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**Common sense and 'national emergency': neoliberal
hegemony in 1990s Italy**

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Change**
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Abstract

The object of this analysis is the moment of consensus that was achieved in the Italian political economy in the 1990s, which allowed the élite to implement 'neoliberal' reforms of industrial relations, pensions, labour market, as well as austerity measures. In contrast to previous work on these issues, I apply a neo-Gramscian theoretical approach that is able to overcome the limitations of an institutionalist paradigm without at the same time taking refuge in a form of determinism. The notion of 'common sense' is fruitfully applied to the Italian case: through a 'common sense' analysis of interviews with representatives of social forces and parties, I show that the genesis of consensus can be both described *and* explained. A second - related - aim of the research is to explore the 'common sense' underpinnings of the Left's ideological transformation in 1990s Italy. The main finding of the research is that the shared 'common sense' assumption among the social actors was that Italy suffers from economic vulnerability and thus unilateral sacrifices (including - crucially - wage moderation) on the part of labour are necessary in order to adapt the national political economy to 'the international'.

Introduction

This research aims at understanding how social consensus is reached within a national political economy.¹ This introduction presents the general themes that will be dealt with in the course of the work, concerning itself with identifying the ‘what’ and ‘why’ of the research. In the next chapter, I will present the literature that has dealt with the object of study, before I turn to the theoretical framework adopted – the ‘how’ of the research – and the methodological implications of my ontological and epistemological choices. The fourth and fifth chapters are devoted respectively to a reconstruction of selected elements in Italian economic and political history and of the historical period under consideration (broadly, the 1990s). In the sixth chapter the empirical material (interview data) is analysed.

The object of this analysis is the moment of consensus that was achieved in the Italian political economy² in the 1990s, which allowed the country to implement ‘neoliberal’ (see below) reforms of industrial relations, pensions, labour market and austerity measures, in this way facilitating Italy's accession to the Euro among the first group of countries in 1999. In contrast to previous work on these issues, I use a neo-Gramscian theoretical approach that is able to overcome the limitations of an institutionalist paradigm without at the same time taking refuge in a form of determinism (see chapters 1 and 3). The

¹ The author takes full responsibility for all translations from languages other than English.

² I use the term ‘political economy’ to refer to the political foundations which govern the economy, which include nationally specific elements.

notion of 'common sense' is applied to the Italian case: I will show that through a 'common sense' analysis, the genesis of consensus can be both described *and* explained.

This 'moment' or, better still, *momentum* of consensus (as it characterised a period which lasted from 1992/1993 to the late 1990s) and the crucial socio-economic reforms that were implemented allowed Italy to join the Economic and Monetary Union (EMU) and thus adopt the Euro among the first group of countries in 1999. The creation of EMU has radically changed the social and macro-economic context of the national political economies of the member states of the European Union. It had also previously provided a very strong catalyst for change in many member states, with the Maastricht criteria acting as the 'yardsticks' with which to measure whether a state was fit or not to join EMU and adopt the European currency. For Italy, the early to mid-1990s represented a crucial period. Most observers agreed that the country was not ready to join EMU among the first group of countries. The Maastricht treaty itself was signed by the government – soon to be swept away by the *Tangentopoli* ('bribesville') revolution, together with large sectors of the political class – with the well-grounded fear that Italy would not have 'made it' (a brief historical reconstruction of this period is provided in chapter 4). Yet, against all expectations, and notwithstanding a very large public debt, Italy was admitted in EMU in 1999.

What this research aims at understanding *and* explaining is precisely how this consensus was achieved. 1993 is *the* crucial year here: it is the starting point of the moment of consensus that has characterised the Italian political economy in the 1990s and has generated the political credit needed to implement innovations such as

the creation of an incomes policy and far-reaching reforms in the fields of industrial relations, pensions and the labour market. The research is based on semi-structured qualitative interviews with representatives of trade unions, the employers' association and the centre-left political parties, as well as with scholars of Italian economic and political affairs. Most of the interviews were carried out by the author. However, reference was also made to a series of interviews carried out by Mania and Orioli (Mania and Orioli 1993).

'Technical' and centre-left governments ruled the country in the 1990s (except for a 9-month interlude, the 1994 Berlusconi government), and thus I focus explicitly on the centre-left's ability to create consensus. This focus also allows for an analysis of the elements of transformation in the left's own ideological positions. While aware that definitions of 'the left' are controversial and that any attempt to define it excludes some historical components³, for the purposes of the research, I conceive of the 'centre-left' as the coalition that consolidated in the 1990s and won the 1996 political elections.

Consensus and capitalism

The first question of interest for a critical approach to the study of consensus in political economy is: how is consensus achieved *at all* within a national political economy? Reasoning from a perspective grounded in the Marxist tradition, consensus needs to be explained *in itself*, as capitalist social relations are structurally based on power, exploitation and conflict, that is, on the separation

³ For instance, in the Italian case, the former members of the defunct PSI (*Partito Socialista Italiano*) that joined Silvio Berlusconi's party *Forza Italia* in 1994.

of society in two camps: those who possess capital, and those whose only 'property' (in the liberal sense) is their own labour-power, and who are thus forced to sell it in the market in order to survive. Both camps are subject to the same imperative: the self-valorising accumulation of capital. Class struggle is seen as a constitutive and ineliminable aspect of the way a capitalist mode of production functions.

"The first historical act, Marx writes in *The German Ideology*, is the production of the means to satisfy our material needs. Only then can we learn to play the banjo, write erotic poetry or paint the front porch. The basis of culture is labour. There can be no civilisation without material production" (Eagleton 2011: 107).

This first premise points out that historical materialism is a form of *materialism* precisely because our relations of production are bound up with our physical survival. Any mode of production is based on specific social relations of production, that become entrenched into institutions and culture not because culture is simply an epiphenomenon of 'the economic' – that is, because of economic *determinism* – but because these relations and the historically developed elements that go hand in hand with them (states, institutions, culture) are built into the very structures by which we produce and reproduce our *material* life, they are essential for our very survival. In fact, according to Marx, it is not 'the economic' that shapes the course of history (this would indeed be a form of technological determinism) but *class struggle*, and classes – as will be seen – are not reducible to economic factors. Class struggle is conceived, first and foremost, as a *political* phenomenon.

Our *social* and *political* (and not merely economic) relations of production are bound up with the ahistorical need of means of subsistence that characterises the human race, but also with political factors. In fact, it could even be argued that the whole of Marx's work was concerned with dismantling the notion of 'the economic' and revealing the political and social relations that constitute and lie at the core of supposedly neutral 'economic' laws⁴: his was a *critique* of political economy *as* political economy rather than an *alternative* political economy (Colletti 2011: 30). Enriching Marx's theory with the insights provided by Gramsci's work it can be argued that the very notion of 'production' is to be viewed in a holistic sense as entailing both "the production of physical goods used or consumed" and "the production and reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to the production of physical goods" (Cox 1989: 39).

This insight is not meant to indicate that culture, religion or ideas are simply economics in disguise. In fact, the latter have their own history and develop through specific logics, which also shape the world of production. However, what is claimed is that "the way men and women produce their material life sets limits to the kind of cultural, legal, political and social institutions they construct" (Eagleton 2011: 114). As Stuart Hall argues, "we should not be surprised that over time this (i.e. *capitalism*)

⁴ In *Capital Vol.1* Marx argues that "it would be possible to write a whole history of the inventions made since 1830 for the sole purpose of providing capital with weapons against working class revolt" (Marx 1976: 563). This claim and Marx's analysis of the class struggle on the working day in Britain in ch.10 of *Capital Vol.1* demonstrates that Marx's idea of the 'economic' base is that of a realm of class struggle that does not *determine* consciousness or ideas, but poses constraints and limits to their development.

comes to be taken for granted and viewed as somehow natural, for the 'market' experience is the most immediate daily and universal experience of the economic system for everyone" (Hall 1996: 38 cited in Bruff 2008: 9).

It can now perhaps become easier to understand that consensus, based as it is on forms of thought, ideas – or *culture* – is inherently bound up with the ways we go about organising production. In more abstract terms, consensus, in a capitalist society, can be seen as *itself* an exception, as a phenomenon that needs explaining, rather than as the natural mode of existence and reproduction of society. A society based on a radical and insurmountable *separation*, that nonetheless reproduces itself largely consensually is *in itself* something that is interesting and worthwhile as an object of study. In fact, as John Holloway stresses, there is a powerful bias in the social sciences that sees conflict and lack of consensus, protest or revolution, as meaningful objects of study, neglecting that what needs explaining is also – perhaps foremost, from a critical perspective – order, lack of conflict, the 'peaceful' reproduction of society, *consensus*: "the thinker in the armchair assumes that the world around her is stable, that disruptions of the equilibrium are anomalies to be explained" (Holloway 2002: 5. See, in particular, chapters 1 and 7). Thus, consensus *in itself* is a revealing object of study that allows for an understanding of how our social relations are produced and reproduced over time and in specific moments in history, and the crucial role that forms of thought, ideologies, hegemonies and common sense play in the production of consensus, a process that *depoliticizes* crucial aspects of our socio-economic life, thus allowing for an *internalisation* of ideology and forms of power into our daily lives, rendering them natural, objective elements of

‘reality’: constraints one may not appreciate or positively supports, but nonetheless ‘facts of life’ that one cannot change.

However, these very ideas are not simply ‘floating signifiers’ – as the post-structuralists would argue (see Torfing 1999; Laclau and Mouffe 1985) –, random outcomes of political struggle that are entirely contingent on the struggles that attach a temporary meaning to them, a meaning which moreover finds no correspondence with the ways humans go about organising production and producing the means of subsistence which are essential for their daily lives. Ideas are also not another independent variable to be added in an *ad hoc* way to analysis, but are structurally dependent upon and influenced by the way production is organised – our *mode of production*, and they traverse the whole sphere of ‘the social’, conditioning how institutions are created and reproduced. There is no determinism involved here. The mode of production (capitalism) poses limits to our forms of thought, it skews them towards certain directions, without determining them. Clearly, within a capitalist state there are ideas and ideologies that are *counter-hegemonic*, in the sense that they question the depoliticized assumptions on which production and the political and social institutions are built on, but it is not a chance that these forms of thought are marginal and very rarely reach the status of common sense. If this were so, we would live under an entirely different mode of production, or at least would be rapidly moving towards it. While it is plainly wrong to argue that our mode of production, or class struggle, *determines* our forms of thought, on the other hand it is clear that our ideas are not *separated* from the way we organize production, and that

“the class that is the ruling *material* force in society is at the same time the ruling *intellectual* force” (Marx 1968: 64).

As will be argued more extensively later referring to Marx’ work, the ahistorical human need of means of subsistence is a common characteristic of the human race, but the way humans go about organizing production in order to meet those needs is historically specific. This organization over time shapes our forms of thought in radical ways so that “the pressures and limits of what can ultimately be seen as a specific economic, political and cultural system (i.e. *capitalism*) seem to most of us the pressures and limits of simple experience and common sense” so that we live in a “lived system of meanings and values (...) which as they are experienced as practices appear as reciprocally confirming (...) It is, that is to say, in the strongest sense a ‘culture’, but a culture which has also to be seen as the lived dominance and subordination of particular classes” (Williams 1977: 110). There thus need not be positive societal acceptance of common sense, as the pressures of a mode of production may come to be seen as simply the pressures of how production is organized in general, of ‘reality’ – ‘whether we like it or not’. Passive acquiescence is thus also a possible outcome, as will be made clear in the analysis of the interviews.

1993: building consensus

The 1993 ‘Ciampi’ protocol is seen as the initial and fundamental element in the successful search for and achievement of consensus, and thus is taken here as the initial focus of analysis of how consensus came through. In 1993, a comprehensive agreement between the social partners and the state was signed: the government – led by

Ciampi – CGIL (*Confederazione Generale Italiana del Lavoro*), CISL (*Confederazione Italiana Sindacati Lavoratori*), UIL (*Unione Italiana del Lavoro*) and the employers' organisation Confindustria.⁵ The so-called 'Ciampi' protocol was a fundamental step that allowed on the one hand to lower labour costs, limit inflation and interest rates and on the other hand to create the social consensus for implementing the necessary macro-economic policies in the run-up to the Euro. Moreover, the unprecedented consensus among the social partners also on welfare state reform – consider the successful pact on pension reform in 1995 and the 1996 'Labour Pact' (*Patto del Lavoro*) on supply-side measures for employment creation, as well as the lack of conflict with which several reforms of the state budget were met – also eased the way towards the Euro by limiting the state's expenditures and hence allowing it to respect the Maastricht criteria on the budget deficit. This season of reform was indeed without precedents in Italian history, considering both the extent of reform and the widespread consensus among the social partners. As a matter of fact, the 1993 'Ciampi' protocol was the first *ever* tripartite agreement on the reform of the industrial relations system (and incomes policies) to be signed in Italian post-war history. The consensus built among the social partners in the early 1990s was based on "the renewed importance of public policies – not as the traditional source of welfare benefits but as a crucial factor in national competitiveness"

⁵ In Italy, there are three major confederations of trade unions, historically divided along political lines. CISL is the catholic confederation, historically linked with the Christian-Democratic party. CGIL was the communist-oriented confederation, with a class-based tradition and ideology. UIL is a smaller confederation that is linked with the socialist tradition. Confindustria is the national employers' association, by far the largest representative body of Italian capital, representing all sectors of industry and services.

(Regalia and Regini 1997: 228), which was seen as brought about by incomes policies and reforms aiming at a partial retrenchment of the welfare state.

The goal of 'entrare in Europa' (joining Europe) was certainly central within the Italian state, among the social partners and public opinion more generally. The Eurobarometer in fact shows how Italy was, and still is, one of the most Euro-enthusiastic member states of the EU.⁶ Scholars have talked about the reform season of the 1990s as the success of a European 'saving' of Italy from itself (Ferrera and Gualmini 2004), from what were considered to be entrenched clientelistic practices, from state inefficiency and tax evasion (see chapter 1). The strong pro-European sentiment resurfaced during the *Tangentopoli* scandals starting in 1992, which decimated the political class and showed the extent of corruption at all levels in the state apparatus and in the political parties that had ruled the country in the previous decades.

In contrast to the instability and uncertainty in the relations between the social partners and the state in the 1980s (Regini 1997b: 262), the 'Ciampi' protocol set in stone new rules for industrial relations, implemented an incomes policy, and created a climate of reciprocal trust between the trade unions, the employers' organizations and the governments that made the reaching of agreement on further reforms much easier. (see chapter 5 for an in-depth discussion of the reform agenda of the 1990s) Starting with the incomes policy and the reform of industrial relations, trade unions acquired a pivotal role in economic

⁶ Eurobarometer data show that in 2000 67% of Italian had a 'positive image' of the EU vis-à-vis an average of 43% for the whole EU. Moreover, 41% of Italians identified themselves as both Italian and Europeans, against a EU-wide average of 25%. (European Commission 2000)

restructuring, including reforms of pensions and of the labour market (introducing greater flexibility, in particular with the 1997 comprehensive legislative package). It has been argued that the concertation initiated by the technocratic governments of the early 1990s (in which key cabinet positions were held by personalities who later became members of the centre-left coalition) “rapidly assumed the longer-term characteristics of a policy-alliance between the centre-left and organised labour, which was sustained throughout the decade” (Simoni 2009: 2). The largely consensual re-orientation of social policy goals and principles that has characterised the reforms of the welfare state during the decade has been described as a “paradigm shift” (Fargion 2001) or a “Copernican revolution” (Salvati 1997).

The Ciampi protocol was thus the crucial starting point of a season of reforms that was based on mutual trust and consensus among the social partners. In particular, it is emphasised in the literature (see chapter 1) that the subsequent reforms, whose content was negotiated with the social partners, or at least the trade unions, (such as the reform of pensions in 1995, the labour market flexibility laws of 1997 and the 1998 ‘Christmas Deal’ on concertation) were conditional upon the consensus that was first developed in 1993 (Ferner and Hyman 1998). The budgetary policies that allowed Italy to join EMU with the first group of countries have been described as “the most drastic attempt to balance the state accounts since the late 1940s” (Regini and Regalia 2004: 65).

The tripartite agreements of the early 1990s have also been described as the “turning point” in the relationship between the social actors, brought about by a significant change in the nature and strategies of the social actors

(Regini and Regalia 1997). In fact, the two authors stress that the tripartite agreements of 1992 and 1993, together with the pension reform of 1995, were hailed as the “cornerstones of Italy’s economic recovery” (*Ibidem*: 217). The focus on the Ciampi protocol is proposed because the 1993 deal is the first one that manages to achieve a comprehensive reform of the rules of bargaining and indexation, marking the beginning of what has been termed the “new constitution” of industrial relations by the Minister of Labour who negotiated the deal (Mania and Orioli 1993: 139). While also crucial, the 1992 pact – as will be explained in more detail in chapter 4 – limited itself to a few temporary measures in a moment of ‘emergency’ (the speculative attack on the Lira): the elimination of the previous system of wage indexation, conceived as a preliminary measure before adopting a new system, and a temporary freezing of company-level bargaining for 1992-1993. This incomplete agreement was followed by a more detailed and comprehensive reform of industrial relations that was achieved a year later. With the Ciampi protocol, the Italian industrial relations tradition based on a low level of institutionalisation and on voluntarism (Cella and Treu 1989), was replaced by an institutionalisation and formalisation of relationships between partners, that imposed order and introduced rules on the collective bargaining structure (even if not turned into law). In the chapter devoted to theory, I will show how the discursive construction of ‘economic emergency’ as a situation of crisis that can lead to an ‘impending catastrophe’ has played a decisive role in building consensus.

The 1993 pact is seen by Regini and Regalia as going beyond the emergency measures enacted in the previous year and creating – for the first time in Italy’s post-war

history – a stable architecture for incomes policies and collective bargaining in which “for the first time, collective bargaining, and especially the relationship between the social partners and the government has become the core of economic and social regulation” (Regalia and Regini 1997: 214-215). It has also been argued that the incomes policy and reform of industrial relations achieved with the Ciampi protocol (together with the 1992 pact which abolished wage indexation and froze wage bargaining for one year) marked the beginning of a problem-induced learning process characterised not by interest-driven confrontations among the actors but by what the authors term ‘puzzling’ – the analysis of problems and the common search of solutions –, a pre-requisite of ‘powering’ – the orchestration of consensus and the actual exercise of power to carry out reforms (Ferrera and Gualmini 2004). What is indeed remarkable about the 1993 pact, and a fact that has been acknowledged by many authors, is that it was not based on the kind of ‘political exchange’ (Pizzorno 1978) which had characterised traditional tripartite deals; instead, it was based on regulative rather than redistributive policies, in a wider context of ‘economic emergency’ in which the logic of the agreement was not one of exchange of resources but one based on a sharing of objectives as common goals (see chapters 1 and 5). The two agreements, and particularly the 1993 deal, were presented by economic commentators and the main political forces as key to avoiding an outright collapse of the Italian economy (Regini 1997b).

There is wide agreement on the fact that the Ciampi protocol – both because of its content and because of the moment in which it was signed – signalled the beginning of a new phase in the relations among the social partners, the “era of concertation” (Ricciardi 1999) and has been seen as

the fundamental pillar of the consensus of the 1990s (Regalia and Regini 1998: 493), characterised by a policy alliance between organised labour and the centre-left. It was this alliance that was seen as responding to the needs of 'globalisation': "wage demands were tamed; the pension system was reformed, and its scope considerably reduced; heavy doses of flexibility were injected in the labour market" (Simoni 2009: 2). The 1993 pact was acknowledged as a "vital step" and as "crucial" in the recovery of the economy and in the road towards meeting the Maastricht criteria (Bordogna 2003a; 2003b). It was indeed a remarkable change from what has been described as an 'anomic division of political labour' (Sapelli 1995, cited in Rhodes and Bull 1997a: 3).⁷ Therefore, the terms of the consensus achieved in 1993 are seen as reflecting the wider nature of the compromise and of the versions of common sense that have characterised the season of reforms of the 1990s.

One can thus ask how labour and trade unions as its representatives have come to accept the need for, and the terms of, consensus and why they threw their lot behind the need to 'entrare in Europa'. What needs to be understood is what this master-signifier 'Europe' actually concretely meant in terms of socio-economic policies. Resistance would have been a predictable outcome, considering the neoliberal implications of the reforms (see below). The crucial moment in Italy's road to EMU (aiming

⁷ According to Sapelli, as the two authors report, this is the result of the balkanisation and exploitation of the state by particular sectors of the political and economic élite and the absence of an administrative technocracy. "For Sapelli, Italy is a significant example of the weakness to be found in southern European democracy based as it is on 'collusion, lack of sense of state and the ubiquity of clannish parties', a problem compounded by its weak embrace of the weberian concept of 'belief in law'" (*Ibidem*: 3).

at a radical change in economic policy that would allow for a decrease in public spending, a decrease in the deficit/GDP ratio and the battle against inflation) was the July 1993 tripartite pact. This conjuncture in the Italian political economy can be referred to as the 'moment of capital' (Bruff uses the same concept to refer to the Wassenaar agreements in the Netherlands in 1982 – see Bruff 2008 ch.5), which then launched a *momentum* of consensus. This pact, apart from confirming the previous year's abolition of the wage indexation mechanism, set in stone new rules for the conduct of industrial relations at the national and local levels, *de facto* guaranteeing wage increases lower than inflation and of productivity increases and maintaining social peace for several years. The balance of the agreements was – from labour's perspective – dramatic, as labour's share in the total wealth produced in the Italian economy from 1993 to 2003 saw a decline of 10 percentage points (see ch.4). Once Italy was part of the Eurozone, moreover, the only possible reaction to what economists call asymmetric shocks that member states can take is labour market flexibility, so that "regions or states affected by adverse shocks can recover by cutting wages, reducing relative prices and taking market shares from the others" (Blanchard 1998: 249, cited in Talani and Cervino 2003: 203). Thus, as Bonefeld underlines, within EMU, those countries with lower rates of productivity (and Italy is certainly part of this group) can only compete with more productive countries through the extraction of a larger share of surplus value at the moment of production (Bonefeld 2001). Moreover, according to Rhodes (1997: 10-11) the so-called southern cluster of welfare states experienced a remarkable shifts from very low both external (numerical) and internal (functional) flexibility of

the 'legal' labour markets in the 1970s to a much higher level of flexibility in the 1990s. One must on the other hand remember that these changes in the labour market went hand in hand with a concomitant 'financialisation' of the Italian economy in the 1990s, as a consequence of the extensive privatisation of public assets, and a dramatic increase in equity markets (the latter represented 27.6% of financial wealth in 2000 – a figure higher than that of France and Germany -, up from 14.4% in 1995) (Della Sala 2004: 1048).

Strictly in terms of decrease of labour market legislation protection, after the end of the era of union centrality (Lange *et al* 1982) in the late 1970s, Italy's entry into the EMS provided the background for a partial retrenchment of the *scala mobile*, the wage-indexation mechanism, in 1984 (confirmed in a referendum in 1985). This was a major defeat, which occurred after the historic 1980 FIAT strike defeat and after the economic crisis had significantly increased the rate of unemployment and created new divisions among the Italian working class and union movement, leading to a decline in its political and bargaining power. Talani and Cervino (2003) argue that shifting the 'power battle' from the national to the European level was by no means neutral, privileging certain groups over others, and that this shift made it easier to introduce neoliberal market reforms.

What can be seen in Italy in the 1990s is a battle between competing political projects, with one of them – what I call the 'technocratic centre-left' project – prevailing, because it was better able to interpret the country's historical moment, linking Italy's development with European integration and the interests and worldview of transnational capital as it was developing both within Italy

and across the European Union. The centre-right in Italy *did* clearly aim at introducing what can be considered ‘neoliberal’ reforms, but skewed in a different way, partly resisting the process of European integration (see chapter 4). In the mid-1990s, the ‘technocratic centre-left’s project prevailed because it was able to connect to a wider set of social forces: transnationalising capital, organised labour and sectors of state employees.

While other European countries managed to achieve quite profound changes in this period while maintaining a high level of consensus, this outcome is still paradoxical for the Italian case. The former could rely on a tradition – what can be called common sense sedimentations – that favoured consensus and the search for shared goals over conflict, while the Italian state could not. This is a case that is not taken into consideration in Bruff’s study. Nonetheless, I believe it could prove the validity and generalizability of his theory to political economies where consensus has *not* been the rule but was nonetheless achieved. Italy is conceived as a ‘disciplined interpretive case study’, as it “interprets or explains an event by applying a known theory to a new terrain” (Odell 2001: 163). An in-depth focus on this case study helps to refine the theory and at the same time the theory sheds light on the Italian situation, as highlighted above. There is thus a constant and mutual interpenetration between the theoretical apparatus proposed and the empirical evidence from the interviews. What is presented here as an apparent paradox is in fact the proof that the theoretical lens we are applying is fruitful in understanding *and* explaining consensus (see Chapter 3) also in the Italian case, the case of a political economy that is *not* characterised by a tradition of consensualism. The aim of this research is thus both to go beyond the existing

largely institutionalist literature on this moment of consensus (see ch.1) and shed light on the Italian 'route' to neoliberalism, and at the same time refine Ian Bruff's theory to include other countries that do not share a consensual tradition of neo-corporatism, contributing to ameliorating the theoretical framework incorporating the concept of *trasformismo*.

Van Apeldoorn (2002; 2006) argues that the socio-economic policy consensus that emerged from Maastricht was a synthesis of three different political projects at the European level: the neoliberal one, supported by TNCs and financial capital, and aiming at integrating Europe within the global economy adopting a strategy of *negative* integration and the creation of an open (also to the outside social forces), competitive and deregulated internal market; the mercantilist project, promoted by parts of industrial capital, which aimed at constructing a sort of defensive and partly protectionist regionalism building a strong internal market that would serve as a home base for global competition also using industrial policy to promote 'Euro-champions'; the weaker social-democratic project promoted by European Commission president Jacques Delors and generally supported by labour, which envisaged the single market as the first step in the creation of a 'European organised space' with high levels of social spending and the reproduction of corporatist institutions at the European level. The 'embedded neoliberal' compromise, which included most of the elements of the first project, is defined as stopping

"short of fully disembedding the European market economy from its post-war social and political institutions. On the one hand, the primacy lies with freedom of capital and of markets, implying that the post-war 'European

model' needs to be fundamentally restructured. On the other hand, it is recognised that this restructuring process cannot take place overnight, that it will have to be a gradual process, in which a high degree of social consensus is maintained. Finally, and crucially, a pure neoliberal strategy would also undermine the long-term accumulation prospects of industrial capital, which still needs the state to educate the workforce, to provide the infrastructure, to pursue macroeconomic policies that favour growth and investment, to maintain social and political stability."(Van Apeldoorn 2006: 8)

This work is also conceived as a contribution to an understanding of the construction and the entrenchment of the 'embedded neoliberal' project within the Italian variety of capitalism, adding to the growing body of studies on the national trajectories of European political economies (Bieler 2006; Bruff 2008). A national focus is all the more important now that the EU's socio-economic governance is under increasing stress and is perhaps more clearly manifesting its neoliberal bias, with its pressures for austerity policies.

Hancké and Rhodes (2005: 13), writing about EMU's influence on welfare state reforms, argue that

"both the Italian and Portuguese pacts then took the form of an augmented concertation, linking incomes policy and collective bargaining reform with broader innovations in the labor market and social security systems, amounting to an extensive remodelling of their respective political economies. Governments took the opportunity of EMU membership constraints to strike deals across adjacent policy arenas and bolster their legitimacy by making employers and unions their close accomplices in reform. (...) The special character of these pacts, which separates them from the other countries joining EMU, was because of

the need simultaneously to tackle the twin imperatives of high inflation and high deficit or debt reduction and was made possible through the existence of microlevel labor market institutions that could be reorganised to allow companies and workers to upgrade skills and product market strategies (as in Italy)."

Here one can see – from an industrial relations perspective – the particularity of the Italian situation, and the radical changes that were brought about in order to generate a different form of economic governance more in line with the "embedded neoliberal" compromise sought at the European level (see ch.4).

The object of analysis is thus both understanding how the various actors 'made sense' of consensus – the versions of common sense that overlapped to establish the moment of agreement – and the consequences of the consensus. What is studied is the development of a hegemonic *ideology* within the Italian form of state, an ideology that was able to build on the historical sedimentation of common sense in order to depoliticize certain elements in line with the "embedded neoliberal" hegemony that was being constructed at the European level. Basically, it will be argued that consensus is built on a correspondence between what the economic 'reality' or the economic 'facts of life' are for the different actors in the Italian political economy, that provides an overlap for the different versions of common sense. This overlap is based also on how 'the international' has been internalised into 'the national', that is, how national actors perceived Italy's position in the international capitalist totality (see Chapter 3).

This work aims to fill a *double* gap in the literature, thus enhancing our knowledge in two directions:

- *from above*: by using the Gramscian notion of 'common sense', this work aims at extending Ian Bruff's theoretical framework for analysing the trajectories of European 'varieties of capitalism' (see chapter 3). It will show that 'common sense' is a useful heuristic device for analysing consensus formation even in countries that, contrary to the case studies proposed by Bruff (the Netherlands and Germany) have *not* experienced a history of consensus among the social partners in socio-economic policy-making and industrial relations (the concept of *trasformismo* will be employed here).
- *from below*: this theoretical framework is used to shed light on a case which has received little theoretical attention. While descriptions of the reform season inaugurated in 1993 in Italy are not missing, in-depth analyses are limited to institutionalist approaches, which, as I will show (see chapter 1), are unable to both describe *and* explain the moment of consensus.

The next paragraph will explore in a little more detail these two correlated directions of the research.

Common sense and trasformismo in the Italian political economy

In this work I utilise Gramsci's notion of common sense as developed and refined by Ian Bruff (2008, 2010, 2011). My goal is to show that Bruff's notion of common

sense is the key in understanding *and* explaining the moment of consensus that was achieved in Italy in the 1990s. The two case studies that Bruff takes into consideration when illuminating the empirical validity of his theory are the Netherlands and Germany. I would like here to dwell briefly on this choice and explain how the case of Italy could shed light on the more general validity of the concept of common sense, and also point to a possible theoretical refinement of the theory to account for the Italian case, by incorporating the concept of *trasformismo* into the theoretical framework.

The Netherlands and Germany (the latter since the end of the Second World War) are seen by Bruff as examples of *consensual* political economies. In the ‘corporate liberal’ era (see Van der Pijl 1998 ch.3 and 4), both countries have developed extensive Fordist forms of regulation of the economy, comprehensive welfare states and a form of socio-economic policy-making that has included the representatives of labour, the trade unions, into the political and institutional realm. Crucially, in both countries, social-democratic parties in government have been an important factor in the development of neo-corporatist institutions. In fact, it is because of this long-standing historical legacy that consensus is seen as inherent in the common sense assumptions of the various actors in the respective political economies. For the Netherlands, Bruff has argued that “the assumption of economic vulnerability forms the anchor for various versions of common sense which exist in the Netherlands, and thus provides ample scope for their content to develop” (Bruff 2008: 91), and that “the means by which the international has been internalized into the national – highlighting their intertwining in a unique combination of the two – has been

via (...) “consensualism”, a Dutch policymaking tradition which places great emphasis on agreement being reached between the actors” (Bruff 2008: 92). In contrast, the author argues that in Germany, consensus for the ‘Alliance for Jobs’ process of the late 1990s was *not* achieved precisely because “there was little scope for assumptions about the political economy to act as an anchor for the various versions of common sense” (Bruff 2008: 115). He argues that Germany had a different insertion into capitalism: “its position in the international has been stronger, owing to the fact that this material basis for existence was largely internal to its territorial boundaries” (Bruff 2008: 119). Thus, while capital’s versions of common sense evolved as capital became more transnationalised in the 1990s, witnessing the “growing transnationalization of Germany’s material basis for existence” and hence “switching employers perspectives away from the traditional interpretation of the social market economy concept” (Bruff 2008: 124), labour’s common sense still remained linked to the latter, particularly due to the strong working class identity and skill level which German technological development had spurred.

Bruff’s study is based on the idea that an “essential prerequisite of the economy performing well is the presence of a consensus across the state, employers and trade unions – the tripartite actors – on economic and social policy” (Bruff 2008: 1). He provides a theoretical framework which allows for analyses of the role of consensus in European political economies. However, one would be at pains to claim that the above statement applies to all European countries. Italy, for instance, clearly did not historically manifest a consensus “across the state, employers and trade unions on economic and social

policy”, yet did perform economically well for long periods in the post-war era. The search for consensus among social partners in countries such as Germany and the Netherlands has been *institutionalized* into predictable rules, procedures and negotiations that have formed an outright ‘model’ of consensual capitalism – what has been termed the Rhineland model (Albert 1992), co-ordinated market economy (Hall and Soskice 2001) or consensual social capitalism (Schmidt 2002). Consensus in both countries is therefore institutionalised within the state apparatus. This strongly shaped the versions of common sense of the different ‘organic intellectuals’ of the social forces involved, imparting a bias towards the need to achieve consensus in both states, that, for instance, manifested itself in the assumption of economic vulnerability that characterised the Netherlands’ shared version of common sense.

My claim is that Bruff’s theoretical framework can be successfully employed also in political economies that have *not* historically shown a stable search for consensus among the social partners. The Italian political economy cannot in fact be easily included in any ‘model’ that has been developed by the Varieties of Capitalism school (see chapter 2 for a review of the ‘Varieties of Capitalism’ literature) and has been analysed as a model in its own right (Regini 1997a; Della Sala 2004). It presents unique characteristics and – crucially, for our purposes – has historically displayed a remarkable *lack* of consensus and of institutionalization of tripartite bargaining and negotiation among social partners without however representing an example of Anglo-Saxon capitalism, or *liberal market economy* (Hall and Soskice 2001). This renders the successful development of consensus in the early 1990s all the more interesting and paradoxical. My aim is to show that Bruff’s

conceptual framework can be usefully applied also to this case, and this allows me to both refine the theory and shed light on unexplored aspects of the Italian consensus of the 1990s.

The notion of *trasformismo* can be fruitfully utilised in order to explain how the consensus in the early 1990s was achieved and why the trade unions and the main centre-left party, the PDS (*Partito Democratico della Sinistra*)⁸, the heir of the PCI (*Italian Communist Party*) became its most convinced promoter. *Trasformismo* is defined by Gramsci as not only a political concept (the strategic construction of consent) but fundamentally as an *economic* one: it is a model of development that marginalises the labour movement – attempting to avoid the development of a counter-hegemonic bloc – and excludes from its priorities substantive increases of internal demand (Liguori and Voza 2009: 860-862). It is from the beginning conceived as a deeply *modern* process, in which the inherent relation between ‘backwardness’ and clientelism is refused. Quite on the contrary, *trasformismo* means not governing in the absence of modernity, but modernising *against* the working class. The perspective of the mass society is thus incorporated, so that the goal of the ruling class becomes to insert into defined ‘rules of the game’ a network of organised mass interests by linking them with the dominant party, with the goal of marginalising the working class and blocking its constitution into an autonomous political subject. The

⁸ The PCI changed name in 1991 to PDS. Then, the latter changed its name twice. In 1998, joining forces with other minor centre-left parties, it renamed itself DS (*Democratici di Sinistra*), dropping the term ‘Party’ (perhaps out of fear of identification with the First Republic). In 2007, the latter merged with former leftist christian-democrats and founded PD (*Partito Democratico*), currently by far the largest centre-left political force in the country.

ruling class is in this way able to prevent the potential emergence of a counter-hegemonic bloc (Forgacs 2000).

In the post-war era, this constant element in Italy's history – Gramsci (Liguori and Voza 2009: 860-862) notes that both Giolitti's rule and Fascism were heavily based on a logic of *trasformismo* – manifests itself in avoiding that the main socio-political antagonist of an advanced industrial society can reach full and definitive legitimacy within the political system (as had happened in other European countries) through a logic of exclusion that blocks access of the working class party to the increasing resources of the welfare state. The *conventio ad excludendum* (the permanent impossibility of the main opposition party to acquire governmental positions, an *unicum* in the European context) is one of the crucial manifestations of this exclusion. The main content of this particular form of integration of the working class party was, as I will show in detail in chapter 4, the *internalisation*, on the part of the PCI and the CGIL – the communist trade union confederation – of an essentially liberal understanding of social relations.

I will explore the nature of *trasformismo* in Italian post-war history in chapter 4. Here, just a few elements are worth mentioning. The polarised political system based on the *conventio ad excludendum* went hand in hand with conflictual relations between the social partners. Italy has been ruled from 1945 to 1993 by either coalition governments or a single party government, but crucially both were led by the same party: the DC (*Democrazia Cristiana* - Christian Democratic Party). The social base of this party in the petty bourgeoisie, together with the historical roots of Italian big capital and the peculiar tradition of state-led development that has characterised capitalism in Italy, imparted a particular *anti-Fordist* (and

anti-Keynesian) bias to the Italian state apparatus (Amyot 2004). Thus, Italy – unique among the continental democratic ‘varieties of capitalism’ – never developed a comprehensive welfare state or an inclusive and consensual industrial relations or neo-corporatist system in the same way France, Germany or the Netherlands did. Universal policies of social insurance that were commonplace in these countries were largely lacking in Italy, or they were belatedly developed only for particular groups following clientelistic relations between the parties and civil society (see LaPalombara 1964; Allen and MacLennan 1971). What I believe is important to point out is the fact that consensus in Italy has been uncommon. There was a brief, albeit unproductive, moment of consensus among political parties and social partners at the end of the 1970s, but it produced very little concrete results in terms of policy and was marked from the beginning by strong resistances, stemming from the strategic position of Italy in the cold war and the obstacles posed by large sectors of the bourgeoisie and fractions of the DC to the creation of a consensual model of industrial relations that would create a sort of belated Fordist mode of regulation, including a social-democratic compromise (Paggi and d’Angelillo 1986 ch.1) and was definitively abandoned with the switch to flexible accumulation strategies in the 1980s (Amyot 2004 ch.9). Importantly, this attempt at consensus was attempted in a moment of economic crisis and ‘national emergency’ that bears resemblance to the 1992-1993 conjuncture.

Thus, when consensus emerged in the early 1990s, it was met with bewilderment. The consensus was achieved in the wake of an economic and financial crisis which ushered in Italy’s exit from the EMS (European Monetary System), and thus in a climate of ‘national emergency’, and

was aimed at forcing a radical U-turn in the way the Italian state apparatus had been managed and run, in order to bring Italy to lower public deficit and debt, reduce inflation and interest rates (following the Maastricht criteria) and thus join Economic and Monetary Union at the end of the decade. This was a goal that – considering Italy's dire economic situation and the proven inability of the political system to correct the country's fiscal and structural imbalances – was considered next to impossible by influential national and international observers, and in fact by the very politicians who signed the Maastricht treaty (*Ibidem*: 170). This moment of consensus went hand in hand with a radical crisis of the Italian political system, as between 1992 and 1994 all the parties of the so-called First Republic either disappeared electorally – the DC and PSI (*Partito Socialista Italiano*), as well as the minor parties of the governing coalitions – or changed their name and ideology (the PCI split in 1991 between the moderate Democratic Party of the Left – PDS – and the more radical *Partito della Rifondazione Comunista*).

The Ciampi protocol of 1993 was signed in a moment in which the most pressing problem was that of public deficit. The protocol for the first time set in stone a series of rules for the conduct of national-level and firm-level bargaining over wages and contracts, and an incomes policy based on the search for consensus on shared objectives among the social partners. It also confirmed the elimination of the wage-indexation mechanism which had been approved the year before by the social partners, and which was substituted by a much 'softer' indexation of wages to the rate of expected inflation, that considerably lowered salaries in the following years (see ch.5). In 1992, large tax increases and a significant reduction of public

spending were approved by the Amato government, supported in parliament by the 'old' parties but benefiting from a large autonomy from the latter due to the scandals of *Tangentopoli* which hit the governing parties. The Amato government – forced to resign after these revelations – was followed by a government led by the technocrat Carlo Azeglio Ciampi, who had worked at the Bank of Italy for decades. Significantly, both Amato and Ciampi would later join the centre-left coalition.

The consensus that was generated around the protocol and the goals it set allowed the technocratic Dini government (supported by the centre-left and the Lega Nord in parliament) to approve a crucial pension reform in 1995 (after the Berlusconi government's unsuccessful attempt of a year earlier) that would have been challenged only a few years before. This was negotiated with the trade unions and, although formally dismissed by the employers' organisation, it was in the end accepted as a useful way forward from the public debt *impasse*. Crucially, all through the 1990s, official government statistics show the marked decrease in the intensity of industrial conflict and strikes (Istat 2003). A fundamental confirmation of the consensus achieved at the beginning of the decade emerged in the last years of the 1990s, when the centre-left governments (1996-2001) implemented harsh fiscal reforms in order to meet the Maastricht criteria and allow Italy to join the Euro among the first group of countries. Moreover, the 1997 and 2003 reforms of the labour market increased the flexibility (both numerical and functional) of the Italian labour market. The major socio-economic reforms of the decade, all of them negotiated with the social partners, were therefore enacted by either technocratic or centre-left governments, with the

former leaning to the centre-left, as evidenced by the fact that their leaders then joined the centre-left coalitions.

The consensus achieved in the 1990s signalled an agreement on shared objectives across the social forces and actors in the political economy and a transition to a new form of economic management based on ‘competitive disinflation’ in the Eurozone (see Bonefeld 2001). The results of the reforms of the 1990s, such as the fall of the deficit/GDP ratio and of inflation, greatly favoured by orthodox fiscal policies and stagnant wages, were heralded by Deaglio (president of the Einaudi foundation), in a report commissioned by the Trilateral Commission, as “one of the most spectacular turnarounds in economic history” (Deaglio 2000: 5). Being delivered in the context of a report to a commission which has been one of the most important transnational planning bodies for capitalist restructuring since its foundation in 1973 – scholars talk about a corporate/Trilateral Commission ‘world government’ (Van der Pijl 1998: 125) – the comments by Deaglio signal that this moment was indeed seen as a crucial turning point by transnational capital.

The goal of this research is to analyse the common sense assumptions of the actors. This moment represents a fundamental turning point (or *momentum*) to study because of its uniqueness in the history of post-war Italy. It was truly a moment of consensus, and a moment of hegemony. Consensus can be achieved because of a shared outlook on the future. But this outlook needs to be based on shared assumptions regarding the direction of economic and social policy, and thus ideas on European integration, globalisation, the role of the state, that is, forms of political power in a certain moment of capitalist development and restructuring. As Simoni has noted, “in Italy, rather than

subscribing to a traditional policy platform based on broad-brushed Keynesian economics, the trade unions accepted to endorse a policy platform based on wage moderation, welfare state retrenchment, and labour market flexibility” (Simoni 2009: 15).

The paradox is evident: how was this outcome achieved? How was Italian capital able to achieve consensus in such difficult economic and political conditions, and a consensus that was so clearly skewed towards capital’s rather than labour’s interests? (see Ch. 4 and 5) What was in fact offered to organised labour at this moment cannot be compared to the institutional benefits and welfare state policies that formed an integral part of the political exchange in classic ‘Fordist’ neo-corporatist systems. How was this achieved in a country that had witnessed a lack of consensus on socio-economic policy for decades, coupled with the lack of a formalised industrial relations system, a comprehensive welfare state and trust among the social partners, ingredients that are considered to be necessary for neo-corporatist political exchange? The paradox is that consensus was achieved precisely in a moment in which the traditional conceptions of the welfare state – and social-democracy – were weakening and under stress for reform all across Europe, and thus when neoliberal rationalities were gaining ground and being implemented in many countries and were being entrenched into the EU architecture via the Single Market Programme, the Maastricht treaty and Economic and Monetary Union, thus conditioning in a neoliberal sense the national trajectories of the member states of the EU. Thus, Italy achieved consensus on neoliberal reforms, while it had before failed to achieve it during the Fordist era.

This research is not of the hypothesis-testing kind. However, literature on the economic and political history of Italy did provide some theoretical expectations on the dominant version of common sense. These theoretical expectations then framed the way interviews were designed, and the analysis of the interviews, that is presented following certain *recurrent themes* in the interviews. These *recurrent themes* have been generated through a careful analysis of the interviews that was guided by certain theoretical expectations, themselves built upon a certain reading of the history of social relations in Italy (presented in ch.4).

Defining neoliberalism as a concept of control

Before moving on, just a very brief discussion on the definition of neoliberalism is warranted. Rather than a complete or coherent political and economic programme, in a Marxist perspective neoliberalism as economics is seen as a class project enshrining capital as the sovereign force in organising society:

“the sole agencies that it (*neoliberalism*) explicitly recognises are the property-owning individual, who is ‘free’ to engage in a competitive quest for improvement; and the market, which is the regulator of this quest. Capital, as the mobile wealth that has already accumulated and has entrenched itself politically, is obscured as a social force by resurrecting an imagined universe of individuals, some of whom happen to own Microsoft, and others only their own labour power, or not even that. Neoliberalism thus naturalises capitalist relations by taking the economic definition of man as the starting point for an integral social

science, while leaving ‘outcomes’ entirely contingent” (Van der Pijl 2006: 162).

There is a diverse and extensive body of critical literature on neoliberalism (just to cite some of the most representative contributions, Bourdieu 2001; Giddens 1998, Chomsky 1999, Campbell and Perdersen 2001, Harvey 2005, Duménil and Lévy 2011; Saad-Filho and Johnston 2005). Historically, neoliberalism can be seen as a reaction to Keynesian economic theory and demand management practice and to the increasing power of the working class in the 1960s and 1970s. Neoliberalism as a political project aimed at restoring the primacy of the ‘market’ as the regulatory mechanism in society and as the normative commitment of state policy, and the resurgence of financial capital over industrial capital (Duménil and Lévy 2001). The flexible accumulation of capital, that is one of the defining characteristics of neoliberalism (Hardt and Negri 2000), goes hand in hand with a tendency towards a new form of accumulation *by dispossession* (Harvey 2005). However, if we were to provide a tentative definition of what neoliberalism stands for in terms of political and economic policies, a few elements could be highlighted:

- ‘The market’, and not the state, should regulate prices and movements of capital according to the goals of efficiency and profitability.
- Public spending on social services must be reduced in order to eliminate a culture of dependency (what in Italy would be called *assistenzialismo*).
- Public regulation (“red tape”) must be eliminated in order to ‘let the market do its job’.

- Privatization should be promoted, as it increases efficiency and a rational allocation of resources, both of which have been hampered by excessive state intervention.
- Social risk and responsibility are rendered individual, substituting the welfare principle of collective responsibility.⁹

There is however a danger, which is present in some critical literature, of confusing rhetoric with practice. Not necessarily the political programmes that present themselves as explicitly neoliberal are then able to put this project into practice. The rhetoric on the negative role of the state is often accompanied by a practice that relies on that very state for the implementation of specific policies (Panitch and Konings 2009). Moreover, there is no such thing as a coherent and complete ‘neoliberal project’ set in stone in some think tank such as the Mont Pèlerin Society or the Heritage Foundation, which was then carefully and consciously put into practice by political leaders and entrepreneurs in the course of the 1980s and 1990s. Such a view would resemble a sort of conspiracy theory, which is a far cry from a critical analysis of social reality, and in fact can be seen as a branch of populist élite theory.¹⁰ For sure,

⁹ “The process of neoliberal restructuring (‘reform’) turns the ‘free’ individual into a force contributing to the dynamic instability of a rapidly developing capitalism, because, given ‘risk’, ‘choice’ has far reaching consequences that may decide one’s life experience in its entirety” (Van der Pijl 2006: 162).

¹⁰ Van der Pijl’s *Global Rivalries* (2006) is a mine of valuable information and history and of thought-provoking reflections on many issues including conspiracy theories. The author argues that “conspiracy arguments revolve around the theory that the ruling class is in total control of society. It can therefore even stage events ostensibly harmful to itself, only to dupe ‘the people’ even more. Thus the East Coast establishment supposedly created the Soviet Union to rip off the decent folks in the mid-west and keep the arms

however, ideas and hegemonies are developed by ‘organic intellectuals’ of social forces with the aim of restructuring societies (see ch.3). Nonetheless,

“a concept of control such as neoliberalism is not a ready package which can be ‘applied’. It is, as Gramsci writes of Hegel’s spirit, ‘not a point of departure but one of arrival, it is the ensemble of superstructures moving towards concrete and objectively universal unification and it is not a unitary presupposition’. Certainly, Hayek and the Mont Pèlerin Society had elaborated the key neoliberal principles long in advance; but neoliberalism as a concept of control crystallised only once the period that I call the interregnum had seen the demise of the most exposed representatives of the corporate liberal counterpoint. Other options were floated too, and were seriously considered before being discarded again. What is realised in the end, however, is never an abstract blueprint; everything that happens on the road to neoliberalism, all the unforeseen complications and grim details, contribute to and are implied in the new relations. This is what in the end determined the ethical and political status of neoliberalism.” (Van der Pijl 2006: 157)

This long quote is intended also as an introduction to the wider theoretical reflection presented in Chapter 3. Moreover, understanding neoliberalism as a political project promoted by the political right – particularly in a country like Italy, but also elsewhere – would be misunderstanding the nature of a ‘concept of control’ or ‘hegemonic concept’ (see ch.3). Neoliberalism is not a clear-cut political project, but a *process*: “as a political reality,

business going; Bush ordered planes to fly into the Twin Towers to be able to go after Saddam Hussein; and so on and so forth.” (139)

neoliberalism is both a broad strategy of restructuring and a succession of negotiated settlements, of concessions to the rigidities and dynamics of structures, as well as the political possibilities of the moment” (Drainville 1994: 116).

1. Literature review: a critique of '1993' in the literature

In this section I present the main arguments advanced in the literature to explain the emergence of social pacts in Europe and Italy in the 1990s. After having briefly presented the literature, I propose some general critiques, which are valid for all the *institutionalist* literature that is reviewed below, that stem from the fact that they neglect the capitalist nature of the state, and hence disregard the fact that national 'varieties of capitalism' are all - by definition - *capitalist*. It is precisely the institutionalist focus which is problematic and makes these approaches unable to understand *and* explain the moments of consensus in European varieties of capitalism. Bruff's critique of the varieties of capitalism literature is presented, before I turn to a review of the neo-Gramscian literature. The next chapter then presents the Gramscian notion of 'common sense' as an alternative approach to study consensus in European national political economies.

Institutionalist and industrial relations perspectives

The social pacts that have emerged in many European countries in the 1990s have been the focus of a quite extensive literature. Perhaps the most equipped and successful approach to the study of the different trajectories of national political economies has been New Institutionalism (see Hall and Taylor 1996 for an excellent summary) and, as a subgroup of it, the Varieties of Capitalism approach (Hall and Soskice 2001). These trends

in the study of national political economies emerged out of a critique of the theory of convergence, which re-emerges cyclically in the social sciences. These latter theories tend to see the power of 'external constraints' linked to globalisation as entailing the 'withering away of the state' (Ohmae 1990; see Yeung 1998 for a critique) or the drastic reduction of the possibilities for alternative routes to what are presented as unavoidable and irresistible trends towards liberalisation, trade interdependence and the power of finance. A tacit assumption of convergence theories is that all that resistance is able to do is to delay the inevitable course of history.¹¹ The new institutionalist approaches have instead argued that there is a path-dependency involved in the trajectories of national political economies. The varieties of capitalism approach (see Regini 1997a for an application to the Italian case) lays particular emphasis on specific national institutions, their historical formation and trajectories and stress, in contrast to any convergence theory, the continuous diversity of national 'varieties of capitalism' and their different paths within globalisation.

The varieties of capitalism approach has insisted on the role of trade unions and employers' organisations in inducing firms and workers to coordinate their action in order to produce collective goods such as the control over wages or the creation of training schemes. The Industrial relations literature, which we will take into consideration, can be seen as a sub-group of institutionalist approaches, because of their focus on interest associations (trade unions, employers' associations and governments) as the main

¹¹ From a critical approach, what becomes interesting is the fact that the very insistence in academic discourse on the greater viability or preference of a model is an important factor of convergence *itself*.

actors and institutions, which provide the framework for the regulation of the economy. All the institutionalist literature focuses on consensus to be achieved *within* the institutional environment (Bruff 2011: 1-6).

The literature on the social pacts stems from a reflection on the consequences of Economic and Monetary Union on national industrial relations systems. An economic literature on the relation between centralisation of wage determination and economic performance had emerged years before (Calmfors and Driffill 1988). This well-known theory of a U relation between centralisation of wage setting and economic performance¹² can be criticised for being class-biased: it takes as proxy for economic performance the unit labour costs, therefore treating as general interest what is evidently an interest of capital.

Turning to the political science literature, three main hypotheses can be distinguished on the nature of the effects of EMU on national industrial relations systems. Boyer (2000) has argued that the deregulatory effects of capital mobility, budget constraints and ECB monetarism would lead to an 'Anglo-saxonisation' of national political economies. The 'europeanisation hypothesis', on the other hand, argues that EMU will eventually lead to the creation of EU-level corporatism (Schulten 2000). Thirdly, and most convincingly, the 'renationalisation' hypothesis argues that the need for income policies would lead to a renewed trend of social pacts within member states (Crouch 1998). In fact, robust evidence has been provided in favour of the last hypothesis (Fajertag and Pochet 1997; 2000), as many

¹² The argument is that the wage bargaining systems that provide the best economic performance are those that are either very decentralized or almost completely centralized.

European countries have witnessed the re-emergence of social pacts starting from the early 1990s.

The institutionalist literature on the social pacts – which takes for granted this last hypothesis – can be divided in two strands. The first one focuses on internal mechanisms of change, the so-called endogeneity argument. For instance, Meardi (2006) argues that the factors that explain the emergence or lack of social pacts are not related to the Maastricht ‘pressures’ but stem from the nature of the interest associations: intra-organisational coordination, power balance among actors and encompassingness (the ability to control lower level bargaining levels). There has also been work linking the emergence of social pacts to a political alliance between the centre-left and organised labour (Simoni 2009; Fargion 2001). Salvati (2000) illustrates that the success of social concertation in the early 1990s was a result of the convergence of the national social partners around ‘shared objectives’ (see also Negrelli and Pulignano 2008).

The problem with these views is their failure to explain the choice of entering Economic and Monetary Union, as if it were a choice external to the actors involved, that is, as if the agency of capital on a supranational level (or *transnational* level, as the neo-Gramscian literature would call it) did not exist. There is also an unquestioned notion of ‘problems’ to be solved by the partners. As will be argued, what is lacking here is an adequate conceptualisation of the relationship between state and society.

A second strand of the new institutionalist literature on the social pacts examines them by making reference to external constraints, which are presented as ‘common challenges’. The literature on the ‘Ciampi’ protocol has

explicitly focused on mounting labour costs and public spending (Regalia and Regini 2004) and globalisation and its pressures for competitiveness (Regini 2003). However, it is the link between these social pacts and the external constraints posed by the road towards EMU, which has received the most attention. One reason for concertation, which is advanced by this literature, might be that this form of policy-making can deliver results which other forms are incapable of achieving (Pochet and Fajertag 1997,2000; Ferrera and Gualmini 2004; Schmitter and Grote 1997). In short, tripartite agreements are seen as a result of increased competition and budgetary pressure.

There is a recognition of the modified nature of the political exchange between the social partners in these new social pacts. Regini (2000) sees our contemporary era as marked by an alternative between deregulation and concertation, with the latter expressing a new logic of 'shared objectives' (see also: Regini 1997b, 2003; Baccaro 2003, Rhodes 1997; Hassel 2003): "this no longer displays the typical features of the old neocorporatist systems, such as bargaining centralisation, close regulation of the labour market and expansion of welfare benefits. Instead, the distinctive features are the search for greater wage coordination to counterbalance the effects of decentralisation, (...) and the involvement of the social partners in welfare reform to render it compatible with competitiveness without endangering consensus" (Regini 2000: 16) Therefore, the framework of policies in which there has been a devolution of policy-making functions to organised interests is now much more regulative than redistributive.

Other authors have instead seen these new pacts as a 'hybrid' form of regulation, blending hard and soft law,

self-regulation and concertation (Visser 2005). The process basically entailed an allocation of authority in socio-economic policy in a context of shared goals (often during a political or economic 'emergency'), rather than the 'classic' political exchange. Hassel (2003) claims that tripartite negotiations are driven primarily by the aim on the part of governments to ease the transition towards a tight monetary regime by negotiating with unions. In contrast to previous political exchanges, tripartite pacts on wage restraint under monetarist policies are not based on an exchange whereby unions are compensated for wage restraint. Rather, governments can threaten unions with tight monetary policy and unions have the choice of either engaging in 'negotiated adjustment' or suffer restrictions. Thus, the emergence of social pacts under such a monetary regime does not depend on the ability of governments to compensate unions, but on the ability of governments to show a commitment to restrictive monetary policies. The challenge on the part of unions is thus to be able to 'internalise' the new policy constraints and the negative externalities of high wage settlements.

This literature, however, is largely descriptive, and does not *explain* the moment of consensus, but merely categorises the different agreements (or lack thereof) in European countries in the face of 'common challenges', whose genesis is left unquestioned. Where does the need on the part of the unions to 'internalise' the tight monetary constraints come from? And why do some unions succeed and others not? A neo-Gramscian approach, as we shall see, is able to overcome these shortcomings by focusing on the *social purpose* of consensus, as well as on the role of ideology, and sees what most of the literature views as simple 'external constraints' stemming from 'globalisation'

as an aspect of the neoliberal political project which has been authored by certain social forces in a *transnational* setting.

Italy, in this context, has often been portrayed as one of the front-runners of the upsurge of a new corporatism, in spite of not possessing the traditional conditions identified by classic corporatist theory, notably associational monopolies (Regini 1997b, Baccaro 2003). Regini (1997b) makes the point that the widely shared objectives between unions and employers were the basis for the success of national social concertation in the 1990s. The consensus achieved in Italy to meet European monetary goals was reached through “the participation of centralised and strong interest organisations to which national governments devolve regulative policy-making functions” (Regini 1997b: 268). In contrast to other studies, Regini also points out that one condition for the success of such pacts is a union leadership that is not insulated from the rank and file, so that unions can consult their base and acquire the necessary legitimacy.

Rhodes (2001) argues that there is no inconsistency between ‘globalisation’ and EMU and new forms of corporatism, and in his article he aims to show that in fact the new social pacts can achieve both competitiveness and social cohesion and trust. Rhodes also argues that coalition building is required for successful social pacts. The mutual interest of the social partners in creating economic stability with the aim of joining EMU affected the extent to which social pacts were implemented throughout Europe. However, the article is mainly descriptive and is ambiguous with regards to the origins of this need to adapt, referring to globalisation as a “period of transition in which the market is clearly more important than in the

past, in which international constraints and influences have increased" (*Ibidem*: 193). Using such a wide all-encompassing term as globalisation, the article can describe the different trajectories of national varieties of capitalism, but is unable to understand and explain their genesis.

Ebbinghaus and Hassel (1999) argue that there are two main conditions that are favourable to the development of social pacts: the potential intervention of the state in wage formation, which provides the 'shadow of hierarchy' of the state that creates the common interest on the part of employers and unions to negotiate; and a deliberate 'political exchange' where the state offers compensation in return for the consent on wage moderation by the social partners.

The problem with these views is that, on the one hand, interests cannot be portrayed as fixed but are historically and socially constructed and, on the other, there is a lack of focus on the role of ideology and culture. As there is no inherent harmony of interest in a capitalist society, consensus is built upon cultural assumptions (what we term 'common sense').

Hancké and Rhodes (2005), in a more complex approach, argue that the different forms of institutional innovation in wage setting in the EU depended on the combination of the character of the external pressures and the pre-existing proto-institutional structure of the labour market. For instance, they explain the emergence of a social pact in Italy (and elsewhere) by two factors: the fact that Italy experienced a heavier urgency with respect to the need to control inflation and deficit/debt than the 'core countries' (the D-mark area and France) – as there was an 'asymmetric distribution' of the pressures imposed by Maastricht – and the strong 'microfoundations' in the

labour market, that is the control unions could exercise on the lower level of bargaining. What still needs explaining, however, is the very willingness of the central trade union confederations to sign such asymmetric pacts, which cannot be simply explained as stemming from an 'external constraint'.¹³ This constraint may have been present for governments (although, as will be seen, a neo-Gramscian approach focuses on the 'internalisation' of constraints) but why should they have been internalised by trade unions? And how was this done? The approach used here attempts to answer these questions.

Another institutionalist work on social pacts (Natali and Pochet 2009) argues that the emergence and evolution of social pacts in Europe are directly related to three key determinants: exogenous constraints, actors' roles and institutional dynamics. They explicitly critique the rationalist approach for defining interests in an objective way, arguing, with Thelen (1999) that the "definition of interests and objectives is created in institutional contexts and is not separable from them", and that actors' behaviour is not just instrumental but is influenced by norms and institutions of the past. Although the latter argument can be retained, our approach goes beyond a focus on institutions arguing that interests are not defined by institutions but by *culture* (or common sense).

¹³ However, the second part of the argument can be retained. In the second part of the paper, the authors argue that after the introduction of the euro in 1990 broad encompassing social pacts rapidly disappeared in large part because the Maastricht criteria had become embedded and internalised in a set of framework rules managed by experts both at the national and supranational level through the Stability and Growth pact. "In Italy, a small group of union and employers experts determine, in cooperation with central bank officials, the past and expected inflation rate and set a central wage norm" (Hancké and Rhodes 2005: 22).

Hassel (2009) – from an industrial relations perspective – argues that varying forms of social partnership are embedded in and largely determined by their macro-economic contexts, so it is the latter which prompts both sides of the partnership to define their motivations and guides their interaction. For instance, trade unions would be willing to sign a pact and hence commit to wage restraint only in the face of a strong commitment on the part of the government to implement monetarist policies anyway. Also this article takes for granted the ‘external pressures’ – tight monetary policy, liberalisation and globalisation – and hence is unable to account for the *social purpose* of the pact, and the fact that these ‘constraints’ are part of a political and social struggle between capital and labour. Moreover, Hassel states that “actors have only limited capacity to choose one preference over the other; in most cases, they are reacting to pressures that derive from their environment (in particular their economic and political environment)” (Hassel 2009: 6). This quotation highlights the main problem of all the institutionalist literature: its exclusive focus on institutions, and hence its inability to conceptualise the relationship between state and society. As will be explained in more detail below, what Hassel calls ‘the environment’ cannot but refer to the society standing ‘under’ the institutions. So, if change comes from this environment, which surrounds the institutional system, then it surely must be taken in consideration in the explanation. And, crucially, such an environment is a *capitalist* one, structurally characterised by an irreducible antagonism between capital and labour. Institutions, as will be explained in more detail, are seen as the embodiment of certain common sense assumptions about how to organise production, and these assumptions

themselves are rooted in – although not determined by – capitalist social relations. Crucially, these common sense assumptions are present throughout society and they traverse both the state and society (the Gramscian notions of *political* and *civil* society in the *extended* state).

Key to the critique of mainstream approaches in International Relations/International Political Economy is the neglect of capitalism as a mode of production. A Marxist approach views the state not as a neutral ‘box’ or a set of decision-making rules and procedures, but as crucially embedded in and constitutive of capitalist social relations. As the theoretical chapter will hopefully make clear, the state does not act from the outside on society, as if society were standing in a separate realm from the state, but is part and parcel of the *reproduction* of a certain mode of production (see next chapter for a more thorough analysis of the capitalist state).¹⁴ The capitalist state, and the separation between the *public* and the *private*, the *economic* and the *political*, produces and reproduces those very conditions that mainstream literature tends to portray as ‘external constraints’, the ‘environment’, ‘socio-economic change’, ‘globalisation’. Approaching these issues as if they were pressures emanating from outside the state (and here one can refer also to the entire state-system as such) is missing the point about the nature of the capitalist state. The state is seen – in a neo-Gramscian critical approach – as the embodiment of continually shifting yet constantly *unequal* class relations in society. While it is certainly difficult if not impossible to pinpoint what is capital’s interest in the immediate, as there are always several routes open to it and, crucially, its ‘interest’ is depended upon

¹⁴ On Marxist state theory see: Therborn 2008, Jessop 2002.

historical, cultural and ideological aspects, what we can talk about is the logic of capitalist accumulation as a strong constraint on the possible routes of action of single capitalists. As Therborn (2008) has noted, the point is not to identify the subjective interest of capitalists. A historical materialist approach does not start from the point of view of the *actor* - it is not actor-centred - but from the point of view of the *process* of reproduction and transformation. The basic focus of analysis is thus not the capitalist or property itself: it is *capital*, the objective process of capital accumulation (Therborn 2008: 131).¹⁵

Moreover, approaches that see 'globalisation' as simply an increase in capital mobility or an enhanced liberalisation or 'marketisation' of national economies tend to provide a purely quantitative assessment of recent trends. Capital is here fetishised as a 'thing' and not as a social relation. What allows capital to move from one side of the globe to the other is not technology or liberalisation *per se*. The latter can allow for such mobility only if capitalist social relations are in place at the receiving end; hence, the roots of 'globalisation' are not economic or technical, but *social*.¹⁶ For instance, it can be argued that the proletarianisation of the peasantry in countries such as China and India is at the root of capital's successful accumulation strategies in these countries. Peter Burnham points out how mainstream approach in IR and IPE fetishise the state and view the market a technical arena in which the 'external' state intervenes (Burnham 1995: 136). In *Capital*, Marx shows how, even if in the market one can

¹⁵ "Marx's central objective was (...) to lay bare the 'economic law of motion of modern society', to show how wealth and poverty, domination and subjugation are (re-)produced and changed" (Therborn 2008: 132).

¹⁶ This point has been made also by Bieler 2006: 29.

witness an exchange among equals – that is, each commodity is sold at its price and there is no ‘unequal exchange’ – this process hides the exploitative process which goes on in the realm of production, where surplus-value is extracted from the worker and profit is generated. Crucially, it is in the very sphere of exchange, predicated upon a state power that guarantees *equal rights* to property to everyone (some possess means of production, while others only their labour-power) that the process of capital accumulation takes place. Thus, what institutionalist authors portray as ‘external’ events to which the state reacts are generated by the society of which the state is the embodiment and the crystallisation.

Many of the authors we cited above adopt a form of empirical pluralism as their method of analysis, that is, they explain the social pacts by referring to a series of explanatory variables. Just to give a couple of examples, Hancké and Rhodes (2005) for instance refer to the ‘microfoundations’ of the labour market and the asymmetric pressure of the Maastricht criteria; Hassel (2009) makes reference to the macro-economic context and the commitment of the government to impose tight monetary policies. As Bieler points out, the problem with empirical pluralism is that it falls precisely into the theoretical trap we have briefly explained above, that is, it separates “the state from the market and the political from the economic in an ahistoric way. By extension, due to the lack of problematising the internal relationship between state and market, the underlying rationale of activities cannot be assessed by mainstream approaches” (Bieler 2006: 30).

More in detail, the state-centric approach that dominates much of the literature sees – and it is one of the

consequences of its neglect of the *capitalist* nature of the state – the state as the only actor at the international level. In a typical billiard-ball model of International Relations that the comparative politics/political economy literature has inherited from the Realist approach in IR, it are the domestic actors that compete with each other domestically in order to determine the national interest. There is thus a neglect of the *transnational* agency of capital, which recent research within the neo-Gramscian approach has shown to be at the origin of the phase of European integration starting from the mid-1980s, culminating in the Maastricht compromise, which has been termed ‘embedded neoliberalism’ (Van Apeldoorn 2002). A neo-Gramscian approach is able to view capital as constitutive of the ‘extended state’ (see below), and thus as an important agent that itself set in stone the Maastricht parameters, that are taken by the literature as simple ‘external’ constraints. The process of European integration is seen as a *political* project which, temporarily and in a contradictory manner (see Van Apeldoorn, Drahokoupil and Horn 2008), aims at constitutionalising a set of policy choices which are favourable to the interest of transnational capital, mainly financial capital.

Perhaps the most detailed and innovative critique – starting from a critical theory perspective - of the institutionalist approaches has been provided by Bruff (2008, 2010, 2011). Bruff defines the institutionalist literature as “a body of knowledge comprised of contributions which take institutions as their starting point when considering the evolution of national political economies” (Bruff 2011: 2) It is clear that this definition is quite encompassing, and different strands of literature, including new institutionalism and industrial relations literature, fit into it. As Radice reminds us, “from the standpoint of comparing national capitalisms, the extent of an institutionalist common ground within the social sciences is

striking” (Radice 2004: 188, cited in Bruff 2008: 2). I will sum up here the thrust of Bruff’s argument, as it is directly relevant to this research.

The neglect of capitalism as a specific mode of production renders the institutionalist approach unable to account for the fact that institutions are produced and reproduced in a capitalist society (see also the next chapter on the capitalist state), and hence they cannot be separated from it and analysed in their own right. The point Bruff makes is that while this literature aims to study ‘varieties of capitalism’, it often loses track of the fact that these are varieties *in* capitalism (Bruff 2011). These institutions thus need to be studied as based and dependent upon capitalist social relations and conditions of existence. According to Bruff, institutionalist literature suffers from reductionism because it views institutions as the *foundation* of society. Thus, any change, path dependency or resistance is caused by factors that are seen as *internal* to the institutional environment. In this way, institutions are separated from the society that they are supposed to regulate. The shared focus across all the institutionalist literature I have reviewed above is on the institutions as the locus of consensus formation. This emphasis crucially neglects the *social content* of the institutions. As argued above, the institutionalist literature, by focusing on interest organisations (mainly unions and employers’ organisations) contending for influence on the state, views the state as a neutral ‘thing’ standing above society, neglecting the nature of power in a capitalist society.¹⁷

¹⁷ The inability to adequately understand the relationship between state and society in a capitalist setting seems to be a common feature in the literature. As Bruff stresses, “For neo-pluralism this manifests itself (...) in the failure to discuss the state in any depth. (...) For the varieties of capitalism literature it is the other way around: comprehensive discussion of national institutions and the role of the state in tripartite negotiations leave society unexplored. For both

Moreover, this 'society' is then seen as emanating certain pressures, to which the institutionalist environment must react in an external manner, as if dealing with some kind of external constraint that limits its actions. What is neglected is the mutual constituting of the very separation between state and society. This separation is a crucial *pre-condition* of the capitalist mode of production, which thus forms a whole, of which state and society are *apparently* separated elements that both create the economic and political conditions for capital accumulation and are themselves the expression of a historic bloc of social forces.

An example of this error is the taking for granted of the 'external' pressures for competitiveness and liberalisation (as in Regini 2000, 2003; Hancké and Rhodes 2005; Negrelli 2000). There is here an unquestioned assumption that 'globalisation' generates pressures for competitiveness. It seems that change stems either from the institutionalist environment *per se*, or from socio-economic changes whose origin is outside the institutionalist environment, but whose genesis and nature is left unexamined.

The institutionalist approach reviewed above also seems to find a common ground in the assumption that many of the elements of 'social protection' (in the Polanyian sense), which are seen as embodying a social-democratic compromise that has characterised many European states, are now too 'rigid' in the face of 'globalisation' and need to be reformed in light of the sweeping socio-economic transformation that marks our contemporary era. Ferrera and Gualmini's work, reviewed

literatures, the root cause of such blind spots is the inability to accord culture an integral role in the trajectories of national political economies" (Bruff 2008: 30).

below, is a good example of this stance, that tends to present itself as objective but almost *by default* gives precedence to capital's accumulation needs. For instance, most of the literature views the signing of new social pacts as a positive phenomenon in light of the 'inevitable' need for change in European welfare states towards greater marketisation and liberalisation.

