leadership of the company from his father Camillo, promoted and implemented the idea that the company should provide workers and the territory with wealth, well-being, cultural activities, services, and manufacturing plants designed by prominent architects. Olivetti’s conception of development was a humanist one, relying on the concept of community. And Olivetti always played the effort to bring to Southern Italy the material and immaterial well-being provided by industrial production.

During the '*Trente Glorieuses*', even less labour-oriented companies, like Fiat, have built a 'corporate welfare', providing social, recreational, and even religious services and initiatives for blue-collar as well as for white-collar workers. As the sociologist Arnaldo Bagnasco (1986) wrote, the city of Turin has grown in the twentieth century together with Fiat, suffering the fatigue of industrial work, but gaining prosperity.

At the end of the last century, large companies have become general contractors, based on the Anglo-Saxon conception of the firm as a 'nexus of contracts' (according to the lexicon of Agency Theory [Jensen and Meckling 1976, Fama 1980]). The 'organic relationship' built during the twentieth century with workers and the territories fell apart, large companies fully embraced the Hayekian idea that the business of business is just business, and focused on a new 'one best' mission: maximizing the return on investment.

The example of Fiat – certainly the most important of Italian private companies – is particularly significant. In 2007 911,000 cars were produced in Italy. In 2012, 396,000 (and 303,000 in the first nine months of 2013, that is 5.4% less than the previous year). The continual outsourcing of manufacturing has resulted in a cloud of about 2,800 suppliers and subcontractors in Italy, with approximately 166,000 employees (source: 2013 report of the Osservatorio della filiera autoveicolare [Observatory of the automotive sector]), while the number of direct Fiat employees has decreased to about 62,000 (source: Fiat-Chrysler Sustainability Report 2012). Increasing is the number of Fiat suppliers aiming to a diversification (often an export-oriented one) of their clients and purchasers.

Ultimately, the key feature of large companies, at the end of 1900s, has become *disconnection*:

- a) The steps of manufacturing process have been disconnected from each other, splitting into a myriad of point-activities, whose logistic coordination is provided by remote ERP systems.
- b) The organic connection between the workers and the company has been broken, and – due to the contractualisation of labour law – labour relations have been individualized, and workers have increasingly been considered mere 'human resources'.
- c) The link between firms and territories have weakened, and the idea that companies have a responsibility towards the environments that host them has been abandoned.

What has changed is not merely the behavior of economic actors: the ideas themselves of the company and its mission have been fully rethought.

This profound shift can be clearly identified also in business studies. In Italy as in all countries of continental Europe, an 'institutional' conception of the company (also known as 'Rhenish' conception) has always been accepted. It traditionally refers to the response that Walther Rathenau gave the shareholders of the Norddeutscher Lloyd, who complained of not having achieved the expected profits from their equity investment: "the company does not exist to distribute dividends to their lordships, but to make boats navigate the Rhine."

In Italian business economics, the concept of company has to do with the idea of social utility. As the jurist Alberto Asquini wrote, "the company is a typical example of an institution, and it matches all the characteristic features of an institution: a shared goal, namely the achievement of a socially useful production (which transcends the individual interests of the entrepreneur and the workers); the coordination between them; the ensuing formation of a set of rules of

within the enterprise, which gives the employment relationship an institutional dimension, besides its contractual and financial aspects”.

Gino Zappa, founder of Italian business economics, taught that the company is an economic institution “established and managed for the satisfaction of human needs” (Zappa 1927).

Even in republican constitutions of continental Europe countries it is ordained that companies have a constructive relationship with society. In the twentieth century, the legitimacy of private entrepreneurship rested on the assumption that, like every other area of private property, the enterprise can not be managed regardless of ‘social utility’ (as stated by art. 41, 2 second paragraph, of Italian *Costituzione*), but must “at the same time serve the good of society” (as stated in art. 14, paragraph 2 of German *Grundgesetz*).

Under this conception of the company, the value that the company needs to produce is not merely the profit of investors: *value* is the set of tangible and intangible resources which enable the company to live long, growing and offering benefits not only to owners or shareholders, but also to workers national, regional and local communities.

From the eighties onwards, this idea has had countless denials. The orientation to financial accumulation and its short-termism has favoured the spread of a different idea of value. The idea of *shareholder value* has been gradually imported into Italy by large consulting firms, who coached Italian managers to use finance-oriented accounting tools (f.i. the so-called McKinsey Pentagon, namely the five-step recipe for the restructuring of the company in view of shareholder value: see Copeland, Koller, Murrin, 1994). But also academic culture has given an important contribution. The prominent role of the school headed by Luigi Guatri at the ‘Bocconi’ University in Milan should be acknowledged. Guatri is an exemplary exponent of a generation of Italian corporatists performing the triple task of consulting, research and dissemination. In the 1980s he began to revise the concept of value then in use in Italian business doctrine. In the Nineties, he succeeded in consecrating the theory of shareholder value within the Italian academic milieu. The transition from one conception of companies and accounting to another took place via successive semantic shifts in the concept of value production. Starting in the 1990s, the idea of value (*valore*), originally referred to the social mission of the company, was gradually transformed into *value for the shareholder*, i.e. the production of financial returns. The turning point in this semantic shift is the idea of ‘value diffusion’, understood as “the translation, total or partial, of increases in the value of economic capital [...] into higher market share prices. In this translation [...] all aspects of stock market value are involved: [...] the price of shares whether these be in a non-controlling stake, a controlling stake of the whole company or a controlling stake in a part of it” (Guatri and Massari 1992, p. 6).

The idea of ‘value diffusion’ assumed a much greater awareness of company activities on the part of investors than had traditionally been the case in Italy: this in turn implied that company management would need to be more sensitive to the needs of investors, arguably the most important consequence of this approach. Supporters of shareholder value maximisation argue that short-termist investors are not the only ones to benefit from this closer relationship between companies and investors: it also meets the needs of ‘less impatient’ entrepreneurs, blockholders, and even non-shareholding stakeholders such as workers.

Just as the idea of transparency was key to the opening up of financial markets, it also served to justify the acceptance of stock market value as the main criterion of company assessment. Financial disclosure of companies, a necessary corollary of ‘value diffusion’, was the key principle behind the adoption of assessment, accounting and auditing tools based on the main variables of finance-oriented management. In addition, it was the starting point for a redefinition of the overall management and organisation of companies (Ezzamel et al. 2008; Salento and Masino 2012).

Since companies are systematically confronting capital markets, their idea of the *value* of investments – and consequently their choice of investments (and divestments) – is structured on the basis of a calculation that projects in the present the expectations of future performance. Bowman et al. (2014: 124) dates the invention of this method of calculating value to John Burr Williams and his Theory of Investment Value (Burr Williams 1938), according to which “The investment value of a stock is the present value of all future dividends. If we can fairly estimate these and select a suitable discount rate, the calculation of present value becomes merely a problem in higher algebra” (Graham, 1939, cit. in Bowman et al. 2014: 124).

Williams’ idea, later perfected by Myron J. Gordon (1959), is the fundament of accounting tools such as NPV (Net Present Value), the IRR (Internal Rate of Return) DCF (Discounted Cash Flow), the DDM (Dividend Discount Model), EVA (Economic Value Added). In Italian accounting practice, models referring to cash flow (f.i., FCFE, Free Cash Flow to Equity) are still more popular than models referring to dividends. The aim of these tools is to transform a prospective stream of wealth into a value set in a fixed moment. This is what Bowman et al. (2014) call *point-value*.

When an enterprise defines its own mission (and therefore the way its actions should be assessed) according to a point-value logic, it produces a double break: it disconnects from time as well from the spatial and organisational dimension:

A) It disconnects from time, because the idea of a flow or a stream (the idea of *value* as a *process*) is “condensed and extracted at a point here and now”. If management choices are based on the interest of the stockholders ‘here and now’, ie as if the stockholders were to sell ‘here and now’ their stocks, future (and time itself) become irrelevant. It is precisely the technique of calculating the point-value to favour a short-term perspective. As Bowman et al. (2014) point out, “the standard procedure is to discount future receipts at a given rate which is compounded year by year so that distant receipts are subject to multiple deductions and worth much less than receipts which are a year or two away. This depreciation of future earnings in a discounting calculation then works in reverse just like appreciation of current savings in a deposit account. A modest sum saved will be large after many years; so substantial earnings in the distant future will be worth little today. The algebra is impeccable, and the issue is about the universalisation of the calculative frame” (Bowman et al. 2014: 145, n. 5).

B) It disconnects from the organisational space (and from the territory), because value is calculated as it is perceived at the point where the transaction would occur. What is assessed is not all that happens to suppliers and other companies involved in the production process, but only the advantage (or disadvantage) that a choice can provide to the general contractor. The fate of suppliers becomes irrelevant. The short-term advantage of the general contractor may indeed increase as more as the interests of other contractual parties are sacrificed. For example, reducing the cost of a supply certainly boosts point-value, but it’s likely to impair the supplier, its employees, the quality of products. Overall, the social interest for a sustainable and high-quality production is sacrificed.

When the Italian Constituent Assembly enacted Article 41 of the Constitution, it was clear that only a compromise would keep private and public interests in balance. The basic principle then adopted was the freedom of private entrepreneurship (except in cases of state entrepreneurship). But it was clearly stated that the entrepreneurial action must be constrained by ‘external’ limits: social usefulness, safety, freedom, and human dignity.