As will be argued in the next chapter, within capitalism power is not equated with state power or institutions, but crucially stems from the very separation of the political and the economic: capital accumulation and the capital relation operate within the 'purely economic' sphere of 'freely' interacting human beings. However, the constitution of the latter is dependent upon the action of the state, which provides the necessary institutional, law-making and repressive apparatus (see the next chapter for a more detailed discussion of the capitalist state). Institutions have a specific *social purpose*, which is nationally distinct, but is also inherently *capitalist*. Bruff argues that the Gramscian notion of common sense makes it possible to capture both the institutional environment and society in one conceptual framework through its focus on the material basis for existence in shaping – albeit not *determining* – how humans view the world, which in turn creates shared understandings on what is perceived as economic 'reality' (Bruff 2008: 7-11; see more below).

Bruff argues that the Varieties of Capitalism approach avoids a discussion of culture (what is here termed 'common sense'), as the latter is simply seen as providing the norms and conventions operative within the institutional environment (Bruff 2008: 5). However, as Bruff argues, "culture is embodied in all social practice" (*Ibidem*) and "culture cannot be conflated with institutional norms,

bracketed off as a variable or viewed as a vague umbrella term: it traverses all parts of the social world – including state and society” (Bruff 2008: 9). The origin of consensus is thus to be looked for in the realm of culture or common sense, and not merely in the institutional environment or in the interaction among various institutions and/or actors. If institutions are the focus of analysis, one cannot take them for granted and ‘fetishise’ them as the source of consensus or change, or in fact the only objects of analysis: one needs to understand their genesis and how they are reproduced over time, and that they are the crystallisation of power relations within the society they supposedly regulate ‘from the outside’. This critique can be seen as stemming from the general Marxist critique of capitalism (and its ideologies) as generating an *apparent* (not illusory) inversion of subject and object. Institutions in mainstream approaches are fetishised as a ‘thing’ standing *over* society and governing it. However, within a capitalist state, institutions are the creation of subjects in civil society and crystallise their unequal *material* relations.

Moreover, analyses that underline almost exclusively the external pressure from Maastricht suffer from a further problem. From a neo-Gramscian perspective, the role played by the Maastricht criteria cannot be discarded, also by way of the discursive frame that constrained the ‘limits of the possible’ in political terms. However, it is unconceivable that the simple signing of a treaty can *in itself* produce such far-reaching consequences. The treaty’s provisions must thus be seen as instrumental for a *political* project enacted by specific social forces. The literature that postulates an almost automatic effect of ‘Europe’ on different policy areas (industrial relations, fiscal policies) suffers from what Bruff terms ‘institutional

isomorphism': "the implicit argument is that this transformative project, once formulated at the European level, is able to penetrate the member states in a uniform manner because the national units fall into line with what the supranational unit dictates" (Bruff 2010: 4).

One of the most in-depth works dealing with this phase of reforms in the Italian political economy is the one provided by Ferrera and Gualmini (2004). This detailed work offers a good description of both the substantive issues faced by the political parties, trade unions and employers' organisation in the 1980s and 1990s and the nature of the relationship between the various actors in the Italian political economy. However, I argue that it is unable to *explain* the events described, because of its reliance on the neo-institutionalist paradigm, with the corresponding problem of separating institutions from 'their' society. Running through the whole book, there is an argument based on the ultimate 'rationality' of the choices made in the 1990s by all the actors, based as they were on "empirically-grounded debates" (*Ibidem*: 30). The critiques advanced to this work are basically three, all interlinked:

Firstly, there is an exclusive focus on institutions, and thus the grounding of the argument in a paradigm of 'institutional learning' (*Ibidem*: 64). For instance, the problematic aspects of the budgetary process before the reforms are presented as stemming from a 'misconceived' set of rules for the setting of budgetary policies, from which the actors 'learned' how to adapt in the future. The basic argument is that the various actors found consensus because they learned from past mistakes on how to solve common problems to the Italian political economy, conceived as a totality, which has its own 'interest'. Learning is defined as a "delicate process whereby policy-

makers come to adjust the existing institutional status quo in the light of the consequences of past policy and of new information" (*Ibidem*: 22) and also as a "particular kind of interaction, based on argument and persuasion" (*Ibidem*: 121), which thus overcomes the logic of 'political exchange'.

In this context, Maastricht put in place a number of conditions that have "widened the scope for problem-induced learning to policy change" (*Ibidem*: 28). Moreover, achievements are presented as outcomes of "substantive puzzling", that is, "confrontations based on analyses, arguments, empirically grounded debated" (*Ibidem*: 30). The authors therefore present in a neutral 'learning-by-doing' way what was essentially a political project. Within the framework designed at Maastricht, trade unions had to 'learn' that in a European monetary union wage restraint had to be institutionalised, otherwise inflation would start growing and thus create macro-economic imbalances for Italy. As the German political economy had found a way to structurally contain wage pressures (in a negotiated way with the trade unions) other Eurozone members were forced to try to keep pace with German inflation, or otherwise face problems of competitiveness (McGiffen 2011; Scharpf 2011; see below for a more in-depth analysis of the European socio-economic framework as developed at Maastricht). Thus, the 'learning' the two authors are talking about is also clearly linked with a socio-economic framework that strongly constrains the actions and autonomy of trade unions in the national (and supranational) political arena. Basically, unions had to 'learn' to lose power and implement wage restraint. This is quite a peculiar way to learn, and it is best explained as the outcome of an *ideological* battle for hegemony that played out in Europe and Italy, an aspect that is neglected in

Ferrera and Gualmini's analysis. The way these very 'problems' are constituted and framed is the outcome of a political struggle that responds to specific social pressures.

Secondly, in the two authors' analysis there is a use of a normative vocabulary, that reveals a certain preference for an 'élite democracy' (in contrast to mass democracy), where decisions are taken based on rational discussions among experts and not based on the projection of interests on the political economy by various actors. For instance, Ferrera and Gualmini advance an essentially dichotomous idea of what a welfare state is about and thus what Italy lacks to become an efficient welfare state. The use of words such as "syndromes", "sins" and "uncivicness of culture" (*Ibidem*: 50) signal such an approach. However, one cannot posit a (moral?) parameter on which to judge the effectiveness and 'virtue' of a state. It is unquestionable that in the 1970s the whole Western world witnessed the so-called 'fiscal crisis' of the state. However, to understand the origin of such a crisis as lying in 'wrong' choices made by policy-makers or by the misallocation of resources on the part of political élites described as essentially clientelistic or consociative (if not outright corrupt) is to miss the point about the nature of such a crisis. The latter view is reminiscent of the famous 'Crisis of Democracy' report of 1975 (Crozier, Huntington and Watanuki 1975), in which conservative and liberal scholars argued that the problems of the welfare state lied in 'excessive democracy', that is, in an over-participation of the mass of the population in socio-economic life. The problem, from the (neo)liberal perspective of the authors, was that democracy had started to invade the supposed 'private' sphere of the economy, a sphere in which it should not adventure itself without facing crises (essentially inflation) (see Streeck 2011). This

situation, according to the authors of the volume – representatives of a wider neoliberal counteroffensive that was just beginning to be framed in those years – must be reversed by restoring micro-economic rationality to each individual's life choices.

Thirdly, the underlying (albeit never explicit) *economic* argument that runs through the book is based on a mainstream economics understanding of what a 'good economic policy' is. An effective way to present the structural bias implied by mainstream economics is to make reference to Michal Kalecki's seminal 1943 article "Political Aspects of Full Employment" (Kalecki 1943). Here, the Polish economist argues that the confidence of the investors depends on whether expectations of capital owners are sufficiently and reliably supported by the distribution of political power and the policies that arise from it (a similar argument has been made by Keynes – see Lunghini 2012: 81-109). Economic dysfunctions – such as unemployment, but also inflation – ensue when capital sees its profit expectations threatened by political interference. Therefore, "wrong" policies are the ones that result in a loss of business confidence, and thus a rise in unemployment, in what can be seen as an investment strike by owners of capital. Crises, in the mainstream of neoclassical economics that serves as the basis for Ferrera and Gualmini's analysis, appear as the punishment for irresponsible governments that do not respect the natural laws that govern the economy. It is clear that the only *politics* such a theory can envisage entails opportunistic or incompetent attempts by political actors to bend economic laws, since a good economic policy is non-political by definition. However, standard neoclassical economic theory is *also* political and

moral, as it promotes by default policies that favour owners of capital.

In order to understand the problems with a view of an economic rationality that is being disrupted by political ‘interference’, one needs to be cognisant of the underlying structural compromises and mediations that constitute a democratic capitalist political economy. Here, it may be useful to briefly present the brilliant argument developed by Streeck (2011). The German author argues that the idea of economic policy as a ‘science’ with which politics should not mesh tends to find an obstacle in the democratic participation of the citizenry, who have expectations for social entitlements and for an elected government to enact policies and provide resources based also on ‘non-economic’ criteria. Their political demands will thus differ from what mainstream economics theory prescribes. His article therefore describes the political economies of ‘democratic capitalism’ as characterised by an unstable and constantly shifting compromise between two contrasting principles of resource allocation: the market principle, that allocates resources based on marginal productivity and thus on the ‘merit’ sanctioned by the ‘play of market forces’; and entitlements based on social rights, developed by democratic choices.

Now, going back to Ferrera and Gualmini’s account, it can be argued that they fail to appreciate the complexity of this interaction and posit ‘good’ economic policy or political choices as decisions that allow for the deployment of the free play of market forces. For instance, in presenting what they call one of the ‘sins’ of Italian welfare capitalism, the two authors argue that “the situation of the 1970s fell short of all expectations of the Keynesian modernisers of the 1960s”, as there was a “lack of pragmatic culture, the

partisan colonisation of the administrative apparatus, the opportunistic use of public employment by the patronage system, the failure to design rational systems of incentives" (*Ibidem*: 45). The use of terms such as 'partisan colonisation', 'opportunistic use of employment' and 'rational system' clearly signal the adoption of neoclassical economics viewpoint and imply that the Italian settlement was – from this standpoint – considered to be sub-optimal. The authors also talk about "fiscal irresponsibility" (*Ibidem*: 124) as one of the defining features of welfare capitalism Italian-style. It is claimed that "under the increasingly stronger spurs produced by the Maastricht process and the constraints/opportunities of the new domestic rules of the game, actors developed new orientations, new capabilities and new modes of interaction" (*Ibidem*: 30), presenting these innovations as entailing a "virtuous change" (*Ibidem*: 60), in contrast to the previous 'vicious circle'¹⁸ (*Ibidem*: 121). Change was possible because the EMU constraint eliminated certain veto points in policy-making, also because of the disappearance of the 'status quo' as an alternative choice: the authors argue that not reaching an agreement in the mid-1990s would have meant suffering immediate and heavy financial sanctions (*Ibidem*: 168).

Ferrera and Gualmini argue that in a form of consensus marked by 'institutional learning' the logic of political exchange, albeit always remaining a possibility, is largely avoided because "the cost and benefits of the

¹⁸ As the authors argue, "up until the 1980s the high institutionalisation of the Keynesian welfare state and of the regulated labour regime centred on passive distributive policies, on a disproportionate protection for insiders and a persisting exclusion of outsiders". This "originated a highly resistant vicious circle, sustained by an interest coalition including powerful industrial unions, centre-left governments and weak employers associations" (121).

various policy options (and thus their distributive implications) become very high to quantify and predict, also in the wake of the extremely high volatility of financial markets" (*Ibidem*: 121). As actors become more uncertain about what to demand and to whom, they "mature an interest in a common search for policy solutions that can stabilise the constellation as such, rather than bring specific advantages to their part" (*Ibidem*). Actors thus learned to interact with each other through "genuine puzzling exercises" looking for "technical solutions to policy challenges" (*Ibidem*).

What the authors fail to problematise is *precisely* the absence of a political exchange. The process of adjustment to the Maastricht criteria and to EMU has been a process of welfare retrenchment and trade union weakening (not least because wage dynamics were now deemed to be almost entirely outside of the negotiation arena). Thus, the unions have effectively 'learned' to accept the rationality of the market and of the enterprise as their own, as is clear from the very text of the 1993 deal (see below). This puzzle must be explained. And the focus on institutions and institutional learning neglects the fact that institutions are placed in a capitalist environment, with its corresponding ideas, ideologies and versions of common sense. What must be analysed is precisely through which ideas and forms of common sense have the various actors interpreted the situation. This must be done keeping in mind, as the next chapter will explain, the constraints that living in a capitalist environment poses on our forms of thought.

The next chapter is devoted to a neo-Gramscian conceptualisation of the state and its relationship with society, one that is able to avoid separating institutions from the society they are part of. Cox's notion of

state/society complex in fact aims precisely at demonstrating the reciprocal constitution and conditioning of state and society as two different aspects of the same set of social relations. Discussing the notion of common sense, it will be shown that institutions are crucially dependent on versions of common sense that originate in the mode of production – capitalism – and how this is understood: how ‘sense is made’ of the ahistorical need for basic means of subsistence that we all share. It are these versions of common sense that then make their way to the institutions and provide for their *social content*. As will be seen in more detail below, the fact of living within a capitalist mode of production means that our versions of common sense are asymmetric in that they tend to give preference to capital’s dependence on the market rather than to labour’s, and this is because our conditions of existence – the production of the basic means of subsistence – are, in a society in which basic goods are accessed almost exclusively through the market, effectively dependent on favourable conditions for capital accumulation. These conditions are then seen as providing the neutral ‘necessities’ of the economy, thus depoliticising aspects of our productive social relations, naturalising them as simple ‘facts of life’.

Neo-Gramscian perspectives

This work is grounded in a neo-Gramscian theoretical framework, as initially developed by Robert Cox and further expanded by a variety of scholars since the early 1980s (see next chapter for a theoretical overview). Since Cox’s two seminal articles in the beginning of the

1980s, the neo-Gramscian literature has focused on a wide variety of issues in IPE and IR. A particular attention has been given to the process of European integration (Bieler and Morton 2001a; Cafruny and Ryner 2003; Van Apeldoorn, Drahokoupil and Horn 2009). In particular, there has been work on the transnational struggle among different fractions of capital for hegemony at the European level, culminating in the project of 'embedded neoliberalism' (Van Apeldoorn 2002); on the eastward and southern enlargement process (Holman 2004); on the transnational capitalist class in the EU (Holman and Van der Pijl 2003); on the question of (un)employment within the EU (Overbeek 2003); on the emerging 'new constitutionalism' (Gill 1998; 2001) aiming at bracketing off significant aspects of political economic policy and institutions from popular scrutiny or democratic accountability, also through the development of a 'juridical Europe' (see Holman and Van Der Pijl 2003) – a further step in what Van der Pijl terms a 'sanitised democracy' (Van der Pijl 2006b); on the agency of trade unions and social movements within the European Union (Bieler 2003; 2005; 2006; 2008); and, more recently, on the role of the Gramscian notion of 'common sense' in the consensus (or lack of consensus) among social forces on the direction of national socio-economic policy (Bruff 2008; 2010).

A dense theoretical debate has also emerged focusing on issues of class struggle in IPE (Morton 2006), on the role of discourse in IPE (Bieler and Morton 2008) and on the problematic notion of 'school formation' (Morton 2001). Moreover, there have also been theoretical contributions focusing on the similarities and differences between a 'critical economy' approach to IPE and the so-called Open Marxists (Bieler *et al.*, 2006, Bruff 2009a, Bruff 2009b), and

between the former and the varieties of capitalism literature (see Bruff 2008 ch.1 and 2; 2011).

The focus here is on the transformation within the Italian political economy. As Bieler and Morton point out, the national context is the only place where a historical bloc can be founded (Bieler and Morton 2006c), as it is bound up with how various classes and fractions construct or contest hegemony through national political frameworks. Although the focus of this research is on the transformations of the Italian political economy, the international/transnational dimension is not overlooked. Transnational relations could be defined as social relations across and beyond national borders. As Van Apeldoorn points out (2004: 161), “a focus on social relations emphasises how groups of people are also linked transnationally without any direct (personal) relationship. Characteristic of social relations in capitalism is that they often involve no such relationship at all, with people’s fate nevertheless directly tied up with one another through the world market”. Thus, a study of the Italian political economy and consensus formation in Italy cannot neglect the position of Italy within the European and global political economy. (For instance, the decision by the economic and financial élite to join the ERM in 1979 has had a crucial role in the disciplining of trade unions throughout the 1980s – see Talani 2003). As Morton underlines, one should focus on the national level as our point of departure while remaining aware at all times of the national’s conditioning by the international. (Morton 2007: 170). One way to analyse the national-international relationship is to couple *internationalisation* of the state – in Cox’s understanding of the term (Cox 1987: 254) – with *internalisation*, the condensation of social relations into the

‘institutional materiality’ of national state apparatuses. (see Bieler and Morton 2006c and ch.4 of this thesis). The transnationalisation of Italian capital is also analysed in this work as a significant catalyst for change and consensus formation.

There has been an extensive focus on the forms of agency linked to the elaboration of a neoliberal strategy at the transnational level, involving elements in transnational capital and élite interaction (for instance in the Bilderberg conferences, the Trilateral commission and other international organisations or planning bodies) (see Gill 1991; Holman and Van der Pijl 2003). The economic crisis of the 1970s generated an ‘organic’ crisis, out of which emerged the new hegemonic project of neoliberalism which reaffirmed the ‘general’ capitalist interest through the adoption of neoliberal economic policies, forcing micro-economic efficiency on a society that was interpreted as increasingly ‘ungovernable’. Cox has explained the transformation towards neoliberalism as the outcome of a conflict of social and political forces at the three levels of production, state and world order (see: Cox 1987 ch.8). It is claimed that neoliberalism was not a coherent all-encompassing project, and thus it is analysed as a project and as a process, involving various kinds of mediations, concessions “to the rigidity of the moment” (Drainville, 1994: 116) and different ‘politics of control’, which in the USA and the UK are seen as involving a form of moral neo-conservatism. This transnational class struggle has been analysed also with reference to the European Union, where the outcome has been termed ‘embedded neoliberalism’ (Van Apeldoorn 2002), a form of hegemony that involves not a mere translation of ‘Anglo-Saxon’ neoliberalism, but a type of *skewed* compromise between the latter and elements

of the 'social-democratic' and 'mercantilist' projects for integration.

The transnationalisation process is seen as driven primarily by capital's expansion across national borders and engendering the transnationalisation of the capitalist class, more markedly within the 'Lockean heartland' (see Van Apeldoorn 2004; Van der Pijl 1998; 2006a). These studies should remind us that one cannot study domestic politics only in the national context, and thus that transnational relations are part of the fabric of how 'national' social relations and their corresponding forms of ideology and hegemony are to be framed. As Van der Pijl also reminds us: "all social action is simultaneously structured by the tendency towards global unification represented by capital, and by the fact that every concrete state/society complex is ultimately held together by a specific structure of power and authority mediating with other such complexes" (Van der Pijl 1998: 64. For a critique of state centrism in mainstream IR-IPE and Political Science see: Overbeek, 2004). The point is not to assume neither that state forms have autonomy within the global political economy nor that they are mere 'transmission belts' between the national and the global. States should be seen as *nodal*, not as dominant points (Morton, 2007: 6).

However, notwithstanding these theoretical claims on the importance of studying transformations within national political economies, the neo-Gramscian literature on national trajectories or national 'varieties of capitalism' (Bieler 2006; 2008; Shields 2008) remain somewhat limited. Moreover, it is only Bruff that has focused on consensus formation and common sense within national political economies. The two case studies he has chosen are characterised by a historical tradition of consensual

industrial relations and the formation of thick corporatist institutions during the 'corporate liberal' (or 'Fordist') era. Italy, as argued above and as the next chapters will show in detail, has historically *not* been characterised by consensus among organisations of capital and labour. Thus, until 1993, industrial relations in Italy had *never* experienced moments of consensus on reforms or shared goals for socio-economic governance among the social partners. The aim of this project is thus to contribute to the development of neo-Gramscian theory by focusing on the explanatory power of Gramsci's notion of 'common sense' even in countries marked by a more conflictual history than Germany or the Netherlands.

An aspect that has often been overlooked in neo-Gramscian literature is the forms of thought developed by the working class. Bieler (2006) has studied trade unions' ideological position on European integration, but remains in some way trapped in a form of determinism by assuming that those trade unions that represent workers in certain sectors would tend to develop a certain position on European integration. Specifically, he argues that workers in transnational sectors of production would tend to be most in favour of European integration and the creation of a European neo-corporatist structure (thus, switching the 'power game' to the European level). However, I believe that the Gramscian notion of common sense, as developed by Bruff, can open up new avenues for thinking about labour. Labour, the working class, does not act based on some form of pre-determined class consciousness. Labour's form of consciousness is clearly conditioned by its position within the social relations of production, but is also dependent on forms of common sense that have roots in national history, class identity, previous forms of

hegemony, and the political discourses and cultural background of the organisations developed by the working class itself. Moreover, they are conditioned by the country's particular insertion into capitalism. I believe that the Italian case could shed light on this dimension.

Talani and Cervino (2003) have analysed the impact of EMU on labour in Italy and Spain, underlining how the path to EMU and the current framework within which socio-economic policy is made within the EU has had "undeniable consequences for the limits within which trade unions are able to conduct wage policies" and the rigid limitations on the conduct of fiscal policy imposed by the Maastricht treaty "are deeply modifying in terms of the debate over the survival of the welfare state" (*Ibidem*: 199). Talani (2003) has also analysed the shift from the domestic to the European level of governance as a means used by the Italian industrial and banking sectors to implement a set of economic policies aimed at reducing public spending and curbing trade union influence at a time when they still enjoyed significant bargaining power¹⁹.

However, their contribution does not shed light on the *social purpose* of the trade unions' position and conduct, thus failing to identify the reasons why trade unions eventually accepted an unfavourable fiscal and monetary framework clearly at odds with the previous historical experience in Italy (and elsewhere). The explanation Talani gives for such a shift is the trade union's co-optation into

¹⁹ However, as Talani notes, the attitude of Italian big industry toward the process of European monetary integration, starting from the agreement on the ERM in 1979, was ambiguous: on one side, there was the strategy to shift the power struggle to the supranational level, while on the other – particularly in times of crisis – there was the need to devalue the national currency in order to maintain exports competitive. (Talani 2003: 133-135)

Delors' vision of a 'Social Europe' or of a Europe as an 'organised space', which is also how Van Apeldoorn (2002) explains labour's acquiescence to the 'embedded neoliberal' compromise. However, the author fails to explain *how* the unions were co-opted into such a vision. Talani and Cervino's claim (Talani and Cervino 2003) that, because of their unprecedented weakness, trade unions confined themselves to a rear-guard struggle over the social dimension of EMU is what needs to be explained, and not the reason for trade union acquiescence.

2. The theoretical lens: capital, hegemony and common sense

"The separation of 'genesis' from 'existence' constitutes the blind spot of dogmatic thought"

Max Horkheimer

"The labour theory of value is indeed an economic mistake from the point of view of capital, that is from the point of view of its science. But the correct relation is that between a law and its object. And the object, in Marx – this is the simple element, but difficult to understand – is not the economic world of commodities, but the political relation of capitalist production."

Mario Tronti

The aim of this chapter is to present a neo-Gramscian framework for thinking about socio-economic transformation and consensus formation in capitalist societies. This framework provides a conceptual apparatus which draws from Marx and Gramsci in order to show the centrality of the concept of 'common sense' as the basis of how human beings think about (or 'make sense of') the society they live in, its processes of transformation and its relationship with 'the international'. In Bruff's conceptualisation (Bruff 2008; 2010; 2011) – on which this research draws –, common sense is viewed as embodied in all human social practice, and thus cannot escape the material conditions of existence. The central idea is that every society contains different versions of common sense that have sedimented over time in the state's administrative apparatus and that social and political struggle involves the attempt to reformulate certain common sense assumptions of the population in order to develop a 'hegemonic project' which seeks to steer society in a certain direction – in line with the dominant group's

version of common sense and interests – or to resist it. These different versions of common sense are pushed forward by classes or fractions of classes which seek to present their version of ‘common sense’ as the general interest of a society, hence linking it with other and previous versions of common sense in order to generate a hegemonic project based on a certain historic bloc of social forces.

However, common sense cannot be easily moulded and changed in order to suit the changing hegemonic projects and practices, but tends to possess a strong path-dependency that reflects a country’s particular positioning within ‘the international’, as well as the sedimentations of common sense that have built up in the country in the past (see below). Bruff argues that in all aspects of life, common sense is the basis on which humans ‘make sense’ of their situation and the world they find themselves in (Bruff 2008: 47). The neo-Gramscian approach in the study of International Political Economy is not a unified framework or a ‘school’, but has in fact been theorised and applied in different ways. What is presented here is a series of theoretical steps that will be useful for conceptualising common sense in a way that will enable us to fruitfully conduct empirical research.

Ontological and Epistemological Premises

In this section I outline the ontological and epistemological premises of the research project. Within a theoretical approach, ontology refers to the units/structures that ‘reality’ is seen as made up of. Epistemology, on the other hand, is the branch of philosophy concerned with what human beings can know

about 'the world'. Clearly, there is a strong internal relation between ontology and epistemology. Certain ontological positions can only lead to a specific understanding of what humans can know about their societies (and also others in space and time), and also to certain methodological positions on empirical research.

This research project is placed within the academic discipline of Global Political Economy (GPE), in particular it intends to contribute to a growing body of work within neo-Gramscian approaches. As Van der Pijl points out, the peculiarity of GPE approaches is that they tend to overcome the rigid separation between politics, economics and sociology that has emerged in the late 19th century, and which has characterised mainstream theories of social science since then²⁰ (Van der Pijl 2009 ch.1; Lunghini 2012: 33-37).

Neo-Gramscian perspectives, as well as critical theories generally (see Burchill *et al* 2009) stress the importance of transcending academic distinctions, such as the one between Comparative Politics and International Relations. In fact, one of the main critiques of mainstream theories by the neo-Gramscians, has been a critique of the tendency for conventional academic analyses to focus either on the national scale or on the global (international) scale. Thus – this is their criticism – one misses the point that national political economies are part and parcel of wider structures of transformation (capitalism). Cox terms these wider structures 'historical structures', but one can also refer back to Marx's own theoretical emphasis on an

²⁰ The term 'economics' was introduced for the first time by the father of marginalist economics William Jevons. He in fact recommended that the term 'political' be replaced from 'political economy', in that way highlighting its scientific and objective character and eliminate an association with politics.

the idea of an integral, historical society. What is criticised is also an empirical focus on the distinction between 'the national' and 'the international'. This dichotomy is, in critical approaches to GPE, seen as overdetermined by the dynamics of social relations within a capitalist mode of production (for the concept of overdetermination, see: Van der Pijl 2007: 16), conceived as a totality that encompasses and incorporates the state-system and thus the very distinction between what is 'national' and what is 'international'. As Overbeek points out, the critique concentrated on "identifying state formation and interstate politics as moments of the transnational dynamics of capital accumulation and class formation" (Overbeek 2004: 122).

As will become clearer in the course of this chapter, this critique of the conventional disciplinary divisions in social science reflects the ontological and epistemological claims of the theory itself, as it is posited that there is no such thing as a universal theory of social science that is applicable across different historical epochs. Instead, knowledge is conceived as both historically situated and as constitutive of social practice. As Mark Rupert noted, historical materialism is a "*situated knowledge*, constructed within and relevant to the historical relations of capitalism in particular times and places" (Rupert 2003: 186, cited in Bruff 2010: 3). Critical theory – and particularly Marxist critical theory – is thus *practical*, in the sense that it posits that all knowledge about the social world is but an aspect of social practice, it is part of human activity: thus, "there is no verification of any claim about the world other than through practical application" (Van der Pijl 2007: 12). A critical theory of capitalism is thus able to situate itself *within* the confines of a particular standpoint in space and

time; it is thus able to account for not only the development of other disciplinary branches, but for its *own* very constitution as a historically situated theory.

Ontology

The social world we live in differs from the natural world in that human beings have made the former but not the latter. Hence, inquiry within social science cannot follow the same scientific and methodological routes as that of natural science, whose object is first-order reality – the natural world. In contrast, social sciences' ambition is to analyse the *second-order* reality that has been produced and is reproduced over time by human beings living in concrete historical situations. The world of social science is one which human beings produce and reproduce in different ways over history, hence explanation cannot start from the assumption of a separation of the subject from the object as though the latter were a simple external thing one analyses, and also cannot theorise in terms of cause and effect (Gill 1993a:21-22).

This understanding reflects Marx's famous critique of Feuerbach in *The German Ideology*, where he argued that one cannot posit a *universal* 'man', as the only men that exist are ones living in concrete societies and specific historical situations (see Marx 1968). It is this understanding that leads to *historical* materialism, the idea that thought is constitutive of (although not determined by) social practice. However,

"to bourgeois materialism it means that ideas are the product of the brain, to be explained from the structure and transformations of brain matter, and hence, ultimately,

from the dynamics of the atoms in the brain. To historical materialism, it means that the ideas of man are determined by social circumstances: *society is the environment which through his sense impresses itself on him*" (Pannekoek 1938: 25 cited in Van der Pijl 2007: 14).

The forms of society created by human beings over history are characterised by specific relations between people and the natural substratum. In fact, the need to produce (through what Marx would term 'concrete labour', that is labour that produces use-values) can be seen as the only transhistorical, or universal, aspect of human existence that characterises *all* modes of production and historical epochs. Human beings *produce*, in all historical epochs, and that is all one can say about humans *in general*:

"we must begin by stating the first premise of all human existence and, therefore, of all history, the premise, namely, that men must be in a position to live in order to be able to "make history". But life involves before everything else eating and drinking, a habitation, clothing and many other things. The first historical act is thus the production of the means to satisfy these needs, the production of material life itself. And indeed this is an historical act, a fundamental condition of all history, which today, as thousands of years ago, must daily and hourly be fulfilled merely in order to sustain human life" (Marx 1968: 10).

However, *how* the relations of production are in turn organised then constitutes the *differentia specifica* of a particular mode of production, creating a 'second nature', shaping the actions and thoughts of human beings. This reflection parallels that between the first-order reality of the natural sciences and the second-order reality of social sciences. As the object of social sciences is always,

ultimately, the 'historical structure', then the way one goes about doing research in social science must be based on a different set of ontological and epistemological premises than research in the natural sciences.

Thus, as we argued above, one can say that human beings have ahistorical needs such as eating, drinking, and shelter, but *how* the production of these use-values is organised constitutes the specific character of a particular mode of production. The latter is created and modified by human beings themselves historically, and it includes specific *social relations of production*. Crucially, in this perspective, an important part of any historical structure and any mode of production is the ideational element, that is, how humans in that specific historical structure think and reason reflectively on their own social conditions. Thought patterns are a part of the historical structure and are not simply the way human beings go about analysing an object that is external to them. Thought on human society is always reflexive, it is always *perspectival*, based on the observer's standpoint: "theory is always *for* someone and *for* some purpose" (Cox 1981: 128). Ideas are therefore intrinsically *part of* the political economy, as they shape how human beings go about producing their means of subsistence, and the institutions that are needed to organise that production. The point is that without the 'explanatory' function, that is the role of 'organic intellectuals', no social structures can hold, and this intellectual function and content changes with humanity's overcoming of historical limitations to its self-determination. This is why Marxism can be conceived as *absolute historicism*: "the absolute secularisation and earthliness of thought, an absolute humanism of history" (Gramsci 1971: 465).

The relationship between the past and the present is crucial here. The social world inhabited by concrete human beings has been 'made' in the past and thus constrains present human action into a framework, which however does not determine how human beings will act (obviously, as, in this case, where would historical change come from?), but limits the range of possible routes or choices, and thus the avenues for change. As Gramsci points out, "each individual is the synthesis not only of existing relations, but of the history of these relations. He (or she) is a *précis* of the past" (Gramsci 1971: 353). Gramsci is here reformulating the Hegelian idea that the 'objective' forces created in the past have been created by the subject through *alienation*: humans produce something that is outside of themselves which contains what they have produced, and this then confronts human beings as something external to themselves, the 'objective' world. This 'objective' world is then *fetishised* as a thing, a structure that determines human action, neglecting the fact that it is being created by human action. In Marx's analysis of the capitalist mode of production, the key form of alienation is the labour process itself (while Hegel referred here to a form of mental alienation of the freedom-seeking subject).

One can thus arrive at identifying the basic unit of the social ontology of a neo-Gramscian approach: the *historical structure*, defined by Cox as "persistent social practices, made by collective human activity and transformed through collective human activity" (Cox 1987: 5). According to Cox, three categories of forces interact in a non-deterministic way in such a structure: material capabilities, ideas and institutions (Cox 1981: 136). Common sense is a synthesis of past and present, a sedimentation of previous historical structures into

particular common sense assumptions about the world, that is both path-dependent and dynamic (see more below).

Structure and agency in political economy

As is probably clear, the idea of a historical structure, in line with a historical materialist understanding of dialectics and historical change, involves a specific theorisation of the structure/agency dilemma in social science.²¹ In contrast to positivist, constructivist and post-structuralist understandings of the relationship between structure and agency that either grant primacy to structure or to agency (the former) or posit a sort of 'indeterminate determinism' (Wight 1999 cited in Bieler and Morton 2001b: 16) (the latter), a neo-Gramscian approach views agency *in* structure, as dialectically interrelated with structure, thus creating the structural framework within which further agency is then constrained (but not determined) to choose among a limited realm of possibilities for change.

The revival of the dialectical method is an important element in the ontological position of neo-Gramscian approaches. "History is at once freedom and necessity" (*Ibidem*: 19). A historical structure is inherited from the past and hence is not the outcome of the agency of individuals of a particular society, who are born in a concrete historical situation over which they do not have control. The sphere of freedom is thus constrained but not eliminated by the structure, as individuals, imbued with the intersubjective meanings and dominant and/or counter-hegemonic forms of thought of a given era, always have several avenues for agency. Structure in all its elements exists because humans beings made it exist, and therefore cannot logically be seen as in turn determining human being's existence, lest we fall

²¹ This section is largely based on Bieler and Morton 2001b.

back into a *fetishistic* logic²² As Colin Hay points out, “strategic action is the dialectical interplay of intentional and knowledgeable, yet structurally-embedded actors and the pre-constituted (structured) contexts they inhabit” (*Ibidem*: 27). This framework for action is defined by the limits of the possible and the thinkable of a given historical structure – agency *in* structure. In criticising a series of approaches – structuration theory, constructivism and post-structural approaches –, Bieler and Morton emphasise how one can overcome the agency-structure dualism (most theories in fact posit either one or the other as the primary element) by showing how actors are not independent autonomous entities: “People make history but not under conditions of their own choosing” (Marx 1963: 15). There is a *dialectical* relationship between structure and agency that entails their mutual constitution: “structure presupposes agency as it only exists in virtue of intentional human action in which social structures are reproduced and transformed. Society does not exist independently of human activity (error of reification) but it is not the product of it (error of voluntarism)” (Van Apeldoorn 2004: 152)

Referring back to our division between first-order and second-order reality, one can see how structures such as states or world orders are not in themselves ‘objective’, but become so only through the intersubjective meanings that people attach to them. The aim of an analysis of the historical structure is thus both its material and ideational dimension, which together create the framework of

²² One is reminded here also of debates which see the nation-state as simply a passive agent in the face of structural change in the economy, or see individuals as recipients of impersonal market mechanisms over which they supposedly have no control.

institutions, ideas and material capabilities and the possibilities for change incorporated in them.²³

“It might seem that there can exist an extra-historical and extra-human objectivity. But who is the judge of such objectivity? Who is able to put himself in this kind of ‘standpoint’ of the cosmos in itself and what could such a standpoint mean? ... Objective always means ‘humanly objective’ which can be held to correspond exactly to ‘historically subjective’: in other words, objective would mean ‘universal subjective’... We know reality only in relation to man, and since man is historical becoming, knowledge and reality are also a becoming and so is objectivity” (Gramsci 1971: 445-6, cited in Bieler and Morton 2001b: 20).

Forms of thought are ‘humanly objective’: they correspond to a specific situation or historical structure and thus are a constituent element of this human construction, that is nevertheless ‘historically subjective’ and ‘universal subjective’ as it corresponds to a historical situation in which man has reached a certain phase in its material and intellectual development. This amounts to criticising the subject/object duality, and points to the fact that the subject is plunged into a historical ‘reality’ that imbues his frameworks of thought so that what appears to be ‘objective’ to him is actually ‘historically subjective’ as it is the result of the past that has condensated into a structure in the present, a framework which influences and shapes both his thoughts and his actions, but does not determine them. From this reflection, it is clear that the subject-object

²³ See the section on common sense for a discussion of the role of organic intellectuals in the shaping of the intersubjective meanings and their common sense underpinnings.

duality, which mainstream theories of social science do not problematise, must be overcome.

Within neo-Gramscian perspectives this dichotomy is overcome by emphasising the unity of the subjective and the objective, by highlighting how one cannot exist without the other; how the object is created by the subject, but the subject is also shaped (but not determined) – both materially and in its identity and ideational/theoretical outlook – by the object. This historicist epistemology sees structures as made by humans but then in turn confronting people as ‘objective’ reality.

“Structures are formed by collective human activity over time. Structures, in turn, mould the thoughts and actions of individuals. Historical change is to be thought of as the reciprocal relationship of structures and actors” (Cox 1987: 395).

For instance, the state cannot be analysed and conceptualised as an objective category, but acquires such status as ‘humanly objective’ only because people have ‘made’ the state in the past and people now act as if the state were an entity in reality, as if “there exists above them a phantom entity, the abstraction of the collective organism, a species of autonomous divinity that thinks, not with the head of a specific being, yet nevertheless thinks, that moves, not with the real legs of a person, yet still moves” (Gramsci, 1995: 15). Thus, the existence of ‘the state’ is not objective: the state exists only insofar as people act in a certain manner and conform their social relations to certain rules that give the concept of ‘the state’ an aura of objectivity. However, it is always people’s actions that make ‘the state’ exist. The state is ‘humanly objective’.

The view of the state as a 'thing' standing above society and independent from it²⁴ parallels the view of capital as a 'thing' and hence is the expression of a *festishised* understanding of human relations that sees humans as determined or objects of autonomous, independent "things". This view overlooks the fact that these 'things' are the creation of human social practice, and thus they acquire an 'objective' status only in the practice and the forms of thought developed within the confines of a specific historical structure. Marx, talking about socialisation among people in their work, says that "the social relations between their private labours appear as what they really are, i.e. they do not appear as direct social relations between persons in their work but as material relations between persons and social relations between things" (Marx 1976: 165-6). Marx argues that these social relations "*appear as they really are*", which means that these appearances are not mere illusions, they are *necessary* aspect of an historical structure and of capitalism as a mode of production. As Tronti notes, for Marx the verb *erscheinen* has an ambiguous meaning, which can be best translated more as *to present itself*, *to manifest itself* rather than *to appear*. Thus, the separation between the worker and capital is not simply an appearance: it is a real historical fact, a real relationship that *presents itself* in a certain way (Tronti 1966: 185).

Historical materialism is often misunderstood as a reductionist theory which sees relations of production, hence material forces, as ruling *over* human beings, that is, as matter determining consciousness (Van Apeldoorn 2004:

²⁴ Including the contractual tradition in modern political thought that sees the state as emerging from an abstract 'contract' among people, that is characteristic of the Hobbesian and Lockean idea of the state.

152). Primacy, within a neo-Gramscian approach, is indeed given to the social relations of production but reductionism as well as determinism are avoided, as production is intended in a very broad sense that goes beyond the mere production of physical use-values:

“production ...is to be understood in the broadest sense. It is not confined to the production of physical goods used or consumed. It covers also the production and reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to the production of physical goods” (Cox 1989: 39).

This expanded notion of production also incorporates the intersubjective meanings that shape the identity of individuals or collective agents and patterns of thought through which humans understand their situation and the possibilities for change, as well as more entrenched forms of ‘common sense’ that encompass longer historical periods. How humans understand the world is part and parcel of their social practice, and hence of the ‘situation’ they find themselves in. This historicist method draws attention to intersubjective meanings as constituents of historical structures. How people perceive action and the outer world also enables and constrains certain routes of agency, as it is bound up with avenues for producing and reproducing hegemony or contesting it through anti-hegemonic practices and ‘collective images’.²⁵

A further point worth mentioning is the fact that several historical structures may co-exist at the same time, each one of them referring to a certain conception of time. Gill makes reference to Fernand Braudel’s conceptions of time in the analysis of history (See:

²⁵ On the difference between ‘intersubjective meanings’ and ‘collective images’ of the world see Cox 1981: 136.

Gill 1993a; 2001). Braudel speaks of the *longue durée*, that is the *gestes répétées* of history, or the wider “structure of necessity” (Gill 1993a: 36) in which the *événements* take place. The *longue durée* is linked to wider macro-structures such as the capitalist mode of production, which is a specific *capitalist* way of extracting surplus-labour, and the (apparent) separation between politics and economics. At the intermediate level, one can refer to Cox’s historical structures as a particular configuration of material capabilities, ideas and institutions that give content to a structural framework organised around a set of social relations of production. At the micro-level there is the day-to-day conduct of politics, or what Braudel called the *événements*.²⁶ All these structures or levels are produced and reproduced by humans, and thus all of them must be kept in mind while engaging in social science analysis, without making reference to objective structures determining human action, but always being aware of their *historical* and *social* production that, although incorporated in ingrained institutions and beliefs, is nevertheless produced and reproduced by human social practice.

Epistemology

The social ontology and historicist method we have outlined has clear implications on the epistemological position of this approach. If we view the world as ‘made up’ of historical structures as configurations of material capabilities, ideas and institutions, then our theory of knowledge will be affected. It is claimed that there is no such thing as knowledge in general, or a universal social theory which is applicable to all times and places. What is refused is a positivist theorising on precise causal laws that are applicable to humans and human institutions *in general* (thus positing also a fixed human nature which stands beyond history). Instead, we posit the unity of objective

²⁶ This distinction between macro-level, meso-level and micro-level is proposed by Bieler and Morton, 2001b: 26. Gramsci himself distinguished the “occasional” from the “permanent” in political economy.

and subjective, that is we focus on the development of social structures which then confront human beings as a part of objective reality. The object of analysis of critical theory is the social structure *per se*, its processes of production and reproduction.

One of the most relevant interventions by Cox concerns precisely the crucial epistemological difference between ‘problem-solving theory’ and critical theory’ (Cox 1981; 1983). Within a given historical structure, theory, as a form of human knowledge, can serve several functions but is never independent of the configuration of material forces and institutions that also constitutes the structure. Again, there is no such thing as knowledge that is detached from the surrounding society: there is no thought without a thinker, a person that views ‘the world’ from a particular *historical, social and geographical* standpoint. According to Cox, “theory is always *for* someone and *for* some purpose” (1981: 128). There is no such thing as a theory in itself, separated from a certain standpoint in time and space: where you are determines how you see the world, and *what* you see in the world (ontology). Whenever any theory presents itself as a universally-valid theory, whenever the standpoint from which it is formulated is obscured, it becomes more interesting and fruitful to study the theory as *ideology*, in order to bring to light its unquestioned assumptions.

Slavoj Zizek, who has widely studied the concept of ideology, notes that one of ideology’s founding elements is precisely the distinction it promotes between the meanings attached to their experience by ordinary people and the theory advanced by external ‘rational’ observers who are able to perceive the world “as it (supposedly) is” and its laws, as if it were a natural organism (Zizek 2010: 42).

Ideology thus presents itself as neutral knowledge that detaches itself from what it *itself* terms 'ideology'. Thus, the very distinction between ideology and 'truth' is internalised within the notion of ideology:

"it is only this modern position of the value-free scientist, approaching society the same way as a natural scientist approaches nature, that amounts to ideology proper, not the spontaneous attitude of the meaningful experience of life dismissed by the scientist as a set of superstitious prejudices (...) There is thus a duality inscribed into the very notion of ideology: 1. "mere ideology" as the spontaneous self-apprehension of individuals with all their prejudices. 2. neutral, value-free knowledge to be applied to society to engineer its development. In other words, ideology is (or rather appears) as its own species" (Zizek 2010: 42).

Thus, a prominent feature of ideology is this distancing itself from specific *historical* or *social* standpoints. Critical theory overturns this position: *any* theory *must* have a perspectival lens through which 'the world' is analysed, and those theories that tend to conceal this origin in their own ontology and epistemology are the *hegemonic* theories, that internalise the historical structures and social and power relations by presenting them as *natural* and/or *objective* relations. Based on the premise that theory always reflects certain social or national interests, Cox then argues that the "pressures of social reality present themselves to consciousness as problems" (Cox 1981: 128) and thus theories differ from one another in their *problematique*. Problem-solving theory aims at resolving problems "within the terms of the particular perspective which was the point of departure" (*Ibidem*). Problem-solving theory

“takes the world as it finds it, with the prevailing social and power relationships and the institutions into which they are organised, as the given framework for action. The general aim of problem-solving theory is to make these relationships and institutions work smoothly by dealing effectively with particular sources of trouble. Since the general pattern of institutions and relationships is not called into question, particular problems can be considered in relation to the specialised areas of activity in which they arise. Problem-solving theories are thus fragmented among a multiplicity of spheres or aspects of action, each of which assumes a certain stability in the other spheres” (*Ibidem* 128-9).

On the other hand, *critical* theory is

“critical in the sense that it stands apart from the prevailing order of the world and asks how that order came about. Critical theory, unlike problem-solving theory, does not take institutions and social and power relations for granted but calls them into question by concerning itself with their origin and how and whether they might be in the process of changing. It is directed towards an appraisal of the very framework for action, or problematic, which problem-solving theory accepts as its parameters” (Cox 1981: 129).

Critical theory’s object of study is therefore the *historical situation*, the genesis of Gramsci’s ‘humanly objective’ or ‘historically subjective’. The relative strength of problem-solving theory is its capacity to fix limited parameters to a problem and identify a number of variables that interact on a ‘*ceteris paribus*’ assumption. This thus makes it possible to generate certain laws or general patterns that start from the assumption of the continuous

reproduction of the social and historical parameters that have been taken as starting points. Cox argues that this strength of problem-solving theory also reveals its ideological bias in its assumption of fixity of social and political relations (*Ibidem*). The crucial point, which also allows for a reflection on the notions of hegemony and common sense, is that

“problem-solving theories can be represented, in the broader perspective of critical theory, as serving particular national, sectional or class interests, which are comfortable within the given order. Indeed, the purpose served by problem-solving theory is conservative, since it aims to solve the problems arising in various parts of a complex whole in order to smooth the functioning of the whole. This aim rather belies the frequent claim of problem-solving theory to be value-free, it is methodologically value-free insofar as it treats the variables it considers as objects; but it is value-bound by virtue of the fact that it implicitly accepts the prevailing order as its own framework” (Cox 1981: 130).

These quotes clarify some of the critiques of other approaches in the previous chapter. Mainstream positivist IPE or IR theories tend to take a form of thought derived from a particular historical structure, a specific phase of history, and thus a peculiar set of social and power relations, and universalise it, assuming it to be eternally valid. However, following Hegel, there is no immediate knowledge, since this would imply that we have no consciousness that mediates with reality (Schechter 2007: 1-12).

One is reminded here of Marx’s famous polemic against the so-called ‘Robinsonades’, the myth of Robinson

Crusoe as the paradigm of *homo oeconomicus*, that is the universalisation of a typical phenomenon of capitalism: persons conceived as owners of property (be it their labour-power or means of production). Such a conception represents the social relations of production as immortal, transhistorical elements of *any* labour process, and not as peculiarities of capitalist social relations.

One of the main differences between problem-solving theory and critical theory is the object of analysis: while the latter is concerned with the 'resolution of problems' within the status quo, including the maintenance of social power relationships, a critical theory pays due attention to the genesis of a specific social order; through what norms, institutions and material power the order emerged. I understand in such way Tronti's quote at the beginning of the chapter: the object of critical theory is a different one from the one of problem-solving theory. It is thus not useful to compare them as if comparing theories on the same footing: their object of analysis, their *problématique*, is different. Thus, as Van der Pijl reminds us, there can never be a social theory that entirely transcends the specific society in which it originated and to which it applies (see Van der Pijl 2009 ch.1). In fact, the whole problem of the 'submersion' of the subject and the object is the way Van der Pijl goes about analysing the various theories of GPE in his survey.

Obviously, there are *different* strands of critical theories, but they all share this concern – reported in the quote at the beginning of the chapter – with the genesis, production and reproduction of the historical structures (and its *political* relations) that mainstream social science tends to take for granted. For instance, there is a focus not on the external relationship between state and market, but

on their mutual constitution within the same set of social relations and thus of their historical reciprocal conditioning. The object of this study is thus ultimately the historical structure: 1993 as the moment of consensus of a series of changing social relations and corresponding ideational structures in the Italian political economy. 1993 also as a moment of transformation towards a new form of state/society complex. The state/society complex – as will be explained in more detail when considering Gramsci's conceptualisation of the state – is a reciprocal relationship between the structure (economic, social relations) and the superstructure (the so-called 'ethico-political moment'). In fact, the interrelationship and reciprocal constitution of both structure and superstructure is, within a neo-Gramscian approach, so dense that it can be argued that the whole distinction between the two is indefensible (This is Morton's argument in Morton 2006). In fact, the overcoming of a determinist relation between the two, that had characterised the positivist scientific Marxism of the 2nd International, was one of Gramsci's theoretical concerns.

Bieler and Morton cite Hollis and Smith's division between two traditions in the social sciences: one focused on identifying the building blocks of reality, the units of the social world, in order to then discover external causal links between them (the tradition of *explanation*), and another that produces an 'inside' story looking at the meanings the actors themselves attached to their own actions (*understanding*) (Bieler and Morton 2001b: 13-15). In fact, it is the two authors' argument that a neo-Gramscian account aims at both understanding *and* explaining: understanding "the intersubjective making of the social world – how intersubjective structures become instantiated in human practice" and explaining "how such structures are

materially experienced by individual and collective agency, as both enabling and constraining properties” (Bieler and Morton 2001b: 14).

Neo-Gramscian theory can thus develop *limited* hypotheses and generalisations based on an analysis of the historical situation, and thus differs on a fundamental level from positivist empirical approaches. The latter’s goal is to generate testable hypotheses which then face the ‘test’ of reality and can be approved or rejected. The assumption is that there is a separation between the mind of the observer and social reality, so that the task is one of recording what already exists ‘objectively’ out there in society. The method is therefore akin to the scientific method of natural sciences. As hopefully this section has made clear, critical theory starts from the premise that the social world is a ‘second-order reality’ that has been created historically by human beings, and that thought patterns are an intrinsic part of this process (how we *make sense* of the world is a constituent part of how we *make* the world), so that it is impossible to separate the subject and the object of social analysis.

A capitalist mode of production – as well as the several ‘historical structures’ in which it historically manifested itself – functions through specific class relations that allow us to identify social forces based on their position in the production structure. However, this does not imply that the outlook, interests and ideas (as well as political strategies) of these forces are determined by their location in the production process. “One can only identify the relevant social forces as the core actors and may formulate hypotheses for research on the basis of the specific social relations of production” (Bieler 2006: 35). Production here is intended in Cox’s extended definition of

production cited above. Moreover, in line with the previous argument on a dialectical understanding of the relationship between structure and agency, a neo-Gramscian approach refuses any determinism: there are always several possible courses of action or class struggle within a structural framework. What is refused here is a notion of class struggle – that is theorised by both the Open Marxists and the workerist tradition – that is *unmediated*, that is seen as simply a refusal of the imposition of work in the capital-relation (see: Bonefeld's and Burnham's contributions in Bieler *et al* 2006). As the section on common sense will further argue, ideas, in this conceptualisation of class struggle, play a fundamental role.

The Marxian dimension

An upside-down world: capital as a social force

The heuristic tool used in this research in order to analyse the 1992-1993 agreements in Italy is the Gramscian notion of 'common sense'. In order to conceptualise common sense, a step 'backwards' is needed to understand the functioning of the capitalist mode of production. In capitalist states one is immediately presented with the apparent division between *politics* (what Gramsci called political society) and *economics* (civil society). This division is indeed internalised by most theories of social science with their analytical separation between the sphere of the *state* and that of the *market*. Within capitalism and in mainstream theoretical approaches, it thus seems that the state acts in an external fashion within the supposed

autonomous sphere of the market. This view obscures the mutual constitution of state and market as aspects of the same set of social relations. It is, once again, a *real* phenomenon – not a mere *illusion* – that is constitutive of capitalist social relations. *Real* and *ideological*, for Marx, are not contrasting phenomena, are not self-excluding elements: on the contrary, the capital relation and the fetishism that attaches itself to the commodity-form are no illusion, they are real phenomena that originate from men's concrete relations in the labour process, from the workers' production and reproduction of the capital relation (on one side the worker, on the other capital as a social force). As Postone argues,

“the quasi-objective structures grasped by the categories of Marx's critique of political economy do not *veil* either the 'real' social relations of capitalism (class relations) or the 'real' historical Subject (the proletariat). Rather, those structures *are* the fundamental relations of capitalist society that, because of their peculiar properties, *constitute* what Hegel grasps as a historical Subject” (Postone 1993: 78).

In order to understand the intimate and reciprocal relationship of state and market, politics and economics, one needs to comprehend the process of surplus-value extraction in capitalist societies, and the power relations that underpin it. Thus, the first step will be to present a brief overview of the Marxian labour theory of value and, referring to the writings of Tronti, Panzieri and Cleaver, a theory of technological change in capitalism. On this I will then build in order to conceptualise hegemony and understand the production and reproduction of common sense in a capitalist society.

Common sense, as it includes references to the realm of production – the *what* and *how* of production – is, clearly, *capitalist* common sense. Thus, this chapter starts by briefly reviewing the main elements of Marx's analysis of the capitalist mode of production. What is presented here is a synthesis of an analysis of capitalism as a mode of production. The mechanisms of state and class formation and class struggle are mediated by other elements including culture, nationally-specific compromises and historic blocs and the geopolitical system, from which we abstract in this section. Thus, class struggle cannot reduce the antagonistic aspect of the capital relation to an unmediated idea of class struggle. There are always material social practices, norms and institutions that mediate the class struggle that accompanies the capital relation. These elements will be incorporated when we take into consideration the *Gramscian* dimension of analysis and the production of common sense.

Cox reminds us that production is the material basis for all human existence, because in order to eat, drink and satisfy our human needs, we need to produce, and this need to produce must be organised in a certain way. As will be seen in the next section, the way this need to produce is organised "affects all other aspects of social life" (Cox, 1987: 1) and thus also versions of common sense that are not only nationally specific, but also socially specific, in the sense that in each country there might be differing, and even contrasting versions of common sense. Common sense thus cannot escape this material basis of human existence, and it surely must include references and assumptions regarding the organisation of production, as our ways of thinking are *part of* the organisation of production. Political struggle, and the struggle over

hegemony, is also a struggle between social forces that attempt to impose a specific version of common sense as the hegemonic one in a particular society, naturalising social relations and universalising them, thus making them the way most people in society 'make sense' of their social world. The more these common sense assumption can relate to human being's transhistorical need for means of subsistence in that particular society, the more it is likely that they will succeed in becoming dominant, for human beings will tend to internalise ideas that ease their access to the "material basis for our existence" (Bruff 2010: 3).

As will be seen, however, one must not fall prey to the fallacy of exaggerating the 'structural literacy' of the (national or transnational) capitalist class. Common sense is strongly path-dependent and adjustments are not easy to make. On the other hand, and I will focus on this more extensively in the next chapter, the accepted-as-legitimate must not be confused or equated with the taken-for-granted (see Bieler *et al* 2006 ch.3), because capital is a social form that organises society according to capital accumulation's necessities, and thus the capital relation is also reproduced through the 'silent compulsion of economic relations' (Marx 1976: 899). There is certainly a sense in which, as Althusser famously remarked, 'history is a process without subject': the process of capital accumulation, as Postone reminds us in the quote cited above, creates a 'quasi-objective structure' that is the creation of human beings in the labour process that then acts back upon them as a "thing" (a *fetish*: the attribution of *mystical* quality of determining *social* relations to an inanimate object, the commodity). Thus, capital accumulation is a quasi-objective process that is both the creation of humans and *independent* of them. In an inspiring

passage, Colletti describes the process by which in a bourgeois society, people are both independent and dependent on each other, and thus on 'the market':

"where each individual is independent from the others (the freedom of bourgeois entrepreneurs), also the social nexus or connection becomes independent from the individuals. And if the social connection, the link, becomes independent from the single individuals, it will also escape their control. In a society in which everyone is independent, what is established is a general dependence with respect to the global direction of the social process that escapes the control of the very producers and members of society. The global direction of the social complex in turn becomes independent, and being independent, it becomes uncontrollable on the part of individuals. Thus, *that independence between individuals has as a counterpart the dependence of each from a power that escapes any control*" (Colletti 2012: 40, my italics).

This situation of an unconscious mutual dependence masked by individual independence in production produces the *real* illusion of fetishism: individuals appear as independent from the social link – and on this point the whole edifice of liberalism is based – and exchange value appears as a feature that belongs to 'things' by nature (and not as qualities of a specific historical context). Even if this dependence is denied, it is nonetheless real: if you cannot exchange, you cannot eat!

For instance, the genesis and recovery from economic crises in the accumulation of capital possesses a certain automatic character that is largely independent from human conscious control, will or ideology. It is a 'process without subject', because human beings have

entrusted their subjectivity to a quasi-objective process that then determines their actions. Once again, it is not an *illusion*, a simple deception of the mind. It is a *real* process that – according to Marx – should be transformed not in people’s minds, but in the *real* relations between people. Ideology is the totality of *social practices* that are produced and reproduced. These ideas that are taught and operate constantly at the state level are not forms of indirect coercion and thus do not condition the subject *externally*: they are experienced as the ‘truth’ of social life, they are a “necessary relation between subjects and the conditions of their lives” (Milios and Sotiropoulos 2009: 109).

A capitalist system is a particular way of organising production, in which the “what” and “how” of production are organised in a specific way, that, as in any mode of production, is based on *specific* social and power relations among individuals. Understanding the nature of these social relations is crucially important to carry out an analysis of how common sense is constructed. Marx posited labour, as the creation of use-values, as a condition of human existence that is independent of all forms of society: “it is thus an eternal natural necessity which mediates the metabolism between man and nature, and therefore human life itself” (Marx 1976: 133). Labour can thus be considered as a transhistorical aspect of human existence that is present in all human societies.

The capitalist mode of production is one in which the direct producers are separated from the means of production, that have become an autonomous force and now function as ‘capital’, that is as self-valorising value. This separation between the workers and the means of production (known as ‘primitive accumulation’) occurred in different periods in different parts of the world, and it is

still on-going, as the struggles over primitive accumulation in several parts of the world show. The means of production, separated from the workers, turn into *capital*, 'self-valorising value', value that is constantly accumulating by extracting surplus-value from labour. In order to valorise itself, capital needs labour-power as its counterpart, because it is socially-necessary labour time which lends value to commodities. In order for capital to 'find' wage labourers in the market, individuals need to be set free from the previous conditions of production, so that they become *Vogelfrei* (Marx 1976: 874), (literally, free as a bird): the freedom of the workers is freedom in the *double* sense that they neither form part of the means of production like slaves or serfs, nor do they own the means of production, as self-employed peasants or artisans. They are *economically* forced to sell their labour-power in order to have access to the means of production and of subsistence, but this constraint is not imposed by law or does not arise out of relations of *personal* (hence, directly political) dependence as was the case with pre-capitalist societies. It rather arises out of the ahistorical need human beings have for food, drink and shelter, and the fact that these can be accessed, in a capitalist society, only through the market. This *forces* workers, in order to survive, to sell their labour-power to a capitalist and thus to submit it to capital's valorisation process.

One of Marx's fundamental innovations in political economy is its distinction between labour and labour-power: what the capitalist buys in the market is not labour itself, but a potential for labouring, that is labour-power, the capacity to work. Thus, it is labour-power that possesses a value, that is correspondent to the socially necessary labour-time needed to reproduce it (that is the

element that lends value to all commodities), in this case the means of subsistence necessary for the reproduction of the worker. Labour itself, thus, does *not* possess value, it cannot be bought in the market. Labour is the use-value of labour-power, it is the 'productive consumption' of labour-force in the process of valorisation (or the production process under capitalism). Labour is the way the commodity labour-power is employed productively. It does not have any value because once labour is used in production, labour-power as a commodity has already been sold in the market, and thus legally belongs to the buyer of that commodity, the owner of capital. It is precisely starting from this distinction that one can understand the production of surplus-value in capitalism.

Once a certain technological level has been reached, and with it a corresponding increase in productivity, the value of the labour-power decreases to only a fraction of the total working day. However, the capitalist has paid the worker in order to 'productively consume' his labour power for an agreed amount of hours daily. Thus, the rest of the working day, the wage-labourer works, and thus creates value, without being paid for it. This is *surplus-labour*, which creates *surplus-value*. An important point to grasp is that this process is not the outcome of some sort of 'cheating' on the part of the capitalist, in which the worker is fooled or forced to work for an amount of money which is less than its value. No, and Marx here is quite clear: the laws of exchange are respected, every commodity is entirely paid for under conditions of equality. The capitalist pays the worker according to its value, and not less than it. However, the peculiar characteristic of the commodity labour-power is that it is the generator of value

as such, and will be employed by the capitalist only if it can produce more value than it is paid for.

Thus, the proper functioning of the 'Lockean market' is a crucial condition for the functioning of a capitalist mode of production.²⁷ However, the sphere of the market, of equal exchange among individuals, is not the sphere where surplus-value is extracted, and thus the one where one must look in order to find the secret of profit-making and thus of capital accumulation:

"accompanied by Mr. Moneybags and by the possessor of labour-power, we therefore take leave for a time of this noisy sphere, where everything takes place on the surface and in view of all men, and follow them both into the hidden abode of production, on whose threshold there stares us in the face "No admittance except on business." Here we shall see, not only how capital produces, but how capital is produced. We shall at last force the secret of profit making. This sphere that we are deserting, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of man. There alone rule Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, say of labour-power, are constrained only by their own free will. They contract as free agents, and the agreement they come to, is but the form in which they give

²⁷ Marx's goal was to refute the theories of the classical economists on their own terms. The capitalist labour process is thus the process in which the worker works under the control of capital, to whom its product belongs. Secondly, "the product is the property of the capitalist and not that of the worker, its immediate producer" (Marx 1976: 292). Here, Marx aims at disproving the Lockean view that the foundation of private property is the autonomous production on the part of the worker, whose product can only belong to him. In a capitalist society, based on market freedom and equality, the equal exchange is entirely respected in the market sphere, yet the product of one man generate surplus-value for another man.

legal expression to their common will. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own. And Bentham, because each looks only to himself” (Marx 1976: 279-280).

It is only within the production process that surplus-value is extracted from labour-power. If one looks at the circulation process of capital $M-C-M'$, one cannot understand where the surplus-value could come from, because we are dealing here with exchanges among equals within the marketplace. Money is exchanged for labour-power and means of production, which produce a commodity, which is then sold in the market. Each transaction fully respects the law of equal exchange. Thus, surplus-value has to originate somewhere else, namely from the sphere of production, and precisely from the use-value of a very peculiar commodity: labour-power. It is here that the distinction between the use-value and the exchange-value of labour-power becomes crucial. What the owner of capital buys in the market is not labour, because labour is not a commodity. And thus the expression ‘price of labour’ or ‘value of labour’ is nonsensical.²⁸ labour is the substance that creates value, it does not have value. It is labour-power which has a value, that corresponds to the socially-necessary labour-time needed to reproduce the worker under given historical conditions. What the owner of capital buys is the commodity labour-power, whose ‘consumption’ is labour. Labour, as the use value of labour-power – once a certain technological level has been reached – produces in a working day more than the value of the labour-power that is paid for in the market as salary. Or, and it is the same thing, capital puts labour-

²⁸ This in fact forms the core of Marx’s critique of the ‘utopian socialists’ such as Proudhon, for whom the ideal form of society is one in which the quantity of labour equals the value of labour. Marx answers that if the value of a commodity is the socially-necessary labour time needed for its production, then the ‘value of a working day’ is a nonsensical expression, as it equals the quantity of labour of a working day. Upon this basis, the only possible demand or claim was, according to Marx, the equality of wages. (See: Marx 1968). It is interesting how Tronti recovers this critique in order to underline how ‘real existing socialism’ conforms to this vision of equality of wages as the defining characteristic of socialism (Tronti 1966: 157-159).

power to work only if it generates more value than it is paid for. One can thus understand, with Marx, “the crucial importance of the metamorphosis of the value and price of labour-power into the form of salary, that is into the value and price of labour. On this phenomenonic form which renders invisible the real relationship and displays precisely its opposite, are founded all the juridical ideas of the worker and the capitalist, all the mystifications of the capitalist mode of production, all its illusions of freedom, all the apologetic chatter of vulgar economics” (Marx 1976: 680).²⁹

“The law of exchange requires equality only between the exchange values of the commodities given in exchange for one another. From the very outset, indeed, it presupposes a difference between their use values and it has nothing whatever to do with their consumption, which begins only after the contract has been concluded and executed” (Marx 1976: 729).

The key to understanding capital as a social relation is the unique characteristic of the commodity labour-power. Its exchange-value is in no way exceptional: it is the socially-necessary labour time needed for its production. Its particularity is in its use-value. The value of this

²⁹ As Tronti remarks, “For capitalist production, it is essential that labour-power presents itself as pure and simple labour and that the value of work is paid for in the form of salary...For it is not concrete labour, which, within the value-relation, possesses the general quality of being abstract human labour. On the contrary: being abstract human labour in the abstract is its nature; being concrete labour is only the phenomenonic form of a determined form of realisation of this nature. Work becomes, on this basis, the necessary mediation for labour-power to transform into salary: the condition for living labour to present itself only as variable capital, and labour-power only as a part of capital. The value in which is represented the paid part of the working day must thus appear as value or price of the entire working day. It is in the salary that any trace of the division between necessary labour and surplus-labour in the working day disappears. All work appears as paid work. And it is this that distinguishes wage labour from other historic forms of labour” (Tronti 1966: 41).

commodity is, like that of any other commodity, already determined once it is bought and sold in the market. However, its use-value, in contrast to the use-value of other commodities, is *not* already determined in its existence as a commodity, but is determined *afterwards*, as the enactment of a potentiality, in the production process. Its historic uniqueness is thus that it is the source not of value in general, but of a value that is bigger than the one it possesses; otherwise, it would not be bought in the market in the first place, because the capitalist could not attain more capital than it set in motion in the production process. Capital is the control on the part of *objectified* labour (accumulated capital) over *living* labour, the subjectification of the object and the objectification of the subject: “material relations between persons and social relations between things” (Marx 1976: 165-6).³⁰

The extraction of surplus-value (which, after sales, appears as profit) shows that while on the surface the exchange of equivalents is a convincing explanation of the economy by the classical political economists, it is however accompanied by its negation, which is expressed by the fact that the use-value of a particular commodity, labour-power, enables at the same time an *unequal* exchange.³¹ This fundamental contradiction is at the root of class struggle. Class, in Marx’s understanding is thus *not* simply

³⁰ “The labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them, between the producers. To the producers, therefore, the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things” (Marx 1976: 165-6).

³¹ It must be recalled that to try and actually calculate value is to mistake an abstract concept for an empirical one. The empirical category is prices, not values. (Van der Pijl 2009: 210)

an empirical concept: it is a *relation*. Classes exist only insofar as they are brought into a relation with one another, and these relations are characterised by a fundamental and irreconcilable antagonism, a relation of *struggle*.

It must be kept in mind – and this element is crucial – that capital is *not* money. Capital is money used in a certain way, in the form M-C-M', that is, capital that acts as self-valorising value. Capital is value in motion, in circulation in order to create more capital. Unpaid surplus value, which appears as profit, under the compulsion of competition is turned again into investment, and thus capital as a self-sustaining social force is reproduced, expanding through accumulation. The commodity-form is thus the physical, objectified form of capital, of value in motion:

“if we pin down the specific forms of appearance assumed in turn by self-valorising value in the course of its life, we reach the following elucidation: capital is money, capital is commodities. In truth, however, value is here the subject of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorises itself independently. For the movement in the course of which it adds surplus-value is its own movement, its valorisation is therefore self-valorisation. By virtue of being value, it has acquired the occult ability to add value to itself. It brings forth living offspring, or at least lays golden eggs” (Marx 1976: 255).

Labour – as the use-value of labour-power – produces commodities, which have the double characteristic of possessing exchange value and use-value. This double characteristic arises out of the double aspect of

labour in capitalist societies: labour is both abstract labour and concrete labour. Concrete labour is the material, physical activity actually undertaken in order to produce a use-value, and it is – as mentioned already – an ahistorical aspect of human existence. Abstract labour, on the other hand, is the labour that generates exchange-value, it is the element that measures the value of a commodity. When two commodities' values are compared quantitatively, what is compared is their exchange-value, hence the quantity of *abstract* human labour embodied in them, because this is the only element that they have in common.

“The exchange relation of commodities is characterised precisely by its abstraction from their use-values. If we make abstraction from its use-value, we abstract also from the material constituents and forms which make it a use-value. With the disappearance of the useful character of the products of labour, the useful character of the kinds of labour embodied in them also disappears (...) Concrete labours are reduced to the same kind of labour, human labour in the abstract: congealed quantities of homogeneous human labour” (Marx 1976: 128).

“It is thus wrong to see in labour the only source of material wealth: because it would still be concrete labour, which produces use-values. One must speak, instead, of abstract labour as the source of exchange-value. Concrete labour is enacted in an infinite variety of its use-values; abstract labour is enacted in the equality of commodities as general equivalents” (.Tronti 1966: 124).

Marx arrives at this crucial distinction by asking himself how it is that commodities can be compared to one other quantitatively, and are thus commensurable. As use value, commodities differ in quality but as exchange-value,

only in quantity, and so its commensurability is not constituted by its utility. The answer lies precisely in the fact that it is only as being products of abstract labour that commodities differ from each other quantitatively: "If we abstract from the value in use of commodities, there remains to them only one common property, that of being products of labour" (Marx 1976: 128). As products of concrete labour, commodities cannot be distinguished quantitatively, because they are qualitatively different as use-values.

Value is what is passed on in the process of commodity exchange. It is the hidden element in the commodity that makes all commodities in principle exchangeable. Here, as in many aspects of Marx's analysis of the capitalist mode of production, the relationship between the *process* and the *thing* is crucial. The thing is a representation of the process. What is sold in the market is not the process, but the thing; however, the latter would not exist without the process: "It is under everyone's eyes the process through which past labour disguises itself every day as capital" (Tronti 1966: 40). The process is the process of valorisation, in which the exchange relation is the form while the appropriation of surplus-value is the content: "property turns out to be the right on the part of the capitalist, to appropriate the unpaid labour of others" (Marx 1976: 729).³² What is at work here is the Marxian

³² "While private property appears as the reason and the cause of expropriated labour, it is instead a consequence of the latter, just like the gods are not the cause, but the effect of the estrangement of the human intellect. Then, this relation is inverted into a reciprocal effect. Only at the last culminating point of the development of private property does the latter show once again its secret: that it is on one side the result of expropriated labour, and secondly that it is the means by which labour is expropriated, the realisation of this expropriation" (Tronti 1966: 127).

dialectics. Use-value is not caused by value. It is not a causal analysis, but one about dialectical relations.