It’s extremely unlikely that any entrepreneur has ever thought of working unconcerned by himself and his family’s interest. Nonetheless, in the second half of the 20th Century industrial elites have widely felt a certain amount of social responsibility, or – as Christopher Lasch (1995) would say – they have felt the duty to take the role of parents (*stare in loco*

parentis) in respect of workers and national or local communities. This condition of social responsibility has lost its meaning to contemporary large enterprises. Large companies have disconnected from the social contexts in which they operate. In many cases, this has resulted in the enrichment of stockholders, but also the decline of firms and the de-industrialisation of national economies. This is the prospective fate of an economy, when its regulation allows a competition based on the maximisation of the point-value for stockholders.

Although the culture and the moral background of business elites are thoroughly implicated in the disconnection of enterprises and in the rise of corporate social irresponsibility, these can not be considered merely as a moral disease of elites, but must be rather recognised as fundamental problems for the regulation of economy. They cannot be tackled by inviting elites to behave responsibly: they rather call for a different setting of business regulation.

9. Promises, illusions or lies? A more inequal, poor, scarcely educated society entered the new Century

Entering the new century has been, for Italy, a sad awakening. The recession begun in 2008 is only the most recent episode of a great disenchantment. The promises of neoliberalism have being revealed in all their contradictions. First, the efficiency of the industrial system – which had been the professed inspiration of privatisation – has not increased. The neo-liberal period has yielded, overall, a deterioration in the performance of the Italian economy; it has triggered a process of de-industrialisation, and the relocation of increasing portions of production processes. Although the Italian industrial system is still one of the most relevant in Europe, the production of value added has largely moved in the financial sectors. Major Italian companies no longer have a quality leadership in any sector. After the sharp decline in domestic demand due to the austerity policies of the European monetary institutions, the only section proving to be resistant to recession is the export-oriented medium-sized companies (which Mediobanca calls *Fourth Capitalism*⁸). Moreover, in Italy between 2007 and 2013 labour productivity was reduced by 1.2% (Istat 2014: 51). Of course, the relative inefficiency of Italian companies is also due to the low average size of firms and their low technological equipment. As clearly shown by the ‘efficiency map’ published in ISTAT annual report (2014 ch. 2), the Italian production system is made up of 95% small firms (less than 10 employees), using mostly traditional technologies and managed by a family. On the average, larger firms – and more advanced in terms of technology and management – are based in the Centre-North. Micro-enterprises, most commonly based in the South, have an efficiency level lower than the average.

Also the second promise of the neo-liberal reformism – namely the autonomy of work(ers) – has been disappointed. Rather, unemployment and insecurity have hugely increased. The reduction of the workforce in large and medium-sized firms has been strictly coextensive to the financialisation of business. The Mediobanca aggregated data related to 980 (and then 2,032) Italian non-financial corporations, (encompassing all large companies and a sample of medium-sized companies) clearly show (Figs. 5a and 5b) an inverse relationship between financial accumulation (expressed here as the proportion of financial income on value added) and the volume of employment.

Obviously, nobody could calculate to what extent the decline of Western economic systems (and perhaps also of Western societies) can be ascribed to the financial drift (like it or not, social sciences, including economics, cannot argue geometrically). The connection between the financialisation of firms, seen as a growing trend to the accumulation of financial capital, and the reduction of the scale and scope of industrial businesses has been a part of heterodox economic and sociological literature, especially (but not only) in anglo-saxon contexts for a considerable period. Thus, for example, Aglietta and Breton (2001), as well as Duménil and Levy (2004), have showed that the tendency of businesses to support their stock prices

through shareholder remuneration and share buybacks distracts resources from financing growth. Lazonick and O'Sullivan (2000) have described this phenomenon as a transition from a tendency to productive reinvestment (*retain and reinvest*) to a tendency to reduce the size of industrial and distribution of profit among the shareholders (*downsize and distribute*). James Crotty (2005) has found that, since when large firms increased their financial investment and created financial subsidiaries, they have significantly narrowed the scope of their planning activities. On a macroeconomic level, Stockhammer (2004) has hypothesized a relationship between the tendency of firms to behave like rentiers and the impairment of some fundamental variables of the production-oriented economy. Ohrhangazi (2008) has proposed an econometric analysis of data disaggregated by company, dimensional range and sectors.

Overall, a different way of thinking about doing business has emerged in the last thirty years: a conception of economic activity increasingly focused on financial accumulation. The subordination of labour has been gradual but continual. It can be illustrated by empirical evidence, taking into consideration – in addition to the reduction in the volume of employment – the drastic reduction of conflict and absenteeism (see in fig. 6 the trend of the duration of strikes and absence in the Mediobanca sample of firms between 1974 and 2002), and the gradual reduction of union density (fig. 7).

It's worth remembering that this process of industrial decline of enterprises was enabled by a consistent transformation of the legal regulation of labour market and labour relations, which allowed employers to escape the constraints of 'traditional' labour law. This question has already been discussed in par. 3, dealing with the contribution of legal change to the process of financialisation. Yet it can be recalled here, observing (fig. 8) the synthetic index of the 'rigidity' of legal protection of labour (EPL), which has been declining in the last twenty-five years.

This tendency to "profiting without producing" (Lapavitsas 2013) has induced relevant consequences on Italian labour market: like what happened in other Western countries, in Italy the level of unemployment has been increasing (Fig. 9); and the incidence of temporary workers has increased among the employed (Fig. 10). This job insecurity tends to affect mainly youngest and most educated workers (fig. 11).

As for the third promise of neoliberalism, namely the democratisation of financial markets, two pieces of evidence can be used to illustrate its failure. First, the liberalisation of financial trade – and more generally the extensive deregulation of financial management of enterprises – has facilitated, in Italy as elsewhere, serious criminal misconducts. In Italy, the most striking cases were those of Cirio and Parmalat in 2002 in 2003.

Second, the widening of financial markets has not resulted in a redistribution of wealth. Access to mutual funds and pension funds did not offset the increasing gap between financial and labour income. From 1973 (the year in which the most favourable collective agreement was signed by Unions) until 2008 (thus excluding the effects of the current economic crisis) wages suffered a massive loss of wealth, equal to about 18 points of GDP (fig. 12).

This reduction in wages has not been beneficial for the strength of enterprises, since – as already noted – a growing share of investments has been destined to be financial assets. What has been removed from the remuneration of labor has contributed to the growth in the volume of financial assets, feeding the opulence of the richest part of the population.

As a result, social inequality has grown throughout the Western world (Fig. 13), with a particular acceleration in the countries that resisted more strongly in the past (see also OECD 2008). In Italy, in particular, inequality grew very rapidly during the early nineties, from levels in line with OECD average to a comparatively very high level (with the sixth largest gap between rich and poor among OECD countries). The researches coordinated by Thomas Piketty on the composition of wealth clearly show that income from capital, also in Italy, has

been stunningly growing at the expenses of income from labour. The growth of top 1% income share began in the early eighties and continued throughout the three neoliberal decades, still going on (fig. 14).

One of the fundamental roots of inequality, in Italy, is still the divide between the North and South of the country. Here, the failure is clear of the ‘fourth vow’ of the neo-liberal season, namely the idea that each local context, competing with everyone else, can ‘climb the ranks’, saving itself from the risk of poverty. In the 2010s, the *Questione meridionale* (the Italian ‘Southern question’) is far from being resolved. Figures collected each year from all major statistical services (Istat, Censis Svimez) clearly show that not only income and employment, but also the quality of services in the South of Italy is getting worse (see figs 15, 16, 17, 18). The local development approach has not served to reduce the gap between North and South Italy. It has rather promoted – even among center-leftist intellectuals (see fig Ricolfi 2010) – the idea that the southern people are unable to compete, then they should be held responsible for the economic decline of their regions.

The most alarming data on the state of the economy and of Italian society are probably those related to the socio-cultural development of youth. The decline of the Italian production system has entailed the exclusion of a huge number of young people from labour market and education. The incidence rate of Neets in Italy amounted, according to Eurostat, to about 20%. In the South the incidence is over 30%. Twenty years of neo-liberal policies in the field of higher education have led to a drastic reduction of investments in education. As a result, the rate of higher education among 25-34 year old Italians amounts to only 20%. Among OECD countries, only Mexico and Austria have similar rates (Fig. 15). Italy is building an educational system that ‘fits’ a production system in which only the 17% of employees are employed in qualified jobs (compared to 22% of the EU average and 30% of the Netherlands and the United Kingdom) (Source: Istat). An educational system tailor-made for a depressed labour market, of course, is not the kind of educational system a country should build when a new season of development is to be undertaken.

10 What Now?

I do not intend to propose concluding remarks, here. By the time I conclude this working paper, a transnational research group will already be working to propose the idea that the economy of the near future should be a *connected* economy: an economy with a strong sense of time (of the long time: the time of generations, rather than the time of the *just-in-time*) and with a strong sense of place. We are aware that – in Italy as in the rest of Europe – the neo-liberal narrative is still largely dominant. It is the narrative of the political and economic elites, but also, to a very large extent, the narrative of social sciences, of economics, of jurisprudence.

In spite of the sermons of falsely repentant gurus (ie Porter, Kramer 2006), we believe that a future connected economy cannot rise from large transnational corporations. The DNA of the giants of economy has long been a financial DNA, completely detached from the territories and from the long time of peoples’ life. The success of contemporary oligarchies is exactly this: having created a transnational space (an economic space, but also a political space) for the business of such economic actors.

A connected economy could rather rise from what can be called *the foundational economy*: the bundle of economic activities serving everyday life, the economic infrastructure of the social reproduction. A substantial part of the population (about 40% of employment, both in Italy and in the United Kingdom) is working in these sectors; and these are the sectors to which the consumption expenditure of households is mainly addressed: production and distribution of food, transport, education, health care, distribution of water, gas and electricity,

waste management, social service. Even in these areas the penetration of economic oligarchies is already conspicuous. However, these sectors of the economy are still tied to a national, regional, or local context. It is probably in these areas, therefore, that a democratic government of the economy, and the future of a sustainable economy, could be tested and assessed.

As in the rest of Europe, in Italy many actions are being promoted, which try to develop sustainable economic dynamics, rooted in society and in local communities. The idea itself that development must be rooted in the territories – as I already said – belongs to several cultural and political traditions, in Italy.

What the research program on the foundational economy aims to develop is not just another recipe to tackle the economic crisis. Rather, we are in search of an analytical framework to help understand the importance of the foundational economy and the need to activate social control over economic activities in these areas. The aim is not to ‘control’ the economy, but to experiment with innovative solutions in view of an economy *connected* in time and space: an economy committed to well-being and quality of life.

In a forthcoming working paper I will consider in some detail the *raison d’être* of such a programme, in Italy as well as in the UK.

¹ This working paper has been written during a three-month period of visiting research in the CRESC. I’m grateful to Karel Williams, for inviting me and for introducing an Italian group into the Foundational Economy research programme. I’m also grateful to the anonymised family Taylor for the beautiful trips in the unknown Albion: for the hills, the paths, the sculptures and the deer, and for the delicious meals and conversations. All this came out of the blue, to me.

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² According to some Foucaultian analysts, if the institutions of the Western countries do not react properly, this is not due simply to the strength of the neo-liberal ideology and of the private interests of the ruling classes: the immanence of the social world in the market and the dogma of competitiveness are not mere axioms or ideological clichés taken for granted in everyday life, but a way of being, an existential condition that makes everyone the *entrepreneur of himself* (Dardot, Laval 2009). However, these scholars recognize that the basis of this transformation has been a new pattern of regulation of economic processes, on an international scale.

³ The possibility of a beneficial relationship between economy and society is widely dealt with by critical theories of development. Particularly from the second half of 1970s, both *modernization* and *dependency* theories have given way to “pragmatic” approaches to development. A major concern, in these perspectives, has been the elaboration of synthetic indices of development alternative to GDP. The great variety of indices - the most famous of which is UNDP Index of Human Development - reflects the irreducible varieties of the ideas and conceptions of development. Such indices are widely acceptable when referring to basic rights, as the latter belong to a widespread (yet not universally recognized) “common sense”. No reasonable question will arise when the availability of very fundamental goods is “measured”. On the other hand, the acceptability of a standard measure of social well-being is far more questionable when it comes to assess the quality of life in “civilized” countries. In such cases, the codification of shared indices is hampered by at least three circumstances: (1) many are the potentially relevant indicators to be synthesized, encompassing material as well as immaterial (or post-material) needs; (2) the idea itself of what has to be considered a need – with the rather obvious exception of basic needs – might be contested; (3) the relative relevance of each need or exigence is rooted in the social history of each regional, national or even local context.

The urgency of indices of development – when the idea of development is referred to well-being and the quality of life in affluent countries – can probably be questioned. The obsessive pursuit of *measuring* wealth should be judiciously set aside when the idea of *worth* considered relevant is not strictly economic. Not only the measurement of GDP, but the idea itself of *measuring* – often drifting towards the *verification rituals* described by Michael Power (1999) – is strictly connected to the economic conception of development. All this does not deny, of course, that different sets of (qualitative as well as quantitative) criteria for the assessment of social well-being and the quality of life can be stipulated locally (the second, forthcoming paper, will go into this question).

⁴ The “divorce”, commissioned by the then Treasury Minister Beniamino Andreatta (another figure of economist and politician, teacher and, later, coalition mate of Romano Prodi), can be then considered one of the first and most important steps towards a neo-liberal turn in Italian economy. It strengthened, at the same time, the economic power of the banks (which could buy government debt with high interest rates) and the prospect of a reduction in public spending, preparing Italy to enter the EMS.

⁵ See the report of the committee of experts commissioned by the then-Treasury Minister Beniamino Andreatta and headed by Mario Monti, which urged legislators to pursue these goals “by *increasing the degree of competition* in the credit and finance markets, as well as by *reducing the ‘invisible taxation’* weighing on those markets and on their players” (Ministero del Tesoro 1983, p. 21, emphasis in the original).

⁶ See thesis n° 47 (“Open the capital market”) of the program of the ‘Ulivo’ centre-left political coalition, founded in 1996 by Romano Prodi:
<http://www.perlulivo.it/radici/vittorieelettorali/programma/tesi/tesi47.html>.

⁷ The true levels of equity concentration and the strength and resilience of well-established investor coalitions in Italy have probably been underestimated. As the prominent Italian economist Guido Rossi notes (2003, p. 36), reforms of this kind, argued by some to be self-enforcing, need to take account of the specific features of the market that they are supposed to regulate. It should be added that in the 2000s the Italian political system came under the control of a political coalition led by an oligopolistic entrepreneur.

⁸ See https://www.aspeninstitute.it/system/.../Quarto%20capitalismo_slides.pdf

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Appendix Figures 1-19

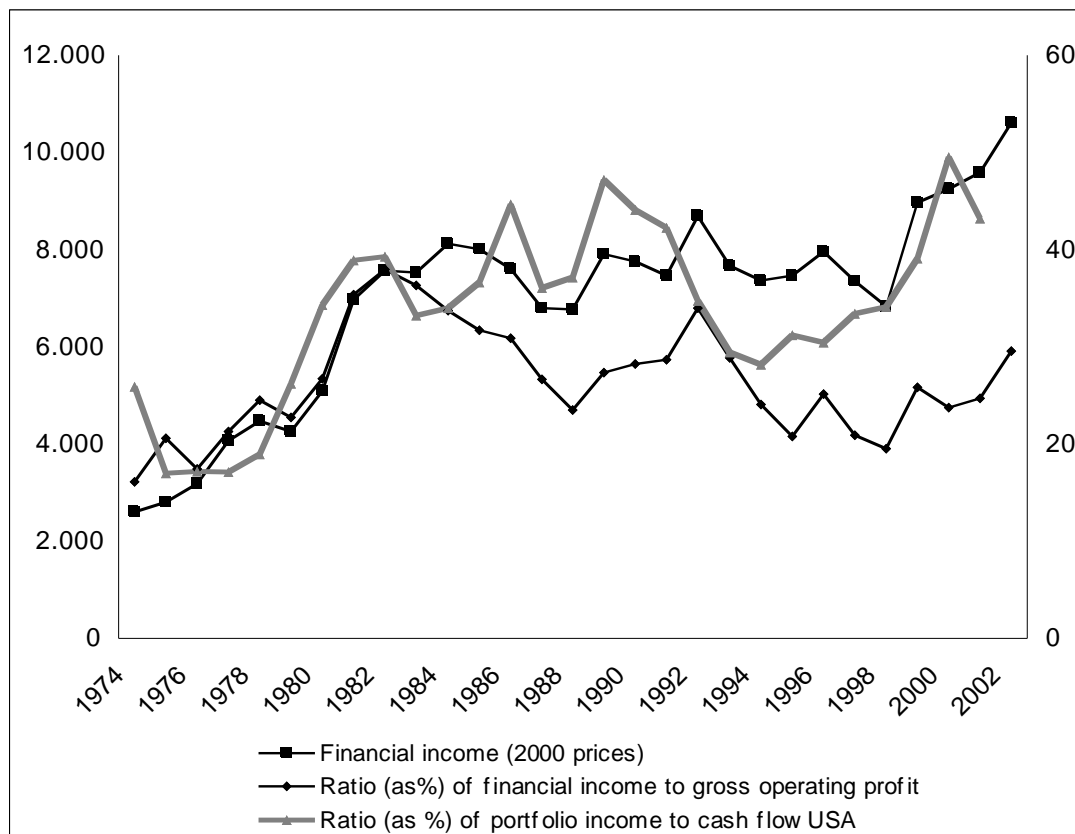
Politics	Financial markets regulation	Labour market regulation and industrial relations
1983 Craxi (CL)	1983 Act n. 77: Open-end Investment Funds	1984 Abolition of "Sliding scale"
1986 Craxi II (CL)		
1987 Fanfani VI (CR)		
1987 Goria (CR)		
1988 De Mita (CR)		
1989 Andreotti VI (CR)		
1991 Andreotti VII (CR)	1991 Act n. 1: Financial brokerage	
1992 Amato (CL)	1991-2001 Privatisation of State-owned companies	1992 Reform "Amato" of pensions
1993 Ciampi (T)		1993 Interconfederal agreement on wages and employment
1994 Berlusconi (CR)		
1995 Dini (T)		1995 Reform "Dini" of pensions
1996 Prodi (CL)	1996 Legge 415: Servizi di investimento	1997 Act n. 196: introduction of temporary work
1998 D'Alema (CL)	1998 Consolidation Act on finance 1998 Privatisation of Italian Stock Exchange	
1999 D'Alema II (CL)		
2000 Amato II (CL)		
2001 Berlusconi II (CR)		2003 Act n. 30: labour law reform, bearing liberalisation of outsourcing and staff-leasing 2004 Reform "Maroni" of pensions
2005 Berlusconi III (CR)		
2006 Prodi II (CL)		
2008 Berlusconi IV (CR)		2010 "Pomigliano Agreement" (FIAT) on collective bargaining
2011 Monti (T)		2012 Reform "Fornero" of pensions
2013 Letta (CL)		
2014 Renzi (CL)		2014 "Jobs Act", bearing liberalisation of temporary work