Thus, one can begin to see how the commodity is not just an object but also a representation, a bearer, of a social relation, of the capital-relation. And that capital is not a thing but “a social relation between persons which is mediated through things” (Marx 1976: 932). Incidentally, by itself this can cast some doubts on analyses of transformations in the global economy that simply register the movement of capital and analyse it quantitatively as if it were a *thing*. It can be argued that this is a form of *commodity fetishism*, since the relations between things hides the social relations between people.³³ In order for capital to be exported – for instance – a specific set of social relations must be in place in the receiving country, namely the separation between workers and the means of production, and a juridical apparatus that enforces property rights.³⁴

In line with the dialectical structure of *Capital*, it is only in vol.III that the analysis finally reaches the surface sphere of capitalist society. In extreme synthesis, here Marx shows how profit is distributed via the price system over the various economic sectors of society, and how the profit rate will tendentially be equalised across different sectors.

³³ For instance, the otherwise brilliant critique of the globalisation thesis by Hirst and Thompson (1996) also falls prey to this problem.

³⁴ See Marx 1976 (ch.33). Here, Marx sets out to prove this point. He reports the story of Mr.Wakefield, who wanted to export capital and move a number of workers to the British colony of Australia in order to produce for profit there. However, once he arrived there, “he was left without a servant to make his bed or fetch him water from the river. Unhappy Mr.Peel, who provided for everything except the export of English relations of production to Swan River!” (Marx 1976: 933). In the remaining part of the chapter, the colonisation of the United States of America is taken as an example to prove how a certain set of social relations must be in place *before* the process of capital accumulation can reproduce itself.

Ultimately, capital rests on an exploitative relation with living labour power, and competition refers to raising the rate of exploitation (surplus-value divided by the value of labour-power) more than the competitors can. However, there is a tendency to replace workers by machinery in order to become more competitive. This undermines the sole source of surplus-value, bringing about a *tendency of the fall of the rate of profit*. There are several ways that capital can counteract this tendency, so that its actual realisation can only be tested empirically; for instance, the value of producer goods also fall and capital can find new ways of exploiting living labour power or incorporate new territories³⁵. There is thus an inherent logic of expansion in the contradictory nature of capital, which has been studied by Marxist authors such as Rosa Luxemburg as entailing the constant need, on the part of capital, of a non-capitalist *outside*.

The capitalist mode of production is not aimed directly at the production of use-values, useful objects for human existence; these use-values are important to capital only insofar as they provide a means for valorisation, only insofar as they are “bearers” of exchange-value.³⁶ “Unlike previous societies whose rulers have imposed surplus labour on others to benefit themselves, in capitalism the imposition of work is endless and independent of the production of any particular use-value, including the luxuries consumed by the capitalist class” (Cleaver 1992: 115). “The social relation of capitalist production sees

³⁵ See Harvey 2006 for the argument that capitalist accumulation always requires a non-capitalist social (and natural) substratum. See: Harman 2009 (part 1) and Callinicos 2010 for analyses based on the tendency of the rate of profit to fall.

³⁶ This is the starting point for understanding Marx’s theory of alienation, the experience of work as an imposed rather than self-determined activity.

society as a means and production as an end: production for the sake of production" (Tronti 1966: 53). If capital is a form of power which does not aim at producing useful objects, or use-values, but at controlling people's work in order to generate profit, it is incorrect to claim that capital *has* power. Capital *is* power. It is the power to decide what to produce, with which means of production, where to produce and when to produce.³⁷

What needs to be stressed is that capitalist society is not a synonym of market society. Capital is not (only) about creating a market. Capital could not be capital without the process of wage-labour creation, or proletarianisation, which preceded it. The creation, and constant reproduction of a proletariat, of a group of people whose only commodity to sell is their labour-power is a necessary and defining, element of the capitalist mode of production.

Class struggle is seen by Marx, from a legal standpoint, as a struggle among equal rights: "There is (...) an antinomy, of right against right, both equally bearing the seal of the law of exchange. Between equal rights, force decides" (Marx 1976: 344). In the following sections, I will present a conceptualisation of class struggle that is more nuanced and includes an ideological aspect, and thus incorporates the role of culture and 'common sense' within class struggle.

In synthesis, the capitalist process of production, seen as process of production and reproduction, produces not only commodities, not only surplus value, but it also produces and reproduces the capital-relation itself: on the one hand the capitalist, on the other the wage labourer. It

³⁷ This insight is drawn from Gallino 2011: .6-7.

does so by its own internal logic: if wages rise so that capital cannot valorise itself, then capital reacts by several means, the main one being 'technological fix'³⁸, that is by modifying the technological conditions of labour so that labour is once again thrown back into the market (increasing unemployment) until wages decrease to the level that will allow capital accumulation to restart on a more profitable basis. Therefore, "the working class, even when it stands outside the direct labour process, is just as much an appendage of capital as the lifeless instruments of labour are" (Marx 1976: 717). An important element to retain from this discussion is that the class relation does not simply begin at the moment of production, when capital buys labour-power in the market. What must exist in order for this to happen is the existence of a mass of people separated from the means of production. The class relationship between capital and labour is thus already present, already presupposed in the moment in which both 'find' each other in the M-C (money - commodity, that is capital - labour-power) movement, it exists already in the sphere of the market. The class relation precedes and therefore brings about the capital-relation (See: Tronti 1966: 139-144).

Capital's 'technological fix'

In order to understand the social force behind capital accumulation, and to outline a framework for thinking about technological change under capitalism, one needs to bring in the picture the coercive laws of competition (This concept is first introduced in Marx 1976: 434 435). This is a

³⁸ see Harvey 2006.

constraint under which capital produces, and forces it to continually revolutionise the production process. Socially-necessary labour time, the value of a commodity, is a social average, and some capitalists work below the average, thus receiving more surplus-value than the others. There is thus a form of surplus-value driven by the coercive laws of competition that is *ephemeral*. This is what individual capitalists are after when they innovate. This individual motivation of the capitalist, driven by the coercive laws of competition, produces the reduction of the value of labour-power, hence increases the rate of exploitation.

Here it can be seen how Marx internalises technological innovation within the logic of capital accumulation. Capitalist society *must* be technologically dynamic, it is inevitable and necessary for capitalism to reproduce itself. Marx's theory of technology is about machinery and organisational forms, such as cooperation and organisation of labour, as integral in raising relative surplus-value, that is a form of surplus-value that emerges from productivity growth (in contrast to absolute surplus-value, which is the form of surplus value that derives from the lengthening of the working day - see Marx 1976 ch.7-12, in particular ch.7 and ch.12.). Relative surplus-value is essential in capitalist development, because, while it shortens the necessary labour-time for the production of a commodity, its aim is not to shorten the working day but to generate surplus-value. Its result is a continuous decrease of the quantity of labour-time necessary to reproduce labour-power (if there is productivity growth in those sectors that produce the means of subsistence of labour-power), and hence an increase in surplus-value. For this to happen, the conditions of the labour process need to be continuously revolutionised.

Technological innovation becomes crucial as a factor increasing relative surplus-value only once capital has reached the stage of 'real subsumption' of labour. Real subsumption differs from 'formal' subsumption of labour under capital in that, in the latter, workers depend upon capital for their livelihood, but capital is not in control of the production process and of the means of production. Workers here possess the means of production and hence are in control of the labour process. Real subsumption begins when workers are brought into manufacture, into the factory, where they are under the supervision of capital, and where the whole labour process is under the control of capital, and no longer of the worker.

"At first, the subjection of labour to capital was only a formal result of the fact that the worker, instead of working for himself, works for, and consequently under, the capitalist. Through the co-operation of numerous wage-labourers, the command of capital develops into a requirement for carrying on the labour process itself, into a real condition of production. That a capitalist should command in the field of production is now as indispensable as that a general should command on the field of battle" (Marx 1976: 448).

With its continuous driving motive of self-valorisation, capital brings into cooperation an ever greater quantity of workers. This cooperation is entirely brought about by capital: the plan of production is set out by capital with the aim of valorisation, and represents an external force to the wage-labourer. "Hence the interconnection between their various labours confronts them (i.e. *the workers*), in the realm of ideas, as a plan drawn up by the capitalist, and, in practice, as his authority, as the powerful

will of a being outside them, who subjects their activity to his purpose" (Marx 1976: 449). Thus, with the switch to real subsumption, the command of capital evolves into a real condition of production, as the capital-relation is embodied into the very conditions of production, that no longer belong to the worker but to an external force (that the worker continually produces and reproduces). Moreover, the coordination and surveillance functions become a function of capital itself.

"Being independent of each other, the workers are isolated. They enter into relations with the capitalist, but not with each other. Their cooperation only begins with the labour process, but by then they have ceased to belong to themselves. On entering the labour process they are incorporated into capital. As cooperators, as members of a working organism, they merely form a particular mode of existence of capital. Hence the productive power developed by the worker socially is the productive power of capital. The socially productive power of labour develops as a free gift to capital whenever the workers are placed under certain conditions. Because this power costs capital nothing, while on the other hand it is not developed by the worker until his labour itself belongs to capital, it appears as a power which capital possesses by its nature – a productive power inherent in capital" (Marx 1976: 451).

Describing that remarkable phenomenon by which as technology develops and the necessary labour-time for producing a commodity decreases, the pressure on increasing the labour-time of the worker heightens, Therefore, being the production process both a labour process (concrete labour) and a process of valorisation (abstract labour), it is not the worker who employs the conditions of work in order to produce needed use-values,

but rather the conditions of work employ the worker in order to generate surplus-value. "Capital sees the labour process exclusively as a process of valorisation, and sees labour-power exclusively as capital" (Tronti 1966: 39). It is with the factory system that this dialectical inversion – parallel to the inversion between subject and object, and that between means and ends – acquires a *material reality* as constant capital, dead labour that confronts the worker and subsumes his living labour. "The separation of the intellectual faculties of the production process from manual labour, and the transformation of those faculties into powers exercised by capital over labour, is...finally completed by large-scale industry erected on the foundation of machinery" (Marx 1976: 548-549).

One can thus use Marx's theory of value to focus on a key mechanism of domination: the use of fixed capital for the control of living labour. In capitalism, technology embodies a rationality that is the rationality of valorisation, and by its own logic tends to increase the powers of capital over living labour. It does so by several means, both within the labour process and in the market. In the latter, through its control over constant capital, and thus technology, capital controls both the demand and supply of labour-power. The demand changes as wages increase or decrease, and correspondingly technology is developed in order to react to an unsustainable pressure of wages: "capital acts on both sides at once. If its accumulation on the one hand increases the demand for labour, it increases on the other the supply of workers by 'setting them free', while at the same time the pressure of the unemployed compels those who are employed to furnish more labour, and therefore makes the supply of labour to a certain extent independent of the supply of workers" (Marx 1976: 792-793).

Technological change is hence used as one of the weapons of class struggle that regulates both the demand and supply of labour.

One can refer here to the concept of 'organic composition of capital', which is a rise in the C/V ratio – the ratio between constant and variable capital – that results from the introduction of new machinery or technology which raises the productivity of labour. This is a central concept in a theory of technological change of what can be seen as a tendency of capital to substitute controllable machinery for less controllable workers, and thus generate an 'industrial reserve army' of unemployed.³⁹

Within the production process, technology tends to deskill the worker by transferring his skills onto the 'objective' labour process, on constant capital, so that technology becomes "the most powerful weapon of suppressing strikes" (Marx 1976: 562), as it gradually takes away one of the powers of the worker, that is the control and knowledge of the production process. It is at this point that one can start to talk about abstract labour also as a description of the actual *material* conditions of labour, that is, abstract labour as a material reality and not only as an abstract concept, as the generator of value. The worker is turned into a cog of the machine, an appendage of a labour process over which he has no control, and outside of which his skills have little use. Marx's analysis of the productive activity under capitalism as valorisation in terms of 'value' "captures the essentially undifferentiated sameness of the production activities included within this process from the point of view of capital. It doesn't make any difference what kind of production is undertaken, what kind of work

³⁹ On the distinction between technical, organic and value composition of capital see: Fine 1989: 60-62.

is done, as long as it produces a product whose sale will realise enough surplus to make it possible to begin all over again" (Cleaver 1992: 114): *production for production's sake*. As Cox reminds us, "technology consists after all in the practical methods selected for the purpose of solving production problems. Thus defined the questions that arise are: problems for whom? Solutions towards what purpose? The answers are simple: for the accumulators and for the purpose of accumulation" (Cox, 1987: 315). Ultimately, this is one of the strengths of the capitalist mode of production: its capacity to subsume the workers' efforts in order to modify the *forms* of the accumulation process, without changing the hierarchical relationship.

Tronti, Panzieri, Alquati and others within the Italian New Left of the 1950s and 1960s drew new implications from Marx's work. If Marx affirmed that any given division of labour is a vehicle for capital's control over the production process, then – that was their argument – any change in that division of labour, and hence of tasks, would have an impact over that control. Marx himself seemed in certain parts of his work to support such a thesis, as when he affirmed that "it would be possible to write a whole history of the inventions made since 1830 for the sole purpose of providing capital with weapons against working class revolt" (Marx 1976: 563).

Moreover, in the chapter on the Working Day of Vol.1 of *Capital*, Marx argued that class struggle against the extension of the working day ultimately acquired such a force that it was translated into laws for a maximum length of the working day (see Marx 1976 ch.10, "the Working Day"). Capital thus faced a constraint on its valorisation necessity and the only way to overcome it was to increase the rate of exploitation by intensifying *relative* surplus-

value, thus productivity growth. In this way, not only the single capitalist managed to extract the *ephemeral* surplus-value discussed above, but this worked also to decrease the value of commodities that the worker needed in order to sustain himself, and thus to decrease the value of labour-power (for all capitalists), hence to increase the rate of exploitation (surplus-value divided by the value of labour-power).⁴⁰ Here, Marx's argument seems to be that technological change was introduced as a reaction to the workers' successful struggle on setting in law a maximum length of the working day.

The theories and analyses developed by the aforementioned authors, in fact, are akin to an *non-economistic* understanding of the capital relation, as what is stressed is the *political* aspect of the antagonism, in contrast to a reading which focuses on the automaticity or determinism of the capital relation. Panzieri argues that, in their capitalist use, "not only the machinery, but also the methods, the organisational techniques, are incorporated within capital, face the workers as capital, as alien rationality" (Panzieri 1976). Alquati and Panzieri's research thus allows for a focus, in the study of technological change, not only on the changing needs of capitalist valorisation, but also on the way capital reacts to class struggle.⁴¹ Worker struggles in the sphere of production

⁴⁰ Therefore, productivity growth (an increase in the rate of exploitation) can feasibly go hand in hand with a rising average living standard of workers as measured by the amount of use values available to them. Hence, a critique that is often voiced against Marx's critique of political economy – that the process of capital accumulation would eventually lead to the absolute impoverishment of the working class – plainly misses the point. A rise in relative surplus-value does not warrant a fall in the use-values available to the working class.

⁴¹ A series of new concepts were developed by this strand of research, known as workerism (including Tronti, Panzieri, Alquati, Negri and the authors of the journal 'Quaderni Rossi'): class composition, political recomposition and

aim at restoring some control over the labour process, and hence inevitably undermine capital's valorisation needs and question property as "the right on the part of the capitalist to appropriate the unpaid labour of others" (Marx 1976: 730). As Robé points out, property is not so much a claim "over the thing itself, as much as a right over the behaviour of others...in connection with the thing (Robé 1996: 60).

Since a presupposition of the process of valorisation is capital's control over the production process, if worker struggles are successful in limiting capital's ability to control, then a reaction sets in. This reaction usually takes the shape of technological change - 'technological fix' - which aims at restoring the conditions of control over the labour process, and hence re-establish the conditions for capital valorisation. It can thus be seen how technological change is the result not only of 'the coercive laws of competition' but also of class struggle, which forces capital to switch to a different way of producing in order to minimise worker control. Thus, the introduction of technological change possesses an inherent class bias.

To sum up this section, organisational and technological innovations are not the result of a neutral process of scientific advancement, but technology is 'subsumed' under capital, in the sense that it is incorporated within the valorisation needs of capital. In

decomposition. Class composition refers to a picture of the class power existing within a given division of labour, taken as a given organisation of constant and variable capital. Worker struggles which undermine capital's control on a given production process, and "recompose the structures and distribution of power among themselves in such a way as to achieve a change in their collective relations of power to their class enemy" (Cleaver 1991: 113) bring about a political recomposition of the class relations. Capital must then decompose the workers and create a new controllable class composition.

Marx's account, this includes the necessity of controlling the workers, deskilling them and avoiding possible disturbances within the production process. There is, however, a contradiction here. While the necessity of avoiding worker control of the labour process is important, it is also crucial to generate new skills and capabilities for the changing needs of production. This is one of the many contradictions of the capitalist mode of production: while on the one hand, one can see a tendency towards a simplification of work tasks and repetitive processes, not only in industry but also in services (Bravermann 1974), on the other hand, as constant capital increases and the production process becomes ever more complex, technological development becomes more important and hence also the workers' abilities to control and manage production must be enhanced.

Seeing technological development as *mere* deskilling, thus, was perhaps a useful way of looking at capitalist restructuring until the period of Fordism or 'corporate liberalism' (see Van der Pijl 1998 ch.3 and 4). Davies has pointed out how Taylor himself was quite consciously aiming at undermining the workers' ability to control production and thus limit the quantity of work (Davis 1975).

Gramsci himself was interested in the Fordist system of mass production and mass consumption. In fact, while cognisant of the deskilling effects of such a system, Gramsci also stressed how the introduction of Fordism in Italy relied on a "skilful combination of force (destruction of working-class trade unions on a territorial basis) and persuasion (high wages, various social benefits, extremely subtle ideological and political propaganda)" (Gramsci 1971: 285). In *Americanism and Fordism*, Gramsci is thus

aware of the sophistication of the new instruments of control and surveillance at the workplace that go hand in hand with the transformation from craft production to industrial production. This in turn has effects on culture, consumption and even physical appearance. One could say that here Gramsci anticipates Pasolini's observation that in the 1950s one could walk into an Italian square and recognise immediately the class belonging of the people. However - Pasolini argues - in the 1970s, after the economic miracle of the previous decade, this would have been impossible, as the way power is produced and reproduced is no longer visible in physical traits but has shifted to other sites of struggle (Pasolini 2008: 80-83)

The division between politics and economics, the state and the market - discussed above - is an indispensable element of capitalism. The market appears to be the private sphere in which individuals interact with each other as equals, each one buying or selling the commodities he possesses on a plane of equality.⁴² The

⁴² "Each individual transaction continues to conform to the laws of commodity exchange, with the capitalist always buying labour-power and the worker always selling it at what we shall assume it its real value. It is quite evident from this that the laws of appropriation or of private property, laws based on the production and circulation of commodities, become changed into their direct opposite through their own internal and inexorable dialectic. The exchange of equivalents, the original operation with which we started, is now turned round in such a way that there is only an apparent exchange, since, firstly, the capital which is exchanged for labour-power is itself merely a portion of the product of the labour of others which has been appropriated without an equivalent; and secondly, this capital must not only be replaced by its producer, the worker, but replaced together with an added surplus. The relation of exchange between capitalist and worker becomes a mere semblance belonging only to the process of circulation, it becomes a mere form, which is alien to the content of the transaction itself and merely mystifies it. The constant sale and purchase of labour-power is the form; the content is the constant appropriation by the capitalist, without equivalent, of a portion of the labour of others which has already been objectified, and his repeated exchange

state is the guarantor of the laws of exchange and of contract, and seems to act externally on a self-constituted sphere, that of civil society, the sphere of the “Eden of the innate rights of man” (Marx 1976: 280). However, as pointed out above, behind this separation, and in fact constitutive of this separation, is the process of capital accumulation:⁴³ “the constant sale and purchase of labour-power is the form; the content is the constant appropriation by the capitalist, without equivalent, of a portion of the

of this labour for a greater quantity of the living labour of others. Originally the rights of property seemed to us to be grounded in a man’s own labour. Some such assumption was at least necessary, since only commodity-owners with equal rights confronted each other, and the sole means of appropriating the commodities of others was the alienation of a man’s own commodities, commodities which, however, could only be produced by labour. Now, however, property turns out to be the right on the part of the capitalist, to appropriate the unpaid labour of others or its product, and the impossibility, on the part of the worker, of appropriating his own product. The separation of property from labour thus becomes the necessary consequence of a law that apparently originated in their identity. Therefore, however much the capitalist mode of appropriation may seem to fly in the face of the original laws of commodity production, it nevertheless arises not from a violation of these laws but on the contrary from their application” (Marx 1976: 729).

⁴³ On the other hand, as Žižek points out, there is an ambiguity in the Marxist notion of the gap between formal democracy, with its emphasis on political freedom, and the economic reality of exploitation: “this gap between appearance of equality-freedom and the social reality of economic and cultural differences can be interpreted in the standard symptomatic way, namely that the form of universal rights, equality, freedom and democracy is just a necessary but illusory expression of its concrete social content, the universe of exploitation and class domination. Or it can be interpreted in the much more subversive sense of a tension in which the ‘appearance’ of ‘égalité’ is precisely not a ‘mere appearance’, but has a power of its own. This power allows it to set in motion the process of the re-articulation of actual socio-economic relations by way of their progressive ‘politicisation’: why shouldn’t women also vote? Why shouldn’t conditions at the workplace also be of public political concern? And we could go on” (Žižek 2008: 669). This insight in fact is not too distant from Gramsci’s own analysis of political and social struggle as a process of politicisation of previously taken for granted relations and his *historicist* understanding of socialism and democracy.

labour of others which has already been objectified, and his repeated exchange of this labour for a greater quantity of the living labour of others” (Marx 1976: 729).

In order to detect a class relation, one must start by looking at the sphere of the market, although the actual enactment, the ‘secret’ of that class relation is in the sphere of production. As pointed out earlier, it is in the sphere of circulation that the class relation originates, as in the market there are on one side a mass of people whose only commodity is their labour-power, and on the other side the means of production that have become autonomous as capital, and whose owners buy labour-power in the market. If one limits the analysis to the sphere of the market, one sees class struggle only as a struggle over wages, over forms of social protection (in the Polanyian sense – Polanyi 1957) or over some form of de commodification – in the sense used by Esping-Andersen (1990). These are indeed crucial elements in any class analysis of a given ‘variety of capitalism’, but they tend to identify the class relations of capitalism as manifested in the sphere of *distribution* and not that of *production*.

However, class relation cannot be reduced to this economic ‘market’ relation. If the vision is enlarged to encompass the actual ‘productive consumption’ of labour-power in the sphere of production, one can see that here constant capital acquires the form of the ‘objective’ conditions of production which face the worker as an autonomous force over which he has no control. Technological change as a means to enhance valorisation includes also the need to contain possible resistances on the part of the labour-force, to limit strikes and to extract as much surplus-value as possible. These changes are often introduced as a reaction to worker struggles. Thus, one

must not fall prey to the idea that class struggle is a struggle only over redistribution of the wealth already produced. It is a struggle also – perhaps foremost – in sphere of production, and thus the changing technological requirements of production can be seen as the flip-side of the valorisation requirements of capital.

Different hegemonies (or historical structures) involve a different configuration of ideas, material capabilities and institutions, and one can see in this complex interrelation of different elements also a particular configuration of the balance of class forces at the moment of production and distribution. For instance, the ‘corporate liberal’ era involved the definition of a particular worker subjectivity, the enlargement of the sphere of mass production and consumption to include the life-world of workers and the regulation of demand-management in a Keynesian way, reducing the role of finance and giving importance to sustaining the demand of the working class by income policies and an extensive welfare state.

The Gramscian dimension

Hegemony and the Integral State

After having presented the thrust of Marx’s theory of surplus-value, I now turn to the specific *Gramscian* dimension of the approach, which deals with the concepts of state, historic bloc, hegemony and common sense. The object of this section is to understand how class struggle is mediated by social practices, the form of state, and how common sense is linked to class struggle.

Gramsci himself wrote at a time when Marxism was still imbued with deterministic and objectivist readings of social change. In fact, as Van der Pijl argues, as Marxism as a social theory and as *the* theory of the working class moved further to the East in the course of the 19th and the beginning of the 20th century, due to the particular statist dimension of industrial development in Germany and Russia, the reading of Marx acquired an economistic veer, so that agents tended to be seen as merely acting out the necessities of the structure, with the superstructure seen as automatically reflecting changes in the economic sphere (See Van der Pijl 2009: 215-224 and ch.8). This trend in Marxism, which neglected the dialectical understanding of social change that was dear to Marx and tended to give a positivistic twist to his theory, continued well into the post-war period, with the French philosopher Althusser arguably its most prominent figure in recent decades, aiming as he was to develop a *scientific* theory of the capitalist mode of production. It was Althusser in fact who coined the phrase “economic causation in the final instance” and proposed the distinction between a ‘young Marx’ still concerned with humanistic issues such as alienation and fetishism and the later ‘mature Marx’ which sought to scientifically analyse the capitalist mode of production (see: Althusser 1970).

Gramsci’s philosophy can be considered a reaction to such objectivist and essentialist currents in Marxist thought, as an effort to develop a theory of politics and of the *relative* autonomy of the ‘political’ in mass societies which does not reduce agents to either subjects passively determined by economic forces (a *determinist* theory) or to subjects freely acting without economic constraints in making choices (a *subjectivist* approach). In fact, it can be

argued that Gramsci recovered Marx's preoccupation with the dialectics between humanity as a force of nature (materialism) and humanity as developing an historical-spiritual world of its own making, which acts as a 'second nature' (historical idealism) (see Van der Pijl 2009 ch.1). Gramsci's *historical materialism* gives importance to the role of consciousness, ideology and culture in the reproduction of capitalism and the state, and thus also to the role of the agency of collective classes. In this section, I present a theory of the capitalist state that owes much to Gramsci's original approach. Armed with these insights, common sense production and reproduction in a capitalist state can be conceptualised.

"The state is neither a thing – instrument that may be taken away, nor a fortress that may be penetrated by a wooden horse, nor yet a safe that may be cracked by burglary: it is the heart of the exercise of political power" (Poulantzas 2000: 257-258).

"Individuals consider the state as a thing and expect it to act and are led to think that in actual fact there exists above them a phantom entity, the abstraction of the collective organism, a species of autonomous divinity that thinks, not with the head of a specific being, yet nevertheless thinks, that moves, not with the real legs of a person, yet still moves" (Gramsci 1995: 15 cited in Bieler and Morton 2006c: 165).

All theories of social science, including theories of International Relations and International Political Economy include, whether implicitly or explicitly, a theory of state power. The cornerstone of Realism in IR, and of most IPE approaches for instance, is the concept of the state

as actor (For a critique of the assumptions of Realist IR theory, see: Rosenberg 1994). This notion reflects the idea that the state is a fixed concept and that all states are the same with regards to their constitution, only differing quantitatively in their power and thus in their capacity to project force and/or 'soft power'. The state is thus fetishised, naturalised as a 'thing', and the underlying social relations are overlooked. This is problematic not only because it neglects to investigate the social forces that give power to the state, and the social relations that underpin the apparatus of the state, but also because it fails to acknowledge the existence of different *forms of state* across both time and space.

Gramsci understood the fundamental importance – for both the ruling class and potential counter-hegemonic forces – of creating consent in society through the elaboration of 'political programmes' in the sphere of civil society. Although with opposed political commitments, Gramsci revived the lesson of the neo-Machiavellians, a groups of intellectuals in early-1900s Italy whose concern was to understand how to maintain order and discipline in a society that was rapidly urbanising and increasingly educated.⁴⁴ With the emergence of mass politics and the increasing integration of the masses within the state and mass political parties, the neo-Machiavellians asked themselves: how was it possible to maintain the power of the ruling classes? The answer lied in the mobilisation of a cadre in the middle classes that could effectively develop political formulas or comprehensive programmes with the aim of bringing in powerful aesthetic and emotional

⁴⁴ We refer here to figures such as Gaetano Mosca, Vilfredo Pareto.

elements (such as war, nation, religion) in political struggle. As Mosca argued,

“political formulas are not merely quackeries aptly invented to trick the masses into obedience...the truth is that they answer a real need in man’s social nature; and this need, so universally felt, of governing and knowing that one is governed not on the basis of mere material and intellectual force, but on the basis of a moral principle, has beyond any doubt a practical and real importance” (cited in Van der Pijl 2009: 235).

Gramsci sees the modern *capitalist* state as an *integral state*, which is formed by political society and civil society. According to Peter Thomas, whose recent intervention in the debate on Gramsci’s thought has proposed a novel interpretation, the key concept around which Gramsci’s thought revolves is precisely that of the integral state. The latter allows Gramsci to analyse the interpenetration, and reciprocal dialectical relationship between ‘political society’ and ‘civil society’ (Thomas 2009: 137). Following Thomas, it can be seen that Gramsci develops a dialectical conception of the “overdetermined status of consent and coercion and of civil society and the state,” (*Ibidem*: xxii) rather than seeing them as exclusionary terms in different locations.

In order to grasp the centrality of the integral state and hegemony, Thomas criticises the influential interpretation of the concept of hegemony proposed by Anderson (1978) that sees hegemony as a strategy aiming at the production of consent rather than coercion and sees its terrain of efficacy in civil society rather than the state. In fact, civil society is not a pre-political realm that forms the basis of political society. The former is in fact dependent on the latter, as it is only the juridical apparatus of the state

that in the first place creates the conditions for the emergence of the *apparently* spontaneous interaction in civil society.

Let us first look at the relationship between coercion and consent. Gramsci sees hegemony not as the antithesis of domination. Quite to the contrary, he argues that hegemony constitutes a moment of domination, one of the concrete forms in which it appears.⁴⁵ Their combination is not conceived as that between distinct parts, as an external relationship: they form a unity that depends on the maintenance of a particular equilibrium. The 'proper' relationship must be formed between them, one in which force must not appear to predominate too much over consent (*Ibidem*: 165). One can thus see that in parliamentary states, "coercion is the ultimate guarantee for consent which in turn legitimizes what could be described as a type of 'coercion by consent' (coercion of opposed classes with the consent of allied social groups, crystallised as public opinion)" (*Ibidem*). Coercion and consent therefore form a dialectical unity although they are theoretically distinct.

The second assumption that Thomas criticises is that Gramsci viewed the proper terrain of hegemony in civil society rather than the state. According to this view, civil society is the locus of consent and hegemony, while the state represents the sphere of coercion (domination). Gramsci's idea was, however – according to Thomas – more complex: he saw civil society and political society as two superstructural levels. In fact, Gramsci radicalises and overcomes the classical base-superstructure model by

⁴⁵ Gramsci argued that "a class is dominant in two ways, that is, it is leading and dominant. It leads the allied classes, and dominates over the adversarial classes." (*Ibidem*: 163).

seeing the latter as overlaying the former, as part of the base itself: the terrain of ideologies “are less conceived in spatial terms than as forms of social practice, or forms in which men know about their conflicts based in the economic structure of society and fight them out” (*Ibidem*: 171). Here one can appreciate not Gramsci’s relative neglect of the economic sphere or his choice for the primacy of politics over economics, as has been argued for instance by Laclau and Mouffe (1985) but his understanding of the economic terrain *as* a political terrain, overcoming all kinds of determinism. The very form of the circulation of capital thus is the expression of a political relation, and cannot be autonomised as standing outside of politics.

“The superstructures are agonistic forms that compete to become the essential form of appearance of a content that is itself contradictory – that is, they seek to resolve the contradictions in the economic structure of society of which they are the (more or less adequate) comprehension, or by emphasising their unstable nature and driving them to a moment of crisis” (*Ibidem*: 172).

Therefore, civil society and political society are seen as the major superstructural levels, two spheres where men become conscious of the contradictions and conflicts of the economic sphere, that in turn influence the economic relation. There is no clear separation between civil society and political society. Simply, they have different functions within the integral state:

“Civil society, that is, the ensemble of organisms commonly called private, and political society or state correspond on the one hand to the function of hegemony that the dominant group exercises in the entire society and

on the other hand to the function of direct domination or command which is expressed in the state and juridical government" (*Ibidem*: 172).

Civil society is an ensemble of practices dialectically linked with political society. In Hegelian terms, it is the "ethical content of the state": it is not a sort of pre-political sphere that lies beyond the state. As Thomas argues, Gramsci follows Marx in seeing in civil society "the secret of the state" (*Ibidem*: 181). Political society is seen not in a Hegelian manner as a universality, as the 'actuality of the ethical idea', but as a *false* universality that is in truth a *particularity*, that attempts to but ultimately does not (*cannot*) resolve the contradictions of civil society.

Gramsci sees political society as an enwrapping (*involucro*) in which civil society can develop. Political society is the form of a content, the container of civil society, surrounding but also shaping it: "rather than the negation of the rationality of the state, a complex and well articulated civil society" in this vision would represent its maximum affirmation, its concrete realisation and 'truth'" (*Ibidem*: 189). Political society represents the universality of the 'political' in class society.

"If the political represents the 'consciousness' of the supposedly 'non political' or civil society, the state apparatus functions as the moment of self-consciousness of the political itself" (*Ibidem*: 189). Political society represents the transition of a 'fundamental social group' or a class from the economic corporative phase to a truly hegemonic phase, in which its interests are reformulated and modified in order to project them on a universal plane, on the sphere of political society that provides the false universality on which class rule is grafted. Political society is the

(temporary) juridical resolution of civil society's inherent contradictions.

Thomas stresses how, for Gramsci, the sphere of civil society is only apparently consensual – a fact that is moreover highlighted by Gramsci's own use of quotation marks when talking about 'consent' –, as the very dimension of civil society can only be constituted by the prior juridical intervention that creates the very division between civil society and the state (*Ibidem*: 192). The moment of universality as the condition of possibility of the moment of particularity. In this sense one can better understand political society as the enwrapping (*involucro*) of civil society. They mutually constitute themselves, in the sense that before any kind of hegemonic project can be built in the 'consensual' sphere of civil society, that very sphere has to be separated from political society, from the juridical, administrative and repressive apparatus of the state and present itself as an autonomous sphere over which the state acts 'externally'.

Political society can only exist as the condensation of civil society, and the latter is in itself constituted by the prior separation between the two: "Just as Spinoza's proposition that 'mind is the idea of the body' – that is, it is the idea of the body that constitutes the mind, rather than the mind giving rise to the body, Gramsci assigns priority to one of the terms. Political society is the idea of civil society, the mind of civil society's body" (*Ibidem*: 193). The social forces in civil society condensate their power on the state, which then in turn acts upon civil society based on the social forces' political project. This is the very constitution of the 'political', as the route that social forces must take in order to integrate their power into an existing state.

One can therefore see how, if civil society and political society are viewed as mutually constituting each other, and distinct only in a functional sense, hegemony is a social practice that overlays both spheres. Hegemony is a process by which social forces condensate their power in political projects and political power at the level of the state. The social basis of the power of the state (conceived as the government apparatus) constitutes hegemony. The latter is the dialectical unity of the integral state, the dominance of a class in political society, which is dependent on its mobilising skills and capacities in civil society (*Ibidem*: 220). However, hegemony is not – as in Laclau and Mouffe’s discourse theory (1985) or other post-structuralist theories of hegemony (see Torfing 1999) – a general theory of social power, meaning that it is not indifferent to its class content. According to the post-structuralists, hegemony can be applied by different social classes for different class projects. In contrast, it must be stressed that hegemony is a phenomenon of a class society, , it is *capitalist* hegemony: “the state will remain the ‘truth’ of civil society until the latter becomes aware of its own secret: its capacity for self-organisation and self-regulation” (*Ibidem*: 193).

Robert Cox in the 1980s re-read Gramsci in order to develop a theory of IR/IPE that is now known as neo-Gramscianism (see above). Cox’s object of analysis are what he terms ‘historical structures’, a particular configuration of ideas, material capabilities and institutions in which a certain balance of class forces is crystallised (Cox 1981; 1983; 1987). These are seen as world-wide structures that affect every ‘state-society complex’. It is in fact a reformulation of Gramsci’s concept of the integral state as a dialectical unity of the moments of civil and political

society. A neo-Gramscian perspective thus retains the understanding of the state as an aspect of the social relations of production. In capitalism, the *public* (state) and *private* (civil society) spheres appear to be separated from each other. As made clear in the previous section, exploitation in capitalism is carried out in the private realm of civil society, which is shorn from the public sphere of the coercive apparatus of the state. However, it is precisely through the latter's guarantee of private property and the contract that the process of exploitation can be conducted. Neo-Gramscian theory incorporates this understanding and goes beyond this, being able to analyse directly how different social class forces build hegemony in civil society, which then gets crystallised in the administrative and institutional terrain of political society. The latter in turn creates the conditions for the consolidation of societal hegemony in civil society. The state-as-force thus becomes the expression of a political programme that traverses both civil and political society. Force is used selectively to deal with marginal dissent, but a hegemonic form of state is one that does not need to use force massively, relying mostly on consent.

In contrast to conventional IR theory, that sees hegemony as simply the reflection of the economic or military power of states, the neo-Gramscian theory of hegemony in IR/IPE broadens the field of hegemony so that it becomes a form of rule based on a broad consent, which is, to be sure, backed up in the last instance by force. This hegemony consolidates itself in a form of state and can then be projected outwards on a global scale. There can be hegemonic and non-hegemonic world orders. Non-hegemonic orders are ones in which the coercive aspect is at the forefront, while hegemonic orders are ones in which

the coercive aspect recedes to the background, leaving space for the consensual consolidation of hegemony in civil society.⁴⁶

It is argued that there is no fixed state form, as in Realism, which sums up what the state is about, but the forms of state change along with the social foundations from which they arise. The hegemonic state form of the period of the *pax britannica* was the liberal state, the dominant form of state of the inter-war era of rivalry the welfare-nationalist state, and the typical state form of the *pax americana* was what Cox calls the neoliberal state – what Van der Pijl calls the corporate liberal state (Van der Pijl 1998 ch.3 and 4) now that ‘neoliberal’ refers to the Hayekian form of liberalism (See Cox 1987 ch.2 for a periodisation of world orders).

Hegemony is seen as an ‘opinion-moulding activity’ (Bieler and Morton 2006b: 10), rather than the manifestation of a direct form of coercion or dominance. However, this opinion-moulding activity is directly linked to political leadership. Hegemony is thus not some vague notion of a sort of cultural ideology or the power of a ‘discourse’, but is, even if only implicitly, always political. In fact, the way Gramsci himself uses hegemony is as a synonym of leadership, in the same way Lenin had used the term to refer to the leadership of the Bolshevik Party (Thomas 2009: 232-233).

In Cox’s understanding, hegemony encompasses and expresses a particular fit between three spheres of

⁴⁶ For instance, the era of *pax britannica* was a hegemonic world order in which liberalism was the key hegemonic formula. The inter-war years were, on the other hand, a non-hegemonic period in which the dominant form of state was the welfare-nationalist state. A new hegemonic order later developed based on a ‘corporate liberal’ state until the late 1970s

activity. The first is that of the social relations of production, that covers the totality of social relations in material, institutional and discursive forms. The second is the forms of state, which are seen as historically contingent state-civil society complexes. The third is the sphere of world orders. It is the ensemble of these three spheres that constitutes the 'historical structure' mentioned before. The way social forces in a given epoch are constituted stems from the social relations of production, of which Cox sums up a range of historical forms, which he calls 'modes of social relations of production' (Cox 1987 part 1). It is from these foundations that class structures and historical blocs arise.

Cox and neo-Gramscian scholars start from the assumption that class is a historical category and that class identity emerges out of specific contexts of exploitation and resistance to it: "class consciousness emerges out of particular historical contexts of struggle rather than mechanically deriving from objective determinations that have an automatic place in production relations" (Bieler and Morton 2006b: 13). On the other hand, I would stress that one must not lose track of the fact that class as a conceptual category cannot be reduced to 'class consciousness' or 'class identity' in moments of struggle as is implied here. If we see capital as acting precisely via the separation between the direct producers and the means of production, and capital as a social force that *necessarily* exploits living labour in the sphere of production, then class also has an 'objective' side to it. Hence, whether or not class identity and struggle emerges in concrete historical situation, class as an objective element of a capitalist mode of production is always present, as social antagonism is a defining aspect of any capitalist society as such. Refusing

this 'objective' element would mean neglecting the *historical materialist* notion of 'mode of production' and hence falling back to a post-structuralist theory.

As seen in the previous section, in capitalism, the wage-labourers, the direct producers, only have access to the means of production by selling their only commodity, labour-power. This is mediated by the 'economic' sphere of the market. The market is therefore seen not as an opportunity, but as an 'compulsion' to which both the wage-labourers and the capitalists have to bow (Wood 2002: 96-98). This imperative acts through the necessity of competition and profit-maximisation on the part of the capitalist, and survival on the part of the wage-labourer. Thus, social relations based on class are at the heart of the production and reproduction of capital. On the other hand, non-class themes acquire importance as aspects of struggles over hegemony, as elements that are re-connected to a political project aiming at achieving hegemony.

The state and its coercive power, as the second element in Cox's 'historical structure', is viewed as resting on configurations of class forces. As we mentioned before, instead of viewing the state as a self-explanatory category and take for granted its coercive power, a neo-Gramscian theory investigates into the various forms of state (the *integral* states). The concept of historical bloc is fundamental here. A historical bloc is "the way in which leading social forces within a specific national context establish a relationship over contending social forces" (Bieler and Morton 2006b: 14). A historical bloc is not simply an alliance between different interests of different fractions of classes. It is a synthesis between them, a programme for hegemony that "brings about not only a unison of economic and political aims, but also intellectual

and moral unity (...) on a universal plane" (Bieler and Morton 2006c: 167). A historical bloc consists of structure and superstructure and their reciprocal relationship, as "it forms a complex, politically contestable and dynamic ensemble of social relations, which includes economic, political and cultural aspects" (Bieler 2006: 37). Hegemony as an organic cohesion of leaders and led implies the existence of a leading historical bloc of classes.

The state is not itself an actor, but it is the *terrain*, the *field* upon which classes fight for hegemony. In line with the thought of Poulantzas, which has drawn extensively from Gramsci, the state is seen as a social relation, that is as a condensation of class forces in civil society (see Bruff 2012). The state, in this view, enjoys a 'relative autonomy' (as Poulantzas argued) with regards to the class forces or historic bloc of class forces supporting it. However, and this point is fundamental, as it marks a clear line of distinction with regards to approaches such as the institutional one or the Varieties of Capitalism approach, this relative autonomy is not towards society as such, but with respect to the class forces of which it is the expression. As Bruff points out,

"the state is not the reflection but the crystallisation of unequal power relations. It 'exhibits an opacity and resistance of its own' (Poulantzas, 1978: 130) because changes in the class relationship of forces – such as the internationalisation of capital – necessitate those in the ascendancy to confront a multiplicity of institutional and policy legacies laid down over time (that is, not necessarily concurrently) as the result of earlier struggles" (*Ibidem*: 185).

‘Opening up’ the state allows for an overcoming of the limitations of a simple instrumentalist view of the state. The latter is seen as an aspect of the social relations of capitalism mediated by the struggles between different social forces that find a temporary equilibrium (which may be hegemonic or not) between them. The state is, to be sure, the guarantor of the functioning of the market through the guarantee of private property and the contract. But it does this in specific ways, which are crucially dependent on the underlying historic bloc between classes and fractions of classes. Bieler and Morton, in reporting Poulantzas’ argument, state that

“Social classes do not ... exist in isolation from, or in some external relation to, the state. The state is present in the very constitution and reproduction of the social relations of production and is thus founded on the perpetuation of class contradictions...Social classes are therefore defined principally, but not exclusively, by the production process and related to the political, ideological and economic social practices of the state” (Bieler and Morton 2006c: 169).

Different forms of state are primarily distinguished by the different historical bloc of forces upon which their power rests. A particular configuration of social forces forms the ‘raison d’état’ of a form of state, that constitutes its ‘historical content’. These are, clearly, temporary and potentially unstable orders, as specific circumstances, such as an economic crisis or a war, may activate a different set of social forces or a counter-hegemonic set of forces that contests the hegemonic one (however, based on previous forms of ‘common sense’). In this conceptualisation, the state is seen as the entire set of practical and ideological activities used by the ruling class not only to produce and

reproduce its dominance, but – crucially – to win the active consent of those over whom it rules. As such, the state comprises what Milios and Sotiropoulos term a “concentrated history”, that of the “modifications through class struggle of the respective strengths of the contending classes, within one and the same system of class power” (Milios and Sotiropoulos 2009: 106).

Historical bloc, hegemony and ‘comprehensive concept of control’ (see below) should not be misunderstood as conspirational devices used by the capitalist class to ‘fool’ the workers. In fact, they cannot even simply be reduced to forms of alliances between fractions of the capitalist class. A hegemonic order involves and rests on the incorporation and persuasion, on the part of the dominant class, of subaltern classes (essentially, the working class) to accept as legitimate a certain form of class rule and its corresponding institutional context and ideology. This attempt is linked with the ascendance of a particular class or class fraction within the national political economy. Often this entails concessions to sections of the working class, or the activation of non-class or non-economic issues as ideological elements to generate consensus.

The concept of hegemony has been used by a group of scholars informally known as ‘the Amsterdam School’, which reformulated the elements of what Jessop calls a ‘hegemonic project’ and called it a ‘comprehensive concept of control’.⁴⁷ Van der Pijl and Overbeek see the latter as a

⁴⁷ The idea of a comprehensive concept of control seeks to capture the dialectical ensemble of structure and agency, between the dynamic of the accumulation of capital on the one hand and the sphere of politics on the other, without reducing one to the other. On the genesis of the idea of ‘comprehensive concept of control’ as well as of the broader ‘Amsterdam School’ approach, see: Overbeek 2004.

‘bid for hegemony’, a project for the conduct of public affairs and social control which, in order to be ‘comprehensive’, has to incorporate all spheres of social life: labour relations, socio-economic policy and foreign policy. Concepts of control are devised by a constellation of national or foreign social classes, with each transcending its own specific interest in order to project its programme on a universal plane. In line with the division among fractions of capital first outlined by Marx in Vol.III, concepts of control can be defined starting from ideal-types relating to the functional perspective of different moments in the circulation of capital (Van der Pijl 1984: 8). Thus, one can speak of circulating capital, productive capital and money capital concepts of control (Van der Pijl 1998 ch.2). Neoliberal hegemony has been analysed by Van der Pijl as a concept of control emerging in line with the ascendancy of money (financial) capital, whereas the previous ‘corporate liberal’ era was characterised as a ‘productive capital’ comprehensive concept of control. In fact, as a consequence of the process of transnationalisation of production and finance (the process commonly known as globalisation), Cox has argued that “it becomes increasingly pertinent to think in terms of a global class structure alongside or superimposed upon national class structures”(Cox 1981: 147). Thus, new *transnational* social forces of capital and labour, potentially in conflict with national capital and labour, have been identified (See Van Apeldoorn 2002: 26-34).

A ‘concept of control’ refers to a particular and always temporary conjunction between a trend in the economic sphere developed by particular ‘moments’ in the capitalist cycle (the financial, productive, commercial, or even the national or world market perspective), each with

own specific world view and, secondly, the capacity to translate this perspective into a 'comprehensive' programme for society as a whole. This translation can involve elements which have little or nothing to do with the directly economic sphere, such as xenophobic feelings, nationalism, a general distrust of politicians, but these will become important elements when they connect with the ascendant trend in the economy in terms of the interests and worldview of a fraction of capital.

The creation of the necessary consensus for a certain option can be described as a process of persuasion ("opinion-moulding activity), the attempt to make someone give up a set of beliefs in favour of another set. This is done by proposing a suitable redescription of the world, of 'reality' which, however, is not based on a simply *logical* or *rational* argument (thus implying the existence of a 'truth' to which the individual has to conform), but is guided by the provision of 'reasons' and motivations for someone to adopt this new set of beliefs (Torfing 1999: 68-69). What is more important and in fact is constitutive of the translation of a political project into 'reality' is more *what it does* than *what it says* or if what it says corresponds to 'reality' (as, in a historicist theory, 'reality' and 'reason' acquire different meanings as history unfolds). For instance, in 1993 what needs to be understood is not whether 'Italy' had other alternative options at hand or if *really* there was no alternative to signing the Maastricht treaty and preparing the path to joining the Euro, but what this narration of 'no alternative' entailed, what it *did* to social relations within the Italian form of state, how it excluded or marginalised other alternative projects.

This process always involves the repression of alternative options, either by simply preventing their

realisation and reconstituting 'reality' in a way that weakens the alternative narration or makes it 'unrealistic', or by partially incorporating the alternative option into the winning project, albeit in a subordinate manner. The use of physical violence is, in certain circumstances, not excluded. Thus, active consent is a possible outcome, but passive acceptance or acquiescence may as well be the result. This happens when individuals do not positively endorse the 'new normalcy' but see in practice no alternative to it, as it has become the 'truth' of social reality. This happens also because in capitalism, conditions of existence are *effectively* dependent on the market and thus creating the conditions for successful capital accumulation is often seen as the only way to conduct a good economic policy.⁴⁸

The concept of *articulation* is crucial in understanding the functioning of a hegemony. Within the conflictual terrain of the capitalist state, articulation aims at establishing "relations among elements such that their identity is modified as a result of the articulatory practice" (Laclau and Mouffe 1985: 105). It thus involves developing a discourse, linked with a particular trend in the process of capital accumulation, which modifies the horizon of politics and social action by partially fixing identities and meanings and thus stabilising a social order. Gramsci used the concept of hegemony "in order to account for the contingent articulation of a plurality of identities into collective wills capable of instituting a certain social order" (Torfing 1999: 103). This involves not only an alliance of

⁴⁸ This is another way of saying that the structural power of capital is in control over investment, and thus 'good economic policy' is simply equated with creating favourable economic and political conditions for capital accumulation, in the face of the threat of an 'investment strike' (see Kalecki 1943 for the classical argument; see below).

economic interests, but also their positioning within a new set of collective identities. Although I do not adopt here a post-structuralist theory, the notions – developed within this tradition – of *myth* and *social imaginary* can be incorporated as elements within a hegemonic articulation that provide the horizon of some vision of an ideal society, as the idea of fullness or transparency, or a realised society without conflict or antagonism (Torfing 1999: 113-119). An example of this is the neoliberal emphasis on the inherent efficiency of market mechanisms that, starting from the mid-1980s, has profoundly influenced the process of European integration. It provided an horizon of meaning from which to understand ‘Euro-sclerosis’ and what were perceived to be the problems of an ‘unsustainable’ welfare state. A myth, or an ideology, thus constitutes a ‘new objectivity’ that, however, is always the product of the agency of specific social forces, and does not rest, as the post-structuralists would argue, on the *undecidability* of the political terrain and hence of politics itself (See: Torfing 1999: 67).

The concept of control has to leave untouched the prerogatives of private property, as this is an element of a capitalist order that is not negotiable. But, beyond property, interests are fluid and can be recomposed according to the ascendant forces in the economy. Thus, for instance, as a high interest rate/low inflation framework – in line with the interests of financial capital – sets in, other fractions of capital may come on board the historic bloc by shifting economic strategy, for instance from an export-oriented to a capital investment strategy. The overall concept of control will also have to make references to other aspects of the general aspirations of the population that may not have a class or economic basis – what Gramsci termed the

‘national-popular’ dimension. What is realised in the end is always implicit rather than explicit, thus demarcating what Fernand Braudel has called the ‘limits of the possible’ in political terms (Braudel 1981: 29, cited in Gill 1993b: 9).. An example from history occurred in the 1930s, when a tory-dominated government in Britain took the country off the gold standard. In 1929, a Labour government collapsed in the face of the financial crisis and demands for cuts in state spending. Sidney Webb, a member of the former Labour government, in commenting the decision by the Tory government, complained: ‘nobody told us we could do this!’ (Callinicos 2010: 7). Exiting from the gold standard was considered – even by a member of the Fabian society such as Webb – as anathema: it was simply outside of the ‘limits of the possible’ or the thinkable in political terms. The crisis then set in motion a series of reactions that turned off the ‘autopilot’ in the world economy, opening up the political field for alternative projects.

“One cannot speak of the power of the state but only of the camouflaging of power” (Gramsci 1995:191 cited in Morton 2011: 20). The point is that the dominant classes no longer pursue their interests directly or nakedly, but the fashioning of a class rule in the guise of the ‘general interest’ has a price attached to it, in the sense that certain compromises need to be found with other classes or fractions in the historical bloc. On the other hand, certain issues will be eliminated from public debate, as they are simply depicted as irrational or impossible to deal with. In fact, I would argue that one of the ways ideology functions today is by presenting alternative political projects as antiquated, decrepit. Political issues are thus *depoliticised*. A concept of control establishes in this way a ‘field of the politically thinkable’. It is only once a concept of control is

quite clearly devised, and a certain direction has been identified, that spaces are created for the intervention of the actual 'formal' sphere of politics, where certain leaders will be encouraged while others will be marginalised.⁴⁹ As we will see in the next chapter, any political programme is to be analysed both as a *project* and as a *process*, meaning that what is realised in the end is never simply the actualisation of a blueprint programme, but its translation into 'reality', that is, including the compromises and modifications it has to go through in order to function (or not to function) as a hegemonic project and discourse stabilising a social order.

The executors of the programme are the managerial and political cadres, which were considered crucial by the neo-Machiavellians. This involves both the corporate elite mingling in the transnational planning bodies such as the Trilateral Commission, the Bilderberg conferences and the Davos Economic Summit (see Gill 1991; Van der Pijl 2010) as well as the clustered joint directorates (see Van der Pijl *et al* 2011) and the political and media staff. Spaces are created for actual intervention by class-conscious (or, 'fraction-conscious') intellectuals, which intervene in public debate with the aim of steering it in a certain direction.

As Van der Pijl notes,

"Capital is a comprehensive force, a discipline over society and nature, but, in order to maintain the fundamental pattern of exploitative class relations that supports it, it requires a dynamic and responsive mode of imposing that discipline which is adequate in the shifting conditions. So the idea of a concept of control is not a conspirational device, but captures the idea that whilst discipline must be

⁴⁹ See Van der Pijl 2006a. Here, Van der Pijl includes explicitly the role of the secret services and of informal networks in reactivating certain fault lines in the global political economy.

established (there is no natural capitalist economy on its own account), this still requires a social process of concept formation, programme writing, and the recruitment of allies in order to establish a coalition of class forces behind the proposed formula of the general interest” (Van der Pijl 2009: 248).⁵⁰

Going back to Poulantzas’ conceptualisation of the state as enjoying a ‘relative autonomy’ with respect to classes and fractions of classes, one can see more clearly that the state is not simply or merely an instrument of the dominant classes. Thus, ‘foreign’ capital, represented for instance by multinational corporations or flows of foreign direct investment, cannot be seen unproblematically as diminishing the power of the state or causing the retreat of the state (as in Strange 1996). In neo-Gramscian terms, globalisation can be conceived as a form of ‘internalisation’ of the interests of foreign financial or productive capital (see more on this below). “This means that the internationalisation or transnationalisation of production and finance does not represent an expansion of different capitals outside the state but signifies a process of internalisation within which interests are translated between various fractions of classes within states” (Bieler and Morton 2006c: 170). New political projects need to be developed at the state level and new legitimacy needs to be

⁵⁰ Jessop (2002) has developed a conceptual apparatus that is in many respects similar to the ‘concept of control’. He distinguished between an accumulation strategy and a hegemonic project. The former can be seen as a strategy for capital accumulation based on one of the moments in the circulation of capital (see above), but also from a national/transnational perspective. The latter is the more explicitly political process of constructing a hegemonic practice and discourse that can accommodate such an accumulation strategy. He then develops the concept of ‘strategic selectivity’ to account for how state practices become condensations of a certain relation between classes.

created in order for neoliberalism as a comprehensive concept of control to spread. The concept of globalisation can be re-framed in this perspective as the coupling of transnationalisation of finance and production, and hence of production relations, and its 'internalisation' within the different forms of state. This in turn leads to restructuring of production patterns and social relations within states.

The construction of a historical bloc within a state – conceptualised as the complex of activities with which the ruling class maintains consent in society – is a *national* phenomena, because it is through national political frameworks that classes or fractions of classes become hegemonic or contest the prevailing hegemony. The national sphere is also the most relevant sphere of political consciousness of most people, and the lens through which people and social forces both understand their situation and devise political programmes. In fact, the construction of a 'we' that is a *national* 'we' has fundamental implications, for it tends to present a national community – with its inherently contradictory social relations – as possessing a unified 'interest'.

The concept of the 'nation' as such concentrates within its framework aspects of the ideological dimension of capitalist power, for instance in the idea of subjection to the jurisdiction of the state as the expression of a national community of destiny. The class interests of capital obscure the internal divisions within society so that "the nation 'transforms' that is to say renders universally binding, the class interests of capital, presenting them, setting them in operation, as national interests" (Milios and Sotiropoulos 2009: 107). The class divisions in society are not entirely effaced, but for sure they are given a secondary role within a broader context of national cohesion and unity.

The focus is thus on how classes ‘nationalise’ themselves, building on previous hegemonies that have become institutionalised in the state apparatus in a way that reflects the specific historical legacy of the state and of national class formation. On the other hand, “the hegemony of a particular class can manifest itself as an international phenomenon insofar as it represents the development of a particular form of the social relations of production. It can connect forces across countries” (Bieler and Morton 2006b: 16).

As Bieler and Morton point out, notions such as the ‘internationalisation of the state’ and the state as a ‘transmission belt’ of neoliberalism (as developed by Cox 1992) are too top-down, in the sense that they do not point to how the changing social relations of production were authored *within* a specific form of state. It is claimed that one cannot analyse the developments within a national political economy as resulting simply from transnational social forces operating from the outside, but one has to capture the moment of *internalisation* of certain class forces within the *raison d’état*, the *social purpose* of the state. For instance, the way social forces have operated within the Italian form of state has engendered a modification of forms of consensus formation that went hand in hand with the transmission of new policy preferences through the policy-making channels (on internalisation see also: Bieler and Morton 2006c: 485-9).

Crisis and ‘national emergency’ in the political economy

The momentum of consensus developed in the Italian political economy in 1993 and continuing

throughout the decade emerged in a period in which the Italian economic situation was officially described as one of 'national emergency' marked by recession, speculative attack on the national currency, devaluation. From a critical perspective, it is however important to investigate the forms of thought and consciousness that accompany such moments. One must not lose track of the discursive nature of crises and crisis formation. Colin Hay (1996; 1999), studying the development of crises and their consequences, argues that there are no objective criteria that must be fulfilled for a situation to be described 'objectively' as a situation of crisis. Instead, he argues that crisis is a *narrative*, and that the consequences of a crisis need to be analysed in terms of subjective interventions into a situation that forms the 'story' of the crisis, which then discursively creates the very obstacles to surmount in order to overcome the crisis itself. A crisis can be constructed in a number of ways and has all the elements of a narrative: protagonists, a plot, a setting and a climax, as well as story-tellers – who, from a neo-Gramscian perspective, could be called 'organic intellectuals' (see Hay 1996).

With this *crisis-as-narrative* view, Hay points out that a crisis is one when it permeates discourse, creates new understandings and thus new political projects that build on such understandings. As Hay argues, a crisis is a *process*: "as such it requires both a subject and an object. For a particular conjuncture to provide the opportunity for decisive intervention it must be perceived as so doing – it must be seen as a moment in which a decisive intervention *can* (and perhaps *must*) be made. Furthermore, it must be perceived as such by agents capable of making a decisive intervention at the level at which the crisis is identified" (Hay 1996: 254).

For our purposes, it is important to highlight how the power of the state is itself involved in creating this narrative of crisis: “state power (the ability to impose a new trajectory upon the structure of the state) resides not only in the ability to *respond* to crises, but to *identify, define and constitute* crisis in the first place” (Hay 1996: 255). Elsewhere, Hay argues that

“crisis can thus be seen as a *process*; a process in which the tendential unity of the state is discursively renegotiated and potentially (re-)achieved as a (...) trajectory is imposed upon the apparatuses and institutions which comprise it. Crisis is a process in which the site of political decision-making shifts from the disaggregated institutions, policy communities, networks and practices of the state apparatus to the state as a centralised and dynamic agent. The state is constituted anew through crisis” (Hay 1999: 338).

Although based on a constructivist viewpoint, these reflections – even if they may exaggerate the ‘subjective’ element and tend to neglect the ‘objective’ one – can be taken on board also from a neo-Gramscian perspective. Neo-Gramscian historicism is based on a dialectical relation between subjective and objective elements, and incorporates a Marxian political economy, thus giving due weight to the dynamics of capital accumulation. Therefore, the crucial materialist dimension must be inserted: our forms of thought, and also our crisis awareness, are never *independent* from our material reality. It is our dependence on the market for our means of subsistence, and the capitalist mode of production, that permeates our thoughts about the economy. Hence, even crisis awareness must, in the last instance, be linked to problems of capital accumulation and profitability and to our material base for

existence. On the other hand, the fundamental discursive dimension is indispensable, as a situation of crisis needs to be narrated as such so that the field can be opened or closed to different political projects that present themselves as solutions. Gramsci himself argued that

“it may be ruled out that immediate economic crises of themselves produce fundamental historical events; they can simply create a terrain more favourable to the dissemination of certain modes of thought, and certain ways of posing and resolving questions involving the entire subsequent development of national life” (Gramsci 1971: 184, cited in Bruff 2008: 103).

This conception of moments of crisis shall be kept in mind, as it will be referred to in the section on the interviews, when the actors’ perception of crisis will be analysed. A further element that is helpful for analysing such moments can be ‘imported’ from so-called ‘ripeness theory’ in the field of conflict resolution. The theory, initially developed by Zartman (1989) concerns itself with analysing the reasons why decision-makers decide to negotiate or mediate during conflicts in which previously the parties have been trying to defeat one another. One of the conditions necessary for the policy-makers to be receptive to negotiation is the presence of a “mutually hurting stalemate” that – and this is the crucial point for the purposes of the research – is especially motivating if augmented by an ‘impending catastrophe’. The idea is that conflict resolution is based on general perceptions of an intolerable situation in case of lack of agreement. A moment that is ‘ripe for resolution’ is thus associated with a ‘precipice’: the perception that the situation is rapidly bound to get worse if an agreement is not reached (*Ibidem*:

268). This moment of 'impending catastrophe' provides a "deadline or a lesson that pain can be sharply increased if something is not done about it now" (Zartman 2002: 228). I see moments of 'impending catastrophe' – such as 1992-1993 in the Italian political economy – as reactivating shared elements of common sense of the social partners and political parties, in particular trade unions and the centre-left parties. The narration of 'impending catastrophe' – as is argued in ch.6 – acts as a sort of rallying cry in which the pressure is for conflict to be temporarily suspended because 'we' are in danger. The state in this way acquires new authority to *define* and *respond* to the crisis.

The 'nodal' state: the national and the international

A neo-Gramscian conception of the state is able to account for globalisation and transnationalisation of production without, on the one hand, assuming that the logic of the world market simply subsumes different forms of state and acts externally on them and, on the other, without resorting to a theory of class struggle which reduces restructuring to an objective developmental logic of capital. 'Globalisation' is authored by certain class forces that act within specific forms of state. What is in fact overcome through this approach is precisely the separation between state and civil society, as the way concepts of control are formulated – based on a certain configuration of class forces and the ascendancy of a particular fraction of capital – allows us to see the 'genesis' of a particular set of state practices.

Van der Pijl and Overbeek have analysed the formation of a neoliberal 'comprehensive concept of

control' and the associated historical bloc on a *transnational* level (lit: Overbeek 1993; Van der Pijl 1998). This process involved the devising of a hegemonic programme on a transnational (mainly Atlantic⁵¹) plane, which in the context of the European union was expressed in the so-called 'embedded neoliberal hegemony' at Maastricht (Van Apeldoorn 2002), a compromise programme that was nevertheless skewed towards the interests and worldview of the transnational fraction of European capital. The process of transnationalisation was driven from what has been termed the 'Lockean heartland', conceived both as a series of historically and organically unified group of states of the Anglo-Saxon core of the world economy (Van der Pijl 1998; 2009) and as a social space where the concepts of control circulate (Overbeek 2004: 128). Transnationalisation is thus also understood as a process of expansion of the Lockean heartland and the gradual incorporation of other states within it. Nevertheless, "transnational capitalist relations of course also extend beyond the Lockean heartland, the whole system is embedded in them" (Van Apeldoorn 2004: 164).

However, and this is one of the points where this research project enters the debate within neo-Gramscian theory, a 'transnational historic bloc' also has nationally segmented dimensions. Within this perspective, what is significant once again is that it is within the state that the 'general interest' is formed, and it is the state's role to devise the overall economic strategy in order to maintain the general conditions of accumulation. Capitalist regulation thus depends on state practices that enjoy

⁵¹ On the Atlantic link, see Van der Pijl 1984. On the transnationalisation of European big business in terms of an evolution of an Atlantic ruling class structure see: Holman and Van der Pijl 2006.

‘relative autonomy’ and mediate nationally specific class relations and understandings of the ‘general will’. One should not lose track that the concepts of historical bloc and hegemony are cantered on the national state, as that is the locus of power in contemporary societies, and where hegemony is produced and reproduced.

As Gramsci stresses, the international situation should be considered in its national aspect: “to be sure, the line of development is towards internationalism but the point of departure is ‘national’. It is from this point of departure that one must begin, yet the perspective is international and cannot be otherwise. Consequently, it is necessary to study accurately the combination of national forces that the international class will have to lead and develop, in accordance with the international perspective and directives” (cited in Thomas 2009: 215) There is a dialectical relationship between national and international: hegemony is the ‘nationalisation’ of the international perspective, the concrete making of, the constitution of the dynamic of an expansive political and economic order within national moorings.

In order to understand class formation and strategy, one has to start from the assumption that capital in general is a comprehensive social force that is dependent on extracting surplus-value from living labour in order to generate profit, in this way imposing a specific discipline to society. The owners of capital embody the capitalist class. According to Gramsci, this is only the material basis of the existence of capital as a class, it is what Gramsci calls “a relation of social forces which is closely linked to the structure, objective, independent of human will, and which can be measured with the exact systems of physical science” (cited in Holman and Van der Pijl 2003: 72-73).

Class rule is established beyond this level. Stephen Gill talks about relations of political forces and synthesizes Gramsci's own work, subdividing collective political consciousness into three moments (Gill 2003). The first level is the economic-corporate one, the building block of class formation. The second one refers to the consciousness that a common interest is no longer confined to a specific fraction, but extends to the whole class. However, even here we are still dealing with interests of an economic nature. It is the third moment that is the *hegemonic* one, in which the a class perspective overcomes the boundaries of one's own class in a purely economic sense and projects its interests and vision on a universal plane, as the 'general will', as a 'comprehensive concept of control'. Therefore, "under capitalist conditions, ruling class formation is a highly dynamic process that runs through and unifies these three moments" (Holman and Van der Pijl 2003: 74). Thus, one must look at how a constellation of class alliances are pursued at the same time as political strategies at the levels of the economy, civil society and political society. It is clear to Gramsci that power circulates in capillary networks in society and thus political strategy here refers not only to the control over the economic sphere. The integral state, when it is hegemonic, has an educative and formative function in the attempt by the hegemonic force to create a 'new civilisation'. This formative function is also directed towards economic life, where certain norms and morals are propagated while others are modified or eliminated.

As the section on common sense will hopefully make clear, however, hegemony is based also on elements that cannot be grasped by only taking into consideration these three moments. It is also crucially dependent on previous forms of thought and their sedimentation into what we can

call 'common sense'. Common sense is not equivalent with the concepts of hegemony or ideology. The latter may be seen as a conscious intervention to try to shape common sense and make one's own version of common sense the dominant way a society 'thinks' about all aspects of social life. Ideology is the *political* articulation of a series of social identities in order to create or maintain a social order. Hegemony is thus a *politicisation* of elements of 'the social', whereas common sense – on which successive hegemonies need to be based – is a process of *depoliticisation* of social relations, of 'reality'.⁵²

Making sense of our conditions of existence: capital and common sense

The concept of common sense

In this section I conceptualise 'common sense' in capitalist societies in order to effectively use it in empirical research as the heuristic tool to understand *and* explain the formation of consensus in Italy in 1993. Common sense as a heuristic tool for the analysis of European varieties of capitalism has been applied by Bruff (2008; 2010; 2011) with reference to the Dutch and German cases of consensus-formation.

⁵² Gramsci argued that the goal of hegemony is to develop "within the enwrapping of political society a complex and well-articulated civil society, in which the individual can govern himself without his self-government thereby entering into conflict with political society, but rather becoming its normal continuation, its organic complement" (cited in Thomas 2009: 188). This self-government of the individual is crucially affected by common sense.

First of all, let us start by analysing the role of ideas in a neo-Gramscian framework. Ideas are understood by Cox as one of the three elements that form a historical structure or, within it, a mode of social relations of production (See Cox 1987: 22-27). However, Cox underlines that ideas within a historical structure are of two kinds. This is important because, as will be seen, sense is not only a weapon used in social and political struggle, but also the terrain that defines the 'limits of the possible', hence depoliticising certain issues or state policies. Thus, common sense forms the basis upon which political and social struggle takes place. 'Intersubjective meanings' are, for Cox, "shared notions of the nature of social relations which tend to perpetuate habits and expectations of behaviour" (Cox 1981:136). This kind of ideas is constitutive of the wider historical structure, as it forms the generally accepted beliefs that constitute the institutions on which a certain material power and set of productive relations are based. These ideas develop the 'limits of the possible' in political terms, and "condition the way individuals and groups are able to understand their social situation, and the possibilities of social change" (Gill and Law 1988: 74).

The other kinds of ideas active in a historical structure are the 'collective images' of social order held by *different* groups of people (Cox 1981: 136). These views differ from one another in their understanding of the nature of power relations, the ideas of justice and legitimacy of the social order and ethical concerns. Cox understands 'intersubjective meanings' as constituting the common ground of political discourse, while 'collective images' as elements that may be contrasting and whose synthesis is acquired only by a hegemonic project. Ideas, for neo-Gramscians, are not simply an independent

variable that is analysed in addition to material factors. As Gramsci points out, “it is on the level of ideologies that men become conscious of conflicts in the world of the economy” (Gramsci 1971: 162). What is emphasised is the ‘material structure of ideology’: “only those ideas, which are (...) linked to a particular constellation of social forces engaged in an ideological struggle for hegemony, are considered to be ‘organic ideas’” (Bieler and Morton 2006b: 24).⁵³ These ideas do not emerge spontaneously or casually: they are authored for specific political projects by what Gramsci calls “organic intellectuals”, whose function is to graft a political project based on the universalisation of a certain class interest and worldview. In Gramsci, organic intellectuals have an *internal* relationship with the ‘popular masses’: everybody has the potential to become an intellectual in this sense, as ‘organizers of the masses of men’ (Torfing 1999: 111). A historic bloc thus crucially includes an important role for ideas as, if a situation of hegemony is reached, it indicates the integration of differing class interests that are expanded throughout society bringing about a unity of political, economic and moral objectives on a “universal plane” (see above).