CR: Center-right Prime Minister

CL: Center-left Prime Minister

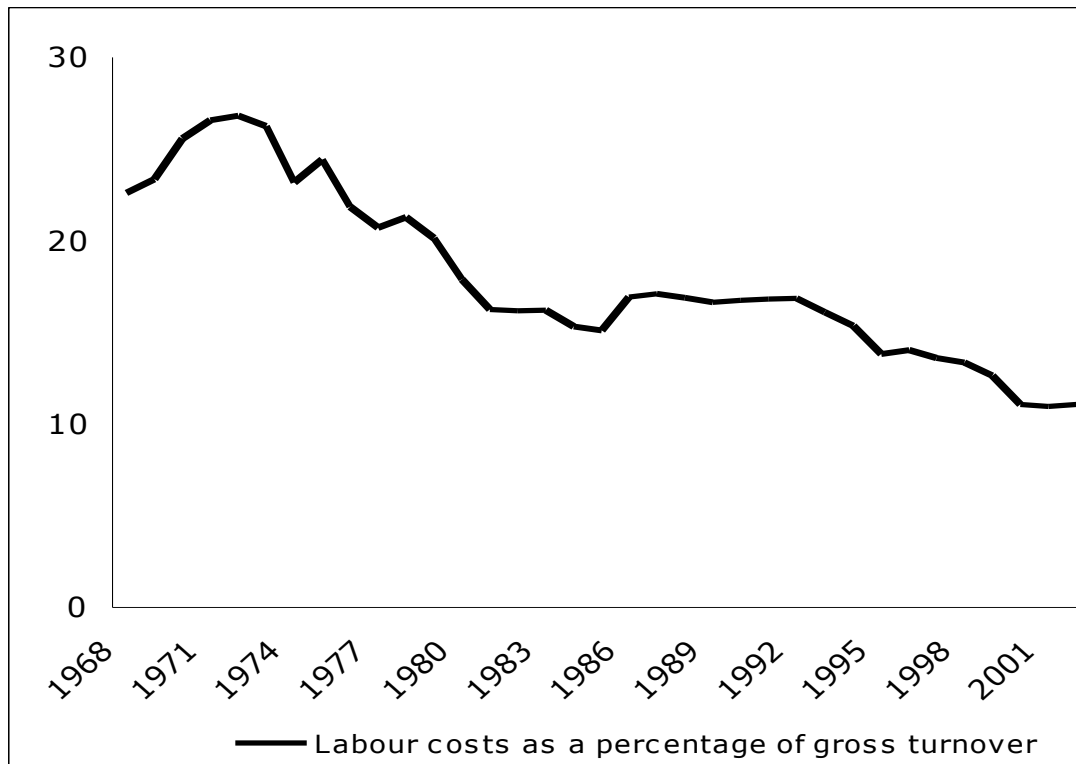
T: "Technical" Prime Minister

Exhibit 1: Synopsis of governments, financial market regulation reforms, labour market and industrial relations reform (1983-2014)



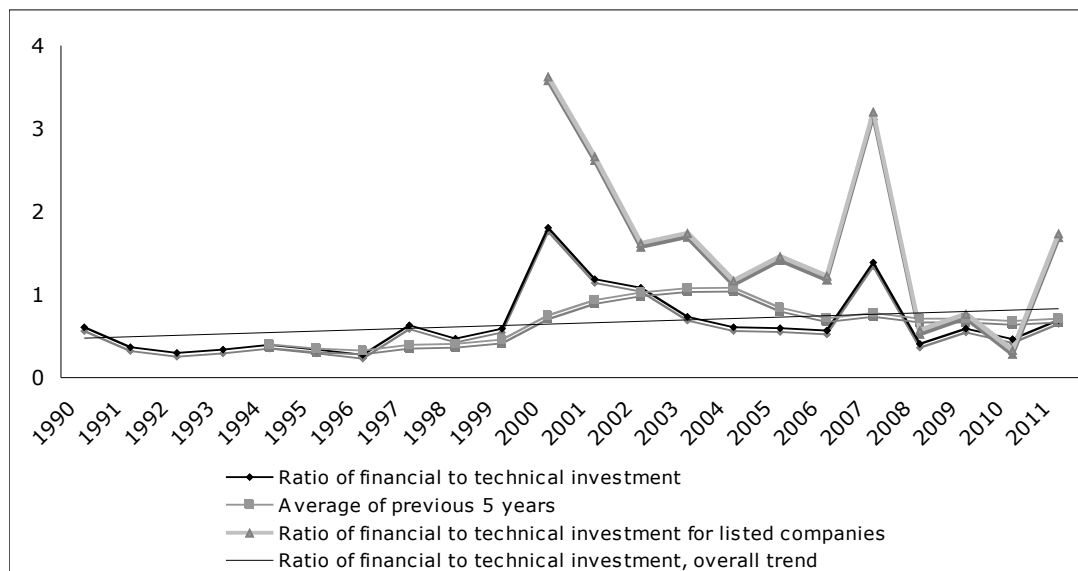
Sources: our presentation of Mediobanca data, (cumulative data, historic series); Krippner 2011, Fig. 4.

Figure 1: Financial income 1974-2002
*(sample of 980 companies, in thousands of euros at 2000 prices);
financial income as a percentage of gross operating profit, same sample (right axis);
portfolio income as a percentage of cash flow, United States (right axis)*



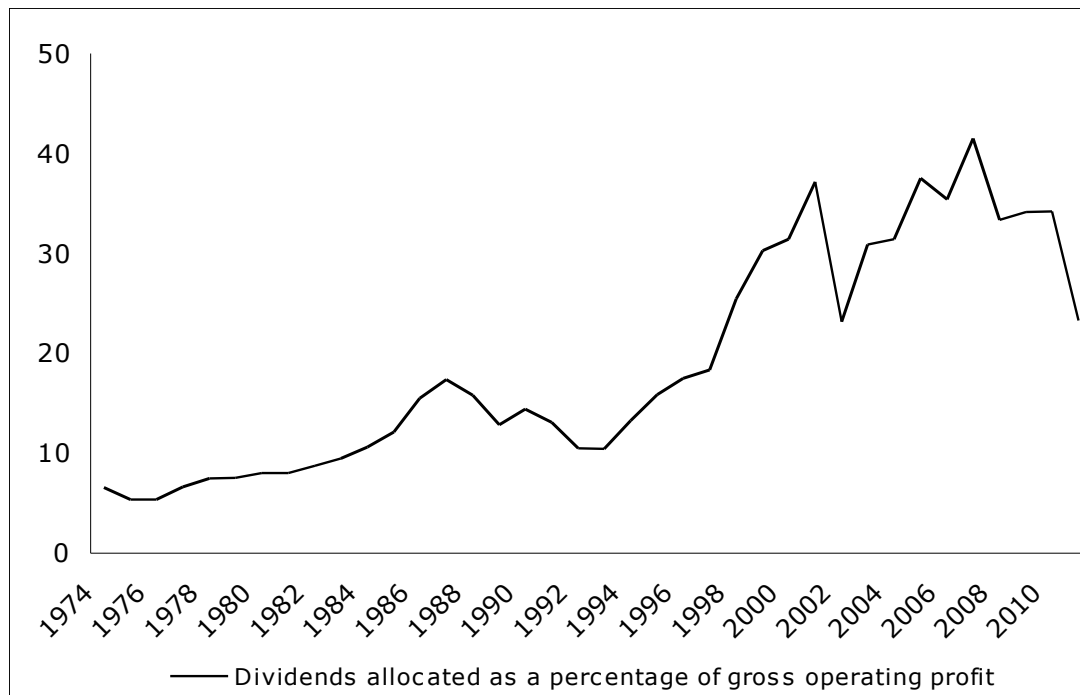
Source: our presentation of Mediobanca data (cumulative data, historic series).

Figure 2: Labour costs as a percentage of gross turnover 1968-2002
(sample of 980 companies)



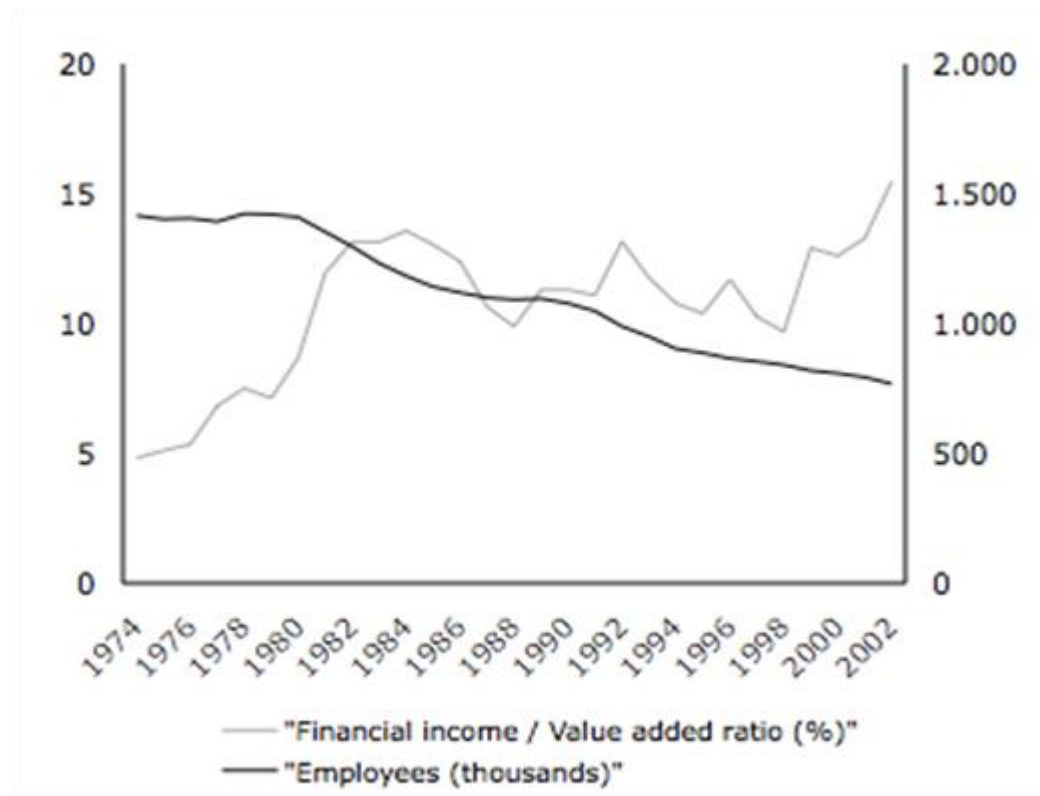
Source: our presentation of Mediobanca data, cumulative data based on annual reports: 1999 (1992-98), 2004 (1999-2002), 2012 (2003-11).

Figure 3: Ratio of financial to technical investment 1990-2011
(sample of 2,032 companies)



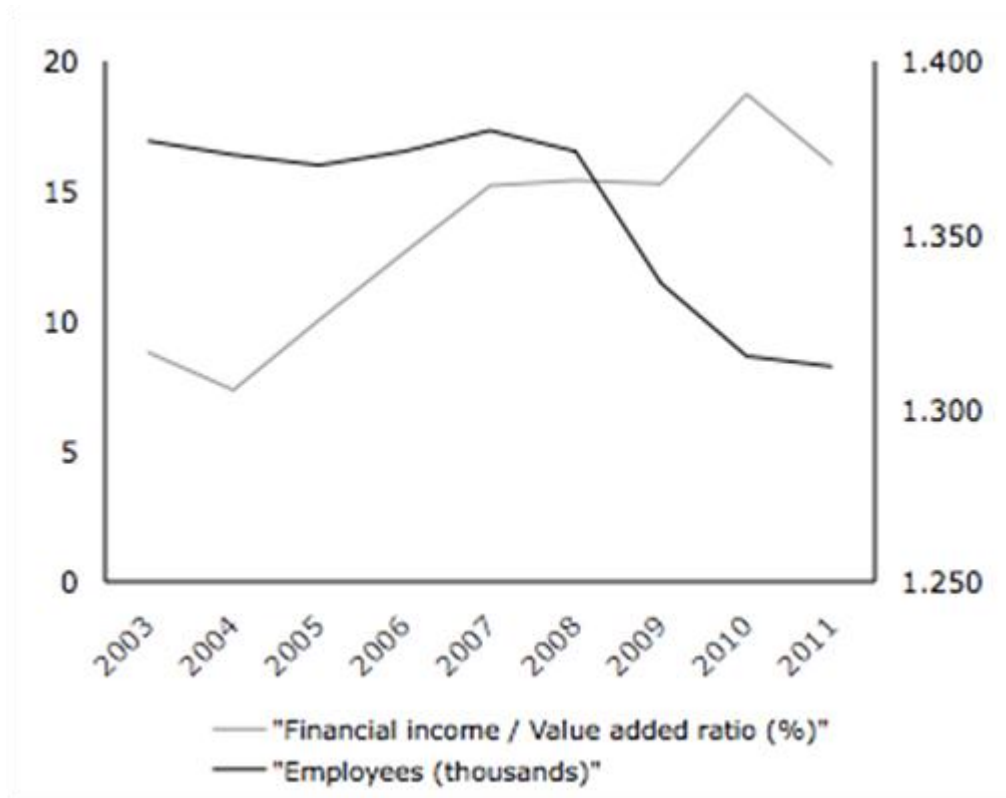
Source: our presentation of Mediobanca data, cumulative data: historic series (1974-91); annual reports 1999 (1992-98), 2004 (1999-2002), 2012 (2003-11).

Figure 4: Dividends allocated as a percentage of gross operating profit 1974-2011



Source: our presentation of Mediobanca data (cumulative data, historic series).

Figure 5a: Financial income to value added ratio (%) and employees (thousands) 1974-2002 (sample of 980 companies)

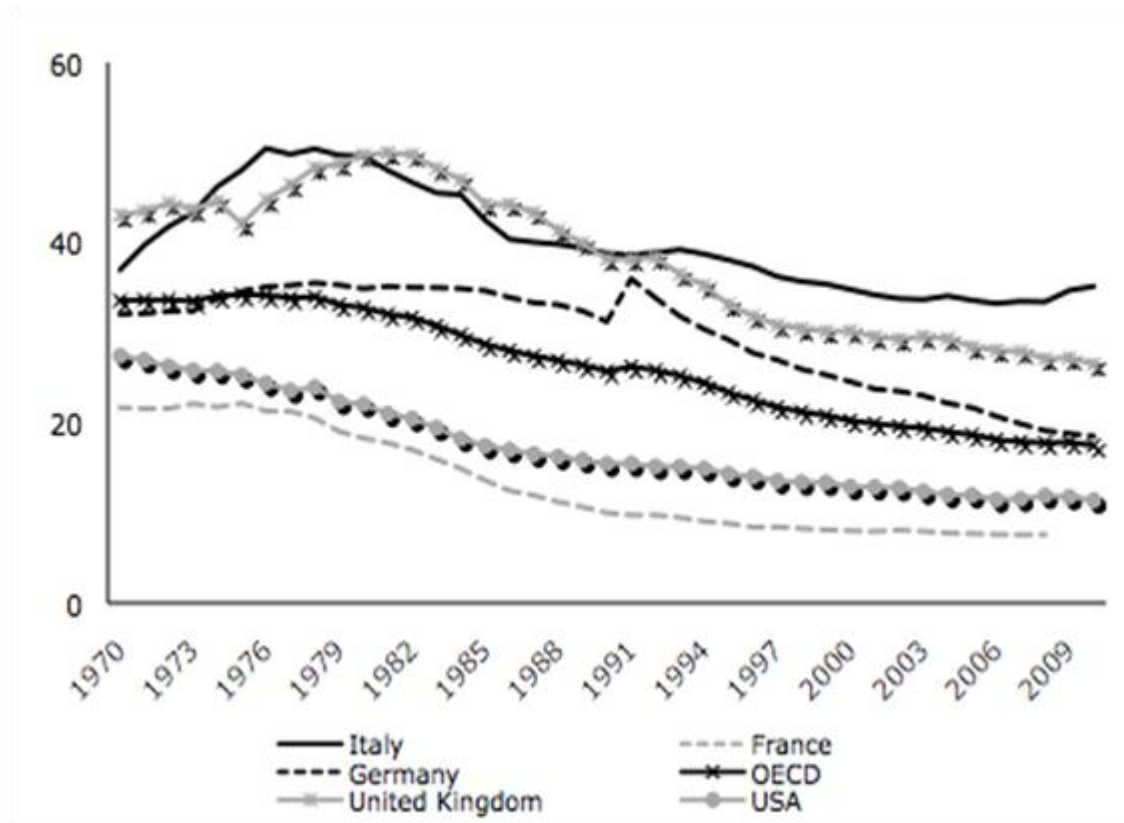


Source: our presentation of Mediobanca data (cumulative data, historic series).

**Figure. 5b: Financial income to value added ratio (%) and employees (thousands)
2003-2011 (sample of 2,032 companies)**

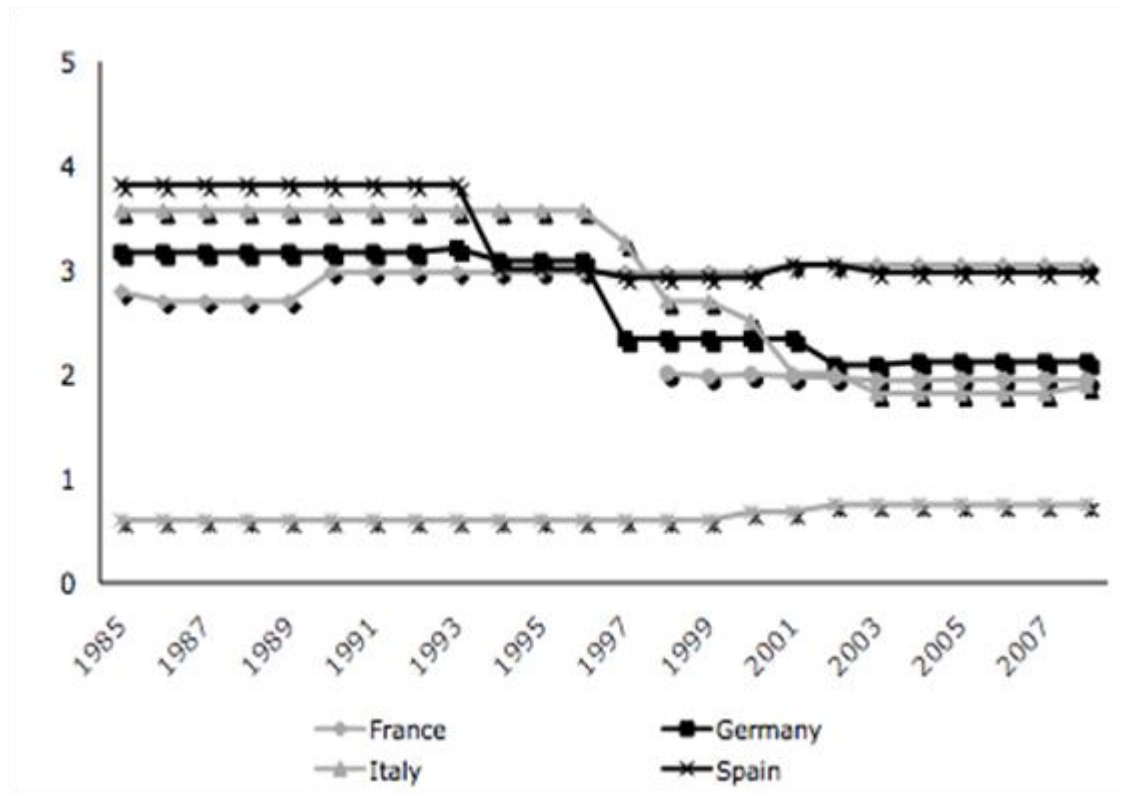


**Figure 6: Strike hours and hours of absence per employee/year 1968-2002
(sample of 980 companies)
Our presentation of Mediobanca cumulative data**