Within this framework, what is the role of ‘common sense’? I follow Bruff’s conceptualisation of common sense as “the basis for how humans make sense of the situation they find themselves in” (Bruff 2008: 47: for a discussion of common sense: 47-71). As a starting point for the discussion, it is important to recall that, for Gramsci, “all men are ‘philosophers’ because the only philosophy is history in action, that is, life itself” (Gramsci, citato in Bruff: 50). However – according to Bruff – what is significant in a

⁵³ On the material structure of ideas see also: Bieler 2001.

political economy approach, is when these philosophies are not merely *subjective* or *individual*, but acquire an *intersubjective* quality, that is, they become shared assumptions and ideas about the world. Crucially, the concept of common sense is for Gramsci intrinsically linked with a shared outlook on the part of groups in society:

“each social stratum has its own “common sense” which is at heart the most widespread conception of life and morals. Common sense is not something that is rigid and unmoving, but is continually transformed, becoming richer with scientific notions and philosophical opinions that have developed into habits. Common sense is the folklore of “philosophy” and is placed between downright “folklore” and philosophy, science, the economics for scientists. “Common sense” builds future folklore, that is a more or less rigid phase of a certain time and place” (Gramsci cited in Liguori and Voza 2009: 759).

From this excerpt of the *Prison Notebooks* four conclusions can be drawn:

1. Each social class (or group) has its own version common sense, and thus different versions of common sense can coexist in a given society at the same time.
2. Common sense can be defined as “the most widespread conception of life and morals” of a given group or social class.
3. Common sense derives from the sedimentations of thought left over by previous philosophical currents (it is the *folklore* of philosophy). It is thus both path-dependent and in continuous transformation – as Bruff argues (2008: 47-50).

4. Common sense is in continuous transformation, thus different versions of common sense follow one another chronologically.

As will be seen in more detail below, common sense cannot be equated with the concept of *ideology* or that of *hegemony* or *hegemonic discourse*. The latter in fact, are best conceptualised – following Bruff (2008: 55) – as *active* and *conscious* interventions by social forces and organic intellectuals on the different versions of common sense in order to create a synthesis and to make one's version of common sense the dominant one: "ideology is an *active synthesis* rather than a simple conglomeration of different ideas and conceptions" (*Ibidem*).

Common sense represents the most commonly held ideas, which are often implicit within a social group. Thus, it relates dialectically with philosophy, that is with the highest expression of ideology, whose formulation is the task of the organic intellectuals of the different social groups. With the concept of common sense, Gramsci's attention is on the element of popular 'spontaneity'. There is a 'quantitative' difference between common sense and philosophy, not a 'qualitative' one: both are 'organic' ideas linked with the emergence and development of social forces. However, common sense represents a more rigid set of popular beliefs that are incoherent and inconsequential but nonetheless shared among the masses. Often, Gramsci implied that the nature of common sense was inherently *conservative*: through common sense people are "brought to believe that what exists today has always existed" (Gramsci cited in Liguori and Voza 2009: 760). Although Gramsci tended to hold a negative opinion of common sense, he never neglected the fact that any kind of political project

(whether hegemonic or counter-hegemonic) had to engage with this terrain in order to be successful.

Thus, common sense is the “philosophy of non philosophers” (Gramsci cited in Liguori and Voza 2009: 760), that is the conception of the world which has been passively absorbed by the different social strata in which individual morality and worldview is developed. “Its fundamental characteristic is that of being a conception of the world that is incoherent, inconsequential, adequate to the character of the multitude of which it is the philosophy” (*Ibidem*).

In this passive absorption of conceptions of the world we can see the element of depoliticisation, the taken-for-granted aspects of everyday life. As argued above, social relations are shaped in and by political struggles and are not part of a pre-political *economic* realm. This *political* origin tends to be ‘forgotten’, removed, and the more this is done, the more these social power relations become sedimented and normalised, the more they seem to have a life of their own which is independent of human activity (similarly to the concept of commodity fetishism). Thus, the quasi-objectivity of the flow of capital also rests upon the internalisation of the power relations that are constitutive of capital as a social force. As Stuart Hall argues, “we should not be surprised that over time this (i.e. *capitalism*) comes to be taken for granted and viewed as somehow natural, for the ‘market’ experience is the most immediate daily and universal experience of the economic system for everyone” (Hall 1996: 38 cited in Bruff 2011: 9). However, “we must remember that the political ‘origin’ of the relatively enduring social institutions is repressed (in the psychoanalytical sense of being kept at another place) and not eliminated. Hence, it can be re-activated when these

institutions are put into question" (Torfing 1999: 70). Common sense can thus refer to ideas that tend to eliminate of the traces of the origins of institutions and norms that are part of everyday life. This effacement, as well as the potential re-activation of the political 'origin', is itself the result of a *political* process. In this respect, Blumenberg reminds us that the primacy of politics "does not consist in the fact that everything is political, but rather in the fact that the determination of what is to be regarded as unpolitical is itself conceived as falling under the competence of the political" (Blumenberg 1986: 91).

However, common sense, defined by Bruff as being "the basis for how humans make sense of the situation they find themselves in" (Bruff 2008: 47), following a neo-Gramscian approach, cannot escape the material conditions in which men find themselves. Cox states that "the ways in which human efforts are combined in productive processes affect all other aspects of social life" (*Ibidem*: 51) and thus common sense must include references to the way production is organised. As Stuart Hall usefully formulates, we must posit "the economic in the first instance" (1996: 45), meaning that we cannot deny that our forms of thought are linked to the way production is organised and to the power relations inherent in the mode of production, because the need for food, drink and shelter must be considered to be universal human characteristics and thus shape, without determining, our way of thinking. The economic *shapes* our forms of thought, it creates *limits of the possible*, without however *determining* ideas. Hence, in contrast to Althusser's 'economic in the last instance', what is stressed here is the economic in the *first* instance. This is what Gramsci referred to as the 'decisive core of economic activity'. One can thus say that although the need to

produce is a universal aspect of human existence, social practice is also and fundamentally influenced by the modes of thinking, norms and ideas that are part of any organisation of production.

Common sense is seen by Bruff as a form of culture (2008: 47) as it embodies conceptions of the world and of life that are commonly held by people of a certain social class. Common sense can thus be represented as the way in which capitalist social relations *appear* to a certain group of society, how that group 'makes sense' of its position in society. This group can be a class or – significantly – also a *nation*, that is the horizon of the "we" in which political projects are inherently inscribed. The process of common sense development also reflects how 'the international' is internalised into 'the national' (see more on this below): how the international economy is seen as determining certain 'rational' or 'realistic' choices for 'us'. The previous *political* construction of the nation-state as 'us' is a fundamental prerequisite of any discussion of the coupling of 'the national' and 'the international'.⁵⁴ By presenting the nation-state as the horizon within which political projects are to be developed, the conditioning of the *capitalist* 'external constraint' is an issue that *must* be faced by any political programme for the governing of the country. It can be added that as subaltern classes are historically incorporated politically and culturally in national historic blocs of forces and into the national political framework, the state itself is increasingly perceived as a neutral entity standing above society, and thus becomes effectively naturalised as 'we'.

⁵⁴ On this see: Anderson 1991.

As an example of the internalisation of 'the international' consider Italy's dependence on 'the international' for raw materials, energy and exports. As the empirical chapter details, this is a *real* constraint that is seen as conditioning capitalist development in the country and necessitating certain *commonsensical* measures and policies that thus become *internalised* (more on this below). As discussed at the beginning of this chapter, for Marx *real* phenomena and *ideological* ones are not contrasting to each other: capitalist social relations and the commodity fetishism that accompanies capitalist accumulation – with its inversion of the subject and the object – are not *illusions*, they are *real* phenomena that originate from men's concrete relations in the labour process. So, the external constraint is not merely an ideology, or an illusion that is used to 'trick' the masses: it is a *material* constraint for capitalist development that affect how human beings, organic intellectuals and social forces reflect upon their own position in the global capitalist totality. As pointed out above, ideology is, in Marx's original view, not an *external* conditioning. On the contrary, referring to Marx's description of the commodity, 'reality' as such is not the 'sensible thing' but also the 'supersensible thing'. The conditions of existence of the very subjects of ideology are reproduced through forms of thought, that are thus no simple illusions in the context of a market society.

How capitalist social relations appear from a particular standpoint in space and time in turn contributes to the constitution of capitalist social relations themselves, which should not be seen as standing *outside* of the political sphere, but as *coextensive* with it – as the above discussion of the relationship between the base and superstructure (or civil society and political society) in Gramsci makes clear.

So, our transhistorical need for means of subsistence conditions our forms of thought, which – in turn – act back upon our social relations. As Tronti reminds us, culture, like the law for Marx, “is always mediations of conflicts and its resolution in something else. If culture is the rebuilding of the totality of man, the quest of its humanity in the world, vocation at keeping united what is divided, then it is by its very nature *reactionary*” (Tronti 1966: 245).

For the purposes of this research, one can go a step further from this highly political reflection by Tronti, and argue that more than culture *tout court*, it is *national* culture that aims at keeping united what is divided, and hence present social relations in a given society in a tendentially consensual manner as the embodiment of a certain national trait or nature that is seen as encompassing the whole of society, beyond its class divisions. The state, and the hegemonic discourses and common sense assumptions incorporated in it, can be seen as the sedimentation or crystallisation of relations between classes in civil society. Hence, as classes ‘nationalise’ themselves, the common sense assumptions are also projected on the state, and hence the relationship with the ‘international’ becomes a defining feature of any version of common sense, and of how political projects seek to face the country’s insertion into ‘the international’ (its socio-economic policies, for instance). Therefore, as common sense ‘nationalises’ itself, it reflects how social relations look from a certain *national* perspective (see below for more on the national/international relationship). The state itself represents – as a *nationality* – the total historical catalogue of all the victories and defeats that have been achieved by the social forces within that state. All history is history of class struggle, but every nationality condenses that

particular history in a particular way. Ultimately, the state is a container in which certain compromises between social forces are achieved and turned into law (in fact, each country's legislation can be seen as a catalogue of all the struggle that have historically taken place) (Van der Pijl 2011b).

As stated above, these common sense conceptions are both path-dependent and in continuous transformation. They are path-dependent because they cannot escape the socially and nationally specific ways in which social classes have 'made sense' of their conditions of existence from their point of view in the mode of production, and they are in continuous transformation as the historical structure changes dialectically and incorporates new philosophies that go hand in hand with transformations in social relations of production, forms of state and world orders. This modifies the forms of intersubjective common sense, embodied in relatively stable patterns of human activity and thought.

As seen above discussing Thomas' reading of Gramsci, political and civil society are dialectically linked as political society creates the bases upon which civil society can arise and in turn acquire conscience of the 'political' as a separate sphere from itself. Social and political society are conceptualised by Gramsci as being dialectically connected in the form of the integral state, while at the same time being analytically distinct as objects of study. It can be argued that common sense arises in civil society and then is gradually incorporated in political society as we move closer to the institutional realm, focusing on common sense at the state level (see below). In line with Bruff, common sense must be seen not only as a tool of political and social struggle, a product of it and a

terrain upon which such struggle takes shape, but see it as constitutive of *all* human social practice in all areas of society (Bruff 2010: 2-3; 8-9), Common sense is thus seen by Bruff not as something that is only fought over by and thus produced and reproduced over time by different groups in order to entrench their version of common sense, but is also the *precondition* for such production and conflict to take place at all.

As such, common sense conceptions of the world are held by humans in society at large and – clearly – also by humans within institutions (such as trade unions, employers’ organisations and political parties) (Bruff 2008: 53-57). The latter’s actions and thoughts are informed by common sense assumptions like those of the public at large, with the only difference being that their versions of common sense are more coherent and relatively unified. This is because the very task of these institutions is to devise political projects from a certain standpoint and hence give *direction* to social change. People within institutions are also placed within a certain *perspectival* position in society, with its corresponding common sense assumptions. They thus do not possess a complete ‘structural literacy’ in the sense of consciously guiding capitalist development from above. These three institutions – following Bruff – can be seen as being collective organic intellectuals, which aim at shaping and moulding the common sense assumption of human beings in that society and translating them into a political project and thus a certain set of state policies, thus aiming at *organising* and shaping the masses from a certain political and social standpoint.

Bruff has underlined how it is inappropriate to attempt to fix the versions of common sense in a unitary

manner, in order to attribute one and only one version of common sense to a certain actor. He states that it is more appropriate “to state that it is possible to identify certain asymmetries, tendencies and repetitions within any one version of common sense, without needing to fix, homogenize and universalize this version across space and time. A key example of this is the fundamental asymmetry within our modes of thinking about the world towards the material basis for our existence” (Bruff 2010: 10). Moreover, common sense “should be viewed holistically rather than as a sum of ideas that we can disaggregate cleanly into constituent parts which can be, as variables, added to and removed from the analysis as and when appropriate” (*Ibidem*).

Common sense and ideology

The concept of common sense – as hinted at above – should not be confused with that of ideology. As pointed out, ideology is the active shaping and moulding of common sense for reasons of political and social struggle. However, one should not lose track of the fact that capital, as a social force and a discipline over society and nature, connects individuals often in an invisible way, linking them without they being aware of it, through the market. In fact, typical of social relations within capitalism is that they often involve no personal relationship at all. Nevertheless, people’s conditions and – most importantly – their labouring activity are dependent upon one another and connected through the world market. This is indeed Marx’s concept of market socialisation, which is closely linked to the concept of commodity fetishism:

“the social relations between their (i.e. *the workers*) private labours appear as what they really are, i.e. they do not appear as direct social relations between persons in their work, but rather as material relations between persons and social relations between things” (Marx 1976: 165-6).

It is useful to better understand Marx’s concept of commodity fetishism before delving into a discussion of common sense and hegemony, lest we forget that in capitalism, ideological forms are not mere illusions or simple ‘false consciousness’. They operate within and through the very fabric of the social relations, and they are constitutive of these relations.

Once the worker has been separated from the means of production and hence from the relations of personal – directly *political*, and not *economic* – dependency that were characteristic of pre-capitalist societies, the ‘objective’ conditions of the market become “independent of the individual and, although created by society, appear as if they were natural conditions, not controllable by individuals” (Marx 1973: 164). Individuals are then re-connected through the market, but this link appears as being the result of the things themselves, as constituted by impersonal relations over which they have no control, by a mechanism that escapes their will. As recalled above citing Colletti, the independence enjoyed by humans in a liberal society masks the dependence of each from a social power that escapes their control, capital – ‘the market’. Constitution is separated from genesis. The *appearance* is that of dealing with a simple relationship between things that are exchanged: and this is the *real* illusion Marx is talking about. Thus, what appears to be a relationship between things is in fact the determinate social relationship

between men: the objectivation of the subject and the subjectivation of the object.

What the world market appears to develop is a “spontaneous interconnection, a material and mental metabolism which is independent of the knowing and willing of individuals, and which presupposes their reciprocal independence and indifference” (Marx 1973: 161). As Marcuse noted, “the constitution of the world occurs behind the backs of individuals, yet it is their work” (Marcuse 1988: 151 cited in Bonefeld 2006: 54-55). This is, in a nutshell, Marx’s theory of commodity fetishism: the idea that commodities exert a fetishistic domination over men, which are victims of the illusion that the commodity is only a *thing*, and not the product of their social labour. At the same time, in the production of commodities, social relations acquire the phantasmagorical form of relations between things, socialisation is fetishised as a relation between commodities and capitalist society presents itself, in its totality, as a society of commodities and of markets, of which men are but the intermediaries, the means for the functioning of markets, for the circulation and accumulation of capital, to which they must subdue themselves in order to survive. For instance, within neoliberalism, governments approach the ups and down of the world economy or of stock markets as almost supernatural signs that one may hope to placate but never should seriously challenge.⁵⁵

⁵⁵ Van der Pijl has linked the concept of commodity fetishism with the anthropological concept of *taboo*. The latter means that “if there is direct contact with what is sacred, feelings of awe and fear will be awakened which narrowly circumscribe the behaviour that is considered appropriate” (Van der Pijl 1998: 13).

In *The German Ideology*, Marx maintained that “in imagination, individuals seem freer under the dominance of the bourgeoisie than before, because their conditions of life seem accidental” (Marx 1968: 35). They think that they are acting in unconditioned freedom, which derives from the absence of relations of personal dependence. However, in fact they are subordinated to an objective force, “they are less free, because they are more subjected to the violence of things” (*Ibidem*), which was born out of their own activity and has become autonomous up to the point of dominating them in an impersonal fashion: “the principal agents of this mode of production itself, the capitalist and the wage worker, are to that extent merely personifications of capital and wage labour. They are definite social characters, assigned to individuals by the process of social production” (Marx 1976: 1025). The worker is forced to work in order to survive, while the capitalist is constrained as he is forced to act within the coercive laws of competition, lest he faces the risk of falling into the conditions of a wage-labourer. The true subject is here capital itself, which subordinates individuals in order to valorise itself: the subordination of man to the *thing*. One of the consequences of this view, on which in fact Marxist literature has not focused extensively, is the fact that within a capitalist mode of production, authority is vested in the capitalists, the bearers of capital, “only as a personification of the requirements of labour standing above the labourer. It is not vested in them in their capacity as political or theoretical rulers, in the way that it used to be under former modes of production” (*Ibidem*: 1027). Thus, one of Marx’s lessons is that, on an abstract level, within capitalism there is no ‘free’ class that consciously exploits the other class; on the contrary, all classes act within the production process not knowing what

they do, personifications entrapped within a mode of production in which it are not single individuals who are placed in conditions of freedom but *capital* as a social force.

As Giddens usefully summarises, “the taken-for-granted cannot inevitably be equated with the accepted-as-legitimate” (Giddens 1981: 65-66 cited in Burnham 2006: 38). There is thus a difference between the ideological order that is propagated by the historic bloc and condensed into the integral state and the practices and actions sustained daily by human beings in that society, often depoliticised as pressures emanating directly from ‘reality’, from ‘natural necessities’ (the taken-for-granted). One must keep in mind that, as Marx reminds us, capitalist production and reproduction is achieved also through the “silent compulsion of economic relations” (Marx 1976: 899) that are difficult to grasp simply by referring to ideological apparatuses. Of course, “direct extra-economic force is used but only in exceptional circumstances. In the ordinary run of things, the worker can be kept in the ‘natural law of production’, i.e. it is possible to rely on his dependence on capital, which springs from the conditions of production themselves, and is guaranteed in perpetuity by them” (*Ibidem*).

Common sense can be understood as the way in which these ‘objective’ conditions of production are internalised from a particular social and geographical perspective; as the depoliticised assumptions that individuals and classes in specific countries develop as “the basis for how human beings make sense of the situation they find themselves in” (Bruff 2010: 9). As noted above, these conceptions cannot escape the material conditions of existence, and hence must contain references to how capitalism *appears* from a particular national and class

perspective. This is also relevant in our later discussion on the relationship between ‘the national’ and ‘the international’: our conceptions of ‘the international’ “are rooted in how ‘the international’ appears to us” (Bruff 2010: 3).

Forms of power such as the law can be seen as both an instrument by which property relations are enforced and reproduced in society, *and* as the embodiment of a historic bloc (whether hegemonic or not) that is related to certain norms that represent a mediation of class relations within a historical bloc, the concessions the dominant class to the subordinate ones: “Productive relations are therefore in part meaningful through their very definition in law” (Thompson 1975_ 261 cited in Morton 2006: 68). Hence, ideology is not a separate realm from production relations, but is part and parcel of the fabric of the world of production.

The concept of ideology is useful when looking at the state and how the state produces and reproduces the hegemony of a particular historic bloc, and how the transformations at the level of the state take place. But capital as a social force, as a discipline over society and nature, operates on a level that largely transcends the national state, and connects individuals without their being aware of it (see above). The compulsion to sell one’s labour-power is difficult to understand in terms of ‘ideology’. It is more an imperative that has followed capital’s stretch worldwide, and has become partly and differentially internalised as ‘common sense’. This compulsion and thus – in a capitalist economy – the submission to capitalist control of the labour process, is not an ideology in the sense of an idea that is accepted as legitimate, but it is taken for granted, in the sense that the material basis of our

existence, that is, the need for water, food and shelter, obliges humans to look for employment in order to satisfy these needs. Common sense is also the way human beings have ‘made sense’ of this necessity and its changing nature throughout the history of capitalism. Common sense is much more path-dependent than ideology and refers to the taken-for-granted more than to the accepted-as-legitimate. It is largely implicit rather than explicit and refers to the depoliticised assumptions about the ‘facts’ of ‘reality’.

The concept of common sense refers to the terrain on which ideology, as the conscious grafting of a hegemonic project, is predicated. Ideology does not reflect, “it constructs a ‘unity’ out of ‘difference’” (Hall 1991b: 120 cited in Bruff 2008: 55). Common sense assumptions as both path-dependent and in continuous transformation are important in determining whether a certain political project has success or not, and it is based also on these common sense assumptions that political projects are developed in the first place. These political projects are not created out of nowhere, but they can become hegemonic precisely because they are able to create a synthesis between different versions of common sense in a given society. However, there is no determinism involved, as there is no fixed outcome of struggle: new ideas can be incorporated in different ways in different political projects, which can be hegemonic or counter-hegemonic. Each social group will attempt to secure the process of transformation for itself, also linking this project with non-economic issues that have ascended in society.

Crucially, as Bruff argues, “in capitalist conditions of existence our thoughts about the world are skewed towards capital’s rather than labour’s dependence on the market” (Bruff 2011: 10). The point is that human beings

are *materially* dependent from the market for their own means of subsistence. Quoting Harvey extensively:

“capital is the lifeblood that flows through the body politic of all those societies we call capitalist, spreading out, sometimes as a trickle and other times as a flood, into every nook and cranny of the inhabited world. It is thanks to this flow that we, who live under capitalism, acquire our daily bread as well as our houses, cars, cell phones, shirts, shoes and all the other goods we need to support our daily life. By way of these flows the wealth is created from which the many services that support, entertain, educate, resuscitate or cleanse us are provided. By taxing this flow states augment their power, their military might and their capacity to ensure an adequate standard of life for their citizens. Interrupt, slow down or, even worse, suspend the flow and we encounter a crisis in capitalism in which daily life can no longer go on in the style to which we have become accustomed” (Harvey 2010: vi).

Thus, it is difficult to neglect that this *material* dependence must shape our forms of thought and skew them towards capital’s (instead of labour’s) dependence on the market and its continuous quest for surplus labour, and thus towards creating favourable conditions for capital accumulation. The fact of living within a capitalist mode of production poses heavy constraints on our thoughts about society and on the need to produce and how to organise it. Discussing common sense generally, Seale argues that it is “social practices rather than perceptions are the site where common sense operates” (Seale 2004b: 97): common sense is thus related to what people are *doing* rather what they are *thinking*. And in a capitalist society, their labouring activity – what they are *doing* – is subsumed under capital’s

process of valorisation. Marx was constantly aware that ideas – and, in particular, dominant ideologies – arise from people’s daily practices and therefore, if one is interested in analysing what people really believe in, one must look at what people are *doing* rather than what they are *saying*.

What Marx saw as one of the defining characteristic of a capitalist mode of production, namely the separation of workers from the means of production, must surely affect our forms of thought. Workers within capitalism are compelled to sell their labour-power on the market, and thus are dependent on the latter for their own survival. Capital is also dependent on the market for its own valorisation. Both rely on the market, but clearly in an unequal way: workers are dependent on the market in order to gain means of subsistence, and are thus economically (not politically) *forced* to sell their labour-power. The process of capital accumulation, on the other hand, is based upon the subsumption of labour within the production process in order to acquire profit. Thus, capital needs labour and viceversa, yet this relationship is unequal. As any mode of production, capitalism is thus a relationship of power, exploitation and resistance.

Therefore, “the pressures and limits of what can ultimately be seen as a specific economic, political and cultural system (capitalism) seem to most of us the pressures and limits of simple experience and common sense” (Williams 1977: 110 cited in Bruff 2011: 9). As Bruff states, “if the material conditions of life are accessed through the capitalist market, then it is perhaps unsurprising that the efficient functioning of this system of production will generally take a higher priority than transforming it into a more equitable set of arrangements” (Bruff 2011: 9). Precisely because there is an asymmetry

within our conceptions of the world towards the need to produce, within capitalism these ideas will surely be skewed towards capital's dependence on the market (for valorisation and further accumulation), rather than labour's. And this is because workers access means of subsistence by selling their labour-force and receiving in exchange a salary that can buy commodities. For instance, situations of crisis in capitalist accumulation create unemployment (therefore threatening the ability of workers to acquire means of subsistence), and thus the *commonsensical* thought is that one must create favourable conditions for capital accumulation in order to 'solve' the crisis.

A crucial element is that there need not be positive acceptance of an assumption or an idea for it to be embodied in the state. The very idea of the market and of both capital and labour's dependence on it generates assumptions about what is the 'hard truth' of reality that cannot be modified. Witness how the reactions to the economic and financial crisis that erupted in 2008 concentrated mainly on the need to re-create a 'suitable' economic environment for capital accumulation. This may not be considered positively by large parts of the population, but it is presented as an unavoidable fact of life: the only way to get out of the crisis is to 'swallow the bitter pill'.

Common sense, class struggle and the state

Social and political struggle involves attempts by different social groups to make *their* version of common sense the foundation for the way in which human beings

think and act in a particular society (Bruff 2008: 57-61). There may be several and contrasting versions of common sense in a particular society, and it is an empirical question to find out which version of common sense has become dominant, and has thus been incorporated within the state apparatus. Such attempts can be successful only if they build on the “sedimentations of common sense left behind by previous philosophical currents” (Bruff 2008: 47). Thus, as argued above, the dominant version of common sense is both relatively rigid and potentially in transformation. As a result, it is possible to conceive theoretically and observe empirically both the changes taking place in the given society and the path-dependent elements that distinguish one society from another.

The state, as the locus of formally ‘political’ power in society, is the institutional terrain of the outcomes of social struggle, and its status as the (only) sovereign entity gives the historic bloc of forces supporting a particular version of synthesis of common sense – or its moulding into an ideology – a position from which it can effectively implement this version and entrench it into the state by its very definition in law within the legal framework. However, the sphere of politics cannot be confined to the state apparatus, a specific institutional sphere of the ‘social’, because it constitutes an all-pervading dimension of society, as it shapes all social relations. Thus, the state cannot be seen as ‘the realm of politics’, but must be conceived as a ‘region’ of society that has been constructed “as a privileged point of enunciation, permitting the hegemonic forces to speak in the name of society” (Torfing 1999: 71). It is in this role that the state is the target of political and social struggle, and the point from which hegemony is propagated throughout society.

The role of organic intellectuals is to attempt to shape common sense in a certain direction. As argued above, for Gramsci not every form of thought that is widespread in society is relevant, but only those ideas that “organise human masses, and create the terrain on which men move, acquire consciousness of their position, struggle” (Bieler 2006: 36). To become relevant in political economy, ideas need to develop a dialectical relationship with the relations of production and thus connect to specific social forces. Thus, ideologies are coextensive with class struggle, and therefore are connected organically with struggles at the level of the economic structure. It is the role of organic intellectuals, which emerge from and represent social forces, to link the world of production with the formally *political* realm (*Ibidem*). Their task is to develop political projects within a constellation of social forces (the historic bloc). They thus develop what have been called the ‘intersubjective meanings’ and the ‘collective images’ of specific groups.

Since common sense is more coherent and unified at the state level, it has been argued above (following Bruff) that common sense can be most effectively studied at the élite level (the organic intellectuals). I therefore focus on trade unions, employers’ associations and political parties as organic intellectuals that possess a certain common sense view of the world and also attempt to mould and modify it in order to suit particular political projects. The empirical chapter will focus on these three actors, for they are the “institutional frameworks within and through which different class fractions (or components) of capital and labour attempt to establish their particular interests and ideas as the generally accepted, or ‘common sense’ view” (Bieler 2000: 13 cited in Bruff 2008: 54). Organic intellectuals

give direction and coherence to the fragmented and incoherent forms of common sense held by the population at large, but their ability to develop an ideology is also constrained by these forms of common sense, which form part of how they *themselves* see the world (there is therefore no need to introduce categories such as 'manipulation'). Gramsci himself emphasised the necessity, in order for hegemony to be attained, to move beyond the contradictory forms of common sense "into a more coherent political theory or philosophical current. This 'raising of popular thought' is part and parcel of the process by which a collective will is constructed, and requires extensive work of intellectual organisation" (Hall 1996c: 432 cited in Bruff 2008: 48). It is this 'raising of popular thought' that is studied here, as the way classes (through 'their' organic intellectuals) in society have 'made sense' of their conditions of living.

Bruff argues that any version of common sense that predominates in a given society must have come in contact with earlier versions of common sense that had led that society. "Thus, any social group seeking to attain societal hegemony must engage with the sediments of thought which have built up over time in that society, in order to gain support vis-à-vis other groups" (Bruff 2008: 10). Thus, following Bruff, one can argue that the way in which a version of common sense can come to predominate is through its connection to a social group who promotes such a version. Referring to our previous discussion, let us recall here that hegemony is a practice that is able to transcend a class' core economic interests and construct a worldview that takes into account the 'popular and democratic' aspirations of the people, which do not necessarily have a class character by articulating them

together into a political project. The crucial point is when a particular version of common sense is institutionalised within the state apparatus, in this way appearing as 'natural'. The state therefore becomes the locus from which the historical bloc projects its hegemony, which however was previously attained within *civil* society. As Cox underlines, by "entrenching societal leadership in the legal framework, the historical bloc has the opportunity to frame and thus circumscribe action and thought in accordance with the version of common sense that it supports. This enables its hegemony to appear natural" (Cox 1996: 517-519 cited in Bruff 2008: 60).

Entrenching one version of common sense in the legal framework means moving from civil society to political society and achieving the status of *political* hegemony (see the previous discussion of societal and political hegemony). However, any social group that does so must necessarily face the sediments of common sense entrenched in existing sector of the state and institutional arrangements that have developed over time. It is in this sense that the state is the embodiment of the historical bloc leading that society, which must engage with previous sedimentations of ideas that have consolidated at the state level

Common sense must thus refer to the state as the locus of formal political power and activity, as the sphere where political projects and formulas are grafted. However, as made clear earlier, the state here refers to Gramsci's *integral state*, and therefore the sphere of the administrative apparatus of the state, *political society*, as well as *civil society*. Capital as a social form acts through these two spheres and their apparent separation in capitalism. Common sense develops as a crystallisation of previous forms of social

relations of production and hegemonies, and can be seen as a condensation of how human beings have historically 'made sense' of human activity. Cox states that "the language of consensus is a language of common interests expressed in universalist terms, though the structure of power relations underlying it is skewed in favour of the dominant groups" (Cox 1996: 421). What is achieved with hegemony is therefore not outright domination on the part of the dominant group, but "constantly shifting, yet constantly unequal, relation of power within the formation (Bruff 2008: 59). These different versions of common sense manifest different degrees of resistance to, or acquiescence to, the dominant version, as some common sense sediments may have accumulated more strongly than others, depoliticising more deeply the assumption regarding a particular sphere of state policy (*Ibidem*: 63).

As Bruff argues, each state branch constitutes the power base of a fraction of the bloc, and thus the concession on the part of the dominant group, condensed within a certain part of the institutional apparatus, are "*detracting from state unity but guaranteeing the (temporary) unity of the historical bloc* through strategic (but not fundamental) adjustments to the hegemonic project" (Bruff 2008: 62). This is also a useful way of containing the potential formation of counter-hegemonic projects by neutralising or incorporating other social groups. Although it is clear that there are contradictory tendencies within a historical bloc that makes it difficult for the state to act in a coherent and unified way, the key issue is "the extent to which the leading social group is able to use privileged centres of power within the state's administrative apparatus – such as the economic ministries – to impose its

will on resistant parts of the state apparatus” (Bruff 2008: 63).

Here however I would like to note a point of disagreement with Bruff’s account of common sense’s entrenchment in the legal apparatus. Bruff distinguishes himself from other neo-Gramscian authors (such as Bieler and Morton 2006c) who talk about the ‘relative autonomy’ of the state from society. Their argument is that the state looks after the long-term interests of capital as a whole, acting in a relatively autonomous way with respect to the groups vying for societal leadership, thus imposing short-term concessions in order to re-impose long-term domination. Bruff, on the other hand, stresses that “this comes about not through a notion of imposition but through the necessities of social and political struggle and accompanying power relations” (Bruff 2008: 64). The author then goes on to argue that capital does enjoy a privileged position, but “in the first instance this is through the greater power it enjoys vis-à-vis labour in capitalist societies. The state is thus the moment of condensation, the materialisation of unequal power relations in the form of institutional configuration and policies” (*Ibidem*). On the contrary, I would stress that it is the very existence of the state as a *capitalist* state, the division of private from public and ‘economic’ from ‘political’ that is constitutive of the capitalist mode of production, which entrenches capital’s power in the state. The state’s constitution as such is the expression of a capitalist mode of production, for instance in its dependence on fiscal revenues or financial markets for the financing of state spending. The liberal state is a *limited* form of state that is ultimately subordinate to interests in civil society: private property rights and freedom on contract – the legal basis of the capitalist mode

of production – are written into the very constitution as rule of law (Gill 2002: 163-164). Once again, capital does not *have* power, it *is* power, and creates the apparent division between itself and the formerly political sphere of the state. The state is not an empty shell. Of course, societies can be capitalist in very different ways, which depend on the different social content of the state.

Common sense and ‘the international’

In this section, I discuss the relationship between ‘the national’ and ‘the international’. Here, I follow closely Bruff’s conceptualisation (Bruff 2010). As Morton underlines, every state’s national content is the spatially and historically specific outcome of social and political struggle as it is conditioned by the international (Morton 2007a: 170). Bruff starts from this assertion in order to claim that such interplay between the ‘vertical’ and the ‘horizontal’ forms the basis of national varieties of capitalism. The direction of the state, its social content or *raison d’état* is therefore the outcome of the way in which ‘the national’ and ‘the international’ intertwine within a given territory. Bruff notes that ‘the national’ and ‘the international’ are not two discrete and autonomous levels – as is often postulated by mainstream social science in the classic International Relations/Comparative Politics division – but the focus is on their intertwining, the way in which they are “simultaneously related and methodologically distinctive” (Bruff 2010: 9). As Gramsci states, “particular histories exist only within the frame of world history” and thus ‘the national’ is seen as a point of arrival within ‘the international’ (Gramsci cited in Morton

2007b: 615). In criticising the conventional distinction between international relations and comparative politics, Van der Pijl points out that they assume that “societies develop on their own, engaging in foreign relations only *after* they have effectively constituted themselves – what may be called the ‘comparative politics fallacy’” (Van der Pijl 2007: 20). The author adds that

“the idea of international relations in fact is based on this assumption. It presumes that the foreign has been exteriorised, and that a homogeneous community has been established as a result. Usually this homogeneity is then projected back into history, and what Benedict Anderson (1991) calls the ‘imagined community’, with hindsight endowed with a capacity to develop on its own” (*Ibidem*).

However, the nation is not simply an ‘imagined community’. Through the functioning of the state apparatuses, it gives materiality to capitalist social relations by projecting a ‘we’ onto the state. Moreover, the different and contrasting national belongings tend to present the world as a world of nation-states, and make it function as a world of nation-states. Thus, by virtue of the ideological power of national belonging shaped by history and the construction of a capitalist unity of antagonistic classes, the nation-state “tends to unify the ‘internal’ that is the national and demarcate and distinguish it from the ‘external’ that is the non-national” (Milios and Sotiropoulos 2009: 107). This framework of nation-states as the realm of international relations in turn is part and parcel of the effective reproduction of capital on a world scale, with the corresponding practice of competition among different national capitals in the world market (*Ibidem*: Part III).

With reference to the concept of common sense, and keeping in mind the conditions of existence that shape – without determining – our thoughts, it is clear that our conceptions of ‘the international’ are rooted in how ‘the international’ appears to us, how the complexity and the differentiated nature of the capitalist mode of production in its worldwide reach is understood, how it generates assumptions about economic ‘facts’ within different versions of common sense (Bruff 2010: 3; 16). This is because – as argued above – social practice is necessarily *perspectival*, as humans are unable to grasp the complexity of the world in its totality. Social practice – including common sense – is based upon a certain national or social point of view that shapes thought and action so that our common sense is also constituted by national-international articulations, and must make reference to how the social world is understood from a particular territorial standpoint.

Let us briefly sum up the argument thus far. In all *national* political economies, there are specific dominant versions of common sense that shape human social practices within the confines of the national territory. This common sense is the way in which humans and social forces (through organic intellectuals) have understood and ‘made sense’ of their position within the global *capitalist* production system, and thus incorporates a specific national and class standpoint. As our common sense assumptions are skewed towards capital’s dependence on the market more than towards labour’s, these tend to give precedence to meeting human being’s transhistorical need for means of subsistence by privileging the creation of favourable conditions for capital accumulation. Therefore, all national dominant versions of common sense

incorporate, in one way or another, the idea of an 'external constraint'. This is nationally specific according to the particular national insertion into capitalism, but is nevertheless always present, as, ultimately, all nation-states are materially dependent on other nation-states for their capitalist development.

In this remaining part of the chapter, I briefly argue *against* Bruff's critique of the transnational capitalism literature, claiming that the latter is a useful starting point for thinking about restructuring within national political economies. Although I do not take on board Bruff's critique of the transnational capitalism literature (Bruff 2010) this does not warrant a neglect of the importance of continuing to use the national/international distinction in order to make sense of national trajectories. However, I integrate Bruff's analysis within Kees Van der Pijl's Lockean heartland/Contender state geopolitical framework.

Van der Pijl has developed the heartland/contender state structure as a framework for thinking about geopolitical rivalry *and* capitalist transformation since the Glorious Revolution of 1688 (Van der Pijl 1998; 2006). The heartland/contender state structure has its origins in the first rivalry of the capitalist era, that between France and England in the 17th century. The capitalist world is seen as including a 'Lockean heartland' consisting of the leading capitalist countries (The UK, the USA and the Anglo-Saxon world generally) and 'Hobbesian' contender states, which aim at catching up with the heartland. In the Lockean state/society complex, it is the bourgeoisie that directly shapes institutions that also allow it to expand transnationally and build a transnational civil society. The 'Hobbesian' reaction, on the other hand, tends to develop a

centralised state that guides development from above, through command economies guided by a 'state class', often first put in place by revolutions. England is the prototype of the first model, while France fits the second. Thus, France adopted a version of capitalism that clung to a strong state. From that moment on, the Lockean heartland, with their liberal ideologies, and 'contender states' have overdetermined geopolitical rivalry and capitalist development.

Throughout history, the Lockean heartland has been challenged by generations of contender states (France, Germany, the USSR, Japan) driven by revolutions from above. This framework should not be mistaken as determinist. However, the constraints posed on the state willing to catch up were so strong, that there was little freedom in terms of the model chosen to develop:

"precisely because France happened to be closest to the English experience in time and space, it could not stray away from the lead given by the British. In an embrace as close as the one between these two countries, there is very little freedom for the weaker party to experiment in terms of ends; although it will be forced, by the same logic, to rely on different means. It must perforce close the gap with the 'first mover' in order to prevent being dispossessed and subjected, and it did so by a revolution from above, using the state as a lever to accelerate social development" (Van der Pijl 2006: 9-10, italics in original.).

Bruff states that within the transnational capitalism literature⁵⁶, "the determining logic of the transnational

⁵⁶ Apart from Van der Pijl's work cited above, the transnational historical materialism literature includes, among others, Van Apeldoorn 2002; 2004, Overbeek 1993; 2003; 2004; Gill 2003; Cafruny and Ryner 2007.

subsumes the national” (Bruff 2010: 2). However, within the Lockean heartland/Contender state divide, there is no such ‘swallowing up’, but rather ‘the national’ is positioned within a wider geopolitical scheme that seeks to explain the historical spread of capital as a social force worldwide and the reactions it engenders in peripheral and semi-peripheral countries.

I claim that Bruff’s conceptualisation can be incorporated within this framework. I also agree with Bruff’s assertion that in the last 30 years there has been a rebalancing of the national/international relationship in favour of the latter (Bruff 2008: 67). Clearly, however, a country’s positioning within this framework, and nationally specific characteristics of specific state/society complexes generate a differential reception of the transnationalisation of production and finance, that is one of the most important elements of neoliberal hegemony. As Bruff notes, “such rebalancing (of the national/international relationship) is spatially specific in terms of which institutional ‘spaces’ or parts of the state apparatus have been more or less affected (...) It is also temporally specific for different countries and different institutional spaces will evolve at variable rates” (*Ibidem*). This rebalancing however can be fruitfully studied and understood when placed within the Lockean heartland/Contender state framework. Therefore, there is no neglect of the *national* within the *transnational*, as Van der Pijl notes (1998: 64): “all social action is simultaneously structured by the tendency towards global unification represented by capital, and by the fact that every concrete state/society complex is ultimately held together by a specific structure of power and authority mediating with other such complexes”.

I thus follow Bruff's conceptual framework that focuses on the distinctive national trajectories of European political economies under the 'conditioning of the international', as described above. However, I stress that this is not in contrast to those authors who emphasise the transnational dimension and processes of restructuring. In fact, the concepts of 'national' and 'international' continue to have relevance once the object of study is a national political economy, but this does not warrant a discarding of the transnational processes and the agency of transnational forces within national forms of state or of the recognition of the transnational logic within global geopolitical relations. Stressing the transnational dimension does not diminish the importance of analysing the specific ways national forms of state interact with these processes, and does not subsume the national under an ineludible transnational logic.

Bruff argues that the unspoken assumption of the analysis of European integration on the part of the 'transnational capitalism' literature is its 'institutional isomorphism': "the implicit argument is that this transformative project, once formulated at the European level, is able to penetrate the member states in a uniform manner because the national units fall into line with what the supranational unit dictates" (Bruff 2010: 4). It seems that Bruff's reference here is to Van Apeldoorn's analysis of the process of European integration since the 1980s (2002), which is seen by the latter from the perspective of the need on the part of transnational capital to impose a neoliberal macroeconomic policy. This was done through the institutionalisation of an "embedded neoliberal" hegemony at the European level, which sought to enforce a policy of 'new constitutionalism' (Gill 1998). Bruff argues that within

this account “a circular logic is erected: any modifications in the national varieties of capitalism are due to the entrenchment of neoliberalism at the EU level at the behest of transnational capital” (*Ibidem*: 5) and that what is neglected is that “transnationally-oriented fractions of capital remain rooted in their national contexts, which in turn underlies the intra-class conflicts that take place within transnational capital” (*Ibidem*).

I argue that this critique is misplaced. Van Apeldoorn’s account does not subsume the national under the determining logic of the transnational. On the contrary, he stresses that although the ‘embedded neoliberal’ hegemony at the European level aims at ‘disembedding’ the economy from society, the remaining corporatist structures which embody the different national class compromises and historical blocs, continue to be in place. In fact, in a later work, it is claimed that it is their (national institutions’) duty to maintain forms of class compromise and at the same time to adhere to the deflationary and deregulatory bias of EU policies (Van Apeldoorn 2008). Thus, the national/international articulation remains central and transformations within national forms of state are not simply subsumed under a constraining transnational hegemony or logic. As Van der Pijl points out, transnational social forces act within the national (Van der Pijl 1998: 64-97, 2006a: 1-32), not above or beyond it. Thus, I would not stress the difference between the transnational capitalism literature and the more nationally-oriented one (the works by Bieler and Morton), as their object of analysis is slightly different. The national/international relationship that is used here can be incorporated within both approaches.

In conclusion of this theoretical section, I wish to clarify that the conceptualisation of common sense advanced and the whole theoretical edifice that supports it, while incorporating an attention to the discursive construction of reality and the role of ideas, nonetheless distances itself from both *social constructivist* and *post-structuralist* analyses. The kind of critical theory adopted here retains a *historical materialist* (thus, historicist) dimension, refusing to postulate a continuous struggle among discourses – that aim at attaching different meanings to freely floating ‘signifiers’ – as the *form* of politics *per se*. To the contrary, one of the aims of the approach is to *unmask* the dominant discourse and common sense assumptions as grounded in a set of social relations marked by *capitalist exploitation*. As hopefully the above has made clear, the way man understands the world around him is not independent from how man organises the production of the goods (use-values) that are essential for its survival, and thus it is not the case that *any* meaning can be attached to a ‘signifier’ within a *given* mode of production. Armed with these insights, the next chapter clarifies the methodological choices taken for this research.

3. *The Analysis: Methodology and Empirical Research Process*

In this chapter I discuss the methodological choices made and the research process as it was empirically carried out, justifying the choice of qualitative methods such as interviews and going through all the stages of the interview research. It is divided into four sections. In the first one, I discuss general methodological choices, including the choice for a qualitative method and sampling; the second section looks in more detail at the research process, covering issues of research design and structure, and interview questions; in the third part, I consider the themes of reliability and validity of research; and in the last section I list the actual interviews carried out. Moreover, the link between the choices taken and the theoretical stance adopted will be discussed, giving it further credibility.

The neo-Gramscian approach proposed in the previous chapter highlighted how the best way to effectively study the common sense assumptions that underpin the quest for consensus is to examine them at the élite level, the level of organic intellectuals, whose function is to guide and provide direction to particular social forces or historical blocs of social forces around a political project. Knowledge, within a historical materialist approach, as has been argued above, is always situated, *perspectival* knowledge. The goal of the project is to uncover how consensus was reached through the overlapping of *different* versions of common sense on the need to produce and how to organise it, on what different actors perceived the 'hard facts' of economic reality to be (including Italy's insertion into capitalism).

The project seeks to provide an explanation for how consensus was achieved in Italy on the 'Ciampi protocol' signed in 1993 and on the subsequent reforms of the welfare state. This will be done by studying 'common sense' conceptions as they have been developed by different social forces within the Italian political economy. As the last part of the previous chapter argued, the impact of the economic sphere - capitalist social relations as they have been 'nationalised' in different settings according to their specific national historical experience - can be seen by observing how the fundamental basis for human activity and subsistence shapes conceptions of it. Hence, common sense conceptions of the political economy are in turn shaped by the political economy itself, because ideas are not an independent reality but dialectically linked with how production is organised - the *mode of production*. Theoretically, what is claimed is that common sense is inherently shaped by (although not determined by) the way production is organised and thus the way people gain access to the means of subsistence. Within capitalism, it is through the market that this takes place. Moreover, it has been argued that the clearest observation of the common sense conceptions within a national political economy can be seen at the state (élite) level, because here they become more coherent and less fragmentary. Common sense is not merely an idea: social practices rather than mere perceptions are the site where common sense operates, and all knowledge is considered as an aspect of social practice. As in Marx's famous definition of ideology as "they don't know it but they are doing it", the focus is on what people are doing rather than upon what they are *thinking* they are doing.

I will argue that qualitative methods, and in particular interviews with members of the *élite* in institutions and organisations (employers' associations, trade unions, political parties and more 'neutral' external observers in academia) are the best way to gain insight into common sense perception, because they attempt "to understand the world from the subject's point of view, to unfold the meaning of their experiences, to uncover their lived world prior to scientific explanations." (Kvale and Brinkmann 2009: 1) Interviews are a privileged means to gain access to common sense because they shed light on the assumptions underlying the worldview of the interviewee. The interviewees can be described – within a neo-Gramscian approach – as 'organic intellectuals' of different social forces, and hence their thoughts and ideas inherently incorporate a *class* perspective on society.

Methodological choices

Methodology is a general approach to the study of a research topic, establishing *how* one will go about studying a phenomenon. One's methodological stance (or research strategy) is not only linked to the research question, but also to the ontological and epistemological approach used. Methods, on the other hand, are specific research techniques, such as – in the case of qualitative research – observation, surveys or interviewing.

In a positivist understanding of social sciences, there is no methodological difference between the natural and the social sciences. What is presupposed is thus the *unity* of the sciences (Hollis 1994: 41), and thus the view that the foundation of knowledge is built on the discovery and testing of general laws (Delanty 2005: 11) by following

general methodological rules that are largely independent of the content and context of the investigation. In this understanding, the researcher must begin his study with some theory in his mind and formulate hypotheses to be proved or disproved. The idea is that scientific statements should be based solely on observable data: "the observation of the data and the interpretation of their meanings were to be strictly separated." (Kvale and Brinkmann 2009: 57) Moreover, "scientific facts were to be unambiguous, intra-subjectively and inter-subjectively reproducible, objective and quantifiable" (*ibidem*), generating *value-neutral* scientific statements and separating values from facts.

From the previous discussion on the difference between what Cox called *problem-solving theory* and *critical theory* (Cox 1981), it is clear that a neo-Gramscian approach does not rely on a positivist mode of inquiry. It is claimed that value-neutrality cannot exist in the social sciences, as any theory is unavoidably "*for* someone and *for* some purpose", hence *perspectival*, based as it is on a certain standpoint in space and time which shapes the identification of the "facts" one looks for and the very ontological building blocks one sees in 'reality'. On the other hand, this research project is nonetheless grounded in a *historical materialist* approach and thus rejects the notion, that is dear to post-structuralist approaches (see Torfing 1999), that the social world is but a 'discourse' that is formed by freely-floating 'signifiers' whose meaning is continually fought over by alternative narratives and political projects. The post-structuralist approach stresses the *totally* contingent nature of 'politics'. On the other hand, a neo-Gramscian approach, while according a due role to discourse, emphasises that discursive constructions cannot be *independent* from the materiality of human life. As

argued at length in the previous chapter, the transhistorical need humans have for means of subsistence *shapes* without *determining* thoughts about the social world, and crucially on the political economy. Therefore, the theoretical and ontological perspective advanced here is *neither* positivist *not* post-structuralist, but *historical materialist*.

Why qualitative research?

The choice of methodology depends both on the ontological and epistemological stance adopted and on the nature of the research *problématique* to be explored. A neo-Gramscian approach, with its focus on ‘historical structures’ and the interrelationship between ideas and material capabilities, is more attuned to qualitative research methods. As Kvale and Brinkmann argue, “we should consider what we want to know before determining our ways of knowing it” (Kvale and Brinkmann 2009: 305). Hence, our choice between qualitative and quantitative methods should be grounded also on the nature of the subject matter under scrutiny: “In practice, the choice of methods is often largely determined by the demands of the research questions facing the researcher and the appropriateness of methods to those questions” (Devine and Heath 1999: 204). In short, we should pragmatically “let the subject matter and research purpose decide the application of qualitative or quantitative approaches in an investigation” (*Ibidem*: 306). As the goal of this project is to uncover the assumptions underlying the opinions expressed, in order to gain insight on the ‘common sense’ conceptions, qualitative research methods, with their focus on interpretation, meaning and analysis of underlying

assumptions, are the most conducive to attaining these objectives.

Having outlined an anti-positivist epistemological stance in the previous chapter, it is clear that only a methodology that is able to capture the “dynamic constructed and evolving nature of social reality” (*Ibidem*: 201-202) is appropriate to this research. The aim is thus to understand the social world through the eyes of those being studied, to uncover the social meanings of events or experiences rather than reconstructing ‘factual’ accounts of events, grounded in the *objective* and *tangible* (*Ibidem*: 207). Although arguing from a slightly different theoretical angle, Somers and Gibson offer a good description of how people create meaning in social reality: “people make sense of what has happened and is happening to them by attempting to assemble or in some way to integrate these happenings within one or more narratives (...); people are guided in certain ways and not others on the basis of the projections, expectations and memories derived from a multiplicity but ultimately linked repertoire of available social public cultural narratives” (Somers and Gibson 1994: 38-39, cited in Lawler 2002: 243).

As Bryman argues, one of the central motifs of qualitative research is to uncover “the way in which people being studied understand and interpret their social reality” (Bryman 1988: 8, cited in Snape and Spencer 2003: 3). In a way that resembles the dialectical approach between structure and agency that has been outlined above, Gerson and Horowitz argue that “whether the method is interviewing or observation, direct engagement in the social world focuses the (...) eye on the interaction between structure and action – on how people are embedded in larger social and cultural contexts and how, in turn, they

actively participate in shaping the world they inhabit" (Gerson and Horowitz 2002: 203). Thus, qualitative research is particularly well-suited for analysing the way people construct, interpret and give meaning to experience.

A second crucial aspect of qualitative research is its ability to analyse issues in depth and understand the assumptions behind people's understanding, offering the opportunity to "unpack issues, to see what they are about or what lies inside, and to explore how they are understood by those connected with them" (Ritchie 2003: 25). Qualitative research thus provides an opportunity to gain access to what lies behind or underpins a decision, attitude or behaviour, also allowing "associations that occur in people's thinking or acting – and the meaning these have for people – to be identified." (*ibidem*: 28). Common sense assumptions about the political economy can thus be accessed precisely by analysing how people understand and interpret a certain issue.

Why interviews?

Qualitative research methods are characterised by interactive data collection methods which usually "involve close contact between the researcher and research participants" (Snape and Spencer 2003: 3), and chief among these is the research interview, commonly defined as "conversation with a purpose" (Legard, Keegan and Ward 2003: 138). The latter is particularly well-suited for attempts to understand the world from the subject's point of view, "to unfold the meaning of their experiences, to uncover their lived world prior to scientific explanations." (Kvale and Brinkmann 2003: 1). That is, it takes an 'emic'

perspective, that is one which takes the perspective of the people being studied by penetrating their frames of meaning (*Ibidem*: 4).

There seems to be a general agreement in the qualitative research literature that interviews are useful for exploring single issues in depth and detail (see Kvale and Brinkmann 2009; Williams 2002). Interviews are a form of generated data which, “in contrast to naturally occurring data, give insight into people’s own perspectives on and interpretations of their beliefs and behaviours – and most crucially an understanding of the meaning that they attach to them.” (Ritchie 2003: 36). Moreover, the medium of language is in itself crucial in illuminating meaning: “the expressive power of language provides the most important resource for accounts. A crucial feature of language is its capacity to present descriptions, explanations and evaluations of almost infinite variety about any aspect of the world including itself.” (Hammersley and Atkison 1995: 126)

Interviews are thus adequate to the research goal because they shed light on the meanings attached to particular issues, themes or events. In this case, they can explore the meanings attached to the political economy and hence uncover the assumptions underlying the opinions expressed. In fact, one of the main critiques of interview research is precisely that it is not scientific but only “reflects common sense” (Kvale and Brinkmann 2009: 168). This, in the case under study here, can be turned on its head: the goal of this research is precisely to uncover the common sense ideas on the political economy, hence interviews are considered to be the best method.

Another possible source of data would have been official documents. Although these have been used as a

means of validation of the interviews and to verify the information given during the conversations (the information was cross-checked also using information from other interviews and secondary literature), documents tend to state only the outcome of a debate or a policy suggestion, neglecting the forethought or assumptions underlying it (Bieler 2006: 5). This is hardly useful for unearthing the *internal* reasoning, which expresses the common sense assumptions on the political economy. Interviews, in this respect, have the unique advantage of providing an insight into the debates and ideas circulating internally to the organisations under scrutiny.

As has been argued, one of the compelling reasons for carrying out research interviews is that they offer a way of exploring how actors interpret the world and their place and action within it. As these interpretations are often nuanced and in themselves contradictory (reflecting a contradictory social reality), it would be difficult to access them through other means. As Lawler argues, it is not only that people often produce “‘storied’ accounts of themselves and their relation to the social world but also the social world is itself ‘storied’” (Lawler 2002: 242). There is thus a “rehabilitation of the *lebenswelt* – the life world – in relation to the world of science.” (Kvale and Brinkmann 2009: 29). This is crucial, as it reinforces the view outlined above that there is no such thing as a neutral scientific approach to social science, but that every approach has its origin in a specific standpoint in space and time. Unearthing the way the standpoint of the different actors reflects (similar or different) versions of common sense and ideas is therefore fundamental in understanding the construction of ideology and hegemony, which often presents itself in (and is masked by) neutral scientific approaches. The approach

adopted here is more attuned to a knowledge-*construction* process of interviewing and understanding of interview knowledge rather than a knowledge-*collection* one.

Kvale and Brinkmann propose a distinction between two different conceptions of interview knowledge, which in turn influence the way interviews are constructed. The first is the idea of the interviewer as a miner, in which interviewing is a process of knowledge collection. Knowledge is here understood as “waiting in the subject’s interior to be uncovered, uncontaminated by the miner. The interviewer digs nuggets of knowledge out of a subject’s pure experiences, unpolluted by leading questions. The nuggets may be understood as objective real data or as subjective authentic meanings” (Kvale and Brinkmann 2009: 48). On the other hand, in the traveller metaphor, “the potentialities of meanings in the original stories are differentiated and unfolded through the traveller’s interpretation of the narratives he or she brings back to home audiences (...). The journey might instigate a process of reflection that leads the traveller to new ways of self-understanding, as well as uncovering previously taken-for-granted values and customs in the traveller’s home country” (*Ibidem*: 48-49). This research adopts the latter idea of the interviewing process and of interview knowledge. Holstein and Gubrium similarly stress that the researcher is not simply a pipeline through which knowledge is transmitted. They too see knowledge as constructed in the interview, through the collaboration between interviewee and researcher (Holstein and Gubrium 2004 see also Mason 2002: 226 for a similar distinction).⁵⁷

⁵⁷ Seale (1998; cited in Rapley 2002: 16) also identifies two major traditions on which the construction of interview research and the analysis of interviews is

In this regard, Kvale and Brinkmann emphasise seven key characteristics of both interview knowledge and the objects that interviews are able to give us knowledge about (Kvale and Brinkmann 2009: 53-56). Knowledge, as well as the lived social and historical world of human interaction, are thus relational, conversational, contextual, linguistic, narrative, pragmatic and action-oriented. Let us describe at least two of these characteristics. First of all, viewing knowledge and interviews as *conversational*, it is highlighted that with the loss of faith in an objective reality that can be mirrored and mapped in scientific models (which goes hand in hand with the abandonment, in philosophy, of the quest for 'true' meanings), "attention must be paid to discourse and negotiation about the meaning of the lived world" (Kvale and Brinkmann 2009: 54).⁵⁸ Viewing knowledge as conversational also points to the fact that "the certainty of our social knowledge is a matter of conversation between persons rather than a matter of interaction with a non-human reality." (*Ibidem*: 302). Moreover, and in line with the historical materialist approach outlined above, human reality is made and reproduced by human beings themselves *also* through conversations: "human reality may on an ontological level be understood as persons in conversation. We are conversational beings for whom language is a fundamental

centred: interview data as a resource and interview data as a topic: as a resource, the interview data collected is viewed as reflecting the interviewees' reality outside the interview. As a topic, on the other hand, the interview data is seen as reflecting a reality which is jointly constructed between the interviewer and the interviewee.

⁵⁸ The goal is to understand "social phenomena from the actors' own perspectives" and describe "the world as experienced by subjects, with the assumption that the important reality is what people perceive it to be". The interview is seen as "the experienced meaning of the subjects' life world" (Kvale, and Brinkmann 2009: 26).

reality” (*Ibidem*: 302), and thus the human world itself is also a conversational reality.

Secondly, the idea of knowledge as *narrative* points to the fact that human being’s tendency to tell stories about their lived world is not to be seen as a subjective distortion of a world made of objective facts but as a *perspectival* way of understanding the social world, in the case of this research, the political economy. As the goal of this study is to uncover the *ideological* assumptions that form the basis of common sense, it is important here to once again recall Zizek’s conceptualisation of ideology as a form of neutral knowledge, which detaches itself from ‘mere ideology’ (see Chapter 3). For the Slovenian philosopher, ideology’s founding element is precisely the distinction between the meanings attached to their experience by ordinary people and the theory advanced by the social scientists who supposedly see the world ‘as it really is’. The latter’s view is ideology at its purest.

Research questions and hypotheses

It should be emphasised that the type of research carried out was not of the hypothesis-testing approach. While extensive reading on primary and secondary literature on the subject theme did generate working hypotheses, these did not function in the standard hypothesis-testing research, where hypotheses are put to the test with empirical data, but they functioned as guiding instruments during both the interview and analysis stages. Lewis claims that qualitative research does not usually use the deduction model of a *a priori* development of hypotheses to be tested through data collection. (Lewis 2003: 48)

“Qualitative researchers have hunches and working ideas, but they need to remain open to emergent concepts and themes, and it is not helpful to go into the data collection burdened with preconceived (...) ideas.” (*Ibidem*: 49). In fact, the qualitative interview researcher must “be open to the possibility of change” because “there is no reason to conduct a study if the answers are known from the start.” (Gerson and Horowitz 2002: 211).

The aim of the research was thus not to prove or disprove a pre-configured hypothesis, but to gain insight into the common sense assumptions on the political economy that formed the basis of the achieved consensus. As Kvale and Brinkmann point out of interview research generally, “the research questions are generally open. If hypotheses are stated at the beginning, they may be modified or dropped as the project proceeds”. (Kvale and Brinkmann 2009: 103). No fixed hypotheses were generated. However, the interviews were analysed according to what can be termed ‘theoretical expectations’, based on the literature on the political and economic history of Italy, presented in the next chapter. A careful analysis of the interviews was therefore conducted based on these frames of reference that served as guiding elements to pinpoint the *recurrent themes* emerging from the interview data.

Interview sampling

Selecting the interviewees is a fundamental step of interview research, as it involves “identifying those which in virtue of their relationship with the research question, are able to provide the most relevant, comprehensive and

rich information.” (Lewis 2003: 50). It is thus required and essential to justify the reasons behind the choice of persons to contact. In this section I will show how my choice of interviewees is theoretically grounded in the neo-Gramscian approach outlined above, and thus is scientifically valid for what is termed ‘representational generalisation’ (see below).

First of all, one must distinguish between probability and non-probability sampling (Devine and Heath 1999: 10). Probability sampling is commonly held to be the most rigorous approach but is inappropriate for qualitative research (Ritchie, Lewis and Elam 2003: 77). Non probability-sampling is based on the deliberate selection of certain features of persons within the wider population, and the sample is not intended to be statistically representative. What has been adopted is what Mason calls a type of *purposive* sampling, (Mason 2002a) in which the sample units are chosen because they hold specific features or characteristics which enable detailed understanding and exploration of the central themes of the research, that is, the versions of common sense developed by social forces. Among the sampling strategies identified by Mason, it has been deemed appropriate to apply the one which develops samples based upon a range of units “related to a ‘wider universe’ but not representing it directly”, in which “a decision must be made as to what will count as representative cases, or relevant units.” (Mason 2002a: 92-93).

As Gerson and Horowitz point out:

A theoretically-focused study needs to choose a carefully targeted sample that is well situated to illumine the issues under analysis. The sampling strategy must provide an efficient way to answer large questions with a comparatively small group of

people (...). In choosing a sample, the goal is to select a group of respondents who are strategically located to shed light on the larger forces and processes under investigation.” (Gerson and Horowitz 2002: 204)

The units selected are relevant because of their ability to ‘symbolically’ represent the sample population: “units are chosen because they typify a circumstance or hold a characteristic that is expected or known to have salience to the subject matter under study (...). A unit is chosen to both ‘represent’ and ‘symbolise’ features of relevance to the investigation.” (Ritchie, Lewis and Elam 2003: 83)

From a research design perspective, including the choice of interviewees, ‘common sense’ is a difficult concept to operationalise. As has been argued in the previous chapter, common sense is a diffused phenomena within society, as according to Gramsci every individual is a philosopher, because everyone holds conceptions about the world. Common sense has been defined as “the basis for how humans make sense of the situation they find themselves in” (Bruff 2008: 47), and as being both relatively rigid and in continuous transformation. Every individual in a society frames his thoughts with one or several versions of common sense, which represent his own ‘philosophy’.

However, in order to study the transformations in a national political economy, it is claimed that one must move closer to the state level (thus studying common sense within trade unions, employers’ associations and political parties), where forms of common sense become more coherent and unified. Common sense conceptions are held by people both in society at large and within institutions and, as Bruff argues, “while elite common sense is analytically distinct from everyday common sense, they are

two ends of the same continuum rather than separate categories.” (Bruff 2008: 12)

The *élite’s* actions and thoughts are informed by common sense sedimentations like those of the population, with the only difference being that their versions of common sense are more coherent and relatively unified, and that they often hold the power to shape the ideology of the population, and attempt to modify their common sense. Common sense is therefore shaped and moulded by the interventions of this group, which Gramsci calls ‘organic intellectuals’, as they have an *internal* relationship with the social forces.. The task of organic intellectuals to “clarify, renovate and shape” the fragmented, ‘incoherent and inconsequential’ versions of common sense of the everyday life of the population at large into coherent syntheses of ideas with which to mobilise and rally society behind a political project (Bruff 2008: 11)

Moreover, although it would be empirically possible to study ‘everyday’ common sense, *élite* common sense is more easily accessible. It will therefore focus on trade unions, employers’ associations and political parties as organic intellectuals that possess a certain common sense view of the world and also attempt to mould and modify it in order to suit particular political projects. I will focus on these three actors, for they are the “institutional frameworks within and through which different class fractions (or components) of capital and labour attempt to establish their particular interests and ideas as the generally accepted, or ‘common sense’ view” (Bieler 2000: 13). Organic intellectuals give direction and coherence to the fragmented, ‘incoherent and inconsequential’ forms of common sense held by the population at large, but their ability to develop an ideology is also constrained by these

forms of common sense, which form part also of how they themselves see the world. Gramsci emphasised the necessity, in order for hegemony to be attained, to move beyond the contradictory forms of common sense “into a more coherent political theory or philosophical current. This ‘raising of popular thought’ is part and parcel of the process by which a collective will is constructed, and requires extensive work of intellectual organisation” (Hall 1996c: 432 cited in Bruff 2008: 48). Each version of common sense has a chance of providing a direction, to lead the society the more successfully it moves “from fragmentary, contradictory, uncritical everyday conceptions of the world in society to the opinions expressed and promoted by élite actors at the level of the state” (Bruff 2008: 11), a process driven by organic intellectuals.

Gerson and Horowitz argue that

“within a specified group it is nevertheless important to interview people who vary in their social resources and in their responses to change. (...) The challenge is to choose a sample that can expose how different social locations pose different dilemmas, offer unequal resources and create divergent opinions.(...) The aim is to discover how similar social changes are experienced by different social groups.” (Gerson and Horowitz: 205)

In this research, the focus on élites goes hand in hand with an attention to how *different* élites, representing *different* class positions ‘make sense’ of their situation and of the political economy more largely.

Another issue to discuss in this sampling section is that of so-called representational generalisation (Lewis and Ritchie 2003: 264-267). The latter can be defined as whether what is found in a research sample can be generalised to, or held to be equally true, of the parent population from

which the sample is drawn. This is also known as the sample's representativeness – defined by Devine and Heath (1999: 10) as the degree to which the sample accurately reflects the characteristics of the broader population. As Lewis and Ritchie note, qualitative and quantitative research differ in the basis for representational generalisation, as the former cannot be generalised on a statistical basis: “it is not the prevalence of particular views or experiences, nor the extent of their location within particular parts of the sample, about which inference can be drawn. Rather, it is the content or ‘map’ of the range of views, experiences, outcomes or other phenomena under study and the factors and circumstance that shape and influence them that can be inferred to the researched population. It is at the level of (...) explanations that generalisation can take place.” (Lewis and Ritchie 2003: 267) Thus, if the above argument that *élite* common sense is the embodiment of the common sense that is present in the wider population is accepted, then representational generalisation is theoretically justified.

As the consensus achieved in Italy was grafted between the trade unions, the employers' organisations and the government, it is essential to interview members from these groups. These organisations participated in the implementation of the content of the consensus and in paving the way for Italy's road to EMU. In the next chapter I will include an overview of the historical events up to the late 1990s. The building of consensus – the basis on which hegemony is achieved – makes the direct use of power less visible. Thus, a focus of the language used is all the more important, as the differences between the various *élite* opinions may not be that stark. This is why, in addition to the three above-mentioned groups, it was deemed essential

to gain a more detached perspective by interviewing two respected academics which were asked to give a broader overview of the historical period and on the general conditions for consensus to be achieved. This makes the identification of the differences between the élite actors more easy, and allows for a contextualisation of their position.

In the appendix a list of all the contacted persons is provided. The first step of the empirical part of the research was thus to contact the trade unions, employers' organisations and political parties. As in this research is focused more specifically on the evolving common sense assumptions of labour and the centre-left (as defined in the introduction), most interviewees are representatives of the currently major centre-left political party (PD) and trade union representatives. Here it was deemed desirable but not compulsory to speak to people directly involved in decision-making or in debates surrounding them. The second step was to contact three high-standing political figures that played a key role in the reaching of consensus in the 1990s: Romano Prodi, Giuliano Amato and Carlo Azeglio Ciampi. However, it has been impossible to interview the latter. The third step was to contact and interview the academics with expertise on the Italian political economy, who were asked to provide comments on the opinions expressed by the other interviewees and provide a wider historical overview. As can be seen, in this way it was possible to hear quite different opinions that provided the opportunity to grasp the extent of the consensus achieved in the 1990s.

The Research Process

Interview design and strategy

The interview can be defined as a “conversation with a purpose” (Mason 2002b: 225). In Kvale and Brinkmann’s outstanding book on interview research, which provides key practical guides on the design and implementation of interview research, there is a focus on interviewing as a craft and not as a method (see Kvale and Brinkmann 2009 Ch.5). They stress that there are few standard rules or methodological conventions in qualitative interview research. While there are surely many methodological decisions to be taken, the two authors point out that these often have to be made on the spot. This requires “a high level of skill on behalf of the interviewer, who needs to be knowledgeable about the interview topic and to be familiar with the methodological options available, as to have an understanding of the conceptual issues of producing knowledge through conversation” (Kvale and Brinkmann 2009: 15). This view of interview as a craft clearly contrasts with a methodological positivism in the social sciences, with its idea of research as a strict following of predetermined rules and steps.

The approach used for interviewing must nonetheless be rigorous and based upon some key elements that are outlined below. What must be kept in mind is that the research instrument of an interview research is the researcher himself and his skills. This does not imply a neglect of technique: “a mastery of methods and theories is important for the craft of research interviewing, but should not become an autonomous fetish of scientific inquiry.”

(Kvale and Brinkmann 2009: 84). This means that the goal is not – as a positivist approach would advice – to eliminate the impact of the researcher on the interview, but on the other hand to be aware of it and to use it as a research instrument in order to gain useful knowledge.⁵⁹

Thus, the subjective bias of the researcher is an unavoidable element of any interview research (perhaps of any research, as the section on critical theory has explained). Any research is by necessity a subjective and partial analysis of a social world that is potentially infinite of detail and information. Which features of the social world we decide to inquiry upon is obviously a subjective choice, and this subjectivity should be fully taken account of and accepted, instead of neglecting it as unscientific. The researcher should check the information gathered through the interviews against itself, that is against opinions and comments made in other interviews.

The interviews followed a few broad guidelines, and were conducted with the same agenda and often asking the same type of questions. These questions concerned less what happened and more an exploration of the significance of the event.⁶⁰ The interviews themselves were semi-

⁵⁹ As Kvale and Brinkmann explain, “interviewing as a craft is not some mere prescientific method that needs to be developed into a formalised rule-governed method to become a legitimate scientific method. The very personal interaction of the interview, and the interpersonal skills required of the interviewer, defy any formalisation into impersonal methodic procedures.” (Kvale and Brinkmann 2009: 87).