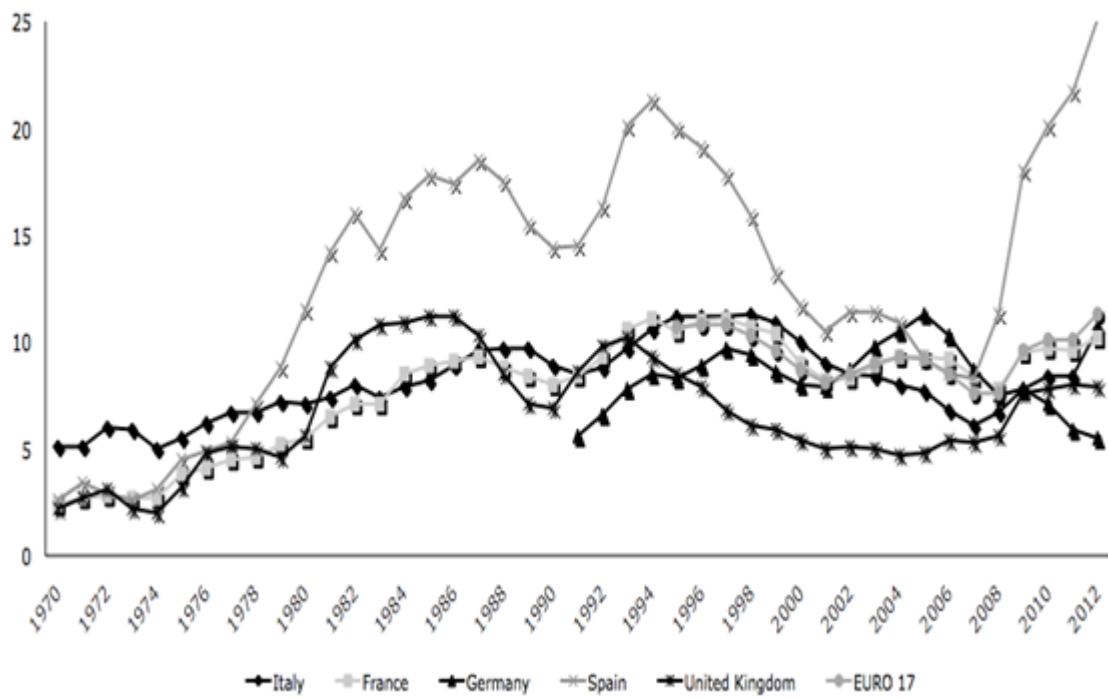
Source: OECD.

Figure 7: Trade Union density (%) in some OECD Countries 1970-2010



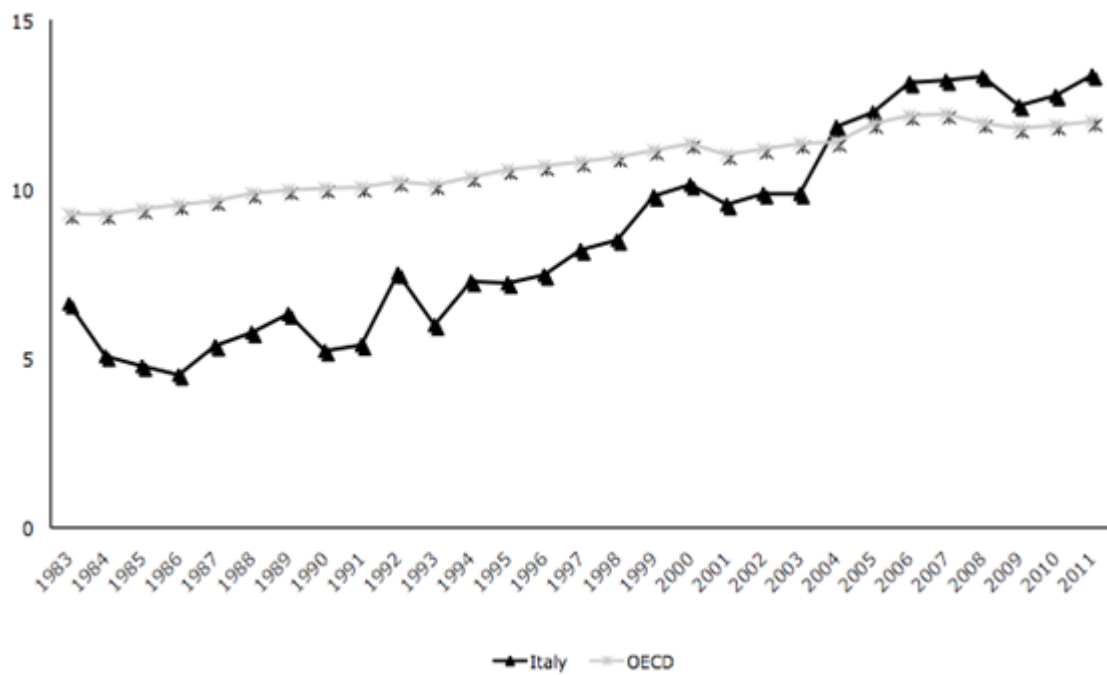
Source: OECD.

Figure 8: EPL (Employment Protection Legislation) index in some OECD Countries 1985-2008



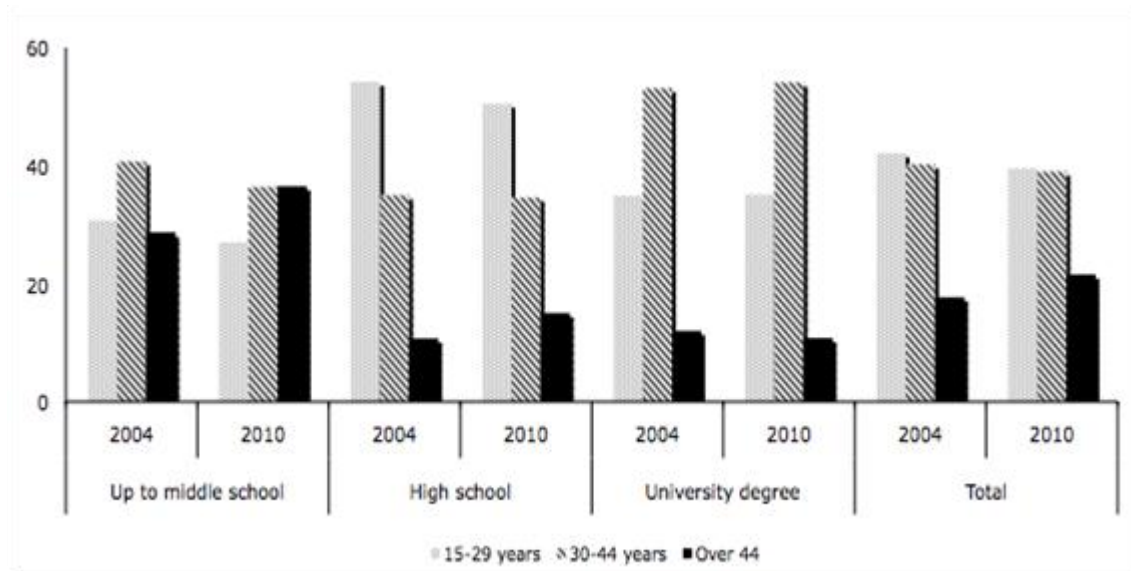
Source: Ameco

Figure 9: Unemployment rate in some Euro area Countries 1970-2012



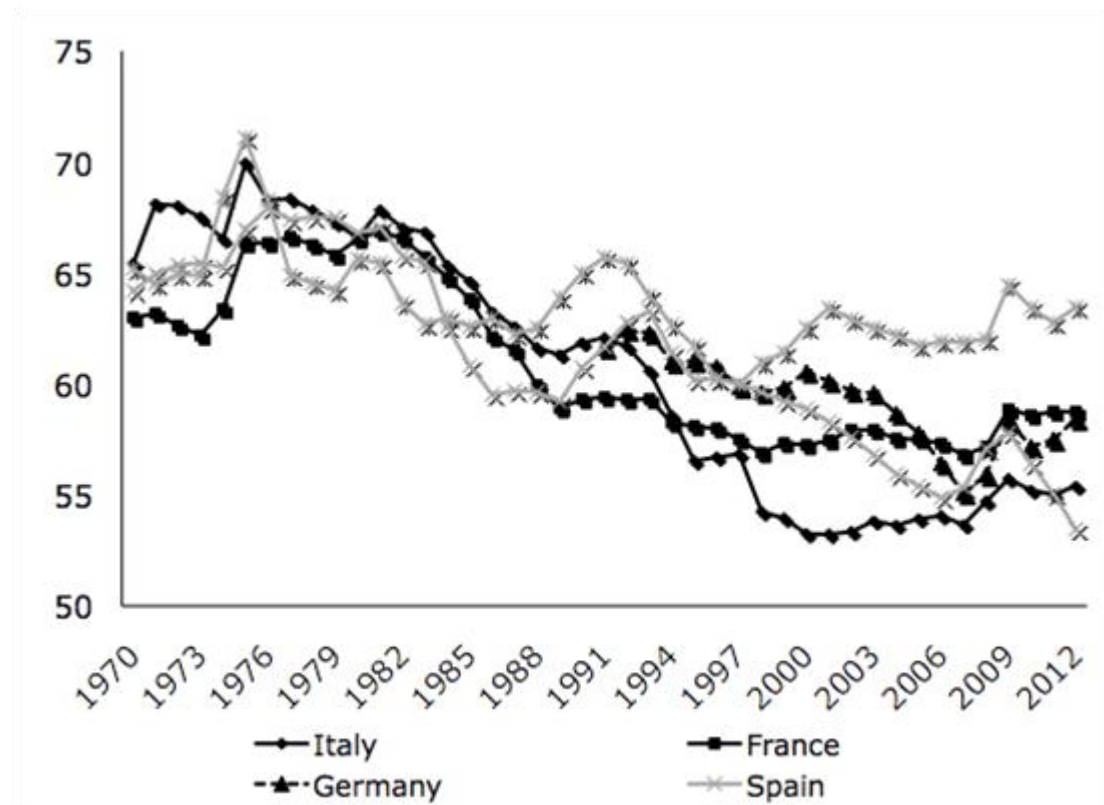
Source: OECD.

Figure 10: Percentage of temporary work on total employment in Italy and OECD average 1983-2011



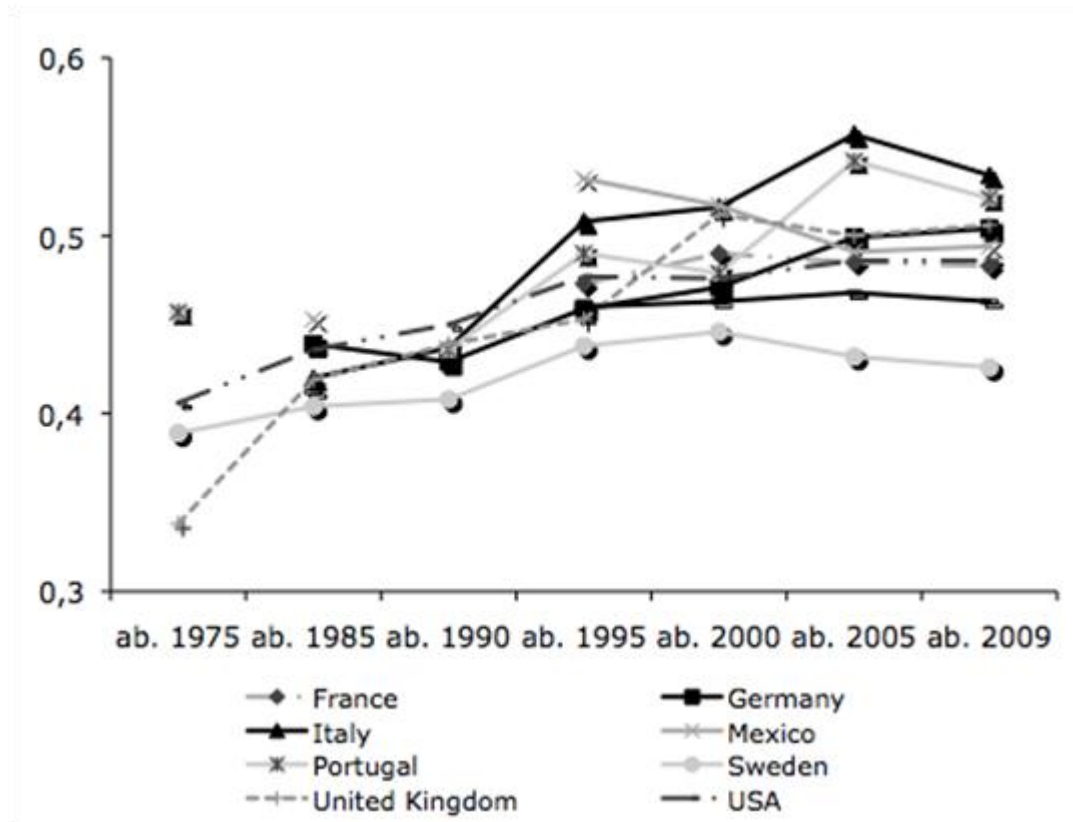
Source: Ires-Cgil 2011.

Figure 11: Distribution of atypical work by age and education in 2004 and 2010



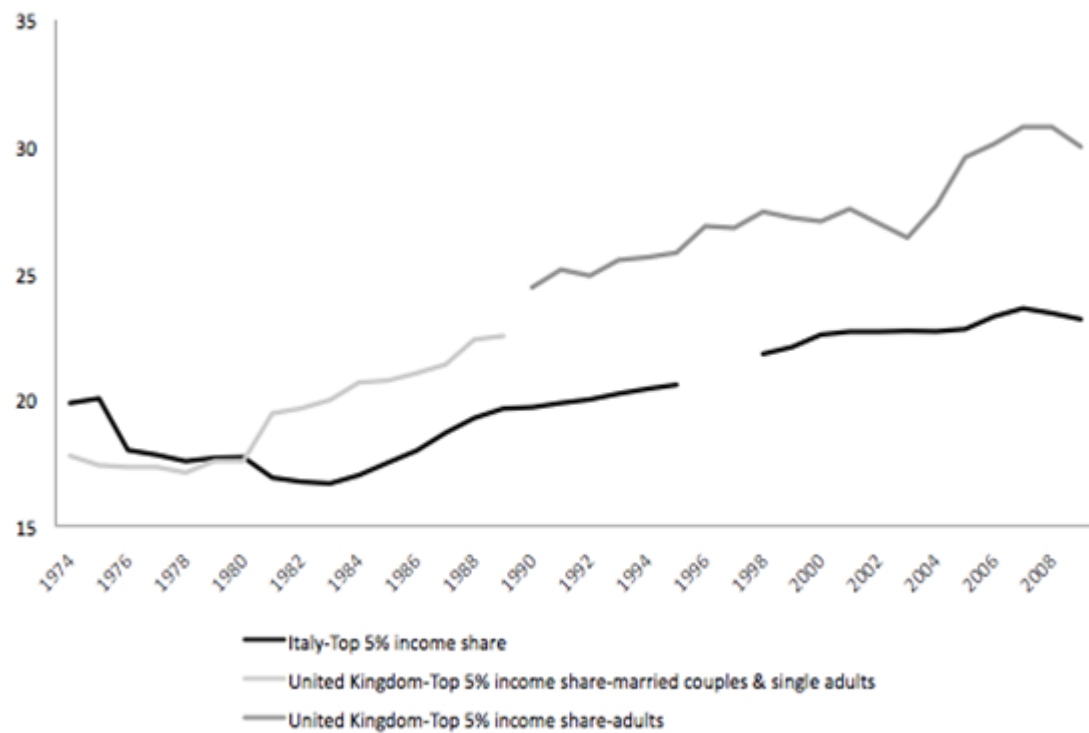
Source: Ameco

Figure 12: Wage share of GDP in some OECD Countries 1970-2012



Source: OECD.

Figure 13: Gini index (before tax) in some OECD Countries, ab. 1975 - ab. 2009



Source: Paris School of Economics Database. Notes: Estimates do not include most capital gains and several components of capital incomes (as interest income). Up to 1920, estimates include what is now the Republic of Ireland. Until 1974, estimates relate to income net of certain deductions; from 1975, estimates relate to total income. Until 1989 original estimates relate to tax units (married couples and single adults), while, from 1990, original estimates relate to adults; they are presented in two distinct columns. See source for details.