⁶⁰ “From this perspective, conceptualising interview accounts in terms of narrative can be seen as a means of confounding the false dichotomy by which a interviewee’s account is conceptualised *either* as an unproblematic reflection of lived experience *or* as a distorting screen that always projects experience out of its own categories (...). It is not that ‘the facts do not matter’; nor is it the case that ‘only the facts matter’. Rather, facts (or experience) and the interpretation of those facts (or that experience) are envisaged as necessarily entwined” (Lawler 2002: 242).

structured, meaning that a few key questions were asked each time. Semi-structured interviews, according to Kvale and Brinkmann, are carried out primarily by focusing on certain key themes, without however preparing specific questions for each interview, thus allowing for flexibility and prompts in order to allow the researcher to uncover each interviewee's opinions. In contrast to the unstructured interview, the semi-structured interview is characterised precisely by the structuring of the interview around certain key themes and questions (Kvale and Brinkmann 2009: 30). The interview is neither strictly structured nor entirely non-directive, but through open questions the interview focuses on the topic of research. Some probing for further information is also carried out, but this probing is more limited than in the unstructured interview (Arthur and Nazroo 2003: 111).

Importantly, it must be reminded that the task of the interview is not to end up with unequivocal and quantifiable meanings of the themes under scrutiny. As Kvale and Brinkmann point out, "the task of the interviewer is to clarify, as far as possible, whether the ambiguities and contradictory statements are due to a failure of communication in the interview situation or whether they reflect genuine inconsistencies, ambivalences and contradictions in the interviewees' situation. There may be objective contradictions in the life world." (Kvale and Brinkmann: 30). We can say that a dialectical approach focuses on the contradictions of a statement and their links with the contradictions of the social and material world.

All the interviews were preceded by considerable planning because a theoretically-oriented research needs to

incorporate the project's aims into all the interviews conducted in order to carefully uncover the assumptions of the interviewees. The approach was however highly flexible, although there was always a focus on the project's goals. The latter were included in an interview guide, which was used during all the interviews (see Kvale and Brinkmann 2009: 124-130). The guide was intended as an *aide-mémoire* of all the themes potentially under discussion and ranked according to their relevance for the study. It also included some suggested questions. The function of the guide is to ensure that the relevant issues are covered systematically while still allowing flexibility. (Arthur and Nazroo 2003: 115) The topic guide acts as a sort of check-list that the interviewer can make reference to when deciding what to turn to next as the interview proceeds. The interview guide included topics that dealt with the interpretation of the consensus reached with the Ciampi protocol, the goals each organisation wanted to achieve, as well as the wider reform process of the 1990s.

The questions were structured in order to penetrate beyond the surface opinions expressed by the interviewees and to discover why they were expressed and how the interviewee justified that comment. In this context, the use of leading questions was deemed necessary. Even if their employment in interviews is a debated topic, Kvale and Brinkmann argue that "in contrast to common opinion, the qualitative research interview is particularly well-suited for employing leading questions to repeatedly check the reliability of the interviewees' answers, as well as to verify the interviewer's interpretations." (Kvale and Brinkmann

2009: 172).⁶¹ In an anti-positivist approach to interviewing, “the decisive issue is not whether to lead or not to lead, but where the interview questions lead, whether they lead to trustworthy and worthwhile knowledge.” (*Ibidem*: 173).

Moreover, the questions asked tended to be specific rather than abstract and general. This is because we assume that common sense is not simply an idea, but a process and a practice. Common sense operates only through practices, people’s conceptual actions and reasoning. As Mason notes, “specific questions about people’s own experience can make a much better job of enabling us to analyse whether and how people use abstractions (...) in their practices, than can abstract questions themselves.” (Mason 2002b: 229). The interviews – all conducted in Italian – were transcribed as soon as possible after the interviews.⁶²

Regarding the issue of informed consent, all the participants were informed about the general purpose of the study and the main features of the design. The voluntary participation of each interviewee was confirmed at the beginning of each interview, as well as their right to withdraw from the project at any time. As regards issues of confidentiality, the interviewee was assured that nobody except the researcher would have access to the interview. Moreover, following Bruff’s similar study on the

⁶¹ In fact, as Kvale argues, “the fact that the issue of leading questions has received so much attention may be due to the prevailing empiricist and positivist conceptions of knowledge.” (Kvale and Brinkmann 2009: 173)

⁶² Kvale argues that the questions regarding the correct validity of the transcription cannot be answered. “There is no true objective transformation from oral to written mode” (Kvale and Brinkmann 2009: 186). The two authors see the transcript itself as a ‘bastard’. However, since this is not a sociological research which aims at uncovering the strictly *personal* reactions or nuances, such as non-body language, and this study does not cover emotional or sensitive personal topics, a standard literary style of transcription was carried out.

Netherlands and Germany, it was deemed necessary to protect the identity of the interviewees (except, of course, the interviews with Prodi, Amato and Ciampi). The intention – as in Bruff’s ground-breaking study – was to “provide a faceless representative of each organisation, allowing the reader to concentrate wholly on the content of their comments.” (Bruff 2008: 12)

A last issue needs to be discussed before I turn to a description of the interview analysis stage, and that is the particularities of elite interviewing. In general, research interviews tend to be characterised by a power asymmetry in favour of the interviewer. This is not the case with regards to elite interviewing, as elites are used to being asked about their thoughts and opinions, creating the conditions for a more conversational interview, that is an interview in which the interviewer may at times challenge the interviewee’s opinions more directly (Kvale and Brinkmann 2009: 147) in order to gain access to the assumptions underlying it. Forethought was given to each interview, following Kvale and Brinkmann’s advice on elite interviewing that “the researcher should be knowledgeable about the topic of concern and master the technical language, as well as be familiar with the social situation and biography of the interviewee” (*Ibidem*: 147).

Interview analysis

A common objection to qualitative interview analysis is that the interview is not a scientific method because different interpreters discover different meanings in the same interview. This objection assumes a demand for objectivity in the social sciences, in the sense that each

statement has only one true objective meaning that must be discovered. Kvale and Brinkmann argue that in contrast to such positivist requirements, interview analysis – particularly in a world increasingly influenced by hermeneutical and postmodern thought – “allow for a plurality of interpretations.” (Kvale and Brinkmann 2009: 211). If this is accepted, the two authors continue, then it is meaningless to pretend strict requirements for interpreting statements: “what then matters is to formulate explicitly the evidence and arguments that enter into the interpretation, in order that other readers can test the interpretation” (*Ibidem*: 212).

Thus, it is agreed that different interpretations can be attached to the same ‘data’ (the interviews). However, unlike quantitative analysis, in qualitative research there are no clearly agreed rules or procedures for analysis (Spencer, Ritchie and O’Connor 2003: 200). Kvale and Brinkmann (2009) identify three broad contexts of interpretation in qualitative analysis: self-understanding (where the researcher attempts to formulate in condensed form what the participants themselves mean and understand); critical common sense understanding (where the researcher uses general knowledge about the context or statements to place them in a wider arena) and the approach that is used here, *theoretical* understanding (where the interpretation is placed in a broader theoretical perspective). As Kvale and Brinkmann point out, “when doing interviews from a discursive or dialectical viewpoint, one is interested in the contradictions that individuals articulate not as aspects of concrete individuals per se but rather as aspects of historical discursive practices” (Kvale and Brinkmann 2009: 226).

Instead of the quantitative causal logic (X causes Y), qualitative researchers use a different logic, in which variables are not isolated and then mechanically linked, but the analyst attempts to build an explanation based on the way in which “different meanings and understandings within a situation come together to influence the outcome” (Spencer, Ritchie and O’Connor 2003: 216). The nature of the interrelationship of different factors needs to be made clear so that others can view the sources and the logic of the argument, “judging for themselves the ‘validity’ and ‘credibility’ of the findings” (*Ibidem*: 216).

Practically, a specific method for ordering and synthesising data and offering explanatory accounts was used, albeit modified in order to suit the project’s aims. This method is what Ritchie, Spencer and O’Connor call ‘Framework’, a matrix-based method for analysing qualitative data. (see Ritchie, Spencer and O’Connor 2003 for an overview and advice for the application of the method). The first step is the construction of a ‘thematic framework’ is used to classify and organise data according to key themes and categories. These themes are then sorted under a smaller number of broader, perhaps more abstract, categories (‘thematic charting’). The original method also involves the construction of typologies. However, this step is not deemed to be necessary for this research, as the aim is not to separate the data into different categories, but to look for the common assumptions behind the interviewee’s stated opinions.⁶³ The second step in the ‘Framework’

⁶³ Ritchie, Spencer and O’Connor (2003) themselves argue that typologies “are not always appropriate or required. Not every qualitative study will lend itself to the creation of a typology, and it is possible to waste a lot of precious time searching in vain for tenuous links between groupings of phenomena. Put simply, there is no value in creating a typology just for the sake of it.” (Ritchie, Spencer and O’Connor 2003: 248)

develops descriptive and explanatory accounts of the key themes identified.

Issues of reliability and validity

Many qualitative researchers have tended to dismiss issues of reliability and validity as merely 'positivist' concerns. On the other hand, there has also been a movement in the other direction since the anti-positivist revolution of the 1960s and 1970s (see for example Denzin 1983), as these concepts have now been imported into qualitative research losing their positivist interpretation.

The point is that there is no single authoritative definition of science, according to which interview research can be categorised as scientific or unscientific. A useful definition of science may be "the methodical production of new systematic knowledge" (Kvale and Brinkmann 2009: 168), according to which – as the following discussion will show – qualitative interview research may be judged to be scientific. As has been argued above, knowledge – like the social world – is also narrative, meaning that people's tendency to tell stories about their lives and experience should not be regarded as a "subjective distortion of objective facts" (*Ibidem*: 303). Quite to the contrary, important parts of human experience are storied, meaning that a narrative expression and analysis is necessary in order to capture its essential features. (see above for a discussion on ideology as both a set of ideas and a set of practices). This also means that interview research is best conceived less as a methodological rule-following with methods acting as the true guarantee and more as a craft, where the quality and value of the knowledge produced is

the true criterion. Within a neo-Gramscian approach, the status of the knowledge produced is not and can never be value-free, as “theory is always *for* someone and *for* some purpose.” (Cox 1983) Hence, the knowledge produced will always be suffused with the perspective both in space and time and in terms of *class* that has been adopted. As Merleau-Ponty argues,

“all my knowledge of the world, even my scientific knowledge, is gained from my own particular point of view, or from some experience of the world without which the symbols of science would be meaningless. The whole universe of science is built upon the world as directly experienced, and if we want to subject science itself to rigorous scrutiny and arrive at a precise assessment of its meaning and scope, we must begin by re-awakening the basic experiences of the world of which science is the second-order expression” (Merleau-Ponty 1962: 8).

Turning to issues of reliability and validity, the issue is: how to get beyond the extremes of an absolutist quest for the one and only ‘true’ objective meaning and the relativist subjectivism of post-modernism, at the same time taking the issues of reliability and validity of research seriously? This is possible only by incorporating a different definition and application of the latter concepts (from the positivist interpretation of them), in order to reflect the particular nature of research interviewing and knowledge-production. The argument is that the validity and reliability of the research must be sought in the craftsmanship of the researcher’s interviews and analysis and in the quality of interpretation. The quality of the research does not depend on a positivist notion of ‘objectivity’, as any research involves a bias in the very selection of the aspects of the social world which merit attention, but on the strength and stringency of the argument, as well as on the fit between

the research questions and the methods and analysis proposed.

Objectivity of interview knowledge

Can interview knowledge be objective? Here I follow Kvale and Brinkmann, who argue that objectivity is a somewhat ambiguous term and thus we have to distinguish between different meanings of objectivity: as freedom from bias, as reflexivity about one's presuppositions, as intersubjective consensus, as adequacy to the object, and as the object's ability to object. (Kvale and Brinkmann 2009: 242). Interview knowledge can reflect all these meanings of objectivity. Firstly, objectivity as freedom from bias is respected if knowledge is checked and controlled. Secondly, objectivity must also be reflexive, in the sense that the researcher needs to strive "for objectivity about subjectivity" (*Ibidem*). Thirdly, objectivity also refers to the dialogue among researchers on the quality of the knowledge produced. Fourthly, and perhaps more importantly, objectivity is held to signify the reflection of the nature of the object studied, "letting the subject speak, being adequate to the object investigated, an expression of fidelity to the phenomena" (*Ibidem*).

Reliability

Reliability refers to how consistent and trustworthy the results are. It is often treated with regards to the issue of whether a finding is reproducible at other times and by other researchers. In relation to this, a common critique of interview research concerns the subjective nature of the

‘data’ produced. It is claimed that it is unlikely that the research can be fully replicated.

Moreover, there are those who believe that qualitative research can never be, or never should be, repeated (Holstein and Gubrium 1997). However, here it is claimed, with Ritchie and Lewis (Lewis and Ritchie 2003: 270) that there nevertheless needs to be some certainty with regards to the representativeness of the data (see above) and also in relation to “whether the constructions placed on the data by the researcher have been consistently and rigorously derived” (*Ibidem*). However, a strong focus on reliability may “counteract creative innovations and variability”, which are most likely to follow when interviewees “are allowed to follow their own interview styles and to improvise along the way” (Kvale and Brinkmann 2009: 245).

Interview research can be equally rigorous by for instance acquiring background knowledge on the topic, carefully selecting the people to be interviewed and permitting an assessment of the interpretation and data by the research community (Devine 2002). It is also good practice to show the reader as much as possible of the procedures that have led to a particular set of conclusions (Lewis and Ritchie 2003: 270). Issues of reliability have informed the study in two ways, First of all, the importance of internal checks on the quality of the data and its interpretation has been acknowledged. Secondly, the information on the sample design and the consistency of the analysis proposed are there for the reader to judge the reliability of the work.

A crucial point to discuss in relation to reliability is also is the role of the researcher, which has been partly considered above. Qualitative interview research has been

criticised because of the its subjective bias, that is because of the impact the researcher can have on the research process and the results it generates. Instead of neglecting this bias, one should accept it and go one step further arguing that *all* research is subjectively biased. The best approach is not to pretend to be value-neutral but “to be honest about one’s perspective on any given research topic and to then seek to represent the data in as objective a way as possible” (Devine and Heath 1999: 27). The researcher’s role influences the choice of research theme, the means of information gathering and the analysis of findings. There is now an agreement that such effects are integral to social science research and cannot be eliminated in the quest for an objective science (*Ibidem*: 6). As highlighted above, there is nonetheless an increasing awareness to be reflexive about the way in which different forms of bias affect research.

The validation of interview research – in a conception of interview quality based on the craftsmanship of the researcher – is the researcher’s ability to continually check, question and theoretically interpret the findings (Kvale and Brinkmann 2009: 168). Moreover, in a neo-Gramscian perspective it is does not matter if the data reflects the subjectivity of comments and opinions; what is more important is the *relevance* of these comments and opinions. As argued above with regards to other aspects of the research, the objectivity of the data is linked to the research question.

Validity

Validity in social science research means whether an interview study investigates what it is intended to

investigate. (See Kvale and Brinkmann 2009 ch.15). Again, in a methodological positivist approach, validity was limited to measurement. In a broader meaning, validity came to mean whether a method examines what it is intended to examine “to the extent to which our observations indeed reflect the phenomena or variables of interest to us (Pervino 1984: 48 cited in Kvale and Brinkmann 2009: 246).

Positivist social science envisaged a so-called correspondence theory of truth, whereby the criteria to judge a knowledge statement is whether it corresponds to the objective world. Karl Popper has changed paradigm from the quest for absolute, certain knowledge to a conception of defensible knowledge claims: “validation becomes the issue of choosing among competing and falsifiable interpretations, of examining and providing arguments for the relative credibility of alternative knowledge claims” (*Ibidem*). We must however go one step further and argue that the very separation between facts and theories that Popper retains is now untenable. The very facts are preconstituted by theory and as Kuhn taught us, there aren’t any ‘facts’ independent of the ideas we use to describe them (Seale 2004a: 410).

There is thus no absolute foundation for knowledge. Yet this should not warrant an ‘anything goes’ approach, because validity still relies on a commitment to quality of craftsmanship and transparency of data gathering, management and analysis. Kvale and Brinkmann argue that validation, the check for validity, pertains to the entire research knowledge produced. For instance, in interviewing, “validity pertains to the trustworthiness of the subjects’ reports and the quality of the interviewing (...) and a continual checking of the information obtained as a

validation *in situ*.” (Kvale and Brinkmann 2009: 248) The crucial question is: “are the steps in the research process each reasonable, defensible, supportive of what the researcher concludes?” (*Ibidem*: 248). Hammersley argues that “an account is valid or true if it represents accurately those features of the phenomena that it is intended to describe, explain or theorise” (Hammersley 1992: 69 cited in Lewis and Ritchie 2003: 274).

“Validation comes to depend on the quality of craftsmanship during an investigation, on continually checking, questioning and theoretically interpreting the findings. ” (Kvale and Brinkmann 2009: 246) Qualitative researchers must also answer the question: “are we accurately reflecting the phenomena under study as perceived by the study population?” (Lewis and Ritchie 2003: 274). Here, the check is a check on methods (sample coverage – see above – , capture of the phenomena, identification and naming, interpretation). Validation here rests on a constant checking of accuracy of fit (*Ibidem*: 275), considering questions such as: was questioning effective? Is there sufficient evidence for the explanatory accounts that have been created? Validity must be judged on the quality of the evidence given in support of the phenomena and argument being described (so that the reader can verify by himself the conclusions reached), instead of abiding by a completely and reliable access to ‘reality’. The, even if “there can never be a final, accurate representation of what was meant or said – only different textual representations of different experiences” (Devine and Heath 1999: 205), checks on quality and transparency that lend validity to the phenomena and conclusions must be taken in due consideration.

Generalisability

In methodological positivist research, the aim of social science is seen as producing laws of human behaviour that can be universally generalised. A humanistic view on the other hand implies that every context is unique and thus that every situation has its own structure and logic. However, as Kvale and Brinkmann emphasise, increasingly “the quest for objective knowledge as well as the cult of the individually unique is replaced by an emphasis on the heterogeneity and contextuality of knowledge, with a shift from generalisation to contextualisation” (Kvale and Brinkmann 2009: 260).

A common critique of interview research is that the findings are not easily generalisable because there are too few subjects. However, as Kvale and Brinkmann note, “the number of subjects necessary depends on the purpose of the study” (*Ibidem*: 168) and on the sample design. This request for a more scientific method is missing the point about the nature of qualitative research interviewing, because it can be argued that the data that qualitative researchers are looking for is different from quantitative data.

A first reply to this objection is: why generalise? If knowledge is conceived as socially and historically contextualised mode of acting in and understanding the social world, then the demands for the production of generalisable knowledge “may involve an assumption of scientific knowledge as necessarily universal and valid for all places and times.” (Kvale and Brinkmann 2009: 260). The very focus on the context prevents qualitative researchers from generalising, and they may not seek to do so. Moreover, as Stake notes, intrinsic case studies are

worthwhile in their own right, an idea that is widespread in the humanities, where the need of better understanding someone's work is never questioned (this is what has been called an ideographic approach, in contrast to a nomothetic one⁶⁴) (Stake 2005). Weber himself argued that the social world is such that in social science one needs both the richness of interpretation and the ability to move beyond this to make claims about processes and structured (citato in Williams 2002: 138).

Kvale and Brinkmann also point out how there has been a shift from the goal of generalisation to "transferability of knowledge from one situation to another, taking into account the contextuality and heterogeneity of social knowledge." (Kvale and Brinkmann 2009: 168). Thus, the knowledge produced here may be taken on board by other studies focusing on common sense assumption in European political economies, but that does not mean that the this knowledge is generalisable.⁶⁵

⁶⁴ An ideographic account is an interpretation by the researcher of a never to be repeated event or setting. This implies that generalisability is not possible. A nomothetic account on the other hand, is one that seeks to generalise and develop law-like statements as a part of the typical explanation-prediction schema.

⁶⁵ Williams talks about the concept of 'moderatum' generalisation: "if characteristics point to particular structures in one situation, then one can hypothesise that the existence of such structures in a further situation will lead to at least some similar characteristics" (Williams 2002: 137).

The Interviews

As argued in the previous chapter, people within institutions are as conditioned by common sense assumptions as the population at large. However, the former attempt to give coherence and direction to thoughts about the political economy, attempting to make their version of common sense the dominant one in which society thinks (and acts). Therefore, their version of common is expected to be more coherent, acting as a synthesis of the diffused common sense assumptions in society at large. Moreover, due to limited resources, the choice of interviewing members of institutions was made also because of their greater accessibility.

When seeking to analyse common sense assumptions, it is necessary to interview people from different institutions, as well as to gather the views of scholars in the field. This choice was made also keeping in mind Italy's historical evolution. The country has historically lacked an institutionalised system of consensus-formation such as tripartite neo-corporatism (that was frequent in other European cases), and was marked by a historical *lack* of consensus on socio-economic policy, as well as by a polarised political system and a conflictual 'model' of industrial relations. However, in the post-war decades, the country has been largely led by coalition governments that carried out 'consociational' practices by incorporating – in a selective manner – even opposition parties and, at times, sectors of organised labour, into the decision-making process. Moreover, in the 1990s, the role of the social partners (trade unions and the employers' association) was enhanced, as most of the reforms of the welfare state and the economic policies generally were

negotiated with them and thus achieved for the most part in a consensual manner. Therefore, the evolution of common sense is a more gradual process and necessitates the consent of a wider array of groups and social forces than in countries such as the United Kingdom (where the first-past-the-post 'Westminster' model gives the winning party a much greater power to implement reforms unilaterally). Therefore, the claim is that the evolution of common sense can be fruitfully studied by interviewing representatives of several institutions that manifested their consent to the reforms.

As stated in the introduction, I carried out most of the interviews analysed were carried. However, reference was also made to a series of interviews carried out by Mania and Orioli (Mania and Orioli 1993). The latter were conducted with the signatories of the interviews: the leaders of the three trade union confederations, representatives from the employers' association and the Minister of Labour Gino Giugni. They were included in the research both because of the added value of interviews with the *direct* protagonists of the deal and because the interviews were carried out in 1993, just after the signing of the deal. Thus, these interviews can possibly provide further insights on the common sense assumptions at the time. Also Carlo Azeglio Ciampi was contacted for an interview, but no answer was received.

The following is a list of the interviews carried out:

- *Partito Democratico*
 - o PD #1; PD #2; PD #3
- *Democratici di Sinistra*

- DS#1. This interviewee has been a member of the national secretariat of the CGIL until 1996 and then joined the PDS (*Partito Democratico della Sinistra* – later DS). He was under-secretary in the centre-left governments until 2001. In 2007 he refused to join PD. For the purposes of this research, I consider him both a representative of CGIL and of PDS.
- *Confindustria* (employers' association)
 - *Confindustria* #1
- CGIL (*Confederazione Generale Italiana del Lavoro*)
 - CGIL #1
- UIL (*Unione Italiana Lavoratori*)
 - UIL #1
- Romano Prodi, Prime Minister (1996-1998)
- Nerio Nesi, former director of *Banca Nazionale del Lavoro* and member of parliament for *Partito della Rifondazione Comunista* (1996-1998) and *Partito dei Comunisti Italiani* (1998-2001)
- Prof. Sergio Cesaratto
- Prof. Vincent Della Sala
- Prof. Leonardo Paggi
- Prof. Umberto Romagnoli

- Prof. Luca Michelini

4. Political history I: Italian capitalism from the post-war decades to the 1990s

Presenting an even brief history of the evolution of Italian capitalism is not a feasible task within the confines of this research.⁶⁶ The aim of this section is therefore not to analyse Italian economic history in detail, but rather to pinpoint a few key points drawn from the relevant literature on the political and economic history of the country. These elements have served to generate hypotheses on common sense and thus have guided the analysis of the interviews. The evoking of the economic vulnerability of the country and of the 'external constraint' has been an element that repeated itself in Italian economic history, and has often – particularly in times of economic 'emergency' (such as the late 1970s, the early 1990s and – arguably – the current moment) – been accompanied by the trade unions' acceptance of asymmetrical exchanges involving largely *unilateral* concessions of wage restraint. I thus approached and analysed the empirical material with the hypothesis that this stance must be related with common sense assumptions on the political economy. The recurrent themes in the interview data that are identified and presented in the next chapter are the outcome of this analysis. In this chapter, I will thus attempt to identify the historical origin of the common sense assumption of economic vulnerability and wage restraint as the standard 'adjustment mechanism' of the national economy to economic change and to the 'external constraint'. I will present the notion of *trasformismo* as a heuristic tool with

⁶⁶ For useful analyses of Italian capitalist development see: Graziani 1989; 1998; Locke 1995.

which to analyse the relationship between the state, capital and labour. I will then look at the evolution of the left's ideology in the 1990s and conclude by describing the welfare state reforms of the decade. In the next chapter, I look more specifically at the 'moment of capital' of 1993 and the consequences of the 1993 pact.

The origins of the Italian state

Let us start this section with a quotation from Karl Marx, which sets the terrain on which capitalist development outside of Britain takes place: "on the continent of Europe, after Colbert's example, the process was much simplified. The primitive industrial capital, here, came in part directly out of the state treasury" (Marx 1976: 922). Thus, in contrast to the British experience of a violent primitive accumulation that was guided by an emerging bourgeoisie in continental Europe the role of the state in creating the conditions for, and then guiding capitalist development has been prominent.

This element is remarked also by Van der Pijl, and it is precisely on the unique characteristic of capitalism in Britain that he builds his theory of the relationship between the Anglo-Saxon *Lockean heartland* and the *contender state* experiences (Van der Pijl 2006). According to the Dutch author the rivalries apparent in contemporary history are part and parcel of the unifying drive of capitalist 'globalisation'. However, his argument is that these drives are not random or simply follow the expansionary drive of capitalist accumulation, but evolve and are refracted through the relationship between a capitalist-imperialist 'West', the *Lockean heartland* – a transnational structure that

first emerged with the development of a liberal English-speaking, Protestant-Christian world created through overseas settlement and trade in the 17th century – and generations of *contender states*. As Van der Pijl points out,

“in the Atlantic heartland, the capitalist class became the ruling class as an already transnational force, maximising its freedom under the liberal state theorised by John Locke. In a society like France, on the other hand, a state class imposed itself on society; from Colbert to Napoleon (or even, some would say, De Gaulle) it demarcated a concentric unit developing under a rationalistic planning doctrine” (Van der Pijl 2006: xi).

In this view, continental European countries (as well as non-European states) can be understood as historical counterparts to an expanding Lockean heartland, an historical ‘West’ including the English-speaking world and gradually incorporating in an uneven fashion other European countries such as the Netherlands, Belgium and even – albeit in a contradictory manner – France. Locke envisaged the state as serving an essentially self-regulating and self-governing civil society by upholding the structures for private association under the law and guaranteeing private property, thus creating an ideal framework for capital accumulation. As Van der Pijl extensively argues in *Global Rivalries* (2006), the ‘West’ has launched a series of ‘offensive waves’ aiming at expanding transnational capitalism and the Lockean state/society pattern against Hobbesian contender states (France, Germany, Russia, Japan and others). In the Lockean ‘state/society complex’ (a reformulation of Gramsci’s ‘extended state’), the bourgeoisie develops an institutional framework based on a clear demarcation between the sphere of the ‘state’ and

that of 'civil society', anchored in the liberal idea of creating a 'level playing field' for individual exchange in the realm of circulation and thus for the expansion of capitalist accumulation. This framework has developed in tandem with a great industrial development that has then expanded outside of the Lockean heartland. Though at times the state has played an autonomous role in bringing about economic development also in the Lockean heartland, as with the New Deal experiment, it is capital – private interests – that have been the propelling force of society. The strength of the 'West' is also based on its control of the financial system, worldwide energy flows and military-industrial development (*Ibidem*: 15).

On the other hand, the *contender state* has aimed at challenging the pre-eminence of the 'West' in the commanding heights of the world economy. In the Hobbesian state/society complex, it is the state that leads development of the economy and society in a catch-up effort led by a state class often forged in revolutionary upheavals (whether bourgeois, as in France, or 'from above' as in Japan or Germany). In its first approximation, and summing up a quite complex argument, the Hobbesian state is characterised by: concentric development; a 'revolutionary' ideology mobilising its social base; and a foreign policy backing up the claim of sovereign equality by a powerful military (*Ibidem*: 7).

This argument might seem distant from my object of research. However, I believe it is important in order to stress from the beginning the *transnational* dimension of capitalist expansion from the Lockean heartland. It were external pressures, and their relationship and coupling with local economic forces, which have induced countries to attempt to catch up with capitalist development in the

heartland, and to do so in a Hobbesian fashion. However, it is crucial, in order to avoid any kind of determinism, to understand how different countries have reacted differently to similar challenges. The two structures (Hobbesian and Lockean state/society complexes) are related through the development of capital on a world scale, as an *objective* yet *impersonal* social force, that by preference seeks to occupy the spaces *between* the formal jurisdictions of nation-states. Crucially, this serves to enhance its *structural* power, as the transnational sphere is not subjected to any kind of democratic control.

Ernesto Gallo (2008), who has applied this framework of analysis to the Italian case, argued that Italy's path followed three successive stages: A 'long march' in the direction of the heartland, brought forward by the state following an essentially Hobbesian pattern (but maintaining close links with the heartland); a strong Hobbesian reaction, with the emergence of fascism; the incomplete inclusion into the heartland, after the second world war.

As Gallo has convincingly argued, Italy represents a hybrid between a straightforward Hobbesian development and a more Lockean configuration, which was promoted via a strong relationship with the heartland. Primitive accumulation in Italy was not wholly 'imported' through the reaction from capitalist development elsewhere in Europe or the incorporation of the territory into capitalist expansion from the heartland, but could count on a solid base in an early accumulation of local capital. Thus, while in several regions, especially in Lombardy, surpluses from agriculture and trade allowed for the rise of local patterns of capitalist development linked to international markets (centered mainly in silk and wool), a relatively strong

Hobbesian state/society relationship emerged with Italian unification. As Gallo points out, "Italian unification has been strongly supported by transnational capital and the connection between Cavour, Italian bankers (such as Bastogi in Livorno) and speculators and their powerful counterparts in Paris (Rotschild, Perèire) and London" (*Ibidem*: 4-5). The new state is seen as the outcome of convergent interests between European capital, commercial landowners, merchants and a politically moderate state and intellectual class.

In Gramsci's famous analysis, the Italian *Risorgimento* was conceived *not* as a liberal bourgeois revolution, but as the result of a *passive revolution* (Gramsci 1949; 1972) as it embodied a compromise between the northern industrialists and the southern landowners. The weak legitimacy of the Italian state carried with it a whole series of problems linked with the opposition to the state of many social forces and groups: the church; the southern peasants; the northern workers; strong regionalist groupings that did not feel part of the Italian 'imagined community'. During Giovanni Giolitti's rule, the state consolidated its legitimacy by allying itself with particular groups in a clientelistic fashion, inaugurating the policy of *trasformismo* that has hitherto characterised the principal way the ruling class has sought to integrate the centrifugal forces in society and prevent the emergence of a counter-hegemonic bloc.

As noted above, capitalist development in the Lockean heartland cannot be equated with the forms of development from above that have characterised the experience of other European nation-states. Therefore, the assumption that there is somehow a 'pure' form of capitalist development - characterised by the strict

separation between economics and politics within a liberal state that in turn guarantees a 'level playing field' for capital and is politically and culturally hegemonic – against which other experiences must be compared and their 'degree of modernity' measured, is problematic. Capitalist development is, since its inception, *world* capitalist development. As Marx famously argued in the *Grundrisse*, "the tendency to create the world market is directly given in the concept of capital itself" (Marx 1973: 408). The logic of the world market is thus inscribed in the very development of the capitalist mode of production. However, capitalism as a mode of production, in its global expansion, produces 'uneven and combined development'. This is to say that capitalist 'modernity' is part and parcel of the form that capital takes both at the centre (the Lockean heartland) and at the periphery at a particular phase of its development, and with all the mediations that particular state/society complexes develop (conditioned by their own historical development, insertion into the capitalist market, nature of state formation, etc...). Leon Trotsky claimed that different countries developed independently of each other according to their own national and class peculiarities. However, different countries did not exist in isolation from each other, developing interdependently as parts of world economic and cultural development (see Morton 2010, also for an interpretation of the Gramscian notion of 'passive revolution' as the cornerstone of capital's uneven and combined development). In this context, Gramsci argued that a situation of 'passive revolution' is one in which

"the impetus of progress is not tightly linked to a vast local economic development...but is instead the reflection of

international developments which transmit their ideological currents to the periphery – currents born of the productive development of the more advanced countries” (Gramsci 1971: 116-117 cited in Morton 2010: 219).

Keeping this in mind, hegemony must *not* be equated simply with liberalism acquiring dominant status, or with liberal social relations and state institutions becoming more and more legitimised. Hegemony is a form of rule in which subordinate subjects accept their position within the social formation as legitimate. *Trasformismo*, a central category with which to analyse Italian historical development (see below) is therefore *not* to be equated with the absence of hegemony. *Trasformismo* is a form of development in which active elements of diverse social and political groups – including those that may potentially be hostile to the dominant class and thus develop a counter-hegemonic project – are incorporated and absorbed in a strategy of *negative* integration. The ultimate aim is to disunite the masses and prevent the emergence of a counter-hegemonic bloc. It is thus a form of hegemony, not its negation or its corruption (see Paggi and d’Angelillo 1986).

The view of the strategy of *trasformismo* pursued by the dominant parties in Italy as signalling a situation of lack of hegemony and bourgeois *weakness* (in particular in the so-called ‘First Republic’) was the dominant view held by the PCI. According to Paggi and D’Angelillo, such a view is problematic in the sense that it does not capture the inherently *exclusionary* dynamic vis-à-vis the working class (in the sense of refusing its political legitimisation) that the notion of *trasformismo* captures. In their view, the goal of *trasformismo* is not to govern in the absence of modernity,

but to modernise *against* the working class, avoiding in this way that the main partner of an advanced capitalist society attains full and definitive legitimacy and equal dignity in the political system (Paggi and D'Angelillo 1986: 66-67). The fight against the potential autonomy of the working class is thus a negation of the possibility of political alternation in government. What was hegemonic in Italy was thus not liberalism but the exclusionary logic of *trasformismo* itself (see more on *trasformismo* below).

An apparently paradoxical element that runs through the whole of Italian economic development is that even though the state has often taken the initiative to organise civil society, the latter retained a relative economic and political (and hence cultural) strength (owing to the early accumulation of capital referred to above). This, coupled with the state's weak legitimacy – due to its limited social base and its dependence upon European powers for its very creation – has often undermined the state's capacity to create an efficient framework for capitalist development. Moreover, Italy's lack of raw materials further extended the dependence of the Italian state on foreign capital. According to Gallo, at the beginning of the century Italy entered the Lockean heartland, though maintaining some distinct Hobbesian elements (Gallo 2008: 6). While failing on the one hand to create a 'level playing field' for capital, the state also lacked the ability to forge development from above as France did (Van der Pijl 2006: 9-12).

Suffrage was extended only very slowly, and as Italy marched towards the mass politics of the 20th century, the ruling class perceived its weakness. The shock-like reaction of the country to the First World War (the *biennio rosso* and the dislocations caused by the war entailed a surge of

political mobilisation) led to fascism. While initially the regime remained anchored in the heartland (with low fiscal imposition, international distension and loans from JP Morgan), in the late 1920s it shifted to a Hobbesian concentric development (Gallo 2008).

After the Second World War, the regime of Pax Americana (Cox 1987: 211-272) and American hegemony (Rupert 1995) expressed a liberal internationalist version of the Lockean complex based on the Bretton Woods regime of 'embedded liberalism' (Ruggie 1982). In Italy this had quite peculiar characteristics, as the dominant political party until the early 1990s, the DC, based both its political legitimacy and its economic policies on a 'historic bloc' essentially based on petty bourgeois elements (see below). This social base was mobilised with reference to an essentially catholic version of anti-communism (in contrast to its neoliberal version, which emerged in the late 1970s - see Paggi 2003). Capitalism - as an ideology, as a way of life, as a set of values - continued to lack a secure basis, also due to the weakness of the 'bourgeois revolution' that we have described above. The population swiftly divided into two dominant subcultures, the (essentially anti-modern) Catholic one and the (essentially anti-capitalist) Marxist one, and there was a weakness of liberal or social-democratic subcultures which tend to legitimise the values and categories of a capitalist industrial society (Chiesi and Martinelli 1989: 132). Capital as a social and ideological force was thus weak and had to base its support on the DC, a very peculiar political party that was not totally receptive to the requirements of capital (see below). Since the end of World War Two, Italy has been governed by mainly coalition governments, all led by the dominant party, the DC - in fact the DC was in government for the 49 years

following the war, and a DC Prime Minister was in power for 43 years.

In order to understand the genesis of ‘common sense’ assumptions on the ‘economic facts of life’, one element is particularly important: Italian industry has been consistently dependent on the international cycle of demand. Tarrow notes that “the economy had a small internal market that made it susceptible to recession at every international downturn” (Tarrow 1990: 319). This element is central in understanding the ‘common sense’ assumption of economic vulnerability which constituted the terrain over which social actors found consensus, as I will argue in the next chapter.

Let us dwell briefly on this point. As Tarrow points out, the state’s inability to pursue a coherent capitalist (Keynesian or liberal) project, and its subordination to the DC’s political clientele, did not prevent it from intervening at all in the economy. It did so by providing free export loans to industry, supporting a rapidly growing public sector and, crucially for the aim of this research, by “constraining internal demand whenever a general rise in wages threatened to overheat the economy” (Tarrow 1990: 320). Tools such as increasing employment (as well as the *political* guarantee of full employment) or supporting domestic demand through Keynesian demand management and fine-tuning were not employed (*Ibidem*). Whenever there was a wage push which generated inflation, a strong deflationary move (either monetary or fiscal) set in, a phenomenon which, coupled with the failure to create a formal industrial relations system, signals the marginalisation of working class interests as a political counterpart and as legitimate *conflictual* interests to capital.

This also heightened the country's dependence on external markets.

What is of interest for this research is how the dependence on the 'international' has been internalised in 'common sense' assumptions on the economy. 'Italy' was dependent on the 'international' for its supply of raw materials and for demand for goods. This last feature was exacerbated by the path of economic development followed in the post-war period, lacking as it was of Keynesian demand management techniques employed elsewhere in Europe, and initially characterised by an industrial specialisation based on 'luxury' goods for which there was not enough internal demand. Thus, Italy was highly vulnerable to recession at every international downturn. Moreover, the general perception of a 'weak' state also reinforced the 'disciplining' power of 'the international', in the form of 'international markets', the European Union, or political, economic and cultural trends that originate elsewhere, internalised also by praising foreign efficiency and rationality (this emerged as a *leitmotiv* in many of the interviews I conducted). Perhaps it is also through this general perception that the long-standing Italian xenophilia (the tendency to view favourably foreign politics and culture, and thus to look down upon the idiosyncrasies of the Italian state and culture) emerged. The economist Pivetti argues that the call for the necessity of discipline and the traditionally pro-European sentiment of the Italians is to be linked with the inefficiencies and inequalities of the fiscal regime and with the practices of clientelism. The unbalanced functioning of a fiscal system that systematically favoured tax evasion and focused excessively on taxing labour incomes generated a high savings rate (also because of a feeling of economic

insecurity) that is to be seen as the counterpart of the rising Italian debt in the 1970s and 1980s. According to the economist, it surely contributed to the genesis of deep yet unconfessed aspirations for a sort of ‘international protectorate’ (Pivetti 2011).

Consider this short remark by Michele Salvati (one of the exponents of the left-wing liberalism that I will focus on below) on the Italian experience:

“the experience of a country where the forces making for continuity and stability are weaker, where the ruling elite is less unified, the state apparatus less competent and efficient, political allegiances less deeply rooted and ideological conflict more pronounced, and where regional differences are more extreme” (Salvati 1995: 4).

As I will argue below, this perception of Italy’s historical ‘weakness’ or ‘backwardness’ is shared in the Italian liberal élite, with a strong anchoring in the left-wing political spectrum (Michelini 2008). This stance implies political programmes that are based on the need for a constant race to catch-up with the forms of development that are considered to be more modern, efficient or coherent. Interestingly, and this is a central argument of this research, this kind of xenophilia was and is quite popular in the centre-left political and cultural élite, that sees the centre-right political spectrum in the country as the bearer of corporatist interests linked with the most ‘backward’ elements of Italian capitalism. The links with the transnational capitalist class and its hegemony have been translated into Italian political life most prominently by the centre-left political élite that “enjoys deeper links with the transnational and European business élite” (Gallo 2008: 13). Perhaps it is not a chance that of the four

'technical' or centre-left Prime ministers of the 1990s, two of them came from the Bank of Italy (Ciampi and Dini), one of them was an economics professor (Prodi) and the fourth (Amato) was a staunch critic of the 'consociative' political system of the First Republic and of the 'political' interferences into civil society (see Amato 1992).

Italian industrial development in the post-war years has been characterised since the beginning by a strong openness to foreign trade. In fact, as the economist De Vivo underlines, this trade liberalisation has been faster and more extensive than in other European countries (France, Great Britain, Sweden) since the early post-war years: the author notes how even the Economic Commission for Europe had expressed surprise on Italy's insistence on eliminating external and internal controls and, "by terminating rationing and relaxing control on imports", abandoning "the two instruments that experience suggests are necessary in facing structural problems of this nature" (De Vivo 1990, cited in Barba 2011: 68). Paggi and d'Angelillo also highlight the extraordinary pace (in comparison to other European countries) with which Italian governments in the 1940s carried out trade liberalisation. This element, an essentially deflationary policy and the priority given to monetary stability, were the main components of Italy's economic policy in the post-war years (Paggi and d'Angelillo 1986: 134).

Barba argues that the technique of the 'external constraint' was a "constant in the life of the Republic, in which internal conflicts are resolved, or better avoided, by making use of an external constraint which depoliticises them transforming them in non-choices, 'facts of life' outside of our control" (Barba 2011: 67). This statement is highly relevant for our purposes, because it reveals that the

domestic use of the *vincolo esterno* was an important aspect of the dominant 'common sense' assumptions of Italy's insertion into 'the international', and as we will see, it was diffused across the political spectrum, resurfacing among the left-wing political élite in the 1990s.

One of the most detailed analyses of Italy's path towards EMU, referred to in the previous chapters, was revealingly entitled *Rescued by Europe?* (Ferrera and Gualmini 2004), thus signalling the idea of a country that needs to be constantly saved from itself, from its inefficiencies and 'political' backwardness, or 'uncivicness' of political culture (*Ibidem*: 5). The last chapter of the book, moreover, is entitled 'rescued, but still free to harm itself', indicating once again the view of the 'irresponsibility' of an Italian political and economic élite that must be disciplined in order to adopt the 'correct' economic policies. As an aside, the two authors, reflecting on the reasons of the consensual approach to economic reform in the 1990s, argue that (*Ibidem*: 130) "from a substantive point of view, the first step consisted of the elaboration of a correct diagnosis of the new problems originated by the shocks of the 1970s, acknowledging the failure of the status quo in various sectors of public intervention". This quotation is in itself revealing of the kind of logic that permeates this (and other) work: the normative ascription of the status of 'correct' diagnosis on the nature of the problems, a diagnosis that then – according to the two authors' reasoning – needed to be presented to the country and the social partners, who in turn 'learn' to accept it as the only alternative. In fact, as the analysis of the interviews will show, this 'common sense' assumption of Italy's weakness and backwardness vis-à-vis a supposed external constraint that is perceived to be a beneficial disciplinary force to

which Italy must adhere, resurfaced strongly in the 1990s, and was an important element in subordinating labour to capital's hegemony.

Thus, an early trade liberalisation, a weakly developed internal market, an economy based on comparatively low wages and the fact that Italian industry lacked adequate technological development (Graziani 1989: 9) and therefore was constantly under competitive pressure from abroad, can be considered as central elements in the country's economic development. Moreover, Graziani stresses that, as any small economy lacking natural resources, Italy had to acquire raw materials from abroad, and in order to pay for these had to generate a constant flux of exports. Graziani points out that, lacking a technologically advanced industry, an export market could be conquered only by competing on prices rather than on quality, a feature that generated a constant increase in productivity levels, which did not match wage increases (*Ibidem*). This element was at the root of the Italian economic miracle of the 1950s and 1960s, characterised by a strong currency (the Lira was awarded the prize of strongest currency of the year in 1958), high capital-intensive investments, price stability and equilibrium in the balance of payments (until the late 1960s shock). The counterpart of this period of stability was the strong containment of wages, repression in the workplace and the marginalisation of trade unions (Graziani 1998 ch.1-3). The low wages of Italian workers and the high propensity to save had penalising effects on the growth of the internal market. As Fumagalli (2006: 61) argues

“the chances of the Italian economy to grow were entrusted more to the growth of external demand than that of

domestic demand. The Italian trade exchange with the outside increased from 10% in the early 1950s to almost 30% at the end of the 1960s, thanks also to the lower relative cost of production and thus the lower prices of Italian goods. Italy is thus an excellent example of how a moderate dynamic of domestic demand, caused by the fact that wages did not adjust to productivity, has been more than compensated by the growth of external demand”.

This line of action, as Graziani (1998: 10-18) and Vianello (1979: 22-25) underline, maintained a high level of unemployment and ruled out a whole set of strategies to achieve full employment (effectively used in other countries). Graziani argues that it is precisely because of the fact that the Italian economic miracle was based on increasing productivity while maintaining low salaries that the country experienced structural unemployment all through the post-war decades. Perhaps this fact and the dependence on a foreign demand market can contribute to explain the state’s anti-Keynesian bias, which was also rooted in the need to maintain the support of the DC’s social base (Amyot 2004). Apart from the organisation of work, in all other major respects the Italian economy was *not* Fordist⁶⁷ up to the 1960s. However, it did rely on a ‘Fordist circuit’ in which it produced consumer durables for other markets (Amyot 2004: 21-23). On the other hand,

⁶⁷ The regulation school theorises a correspondence between a ‘regime of accumulation’, such as Fordism, whose technology and work practices were in place in Italy, and a ‘mode of regulation’, the political and social framework. However, it states that this correspondence is not guaranteed but crucially depends on political factors. Fordism is seen as characterised by the mass production of consumer durables using Taylorist work methods, and a mass market of consumers with enough purchasing power to buy these products – that is, a relatively high wage economy. The latter requires some form of corporatism among the social partners (see Lipietz 1986).

Graziani notes how the important economic policy decisions undertaken in the post-war decades were all aimed at mitigating the effects of structural unemployment – through emigration and ‘clientelistic’ social policies – while maintaining Italy’s competitive edge in order to guarantee an export market.

An element that I believe is important in understanding both Italy’s economic development and the ‘common sense’ assumptions that accompanied it until today is the way the ruling class has responded to labour militancy and class struggle from below. Being aware of the impossibility to separate ‘economic’ from ‘political’ developments if not methodologically, we must link this ‘economic’ reaction to the ‘political’ exclusion of the working class. This marginalisation manifested itself not only in the fact that a working class party never acceded to government, but also that it lacked the political and social legitimacy as a counterpart to capital that it enjoyed in other European countries. Moreover, unlike other European countries, Italian industrial relations were not characterised either by consensus or by an institutionalised or formalised system of negotiation (see below).

The class struggle explosion of the late 1960s was therefore also a response to the repression of workers and labour organisations, which was standard practice in the relationship between the social partners in the 1950s and 1960s. The first worker struggles, which managed to achieve some results, took place in 1963, when higher than average wage increases were won by the industrial trade unions. The response was a deflationary move that increased unemployment and allowed for a first internal restructuring of Italian industry, a strategy that was pursued again after the 1969 ‘hot autumn’ (Graziani 1998

ch.3), when a strategy of decentralisation was carried out. The point to keep in mind, however, is that deflationary measures were the standard response to labour militancy, in contrast to other European experiences, where labour was integrated both politically and socially into the political system and socio-economic decision making (Paggi and D'Angelillo 1986 ch.2). This is a point to keep in mind, and to which I shall return to below.

The DC regime

The social base, or 'historic bloc', of support for the DC came from a series of groups, most of them petty bourgeois: the commercial petty bourgeoisie; large sectors of the public employees, who have been recruited also thanks to clientelistic practices in the South and which owed their position to the party; the white-collar bourgeoisie (professional cadres such as lawyers and doctors); the landowners in the countryside, organised in the powerful *Coldiretti*; sectors of labour itself, organised in CISL (Amyot 2004: 96-105). As Amyot argues,

"for a party which owes its strength to its control of the state, the most natural social basis is the petty bourgeoisie. This class, though it often espouses anti-statist ideologies, today depends on the state for its very survival as a class: without subsidies, protective legislation, tax exemptions, and other types of assistance, it would be defenceless against the tendency towards concentration inherent in modern capitalism. And in Italy, the self-employed petty bourgeoisie are particularly numerous – they still represent 29 per cent of the employer population, far more than in any other G7 country" (*Ibidem*: 98).

This social base was supported through a series of means that were, from capital's perspective, partly inefficient: patronage, clientelistic practices in the South⁶⁸, a huge tax evasion (perhaps the single most important 'measure') that favoured the petty bourgeoisie. In the *Mezzogiorno* (the South), a wide clientelistic network emerged based on institutions such as the *Cassa per il Mezzogiorno* (the funding agency for infrastructural and industrial projects in the South), the *Coldiretti* and *Federconsorzi* (associations of farmers). All these institutions distributed funds and benefits based largely on political links and thus generated support for the DC regime and alleviated the huge social problems of the Southern regions, and the tensions generated by an economic policy not geared toward full employment (see below) (Vianello 1979: 22-23).

This base of support made it impossible for the DC to develop – as was being done all across Western Europe – a 'Keynesian' welfare state and demand management techniques: measures to sustain the purchasing power of the working class, income policies, support for collective bargaining and a comprehensive welfare state. Even if the

⁶⁸ Allen and MacLennan (1971) identify in the *Cassa del Mezzogiorno* (the fund for the South) a significant pacifying tool: subsidies were more efficient in creating clientelistic networks than economic growth. On the other hand, this phenomenon must be seen against the background of a political economy that did not guarantee full employment and did not function according to the demand management techniques that were being deployed in other European countries. The resulting structural unemployment thus created considerable social tension, and the distribution of state funds to poorer regions of the country according to clientelistic networks provided a much needed containment of economic marginalisation and social unrest. Disability pensions – acting as a sort of unemployment benefit in disguise – increased from 1.5 to 3.8% of GDP from 1961 to 1990 (Amyot 2004: 150).

Italian economy was incorporated into the wider 'Fordist' and 'Keynesian' development that was dominant in Europe, compared to other European experiences, trade unions were weak and marginalised, and the Italian economic miracle of the 1950s and 1960s was based essentially on low wages and export, as internal demand was still quite low. No explicit form of concertation or social compromise was sought – although informal channels were used – and Italy appeared to be an exception among the Western European states in its lack of typically 'Fordist' policies (see Amyot 2004 Ch. 6 and 9). Although some welfare reforms were in fact approved in the late 1960s and in the 1970s (pensions, social benefits, the 1970 *Workers' Statute*), and in 1975 the wage-indexation mechanism was revised, "Italy did not develop a truly corporatist form of wage bargaining" and the "progress toward Fordism was still limited by several factors, in particular the weight of the petty bourgeoisie" (*Ibidem*: 25).

What is interesting about the Italian state is that, as Tarrow has noted, even if "business had ready access to political influence, there was no central vision of an identity between business and government, nor even a mechanism for formulating politically the interest of capital" (Tarrow 1990: 320). The inefficiency of the state and its not always receptive attitude towards the interests of capital has enhanced the role of the Bank of Italy, which is an efficient institution that enjoyed considerable prestige and was autonomous both from the DC and from social forces. As Amyot shows, in the 1980s the bank used its autonomy to further the long-term interests of capital, but often *in contrast* to the immediate interests and demands expressed by capital (Amyot 1995: 158).

This development conditioned the nature of the Italian welfare state, in itself a belated and incomplete creation dating from the late 1960s and 1970s (Ferrera and Gualmini 2004; Della Sala 2004a). The lack of an explicit 'Keynesian' compromise meant that there was no commitment to full employment and little protection against unemployment. The conservative nature of the welfare regime can be seen in the classic 'male breadwinner' model and in the fragmented development of the social insurance and pension systems, which differentiated entitlements according to different categories, placing the Italian welfare model at odds with the universalistic notion of 'welfare state'. Starting from the late 1960s - and mostly as a consequence of pressure from below - state spending gradually increased to European standards. The problem, however, was that this increase was not matched by a corresponding rise in revenues (see below).

The model of capitalism on which this welfare state was founded has been termed 'dysfunctional state capitalism' (Della Sala 2004b), a *sui generis* system that is distinct from both the Coordinated Market Economy and the Liberal Market Economy models, as it is crucially marked by political forces which 'capture' the state. A useful characterisation of the DC regime is that offered by Tarrow (1990), who talks of a 'soft hegemony' characterised by: a "pattern of political relationships based on a flexible centrist governing formula, an interclass social base, closeness to business but solicitousness to marginal groups and a governing style heavily based on distributive policy" (*Ibidem*: 308). According to the author, clientelism and corruption are only the extreme manifestations of a system of governance based on political compromises and weak executives. Rhodes and Bull (1997: 3) describe it as a system

based on the 'privatisation of the public sphere', while Della Sala highlights the open consensual decision-making process that characterised Italian policy-making starting from the 1960s: "in many cases, parts of the state were parcelled out to these interests and the political parties that represented them" (Della Sala 1997: 18-19).⁶⁹ In this way, governing parties maintained and developed clientelistic ties with their electoral constituencies, a practice that often degenerated into plain corruption (Newell and Bull 1997: 92).

Behind the DC's interclassism (the construction of a broad constituency including sectors of all social classes) there was thus the marginalisation of the *autonomous* political stance of the working class. As Tarrow notes, "Italy's political economy was not organised along the classical lines of business versus labour, because such an alignment would have been disastrous to the DC's hegemony, and second because the party was trying to contest many sectors of social terrain with the left for votes" (Tarrow 1990: 319). Using the concept of *trasformismo*, as will be shown below, we can make sense of this phenomenon as well as understand the development of a 'common sense' based on economic vulnerability and wage restraint.

⁶⁹ Rhodes (1997), moreover, sheds light on a further element of the DC regime and of the functioning of the Italian political economy: the manipulation of political parties via close clientelistic relations, as well as the routinised and institutionalised nature of corrupt political funding.

The fiscal system's reverse redistribution

A further manifestation of the strategy of *trasformismo* is - in my view - to be found in the *regressive* nature of the Italian fiscal system. According to Paggi (2011a: 28) "the debt is not a problem of national accounting, but refers to the very manner in which government social blocs were formed". In a recent article, the economist Aldo Barba (2011) points out that the Italian fiscal system carried out (and continues to do so) a *reverse* redistribution. The driving force of this process is public debt, whose accumulation is generated by insufficient revenues. Barba (2011: 60), as well as other authors (Ferrera and Gualmini 2004: 44.; Graziani 1998: 175; Amyot 2004; Paggi and D'Angelillo 1986: 36-37) stress that the common idea that the origin of the high Italian public debt is to be found in an excess of spending is wrong: in fact, state spending in Italy has traditionally been in line with its European counterparts. The Italian anomaly is thus all in the level of revenues, and in the fact that the fiscal system tends to favour possessors of public debt. The revenue deficit was covered not by printing money - even more so since the 'divorce' of the Bank of Italy from the treasury in 1981 - but by borrowing from those same sectors of society that benefited from an unbalanced fiscal regime.⁷⁰ As interest rates soared starting from the early

⁷⁰ It is thus naïve to analyse public debt as a simple 'clearance': wage labourers, who have been called upon to support a fiscal system centered upon taxes on wage, have always possessed a modest share of public debt. On the other hand, people whose revenues had other origins benefited most from the interest on debt. For instance, capital incomes are taxed at the low rate of 12.5% (in other European countries, it reaches levels that are double this figure) and there is no progressive taxation, and often no taxation at all, for incomes from agriculture, possession of real estate and from real capital gains (Barba 2011: 15). So, all incomes from property have a preferential treatment in the fiscal system.

1980s - as a consequence of the autonomisation of monetary policy from the government - public debt became even more the instrument of a *reverse* redistribution of income. The economist Spaventa, playing on the word '*sviluppo senza fratture*' (development without fractures) that according to a common view has been at the origin of the industrial district's economic success based on territorial cohesion and lack of conflict, has coined the term '*sviluppo senza fatture*' (development without invoices) (Vaciago cited in Acquaviva 2005: 90).

The author shows how the level of fiscal revenues was overall 10% lower than France and Germany all through the 1980s. Moreover Barba demonstrates how although the Italian fiscal system is indeed based mainly on indirect taxes, these are heavily skewed against revenue obtained through wages vis-à-vis other sources of revenue (profits, rent) (*Ibidem*: 75). The system was thus wage-centric: only wages were subject to progressiveness and were increasingly paying the bill, so that in 1997, taxes on labour were as high as 50% of income (5% more than Germany) (*Ibidem*).

Starting from the 1980s, in line with a general trend all across Western Europe led by neoliberal restructuring, relative wages diminished markedly. The distributive quota of dependent labour in national wealth from 1970 to 1997 decreased from 72% to 57%, and the decrease took place entirely starting from the 1980s, mainly as a consequence of the fact that wages did not keep pace with productivity growth, which thus went entirely to the benefit of profits (Ghiani and Binotti 2011: 172). Thus, the state's intervention becomes the lever of a strengthening, instead of a contrast to, the unfavourable trends in the primary distribution of income (distribution according to

the production factors) between capital and labour. Barba argues that in a system in which the possession of public debt is concentrated at the top of the income hierarchy⁷¹ and the fiscal system is not progressive, the choice of financing public debt via loans over financing via higher taxes (changing the current fiscal regime) represents a key *political* choice that reflects different class perspectives (*Ibidem*: 76).

Barba's conclusion points to two further determinants of the attack on wages: privatisations and the transformation of domestic debt into foreign debt (the consequence of the loss of monetary policy autonomy). The pension reforms of the 1990s (see below), as well as the liberalisation of the markets for many goods and services, which has on average increased prices (*Ibidem*: 80) are seen by the author as an attack on differed wages *and* indirect wages, which must be added to the curtailment of both net and gross wages (*Ibidem*: 81).

The transnationalisation of Italian capital

Irrespectively of the previous divisions within its ranks (see Amyot 2004: 128-138; 143), in the 1980s and 1990s Italian capital in general went through a deep process of *transnationalisation*. Exports as a percentage of GDP increased from 13,4% in 1973 to 15,4% in 1987 and 21,3% in 1995 (about the same figure as France and the UK) (see Amyot 2004: 83). Although capital that relies on export does not necessarily favour a fixed currency, for sure it is

⁷¹ Barba (*Ibidem*: 77-78) reports data showing that 80% of public debt is concentrated in the richest 40% of families. The mechanism at work thus redistributes funds from the poorest taxpayers to the richest.

against a highly oscillating one, as was the Lira in the early 1990s. Moreover, as a result of EC regulations, exchange controls were eliminated in May 1990, thus allowing for an increase in foreign holdings of government debt.⁷² If one looks at the data on FDI stock, that is a better measure of transnationalisation than FDI flows – as it measures the actual consolidated interdependence between Italy and the rest of the world, rather than the yearly flows – transnationalisation is clearly visible. While in 1980 the stock of inward FDI was about 8 million Liras, and that of outward FDI was almost 7 million, by 1985 the figures reached 31 million and 28 million respectively. However, an even larger increase was registered in the following years: in 1990, the figures were 67 and 68 million, reaching 91 million and 138 million in 1993, the year of the social pact. By the end of the 1990s (1998), inward FDI stood at 179 million Liras while outward FDI was 292 million (data are drawn from UNCTAD⁷³). Between 1993 and 2001, moreover, the total stock capitalisation increased by 361% and in 2000 it represented more than 70% of Italian GDP (Mucchetti 2003: 25), signaling an increasing financialisation of the economy. Equity markets also increased dramatically to 14.4% of financial wealth in 1995 and 27.6% in 2000 (a figure higher than that of France and Germany) (Della Sala 2004b: 1046-1048).

This increasing transnationalisation of Italian capital created further interdependence between the Italian economy and the European one. Italian capital was

⁷² To this one could add the pro-rentier policy pursued by the Bank of Italy in the 1980s (by maintaining high interest rates and thanks to the government's policy of financing its deficit through borrowing, the rentiers reaped large profits).

⁷³ See: http://www.unctad.org/sections/dite_fdistat/docs/wid_cp_it_en.pdf ; accessed on 27 August 2011.

increasingly dependent upon a stable macroeconomic environment vis-à-vis the European economies. Within Confindustria, the industrial employers' association, the 'good salon' - the large enterprises that have historically dominated Italian capitalism - has always sought to mobilise the SMEs under its hegemony (see Amyot 2004 ch.6). Commenting on the Bank of Italy's tight money and strong currency policy in the 1980s - stemming from Italy's membership in the EMS - Amyot notes how "the available evidence points to business opposition to this policy in the first half of the 1980s. After 1985, this opposition softened as most firms' position improved and many realised the long term benefits that flowed from the Bank's policy" (Amyot 2004: 135). So, the resistances to European monetary integration on the part many employers were gradually overcome. The increasing transnationalisation of Italian capital modified the 'material basis for existence' for capital, as it had more of an 'exit' option and the Italian economy became materially more dependent upon the creation of a stable macroeconomic climate with the European one. Arguably, this element made capital more and more critical of the public debt problem and of the strategy of devaluation of the national currency.

A further division among capital emerged in the late 1980s with the fraction led by De Benedetti promoting a more 'Anglo-Saxon' version of capitalism, pushing for more power to shareholders and arguing for a less confrontational stance vis-à-vis the unions and the left (De Benedetti also controls the progressive newspaper 'La Repubblica') (Amyot 2004: 39-42). In the 1990s, it seems that the DC 'historic bloc' has switched to the centre-right and the Lega Nord, and this would explain the fact that the Berlusconi government has been largely unwilling to tackle

the interests of the petty bourgeoisie (SMEs and self-employed), the social base of this coalition. In fact, it was precisely the latter that most feared some of the consequences of EMU such as the possible tightening of regulation, greater liberalisation, greater efficiency of tax collection and an end to the closed bidding lists for public contracts, and to many subsidies to industry.⁷⁴ As Amyot points out,

"this schizophrenic attitude to the state is typical of the petty bourgeoisie, which subscribed to free-market, *laissez-fair* slogans as ideology, while demanding that the state interfere with the same market to protect them" (*Ibidem*: 110-111).

In fact, it is perhaps for this set of reasons that the centre-right governments have been less focused on meeting the Maastricht criteria to join EMU among the first group of countries, fearing that they might lose sectors of their own constituency and that the fixed exchange rate would reduce the ability of many SMEs from the 'Third Italy' to compete on price.⁷⁵

While Fiat and the 'good salon' of Italian capital historically had not showed a consensual stance in industrial relations and have often adopted repressive actions in the 1960s and 1970s, this fraction of capital has

⁷⁴ Moreover, as Brancaccio also points out, many SMEs are in fact partly dependent upon state spending, and so are not in principle favourable to harsh fiscal austerity measures. On the other hand, they tend to favour strategies of labour cost compression (Brancaccio 2008: 18).

⁷⁵ It is interesting to point out that Lamberto Dini, a former IMF official and general director of the Bank of Italy, decided, after having been a member of Berlusconi's government and having himself been Prime Minister in 1995, to join the centre-left coalition in 1996 because its policies were more akin to his views.

also developed a broad strategic view of its problems, and has been at times prepared to cooperate with the unions. In the 1990s, considering the political and economic emergency, as well as the low legitimacy that business shared with the political parties because of the revelations of *Tangentopoli*, big capital welcomed a more compromising attitude. A neo-Gramscian approach stresses that hegemonies are built precisely by taking into consideration the interests and viewpoint of the subordinate classes, and including them into a wider compromise which however is skewed towards the interests of the dominant class. The 1993 deal can be seen as an element in the new hegemony of transnational capital, which was being built across Europe. In 1993 the trade unions acquired legitimacy, maintained the traditional bases of their power and even gained weight in decisions regarding welfare reform. However, the consensus was part and parcel of the hegemonic project of 'embedded neoliberalism', which sought to lock in largely neoliberal policies at the European level (van Apeldoorn 2002).

Economic vulnerability, wage restraint and common sense

Turning to the notion of 'common sense', as I will flesh out in more detail in the following chapter, my argument is that the assumption of economic vulnerability and the assumption on the need to maintain low real wages were gradually internalised by both the unions and the left. Through the assumption of economic vulnerability, the social actors internalised the country's dependence on the outside for raw materials, and thus the need to maintain a

high level of exports in order to pay for imports. This has conditioned Italy's capitalist development as well as the country's welfare arrangements. This element has been confirmed by all the economists and political scientists interviewed for this research (Paggi, della Sala, Cesaratto, Michellini). Cesaratto gives perhaps the clearest enunciation of Italy's position of dependence:

"we are a country that depends on the outside for oil imports, for technology, for energy...the unions internalised the idea that higher real wages are incompatible with the Italian economy, and this is an old incompatibility. There is no doubt that Italy has an external constraint. What is the real constraint on the increase of real salaries? It is the external constraint. That is, an increase in real salaries turns into an increase of consumption and thus of aggregate demand and then Italy has to face the fact that imports increase. So, fundamentally, it is not that such a constraint does not exist."

Cesaratto himself notes that this constraint can be 'attacked' in different ways, so there *are* alternatives to wage moderation. He cites, for instance, a coordinated European or global policy of fiscal expansion or a national supply-side policy of industrial restructuring and conversion, or attempts to limit energy dependence. However, the left and the unions have been rather hesitant to propose these kinds of policies. The unions and the left have "internalised the constraints without having an adequate proposal to overcome these constraints. These constraints can be overcome, it is difficult but it can be done" (interview with Cesaratto). What I wish to underline here is not the alternatives that could feasibly be

developed, but to stress the *internalisation* of the external constraint, that in turn generated the assumption that high real wages are incompatible with the Italian economy. This is the crucial point in my analysis of 'common sense'.

As I attempted to show in the theoretical section, the realm of ideas – including 'common sense' – within a capitalist society is *not* the sphere of mere illusions, separated from the materiality of social relations. It contributes to the very *constitution* and *reproduction* of those same relations. Ideology – following Marx – is not in what we think, but in what we *do*. This is how, I believe, the oft-quoted Marxian definition of ideology – “they don't know it but they are doing it” – should be interpreted. Thus, as Cesaratto himself noted, this 'external constraint' was, within the confines of a national *capitalist* economy, 'real', in the sense that 'Italy' was actually dependent on imports from the outside in order to promote capitalist development (see also the quote by Fumagalli above). The economist Graziani explicitly argued (see the quote below) that the choice for Italy in the post-war years was between capitalist development in an open economy or the renunciation to capitalist industrial development *tout court*. Capitalist development in Italy was thus *materially* dependent on the outside, a feature that has left marks in the trajectory of the political economy *and* in national forms of consciousness and common sense on the political economy and the alternatives (or lack thereof) perceived by the actors:

“the road of progressive liberalisation represented in some way a forced road. Italy was characterised by a traditional scarcity of raw materials; all the natural products that had from time to time been at the basis of industrial development (wood, coal, iron, oil, uranium) are absent

from the soil and the subsoil of the country. For the Italian economy, industrial development was thus means the development of imports, as industry necessarily needed foreign raw materials and mineral resources. In turn, the development of imports requires a parallel development of exports and so a growing trade openness. The alternative facing the country, therefore, was not between development as a closed economy and development as an open economy, but rather that between industrial development as an open economy on one side and renouncing, at least initially, to industrial development" (Graziani 1998: 25-26).

Consider also this 1947 statement by former FIAT manager Vittorio Valletta: "in Italy the mechanic industry in general, and the auto industry in particular, even if they experience a lack of raw materials, can count on a cost of the workforce that is lower than elsewhere, and for decades: if conditions of life improve, this will be a general improvement and the difference between us and the others will remain" (cited in Vianello 1979: 21). This statement is telling of the strategy pursued by Italian capital and of the way the Italian economy integrated into the European and global market, and therefore on the 'common sense' assumptions that accompanied it.

The economist Vianello (1979) points out that the weakness of the unions and their marginalisation up to the 1970s, a distribution of income that was unfavourable to labour, the clientelistic distribution of state spending by the DC regime and the nature of the balance of payments are factors that must be understood as *internally* linked. Let us follow the main elements of his argument, as this reasoning is important in understanding the internalisation of the country's weak position within the 'international'.

Firstly, he argues that the proponents of the openness to foreign trade – that were dominant in the Italian political and economic élite – have always underlined Italy's necessity to maintain a significant level of exports in order to pay for the much-needed flow of imports that was necessary in order to support industrial development in a country that experienced such a penury of raw materials (Vianello 1979: 22). In this situation, maintaining low wages was deemed by the ruling classes to be the only way of generating enough foreign currency to pay for imports. Moreover, clientelistic state spending was used as an instrument of social control: what emerged was a "logic that never ceased to characterise Italian capitalist development: on the one hand, the openness to foreign trade and the quest for the maximum 'efficiency' neglecting the problem of unemployment; on the other, the control of social tensions through the clientelistic use of public spending" (*Ibidem*: 23), a feature that managed to keep a potentially explosive social situation under control.

The second important point of Vianello's analysis that I wish to underline regards the consequences of the weakness of the working class movement up to the late 1960s. After the 1948 elections, the working class was largely isolated, it was internally divided and suffered from both very high unemployment and heavy repression in the workplaces. This marginalisation, according to Vianello, explains many features of Italian capitalist development: the unequal distribution of income, the skewed composition of consumption (towards luxury goods), the great increase of exports based on low wages, and how an outstanding growth of the economy was made compatible with the balance of payments (*Ibidem*: 27).

How did this mechanism work? As wages grew systematically less than productivity growth and the fiscal system operated in an unequal fashion, general economic growth did not translate into significant real wage growth. Profits grew but also other forms of income benefited from economic growth: in particular, the traditional middle classes that supported the DC regime (the petty bourgeoisie, notables, landowners) were granted considerable privileges (*Ibidem*: 28). The author gives a good description of the strategy of *trasformismo* that was at the core of this settlement:

“a large participation of the middle classes to the benefits of economic development was made not only possible but also indispensable by the ‘strong hand’ that was used against the working class (both in the work relationship and in the fact that its political representatives were confined in opposition). Precisely because consensus could not come from the working class, it had to rest upon on one hand the mass of farmers, and on the other the urban middle classes. What has been called the distortion of consumption was the outcome of a distribution of income that was equally distorted” (*Ibidem*).

This point goes to the heart of what is argued here. The strategy of *trasformismo* - the political marginalisation of the working class and thus the curtailment of wages - was not only the *political* means by which to maintain the power of a specific historical bloc, but also lied at the base of the *economic* strategy of the dominant classes, at least until the late 1960s. Vianello himself points out that the distortion in consumption was functional to high economic growth. The low costs of Italian products increased profits (also due to low wages), in turn generating high

investments for the expansion of productive activity, thus further decreasing costs and enhancing competitiveness in the export sector. Moreover, this mechanism strengthened the distortion of consumption, favouring a decrease in the cost of goods that the working class could not afford and thus increasing the relative price of basic necessities. The extraordinary increase in exports together with the “unequal distribution of income and the distortion in consumption contributed to a loosening of the balance of payments constraint. However, with the increase in investments and employment and the increase in wages, the problems would emerge” (*Ibidem*: 34).

I argued above that historical materialism (particularly in its neo-Gramscian strand) is a *perspectival* approach to the world. It is a theory that explicitly recognises the particular point of view (that of labour and the critique of labour within a capitalist society) from which it is formulated. The theory also stresses that our conceptions of the capitalist world totality and its effects on us (and/or the state we live in) are rooted in how capitalism *appears* to us, how it generates assumptions about economic ‘facts’ from a particular standpoint in space and time, thus how the ‘international’ is internalised. This is so because human social practice cannot escape the particular position in which it finds itself and the standpoint it adopts. It is necessarily perspectival, since humans are unable to grasp the complexity of the world in its totality. Social practice is thus based upon specific national or social points of view that shape thought and action. These perceptions are in turn heavily conditioned by the ‘material basis for existence’, human beings’ need for means of subsistence and their dependence upon the market for their satisfaction.

Therefore, it can be said that the totality of the capitalist mode of production appears to the Italian actors (parties, unions, etc.) as signaling a particular weakness of Italy, and thus as generating the necessity to maintain real wages low in order to compete (and generate enough exports to pay for the much-needed imports). This was the basis of the 'economic miracle' of the 1950s and 1960s, and therefore generated certain beliefs on what the country needs in order to achieve economic success. There is clearly no general rule, but I argue that it was a common sense assumption that tended to repeat itself and condition the way national social and political actors have 'internalised' the 'international' in their forms of common sense. This is the general proposition I am arguing.

Trasformismo in the Italian political economy

In this section, I present the concept of *trasformismo* as a heuristic tool to interpret Italian post-war history by reviewing the thrust of historians Paggi and D'Angelillo's excellent work (Paggi and D'Angelillo 1986) on *trasformismo* as a form of historical development in Italy. I consider this category to be central in understanding the development and consolidation of versions of common sense on the political economy that resurfaced in the 1990s, but that were implicitly at work in the previous decades.

The term *trasformismo* has often been equated simply with clientelistic practices of political co-optation (in a spectrum ranging from patron-client relationships to outright corruption), neglecting its class content. The standard conceptualisation of *trasformismo*, that has also been the dominant *political* interpretation of the concept, is

that provided by Italian economist and political theorist Vilfredo Pareto. According to him, collective movements, groups or political aggregations with their claims inevitably produce 'degenerations' into the 'natural' division between economics and politics. *Trasformismo*, in this understanding, is seen as the inefficient interference of political 'arbitrariness' into the rational automatisms of a market economy for the purpose of creating artificial consensus.

In Pareto's analysis (the following is based on Marshall 2007: 13-21), *trasformismo* is linked with clientelism, consisting in complex shifting networks of patron-client links between politicians in government and the masses via the mediating role of local political and economic élites. Crucially, apart from the traditional 'grand electors' in the Italy of Pareto's times, the social theorist also included socialist and catholic labour organisations as a category of 'collective grand elector'.

What emerges from the thought of this pre-eminently elitist theorist is a deep mistrust of the realm of 'the political', conceived as either arbitrary interventions into a pre-supposed neutral economic logic or as the fanatical quest for justice on the part of non-élites. *Trasformismo* is here seen as the attempt on the part of a ruling class to maintain social control precisely by clientelistic intervention into the laws of the economy. Moreover, it is seen as an inherently 'anti-modern' phenomenon, the clue of a society being backward in the route to progress.

According to Paggi and D'Angelillo it is precisely this conceptualisation of *trasformismo* that has been dominant in Italy, particularly in the Italian left. Interestingly, the use of clientelistic and patronage

networks that were common practice in Italy's history left in the Italian communist and socialist tradition a widespread anti-corruption sentiment and an idea of the state as inherently prone to 'capture' on the part of particularistic interests.⁷⁶

Paggi and d'Angelillo, following Gramsci, argue that *trasformismo* is not a deviation from a supposed natural path of modernisation (as in the many theories of modernisation), but a form of *hegemony*. It emerges in a situation where the problem for the ruling class is to manage a process of modernisation of the economy and society in line with the transformations in transnational capitalism, within a context of political stability. Moreover, in Gramsci, the organisation of consensus according to this scheme reflects a model of development that does not contemplate significant increases in domestic demand (see Liguori and Voza 2010).

Paggi and D'Angelillo point out how, in contrast to an idea of *trasformismo* as simply a process of clientelism, corruption or patronage, Gramsci carries out two important innovations (Paggi and D'Angelillo 1986: 65):

- The full acknowledgment of the perspective of a mass society. *Trasformismo* does not signal the manipulation of a pre-modern political élite, but the insertion within clear rules of the game of a network of mass-structured 'interest groups'.
- The idea that administrative apparatuses are in this context agents of a modernisation and industrialisation process that is aimed at the preventive control of social conflict.

⁷⁶ Consider this quotation from Ignazio Silone: "the state always stands for swindling, intrigue and privilege, and cannot stand for anything else" (Silone 1950: 98 cited in Marshall 2007: 15).

What is at work is a system of hegemony of the dominant classes that, by using precisely strategies of *trasformismo*, aims at avoiding the construction of an autonomous political subject in the workers' movement. In the last instance, the central point of hegemony is precisely the material *and* cultural-ideological subordination of the 'subaltern classes' to a system of power. It would therefore be a mistake to equate capitalist hegemony with outright liberalism, as it must be related essentially to the strategies followed by the dominant classes and parties in Italy vis-à-vis the 'dominated'. It is clear from the above that *trasformismo* as a form of historical development is not at odds with modernisation, but rather represents its manifestation in a particular national state, with the objective of combining development with the political marginalisation of the workers' movement. A quotation from Paggi and D'Angelillo explains this aspect:

"...the problem at the root of *trasformismo* is not that of governing in the absence of modernity, but of modernising *against* the labour movement, therefore avoiding that the main social partner in an advanced industrial society could reach full and definitive legitimacy, thus equal dignity, within the political system. In this sense, we can say that *trasformismo*, in so far as it is characterised by the effort to reject or contrast the labour movement's full attainment of the status of autonomous political subject acting within the rules of a liberal-democratic state, puts emphasis on the question of alternation in government" (*Ibidem*: 67).

Capitalist development and modernity in Italy was therefore not somehow 'lacking' vis-à-vis other European experiences. Quite to the contrary, the notion of *trasformismo* allows for an understanding of the peculiar

nature of bourgeois hegemony in this country. Negative integration was the mechanism through which political and social hegemony was maintained.

On the other hand, as the two authors stress (*Ibidem*: 65), the dominant interpretation of the country's development on the part of the PCI was based on the idea of a *lack* of bourgeois hegemony, a situation which was supposedly faced by the ruling classes precisely by using a strategy of *trasformismo* to try to contain a stronger working class movement (vis-à-vis other European states). This interpretation neglects, according to the authors, the fact that the labour movement's party never acceded to government in Italy, quite unlike what happened elsewhere in Europe. Moreover, this view reflects once again an unspoken assumption of stages of 'modernisation': differences in capitalist development are interpreted as deviations from a supposed standard form of capitalism (usually identified with either the United Kingdom or France). Clientelism (and corruption as its extreme manifestation) are interpreted – also on the left – as undue political manipulations of economic development in a situation of lack of hegemony.

The DC regime and trasformismo

Above, the nature of the DC 'regime' was briefly sketched, with the help of the relevant literature. Within the scheme of *trasformismo* proposed here, catholic 'interclassism', meaning the extensive links maintained by the dominant political party with a whole series of interest groups from several sectors of society, can be seen as a form of *negative* integration of the political organisations of

the working class. There was thus formal legalisation of organised labour and the party of the working class, but substantial exclusion from government and their lack of legitimacy as autonomous political subjects.

The idea of a strategy based on the constant political and socio-economic marginalisation of the working class (discernible within the political system, the fiscal system and the distribution of incomes – see above) is linked to a particular form of bourgeois rule. As Cesaratto argues the Italian bourgeoisie was unable to structurally switch to a form of contractual politics and has always answered in a conservative – if not outright “reactionary” – way to demands of social reform: from fascism to Berlusconi passing through the ‘strategy of tension’ of the 1970s (the political use of terrorism) (interview with Cesaratto). These developments have in turn affected the ‘maturation’ of a social-democratic left, a left that not only conceives its action as a conflictual stance *within* the confines of a liberal-democratic polity, but also one that is fully recognised and legitimated as such by its political and social counterparts. In its place, as will be argued below, there is a left characterised by the combined and contradictory elements of *socialist myth* and *hyperidentity* on the one hand and *economic moderatism* on the other (*trasformismo*).

The strategy in the post-war Republic was thus a more sophisticated stage from pre-war class rule: democracy ceased to be ‘subversive’. The real problem now was preventing the access to the government’s resources (state spending, organisation of the welfare state) by the labour movement (*Ibidem*: 68-69) – the ‘imperfect bipartism’ being the political expression of this exclusion. The strategy was one of political containment of the labour movement based on a particularistic logic. Paggi and d’Angelillo

highlight that the economic culture of Italian *trasformismo* was essentially economically liberal ('liberista'⁷⁷ – Paggi and d'Angelillo 1986: 69). In fact, the first post-war years were characterised in Italy by a series of choices that confirmed the liberal dominance in economic thinking and practice: extensive trade liberalisation, a politics of deflation and the main objective of maintaining monetary stability (*Ibidem*: 134; Graziani 1998; see above). The main difference with the social-democratic experience is that Italy's structural deficit in the balance of payments after the late 1960s was not seen (as in the practice of social-democracy across Europe) as a national weakness that needed to be tackled by using industrial policy or other forms of state intervention including protectionism. Instead, this weakness was used as an argument in order to weaken the labour movement and constrain its claims, through a "deflative equilibrium" in external accounts (*Ibidem*: 55).

In the previous section, I reported Vianello's argument that the weakness of the Italian working class contributed to explaining many elements of Italy's economic miracle: the unequal distribution of incomes, the composition of consumption (skewed toward high-quality goods that the working class could barely afford), the huge increase in exports. Cesaratto, in his interview, argues that in order to understand Italy after Maastricht one has to look precisely at these elements and the way the country emerged from the 1950s and 1960s *miracolo*. He argues that the first worker mobilisations in 1963 and the 1969 'hot

⁷⁷ Unlike in the English language, in Italian there is a difference in meaning between the idea of political liberalism and that of economic liberalism. *Liberalismo* refers to the former, the idea of bourgeois political institutions, while *liberismo* refers to the idea of free competition between market forces.

autumn' did not lead to a 'northern European social-democratic' settlement, an Italian version of the social market economy, but to the conflictual decade of the 1970s. The interesting aspect to underline is that – according to Cesaratto – the reliance of the DC regime on a social basis formed by the petty bourgeoisie generated distortions that continue up to the 1990s. The major one, he points out, is the inflation-generating mechanism that has its origins in what Sylos Labini called the 'mouse in the cheese', that is, a series of groups that can take advantage of their monopolistic positions in the Italian economy to raise prices (Sylos Labini 1975), and that are identified largely in the commercial bourgeoisie. Thus, the persisting of an inflation rate that is higher than its trading partners in the 1980s and 1990s has its origins – according to Cesaratto – in the power of a series of social groups including crucially the retailers and wholesalers that can set prices. The attack on the salary, one of the goals of economic policy in the 1980s and 1990s, thus went together with the maintaining of positions of (relative) power of these social groups (interview with Cesaratto).

The PCI, trasformismo and economic liberalism

Italy has experienced a quite peculiar strategy of integration of the subordinate classes. The concept of *trasformismo*, and thus the particular relation between the ruling classes and the labour movement, has greatly conditioned the PCI's stance and in its own conceptualisation of the problems of the country. Two elements, drawn freely from Paggi and d'Angelillo's work, give a good idea of how the PCI – and the CGIL, which

was in many respects the PCI's natural extension into the labour movement – has positioned itself vis-à-vis this strategy of *trasformismo*, aimed at its marginalisation.

The first element was the so-called 'hyperidentity' of the PCI (*Ibidem*: 100-103), the role played by the myth of socialism embodied by the Soviet Union, as well as the notion of 'progressive democracy', that went hand in hand with the 'popular front' strategy pursued by the PCI. One must keep in mind that the PCI, since the end of the Second World War, was *not* a revolutionary party. In fact, Togliatti, the secretary of the party in the 1940s and 1950s, claimed that the PCI's role was not only to criticise but to propose 'concrete solutions' to the country's problems, entailing for instance a view of capitalist crises not as chances for a revolutionary break but as moments in which consensus needed to be found (see Amyot 1981). In its concrete practice, the PCI's action was geared towards the consolidation and extension of the liberal-democratic framework (Paggi and d'Angelillo 1986: 102). However, Paggi argued (in his interview) that without the identitarian role of the Soviet Union, the PCI would have easily crumbled, because the myth of really existing socialism served a fundamental function, a constant reference point for local identities and antagonisms. In fact, the historian went as far as to argue that the 1993 protocol cannot be explained without making reference to the fall of the USSR.

Paggi and d'Angelillo point out that the particularly conflictual stance of the Italian labour movement can be seen as the reflex of a lack of political recognition of the popular and workers' movement; thus, as the expression of the necessity of its constant re-affirmation of identity, in order to gain political legitimacy (Paggi and d'Angelillo

1986: XIV – again, in contrast to the social-democratic experience of mutual recognition). The two historians also note that the decision taken by both the PCI and the trade unions in the late 1970s not to demand compensation for wage restraint was based on the belief that the intensity of social conflict in that decade was a sign of the strength of the labour movement. To the contrary, they argue that it becomes the “most tangible sign of the intransigence to which the unions are forced in a situation in which they cannot be fully recognised as an essential partner in economic policy, as has happened since some time in other European countries” (*Ibidem*: 14). Thus, conflicts and industrial unrest are not symptoms of strength, but of weakness, which in turn contributed to the strong identitarian element of the PCI and the CGIL. This weakness harks back to the 1950s, when the working class was isolated and divided, and constantly under the threat of ‘the sack’ due to a high rate of unemployment and a situation on the shopfloor characterised by paternalism and discrimination (Vianello 1979: 27

A further element that is important in understanding the tradition of the Italian working class movement is what Regini (1991 cited in Hyman 2001: 155) calls ‘productivism’: an ideology – particularly strong within the CGIL – that has its origins in the craft working class, and referred to the idea that workers possessed the right and capacity to control production by themselves. It often went hand in hand with an austere work ethic. This element was revived in the 1980s in the unions’ willingness to share with management the decision-making over policies and strategies aimed at adapting the organisation of work to new competitive challenges (Hyman 2001: 155). Moreover, and linked to the above, Panzieri (1976) emphasises how

the confederal trade unions' and the PCI's position during the heyday of the economic miracle in the 1950s and 1960s reflected what he called an 'objectivism' which ultimately accepted capitalist rationality at the firm level, tending to privilege political action at the level of the external sphere of consumption and salaries.⁷⁸ According to Panzieri, the PCI and the CGIL leadership emphasised the positive benefits of technological change – rising productivity and the possibility of rising wages – generally downplaying the way in which the rise in the organic composition of capital was being used by capital to increase exploitation and reduce the relative strength of workers. The strong work ethic, that has always been a central aspect of Italian communist ideology, was the counterpart of the emphasis of the PCI on the critique of consumerism. It was often claimed by the PCI, particularly since the 1970s, that the main phenomenon to be contrasted in recent capitalist development was the diffusion of an individualist consumerism. Berlinguer even theorised austerity as a “chance to reform Italy” and as a liberatory act whereby the popular masses create new forms of solidarity (Berlinguer 1977).

The advantage of the socialist myth – providing a strong identity in a situation of constant threat to its legitimacy – was evident. The disadvantage was however that it contributed to continually put in doubt the democratic credentials and legitimacy of the PCI (Paggi and d'Angelillo 1986: 101). According to the Paggi and

⁷⁸ In critiquing this position, Panzieri also quotes Marx stating that the sphere of circulation created by the process of exchange is a true “Eden of innate rights of men.” Workerist analyses of the ‘class composition’ in Italy and in specific firms are included in the Journal ‘Quaderni Rossi’ of the 1960s. In particular, see: Alquati 1963.

d'Angelillo, this generated an important difference between the Italian case and countries where social-democracy has acceded to government (Sweden, Germany, Austria, for instance): "while the social-democratic trade-off tends to exchange moderation in social conflict with direct or indirect increases of the real salary, the communist one always tends to see as an adequate compensation a wider recognition of its legitimacy" (*Ibidem*: 102).

Hyper-identity was also the result of the marginalisation of labour, constantly confirmed by a renewal of the threat to the very survival of the communist CGIL. Consider this quote from former CGIL secretary Bruno Trentin:

"The 1950s CGIL was forced into isolation, most prominently by the public institutions and the state's administration. It was a union that was fighting for its very survival, not only vis-à-vis the employers, which were practicing a harsh politics of discrimination, but also vis-à-vis the governments. It was a union which had to face a harsh politics of ostracism and discrimination against its own members" (Trentin 1994: 218).

The second element is the notion of 'progressive democracy' (*Ibidem*: 110). The way the PCI interpreted the relationship between socialism and democracy was to conceive of the battle for democracy as a progressive path that would lead to socialism. 'Democracy' and 'socialism' were thus equated and went in hand in hand, in the eyes of the party cadres. In the background there was still an idea of a fundamental incompatibility between democracy and capitalism, inherited by the Third International (interestingly, the same incompatibility was theorised in the 1970s in the debate on the contradiction between capital

accumulation and its legitimation – see Crozier *et al* 1975). Democracy was still understood as a ‘subversive’ element within a capitalist society. What was lost in this kind of analysis was the logical and historical link between capitalism and democracy (based on the division between the political and the economic, and the extension of the egalitarian logic of the sphere of circulation, analysed above), so that the notion of democracy – in the PCI’s conceptualisation – became a political formation based on a general will, with the latter as the sole arbiter of history.

From a Marxian perspective, liberal ‘juridical freedom’ and equality can be seen as idealised representations of exchange in the sphere of circulation. The capitalist values of freedom and individualism are linked with the realm of exchange. Therefore, in the terrain of political struggle, there is no ‘increase in democracy’ that can lead to socialism. Therefore, this understanding of the functioning of democracy as inherently antagonistic to that of capitalism is different from the social-democratic insistence on ‘welfare capitalism’ or the ‘welfare state’, within a perspective that embraces liberal democracy as the conceptual horizon of political action. In the socialdemocratic conceptualisation, the market plays an important role: it must be promoted because it can provide needed use-values, but at the same time there is a conflictual understanding of its basic operating mechanisms. So, at the basis of social-democracy is a conflictual understanding of society, of social relations within capitalism. Paggi and d’Angelillo argue that the dissociation between democracy and the market generated in the politics of the PCI a non-contractual perspective on the relations between classes, and thus “an idea of the general interest as something necessarily in contrast to

conflict" (*Ibidem*: 113). This vision significantly differs from classic social-democratic programmes, such as those based on Gunnar Myrdal's work.⁷⁹ Moreover, the authors stress how the 'removal' of the market as a frame of reference and thus of a 'contractual' understanding of social relations in a capitalist society, implies a position of weakness vis-à-vis the strategy of *trasformismo* outlined above.

The problem of legitimation and thus that of the PCI's identity noted above therefore weakened the capacity of the party to generate an autonomous programmatic position. This is visible in what the two authors consider as the one of the main political stances of the PCI throughout the post-war decades (*Ibidem*: 100-108). The first one was the party's self-definition as a party of government, which goes hand in hand with the notion of national responsibility. This has played out in the availability of the party to be co-opted in large coalitions in the name of a national interest. In fact, due to the 'K factor' (the impossibility for the PCI to form a government in opposition to the DC, because of the internalisation of the divisions of the cold war), this possibility was envisaged as the only possible way of attaining governmental

⁷⁹ Myrdal, perhaps the most influential social-democratic economist, heavily influenced the ideas and practices of the Swedish social-democratic party and was awarded the Nobel prize in economics in 1974. Myrdal's theory was based on the assumption of structurally contrasting and conflicting interests in the economy, and thus on the idea of the state as the space of politics, mediation and compromise between them. What he refused was the inherently liberal idea of a harmony of interests in the economic sphere and thus of common assessments to the whole social body (that is, independently of the distribution of wealth and income of the social groups), and of the illusion of a non-conflictual settlement. The whole of Myrdal's work is therefore aimed at re-establishing the theoretical and political legitimacy of the 'point of view' of specific social actors, in contrast to the liberal harmonic perspective.

responsibilities. One of the ways in which, therefore, the PCI subordinated itself to the model of *trasformismo* was in its incapacity to create alternative governmental coalitions to the centrist one, and therefore its insistence on the perspective of national unity or national solidarity with the other parties.

Within this context it is easier to understand the second key proposition of the PCI (according to the two authors): the idea of the necessity of sacrifices on the part of the working class. The very idea of a political exchange was almost in principle refused: in fact, the authors stress how the PCI's own understanding of the economic problems of the country was incorporated into the notion of hegemony which would in a way lead to national solidarity (*Ibidem*: 103). A famous quote by Gramsci was often used to justify this position: "Hegemony means a search for compromise and requires also that the party makes corporative-economic sacrifices". However, if transferred to the Italian post-war situation, this political perspective ended up paradoxically justifying a position which interpreted the PCI's participation in government not as an alternative to the model of *trasformismo*, but rather as a theoretical justification of a kind of molecular transformation from the inside, and thus the acceptance of some of its key tenets (*Ibidem*: 105), including the idea of a separation between economics and politics, which the PCI embraced anytime the possibility of forming government emerged (*Ibidem*: 64).⁸⁰

⁸⁰ Harking back to the reconstruction period, we can see the origin of this moderation in economic affairs in the PCI's aim of rendering evident the refusal of the politics of mass collectivisation adopted in the USSR, a strategy which soon turns into a subordinate position to the economic liberal perspective (*Ibidem*: 63).

The PCI's sympathy for liberal economic thought was also due to the lack of a group of qualified Marxist economists. As Amyot argues, because of this "the PCI was to some extent left with the liberal economics of this group (*i.e. the liberal wing of the intelligentsia around the former Action Party and the daily 'La Repubblica'*) as the most readily available alternative" (Amyot 2004: 158). Even Togliatti – who earned his degree in Turin with the liberal Luigi Einaudi – had participated in the cultural 'anti-reformist' climate fuelled by the liberal economists. In the 1940s dialogue within the PCI, Togliatti was opposed to economic planning, arguing that this could be done only in an *already* socialist country under workers' control, and that in a capitalist country, a communist party like the PCI should not propose state planning as this amounted to an acceptance of the logic of planning capitalist development. This peculiar position can be seen as reflecting the combination of socialist myth and economic moderatism (*trasformismo*) of the PCI.

These elements go a long way towards explaining the positions adopted by the PDS in the early 1990s. In fact, the party was both able to create the consensus necessary for austerity policy and was arguably the political formation most committed to the goal of deficit reduction and meeting the Maastricht criteria. As Micheleni notes, the secretary of the PDS in 1990s, due to these cultural antecedents, felt that he could legitimise his policies of liberalisation and privatisation against state 'parasitism' by referring to Gramsci's thought (Micheleni 2008: 92).

Therefore, the Paretian interpretation of *trasformismo* and clientelism had paradoxically found acceptance in the PCI's interpretation of the DC regime. The idea of a backwardness and corruption of the Italian ruling classes

was accepted as a key element of analysis in the critique of the DC. This analysis was prone to a punitive politics vis-à-vis the welfare state and labour interests. According to Paggi and d'Angelillo "within this framework of reference, we can conceptually explain the possibility that a harsh moral critique of the dominant party coupled with the support for a politics of 'recovery' (*risanamento*) which, although intentionally aimed at 'cutting the enemy's nails' (deflate the DC), inevitably have the effect of weakening the contractual force of the labour movement" (Paggi and d'Angelillo: XIV). A further element that must be noted here is the affinity that the PCI had with the Bank of Italy. This stance can be explained by the fact that the Bank was one of the few institutions that was not controllable by the DC regime (Amyot 2004: 113).

In the management of the state, thus, it are considerations of financial balance that take precedence, in an interpretation of the welfare state as a system of clientelistic management of consensus (Paggi and d'Angelillo 1986: 154). The Italian welfare state was and is characterised by both state spending which favours middle and upper strata, as well as by the lack or incompleteness of universalist services which favour lower strata. What was missing from the PCI's stance was a disaggregated analysis of the problem of state finances, which alone can generate alternative solutions to outright fiscal retrenchment. This is, I believe, a key point. The critique of the DC regime turned into a potentially anti-labour stance, a factor that arguably emerged with new vigour in the 1990s. To this one must add the fact that – also as a consequence of the strategy of *trasformismo* – the PCI was *not* a *statist* party, equating a 'strong' state with the DC's clientelistic practice, as Amyot remarks:

“the PCI...was never a proponent of easy money, inflation, devaluation and large deficits. It recognised that inflation tended to favour business and the petty bourgeoisie and that deficits financed DC patronage schemes. Hence it is possible to understand the PDS’s commitment to meeting the Maastricht criteria as the product of the party’s history. It is indeed ironic that the PDS demonstrated a firmer resolve on this issue than the parties of the right” (Amyot 2004: 113).

The ‘liberal socialist’: trasformismo and the non-communist left

Also the non-communist left was conditioned by the strategy of *trasformismo*. The key-word of what Paggi and d’Angelillo call ‘economic liberal reformism’ (*reformismo liberista*) was not ‘redistribution’, but ‘re-balancing of growth’ (*riequilibrio dello sviluppo*) (Paggi and d’Angelillo 1986 ch.6). The underlying economic stance was peculiarly based on ‘anti-monopolism’ as a structural element. aim of the reforms was understood to be the elimination of positions of rent that obstruct competition in the ‘free market’. These ‘privileges’ were identified in both state aids, various forms of protection and the trade unions. Once again, the power of the labour movement was perceived as potentially contrasting with the general interest, and thus as a particularistic stance that must be tamed. In fact, one of the PCI’s programmatic alliances with the other left-wing forces was based upon the creation of an ‘anti-monopoly’ coalition, whose echoes can still be heard in recent times (Salvati 1995). The idea was to create a capitalist framework without monopolies, and the state’s

action was seen as providing the framework for a competitive interaction that could achieve the maximum social utility. The idea, shared by Scalfari (Paggi and d'Angelillo: 127-128) is that situations of monopoly create an obstacle to the perfect mobility of the factors of production, that is the only mechanism that can create full employment. The 'general interest' was thus equated with the conservative figure of the 'tax-payer', and was seen as potentially harmed by the particularistic logic of the organisation of collective interests, such as trade unions or other interest groups. As Paggi and d'Angelillo argue, within this framework the critique of the 'economic right' blends with a condemnation of the "classic collusion between plutocracy and worker oligarchies" (*Ibidem*: 128). This position has in fact formed the thrust of the liberal critique of the DC regime carried out by a generally liberal centre-left public opinion, epitomised by the figure of Eugenio Scalfari and his magazine 'Il Mondo', and later the newspaper 'La Repubblica' (starting from 1978) (see Paggi 2003: 86-88). This stance conditioned both the PSI and the left-wing of the DC (in addition to the PCI).

The critique of the DC regime was entrusted to categories such as 'parasitic capitalism' and 'backwardness'. Giuliano Amato, member of the PSI, and in 1992-1993 prime minister of the country, proposed in 1977 an analysis that had *in nuce* all the elements of the liberal critique not only of the DC regime, but of the whole 'First Republic' experience. His analysis was based on the notion of *modello spartitorio* (essentially, a model based on the clientelistic and party-driven distribution of funds for consensual purposes) retrieving all the economic liberal and Paretian interpretations of *trasformismo* (Amato 1976). In the early 1990s, as the country delved into the crisis of

the First Republic, the notion of *consociativismo* re-emerged as a central category used to depict the clientelistic practices of the parties. In fact in Amato's 1992 article (Amato 1992) one can find a harsh critique of the constitutional model, that generated the common perception of the constitution as *cattocomunista* (catholic-communist) and thus hostile toward the market. This description of the 1948 constitution was 'organic' to the programme of privatisations begun in the early 1990s (Michellini 2008: 58). Ciampi himself, in his reflections on his experience in government, argues that the autonomy of his government from the political parties was a healthy regeneration after the parties' "expropriation" of decision-making power from the governments of the First Republic (Ciampi 1996: 9).

To conclude this long historical and conceptual *excursus*, let us sum up the two main points that characterise the economic liberal tradition of the Italian left. On the one side, there was a view of power that focused on the notion of 'corruption' as a central analytical tool (it will be used by both liberal and social-liberal culture in Italy to attack both the DC and collective organised interests in Italy). On the other hand, there was the idea that the labour movement with its claims and demands can always be in contrast with the 'general interest'. It is mostly this second point that marked a key difference between the economic culture of the Italian left and that of its European counterparts. The difference is that between *trasformismo* and social-democracy (or reformism). The former was based on: a politics of containment of the Italian labour movement; the constant marginalisation of wages in the distribution of income; and the PCI's projection on the

notion of 'national unity' of the problems of government, that reflected the internalisation of *trasformismo*.

The 'liberal strategy' of the Second Republic

I believe that it is worth signaling a few elements of the transition from the 'First' to the 'Second' Republic that can help us understand the genesis and consequence of the 1993 deal. In this short section, I briefly review an article by Paggi (2003) that sheds light on the liberal underpinnings of the transformation.

In this long and detailed analysis, Paggi shows how the liberal hypothesis and strategy of a 'politics without parties' emerged in Italy starting from the 1970s (in line with the devising of a transnational neoliberal project), aiming at undermining the role of the parties in the Italian political system, that was increasingly portrayed as being characterised by clientelism and what has been termed 'consociativism'. This strategy must be seen as the reaction to the strengthening of the labour movement in the 1970s, against which a culture of 'limited liberalism' developed the strategy of 'Second Republic'. The development of this strategy can be synthesised in three steps.

Firstly, the liberal reaction to the belated development of the Italian welfare state, aiming precisely at delimiting the role of the political parties. Paggi begins his analysis by spelling out his theoretical stance, which views parties as "a deep-rooted element in civil society whose function is to elaborate the political direction of government. Elements of crisis in a parliamentary democracy tend to emerge when parties become weaker, not when they become stronger" (*Ibidem*: 64). In the Italian

case, the political parties served a crucial *supplementary* function for the state: because of the genesis of the Italian state and polity and its weak legitimacy and sense of identity, the masses were largely incorporated in the state and mobilised by the two major political parties, themselves strongly divided according to the cold war fracture. The crisis of the 1970s generated a weakening of the parties because of: secularisation and the loss of efficacy of patriarchal forms of politics; the proliferation of new social movements outside of the political parties, including the unions; the growth of the welfare state. The governments of 'national solidarity' of the late 1970s also contributed to the distancing of the PCI from its own social base and from the social forces that had mobilised in the previous years. The liberal project that emerged in this conjuncture had two objectives (*Ibidem*: 72): an institutional reform in a majoritarian (or even presidentialist) direction in order to downsize the power of the parties; an attack on the historical identity of the PCI, which went hand in hand with the resurgence of a cold war militancy in the West.

Various intellectual milieus are part of this trend. Norberto Bobbio was 'rediscovered' as the theoriser of the superiority of the liberal-democratic tradition vis-à-vis the tradition of the working class.⁸¹ The socialist journal 'Mondoperaio' started publishing articles that were

⁸¹ Bobbio had a *negative* idea of liberty as liberty from the state, as non-impediment. As Paggi points out, in Bobbio there is an idea of "freedom from the state as an insuppressible moment in any liberal political theory. The ideal cannot thus be separated from the institutions in which it is realised. In the context of this theoretical strategy focused on the empirical link between means and ends, there is the idea of the inseparability of the 'market' and 'democracy'" (Paggi 2003: 75-75). This critique went to the heart of the PCI's notion of democracy, that was founded on an inseparable link between 'socialism' and 'democracy'.

increasingly critical of the party-dominated political system, introducing the notion of *partitocrazia* ('party-ocracy', the rule of political parties). In fact the very terms 'consociativism' was introduced into public discourse by an article on 'Mondoperaio' by future Prime Minister (1992-1993) Giuliano Amato, signaling here the link between the modernising elements in the PSI and the liberal strategy. The late 1970s and early 1980s also witnessed the increasing activism of the liberal-democratic public opinion around 'La Repubblica', that inherited the stance of the magazine 'Il Mondo' with its idea of liberal-democracy as a 'third force' between the two ideological and church-like political parties (*Ibidem*: 76). In the 1980s, the democratic legitimacy of the PCI was increasingly questioned by the combined strength of these new forces, in a period in which progressive governments, and parties were on the defensive worldwide (see Van der Pijl 2006 ch.4 and 5). A new *liberal* anticommunism, radically different from the catholic anticommunism of the previous decades, emerged and found new followers in a secular individualist culture (consider the successful referendums on divorce and abortion of the mid-late 1970s).

Giuliano Amato's 1977 article in 'Mondoperaio' is seen by Paggi as containing all the elements of this liberal critique of both the PCI and the post-war settlement in Italy: the economic liberal assumptions of Pareto's thought; the category of *modello spartitorio* (clientelistic model); the idea of politics as a source of corruption. As Paggi notes, "the sphere in which consensus is organised is that in which the process of *lottizzazione*⁸² takes place. The sphere of the parties was that in which negotiation, compromise,

⁸² *Lottizzazione* refers to the division of power within the state-apparatus according to party and faction lines.

and the loss of all strategic dimension takes place. The critique of the Christian-Democrat system turned into a radical mistrust of politics. This element of mistrust of democratic politics was an organic and constitutive part of the Italian liberal (*liberale e liberista*) tradition, originating in Pareto" (Paggi 2003: 81).

To this one should add the *liberal* attack on the antifascist tradition, epitomised by the figure of historian Renzo de Felice. By obscuring the antifascist origins of the Italian republic, the objective was to further delegitimise the PCI as one of (if not the strongest) promoter of the democratic struggle of the 1940s. As Gallerano notes, "the critique of antifascism is in fact an aspect of the critique of the PCI and, by extension, of all the social, political and cultural movements which had traversed the country in the years following 1968" (Gallerano 1986: 127 cited in Paggi 2003: 100). This long quote by Paggi gives a good idea of the significance of this moment for liberalism itself:

"the liberal rejection of the antifascist paradigm, proposed by De Felice's revisionism, has historiographical implications of extraordinary importance. It means cancelling from the history of Europe the years not only of the refoundation of democracy but also of the deep reclassification of liberalism, that only by passing through the antifascist experience can shift from the appeasement culture, in which it was stuck at the end of the Thirties, to that of the welfare state" (Paggi 2003: 100).

The second step in this process was the PCI's defensive and identitarian reaction to this attack. The party failed to renew its cultural tradition by revising its notion of the nexus between democracy and socialism and of the party as 'organised democracy', and renewing its

relationship with society after the turbulent decade of the 1970s: "there is in those years a deep nexus between the growth of democracy and the crisis of democratic politics that the framework of the *Togliattian* categories - that the PCI continues to employ - cannot even suspect" (*Ibidem*: 92). The secretary of the PCI, on the other hand, started to talk about a 'moral question' that was haunting the Republic and that basically consisted of the illicit occupation of the space of politics by corrupt and clientelistic networks. As Paggi notes,

"by emphasising in an exclusive way the moment of corruption, Berlinguer forgets that the Christian Democratic system of power developed as a distortion of a great phase of growth of Italian democracy and of development of its citizenship rights, which continued to exist as a fact to be interpreted and politically represented. By concentrating on the relationship between parties and institutions, he left in the background the relationship between parties and society, neglecting once again that reflection on the crisis of the parties that had to involve also the PCI...Togliatti's orthodox pupil, by substituting the 'historic compromise' with the 'moral question' *de facto* rejoins that line of containment of the sphere of politics that the Italian liberal tradition had started to support since the second half of the 1970s" (*Ibidem*: 96-97).

The third and conclusive step in (my interpretation of) Paggi's historical survey was the institutional reform of the 1990s and the left's post-communist transformation. The historian sees the end of the PCI experience as taking place on the basis of a substantial acceptance of the claims advanced by liberal culture and politics in the previous 15 years: "at the beginning of the new decade there is no

political force in opposition or contrast to the cultural profile of the Second Republic" (*Ibidem*: 104). The two elements outlined above – the demand for an ideological transformation and institutional reform – were accepted as necessary by the communist leadership, who spoke about a phase of "discontinuity with the consociative phase" and reformulated its position with a strong anti-party twist. The use of the term 'consociativism' implied, as Paggi argues (*Ibidem*: 105) the abandoning of the constitutional model and the adoption of a strategy of renewal based on the elements already contained in the analyses proposed by 'Mondoperaio' in the late 1970s. There was thus an emphasis on the new strength of civil society vis-à-vis the parties and the state (this should be read also through the Lockean/Contender state paradigm proposed above), and no reflection on the evolution of parties as such (it is not a chance that the new political formation is first informally derubricated as 'the thing' and then the term 'party' is altogether removed from its name). Tellingly, the promoter of the 1993 referendum for the abolition of proportional electoral law at the Senate, the liberal conservative Mario Segni, was backed by the PDS, and a possible common electoral cartel was even envisaged. Segni's idea of the change from the 'Republic of the parties' to the 'Republic of citizens' speaks volumes about the underlying changes not only in the conception of democracy but also in the political economy settlement that were in the making: the abandoning of the 'culture' of the parties and the idea of expanding the sphere of the market and reducing the state's intervention in the economy. In his interview, Paggi underlined that the trajectory of the post-communists since the early 1990s can be seen as based upon this discourse of a 'Republic of citizens' against a 'Republic of parties' and

that in order to dismantle the PCI, the secretary Occhetto needed to lean upon this liberal culture that attacked the Italian constitution as a catholic-communist pejorative compromise.

The 1990s, while signaling the victory of the liberal strategy, at the same time marked their defeat, in the sense that Berlusconi's success showed that identitarian politics (although via the 'media party') was not over, and that the exaltation of direct democracy and the antipolitical positions of the liberals carried with them forms of plebiscitary mobilisation that were not anticipated. Let us conclude this section by citing Paggi's description of the new reformism embraced by the left in the 1990s:

"The new party of the left, that precisely due to its origin has decided to exclude any reference to the socialist tradition, begins now to postulate a *reformism without elements of mutualism*.⁸³ That is, a reformism understood as a mass of more or less coherent policies deprived of any reference to the existence of communities that are concretely defined historically and socially. Reformism transforms from a natural drive towards 'self-protection' from the market (this was the fundamental matrix of the old culture of Prampolini's socialism⁸⁴, half a century before being theorised by Karl Polanyi!) to a technocratic abstraction, devoid of ideological and social referents. A reformism without subject, if not that represented by the political class, bereft of memory, of history, committed - regarding the important problems of the functioning of democracy - to an institutional modelling devoid of any capacity for mobilisation but to which is entrusted the task

⁸³ The original is: "riformismo senza mutualità".

⁸⁴ Camillo Prampolini was an Italian reformist socialist of the late 19th century-early 20th century.

of miraculously realising the ‘normal country⁸⁵’ (Ibidem: 122).

Left-wing liberalism in the 1990s

In this section I briefly analyse the interpretations of the Italian economy by centre-left intellectuals and economists in the 1990s. These positions must clearly be seen as logically linked to the strategy of *trasformismo* described above.

One of the main exponents of Italian left-wing economic liberal thought is economist Michele Salvati. He identifies the problems of Italy as stemming from what he calls ‘incomplete and distorted modernisation’ (Salvati 1995: 91), a set of problems that in his view are due to the fact that Italian industrial development took place late and liberal values have not developed in large segments of Italian society. He sees the project of the Italian left as that of completing the modernisation of the country, characterised – in his view – by an inefficient state, a dependent South and a strong criminal activity. His 1995 article “the Crisis of Government in Italy” offers a useful example of the kind of left-wing liberal thought that re-emerged in the 1990s. Consider these statements:

“These problems are acutely felt by Italian citizens, sometimes even more pressingly than those of redistribution and unemployment. Is there a left-wing answer to these modernisation problems? A left-wing way

⁸⁵ Incidentally, it is arguably not a case that one of former PDS secretary and Prime Minister Massimo D’Alema’s best-selling books was entitled: ‘A Normal Country’ (D’Alema 1995).

to stamp out criminality? Of stimulating capitalist development in the South? Of inducing public employees to work as hard and productively as their private counterparts? Are not these problems – in some way – preliminary to the modern distinction between left and right?" (*Ibidem*: 92)

We can see here the strategy of *trasformismo* at work. The left is urged, to quote Togliatti, to 'pull the flags of the bourgeoisie out of the mud'. The idea, which has received much attention in the Italian left, is that of a form of national capitalism that is described as *straccione* (ragged), the result of an incomplete liberal revolution. In this condition, as Bruno Trentin critically remarked, "the main goal of the working class was that of bringing to completion the liberal revolution that Italian capitalism, clung onto parasitic and reactionary positions, had left unfinished" (Trentin 1994: 241). Another passage from Salvati's work is revealing in this sense:

"Perhaps Anthony Giddens is correct to state that today the Left is conservative while the Right is radical. This may be true for the Left and the Right in fully modern, or postmodern, societies and especially in Anglo-Saxon countries. It is certainly false in the case of the Italian Right, since it is difficult to imagine a political conglomerate so conservative, unprincipled, corporatist and parochial. This is only to be expected in a country where the kind of modern right-wing thinking Giddens is referring to – liberalism, and in particular radical liberalism of the Anglo-Saxon variety – has always been in scarce supply, even more than in other continental European countries, where it is not very abundant either. This liberalism goes hand in hand with a confident, open-market capitalism, rooted in a complex society, imbued with values of self-reliance, and

independent of the state. This is just the contrary of Italian capitalism, nurtured by the state, protected against 'excessive' competition, periodically rescued by the public sector, and developing in a family form from a very limited regional base" (Salvati 1995: 93).

It is in my opinion worth quoting these passages at length because they give a good impression of the kind of politics that was envisaged by the left in the 1990s, a politics that emerges from the particular relation between the working class and the ruling class that emerged in Italy. Salvati goes as far as to argue that liberals are stronger among the centre-left than among the centre-right and that there is nothing that prevents the left from embracing the banner of efficiency and modernisation more convincingly than the right, identifying a potential problem in the left in the "close ties" that it maintains with the unions (*Ibidem*: 93), thus in a way confirming what was remarked above, namely the view of the working class as a 'particular interest' always potentially in conflict with the 'general interest'.

The figure of Michele Salvati was also important in the 2000s. As the economist Luca Michelini argues, "the systematic attempt to make the economic culture converge towards the centre of the political spectrum, in order to strengthen the economic liberalism of the left, was entrusted to economist Michele Salvati" (Michelini 2008: 29). In Salvati's view, the problem with the left seems to be its remaining 'corporatist' links with the labour movement and the social-democratic traditions of the left, personified by the unions and the Christian-social roots of the PD (the new centre-left party formed in the late 2000s). In the following revealing citation Salvati's understanding of the left's predicament emerges quite clearly: "even if the

centre-left was composed of pure and tough liberals – such as Giavazzi or Monti – how could it pass reforms that are beneficial in the long run but that, in the light of perceived distorted interests in the short run, a large part of our electors do not want?” (Salvati 2007).

In the opening lines of a book dedicated to the origins of the new centre-left party PD, we find this reflection: “The left has to re-write its history from the beginning. Given that the past has a certain weight, it must be admitted that the DC’s victory in 1948 was a blessing and it must be admitted that on the issues that really matter, on the idea of socialism and on many of the economic policies for our country, Craxi (*leader of the PSI in the 1980s*) was right and Berlinguer (*leader of the PCI until 1984*) was wrong” (Salvati 2003: 18). In 2007 he gives a good characterisation of the ideal polity for the PD: “educated and informed citizens that are in conditions of independence and economic security, that face a limited and transparent state, in a society fraught with intermediate associations, with groups that pursue the most diverse interests, with communities based on different ethical and religious conceptions, rich in chances for education and high quality information” (Salvati 2007: 29). This society must respect the autonomy of the individual and must fight economic and political rent. Interestingly, the author sees this society as threatened on the left by attempts to “impose conceptions of the common good on other citizens that do not share them” (*Ibidem*). Later in the book, we find a useful description of the PD’ social base. To the question: what are the social forces that the PD aims at representing?, Salvati answers:

“everyone and no one. No one, if identified by profession, region of residence, ethnicity, sex, age, religious beliefs...He or she may be a white-collar worker or a manager, a self-employed worker or an employee, an artisan or a farmer, an intellectual or a manual worker, a capitalist or a wage-labourer” (*Ibidem*: 44-45).

What Salvati seems to hope for is that there be no specific historic bloc of class forces explicitly targeted by the main centre-left party in Italy. In Salvati’s thought, there is no commitment to representing the world of labour, as in the communist or socialdemocratic experience. For the new party it is thus crucial to switch its “critical attention towards the fields in which markets can expand, on the competitive or monopolistic nature of the markets, on the areas of rent.” From this point of view, “everyone is a worker, from the big manager to the last of the precarious workers” (*Ibidem*). The social relations that create and reproduce on the one hand capital and on the other the workers are totally obscured. What is overcome is also a social-democratic understanding of the role of the state as the institutionalisation of a compromise among social classes (as in Myrdal’s thought). What better description of a Lockean state/society complex than this one?

Salvati’s interpretation of Italy’s economic history, included in his 2000 book *Occasioni Mancate* (‘missed chances’ - Salvati 2000) is also quite interesting to analyse. Here the economist seems to subscribe to an interpretation that – in the classic liberal tradition – separates the self-regulating sphere of the market from that of ‘politics’. “Italian history is one of inflationary explosions and disorder in the state’s budget, of a wave of social demands that could not be met and of an extraordinary fiscal and monetary appeasement vis-à-vis these demands, followed

by a slow and painful process of macroeconomic adjustment, that today leaves us with a heavy legacy of public debt" (*Ibidem*: 109-110). All the more telling is his analysis of the Italy's economic developments of the 1980s, which seem to support an adjustment of the economy along the lines of Thatcher's neoliberalism. His argument, in brief, is the following (62-90). The Italian governing class did not want to have a direct confrontation with labour and in this way fight inflation and public deficits. What was needed was a harsher exchange policy: only in this way would capital have been forced to confront the unions directly. However, from 1980 to 1988 the Lira devalued 55% vis-à-vis the German Mark. The turning point is 1988, when the Bank of Italy starts to exploit its regained room of manoeuvre with respect to the treasury, and devalues the national currency but at a slower rate than the difference in inflation rate with Germany. When the rate of profit slowed down, Confindustria "understands that the moment to directly attack the wage-indexation mechanism has come and unilaterally recedes from the 1975 deal" (*Ibidem*: 74). From this decision stems the 1992 deal with the unions. So, basically, the problem was the redistributive goals of the unions that needed to be tamed if Italy were to finally join the club of European 'modern' nations: "the push toward the conformity of political systems and single policies that comes from Europe are so strong that they will, sooner or later, overcome the divergences and incoherencies of the single national systems" (*Ibidem*: 93). These 'incoherencies' are easy to identify: the political right, the 'radical' left, the unions, organised interests.

Adding to the characterisation of the Italian right reported above, consider this statement: "the real problem in my view is not whether a modernisation and efficiency

programme would be worthwhile, but whether it could be implemented. The left is better than the right but is still a piece of Italian society, which shares many of those characters, habits and cultural predispositions that have so far prevented or distorted modernisation" (Salvati 1995: 94). The solutions he proposes are clearly in line with liberal economic theory: anti-monopolistic policies, privatisations and liberalisations – "liberalism and open markets are in Italy a breath of fresh air and could well be taken up as important aims in a left wing programme" (*Ibidem*: 94). This can be equated with a programme that reflects Van der Pijl's notion of a 'Lockean state/society complex' and follows the Italy-England comparison scheme proposed initially by Pareto, both described above.

What can all of this tell us about the developments of the 1990s? As I will show later, the consensus and reforms of that decade revolved around similar issues and the absence of a *quid pro quo* was remarked not only by the academic literature, but also by the interviewees. Thus, while if seen on the side of the concertative *method*, the consensus of the 1990s is an exception, if seen from the side of the *content* of those policies, one can trace back the availability of the unions and the left for similar kinds of policies back in time and identify the cultural genesis of these stances in the strategy of *trasformismo*.

The PDS anchored its political programme on issues such as good governance and the 'moral question' and aimed at representing the *Tangentopoli* anti-political public opinion that surged in the early 1990s (Bazzocchi 2011). It is not a chance that recently, the heirs of the PCI have taken a *further* ideological step away from the tradition of European social democracy altogether, abandoning any reference to the tradition of the left and renaming the party

‘Democratic Party’ (joining forces with former left-wing Christian-democrats). This is perhaps the ultimate result of *trasformismo*: the (former) party of the working class abandoning – even ideally – the ambition to represent labour in order to pre-emptively embrace the notion of the general interest which, as we saw, was in Italy strictly linked with a liberal understanding of the role of the state and of the country’s insertion into the international economy.

Michellini offers a useful analysis of the left’s economic culture in the 2000s by studying the writings of the major exponents of the PD (Michellini 2008). In his view, the party is divided between 2 broad areas: the economic liberals, self-defined as ‘reformists’, and what the ‘reformists’ would call the ‘statists’⁸⁶, with the former being the dominant group. The ‘reformists’ stance is characterised by the idea that after the fall of the Berlin wall and the supposed failure of social-democratic models and experiments based on ‘Keynesianism in one country’ (such as Mitterand), the only game in town is liberalism. As Grillo, a former member of the anti-trust authority remarked, the PD’s economic culture has to found itself on the ideals of freedom and equality since “liberal ideology is the only one left alive” (*Ibidem*: 9). However, many of the proponents of an economic liberal culture of the left seem to share the preoccupation that the social base of the party has still not assimilated these ideas.

A corollary of this view is - once again – the view that what blocks the future of Italy is a ‘tangle’ of social, political and trade-unionist compromises, held together by

⁸⁶ Very broadly, the ‘statists’ are identified by the author as a group of politicians and economists including De Cecco, Fassina, Ruffolo and Tesaro. The ‘reformists’ are Salvati, Reichlin, Polito, Sapelli, Visco, Toniolo

rents and corporations. The only way to disentangle this 'conservative' bloc is to liberalise and privatise (*Ibidem*: 11), also against the interest of the union leadership, which is seen as protecting 'corporatist interests' (*Ibidem*: 13).⁸⁷

The political dividing line that characterises Italy is seen by the liberal reformists of the PD as that between the interests of the 'corporations' and those of sectors that are ready to 'bet on competition' and that propose an 'anti-corporatist liberalism' (*Ibidem*: 19). In Toniolo's view, the former group include basically almost every organised group: Confindustria, the catholic church, the trade unions, the anti-globalization movement, professional associations and – crucially – political parties (*Ibidem*: 19-20). The logical consequence of this stance is the idea that the PD must distance itself from its social base in the labour movement,⁸⁸ in order to better fight its political enemy,

⁸⁷ An extreme version of this left-wing economic liberalism can be seen in the writings of the journalist and politician Antonio Polito, who seems to recycle the classic critiques of progressive 'collectivism' of Popper and von Hayek, without their intellectual sophistication. In his manifesto (Polito 2007) he basically argues, that the Bolsceviks, referring to a tradition that arches back to Rousseau and Plato, have attempted to create a totalitarian society based on the imposition of the will of a minority on the majority, and that this experiment left traces in leftist thought and politics. The latter still has to emancipate itself from a culture that projects the imperfections of human beings on society, thus 'de-responsabilising' the individual and giving excessive power to a state that knows what they really want better than them. At the end of this book, he proposes a short breviary for the 'new democrat': anti-egalitarianism, labour flexibility, fight against 'parasitism', anti-pacifism, anti-laicism, anti-classism. Moreover, he revives a standard 19th century anti-socialist line of attack: refusing egalitarianism as defined by 'social envy'.

⁸⁸ As Toniolo himself remarks (cited in Michellini 2008: 25), "apart from a lot of paleo-unionism, from those that are nostalgic of the 'state-entrepreneur', from those that demonise anything that refers to international capitalism, there exist, luckily, staunch and coherent supporters of a solid market culture and its rules".

seen as the personification of political and economic rent-seeking.

Nicola Rossi, an economist close to the ideas of the liberal wing of the PD, has a similar view of the differences between the ideals of the right and those of the left, which he characterises as those between a “clientelistic and anti-egalitarian neo-*dirigisme* and a privatised and liberalised economic system, that ... tends towards a certain egalitarianism” (*Ibidem*: 100). According to him, the historic values of the left must be modified because its traditional social base defends interests that are legitimate but that are in contradiction with the constitutive values of reformism. As he remarks,

“the years of the Olive Tree coalition, from 1996 to 2000, were the years of the large and expected retreat of politics, which consciously and deliberately abandons some of its room of manoeuvre and of freedom in favour of supranational and sub-national entities, in favour of social organisation or single sectors of society and in particular the private sector” (cited in: *Ibidem*: 101).⁸⁹

This stance resonates with a general trend within neoliberalism of a disarming or ‘hollowing out’ of the state. For instance, Della Sala argues that greater capital mobility and economic interdependence have caused a shifting of political authority “upwards to supranational organisations; downwards to regional and local governments...; sideways to new polities such as the

⁸⁹ Compare with how Nicola Rossi sees centre-right: “the choices starting from 2001 (*when the centre-right coalition formed the government*) signal an inversion in all of these fronts and open the way to a renewed, diffused and capillary power of policies in all segments of social and economic life” (*Ibidem*: 101).

European Union” (Della Sala 1997: 16). Moreover, the concept of ‘new constitutionalism seems particularly well-suited to capture this transformation. As mentioned above, new constitutionalism is, according to Gill(2001) an international governance framework that aims at separating economic policies from broad political accountability. According to Gill, devolving power to subnational or supranational entities, as the economic liberals in the left advocate, attenuates political pressures on the formation of economic policy, by redefining the boundaries of the ‘economic’ and the ‘political’, boundaries which “police the limits of the possible in the making of economic policy” (*Ibidem*: 59).

“The least democratic levels of governance in the emerging multi-level system tend to be in local government (where participation at the local level tends to be quite low) and more acutely at the level of regional and global governance in, for example the EU and the international financial institutions” (*Ibidem*: 58). Hence, what these intellectuals argued for was very much in line with a neoliberal ‘bracketing’ of the economy (the ‘retreat of politics’). The idea of re-establishing a ‘correct relationship’ between state and market against an outdated ‘mixed economy’ system is seen by van der Pijl as the reflection of a neoliberal transformation and discourse in which “the restructuring of civil society *against the state* is the pivotal transformation in the neoliberal counter-revolution” (van der Pijl 2006: 157).

Carrying on with the analysis of left-wing liberal culture in the 1990s, consider this statement from a self-proclaimed ‘reformist’ economist: “the Italian welfare state has been designed to suit the needs of the generations that have built it, that were able to hand the costs off to the

future generations in the form of public debt interests, financially unsustainable pension entitlements and lower employment because of an excess of regulation. Today's youth are the ones called to pay the price for such squandering" (Nannicini 2005: 69 cited in Cesaratto 2006). Apart from the first statement (it is difficult to imagine a welfare state that is *not* built to suit the needs of the actually existing population), in these reflections – including the ones reported above – we find no mention of Italy's fiscal imbalance since the 1970s, nothing on the DC's strategy of *divide et impera* privileging 'baby pensions' and disability pensions for electoral purposes, little on the huge problem of fiscal evasion, on the origins (and thus diagnosis) of the public debt problem. Once again, the obstacle is seen as residing in 'irresponsible' claims (deriving either from political extremism or from simple lack of knowledge).

Several elements are worth underlining about the new 'reformist' stance. First of all, there seems to be an explicit attempt to abandon as political reference points the organised groups, as well as a clear will to weaken the major elements of the socialist tradition. Since the 1990s, in a situation in which the electorate of the centre-left was asked to make tough sacrifices (financial adjustment, reduction of public services, lower salaries, labour flexibility⁹⁰), in the face of an explicit attempt of the centre-left élite to find a new social base, the traditional electorate has arguably partly switched allegiances. Reflecting on the consequences of the 1997 labour flexibility law, Simoni argues that

⁹⁰ Gallino (2007) draws attention to the fact that the governments of the left and the right interpreted the phenomenon of labour flexibility similarly and enacted legislations based on a similar *commodifying* philosophy.

“the flexibisation of the labour market had the effect of further pushing to the margins, in terms of reduced welfare entitlements and reduced job protection, a cohort of citizens already comparatively disadvantaged (...) There are robust hints suggesting that the political alliance between the electoral left and organised labour in the 1990s sewed the seed of subsequent losses for its protagonists. Arguably, the increased segmentation of the labour market makes both union recruiting policy and social-democratic electoral strategy harder to accomplish. Paradoxically, the unity of Italian organised labour in the 1990s paved the way to a socially and politically divided labour movement in the 2000s and possibly beyond” (Simoni 2009: 17;19).

I believe it is not stretching concepts to argue that the ‘technocratic centre-left’ line of the 1990s (represented by the governments of Amato, Ciampi, Dini, Prodi and d’Alema) has been able to build a quite compact hegemony around the notion of a ‘culture of stability’ (Ciampi 1993). This hegemony has allowed the bourgeoisie to reproduce itself successfully, perhaps not as an internationally competitive economic system (vis-à-vis the more advanced countries), but certainly in the form of a more entrenched social hegemony in civil society. Bourgeois notions of meritocracy, individualism and personal responsibility parallel the move towards a ‘Lockean’ state, with a reduced role for *decommodifying* social policy based on ‘social protection’ (in the Polanyian sense) and an intensification of work discipline.

The move towards a political system based on alternation in government is an aspect of this transformation. It can be argued that in this way, the bourgeoisie was able to politically control the organised

social forces of labour, with the goal of creating a more market-friendly society. However - *post festum* - the fall of the First Republic (see below) and the discourse and politics of 'anti-politics' it has generated (in line, in fact, with the neoliberal idea that politics should not adventure into the economic world of 'freely interacting individuals') has arguably marked the end of 'reformism' as such, as neoliberal strategies in Italy now have few antagonists among the main parties.

The 'Copernican revolution' of the 1990s: from 1992 to the Prodi government

The years from 1992 to 1998 represented a real U-turn in Italian economic policy-making and in the Italian political economy. Not only was the country able to join EMU with the first group of countries - a result that was judged near to impossible by many observers - but the governments were able to implement far-reaching and unprecedented reforms in various areas of economic and political life: industrial relations, the budgetary process, pensions and the labour market, to cite just the most important ones. Crucially, this set of reforms were largely agreed upon by all the social partners with the government and emerged out of what Simoni (2009) calls a 'policy alliance' between the centre-left and organised labour. Thus, the consensus achieved in 1992-1993 was not only on labour costs and the reform of industrial relations (see next sections) but also on the subsequent reforms of the welfare state and on EMU. In fact, the two arguably most far-reaching reforms of the mid-1990s - the 1995 pension reform and the 1997 flex-law - were not only agreed upon

by the trade unions, but even included the latter in the very drafting of the bills. Thus, starting from 1992 every major economic and social reform in Italy was carried out through concertation. This method also allowed for a strong devaluation of the currency in 1992 without a substantive increase of inflation and then for the building of the necessary consensus for fiscal austerity to meet the Maastricht criteria.

This impressive set of reforms were carried out in the framework of a reconfiguration of the state apparatus towards the new paradigm of 'new constitutionalism', itself the result of class struggle and the emergence of a transnational historical bloc of social forces with an interest in implementing largely neoliberal reforms also by increasingly insulating the government from societal pressures, by enhancing the autonomy of the executive and delegating power to European institutions. As the next section will detail, a more insulated executive, economic decision-making increasingly immune from democratic accountability, the political use of the 'external constraint' and the greater power of technocratic bodies were crucial instruments for the implementation of reforms (Dyson and Featherstone 1996; Della Sala 2004a). Crucially, the debate was framed around the buzz-word 'modernisation' and was seen by the left as a way to dismantle what were perceived to be entrenched political and economic oligarchies (*Ibidem*: 126).

The most radical U-turn in Italian economic policy-making was in the field of budgetary measures. 1992 has been judged as the crucial year (Salvati 1995; Amyot 2004: 156) as it was the year when the First Republic parties started to dissolve themselves under the attacks of the judiciary for the enormous corruption scandals that had

emerged. It was in this situation that the first, harsh attack on the debt problem was carried out. In the previous decade, public deficit had always been higher than 10% and the DC-PSI governments seemed unable to tackle the issue, fearing reactions from their electoral constituencies.

Amato came to power at the end of the First Republic, when the *Tangentopoli* scandals had started to take their toll of the old parties and personnel.⁹¹ Giuliano Amato, prime minister in 1992, exploited the unprecedented situation of weakness of the parties to act more independently from them, in order to carry out quite radical measures that were to be followed by the Ciampi government. In fact, as Ferrera and Gualmini point out (Ferrera and Gualmini 2004: 126), an important factor that characterised the 1990s was the gradual process of separation of the national executive from the “grip” of the parties. As the relationship between the executive and the legislative moved in favour of the former, the introduction of reforms was eased as mediating moments with the parties and societal interests were weakened. This ‘autonomisation’ of the executive was strengthened also thanks to the change in electoral system after the April 1993 referendum, which ended the system of proportional representation and cleared the way towards a more majoritarian system. As Della Sala argued (2004a:137),

“while the entire political class faced a crisis of legitimacy and credibility, the executive, particularly the Prime

⁹¹ Micheline (2008: 60) argues that it were the external factors and constraints – such as NATO, the fall of the USSR and the rise of financial markets – that have allowed Italy to avoid that the ‘Clean Hands’ revolution could transform into a social revolution. This is – I believe – a bit exaggerated, as it is difficult to identify the political and social actors that could have both the material capabilities and the ideas to create the bases for a ‘social revolution’.

Minister's office and the Treasury, were able to seize the initiative. This was due partly to the presence of technicians in government and to some of the institutional changes of the previous decades, but also to the external constraints of European integration that favoured the executive over other constitutional structures".

This element will be given some space below when looking at these transformations through the lens of 'new constitutionalism'. It is worth underlining moreover that in a moment in which the political parties – particularly in the years between 1992 and 1995 – were in disarray, the role of the social partners and particularly of organised labour became suddenly more important as a means of dialogue between the executive and civil society. The unions themselves aimed at exploiting this weakness of the parties as a way to regain some influence over decision-making.

Overall, in 6 years, between 1992 and 1996, the public deficit decreased from 9.5 to 3% of GDP thanks to measures consisting of 360 trillion Lire of cuts and tax increases (Amyot 2004: 158). Della Sala defined the changes in Italian public finances in this period as "impressive" (Della Sala 2004a: 134). The Amato government immediately found itself in an extremely difficult situation, as the country was not only going through an unprecedented political crisis, but the national currency was also under intense speculation from financial markets. In this situation of 'perfect storm', pressures stemming from European integration and financial markets converged to generate a situation of emergency. In January 1992, the Maastricht treaty – that committed the country to achieve a 3% deficit by 1997 – was signed. The speculative attack was very strong, as investors grew increasingly doubtful of the possibility that the authorities could

maintain a currency level that had become increasingly overvalued. In fact, looking at the data on inflation and currency depreciation of the previous years, one can see that the Lira was devalued at a slower rate than the level of inflation, thus creating increasing differentials in the *real* exchange rate and creating the conditions for the radical re-adjustment that occurred in 1992 (an important factor here was the rise in interest rates due to German fiscal measures after the re-unification of the country).

The first measure adopted by the Amato government was the elimination of the wage-indexation mechanism in the summer of 1992 (see below for more on this). In September, the Lira left the EMS and suffered a strong devaluation up to the end of the year. Public opinion was shocked and so opposition to both spending cuts and tax increases was immobilised. The Amato government implemented the most significant single deficit-reduction measure in Italian history: 90 trillion Lire, that coupled with a following measure of 32 trillion Lire, summed up to the astounding figure of 122 trillion (Amyot 2004: 159). Interestingly, Amyot points out that the self-employed, a group that had enjoyed significant fiscal privileges in the previous decades, was singled out for extra increases in taxes (*Ibidem*). These harsh measures made the 1992-1994 recession worse, thus considerably increasing unemployment to double-digit figures.

The Amato government, formed mainly by non-political personnel in the key ministers, also acquired new responsibilities as parliament delegated to the government the authority to change four areas that were considered to be structural causes of the high deficit: the health system, pensions, public sector employment and local government finance (Della Sala 1997: 25). Significant changes were

introduced, such as limiting early retirement packages, increasing health fees and changing the public employment conditions (see above). As Della Sala argues,

“the delegated legislation gave the executive a virtual free hand to introduce changes in the four areas with little possibility for Parliament to obstruct or amend the reforms. Given the relatively weak position of government legislation in the parliamentary process, delegating to the government the powers to reform four areas of major public expenditures was seen by political and economic observers as an ‘historic’ turning point” (*Ibidem*: 25-26).

From 1992 until the end of the decade, the Maastricht criteria dominated Italian political and economic life. Amato, in his speech to the Senate before the confidence vote, said that there was no alternative to meeting the criteria. The choice that was presented to the country was simply one between harsh but necessary measures or being relegated to a Mediterranean holiday resort. This kind of discourse captured a coalition of economic and political actors that crossed traditional ideological divisions and was made up of a core of professors from academic, political and administrative backgrounds that were accustomed to international meetings (see Regonini 1993 on their role in Italian policy-making). In addition, the 1992 speculative attack and the way it was presented to public opinion shocked the Italians and arguably made them more ready to accept ‘sacrifices’. In the next chapter, I will analyse the role that the perception of crisis played in this conjuncture.

Apart from tough budgetary measures, the Amato government also began the privatisation of state-held enterprises. As Michelini pointed out in his interview, the

Italian public sector was among the largest one in Western Europe and one of the measures demanded by the financial markets was precisely to carry out a deep process of privatisation. Between 1992 and 1995, many state enterprises were carried out, bringing close to 30 trillion Lire to the state coffers. The centre-left government then continued this policy (see below). The Minister of the State Enterprises (*Partecipazioni Statali*) was the largest single public apparatus in the Western world before the privatisations of the 1990s. So, in fact, one of the tasks of the political élites in this moment of Italian history was to dismantle their own state apparatuses. The journalist Massimo Mucchetti notes that in June 1992 a group of representatives of the major business banks in the world, including Morgan Stanley, Goldman Sachs, Schroeders, JP Morgan and Crédit Suisse, met with key exponents of the Italian state class (including Mario Draghi) on the British yacht *Britannia* in order to discuss the privatisation of large industrial assets that were to be placed on the market in the following months (Mucchetti 2003: 22). This episode can be understood as an instance of élite interaction among members of the transnational capitalist class and political personnel that, according to Van der Pijl (1998 ch.4), played a key role in the expansion of capitalist hegemonies.

The effects of the Maastricht treaty on national socio-economic life must not be undervalued. By setting in stone largely market-enhancing and neoliberal policies at the supranational level (competition policy, the internal market rules, the role of the ECJ and the monetarist principles guiding the ECB), the new framework of 'embedded neoliberalism' left the 'embedded' elements to national member states (see van Apeldoorn 2002). As Van der Pijl points out, the historic role of European institutions such as

the European commission was to extend the legal sphere where capital could freely move among different countries. In fact, European integration developments since Maastricht have made this quite clear, as the Commission is now even more committed to neoliberalism – liberalisation, privatisation and marketisation – while the member states have to maintain elements of social protection. In fact, since it is the latter that have to deal with their populations most directly, they have to face the tensions and frictions that the neoliberal project inevitably brings about (Van der Pijl 2011). In Italy, the U-turn of the 1990s cannot be understood without factoring in this role of European institutions.

Let us now turn to the measures carried out by the following governments. The Ciampi government made Parliament approve two fiscal packs for a total of 50 trillion Lire, almost exclusively based on spending cuts, with health costs and government purchasing the two largest items singled out for savings (Amyot 2004: 160). The following Berlusconi government was however softer on the budget. His 1995 package of deficit-reduction measures was considered as the indispensable minimum by financial markets, and the two largest single items were amnesties on unpaid taxes and buildings erected without permits (*Ibidem*:160-161). As noted above, this timid stance towards meeting the Maastricht criteria stemmed from the centre-right coalition's social base of support. On the expenditure side, the government attempted to carry out a quite far-reaching pension reform that would have considerably reduced contributions for those who retired before the normal retirement age (a full pension was hitherto guaranteed to workers with 35 years of contributions), and reduced the value of all pensions relative to pre-retirement

wages. However, the proposal was soon discarded as the union organised mass demonstrations and the Lega Nord withdrew its support for the government – even if in the end six trillion Euros were saved with some changes in the pension system. Amyot sums up the Berlusconi government's budgetary measures arguing that they “were weighted in favour of its own constituency: the self-employed were the principal beneficiaries of the tax amnesties, while employed workers and pensioners suffered most under the pension and health provisions” (*Ibidem*: 162).

The Dini government enacted measures totalling more than 55 trillion Lire, hitting relatively equally all social classes (*Ibidem*: 163). The centre-left coalition government led by Prodi – with Ciampi as treasury minister –, who took office in 1996, was completely committed to reaching the Maastricht criteria, and his measures were in fact second only to those of Amato for their toughness. The 1997 budget consisted of cuts and tax increases of 78.5 trillion Lire, with the largest cuts hitting railways, post offices, highways and local government. Moreover, as Ferrera and Gualmini pointed out, the value of privatisations between 1996 and 1998 was the highest in Europe (Ferrera and Gualmini 2004: 71). SME, Enichem, ENI and Telecom were the most important privatised enterprises, while also many public banks (including Cariplo, Banca di Roma and San Paolo) were placed on the market, considerably alleviating the state budget.

The welfare retrenchment measures were also an important part of the attack on the deficit. As argued above, Italy's historical problem had been exclusively on the revenue side, as the country's state spending was comparable, and at times lower, than that of other

European countries. However, the 1990s witnessed a heavy fiscal retrenchment in the name of largely 'technical' goals: financial adjustment, 'modernisation' and efficiency. Crucially, the process of financial adjustment was presented to public opinion also as a fight against financial rent, as a way to free up resources in order to reduce interest payment and invest in new infrastructure or a more balanced redistribution, as Ciampi also argued (see below). What is striking about the consensus achieved is that in fact the reversal in budgetary policies has been achieved largely through spending cuts, at a ratio of 2 to 1 (Della Sala 1997: 26). Through this financial 'adjustment', the centre-left – that supported all the governments in the country starting from 1993 apart from the 1994 Berlusconi government – supported a heavy redistribution away from its social base, that is well described by Salvati:

“the macroeconomic policy that technocratic governments have pursued would have been followed by any liberal government in Europe...having accepted unrestrained capital mobility and not wanting to scare owners of public debt, the PDS is supporting a huge and perverse redistributive process. In order to contain its deficit the state had to cut its essential social services and raise taxes, and these savings were feeding a huge and ever-increasing stream of income towards the owners of state bonds who are, on average, the middle classes and old people, living mainly in the richer north” (Salvati 1995: 85).

Clearly, capital and its representatives were in favour of a tough stance on the deficit issue, although – as noted above – many SMEs were more cautious on monetary union and feared an increase in taxes. However, it was the concept of the external constraint that helped to

build what Ferrera and Gualmini (2004 ch.4) call an 'advocacy coalition' around the goals of institutional reform and economic liberalisation. I would argue that the PDS was the party most in sympathy with the objective of monetary union and the measures that this entailed. The party supported the Ciampi and Dini governments and pushed hard for meeting the criteria with the Prodi government in 1996-1998. This particular stance of the PDS and the 'culture of stability' with which the centre-left identified itself was also the result – as the next section will detail – of the peculiar history of the left in Italy and its apparently paradoxical affinity with liberal economic thought. Moreover, the PDS had no business interests of its own and little direct ties with business, so that it could project itself as the guarantor of the general interest also by implementing sacrifices in the short term to the dominant classes – the recessionary consequences of austerity, higher taxes and a less lenient approach to tax evasion.