Figure 14: Top 5% income share in Italy and United Kingdom 1974-2009

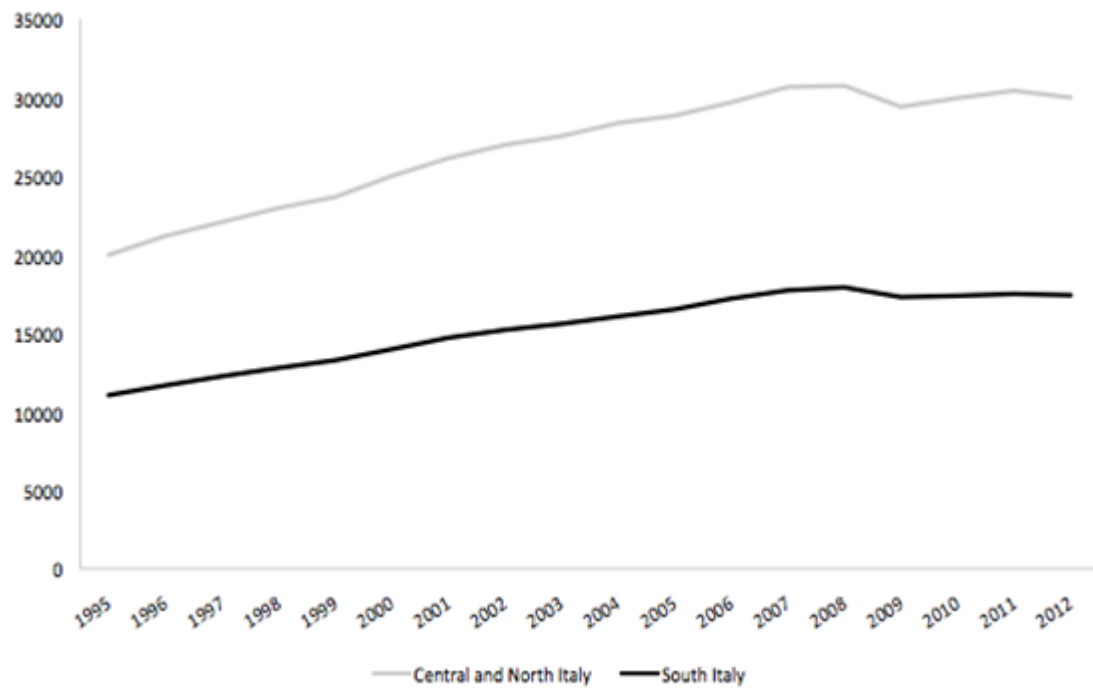
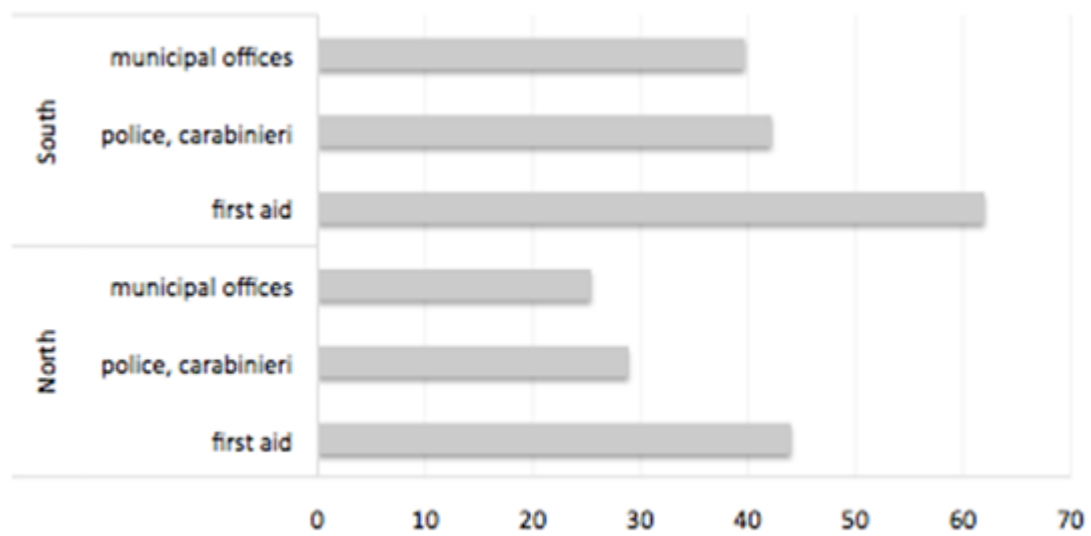
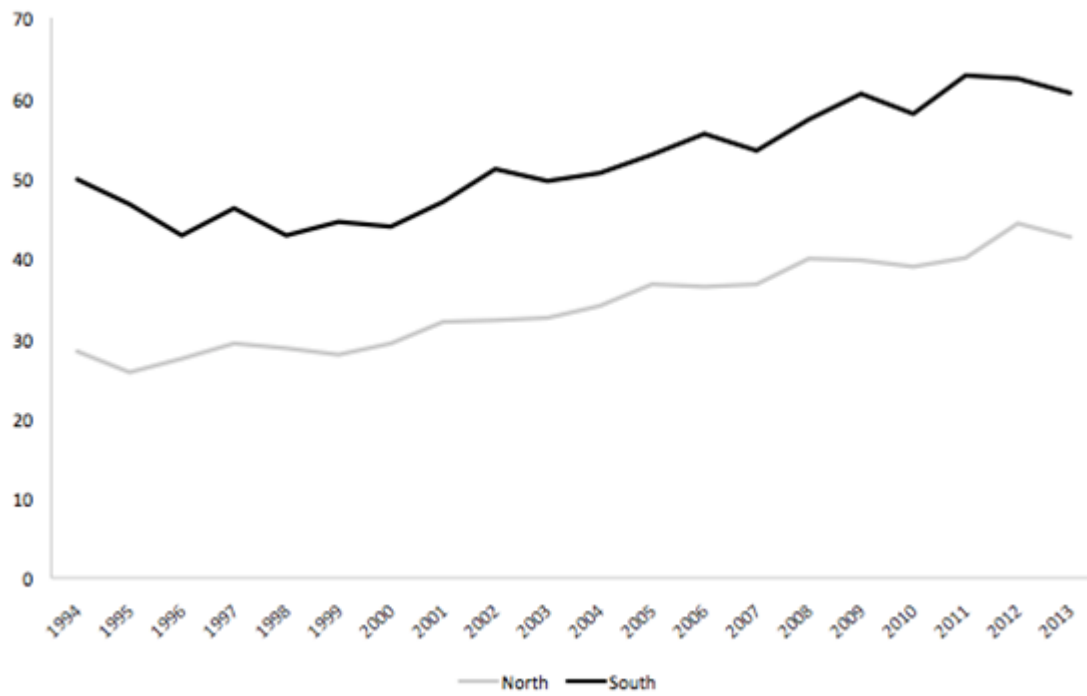


Figure 15: GDP per capita in Central and North Italy, and South Italy, 1995-2012



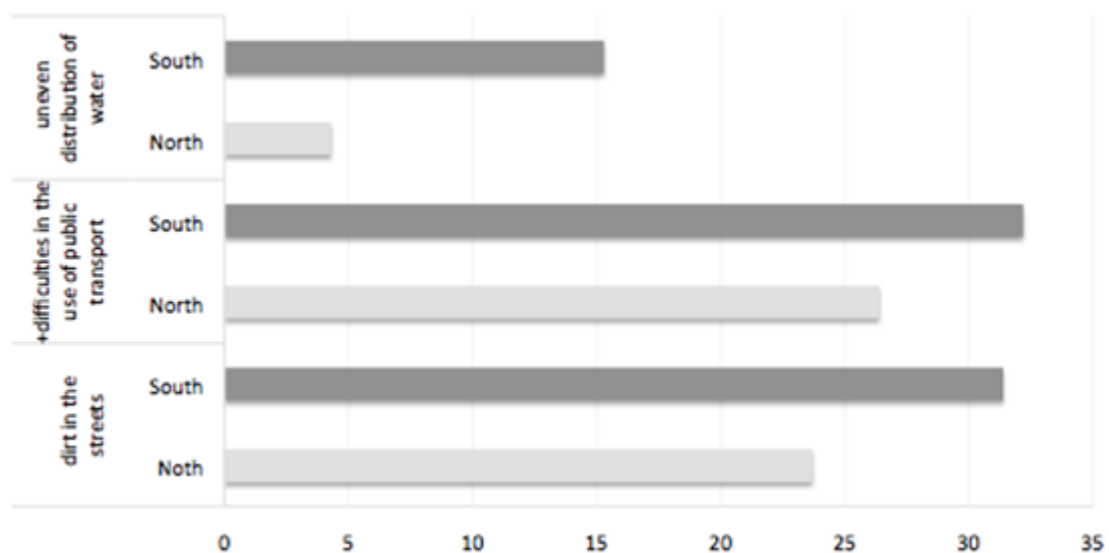
Source: Istat

Figure 16: Percentage of households stating it's difficult to get certain types of services in South and North Italy, 2013



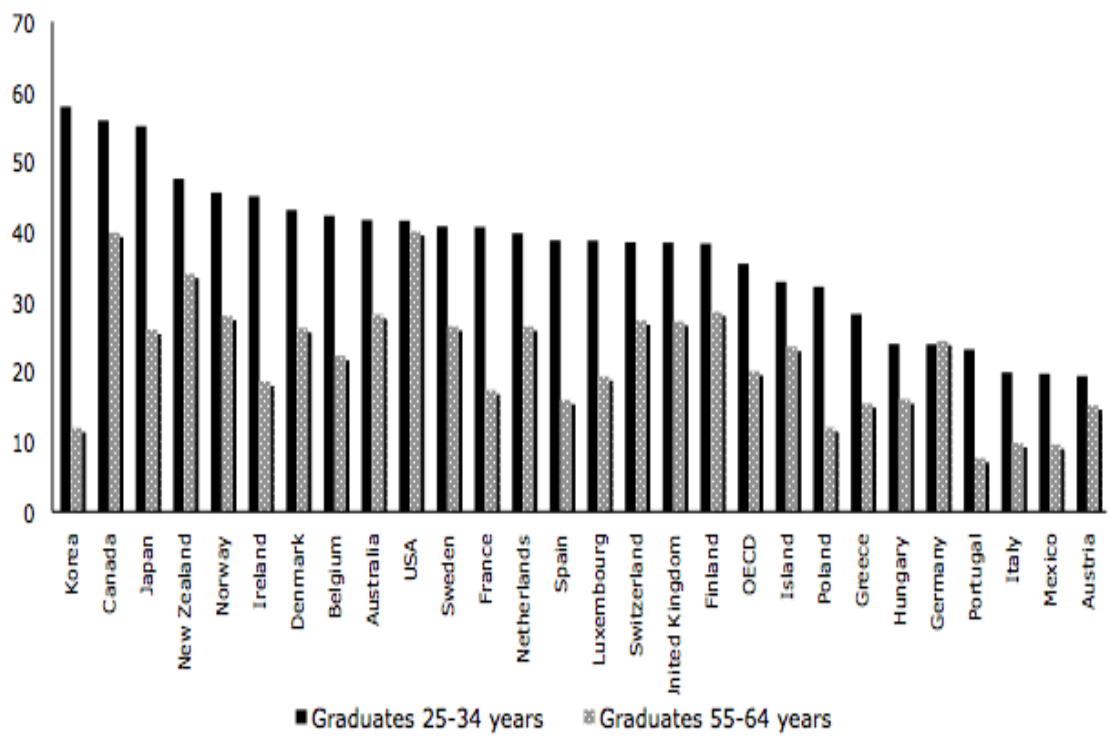
Source: Istat.

Figure 17: Percentage of people sharing the same characteristics, stating that they have waited more than 20 minutes in a queue in public health services, in North and South Italy, 1994-2013



Source: Istat.

Figure 18: Percentage of households declaring a lot or quite a few problems in the area where they live, in South and North Italy, 2011



Source: OECD 2011.

Figure 19: Percentage of graduates by age in OECD countries