In the 1990s what emerged was a clash between two coalitions who interpreted in different ways capital's interests. On one side there was the centre-right bloc that drew on strong anti-political sentiments (Mastropaolo 2000) and whose base of support had largely been inherited from the DC's historic bloc. The centre-left coalition enjoyed deeper links with transnational capital, as argued above, and thus its political project was more akin to the general neoliberal transformations that were sweeping through the European political economy. The centre-left was formed not only by former communists, but also from elements coming from the moderate wings of the Christian-democrats, as well as from minor First Republic parties such as the republicans. The traditional pro-European sentiment of both the latter forces and the PCI – at least

from the 1970s onwards – was a fundamental ideological factor in shaping the discourses and policies of the 1990s.

The use of the ‘external constraint’ for domestic political purposes has not only served the function of making political – *class* – decisions appear as the automatic result of technical norms, such as the Maastricht criteria. It also needs to be reconnected to the negative idea that many Italians continue to have on the role of the state, itself the result of the lack of legitimacy that the Italian state has historically had. These elements are not merely ideological, but they structure the very materiality of social relations in Italy. The notion of the ‘external constraint’ was thus linked with the idea of the country suffering from economic vulnerability. This common sense assumption was in itself linked with the idea that in order to adjust to the world economy, wages needed to be curtailed. On the other hand, there is no doubt that the political use of the external constraint in the 1990s has been unprecedented. Budgetary policy was seen as increasingly dictated not only by Europe but by financial markets generally, and this made the assessment of the budgetary plans by European institutions or bond rating agencies paramount. In addition, the reference to being part of the ‘core’ of Europe was a very strong argument, particularly vis-à-vis organised interests such as the unions: it presented them with the difficult choice “of being seen as rejecting Italy’s European role in the name of sectional benefits” (Della Sala 2004a: 133). This created a favourable terrain for the acceptance of ‘sacrifices’. The particular understanding of the Italian polity as somehow ‘lacking’ vis-à-vis its European counterparts is an element I shall return to below.

The restructuring of the relations between state and civil society generated a resurgence of the primacy of

market forces and principles in many areas of social and economic life. This necessitated, as I will argue below, a state that is more autonomous from societal pressures.

Reforming pensions

Let us now look at the two most important reforms of the 1990s, the pension reforms of 1992 and 1995 and the 1997 'Treu' flexibility law, starting with the former. Although public welfare expenditure as a percentage of GDP is below the EU average in Italy, in the case of pensions it was the reverse (Regalia and Regini 1998: 493). So, naturally this was a good target for welfare retrenchment and could count on the support of large sectors of society. The first reform of the pension systems dates back to 1992, when the parliament delegated to the Amato government the authority to intervene in this field. The Amato reform introduced a number of innovations in a restrictive direction (the following, as well as the description of the 1995 reform, is based on Ferrera and Gualmini 2004: 109-113; see also Ferrera 1997: 240-241).

The earnings-related formula, as well as the occupational schemes established in 1969 were maintained in place, with the innovations consisting in: an increase in the retirement age from 55 to 60 for females and from 60 to 65 for males by 2002; the gradual elevation of the minimum requirement of contributions for old-age benefits from 10 to 20 years; a gradual extension of the period of reference for pensionable earnings from the last 5 years to the last 10 years (and to the whole career for the new entrants in the labour market); the elevation of the contribution requirement for seniority (early retirement) pensions of

civil servants with a gradual phasing in; an increase in contribution rates and the abolition of the wage-indexation mechanism (*Ibidem*: 109). Although initially met by opposition from the unions, the protest was defused by dropping the proposal for elevating the minimum contributory requirement for seniority pensions from 35 to 36 years and the proposed freezing of the indexation mechanisms for 1993. Moreover, all workers with more than 15 years of seniority were excluded from the new rules.

The Ciampi government carried out a minor modification by penalising seniority pensions and increasing controls on the beneficiaries of disability pensions. In the course of 1993 and 1994 international institutions such as the IMF, the OECD and the European Commission – as well as Confindustria – enhanced their pressures for a tougher reform. The Berlusconi government in 1994 attempted to pass a unilateral pension reform. However, the unions protested, organising the largest union demonstration on 12 November 1994. At this point, Confindustria – who had backed up the proposal of the government – became increasingly worried about the unions' mobilisation. The government was forced to back down and the unions witnessed a surge of popularity among the workers.

The Dini government – who took office in late 1994 – took it upon itself to accomplish a more inclusive reform with the participation of the social partners. In fact, the government accepted as the initial text a draft that was proposed by the unions themselves. The main innovation of the final reform – defined as one of “the most radical reforms of the Italian welfare system” (Regalia and Regini 2004: 11) – was the introduction of a contributions-based

system in place of the earnings-based one. The pension is longer linked with earnings but with the total amount of contributions paid in by each worker. Moreover, it is not related to the duration, but to the actual amount of contributions paid in, that is divided by a coefficient that depends on the age of retirement (and that varies on the base of demographic trends). The elderly without sufficient contributions are granted a social pension financed by general taxation. Other innovations include: the phasing out of seniority pensions by 2008; the gradual standardisation of rules for private and public workers; stricter rules on the cumulability of disability benefits and incomes from work and a tougher control on the beneficiaries. In addition the reform started to harmonise the fragmented regime of 17 different funds, each with its own premium and benefit schemes (Della Sala 2004a: 143). As a concession to the unions, the reform exempted all workers with more than 18 years of seniority by August 1995 (the same group that was exempted from the Amato reform three years before) from the application of the formula. In addition, special provisions were obtained for workers engaged in so-called *lavori usuranti* (i.e. hazardous jobs). Moreover, to avoid generalised benefits reductions, the reform sought to penalise early retirement rewarding those workers who chose to postpone their retirement. The reforms arguably 'sacrificed' the benefits of blue-collar unqualified workers and the youngest workers (Carrieri 1997: 88). According to Ferrera and Gualmini, the Dini reform was to produce savings of 0.6% of GDP per year until 2005.

There is agreement in the literature that this agreement was a retrenchment of workers' entitlements (Baccaro 2002; Regalia and Regini 1997) or an outright

downsizing of the welfare state (Negrelli 2000: 95) in which the pension system was “reduced in scope” (Simoni 2009: 2). However, it was presented as the best possible option in times of austerity (Carrieri 1997: 88).

A fundamental point that signals that consensus was quite widespread and extended beyond the union leadership into the union base, was the organisation of a worker consultation that approved the proposed reform, marginalising internal opposition (Baccaro 2002: 343-344). Four and a half million people voted, with 64% of them approving the reform (*Ibidem*: 144). However, if one looks more in depth at the results, it is easier to recognise the fractures within the labour movement. Although 91% of pensioners voted in favour of the deal, active workers approved the reform but with a lower percentage (58%), and a level of support that varied by sector and region (*Ibidem*). Thus, the pensioners – who were largely untouched by the reform – overwhelmingly supported harsher measures for the workers, who were split on the issue.

An important point to underline is that the Dini reform was not much more moderate than the one proposed by Berlusconi’s government a year earlier (Della Sala 2004a: 139). As Simoni (2009: 11) argued, “the major difference between the two reforms was attributable to the composition of savings. The centre-right reform was concentrated on the abolition of seniority pensions. On the contrary, the centre-left...distributed the costs of retrenchment over a larger social base, gradually phasing out seniority pensions”. What changed considerably, however, was the method employed. It has been noted that the success of the Dini reform was more due to the method adopted (the inclusion of the unions into the decision-

making process) than to the content of the reform (the raising of pension age) (Saudino 2004). As the massive protests in 1994 showed, it was clear from that point onwards that any change in the welfare system in Italy had to incorporate a discussion with the trade unions. In fact, as Regini and Regalia argue (2004: 12), it was precisely the assent of the unions – that were able to muster the workers’ more or less convinced approval – that yielded the opposite result to the failure to achieve consensus the previous year. Here one can see the strong value that the unions attached to concertation and to achieving reforms based on consensus. Referring to the ‘culture of stability’ that had been proposed as the political horizon of the centre-left in the 1990s, Paggi and Cantelli argue that

“If the macroeconomic effects of the (*pension*) reform are not immediate, it is difficult to underestimate its symbolic meaning and its political impact. The reform accentuates the process of distrust of the labour movement vis-à-vis its traditional political and union representatives and favours the movement of electoral support towards populist protest. The rise in the credibility of the country in the eyes of the financial markets is paid by a fall in consensus of the social forces on which a reformist policy must be based. The absolute priority that has been given to the objective of ‘Europe’ has implied an underestimation of the necessary conditions for the democratic ‘hold’ of the country” (Paggi and Cantelli 2011: 134).

Minimal concessions to the unions were necessary in order to gain the consent for an outright retrenchment of the welfare state (a curtailment of indirect wages). It must be noted, in addition, that the debate around pensions was part of the overall discussion about the ‘modernisation’ of

the Italian welfare state, having as ultimate aim the increasing of competitiveness. As Della Sala argues,

“the terms of the debate about pensions were broadened to arguments about how pensions increased labour costs, and therefore diverted Italian savings away from investment in industry and into financial instruments. In this way, pensions were an obstacle to the competitiveness of Italian firms, and a cause for high unemployment rates” (Della Sala 2004a: 143).

Here one can see a further example of the kind of unequal political exchange carried out in the 1990s. The unions accepted a framework for reform based on wage moderation (see below), retrenchment of the welfare state (pensions) and flexibisation of the labour market. In fact, as Simoni underlines, “rather than being a programmatic liability for a modernising centre-left, Italian unions were a programmatic asset” (Simoni 2009: 15). As Baccaro points out based on a series of interviews, one of the reasons why workers accepted the reform was that it was presented not as the best of possible worlds for labour, but as a measure that aimed at restoring the financial equilibrium of the country while limiting the losses for older workers (Baccaro 2002: 345). Thus, what the workers feared was that in the absence of consensus on the reform, a much tougher measure would be approved unilaterally anyway. It is precisely this consensus that needs further explaining. On the other hand, as Paggi and Cantelli argue above, the deep political modifications of the electorate in the 1990s and the rise of parties such as Lega Nord in former strongholds of the left in the North can be interpreted as a loss of support for policies that target the traditional electorate of the left.

Reflecting on the reforms of the 1990s, the economist Aldo Barba concludes that what he calls the ‘scissors of adjustments’ have curtailed wages “with four blades” (Barba 2011: 81). I have reviewed above his analysis of how the growth of public debt acted as a form of ‘reverse redistribution’, aided by the transformation of half of the public debt into foreign debt. To this he adds the adverse effects on labour that the 1993 deal caused in the primary distribution of income. The third ‘blade’ was the privatisation of public assets in the 1990s, (*Ibidem*: 78-80). The fourth element of this curtailment is the pension reform. Thus, as Barba argues, labour has been hit in four dimensions of the collective wage: net wages, gross wages, indirect wages and differed wages.

Reforming the labour market

Let us now turn to the 1997 set of legislative measures that introduced greater flexibility in the Italian labour market. The reform was based on the indications set out in the 1993 protocol and confirmed in the 1996 *Patto per il Lavoro* (‘Pact on Work’), signed between the social partners and the centre-left government. The latter aimed at relaunching job-creating measures in a time of very high unemployment, responding also to the expectations of the centre-left electorate. The philosophy underlying the 1996 pact and the 1997 ‘Treu’ reform was a substantially supply-side understanding of the problem of unemployment, seen as stemming from excessive rigidities in the labour market that did not allow for sufficient flexibility both with regards to the entrance in the labour market and with regards to rules regarding firing. The problem was seen as a lack of

balance between supply and demand for work, and so advised measures focused on the need to reflect the local supply and demand (and productivity) rather than national contracts, and on creating more 'incentives' for workers to accept the jobs on offer by implementing 'active' labour market policies. These were very influential views in the 1990s and were diffused by the OECD (see OECD 1994) and other international institutions. One should keep in mind that the role of international institutions in spreading the dominant neoliberal ideology and practices has been fundamental in shaping the very contours of acceptable policy discourse and in constraining the 'limits of the possible' in political action.

Before the 1997 reform, some minor changes were carried out in 1994, with the extension of apprenticeship contracts and the extension of vocational training contracts, as well as the creation of so-called 'solidarity' contracts, according to which it is the labour-force of a firm which takes upon its shoulders the economic difficulties of the enterprise – receiving lower wages with reduced working hours.

So, in contrast to a previous understanding of the problem of unemployment as stemming from lack of demand, now the supply-side is considered central (see also Overbeek 2003). Firm competitiveness thus becomes the cornerstone of the reform effort. The 1997 reform introduced far-reaching changes in the functioning of the Italian labour market. The measures included: the extension of temporary employment and apprenticeship contracts; tax incentives and the simplification of the procedure for employing part-time workers; the creation of 'territorial pacts' and 'area contracts' that allowed for a curtailment of minimum standards for work and wages in

depressed areas; the dismantling of the existing public monopoly on job placement established in 1949 and the legalisation of temporary work agencies (included in the 1993 pact but not yet approved); a plan for the enhancement of vocational training programmes and the extension of vocational training contracts (that pay lower wages) to all sectors of the economy, including agriculture. Agency work allows authorised agencies to employ workers and then 'lend' them to other firms. Overall, the gamut of cheaper flexible jobs characterised by lower protections and fewer welfare entitlements was increased.

In 1998 a 'pact for development and employment' was signed with a wide array of interest groups (extending concertation beyond the traditional social partners). However, while stating employment as its major goal, few specific targets were envisaged and there was no shift away from looking to supply measures emphasising flexibility (Della Sala 2004a: 140). From 2000 temporary employment was extended also to the public sector.

It must be underlined that as with the previous pension reform, the unions contributed to the very drafting of the 1997 law. Moreover, they secured a regulatory role for themselves, as specific clauses gave the social partners the authority to decide in bipartite deals the details not specified by law. For instance, the unions had a role in fixing the quota of flexible jobs within each industry that could be employed as a proportion of total workers (Simoni 2009: 14). So, the greater flexibility that was introduced was included within the national contracts, allowing for a control on the part of the unions. Flexible jobs were considered as exceptions within the general rule, with a clear quantitative limit (this clause was then eliminated by the following centre-right government without the consent

of CGIL). So, there were compensatory measures that 'softened' the pill that organised labour had to swallow. Moreover, the new kinds of contractual arrangements were increasingly used by the newly employed younger workers while the workers already in occupation were very marginally affected by the reform. Thus, the unions managed to maintain the consent of their members shifting the costs of the reform onto the younger generation.

Neoliberalism, new constitutionalism and reformism

How do we theoretically make sense of these transformations? According to Morton, two tendencies characterise neoliberal hegemony: the internationalisation of production and the internationalisation of the state, in the context of a *transnational* restructuring of capitalism (Morton 2007: 124). The crisis within several forms of state – including Italy, for which the 1970s was a period of deep crisis not only in the economy or in the political system, but also in the very mechanisms of social control and authority – in turn provoked a reaction on the part of capital. It is however crucial to keep in mind that there was no outright homogenisation of neoliberal governance and no simple expansion of neoliberalism across different forms of state: within each state there were specific conditions, entrenched social forces and historical legacies that made the path towards a more neoliberal state different. As Drainville argues, “as a political reality, neo-liberalism is *both* a broad strategy of restructuring *and* a succession of negotiated settlements, of concessions to the rigidities and dynamics of structures, as well as the political possibilities of the moment” (Drainville 1994: 7).

Neoliberalism was a political project aiming at organising political and economic life around the principle of the 'minimal state', according to which state regulation must be reduced, the state should curtail public expenditure and privatise state-owned enterprises. Moreover, capital movement would be liberalised and the collective principle of responsibility should be replaced by a notion of individual responsibility, translating into a notion of consumer choice and into the idea that the general interest is the consumer's interest (on neoliberalism see Saad-Filho and Johnston 2005; Van der Pijl 2006: ch.5). However, as Drainville also underlines, "what is realised in the end...is never an abstract blueprint; everything that happens on the road to neoliberalism, all the unforeseen complications and grim details, contribute to and are implied in the new relations. This is what in the end determines the ethical and political status of neoliberalism" (cited in Van der Pijl 2006: 157). So, one should not conceive of this historical transformation as a shift that was planned within transnational capitalist circles and then consciously applied to national political and economic contexts.

The general trend that emerged from the 1970s crisis was a shift to financialisation and the accumulation of capital in the money circuit (M-M'), as the profit rate in productive capital decreased and thus capital had increasing difficulty valorising itself in productive activity (see McNally 2011). Marx described money capital as 'fictitious capital', as it valorises itself without actually producing use-value. Money capital is therefore based on claims on the *future* surplus-value of productive activity and crucially emerges as the dominant form of accumulation at the end of a growth cycle, when elements of crisis in production emerge. The 2008 financial crisis is

thus the *necessary* outcome of the financialisation of the previous decades (see Harvey 2010, Foster and Magdoff 2009, Bellofiore 2012a; 2012b for analyses of financialisation and the crisis). This shift towards neoliberalism and financialisation was built into the 'automatic' reaction of capital to economic crises of profitability. On the other hand, the changing class compromises at both supranational and national level involve the interplay of national and historical factors that are territorially specific.

This shift has enhanced what Gill (2008 ch.6) terms the *structural* power of capital. In contrast to the *direct* power of capital (such as business influence over government policies, the control of the media and the disproportionate use of financial resources), the former refers to a deeper dimension inherent in the very mode of production on a world scale, that structures the state system as such and constitutes the foundations of liberal states, with their division between the 'economic' and the 'political', with the rule of law guaranteeing property rights and contract. As Van der Pijl argues "capital remains a force that by preference seeks to occupy the interconnections between separate political jurisdictions" (Van der Pijl 2006b: 15). The *structural* power of capital also involves common sense elements such as the assumption that economic growth should have priority as a policy goal and that this is best achieved by creating favourable conditions for capital accumulation (Gill 2008: 105). These assumptions, following Bruff (see ch.3) reflect our dependence on the material basis for existence, our need for means of subsistence, which make common sense ideas skewed towards capital's objectives. A good example of the structural power of capital is the spontaneous, almost automatic reaction of capital to adverse economic or

political conditions, such as a condition of full employment that may empower the working class: the investment strike (Kalecki 1943). Whereas this possibility is built into the very constitution of a market economy and of capital as a social relation, the corresponding possibility of labour to have influence on state policy needs to be politically organised, for instance through a strike. For instance, the 1992-1994 recession was a reaction of capital to adverse economic conditions both in Italy and in Europe, but had a disciplining effect on labour and on the trade unions: by increasing unemployment, it weakened their power and moreover, had the *ideological* effect of creating more favourable conditions for an acceptance of the reformulation of the unemployment problem from a problem of demand to one of supply (the latter one implying policies of labour flexibilisation).

This structural power has increased since the 1980s, as financial markets have acquired the power to condition government policies by, for instance, rapidly decreasing their purchase of government bonds. In these conditions, a government may be unable to finance its current spending, unless by provoking inflation (thus devaluing its debt), which will further decrease the 'credibility' of the government vis-à-vis financial capital. The 1992 speculative attack on the Lira was a moment in which the structural power of capital in Italy was manifest. The lack of credibility of the Italian state's ability to repay its debts heavily conditioned the following path of re-adjustment, based on moderate labour costs, privatisations and liberalisation of the national economy.

The 'disciplinary' aspect of neoliberalism – described by Gill as a global 'panopticon' (Gill 2008 ch.7) – can be seen in the rapid reaction of financial capital to adverse

conditions than that of productive capital (linked as it is with concrete means of production and organisational forms). The result of a sudden withdrawal of supply for state finances may result in a balance of payments imbalance (in the case of fixed exchange rates) or in a currency crisis (in the case of flexible exchange rates). In 1992, Italy was forced out of the EMS because of a balance of payments crisis, and the devaluation that followed did not cause a surge of the inflation rate, mainly because of the 1992 and 1993 pacts, that moderated labour costs. Thus, it can be argued that unions had acquiesced to this enhanced structural power of capital. The transnationalisation of the Italian economy also played a role here. Above I showed how in the late 1980s and early 1990s foreign FDI stock increased considerably in the Italian economy, itself the result also of the creation of an increasingly integrated European market after the signing of the Single European Act in 1986, that set in stone the goal of creating a full Internal Market by 1992. Moreover, stock market capitalisation – as I showed above – also increased dramatically in the 1990s. As Gill notes (Gill 2008: 112-113), the rise of transnational capital must be seen both vis-à-vis national capital and the unions. Transnational capital has more of an ‘exit’ option, and therefore can realistically threaten organised labour with relocation of investment and plant closures. So, the pressure on the Italian unions to accept the 1993 deal and moderate wages can be seen as an element in the transnationalisation of the Italian economy and the increasing power of transnational capital. What, however, needs explaining is precisely *how* and *why* labour acquiesced to these harsher conditions, that is the task of the next chapter.

Originally, Robert Cox had talked about the 'neoliberal' state acting as a 'transmission belt' for neoliberalism and the logic of capitalist competition from global to local spheres (Cox 1992: 31). Cox aimed at stressing the way in which transnational processes in the global economy and in consensus formation in the global elite – both fuelled by the internationalisation of production – have been transmitted via the political channels of different states. However, in this view states tend to be depicted as powerless 'receptors' of external dynamics. Bieler and Morton, complementing Cox's view, underline how capital is not simply 'footloose', beyond the power of state institutions, but it is represented by social forces *within* the very constitution of the state (Bieler and Morton 2003: 487-488). As Morton underlines referring to Poulantzas' work, "the phenomenon now recognised as globalisation, represented by the transnationalisation of production, therefore induces the reproduction of capital within different states through a process of *internalisation*" (Poulantzas 1975: 73-76 cited in Morton 2007: 132). Refusing to view transformations within nation states as either the outcome of simply internal dynamics or as mere impositions from transnational capital – with the state acting as a 'transmission belt' – it is therefore more useful to couple *internationalisation* of the state with *internalisation* (*Ibidem*: 132-133; ch.6). Thus, it is not simply external social forces that restructure the state form, but also internal social forces that transform the *social purpose* of the state in line with the new forms of accumulation. Therefore, the notion of a 'retreat of the state' or its 'hollowing out' are problematic from this point of view. What happened was not a retreat, but a restructuring of state functions and of the *social purpose* of the state, thus a reconfiguration of the

social forces that underpin state action.⁹² As Morton underlines, “national economies are not simply governed by the political will of territorially defined constituencies but at the same time nor should one suppose that the imperatives of the world market alone are simply imposed on societies” (Morton 2007: 138). States, in this view, are not *dominant* moments in the world capitalist totality, but are *nodal* points between the ‘national’ and the ‘international’ (*Ibidem* ch.6).

The increasing transnationalisation of the Italian economy therefore changed the *social purpose* of the Italian state, attempting to make it more attuned to a changed world order and material conditions of accumulation, more centered on money capital (M-M’). This created further interdependence with the ‘international’, and in turn increased the power of transnational social forces. In Italy, the focus on the retrenchment of the welfare state, moderation of labour costs and a more flexible labour market are elements of this modification of the Italian form of state. Gramsci argued that

⁹² Thus, the focus within neoliberalism on the weakening of direct public control of sectors of the economy or on the retrenchment of the welfare state is only one side of the coin. The other, for instance, is the *increasing* intervention of the state for instance in the field of security and policing, the *active* intervention of the state to privatise or liberalise sectors of the economy, or the punitive attitude towards the unemployed - ‘active’ labour market policies - that do require state intervention (see Lee Mudge 2011 and Panitch and Konings 2009). Gill (2001: 51) argued that “economic liberalisation is not necessarily the same as ‘rolling back’ the frontiers of a particular state or indeed its ‘retreat’. It involves actively remaking state apparatuses and governmental practices and the institutions of civil society. The central goal of neoliberal reforms is to make state and civil society become more permeated with market principles, values, discipline, transparency and accountability”.

“it is in the concept of hegemony that those exigencies which are national in character are knotted together...a class that is international in character has – inasmuch as it guides social strata which are narrowly national (intellectuals) and indeed frequently even less than national: particularistic and municipalistic – to ‘nationalise’ itself in a certain sense” (Gramsci 1971: 241 cited in Morton 2007: 150).

What Paggi termed the ‘liberal strategy of the Second Republic’ (Paggi 2003) represented thus one instance of the way the neoliberal project was *internalised* within the Italian form of state. A stress on overcoming the ‘conosociative’ practices of the First Republic and on the need to strengthen the executive vis-à-vis parliament, as well as the repositioning of the relationship between ‘economics’ and ‘politics’ that was part of the intellectual battle waged starting from the 1970s by the liberals in Italy must be placed within this wider *transnational* context. A resurgence of liberal thought went hand in hand with the transnationalisation of the Italian and global economy and the neoliberal turn in European integration starting from the Single European Act in 1986 and, most notably, with the Maastricht treaty and the new monetary order. The crucial moment was at the fall of the First Republic, when the PDS emerged as the most legitimate and organised party. However, with a curious ironic twist of history, the prospect of finally acceding to government emerged only in a moment when not only was the idea of socialism itself discredited as such, but even social-democratic and statist ideas were losing their appeal. The heirs of the PCI, in a relatively short period of time, adjusted their political culture and horizons to meet the interests and worldview

of transnational capital, thus 'nationalising' neoliberal hegemony (as Gramsci would say).

Further elements of the transformation in the Italian state described above can be grasped by referring to Gill's notion of 'new constitutionalism', which refers to the development of legal or constitutional measures to separate or insulate economic institutions from broad political accountability in order to make the state and governments more responsive to market discipline and thus less responsive to popular-democratic forces and processes (Gill 2001: 47; see also Gill 1991; Gill 2008 ch.7 and 9). The discourse of 'credibility' vis-à-vis private investment is central. Government policy tends to become more accountable to 'international markets', meaning to institutional investors such as pension funds and insurance companies, and proposals underline the necessity of 'binding constraints' for monetary, fiscal and trade policies. The corresponding political discourse is a technocratic position that emphasises market efficiency, discipline and the creation of confidence and credibility.

The state is thus reconfigured to make it work under greater market discipline (Gill 2008: 170-171). For instance, entry and exit options for capital tend to be locked in or institutionalised. In the Italian case, the complete liberalisation of capital achieved in 1990, as well as the pan-European internal market are cases in point. The right to move capital freely is constitutionalised in the European treaties and creates a situation of 'race to the bottom' in fiscal policy and corporate taxes, although with regards to services complete liberalisation has not been reached up to this day. Competition policy (including state aid provisions) is guarded by the European commission bureaucracy. In these spheres, since European law has

primacy over national law, the last word is that of the independent European Court of Justice. Another obvious example is the creation of the most independent central bank in the world, the ECB, whose priority is the fight against inflation, and whose statute is constitutionalised at the European level, so that in order to change it an agreement among all member states needs to be reached. The transfer of policy competences and authority both upwards (at the supranational level, both towards European institutions and international organisations) and downwards (at the local level) is seen by Gill as furthering a 'new constitutionalist' paradigm as they diminish the power of the democratically-controlled institutions, as both the supranational and local level suffer from significant 'democratic deficits' (Gill 2001: 59).

In addition to the privatisation of state assets, the reforms of the welfare state of the decade have also gone in the direction of creating greater market discipline. The curtailment of pension rights and the flexibilisation of the labour market reduce social and job security, weakening the elements of social protection (in the Polanyian sense) that are built into a welfarist conception of the state. They also increase the continuous dependence of the labour-force on the market: workers who are under short-term contracts not only tend to be less unionised than others, but also must renew their contract continually at the end of the previous one, under conditions of high unemployment and thus greater competition from the 'industrial reserve army'. This serves to both lower wages and increase work discipline (see Gallino 2007). In fact, Brancaccio has shown how labour market deregulation has statistically no correlation with employment levels but a significant

correlation with a lowering of wages (Brancaccio 2008: 13-15).

The transformation of the state described above – its *internationalisation* coupled with the *internalisation* of new social forces – has also restructured the internal apparatus of the state. As Cox underlines, the state agencies in close contact with the global economy – offices of presidents and prime ministers, central banks and treasuries – have gained power and precedence over those agencies closest to domestic public policy – such as ministries of labour and industry (Cox 1992: 31). In the Italian case, this can be seen for instance in the increasing power of the Bank of Italy, who actually devised the Italian position on the foundations and design of EMU, sidelining influence from political parties and the government (Dyson and Featherstone 1996: 281). In Italy the increasing power of state agencies in close contact with the global economy meant an enhancement of the power of technocrats in key decision-making positions and what Pasquino describes as the effective suspension of party government in the 1990s (Pasquino 1997).

An in-depth analysis of the power of Italian technocrats within the negotiations over EMU at Maastricht has been carried out by Dyson and Featherstone (1996). They argue that the Italian negotiations were largely driven by a small technocratic élite who shared a belief in the need for an externally imposed economic discipline in order to overcome the problems posed by party government and the party's entrenched positions in civil society – what was pejoratively termed *partitocrazia*. Gill, in describing the nature of the 'new constitutionalist' settlements, argues that more political weight tends to be given to technocratic cadres such as neoclassical economists, financial

administrators and central bankers, figures that are hardly representative of broader societal interests (Gill 2001: 59). The power of these groups increased dramatically also in Italy. In fact, as noted above, the coalition that pushed more strongly on the need to adjust to the external constraint crossed ideological and party divisions and it was made up of personnel from academic, administrative and political environments accustomed to international milieus. Della Sala, moreover, underlines the strengthening of the executive and in particular of key economic ministers such as the Treasury in the 1990s (Della Sala 1997: 30). According to Dyson and Featherstone, the ‘vincolo esterno’ was *consciously* politically and discursively used – also tapping into the Italians’ long-standing pro-European sentiments – as a way to overcome the domestic resistances to change. The two authors cite a passage from an interview with then Ministry of the Treasury (and – tellingly – former general director of the Bank of Italy) Guido Carli that is revealing in this sense:

“our agenda at the table of the inter-governmental conference on the European Union represented an alternative solution to problems which we were not able to tackle via the normal channels of government and parliament” (Dyson and Featherstone 1996: 272).

Another interviewed official argued that

“today the *Banca d'Italia* and the *Tesoro* are the import agents and the authorised interpreters of the austere market sentiment. The relative power of both institutions (*vis-à-vis* markets) has declined, but the relative power of their technocratic heads has increased *vis-à-vis* that of the ministers” (*Ibidem*: 296).

This increase in the power of a technocratic élite is not neutral in class terms. Van der Pijl argued that a “concept of control is a certain inflection or a politicisation of an imaginary ‘neutral’ set of operating rules that is in place anyway. We are reminded of this silent presupposition when, in a political crisis, there emerges the call for a ‘technocratic’ government; as if a way of running class society without its class character being taken into account could exist” (Van der Pijl 2004: 193). Talani (2003) argues that switching policy competences, and thus the power struggle, to the European level was a way for the Italian industrial and banking sectors to obtain the implementation of macroeconomic policies designed to reduce public sector spending and discipline labour (*Ibidem*: 134). Dyson and Featherstone (1996: 272) also argue that with the increasing power of technocrats and the parallel pressures of monetary integration, the domestic policy agenda has shifted decisively in the direction of budget retrenchment, reform of the welfare state and privatisation. Moreover, in a context that ruled out devaluation, wage flexibility became more important as means of adjustment.

As detailed below, the notion of the ‘vincolo esterno’ as imposing automatically an adjustment that tends to be punitive towards labour is part of the common sense assumptions on the political economy. In fact, Dyson and Featherstone themselves point out that “the ‘vincolo esterno’ perspective stemmed from the reaction against the economic indiscipline of the 1970s: it was part of the collective memory of the monetary policy élite” (*Ibidem*: 274). In the 1970s, a situation of currency instability and frequent devaluation coupled with high inflation. The

shared idea was that European commitments provided the necessary discipline to overcome a trajectory that otherwise would be 'naturally' followed by the country and lead to instability and distributional conflict. Stability thus needed an 'external' anchor. As the chapter on the interviews will show, the common sense assumption that Italy lacked discipline and thus that this needed to be imported was shared by the centre-left political élite. Crucially, this assumption is not class-neutral, as it tends to entrench a settlement that is more responsive to the needs of capital accumulation in a transnationalised context, and it goes hand in hand with a form of state that is increasingly insulated from civil society.

Dyson and Featherstone also point out that the use of the 'European constraint' to transform the Italian state and political economy has been long-standing. In fact, the reference to the need to keep pace with 'Europe' has been used to shift domestic policy toward disinflation during the 1980s, to initiate the divorce of the Bank of Italy from the Treasury in 1981, to justify the measures to induce greater wage and price flexibility culminating in the abolition of the wage-indexation mechanism in 1992 and to introduce freedom of movement for capital in 1990 and continue with market-oriented adjustment (*Ibidem*: 291). The class bias of these measures is evident and signals that the appeal to the 'external constraint' is a *leitmotiv* of the evolution of the Italian political economy in the last decades and has been used to impose radical measures that touch upon elements of social protection within the state and on the conduct of monetary and fiscal policy. The thesis of the *vincolo esterno* is based on common sense assumptions, or what Dyson and Featherstone call "engendered policy beliefs" (*Ibidem*: 295) – also reinforcing the positive view of the EU in Italian

politics – that are not only shared by the technocratic élite but also extend to the political class and the trade union leadership, as the next chapter will detail.

Morton, analysing the Mexican path towards neoliberalism, argues that a crucial point was “the institutional career paths of the élite, which began to alter, so that ministries associated with banking and finance planning provided the career experience likely to lead to the upper echelons of government” (Morton 2007: 156). A similar phenomenon was operative also in Italy. It is telling, in this respect, to recall the background of the prime ministers that have ruled the country from 1992 to the end of the decade. Only two were ‘professional politicians’ in their previous career (Amato and D’Alema). Amato was Minister of the Treasury in the late 1980s; Ciampi was former governor of the Bank of Italy; Dini was a former general director of the bank; Berlusconi was a successful entrepreneur; Prodi was an economics professor and then the manager of a large public holding, and the government he led included both Dini and Ciampi as key ministers (respectively, Minister of Foreign Affairs and of the Budget). The dominance of personnel from the Bank of Italy or from economics/entrepreneurial backgrounds is astounding. Even Prodi’s cabinet – that was not a ‘technical’ government – was crucially characterised by a sort of self-disciplining as its central and undisputable goal has been to meet the Maastricht criteria. Fargion notes that the proportion of ‘technical’ experts was 52% and 96% respectively for the Ciampi and Dini governments (Fargion 2001: 4). Moreover, in 1996 a unified Minister of the Economy was created, uniting the Ministry of the Treasury and that of the Budget. Prodi assigned Ciampi as head of the new institution, a signal that it wanted to create a

powerful new Ministry seen to be above political partisanship and able to make economic decisions in a relatively autonomous manner from social and political demands (Della Sala 1997: 30).

This phenomenon is all the more striking if contrasted with the previous almost 50 years of Italian post-war history, dominated by a political class that was trained within the parties. The fact that prime ministers and the political class were increasingly coming from a background in institutions linked with the global economy, or from the private sector itself, is also revealing of the kind of ideas they tended to carry, stressing problems of efficiency, rationalisation and profitability, as well as the healthy disciplining function of the external constraint.

Della Sala (1997) has analysed the transformation of the Italian state in the 1990s describing it as a process of 'hollowing out' and 'hardening'. He argues – using budgetary policies as a case study – that there has been a displacement of state authority to supranational and local levels of government and that this required states structures that are less permeable to penetration and demands from civil society. A 'hollowed out' state, in turn, becomes more insulated from societal pressures. This brilliant analysis shows how the practices of 'new constitutionalism' have affected the objectives and processes of Italian budgetary policies in a neoliberal direction. As Della Sala argues, the strengthening of the executive and its agencies has given priority to "system effectiveness" over "representation" so that "it is much more difficult for societal interests to find access points and to penetrate the decision-making structures" (*Ibidem*: 14). This represents a drastic change from the former 'porous' decision-making structures in which "parts of the state

were parcelled out to (a broad range of) interests and the political parties that represented them” (*Ibidem*: 19). The ultimate result is that key decisions are made far from institutions that provide access points for claims and demands from different organised interests in society.

The rise of technical governments had – as already hinted at above – the effect of presenting the activity of ‘governing’ increasingly as a technical and not political phenomenon. As ‘politics’ became more and more identified with inefficient, incoherent and interest-driven negotiations (if not with outright clientelism and corruption), the technical neutrality of an economics discourse of efficiency, modernisation and transparency comes to the foreground as an effective *political* discourse aiming at transforming the state. This is an obvious instance of ideology: the particular that becomes universal.

The executive strengthened both vis-à-vis the parliament and the political parties (see also Ferrera and Gualmini 2004: 126). The 1993 electoral law also played a role, as it incentivised the creation of two broad coalitions with a single leader before the elections. Before, in contrast, the leader of the executive was chosen after extensive consultations between different parties and factions. Moreover, as mentioned above, in 1992 the government was delegated power to reform the health system, pensions, public sector employment and local government finance. This was followed in the next years by changes to parliamentary procedures that made it easier for government legislation to be approved by parliament and harder for factions within the government coalition to defeat the proposals (Della Sala 2004a: 137). With regards to the budget, there have been changes in parliamentary rules and procedures that give greater control of the whole

process to the government, with the budget committee of the Chamber of Deputies acting as the champion of fiscal restraint and with the elimination of a whole series of access points for different interest groups to influence budget decisions (Della Sala 1997: 30). The budgetary process was thus strongly autonomised from parliamentary pressures.

In addition to the strengthening of the executive, with a 1992 law and a 1993 legislative decree there was a reform of labour relations in the public sector that – with the aim of eliminating a web of party-driven work practices – introduced techniques of human resource management that were generally accepted in the private sector (Locke and Baccaro 1995: 14). This increased the power and autonomy of the public managers vis-à-vis their bargaining counterparts. Moreover, the public employees were now subordinated to similar mechanisms of work discipline and surveillance that were present in the private sector. As Fargion argues, the technical and centre-left governments also made extensive use of delegation for budgetary laws and social policy (2001: 5; 18). If compared to the First Republic, the Parliament's ability to influence policy-making appears downgraded.

This quite radical change occurred in parallel with a change in discourse that emphasised the need to move to a new way of governing the country that would overcome the 'consociativism' of the parties and allow the government to regain its authority to rule. The enhancement of the government's power was seen a necessary way of creating the 'culture of stability' that since Ciampi has been at the centre of the political discourse of the centre-left. Ciampi was in fact the first Prime Minister who personally chose his own ministers, not relying on the

political parties. Such a discourse emphasised the need for the country to discipline itself in order to respect the Maastricht criteria and join the monetary union, cut deficit and debt, 'modernise' its welfare state and reduce inflation. It tended to be a technocratic discourse that stressed the lack of alternatives facing the country and the need to unite towards common goals.

Elements that used to form the backbone of European democracies – the power of parliament, the role of organised interest groups and parties as moments of synthesis and programmatic elaboration, the extension of democratic procedures by incorporating intermediate bodies of society in the state and in decision-making, and often proportional or semi-proportional electoral systems – were increasingly seen as threatening to the new neoliberal project, that therefore requires a state that is more removed from democratic accountability. The interviews I conducted with representatives of the PD (former PDS) are revealing in this respect, as they often signal a mistrust of the 'language of protest' or the 'politics of the *piazza*' (the square), and make reference to the need to respond to the interests of the 'silent majority' who does not protest, and not those of the 'noisy minority' who have the means to influence policy-making. This position, I would argue, tends to stress the need for a government that is removed from interest-group participation and from intermediate organisations in civil society, including trade unions, seen as the bearers of the a special interest that contrasts with the general interest.

To sum up, the reference to 'Europe' and the external constraint was a central element in the political project to implement measures of fiscal restraint, that in turn necessitated a redrawing of the boundaries between

the 'economic' and the 'political' within the Italian state-society relations in the direction of enhancing the primacy of market forces. A central element in the construction of a hegemonic order is precisely the creation of political 'limits of the possible, effectively marginalising alternative political projects as 'unrealistic', with 'reality' seen as dictating the terms of the debate and the nature of the problems to be faced. Of course, the ideological battle is precisely on the definition of this supposed 'reality'. In this situation, as Della Sala argues, "the political arena becomes a shrinking one in which the space for societal interests to represent claims continues to be narrowed" (Della Sala 1997: 30).

As a conclusion to this section, it is important to note that the transformation of the state that has been just described cannot proceed by means of coercion alone. As any attempt to build a hegemonic order, it needs either active consent or the marginalisation of dissent – or passive acquiescence – and therefore the dominant social forces need to prevent the emergence of an alternative counter-hegemonic bloc. In order to limit the effects of a harsher economic condition on the working population that neoliberalism carries with it, compensatory measures need to be devised. In the Italian case, this involved an effort to include the trade unions into the decision-making process and thus to co-opt a potential opposition by enlarging the basis of support for the state.

5. Political history II: 1993, the moment of capital

"For years you've been walking along a razor's edge, and the unions could have given you the fatal push. They didn't do so. Perhaps you don't realise it, but the unions are the jewel in your crown"

Paul Samuelson

In this section I briefly present the main elements of the Italian industrial relations system in its historical development, as well as the consequences of the 1993 deal. In this way, the 'moment of capital' of 1993 can be better appreciated in its uniqueness in Italian post-war history. Drawing from the literature, in the second part of the chapter, a more detailed analysis of the origin, the content and the consequences of the 1993 social pact, as well as the reforms of the 1990s, are presented. Drawing from industrial relations and economics literature, I argue that the asymmetrical nature of the deal is manifest if attention is paid to the wage dynamics of the 1990s. This, coupled with the consensual measures of welfare state retrenchment described above, indicates that the reforms of the 1990s and the consensus that accompanied this moment in Italian history were skewed towards capital's interests (and common sense assumptions).

The industrial relations system

The Italian union movement has, since the early post-war years, been characterised by political divisions that reflected also different understandings of the function of a union. Thus, while CGIL's identity was based on

militant class struggle (including notions of ‘productivism’ discussed above), and UIL was closer to the model of business unionism, the goal of CISL – in this necessarily ideal-typical characterisation – was to strengthen the social integration of workers’ interests (Hyman 2001: 143-169). An important point to keep in mind is that despite the weakness in conventional industrial relations terms (there was no institutionalised neo-corporatist negotiation at the national level nor a formal way of influencing the government’s economic policy), they did possess an important public status that derived from their role in managing structures of the welfare state, such as parts of the social insurance system (administered by tripartite boards). In the public sector, unions participated in a network of regulatory committees. Thus, they “enjoyed greater and more pervasive influence than standard indicators of union performance would suggest” (Regalia and Regini 1995: 136 cited in Hyman 2001: 147). This fact of representing structures of the social order coexisted in a contradictory manner with an often anti-capitalist ideology.

The Italian 1948 constitution created a detailed legal and institutional framework for industrial relations, which was however only marginally applied. Notwithstanding the non-enforcement of article 39 of the constitution, that guaranteed the general application of collective agreements and included rules to measure the representativeness of unions, it is possible for an individual employee in companies not affiliated to any employers associations, through the judicial system, to secure implementation of the minimum wage standards defined by agreement. So, there was an *erga omnes* application of national contracts.

In Italy there is a tradition of legislative non-interference in industrial relations (Regalia and Regini

2004: 18). The interest associations, unlike other continental models, suffer from 'constitutional weakness' (their interaction is not regulated by law) and their membership bonds are weak and voluntarist. The system can therefore be characterised as one of 'associative pluralism' in which competition for representation is high (Regini 1997b). However, even if there is little institutional coordination and a weak formalisation of the rules (Regalia and Regini 1997a), *de facto* political influence is guaranteed by both the welfare structures described above as well as by the political links with the major parties (the CISL with the DC, the UIL with the republicans and social democrats and the CGIL with the PCI). Regini and Regalia argue that "compared with the two polar models of European labour relations – the Anglo-Saxon system based on broad voluntarism in the parties' behaviour and the German one based instead on a high degree of legal regulation – the Italian model has certainly resembled more closely the former although it has not possessed its stability and coherence" (*Ibidem*). Concertation in the 1990s, however, changed this scenario, introducing for the first time a formalisation of industrial relations that broke with this tradition of voluntarism.

In 2003, it was estimated that the overall bargaining coverage rate was about 80-85% (Bordogna 2003b: 293). The rate of unionisation of workers increased markedly up to 1980, when it achieved its maximum rate of 49%, and decreased to 38.6% in 1993 and 35.5% in 1998 (Regalia and Regini 2004: 15-16).

Early post-war years

The two decades after the end of the war were characterised by union weakness in both institutional terms and in the factory. Regular collective bargaining at sectoral level started in the late 1950s/early 1960s while company-level bargaining started to emerge only in 1963. The post-war economic miracle was in fact premised upon a low-wage export-oriented strategy. In this period, Confindustria insisted on centralised collective bargaining with the unions, since this worked to the advantage of employers (Locke and Baccaro 1998: 5).⁹³ In many continental European countries, these were the years when the combination between centralised bargaining of wages and terms of employment and universalistic and egalitarian systems of labour protection created the so-called 'European model' of industrial relations (Streeck 1993). In Italy however, this centralised negotiation developed in a context of weak recognition and marginalisation of the unions (Regini and Regalia 2002: 2-4).

The weakness of the unions could be felt also at the factory level, where relations were premised upon a harsh paternalism and the surveillance of workers (the surveillance techniques at FIAT were particularly tough). Until the early 1960s, in fact, labour law virtually did not exist and factories became a legal no-man's land with management free to persecute union activists (Locke 1995: 76).

⁹³ The two authors point out that "Confindustria would set wages and working conditions to the most backward and unproductive sectors of the economy (such as agriculture) and then generalise these terms to all of industry" (*Ibidem*: 5).

As Graziani has noted, the basis of the economic miracle of the 1950s and 1960s was also in the fact that the most dynamic sector of industry absorbed only a modest quantity of labour, so that the remaining labour-force was forced to look for employment in the less dynamic sectors, thus reducing the contractual power of the unions and maintaining low salaries (Graziani 1998: 66).

The 1969 'Hot Autumn'

All of this changed apparently almost overnight with the 'hot autumn' of 1969, a wave of strikes that swept the country for months, largely attributed to the conditions under an oppressive factory regime and the intensification of work pressures (for a good overview on the 'hot autumn' see Pizzorno *et al* 1978). A wave of unprecedented protest from below, lasting well into the 1970s, modified all the political and economic patterns in industrial relations of the previous decades. For instance, the three union confederations started acting jointly and in 1972 created a unified federation. At the factory level, the so-called 'factory councils' formed by union members as well as non-members became the basis of worker power, and the unions used their new strength to demand and obtain higher salaries, to eliminate overtime, regulate firings, restrict internal mobility and slow down the pace of work, also by implementing rather creative forms of protest and strikes – the country experienced an unparalleled amount of strikes, totalling more than 200 million hours (Graziani 1998: 90 – see also Reyneri, Regini and Regalia 1978 for a good description of the kind of strike tactics involved). These changes affected the rates of profitability and labour

costs. Between 1970 and 1974 unit labour costs increased 64% as opposed to annual increases of 8.5% between 1963 and 1969. One of the demands from the unions – that was later to be in a way institutionalised in the 1975 wage-indexation mechanism – was a move towards equal pay. Unions also pushed for a number of welfare reforms in the area of school, pension, housing and industrial policy in the South. In fact, one of the innovations of this wave of strikes was precisely the switch from purely economic demands to *normative* claims on the quality of work (Graziani 1998: 90-91). Citing Bordogna extensively:

“these are the years of ‘permanent conflict’, of ‘social revolution’ and of the ‘proletarian model’, in which the arena of industrial relations – the ensemble of relations between the state, the employers’ associations and the representatives of workers for the determination of the conditions of employment –, traditionally considered as a partial sub-system within a larger society, becomes one of the critical arenas for the economic and social stability of the country” (Bordogna 2003a: 192).

The most important legal innovation in industrial relations was the ‘workers’ statute’ of 1970, a law that protected unions and encouraged their presence and activity at workplace level, providing them with a number of substantial rights. The *statuto* guaranteed the freedom of workers as citizens by protecting job security, limiting the roles of security guards and supervisors and curtailing various surveillance techniques, as well as posing limits to labour mobility, often used for union-busting purposes (Graziani 1998: 91). The second part of the statute also provided institutional guarantees for unions: black lists were prohibited, the right to join a union was affirmed and

unions were authorised to constitute their own structures on the shop floor. Moreover, the three large union confederations were granted representational monopoly within most large firms (Locke 1995: 76-78). As Locke remarks, “the aim of this legislation was clear. By granting almost exclusive recognition to the most representative unions, reformers hoped to contain conflict by institutionalising relations among the various actors within the labour movement and between the unions and management” (Locke 1995: 77).

However, as Bordogna argues, the statute did not introduce anything new in the process of collective bargaining, that remained largely uninstitutionalised and regulated fundamentally by power relations until the reforms of the early 1990s (Bordogna 2003b: 284). As Regini and Regalia point out, after the ‘hot autumn’ what emerged was a decentralisation of collective bargaining. Now, in contrast to the previous years, national agreements performed the role of generalising results obtained in the most innovative companies (Regalia and Regini 2004: 3). This new form of action was called ‘articulated bargaining without limits’ (Hyman 2001: 149) and resulted also from the attempt by the unions not to lose legitimacy vis-à-vis the workers. In the period 1970-1975 nominal wages increased by more than 40%, higher than the growth of productivity (Ferrera and Gualmini 2004: 172), thus squeezing profits.

This wave of conflict prompted a double reaction from capital and the state. On one side, the country witnessed a process of decentralisation from large industries to smaller workplaces (what David Harvey would call a ‘technological fix’ – Harvey 2006 ch.4) a practice that aimed at reducing union presence and thus

conflict and at decreasing wage claims (Graziani 1998: 91-96). On the other, there were attempts at accommodation and dialogue with the unions, a process that culminated in the 1975 deal between Confindustria and the unions (the Lama-Agnelli deal). As Kalecki (1943) has argued, the power of capital expresses itself also as a power over investment decisions: he argues that the confidence of investors crucially depends on the match between capital's profit expectations and the distribution of political and social power. So, the greater union power in the 1970s certainly posed problems for capital accumulation. Chiesi and Martinelli argue that when unions acquire a level of power that allows them to potentially block the mechanisms of accumulation and investment, either unions become part of a coalition that changes the political and economic regime or they must reduce their veto power and transform it into some policy of co-determination at the firm level and into greater influence in government policy-making. However,

“in Italy there was not the social consensus – either inside or outside the labour movement – necessary for a revolutionary change. On the other hand, unions were also not willing or prepared to play a role similar to that of German trade unions, which take part in the decision-making process at the firm level. What they tried to do was to influence government policies in areas such as welfare, industrial policy, employment, etc. The strategy of political exchange pursued by Italian unions brought consistent gains to labour in the second half of the 1970s and early 1980s, but the government was never transformed into an organic neo-corporatist regime” (Chiesi and Martinelli 1989: 113-114).

The 'Scala Mobile'

The 1975 deal was a bilateral pact between employers and the unions, without the intervention of the state, which is simply called to extend the pact to the public sector. The wage-indexation mechanism was on the one side demanded by the unions in order to obtain protection from rising inflation (Graziani 1998: 126) and on the other side granted by the employers as a new way of containing conflict (repression did not work anymore – Locke 1995: 77) and creating more predictable industrial relations (Bordogna 2003a: 197)⁹⁴ as part of an attempt to create a 'Manchesterian' alliance between organised labour and big industry. It functioned by adjusting the wage level to the level of cost of living for all workers in industry, whatever their initial wage.

Bordogna (2003a) notes three important effects of the wage indexation mechanism. First of all, although the coverage of the mechanism would gradually erode and necessitated continuous adjustments, it caused the loss of efficacy of the 'classic' instrument of Italian economic policy, the manipulation of the exchange rate in order to gain competitiveness. Secondly, it caused an increase of the quota of wage rises due to the wage-indexation mechanism relative to the quota related to contractual increases. Thus,

⁹⁴ Locke argues that with this deal, Confindustria hoped to accomplish several things. First of all, it hoped that this agreement would bring about the centralisation and domestication of the Italian union movement. Second, it hoped to enhance the competitiveness of exports by tying wages in the export-oriented industrial sector to moderate price increases in the Italian economy as a whole. Thirdly, "by enlisting the industrial working class into a 'producers alliance' against the public sector, Confindustria was sending clear signals to the state that it was prepared to do battle if the government continued to encroach on the private sector" (Locke 1995: 79).

the creation of this automatic mechanism somewhat weakened the contractual role of the unions. Thirdly, this protection from inflation had a crucial *egalitarian* effect on the wage structure, a gradual ironing out of the earnings pyramid. This effect was higher the more pronounced the inflation rate the country was experiencing. Italy was in fact the country with the highest reduction of wage differentials both between blue-collar and white-collar workers and within the two categories (Paggi and d'Angelillo 1986: 160). The 1975 deal also created the so-called 'Cassa Integrazione Guadagni', that extended the duration of state-funded partial unemployment benefits and guaranteed 80% of workers' wages in the event of layoffs (Locke and Baccaro 1995: 5).

Locke and argue that there was a political exchange between wage indexation and the 'cassa integrazione' for greater social control and the reduction of conflict (Locke and Baccaro 1998), an exchange that was however still very far from the kind of social-democratic deals of central and northern European countries. In fact, the very egalitarian policies of the trade unions created increasing disaffection in the late 1970s and early 1980s. As Baglioni points out,

"in our country the problem of the representativeness is stronger than elsewhere. The egalitarian policy, the wage automatisms, old and new forms of workerism, have developed into positions of distance or critique towards the unions by several categories (white-collar workers, technicians, intermediate cadres) that, rightly or wrongly, have felt punished and sacrificed for nearly a decade" (Baglioni 1982: 28-29, cited in Paggi and d'Angelillo 1986: 161).

Paggi and d'Angelillo argue that while in the first part of the 1970s the egalitarian policy of the unions reflected a push in that direction from the mass of the workers, in the second part of the decade this policy continued to be pursued mainly as a consequence of the fact that the strategic political role of qualified workers was not sufficiently taken into consideration (Paggi and d'Angelillo 1986: 161). This element was confirmed in the interviews with two representatives of the trade unions.

The 'historic compromise' and the EUR line

The period of the 'historic compromise' and the role of the unions have already been partly discussed above. The point to underline is that by the late 1970s a consensus emerged – shared by both managers, politicians and unionists – that the wave of conflict was imposing unbearable costs on the Italian economy (Locke and Baccaro 1995: 4). The new strategy (the so-called 'EUR' strategy, that accepted the need for austerity) consisted of a failed attempt at social concertation. It failed because of the lack of significant compensations for the union's offer of wage moderation and self-restraint in industrial conflict (Paggi and d'Angelillo 1986: 12-22). Changes were implemented with regard to increased labour mobility and wages were increasingly tied to productivity (Locke 1995: 81).⁹⁵ In exchange, a series of reforms of vocational training

⁹⁵ Luciano Lama, the leader of CGIL, famously stated that "we have become aware that an economic system cannot sustain independent variables. The capitalists maintain that profit is an independent variable. The workers and their unions, almost as a reflex, have in recent years sustained that wages are an independent variable and the size of the employed workforce another... the imposition of excessive workers on firms is a suicidal policy. We retain that the

and industrial reorganisation were implemented (Ferrera and Gualmini 2004: 52), but these were not considered to be adequate compensations for the unions' concessions. Moreover, the end of the 1970s were characterised by restrictive fiscal policies, such as increases in tariffs and health 'tickets' (Paggi and d'Angelillo 1986: 19 - for a good description of the austerity policies implemented in the 1970s, see Golden 1988, ch.3). The PCI's 'historic compromise' strategy - the party never acceded to power but achieved a half-way house in the 1976-1979 period - had at the same time achieved little result with regard to the economic reforms envisaged (see Paggi and d'Angelillo 1986: 149, 151, 157) and did not deliver even the intended defensive compensations for bargaining restraint (Hyman 2001: 153). Thus, the idea that "wage restraint and the flexible use of labour both within and between places of work would be accepted in return for broader reforms in social and economic policy" (Bedani 1995: 234-235) delivered little results.

The perspective of cooperating with employers in improving productivity while imposing a moratorium on company-level pay increases (the 'EUR' line) did not generate substantial benefits. As Regini (1984: 129 cited in Hyman 2001: 151) commented, "if the only advantages that a union gets from political exchange are in the form of power for its leaders or of organisational gains, there should be a formidable amount of opposition on the part of the rank-and-file, since self-restraint by workers would be compensated for only by gains for their representatives". So, notwithstanding the significant reforms and the great

firms, when it is determined that they are in a state of crisis, have the right to fire" (Locke 1995: 81).

increase in union power, the Italian industrial relations failed to change along the lines of a neo-corporatist model because of the limits posed to a logic of 'political exchange'.

1980-1990: failed attempts at reform and union weakness

In line with general trends in Western democracies, the unions lost power and membership all throughout the decade, as overall density among employed workers fell by roughly ten percentage points between 1980 and 1990 (although the number of retired members increased). The central item on the agenda throughout the decade was precisely the *scala mobile*. As the PCI returned to opposition, in the following years there was a "long, discontinuous and fruitless negotiating effort at the central level between government, business and labour, intended to devise a hypothetical 'anti-inflation pact'" (Negrelli and Santi 1990: 164 cited in Hyman 2001: 153). Confindustria continually threatened to repudiate the 1975 agreement, and in 1983 a tripartite deal was signed which adjusted downwards the wage-indexation mechanism (by 15%) in exchange for state-financed benefits to the social partners (Bordogna 2003a: 203; Regini and Regalia 1997: 210). 1983 also marks the beginning of the process of labour flexibilisation, as it introduced work sharing agreements (solidarity contracts), work and training contracts and part-time work (all belonging to the family of deregulative policies – Ferrera and Gualmini 2004: 52) and allowed firms to employ 50% of workers with 'direct' call (instead of automatic call) (Graziani 1998: 191). In February 1984 the government passed a protocol that further weakened the *scala mobile*,

and the PCI organised a referendum on the issue, that was lost the following year. 1984 thus marked a break between the three confederal unions that was only overcome in the early 1990s.

According to Regini (1985), while the attempt at concertation in the 1970s was envisaged as a 'political exchange' – although it did not achieve the desired results – the 1983 deal can be defined as an 'ad-hoc exchange' in which compensatory measures were offered. In 1984, however, the government does not offer anything in exchange for wage restraint, but only the expected fall in the rate of inflation. *En passant*, Graziani notes that the attack on the wage-indexation mechanism had little to do with inflation, which in these years was not of the wage-push type (Graziani 1998: 188). This was confirmed by Cesaratto, who spoke about the role of the petty bourgeoisie and the 'mice in the cheese' in generating inflation (interview with Cesaratto). It must be remarked, – as we hinted at above – that the *scala mobile* represented one of the main elements that contributed to the weakness of the unions in the 1980s because of its egalitarian effects, that clashed with the expectations of the most qualified workers.

In order to understand the pressures to contain labour costs, one must not forget that in 1979 the European Monetary System (EMS) entered into force. It was a system based upon flexible exchange rate within fixed parameters, and thus it continually forced inflation-ridden countries to reduce inflation instead of using devaluation, and thus to compete on costs.

After the historic defeat at Fiat in 1980 (Revelli 1980), what emerged in the course of the decade was a tacit acceptance of two distinct spheres of action: while at the

central level, conflictual relations were maintained, at the local level of company or industrial district, the search for joint regulation prevailed (Regini and Regalia 1997: 212). This joint regulation regarded the move towards decentralisation that characterised the early 1980s. Altogether, the industrial restructuring of the 1980s was the sign of a “massive shift in the balance of power between labour and capital” (Locke and Baccaro 1998: 8). In fact, the period from 1977 to 1985 witnessed a huge increase of profits, even higher than in the 1950s (*Ibidem*: 12). It was in this context that new grass-roots organisations emerged (the COBAS – *comitati di base*, or rank-and-file committees). They coordinated highly disruptive unofficial strike action, most notably in public transport and education and posed a serious threat to the representativeness of the three confederal unions.

Reflecting on the experience of the 1970s and 1980s, Carrieri argues that the absence of formal procedures for negotiation apparently gave more power to the unions, but this happened only if the relations of force were favourable to them. Once the reverse happened, this advantage became a big disadvantage, as the employers found little obstacles in reducing wages and standards (Carrieri 1997: 28). This was one of the reasons why finding a deal on a new system of industrial relations in the early 1990s was considered to be so important for the union leadership (interview with CGIL #1).

By the end of the 1980s, the three confederal unions seemed no longer capable of representing all the segments of the labour force, their bargaining power in the political arena had diminished substantially and new unions, particularly in the public sector, had emerged to contest their representational monopoly. In this context, and as

monetary policy became more stringent (cyclical devaluations often did not keep up with the higher inflation rate), the reaction of the confederal unions was basically to abandon their traditional hostility towards legal regulation (in the early 1990s, two important laws regulating strikes in public services and employment relations were passed) and once again engage in concertative relations with the government and the employers, this time with CGIL joining the other two confederal unions. Of course, the signing of the Maastricht treaty and thus the very stringent monetary 'straitjacket' that was imposed upon Italy, as well as the speculation that attacked the Lira in September 1992 and that forced Italy out of the ERM played a key role, in that it convinced the government and the employers that they too needed the consent of the unions in order to keep down wages, and thus inflation, while devaluing.

In June 1990, Confindustria announced its decision to withdraw from the 1975 agreement on the wage-indexation mechanism, thus forcing upon the government and the unions a solution on the question of wage costs, which was found only two years later. The common goal of the employers was to curb labour costs, which were increasingly difficult to pass on to consumers (it would generate mounting inflation) (Regalia and Regini 1997: 220). In the meantime, the *scala mobile* was renewed by the parliament. New signs towards greater consensus among the confederal unions emerged when, in October 1991, at the 12th Congress of the CGIL, the majority approved a strategy sanctioning the end of class struggle, "the adoption of bargaining demands compatible with the firms' ability to pay" (Locke and Baccaro 1998: 55) and the abolition of political factions, including the communist one.

In 1992, the unions signed together a pact with government 'privatising' employment relations in the public sector.

Moreover, there was also a gradual centralisation of the employers' organisations, as in the early 1990s Intersind and ASAP (the public sector employer's associations) gradually began to move in the orbit of Confindustria, and in 1992 and 1993 they both signed the social pacts. In the following year, as an outcome of the government's programme for the privatisation of public enterprises, they both entered formally into Confindustria.

Towards the 1993 protocol

In July 1992, a social pact definitively abolishing the wage-indexation mechanism was signed by the Amato government, the unions and Confindustria.. Crucially, in September of the same year, the Lira suffered a strong speculative attack and was forced out of the Exchange Rate Mechanism of the European Monetary System. As Cesaratto argues, the elimination of the *scala mobile* in 1992 and the 1993 pact had as their goals also the enhancement of Italian competitiveness by keeping wages and thus inflation low while devaluing. In order to understand the significance of this moment in Italian history, it is useful to review Talani's approach to exchange rate commitments (Talani 2003). Her approach is grounded in a neo-Gramscian paradigm in which exchange rate commitments appear as 'credible' the more they are rooted in the interests of a given hegemonic bloc. Thus, the 'expectations' of the markets include a crucial *political* component, in that they are deeply conditioned by the interests of the dominant socioeconomic groups in a given country. Thus,

“market expectations and thus also market behaviour, are crucially affected by considerations about something more fundamental than the fundamentals: the economic structure and the way in which it is reflected in economic and political life” (Talani 2003: 132). This fact can be linked to Kalecki’s argument that in a capitalist society the success of an economic policy is to be measured by the credibility of capital’s expectations of profitability. I would add that the more capital can successfully valorise itself in a given socioeconomic context, without social or political obstacles, the more a country’s monetary commitments are judged ‘credible’. Crucially, and this is Talani’s argument, the credibility of a government is linked to the existence of consensus within the socioeconomic hegemonic bloc (Talani 2003: 133).

The author also argues that the decision to switch the power struggle from the national to the European level with the creation of the ERM in the late 1970s was the only way for Italian banking and industrial sectors to obtain the implementation of macroeconomic policies that would reduce state spending and discipline the unions. I would add that this kind of policy is a good example of ‘new constitutionalism’ (Gill 2003). Talani argues that in the 1980s, participation in the ERM reflected the domestic balance of forces and so constituted the ‘political guarantee’ that the commitment was credible (*Ibidem*: 134), whereas a system of floating exchange rates constantly produced internal struggles between capital and labour over monetary and fiscal policy.

Brussels provided the opportunity to exert ‘external’ pressure towards the implementation of economic policies that would be opposed by Italian unions. On the other hand, as Talani underlines, the attitude of Italian capital

towards European monetary constraints was ambivalent: “whenever the commitment to fixed or quasi-fixed exchange rates collided with the need to improve economic performance, Italian industry traditionally insisted on the need to devalue” (Talani 2003: 135). The balancing of these two contradictory strategies has characterised the Italian position within European monetary arrangements. Identifying a hierarchy between these two positions, Talani argues that “on the one hand there was the ‘political economy’ strategy to shift the power struggle from the national to the supranational level with the aim of overcoming internal opposition to the implementation of fiscal and monetary orthodoxy. On the other hand there was the purely economic strategy to keep exchange rates in line with the desired performance of exports” (*Ibidem*: 136). Particularly in times of recession, this contradiction was bound to emerge in the open.

Thus, in the early 1990s, in the heart of a Europe-wide economic crisis and monetary turbulence fuelled by Germany’s use of accommodating fiscal policies (after its unification), industrial support for the ERM was withdrawn, triggering the speculative attack on the Lira. However, “the fact that the consensus faded only at the second level of analysis, that is, at the level of ‘purely economic’ considerations and not of structural ones, is demonstrated by the fact that Italian commitments to the realisation of EMU did not disappear despite the ERM crisis” (*Ibidem*). The overvaluation of the Lira in the late 1980s was thus overcome by a strong (25%) devaluation in a few months in 1992 and 1993. However, the return to a system of floating exchange rates was not envisaged. Moreover, even a system of nonadjustable fixed rates would not ‘work’, since it would always leave some room

of manoeuvre for different monetary and fiscal policies (that would create interest rate differentials). Talani argues that there was no contradiction between the withdrawal of support for the ERM and private capital's promotion of EMU, which provided a more satisfactory solution in that it 'locked in' a set of orthodox monetary and fiscal policies insulated from 'politics'. Moreover, banking capital's structural dependence on industrial performance (*Ibidem*: 137) enhanced the consensus in favour of a single currency area in Europe based on tough monetary and fiscal policies.

While the monetary union had achieved the goals of eliminating currency fluctuations and interest rate differentials, it has done so only by shifting the adjustment mechanism on labour. Exchange rates could no longer be used to counter economic differences within the Eurozone, and – as monetary policy was left to the European Central Bank (ECB) and fiscal policy was surveilled – the only mechanism for adjustment was labour costs and employment conditions, which were targeted in order to achieve the needed 'flexibility'. Hence,

“if a deterioration in relative (unit) costs cannot be reversed by productivity improvements, unions in affected areas will be pressed to accept nominal wage reductions or low increases as well as cuts in nonwage costs, eroding bargained statutory social benefits. This may happen even without asymmetric shocks, insofar as employers (and governments) seek price advantages, no longer attainable by currency depreciation, through wage and benefit cuts instead” (Martin and Ross 1999: 70).

What this stance implies is that the policy prescriptions produced by EU institutions for adjustment tended to include supply-side and market-enhancing

policies such as liberalisation and deregulation. Altwater summarises in this way the constraints imposed on member states of the EU:

“within the Eurozone the expense side of government deficits is tightly regulated by the Maastricht criteria...The revenue side, on the other hand, is subject to regulatory arbitrage in favour of investors. Limiting wealth taxes frees up money wealth that is in turn used for speculation in financial markets” (Altwater 2011: 283).

In short, only wage levels or government spending could vary in order to adjust the ‘real’ economies in a single currency area. What this means is a permanent pressure on workers and their organisations for wage moderation.

The U-turn of 1992-1993

The 1992-1993 moment in Italian history has been defined as a ‘new 8th of September’ (Paggi and Cantelli 2011: 124) because it set in motion a downward path for the Italian economy, manifested in a significant fall in productivity in the following years, (that caused a decrease in exports, in GDP growth and a loss of competitiveness) and years of low growth and wage stagnation.

Apart from the turbulences that revolutionised the political system, which will not be dealt with here, these two years were marked by profound changes in the industrial relations system and in the regulation of the economy. In 1992 the Amato government (a government backed by the ‘old’ 1st Republic parties but that enjoyed considerable autonomy and thus acted practically as a technical government, due to the *Tangentopoli* scandals that

were decimating the political élite) signed a pact with the employers' association and the unions that eliminated the wage-indexation mechanism. In July 1993, Ciampi's technical government was the promoter of a new protocol that would deeply modify the relations among the social partners. For the first time a set of 'shared goals' became common among the partners. Significantly, both Amato and Ciampi would later join the centre-left coalitions. The consensus that was generated around the protocol and the goals it set allowed the Dini government to approve a pension reform in 1995 and a few years later, the centre-left governments approved a package of labour flexibility reforms. Let us look closely at the development of 1992-1993.

First of all, it is important to acknowledge the particular role of trade unions within a capitalist society. Trade unions are 'class' organisations in the sense that they advance workers' interests and organise class struggle in the labour market and in extreme circumstances (such as the hot autumn of 1969) may take back resistance to the shop floor. On the other hand, as Van der Pijl argues, "as structures of socialisation embodying a particular dimension of social compromise basically shaped by the requirements of the mode of production, they simultaneously give rise to a relatively distinct stratum of cadres, professional intermediaries comparable in many respects to hired managers working for capital, or state personnel concerned with the reproduction of complex social relations" (Van der Pijl 1998: 41). Hence, a general problem for the union is to maintain the link with the workplace and anticipate conflict and at the same time retain an institutional role within the state. The 1990s were an interesting period in this respect, because in this period

the unions both acquired legitimation and power in the institutional realm *and* increased their appeal vis-à-vis the workers. The confederal unions, in fact, won the workplace elections after 1993, the referendums on the 1993 protocol and the one on the 1995 pension reform.

The 1993 document is, in the words of Carrieri, a “fundamental deal” (Carrieri 1997: 9), and in the definition of the Minister of Labour at the time, Gino Giugni, the “constitution of industrial relations”. As Molina and Rhodes argue, “few west European countries have been subject to the continuous wave of reforms in industrial relations and welfare state institutions experienced by Italy” since the early 1990s (Molina and Rhodes 2007: 1). This wave of reforms is described by the two authors, as well as by Salvati (1997) as a ‘Copernican revolution’. The 1993 deal has also been seen as *the* ‘turning point’ in Italian industrial relations (Vallauri 1995: 185) and as marking the ‘end of an era’ (Carrieri 1997: 79).

Salvati argues that one of the important preconditions for the signing of the pact was the weakness of the partners, who needed to lean upon each other (Salvati 1995). In fact, the political class and the employers were suffering from delegitimation in the wake of the *Tangentopoli* scandals, and the confederal unions had gone through a decade in which their power and membership had decreased considerably. The importance of the pact is underlined also by Baccaro, who argues that the concertation and the consensus inaugurated by the pact did not regard simply industrial relations, but the whole political system. In his words, “concertation is a decision-making process that allows relatively weak and fragmented governments to make difficult choices that generate dissent

and conflict” (Baccaro 1999: 3). This is also Ciampi’s own view of the function of concertation (Ciampi 1996).

The idea is that in crucial moments in which the state (and capital) needs to absorb the conflicts that are emerging from below in order to strengthen the legitimacy of government and implement specific policies that necessitate consent, co-optation becomes a useful tool. Unions, as Hyman notes, became in themselves “bulwarks of the social order” (Hyman 2001: 155) as they ‘used’ their remaining representativeness (lingering on from the ‘autunno caldo’) in order to back up a specific set of policies that can be summed up in the goal of creating a ‘culture of stability’, of which the social pact of 1993 was *the* most important element, as Ciampi himself acknowledges (Ciampi 1996: 11). Hyman usefully sums up the pressures on the trade unions in the early 1990s: “all main unions...perceived irresistible pressures: procedurally, to return to formal tripartite concertation as a basis for political stabilization, substantively to endorse austerity measures and institutional reforms which would align the Italian economy more closely with EU norms” (Hyman 2001: 156).

The basic idea of the ‘culture of stability’ was that by containing wages and inflation, interest rates would also decrease, and financial adjustment would thus liberate useful resources in order to relaunch economic growth based on investments in technology and education. Only in this way could Italy change its ‘competitive advantage’ and begin a new cycle of growth. Interestingly, Ciampi also argues that a country’s ability to exercise its own sovereignty is linked to its ability to produce the ‘public good’ of credibility and trust (Ciampi 1996: 15). I would argue that these kinds of statements can be seen as a sign of

the trends towards the creation of a neoliberal state that is increasingly insulated from popular-democratic influence and more conditioned by the need to create credibility vis-à-vis the financial markets. In fact, as argued above – and also by Ginsborg (1989: 276) –, with Ciampi the tendency for the Italian executive to be dominated by non-political ‘technical’ experts reached a high-point, although this trend continued all through the 1990s. Ciampi himself represented a sophisticated culture that emerged in the Action Party during World War Two, and later entrenched in the Bank of Italy.

The ‘culture of stability’ that Ciampi supported was increasingly seen as the way forward for the new party emerging out of ashes of the PCI. If we take a short step forwards, a link can be made between the new centre-left position in Italy and the emergent ‘new labour’ culture of the British Labour Party and then of other leftwing parties in Europe. Here, globalisation is seen as an inevitable process, in whose presence the problem of inequality cannot be solved *ex post*. The presence of individual ‘risk’ must thus be accepted, and the role of the state becomes one of ‘social investor’: to create the conditions that allow free individuals to compete successfully in the market. The main elements of the pacts I describe below, as well as Ciampi’s own programme, follow this line of thought. Ciampi himself underlined the need for an increasing autonomy of the executive from political parties as a precondition for restoring ‘healthy’ links with the social partners (Ciampi 1996). His description of the political programme he had in mind is crystal-clear:

“The culture of stability has established itself in our country. The key moment was the pact between the social partners and the government in 1993: on that occasion, a

new incomes policy has found clear and organic manifestation: it has become a way of being. From the on, that deal has worked and is working as an anchor of stability, considered as a common good to be preserved in everyone's interest. On the basis of that deal it has become easier to acquire control of public spending, strongly influenced by inflation. Thanks to that pact and to the adjustment of public finances, the rigorous control of the Bank of Italy could express full efficacy".

The former President adds that

"the link between monetary policy, incomes policy and adjustment of public spending has worked, enhancing the effect of each of the components. The fall of inflation and the tough actions to rebalance the state budget have produced a progressive rise in trust in the markets; the quotation of public debt bonds on the markets has been the daily thermometer of this recovery" (Ciampi 2004: 196-197).

The social pact, as I will show below, in fact did not deliver growth but wage stagnation, and inaugurated a path towards retrenchment of the welfare state (in particular, pensions) and new laws on labour market flexibility. So, the way this 'culture of stability' manifested itself in the eyes of the left's traditional social base was as sacrifices without compensation. It is perhaps not a chance that, recently, there has been a dramatic shift in voter preference of this group towards the centre-right parties (Paggi and Cantelli 2011: 132-135).

The 1992 agreement was seen as "the first true, albeit incomplete, turning-point in the relationships between the three actors" (Regalia and Regini 1997: 214) and was compared to the 1982 *Wassenaar* agreement in the

Netherlands (Ferrera and Gualmini 2004: 143). It abolished the wage-indexation mechanism, suspended collective bargaining for two years and linked for the following three years an incomes policy with the goals of GDP growth and planned inflation at 3,5% in 1993, 2.5% in 1994 and 2% in 1995.

It must be kept in mind that as a consequence of the 1983 and 1984 deals, the wage-indexation mechanism in the early 1990s covered only 50% of inflation increases. The *scala mobile* was commonly regarded as one of the main ills of the nation's economy, a consequence of the unions' 'conservatism' (Amyot 2004: 171) but it had great symbolic significance as it was the outcome of previous waves of collective mobilisation. Giving up the *scala mobile* also implied a reversal in the unions' egalitarian policies and a recognition of wage inequalities for differently skilled workers (Locke and Baccaro 1998: 43). At the centre of the 1992 deal there was wage restraint, without any of the traditional compensations that had accompanied the deals of the early 1980s.

In addition to this agreement, the unions also accepted a partial reform of the pension system that raised the minimum retirement age (from 60 to 65 for men and from 55 to 60 for women) and eliminated certain benefits for public sector employees (Locke and Baccaro 1995: 17 – see below on the pension reforms). However, what was left unsolved was the problem of the collective bargaining system. Moreover, the pact left a lingering tension within the CGIL, as the secretary Bruno Trentin threatened to resign (he affirmed that he was forced to sign out of a 'sense of responsibility' toward the nation – Locke and Baccaro 1998: 41), and the autumn of 1992 was characterised by strong protests, strikes and occupations

particularly in the Northern regions. Sergio Cofferati, later secretary of the CGIL, declared that “the agreement has been reached through a sort of political ‘encirclement’ of the unions and an intimidating attitude vis-à-vis the CGIL” (Cofferati 2002). In fact, the deal was reached only after Amato himself had threatened to resign if the CGIL did not agree, in the face of a fiscal and monetary crisis, which had already prompted the government to pass one of the biggest financial adjustment measures of the post-war period.

The signing of the 1992 agreement must be placed in the context of a deep crisis of confidence in the ability of the Italian state to defend the Lira within the European Monetary System. The crisis exploded in September 1992 and the government passed an extraordinary fiscal austerity package (the largest one in the country’s history) of 93 trillion lire. The climate was thus one of ‘economic emergency’.

The 1993 pact came almost exactly one year after the signing of the 1992 social pact. As I shall show below, it was *not* accompanied by any compensatory measures, as were the trade-offs of the early 1980s (Regalia and Regini 2004: 8-9), not even the reduction in working hours contained in the *Wassenaar* agreement in the Netherlands (Negrelli 2000: 92), usually seen as a pact that largely embodied capital’s interests. Compensations were included but were minor: the inclusion of organised labour into institutionalised negotiations over the reform of the welfare state, the creation of a second level of bargaining at the firm or territorial level, the election of the workers’ representational bodies in the factories (RSU) (see below). The unions here *de facto* accepted that in order to relaunch growth in Italy, wages need to be curtailed.

The 1993 protocol

The protocol itself consisted of five broad sets of measures (see: Mania and Orioli 1993 for the complete text of the pact) that – crucially – for the first time applied both to the private and the public sector (therefore, the state itself agreed to respect the rules in its dealings with its employees):

1. An income policy that had the aim of reducing labour costs and thus inflation. This objective was tightly linked with the aim of reducing interest rates and increasing competitiveness (by avoiding that the devaluation of 1992-1993 would increase inflation), and improving the “efficiency and competitiveness” of the firms (as argued in the text itself – Mania and Orioli 1993: 39). This required a two-stage yearly dialogue with the social partners in order to set the economic priorities for the following year. Moreover, the elimination of the automatic inflation-protecting mechanism was confirmed. A new mechanism was set in place, which fixed salaries in coherence with (and thus not covering completely) the expected inflation rate. Each year, the rate of expected inflation was set jointly by the social partners on the basis of the analyses of the national statistical office (Istat). What was envisaged was a stable architecture of incomes policies and of collective bargaining relations in which the parties jointly committed to conform their behaviour to the expected inflation rate. Importantly, in the section of the pact devoted to income policy, there are explicit

references to attaining the Maastricht goals. Thus, it is stated that the inflation rate should be reduced to the levels of the “most virtuous European countries” (Mania and Orioli 1993: 39).

2. The creation of a new bipolar collective bargaining system consisting of a national industry level and of a company *or* local one. The national industry contract – of two-year duration regarding wages and four-year duration as regards normative matters – was awarded the function of adjusting wages to the expected inflation rate. On the other hand, the company or territorial contracts – that are not compulsory – will concern “subjects and provisions that are different from and do not overlap with the compensation clauses assigned to the national collective agreement” (Mania and Orioli 1993: 50). They can redistribute further productivity increases (in excess to the ones needed to fund the increases set out in the national contract), as well as negotiate on the consequences of technological innovation and performance-related pay. The explicit formalisation of the second level of collective bargaining is indeed an innovative aspect, but these second-level contracts continue to be not compulsory. Crucially, the second level was not to overlap with concessions obtained at the national level. By closely linking local wage increases to profit and gain-sharing schemes, the aim here was to reduce the inflationary potential associated with local wage drift. The goal was also that of increasing the quota of wages directly linked to the evolution of the firm’s profitability and the productivity of single workers (Fanizza 2006: 47). This element has contributed to

increasing the wage differentials (Fumagalli 2006: 106). In addition, a new mechanism for the 'cooling' of conflict before the renewal of contracts was created. The idea was that a sort of 'competition-cooperation' would take the place of conflict. This system has been classified as one of 'organised decentralisation' (Regalia and Regini 2004: 32).

The text is quite ambiguous with regards to the wage-setting mechanism. It states that the wage dynamics should be coherent with the expected inflation rate. However, it also adds that it can be influenced by "the objective of maintaining the purchasing power of wages, by general trends in the economy and the labour market, and the specific trends in each sector" (Mania and Orioli 1993: 48). In addition, when renewing the national contracts every two years, the social partners shall consider the "comparison between the expected inflation rate and the actual inflation rate in the previous two years, considering also variations in the terms of trade" (Mania and Orioli 1993: 49). So, differences between target and actual inflation rates were to be dealt with in the two-year contract renewal, also taking into account variations in the country's exchange rates (i.e. 'imported' inflation). This element is crucial, because the months after the signing of the protocol were effectively characterised by a strong devaluation of the national currency. Leaving the decision whether to include this 'imported' inflation into the wage increases to the social partners effectively left the matter as an outcome of the power struggle between the partners. What this meant in practice was that 'imported'

- inflation tended to be excluded from inflation recovery in the following round of negotiations, thus creating significant differentials between expected and real inflation and thus lower real wages (Tronti 2005; Rufini 2009). The economist Cesaratto also argued that the cost of the devaluation was effectively paid entirely by wages (interview with Cesaratto – see also below on wage developments).
3. New rules of representation and institutionalisation of participation that substituted for the previous quite *ad hoc* and informal system. Never before had the rules governing trade union representation been the object of bargaining between employers, unions and the state. A new firm-level representative organisation was created (RSU – *Rappresentanza Sindacale Unitaria*), partly (2/3) elected and partly (1/3) nominated by the confederal unions. This rule was requested by Confindustria, fearing that lower levels of bargaining could be in contrast with the general line established at the national level. The employers' association thus wanted a guarantee that their opposite numbers at plant-level negotiations were the same as those at the national level – to be sure that the two levels would not lead to uncoordinated wage increases (Amyot 2004: 174).
 4. A 40% increase in unemployment benefits, and the extension of the *cassa integrazione* to firms with less than 50 employees. The *cassa integrazione* is a form of unemployment benefit for firms undergoing technological restructuring or experiencing a crisis. The state pays a percentage of the wage for a period of maximum 2 years.

5. A 'programmatic' section, in which the general lines along which the economic and labour policies of the following years were devised. These included provisions such as the extension of apprenticeships and vocational training contracts, the licensing of temporary work agencies and the possibility of negotiating wages below contractual levels in zones hit by economic crisis (starting from 1996). These elements embodied parts of the employers' programme (Amyot 2004: 180). Crucially, unemployment was here seen as the result of a 'rigid' labour market, not of the lack of demand, as in the classic Keynesian understanding, as mentioned above.

A section entitled 'support for the productive system' included more neutral measures to promote economic growth, such as aid to research and development and improved export credits. It was planned that investments would increase from 1.4% of GDP to 2% in three years (this did not however materialise). It was also agreed that taxes on capital would be lowered (Mania and Orioli 1993: 108). The pact even included a commitment by the government to legislate the application of national contracts to all workers in a sector, but this was carried out. There was one clause with a Keynesian flavour in the pact: the acceleration of the approval of public works, which had been blocked by the *Tangentopoli* scandals.

The 1993 deal thus represented a more constructive agreement after the 1992 pact, in that it was aimed at devising a framework of governance that included both

rules for wage negotiations and an overall reform of the industrial relations system. So, while the 1992 deal was a response to a situation of emergency, in 1993 the aim was to create a functioning system agreed to by all the social partners. Trade unions were included in the decision-making processes of economic policy in two annual sessions of debate before and after the presentation of the national financial plan. What emerged was a style of decision-making that was largely unprecedented in Italian history, in which the social partners were incorporated into formalised negotiations at the government level. Starting from the Ciampi agreement and up to the end of the decade (the 1998 'Christmas' deal with the D'Alema government), more and more specific rules were introduced, reinforcing not only "the development of a model of policy-making based on pacting, but also its rhetoric and legitimisation in political discourse" (Ferrera and Gualmini 2004: 141). In the 1993 pact this formal role was institutionalised in two annual meeting with the social partners to discuss the economic situation, the needed reforms and the evolution of employment and wages.

However, since the final objective of monetary integration – with the corresponding parameters – was accepted as the framework within which to conduct economic policy and thus the parameters for monetary and budgetary policies had been set, the formal role for the social partners seemed effectively like a minor concession (Della Sala 2004: 136). As the requirements for monetary union were overall quite punitive vis-à-vis labour (see Bonefeld 2001), what unions could claim was that the burdens of restructuring the welfare state and the labour market would be distributed in an equitable manner and perhaps safeguarding the core of their constituency.

A crucial point that differentiates this pact from previous ones in Italy and from similar pacts elsewhere is the presence of 'programmatic' rules, and thus the extension of the method of concertation to include the reform of the labour market. In fact, in the section of the protocol entitled 'politics for employment', the government promised an "organic law that will change the normative framework of the labour market, aiming at valorising employment opportunities that the labour market can offer if it is equipped with a richer set of instruments that are being employed in other European countries" (Mania and Orioli 1993: 81). Specifically, what was envisaged was a negotiation among the social partners with the aim of developing "active and flexible labour policies", "modernising the laws on labour time" and "making the labour market more efficient by allowing temporary agency work" and fixed-term contracts (*Ibidem*: 81-89). These programmatic elements were then realised in the 1997 labour flexibility law.

The asymmetrical exchange

In the section on *trasformismo* I have shown how at the end of the 1970s, at a time of economic crisis in the country, the PCI and the trade unions accepted wage restraint and austerity measures with quite weak compensations. Here my aim is to show how the 1992-1993 deal also revealed this lack of 'political exchange'. In 'traditional' income policies (see Pizzorno 1978) the logic entailed wage restraint in exchange for full employment and/or universalist welfare state policies (that can be equated with the Polanyian 'logic of social protection'). The

1993 deal is different: here, trade unions pre-emptively take it upon themselves to accept 'sacrifices' in the name of the national interest in a situation of economic emergency, without (or with marginal elements of) compensation. The logic of *trasformismo* must be kept in mind here: representing the 'general interest' as entailing a pre-emptive curtailment of labour interests was a long-standing idea in the Italian left. Trentin himself, commenting on the 1970s EUR line, declared that it represented the overcoming of a "contractualist logic that inspired the relationship between the unions and the state and that is at the moment dominant in many countries of western Europe". According to him, the important fact about the acceptance of austerity policies was that the union refused the logic whereby "in order to become a protagonist of the new economic policy, it must claim 'sure compensations' from capital" (cited in Paggi and d'Angelillo 1986: 14).

Carrieri has described the nature of the exchange between the social partners as one between the guarantee of a predictable and controllable cost dynamic and the maintaining of the purchasing power of wages, coupled with the improvement of the conditions of work (Carrieri 1997: 36). The asymmetrical exchange is clear. While capital obtains the control of wages (maintained well below productivity all throughout the decade – see below) labour can at best hope not to lose out in real wages. It is, moreover, difficult to see how the improvement of the conditions of work could come about when laws creating a more flexible labour market are implemented, and in a situation where only a minority of firms apply second-level contracts. Only 20-25% of workers, with high-points of 40% in the chemical industry, were involved in second-level bargaining, with little variation from the situation before

1993 (Scacchi 1998: 5). The workers excluded from the second-level bargaining (almost 80% of all workers) were largely in small and medium enterprises and in the South. The overall result was that the direct wage has seen a large increase in variable quotas (linked to productivity and profitability of the firm), often unilaterally conceded by the employer. Moreover, there was an increase in wage differentiation between the lowest and the highest wages, between geographical areas, industrial sectors and small and large firms (*Ibidem*: 6-7).

It seems more apt to talk about a pact on 'regulative' rather than 'redistributive' policies (Regalia and Regini 1997: 225⁹⁶) in a context in which the analysis of economic 'reality' (in a situation presented as one of economic emergency) and therefore the solutions and objectives were largely shared, in contrast to a situation where the *resources* are shared. The fact that the pact was asymmetric is widely shared in the literature. Negrelli gives a good description of the kind of pact agreed in 1993:

"unlike in previous triangular agreements stipulated during the early 1980s, what clearly emerges here is the degree of austerity of a state which can no longer put resources on the table in exchange for the consensus of the actors involved, but rather can only endeavour to help steer through the perilous shoals of price and wage controls. Thus the political exchange has increasingly become shaped by the external constraints of the current stage in the European Union" (Negrelli 2000: 99).

⁹⁶ The two authors also argue that "the tripartite agreements and the negotiated laws of the 1990s have been based on the immediate 'exchange' of benefits and on the compensatory role of governments to a much lesser extent than were the relatively unsuccessful attempts of the early 1980s" (Regini and Regalia 1997: 225)

Also Salvati points out that “despite government statements that the path aimed at growth and employment, there were few concrete proposals in the agreement that labour could point to as a trade-off for making concessions on wages” (Salvati 1995: 136). For instance, there was no mention of the use of public finances in a redistributive fashion. In fact, “the commitment given to meeting the convergence criteria precluded any macroeconomic choices that would have been out of step with a priority to tight monetary policy and price stability” (*Ibidem*). What was missing from the protocol were social policies or policies geared at full employment (Carrieri 1997: 80). Thus, excluded from the protocol were the interests of the unemployed or workers under non-standard contracts.

Amyot, underlining that the explicit *quid pro quo* that characterised earlier phases of corporatism has been replaced by a recognition of common goals (mainly the need to Maastricht criteria), argues that “the July agreement has often been presented as an example of a new phase of corporatism, where unions seek, in return for wage moderation, organisational support and legitimacy rather than concrete benefits such as full employment” (Amyot 2004: 173). The author also points out that, even if the preservation of the two contractual levels can be seen as a union victory (albeit – I would add – a defensive one, since these two levels were already present, even if informally), institutionalisation of the role of the unions brought with it “a certain ‘taming’ of the unions, in their acceptance of the goal of inflation control and indeed of the overall economic policy of the government, and more specifically in their endorsement of a framework which *de facto* protected the core industrial workforce in large firms,

while offering much less to those in small plants, the service sector and the black and grey labour markets" (Amyot 2004: 175). I would add that this strategy of the unions made them also less attractive to workers in the flexible service economy, where union presence is quite low.

This pact can therefore be described as a form of concertation without or with very little political exchange. Alternatively, as Carrieri argues, the pact can be described as a *national* pact instead of a *social* pact, since its goal is uniquely that of allowing the Italian political economy to adjust to competitive pressures: the constitutive nucleus of the pact is in the "adjustment and re-launching of the national economic system. Also in Italy the 'independent variable' is the firm's competitiveness via the control of inflation, while the defence of real wages becomes a 'dependent variable'" (Carrieri 1997: 85). The role of public policies was thus not a source of welfare benefits but a factor in national competitiveness (Regalia and Regini 1997: 228).

What government *did* provide that had been lacking was a formal role for the trade unions to take part in deliberations on macroeconomic policy. However, it is easily understood that given the parameters within which fiscal and monetary policy could be used, this formal role was but a minor concession. So, while the 'state' (one should however here keep in mind that the state's interest coincides with the interest of the dominant historic bloc) obtains the control of inflation and of public debt, and Confindustria obtains higher competitiveness because of lower labour costs and lower conflict, the unions can only point – at best – to *defensive* results. Carrieri sums up the

interest that the employers' associations have in social pacts by arguing that

“for the employers' associations these pacts are interesting if they are able to consolidate the constraints on wages and at the same time do not question the flexibility at the firm level. So, employers are not in favour of any kind of centralised pact, but only those that are compatible with the autonomy of single entrepreneurs or managers (or, better still, if they contribute to strengthening it, creating constraints for the counterpart)” (Carrieri 1997: 87).

I would argue that this was the case with the 1993 pact, since it set in stone clear inflation targets that were consistently lower than real inflation, it reduced conflict to a minimum (see below) and it maintained the needed flexibility at the firm level by reducing the role of the second-level collective bargaining to issues of productivity or performance-related pay. In fact, the employers requested that the actors negotiating at various levels should be organisationally connected (only unions that sign national pacts can sign local pacts) so that there would be a strong institutional link between bargaining arrangements at different levels (Baccaro 2002: 350). This reassured the employers that the flexibility at the firm level would be maintained.

So, the real exchange, I would argue, was that between wage moderation and the acceptance of ‘rules of the game’, a symbolic component of legitimisation of the ‘national’ role of the social partners, in particular the trade unions. While this recognition is important for the union leadership, it offers little benefits for the represented workers. While the ‘old’ social pacts also provided institutional advantages for the leaderships, there were

tangible results for workers that the unions could point to (Katzenstein 1985). What the unions delivered in 1993 was their capacity to control (even democratically, via the referenda) millions of workers, obtaining in return the inclusion in the policy making process.

In the 1993 pact the main element unions can point to as a benefit is a right to access to and control of public policies, a right that the unions used to guarantee that the sacrifices were distributed following criteria of equity. It is interesting however, as I will show below, that notwithstanding the fact that the main result the unions could offer was an 'equitable distribution of sacrifices', the confederal organisations have become stronger, and have managed to win two workplace referenda on the 1993 pact and on pension reform in 1995, and also to re-confirm their representativeness vis-à-vis the grassroots unions (*COBAS, sindacati autonomi*) in the elections for the workplace representations (RSU). There was also a *democratic* transformation of the unions, an element that, in my view, signals that the element of consensus was strong among the workers, in a situation approaching that of *hegemony*. The consent of the subaltern class was therefore largely obtained. Considering the lack (or mitigation) of the logic of 'political exchange', the discursive element, the capacity of the leadership to persuade their members that the sacrifices are just and equitably distributed was arguably more important. The typical role of organic intellectuals here played a decisive role, as their function is – according to Gramsci – precisely to develop and mould the opinions of a social class.

The democratic transformation of the unions: the referendum and the RSUs.

Contra neo-corporatist theory, the 1993 deal was *not* accompanied by forms of centralisation of decision-making power within the unions and an accentuation of the hierarchical elements. There was instead a reform of the structure of representation in the workplaces – the creation of the RSUs – that has made it easier to legitimise the choices of the union leadership from below. Moreover, two referenda were organised – in 1993 on the Ciampi protocol, and in 1995 on the pension reform – and the majority of workers agreed with the proposed measures.

As noted above, the fact that a referendum was held in 1993 and that the majority of the workers approved the pact (67, 1% voted ‘yes’) is in itself a significant sign of the ability of the unions to mobilise their social base. It signals that the common sense assumptions of the union leadership extended significantly to the union base. However, it must be stressed that only 1.3 million workers turned out to the referendum voting booths, less than a quarter of the members of the unions and less than a tenth of the salaried population. So – as will be detailed in the next chapter – passive acquiescence played a crucial role. In fact, a hegemonic order is based not only on active consent but also on containing dissent through passive acquiescence.

Moreover, the new participatory nature of the workplace representations shows that, unlike what corporatist theory would predict, the signing of the social pact went hand in hand with new forms of participatory democracy. The confederal unions, in fact, soon won the large majority (90%) of the votes in these bodies, thus

recovering the terrain lost to new grass-roots unions in the 1980s and this time turn-out at the elections was remarkably high (75% of all workers) (Locke and Baccaro 1995: 20). Thus, the representativeness of confederal unionism came out strengthened from the experience of the early 1990s, although union membership did continue to slowly decline, from about 5.6 million members in 1993 to 5.1 million at the end of the decade. However, the fall of membership was much slower than in the previous decade: from 1980 to 1990 it fell by 18.3%, while from 1990 to 2003 the decrease was of 9.3 percentage points (in the decade 1970-1980 membership witnessed an outstanding increase of 51.8%, the highest among Western European countries) (Visser 2006).

On the other hand, the creation of the RSU contributed to taming the union movement, because the continuous involvement in direct negotiations with the employers over issues such as productivity bonuses usually brought the partners together around the common problems of the firm's competitiveness (Amyot 2004: 178). Moreover, the reserved third of seats to the confederal unions restrained the more radical plant activists.

As Regini and Regalia argue, *contra* neo-corporatist theory, such a pact was successful precisely because it strengthened workplace representation (Regini and Regalia 1997). Simoni also argues that the referendum acted as a powerful legitimising device (Simoni 2009). The standard argument of the strengthening of the unions' position thanks to democratic procedures has been provided by Locke and Baccaro (Locke and Baccaro 1995; 1998; Baccaro 2002). They basically argue that workers have accepted to comply with these agreements since they had been involved in internal discussions and in deliberative

referenda. In fact, it is precisely the fact that the workers were involved that differentiates these pacts from previous ones in the 1970s and 1980s, which were top-down decisions that met with considerable hostility from parts of the membership of the unions. As Baccaro argues, “far from further reducing the country’s capacities for negotiated policy making, these reforms (*i.e. the reforms that enhanced democratic procedures*) contributed to generating and sustaining the corporatist deals of the 1990s by increasing the legitimacy of the moderate confederal leaders’ policy choices (aggregative effect) and by providing these confederal union leaders with opportunities to shape the preferences of their constituents (deliberative effect)” (Baccaro 2002: 348).

One can draw a parallel between Baccaro’s characterisation of the role of deliberative democracy and a neo-Gramscian understanding of the role of organic intellectuals. Basically, the theory of deliberative democracy argues that the democratic process does not just aggregate preferences but contributes to shape them (*Ibidem*: 334). Thus, workers often rely on their leaders or on ‘expert’ knowledge in order to make a decision or to create their opinion. This process of persuasion is precisely the function of organic intellectuals, according to Gramsci. Organic intellectuals give a sense of direction and purpose to a certain class perspective. These ideas do not just emerge from nowhere or from ‘rational’ choices but are crucially conditioned by the ‘material basis for human existence’ (see above), thus capitalist social relations, and the skewed dependence on the market of both capital and labour. Therefore, the use of democratic procedures is a quite clear sign of the pervasiveness of a shared common sense among both members of the unions and the

leadership. In Gramscian terms, this phenomenon is important because it means that a new potential hegemony is being built based on moral and political persuasion.

In the 1990s Italian firms witnessed the rise of different forms of worker participation, both in economic terms and in terms of decision-making (Carrieri 1997: 57). In a production system increasingly characterised by lean production and 'total quality' production, there is a strong relationship between the quality of the product and worker participation (*Ibidem*: 62-63). Therefore, the direct (also emotional) involvement of the workers, and their 'responsabilisation' vis-à-vis the goals of the company are considered crucial elements. However, as Carrieri argues, in Italy the dominant perspective was firm-centered, and there was no link between wider forms of participation either in terms of planning or in terms of economic democracy (Carrieri 1997: 64). Perhaps it is useful to distinguish between the concept of participation and that of involvement (Ambrosini 1994). The latter concept stresses only one dimension, which is the worker's support for and adherence to the goals of the firm. In this perspective, the interests of the workers lose their specific identity and get watered down in a one-dimensional arrangement in which the only real actor in the regulation of social relations within the firm is the firm itself. On the other hand, the concept of participation stresses the presence of plural actors with different interests. It does not exclude a convergence of interests but does give space a decision-making process in which the unions have a role (*Ibidem*).

The forms of 'participation' that have had success in the 1990s - financial participation, communication techniques, 'quality circles', semi-autonomous working groups or 'total quality management' (Carrieri 1997: 65) -

are closer to forms of involvement than to actual worker participation. According to Carrieri (*Ibidem*: 75-76) almost 25% of firms had joint committees in 1997 and 47% of the firm-level deals included chapters on worker participation. The ideal-type seemed to be the firm-community. I would add that forms of worker involvement premised on the financial participation of the workers tend to be capital-friendly because they motivate the worker to produce more surplus-value.

There is another way of approaching the role of workers' participation. As Carrieri argues, the firms themselves have shown increasing interest in valorising the channel of communication towards the workers that representative and participatory bodies (such as the new RSU) play (Carrieri 1997: 44). This phenomenon is to be understood in the context of a switch to post-fordist production techniques that aim at motivating and involving the workers towards meeting the goals of the enterprise. This feature of post-fordism has been brilliantly captured by André Gorz in his ground-breaking book "The Immaterial" (Groz 2003). He refers to the tendency of capital to rely on a more anti-hierarchical, participatory style of labour management. The idea is that work is no longer (or not only) an externally directed activity, in which the worker is simply told what to do in an environment in which he or she has no control whatsoever over the means of production, or over the 'technical composition of capital'. The 'immaterial turn' signals that we might be entering into an era in which workers are increasingly motivated to participate in a more direct, creative way in the production process. This is coupled with a post-industrial work ethic that, instead of stressing the *instrumental* nature of work as a means to achieve social mobility or greater consumption

(as was in the 'Fordist' era), work is characterised as a path to individual self-expression, self-development and creativity (Weeks 2011: 46).

Thus, what is increasingly expected of workers is not only (or not even) a submissive attitude, a respect for authority and hierarchy in the workplace, but a creative, active behaviour and a firmer motivation to participate in the goals of the company. Thus, exploitation is perhaps breaking new grounds and is morphing into a sort of self-exploitation in which the capitalist mode of production not only produces commodities with the goal of valorising capital (hence generating even more surplus value) and labour-power as an object (the continuous production and reproduction of the working class as an effect of the cycle of capitalist accumulation), but workers *themselves* are more and more incentivised to look upon *themselves* as commodities in virtually all respects, a self-commodification that involves not only physical labour-power but emotional, linguistic and relational aspects that hitherto tended to be excluded from the sphere of production (for a great interpretation of the commodification of the self see Van der Pijl 1998: 13-15; see also Hardt and Negri 2000; Lazzarato 1997).

Now, going back to our focus, this general trend means that capital must increasingly be receptive and tuned to capture the changing conditions and perceptions of its workers, if it wants to include them into a *participatory* mode of management. It must also successfully exploit the relational and emotional elements of their work (see also Vercellone 2006). Conflictual relations are dangerous because they pre-empt the possibility of exploiting the creativity and motivation of workers, which would tend to

become passive and develop grievances that would be difficult to re-absorb.

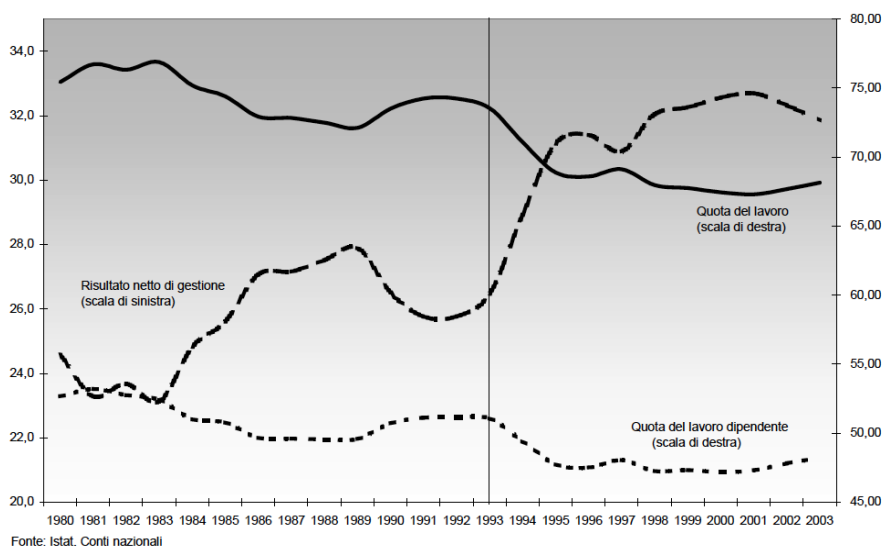
Concluding this brief section, I would argue that in contrast to its recent history, which has been one of conflict and opposition – although gradually mitigated in the 1980s by ‘micro-concertation’ – Italian unions have shown in recent years unexpected capacities to prevent conflict and mobilise consent with regard to unpopular choices. It is this element that made the unions such a precious ally for the government and capital.

Consequences of the 1993 deal

Let us now briefly analyse the consequences in terms of wages of the 1993 deal. As mentioned above, the new collective bargaining system was divided in two levels, with the local or territorial level bargaining covering issues of productivity increases and performance-related pay. Thus, if the first level bargaining completely covered the inflation rate and second-level bargaining absorbed all the productivity increases, wages would move in line with productivity, and the quota of work in national product would remain unvaried. However, as both Tronti (2005) and Rufini (2009) argue, this is not what happened. In the course of the decade wages did not keep in line with inflation rises and increases in productivity. Between 1993 and 2000, the quota of added value going to wages has decreased from 72.3% to 67.4%, with the quota going to capital increasing from 27.7% to 32.6% (Paggi and Cantelli 2011: 132).

Unemployment also reached an unprecedented level in Italian post-war history in 1995, with a figure of 12.3%.

The following graph clearly shows that the most significant impact on the distribution of income has occurred in the years following the 1993 deal.



Graph 1- Distribution of income before and after 1993 (% on Gross National Product) ⁹⁷

The following two tables are drawn from Stirati and Levrero (2002) – based on ISTAT data – and show, respectively, the evolution of gross salaries and of net salaries in the 1990s.

⁹⁷ Translation:

risultato netto di gestione (scala di sinistra) : profits (left scale)

quota di lavoro (scala di destra): wage rate (right scale)

quota del lavoro dipendente (scala di destra) : dependent wage rate (right scale)

Table 1 - Gross Real Salaries for Unit of Labour (1990=100)

Year	1990	1991	1992	1993	1994	1995
Wages	100	102.5	102.3	102.5	101.6	100

Year	1996	1997	1998	1999	2000
Wages	101.3	103.0	104.0	104.9	105.5

Table 2 - Net monthly wages for full-time workers (year 2000 value in Lire)

Year	1989	1991	1993	1995	1998	2000
Average wage	2424	2336	2400	2308	2295	2326
Central and Northern Italy	2441	2370	2438	2364	2371	2402
Southern Italy	2379	2250	2304	2175	2109	2120

Based on these tables, one can see that after 1993 real gross wages decreased until 1995, after which a slow growth (1% a year) ensued. However, due to higher taxes and social contributions, real net wages in fact decreased all through the decade and in 2000 were lower by 5% than in 1989. Moreover, wage differentials between the Central and Northern parts of the country and the *Mezzogiorno* increased in the same period. The turning point of 1993 can be clearly seen in both tables, as well as in the graph above. Taking 1993 as the starting point (the following data is reported in Paggi and Cantelli 2011: 132), between that year and 2007 wages grew 2.74% a year on average, while

inflation was at 3.28% on average. So, wages were curtailed by 0.54%.

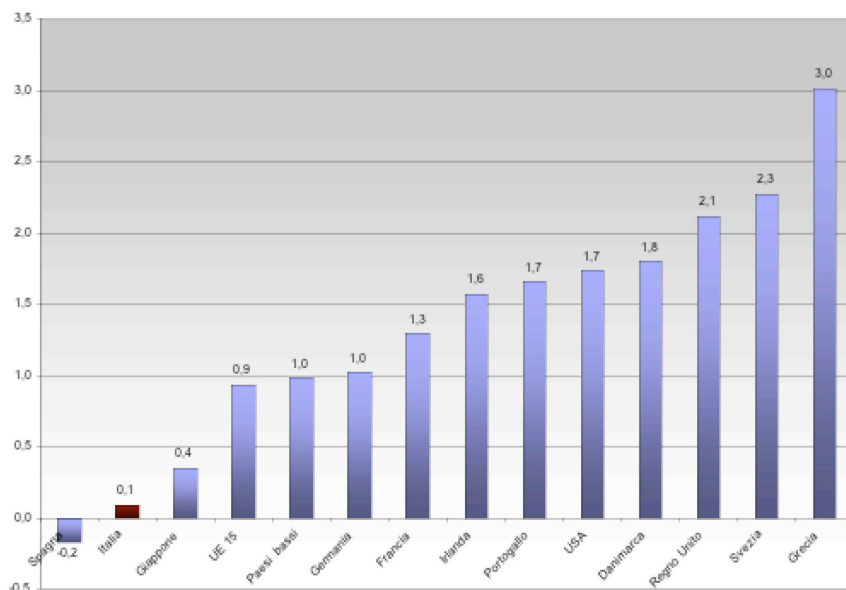
Similar data is stressed by evidence from other economics literature I have accessed (Tronti 2005; Rufini 2009; Ghiani and Binotti 2011). Ghiani and Binotti, in particular, add that between 1992 and 2002, according to the OECD, real wages in Italy decreased by 5%, marking the third worst performance within all OECD countries (*Ibidem*: 172). The two authors underline that the *real* wage compression experienced by the salaried class in the 1990s is without precedent in the post-war history of the country and also in comparison to other European countries.

As Tronti shows, profits increased over than three times more than real gross wages (Tronti 2005: 5). Concretely, this meant an annual transfer of wealth from labour to capital of 29 billion Euros (*Ibidem*: 8). In fact, according to a OECD study, Italian manufacturers have improved their cost competitiveness by 34% from 1992 to the end of the decade, a figure higher than all of Italy's international competitors (Locke and Baccaro 1995: 1). Locke and Baccaro show data that proves that the business rate of return increased tremendously between 1993 and the end of the decade, up to a figure higher than that in the 1970s or 1980s (Locke and Baccaro 1998: 57). Tronti, on the other hand, argued that the increased profits of the firms have not been used to stimulate productivity, but to employ workers in low-productivity jobs (Tronti 2005: 11-12).

Turning to the effects of the industrial relations reform, data shows that the local level collective bargaining has only been marginally applied. In fact, Regalia and Regini cite a study by the Bank of Italy that shows that in the manufacturing industry, 85% of the pay

was determined by items decided at the national level, while the remaining 15% depended on decisions previously taken at company level, and only 3% was linked with the firm's economic performance (Regalia and Regini 2004: 28). In 1995/1996, only 12% of firms in the industrial sector were covered by enterprise-level collective agreements (Bordogna 2003b: 288) and less than 20% of the labour force was involved in the constitution and renewal of the RSU from 1993 to 1998 (Scacchi 1998: 5). Moreover, second-level bargaining occurred mainly in large firms in the North of the country – the ones that already had these kind of arrangements before the 1993 reform (CNEL 2008).

It can thus be argued that the so-called 'high road to competitiveness', that was the central goal of the protocol itself, was not attained. This was based on a strategy of investment in education, training and technological innovation, since Italy could no longer use devaluation as a mechanism for fostering competitiveness, in the classic paradigm of the 'knowledge-based economy'. However, the data shows that notwithstanding an increase in employment after 1997, productivity remained low and in fact witnessed one of the worst performance in the European Union (Tronti 2005: 14). Moreover, as Regini argues, the regulation of training was still inadequate in the 1990s, despite the signing of the protocol (Regini 1997a: 114).



So, the bet proposed by the government to the social partners, asking for wage restraint and getting in return more investment in technology and innovation, as well as the reduction of the interest on public debt (in order to free up productive resources), did not really materialise. What is commonly referred to as the *politica dei due tempi* (the politics of the 'two moments': first austerity, then growth and redistribution) did not deliver the 'second moment', and Italy remained stuck in a path of low growth, stagnating productivity and low wages (Tronti 2005).

This second graph shows that real wage increases in Italy between 1996 and 2002 have been the second-lowest in Europe. In fact, the difference between the wage dynamics and the increases of productivity were of 11 percentage points (Tronti 2005: 6).

A further point that is worth mentioning is a decrease in industrial conflict that was unprecedented in recent Italian history. As Istat statistics show, after 1993

industrial conflict, as measured by the hours lost to strikes, has literally fallen to annual levels that are one tenth of the previous ones (Istat 2003). Paggi and Cantelli also report data showing that from 1990 to 1999 there has been a decrease in hours lost to strikes from over 30000 to less than 4000 (Paggi and Cantelli 2011: 133).

Rufini talks about the 1993 pact as the 'unequal exchange', and argues that the increased profits of the firms were largely not invested in technological or organisational changes but predominantly in portfolio investment (Rufini 2009). It was this phenomenon, according to the author, that generated the negative trend on productivity, and so on salaries and on the purchasing power of workers. Moreover, the higher productivity of other European countries has contributed to limiting the potentially positive effects on exports that wage moderation has (Rufini 2009: 13). In fact, the trade balance worsened in the years 1993-1997 so that although foreign (the comparison is here with the EU15 countries) workers on average earn more than Italian workers, their products are comparatively cheaper.

The arrangement that emerged from the 1993 protocol did not therefore manage to protect wages from inflation and increased the gap between wages and productivity. A possible solution to this problem was proposed by the economist Ezio Tarantelli, considered to be the 'father' of concertation. In his original idea, firms or sectors that did not respect the expected rate of inflation faced sanctions or higher taxes (this was the so-called *tax-based income policy*). These kinds of sanctions were not only never applied, but also never threatened, so that the rate of inflation was constantly higher than the expected rate, thus curtailing real salaries. Maintaining a difference between

the actual rate of inflation and the expected one meant that the cost of 'imported' inflation was all on labour's shoulder.⁹⁸ Tronti himself concludes that it were the employers and the government who did not 'respect' the deal, mainly because of their inability to guarantee the respect of planned inflation (Tronti 2005: 18).

The following tables on employment and the distribution of income (drawn from Scacchi 1998) are quite revealing of a shift that occurred in the years immediately following 1993 (see also above on wage developments). However, one should not limit the analysis simply to wage dynamics: what emerged from 1993 was a consensus not only on incomes policy and workers' representations, but also on pension reform, welfare and the adjustment of public finances.

In brief, the contributions cited above underline that since 1993 there has been a decrease not only in *gross* but also in *net* wages and that at the same time there has been a redistribution of income favouring profits over wages. The rationale for this pressure on wages was that higher wages tended to have a negative effect on the competitiveness of Italian products and so on the balance of payments. Moreover, the demand for wage restraint was also linked to the need to avoid the growth of inflation after the 1992 devaluation of the Lira, also with an eye to meeting the Maastricht criteria.

Table 3 - Employment - 1993-1996

⁹⁸ Fumagalli argues that it was this mechanism that contributed to mitigating the conflicts between small and large firms in the 1990s (Fumagalli 2006 - part III).

<i>Year</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
Employed people (% change from previous year)	-2.9%	-1.5%	-0.4%	0.4
Dependent workers (% change from previous year)	-2.7%	-1.5%	-0.8%	-0.4%
Unemployment rate	10.2%	11.3%	12.0%	12.3%

Table 4 - Quota of labour income as a percentage of GDP, factor costs

<i>Year</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
Quota of dependent and autonomous labour	73.8 %	74.9 %	72.3 %	70.8 %	68.2 %	67.3 %	67.8 %

Table 5 - Quota of profits calculated as factor costs (difference between value added calculated at factor costs and labour income)

<i>Year</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1970-1979</i>	<i>1980-1992</i>
Quota of profits	36.6	37.7	40.8	42.3	41.5	31.4	36.5

6. *Common sense in 1993: the moment of consensus*

In this chapter, I analyse the interviews conducted with the representatives of the trade unions, the employers' organisation and the political parties. As mentioned above, I base this analysis also on interviews conducted by Mania and Orioli (1993) with some of the protagonists of the 1993 protocol, that give some useful indication of the kind of common sense assumptions that dominated the discourse at the time of the signing of the pact. The aim of this chapter is to analyse the content and the genesis of the common sense assumptions on the political economy that were shared between the social partners in the early 1990s, and ground these in the historical development of the country *within* the capitalist world totality. 'Culture' is often used as an attractive catch-word in academia when an additional ad-hoc explanation is sought in order to complement an argument. However, it has been an argument of this work that our forms of thought – 'culture' – permeate the whole social world, as they are part and parcel of capitalist social relations, which they both generate and reproduce. Capitalist social relations in their materiality in themselves heavily condition our forms of thought and skew them towards capital's (rather than labour's) dependence on the market, and hence capital's valorisation goals (the goal of capital accumulation, that is the disciplining force on production). Thus, our forms of thought both condition and are conditioned by capitalist social relations and how these have been internalised within a national political economy.

As mentioned above, the design of the interviews

was structured around theoretical expectations based on the literature on the economic and political history of Italy. The chapter is organised around *recurrent themes* that emerged from a theoretical analysis of the interview data. This mode of presentation was preferred to an alternative one (presenting the analysis divided according to the interviewees) because it allowed for a better understanding of the *shared* assumptions in the different interviews.

As Bruff argues, common sense must be seen not as something that does the explaining (the oft-referred to 'national culture' or 'tradition', whose genesis is then left unquestioned) but as something that must be explained in itself (Bruff 2008: 91). So, it is not enough to say: this was a long-standing tradition in this or that country. What needs explaining is *how* this tradition emerged and how it is linked with a particular position within the capitalist mode of production in its global reach. In this way, one can reach an awareness of the *material* constitution of common sense that permeates our social world and – crucially – how production is organised. Gramsci himself referred to a 'material structure of ideology' through which ideas that are linked to a specific constellation of social forces emerge and develop. These 'organic ideas' are the ones that "organise human masses, and create the terrain on which men move, acquire consciousness of their position, struggle" (Gramsci 1971: 376-377, cited in Bieler and Morton 2006a: 24).

In this chapter I seek to discover what the economic 'facts of life' are from the point of view of the actors interviewed. Ultimately, the goal is to attempt to denaturalise economic phenomena (and the forms of thought linked to them) and show their *historicity*, the fact that they are created by and through human action and struggle. My

argument is that the common element in the various versions of common sense is represented by the assumption of economic vulnerability of the country. The latter expressed itself in the idea that in order to compete in the world economy or to adapt Italy to economic change, real wages needed to be kept sufficiently low, lest the country face disequilibria in the balance of payments (see previous chapter). This assumption was felt more strongly as the state class formally constrained the country into the 'EMU straightjacket' that ruled out devaluation.

Crucially, it is not only positive consent that is important for maintaining a particular hegemony. Passive resignation is just as significant, as it signals that, even if the dominant ideas or common sense assumption are not accepted as a suitable explanation *per se*, no alternative is seen on the horizon and thus there is acquiescence. This element emerged clearly in the interviews.

While I would argue that it is quite unproblematic to explain why capital generated and internalised this common sense view – it reflects more directly its interests – what needs explanation is why labour and the left internalised such a common sense assumption. I argue that it is the peculiar internalisation of 'the international' into 'the national' by the unions and the left that lies at the origin of this form of thought (see Ch. 4), that basically sees the rise of real wages as a constant problem for the equilibrium of the balance of payments. While deterministic explanations are not sought, what is stressed is that the different versions of common sense *tend* to find a common ground in the assumption of economic vulnerability. This tendency does not guarantee that consensus will automatically be found, but it does give a useful indication of how that consensus is achieved.

Moreover, it helps to understand that it is easier to find consensus in moments of economic 'emergency', when the versions of common sense will tend to overlap to a larger extent. I will show below the different angles through which the assumption of vulnerability has been internalised. It is precisely through shared common sense assumptions that 'the international' is internalised within 'the national', and the dynamics of the world economy in turn condition (without determining) the dynamics of the Italian political economy.

The assumption was that Italy could maintain international competitiveness by means of wage moderation. When inflation or wage increases threatened competitiveness and thus threatened to unsettle the balance of payments (or *actually* produced a deficit in the balance of payments) the strategies sought were to moderate wages or to devalue (thus effectively lowering real costs). This has been the means by which the Italian actors have interpreted the conditioning of the 'international'. Crucially, when devaluation was no longer an option – or, when the Italian state class decided to tie its own hands by adhering to the EMS first, and then the much more stringent EMU – the strategy of real wage moderation and thus the assumption that real wages must be cut in order for the Italian economy to compete successfully in the new environment, came to the forefront. Within a monetary union such as EMU (the 1990s can be seen as approaching the full monetary union), since devaluation is no longer an option, it are wages that have to adjust. Moreover, as the economist Bagnai shows, every time Italy has 'rigidified' its monetary policy by adhering to an European fixed or quasi-fixed regime, its exports have suffered and in turn productivity has decreased (Bagnai 2012).

This is not to argue, therefore, that wage moderation was *the* strategy pursued all the time. However, below I argue that in periods of 'crisis' (one must not lose sight of the fact that crises themselves are subjectively constructed – see chapter 3) tend to generate a perception of 'common' problems to which 'common' solutions ought to be found. In this way, the assumption of economic vulnerability become stronger and the versions of common sense overlapped more smoothly. Crucially, this perception of crisis tends to depoliticise the social relations that lie at the origin of capitalist crises, and – apart from generating a solution to the crisis that reproduces the same mechanism that created the crisis in the first place – makes the 'material conditions for existence' felt more strongly. In periods of economic crisis, high unemployment or more difficult economic circumstances re-activate elements of common sense that see in capitalist accumulation and valorisation *the* means to guarantee access to the means of subsistence and an acceptable standard of living for everyone, a form of thought that is rooted in the *material* dependence of the mass of the population on capital (once again, it is *not* merely an illusion, it is grounded in the materiality of social relations).

The period of economic emergency at the end of the 1970s was also characterised by the quest for common solution to economic problems, solutions that – as I have shown above – found their anchor in wage moderation with little or no compensation (see Paggi and d'Angelillo Ch. 1). Through an analysis of the interviews, I show that the same common sense assumption re-emerged in the early 1990s, when a collective perception of crisis developed. Thus, in moments of economic difficulty, ideas about how to 'solve' the crisis tend to revolve around the

assumption of economic vulnerability and *hence* the need to moderate wages. As the previous section has shown, the 1993 pact and the following consensus, on which the path of 'adjustment' was based, was strongly skewed against the interests of labour. Clearly, other alternatives always *materially* exist but it is the very common sense assumptions about wage moderation that depoliticise economic relations and foreclose the possibility of attempting other ways of integrating the Italian economy into 'the international', let alone radically changing the path of economic development or social relations. These alternatives would – however – need to be grounded in different versions of common sense. While change is always possible the tendency is for forms of thought and common sense assumptions to reproduce themselves: as Marx argued, "men make their own history, but they do not make it as they please; they do not make it under circumstances of their own choosing, but under circumstances existing already, given and transmitted from the past" (Marx 1963: 15).

In 1992-1993, what Ferrera and Gualmini call the 'shadow of hierarchy' of the state over the social partners was therefore not neutral, in the sense of attempting to find a common ground between capital and labour by privileging consent over conflict, but was the beginning of what can be called capital's 'moment of power' in the Italian political economy, that has been in fact longstanding and arguably continues up to our days. This can be seen in the continued trend towards wage moderation and labour's acquiescence vis-à-vis the pension reform and the laws promoting the flexibisation of the labour market of 1997.

The chapter is divided in eight sections. The sections

represent the different *recurrent themes* identified in the analysis of the interview data. These nodal issues around which the chapter is structured are the findings of the research, and were arrived at thanks to a careful theoretical reading of the empirical material. In the first section, I analyse the issue of consensus and conflict in Italy from the actors' perspective. The second section considers the internalisation of 'the international' into 'the national' and shows that the world economy has always been a reference point in discussion on the political economy by the Italian actors. The argument that economic vulnerability is the dominant common sense assumption is fleshed out. Moreover, it will be argued that consensus in the Italian political economy is strongly driven by the perception of 'economic emergency'. In the third section, I focus on how the idea of economic vulnerability couples with the idea of the need for an 'external constraint', and the effects of such a common sense assumption. The fourth section is devoted to an analysis of how common sense assumptions effectively depoliticise social relations and hence foreclose possible alternative routes. The fifth section looks at the economic crisis of the early 1990s and analyses the collective perception of such a moment as an 'emergency' that must be dealt with by developing common solutions. The sixth and seventh sections focus respectively on an analysis of common sense on the 1993 pact and on the post-1993 reforms (looking specifically at the issue of labour market reform). I conclude with a final section focusing on elements of the ideological transformation of the left emerging from the interview data.

Conflict and consensus in the Italian political economy

In this section I analyse the interviewees' common sense assumptions regarding the nature of consensus and conflict in Italian history. These historical influences shape political attitudes up to our days, as they form the basis upon which the actors' form of thought are developed. The analysis of *trasformismo* in the previous chapter is crucial, as it provides a background for how the actors have analysed their situation and the possible strategies they could adopt.

In the previous chapter I have referred to Paggi's historical analysis of Italian post-war development as characterised by a strategy of *trasformismo*, entailing the marginalisation of the working class from the possibility of attaining political power through a strategy of negative integration, a co-optation of different sectoral and corporatist interests into the DC regime, with the aim of preventing the development of a counter-hegemonic project. The way this strategy conditioned the left and the unions – it was argued – was through the *internalisation* of an essentially economic liberal culture whenever the problems of governing the country were dealt with and the possibility of forming government became more realistic. The interviewees, when talking about the history of the Italian state, often referred to the traditional weakness of the Italian state vis-à-vis 'specific interests', and the inability of the state to effectively program a strategic economic path based on coherent policies.

As an introduction to this section, a few references to the interviews with the political scientist Vincent della Sala and the historian Leonardo Paggi are useful. As della Sala underlined, the Italian state pursued neither a Keynesian

route nor a (neo-)liberal one, but a mix that was strongly based on the need to maintain the consent of the DC social base in the petty bourgeoisie, as I also detailed above (interview with della Sala). Leonardo Paggi, referring to the Italian state's fiscal revenue deficit and the problem of tax evasion (see Ch. 4), argues that

"the problem of tax evasion must be placed within a larger picture, it is a problem of the lack of legitimacy of the state, not a problem of the lack of control, it is something deeper. The Italian state is born weak. Everyone bargains and negotiates with it since the beginning".

Moreover, in tracing back the origins of the weakness of the Italian state, Paggi argues that it was the very foundations of the state that lied on precarious bases:

"in fact, even the policies of fascism were not strong, they were policies of compromise and bargaining...the whole Christian-Democratic system of incorporation within the government of a large quantity of interests – corporatism – has its basis in fascism. These policies of kickbacks, corruption, corporatist management of society, was a fascist policy. Behind the rhetoric of the strong state and an aggressive foreign policy, there is in fact a big weakness. Mussolini does not even control the war economy. The Italian war economy is the only war economy that does not grow. This means that Mussolini does not control the direction of the economy, he doesn't have the instruments".

Here, we should keep in mind what was said in the previous chapter, namely the *exclusionary* nature of the 'policies of compromise and bargaining' pursued by both fascism and the DC. The interview with Cesaratto also

provided an interesting insight on the development of the Italian bourgeoisie, which must be interpreted keeping in mind the strategy of *trasformismo*:

“there is this Italian bourgeoisie that is incapable of maturing. Beccaris⁹⁹, fascism, the strategy of tension¹⁰⁰, Berlusconi: the Italian bourgeoisie has answered in this way to any demand for change, systematically. In turn, it has also prevented a maturation of the left. On the left there is this oscillation between moderatism and extremism that is part of Italian history”.

Both Romano Prodi and UIL#1 used the proverb “*Francia o Spagna purchè se magna*”¹⁰¹ to describe the traditional stance of Italians towards ‘their’ state, when asked about the origins of the (supposed) problems of the Italian state, Prodi added a telling description of the view of the Italian state:

“looking back in history, from the *Rinascimento* onwards, we have always acted as if: *Francia o Spagna purchè si magna*. This is what makes me sad when I observe my country. A country that has such a proverb is a country in which daily,

⁹⁹ Fiorenzo Beccaris was an Italian general that is famous for having guided the brutal repression of the Milan riots in 1898.

¹⁰⁰ The ‘strategy of tension’ is an interpretation of postwar Italian history that tends to see the terrorist episodes in the 1960s and 1970s as characterised by a political will to maintain social control and isolate the left.

¹⁰¹ Literally, ‘France or Spain, the important thing is to eat’. The proverb wants to underline the attitude of indifference, distance and opportunism of the people towards the government and the people who govern. The important thing, for them, is to eat, thus to carry out with their lives, neglecting the problems of government and taking advantage of the government for their own personal interests. The original saying is by the 16th century writer and politician Francesco Guicciardini and refers to the fact that the people of the Italian municipalities and communes relied alternatively on one or the other great power in order to maintain a minimum of autonomy.

everyday life prevails over the future of the next generations, and I think that this is a fundamental fact about Italy: the refusal to program the future in a coherent way, with the necessary sacrifices, with the necessary restructuring and organisation”.

Also PD #2 is critical of the ‘disorganisation’ of the Italian state:

“there has always been a strong inefficiency of the system. The ruling classes, and not only the political one, have never considered efficiency as one of the fundamental elements of justice. But this is a problem that is shared also by many forces of the left that consider efficiency as an incidental aspect, in any case as not essential in defining in terms of content the concept of equity”.

The interviewee added that

“I would like to say that on the role of the state in the economy there has been a convergence of common sense, of politically transversal sub-cultures. And also socially transversal, in terms of interests. Even Confindustria was in favour of a direct intervention in the economy, in the same way as the CGIL, the CISL and the UIL were in favour”.

For a moment neglecting the position of distance that the latter interviewee expressed vis-à-vis the leftist tradition of origin (to which I shall return below when analysing the transformation of ‘common sense’ in the left), it is important to underline that very similar positions were expressed by practically all the interviewees. PDS #1 added that “the governments, starting from the late 1970s

until the early 1990s, have used debt as a way to achieve consensus”.

On the part of the representatives of the left, there seems to be an almost universal negative stance on the role of the state during the First Republic, identified with clientelistic spending for reasons of consensus formation. Speaking about the particularity of the Italian route within neoliberalism, PD #3 remarked that

“I think it is this sort of amoral familism and culture of the firm, which is a long-standing tradition in Italy. This sort of tolerance, at times even justification of evasion, this acceptance of a personal private logic in the relationship between the subjects in the economy and the administration of the State. So, there has been a twisting of the neoliberal paradigm, within a framework that tends to avoid the formal terrain because politics in Italy is not keen on explicit conflict or because there is this trend not to accept a brutal paradigm such as that of Thatcher, perhaps also due to our catholic background.”

Referring to the traditional ruling social bloc in Italy and the emergence of a ‘new right’, the interviewee added that

“the centre-right in Italy, the DC, could never have said that society does not exist. On the other hand there is a sort of do-it-yourself paradigm. The Berlusconi right signs a sort of pact with a whole series of categories: we will not do the reform, you do whatever you want...it has not been an innovation of Berlusconi. I think that the explosion of our public debt since the early 1980s reflects this attitude, a weak politics that is not able to reform and that builds bilateral pacts with a variety of subjects and makes the public pay, and then is forced to devalue”.

The view of a weak, fragmented and ‘captured’ (by a series of corporative interests) state was the *leitmotiv* also of the interviews of the trade union representatives. Consider this fragment of the interview with CGIL #1:

“That is the nature of our bourgeoisie, Italy has been made by foreign forces. It is a fragmented bourgeoisie. The absence of an autonomous force of the labour movement in Italy leaves the field open to a bourgeoisie that doesn’t even do the operations that other countries were doing. For itself, naturally. For example the fact that large industry must be safeguarded, that rent should not be favoured and rewarded, unless like in Britain you think you can be the centre of finance in the world, but this you could never have thought in Italy...here there is a specific weakness of our bourgeoisie that is incapable of acting with an international ambition of power and supremacy”.

Below, the same interviewee argued that

“In Italy one thing is particularly valid, that in the absence of a real strong and politically serious opposition by a labour movement that is not fragmented, you cannot achieve much. We have had a forced industrialisation at the end of the 19th century that is highly dependent on , for instance, Austrian and German capital – Falk...then you have the post-war years, and the bourgeoisie is unable to realise any relationship with the labour movement, they find no way out of it...and they create fascism.”

A few elements – that will be given more space below – need to be highlighted in the analysis of these opinions. First of all, Italy’s weak position in the international, the perception of a ruling class that is unable

to effectively take the lead of the nation and organise it according to modern, efficient liberal principles. And thus the idea that there is a gulf between the way the bourgeoisie has acted in Italy and standard modern capitalist relations in other parts of Europe. Secondly, and linked to this, the idea, on the part of the representatives of labour, that you can have a true development of the country only if the working class effectively takes the lead, if the working class 'becomes' the state – as the PCI's dominant interpretation of Gramsci's thought held. Moreover, on the part of the representatives of the PDS-PD, one can see a longing for a *truly* liberal force in Italy. Interestingly, one may notice this even in the interview with the representative of the CGIL. So, we can see here aspects of the strategy of *trasformismo*, visible for instance in the *liberal* critique of the DC regime on the part of the PD representatives.

According to the interviewees, Italy has been marked – in contrast to other European experiences – by a history of strong conflict in the post-war decades. There is a general view that there was little or no consensus over the direction that the country should take and over socio-economic policy. According to the representative of Confindustria, the main reason why Italian political life and society was so marked by conflict is the fact that "liberal thought has always been the reference point of a minority".

As shown above, apart from the brief and temporary experiment at the end of the 1970s, relations between the social partners were characterised by conflict. The 1980s did witness a timid rapprochement between the unions, the employers' organisation and the governments, but – crucially – the largest trade union confederation, the CGIL,

did not participate and refused to accept the two pacts of the mid-1980s that curtailed the wage-indexation mechanism (see above). This history of conflict was referred to by *all* the interviewees, without exception. The representative of Confindustria argued that

“In contrast to the experience of the 1950s, 1960s and 1970s, today the small and medium enterprises are not prejudicially hostile towards the unions. Before there was an ideological conflict because the unions were ideological, now they are less ideological and so there is less conflict, notwithstanding rare cases of prejudice...Now the unions have brought back to the centre of their attention the question of productivity, of the firm as living organism of production, of profit but also of wages, of economic development but also of employment and development of the territory.”

The vision (by the representative of Confindustria) of the trade unions is that of conflictual, ideological institutions that must change their culture in order to ‘modernise’ themselves in a world of globalisation, although – as the previous quote suggests – he claims that the unions have already undertaken steps in this direction.

“There is a role for the unions in our times but they have to go through a big ideological shift, in the sense that the unions could have an essential function in a globalised Italy...For example, not opposing foreign investment or outsourcing because these are useful for increasing employment in Italy. They should not be against it, in an ideological way...so, unions certainly have an important role to play but this role must be seen in the context of a globalised world and not in a world that ends at Italy’s frontiers.”

According to this interviewee, conflict in Italy is to be ascribed to the fact that there was a “strong communism”, and an ideological stance on the part of the unions. Interestingly, the very inefficiencies of the Italian state (particularly the welfare elements) often referred to by the interviewees and in particular by the representative of Confindustria, are explained by making reference precisely to the conflictual tradition of the relations among the social partners:

“this enormity of Italian public debt in relation to other countries, has historically been useful as a social macro ‘shock absorber’ in order to avoid strong conflict in a country that is strongly characterised by anti-capitalist and solidaristic ideologies. Conflict has been managed and tamed with public spending.”

The representative of Confindustria, when asked why he claimed that industrial relations in Italy have been particularly marked by conflict, answered:

“because of the strongest communist party in the West. Until 1976 the overtaking of the DC by the PCI was just around the corner. And so this contrast has been very strong, the Gladio affair and the struggle between the Soviet and American secret services have been real phenomena. This is very different from the German system, that is consensual, like their system of co-management... There, there was less conflict because there was no antagonistic ideological interest, that derived from the fact of being the ‘transmission belt’ of the PCI or of the DC. All three of them (*i.e.* the unions, the PCI and the DC) bearers of anti-capitalist ideologies. The German unions are born and they co-manage immediately in a capitalist logic.

In Italy, the Marxist parties were and have remained in opposition until the 1990s”.

The idea of a society characterised by strong internal conflicts is quite clear, and emerged in all the interviews. The inefficiencies and deficiencies of the Italian state with regards to creating the conditions for capital accumulation is generally judged harshly, most markedly by the representative of Confindustria and of PD. Consider the following statement by PD #3.

“Devaluation and tax evasion have not been only or even predominantly a compensation for the deficiencies of our enterprises, but they have also been compensatory factors in a context that was less hospitable, less favourable to competitiveness than in other countries”.

Let us now turn to the opinions expressed by CGIL #1. Specularly to the above quotes, consider these statement by CGIL #1:

“In second half of the 1970s they (i.e. *the bourgeoisie*) thought that by reducing the contractual power of the workers you could achieve growth...thus, when you are facing the turning point of the end of the 1960s and the beginning of the 1970s, there is no answer on the part of the bourgeoisie. They are only waiting for the moment to crush you...think about public welfare that is covered by the taxes on labour not by general taxation. In the South, in fact, the large operations have been done by the labour movement, all the factories that have been built in the South...they have all been made under pressure from the labour movement.”

The same interviewee argued that

“After we have done everything that was necessary to enter Europe in the 1990s, then one could say: now, let’s do the rest. No. At that point they have continued on the same road, that has brought us to this point, to a country that without being urged and stimulated by the social, autonomous and free presence of a general union of salaried workers, genetically follows other roads, moves towards rent, abandons projects of industrial research, and slavishly follows the general situation without adopting a role that can be critical and autonomous. And then you get to where we are now, with the inkling that with Monti the same thing is happening...you are recomposing in a decent way an internal situation in the direction of certain dynamics of development that in Italy are always translated in the same way: you attack the people that work, the workers!”

These two statements have been chosen in order to underline the general common sense opinions expressed by the interviewees. Conflict in Italian history is seen as endemic and the positions of labour and capital as irreconcilable. Moreover, both CGIL #1 and the representative of Confindustria blame the other (CGIL #1 blames the bourgeoisie and the representative of Confindustria blames labour) for the inefficiencies and supposed problems of development of the country. This perception of conflict as an inherent characteristic of the Italian political economy is very different from a more harmonious view of social relations, prevalent in countries such as Germany or the Netherlands. Moreover, both the representative of Confindustria and CGIL #1 underline the lack of a liberal force in Italy. Above, I reported CGIL #1’s opinion that the Italian bourgeoisie was unable to develop

a coherent capitalist project *for itself* and that, therefore, it was only under pressure from a strong labour movement that the country was able to implement successful projects of development. Otherwise – according to the interviewee – reflecting the ‘backward’ nature of the Italian bourgeoisie, capital has always sought to crush labour. Specularly, the representative of Confindustria lamented the fact that the dominant ideologies of the major parties in the post-war decades were anti-capitalist. As a further example of the view of the Italian state as marked by social turbulence and incoherent *ad hoc* initiatives to contain conflict, consider this statement by PD #1:

“This is a country in which demagoguery reigns, where protest as an end in itself reigns...in the history of Italy you can find many episodes of inconclusive rebelliousness. In fact, we have never re-absorbed neither 1968 nor 1969, because then we have had 1977, terrorism. And these things then have an influence...in the labour movement there have always been radical positions of refusal. As a matter of fact this can be seen clearly because in other countries, social-democratic countries where there is a tradition of a reformist left, such as the Netherlands or the Nordic countries, there the reforms have been done by the socialist parties. And then they lost the elections, but then they got back into power. But there, there was a union that faced and accepted the economic constraints, and there was a political class that understood something about economics. Here, there is no comparison.”

When asked about the economic slow-down in the 1970s, the same interviewee (PD #1) answered that

“what we have not been able to handle, what the Italian firms have not been able to handle, is the wage shock of the

early 1970s, plus radicalisation and terrorism. Factories were places of incubation for terrorism, there was that phenomenon that has been described as ‘worker opacity’. Workers were not terrorists but they were also not against. They knew that some of them were terrorists, but they protected them. Neither with the state nor with the Red Brigades...So, put yourself in the position of a manager or the owner of large industrial group with ten thousand poor guys inside the factory...the most obvious choice that they did in this context was that of closing down, decentralise, sell, move outside of the country, stop investing in the country. And so in Italy large industries have disappeared”.

Both excerpts are revealing. It is telling that the representative of the PD uses the pronoun ‘we’ to refer, essentially, to the firms’ position. Moreover, one can see here the strategy of *trasformismo* in a quite pure manner. The problems of the country are blamed on the labour movement’s claims, which are in a way even equated with terrorism. The class struggles of the 1970s and the conflictual decade of the 1970s are described in very stark terms, as if the problem was one of terrorism alone. Moreover, the labour movement’s claims are perceived as subversive, and the *commonsensical* reaction – according to the interviewee – was, by definition, the one adopted by capital, that – in a ‘technological fix’ vein (see ch.3) – decentralised production. So, there is a significant distancing from the labour movement’s position on the part of the interviewee. Also in the first quote, what is claimed is that the obstacle to ‘reform’ was the extremist tradition of the labour movement, with its ‘positions of refusal’, a stance that is contrasted with the ‘realist’ position of the unions in other countries, where they accepted “economic

constraints". Other differences, such as the fact that in other countries the labour movement governed the country and was thus able to implement more vigorous redistributive welfare policies, are neglected.

To wrap up this section on the conflictual view of Italian history, I propose a further excerpt from the same interviewee. When asked about the reasons for the strong conflict in Italian post-war history, and the difference between Italy and other European experiences of 'neo-corporatist' consensus, PD #1 answers:

"There was the bridge between the CGIL and the PCI. And the others (i.e. *the DC*) were with the USA. There was the cold war, which was the real problem in Italy. There was no political turnover, one had to do everything surreptitiously, creating confusion in the people, demagoguery and populism...And then Italy is the only country where there were so many technical governments. In other countries there were large coalitions. Here, when you tried doing something like that, they killed Aldo Moro, and then Piazza Fontana, there were the secret services, there was terrorism...This is history. At the same time this country, in spite of everything, has carried on, even with vitality, but it has always been a half-country, in which something is missing. So, for instance, now (i.e. *January 2012*) the unions have managed the results of this financial package, and there were no protests, no strikes, but they have done so because they were forced, they have done it reluctantly, and now they ask for some symbolic compensation, that a useless symbol such as article 18 (i.e. *art.18 of the Workers' Statute*) remains, just to say: we exist. And the left is then very much influenced by this, and so everyone thinks he deserves something".

This is another extremely interesting passage. As also in the interview with PD#2, the problem of a politics of 'reform' is seen as the resistance of organised labour. And this takes us to a crucial point of our analysis, that is revealed with clarity here: the problem of organised labour – from the standpoint of the main centre-left party – is that it wants something in return for concessions (on wage moderation, but also in its capability of social control vis-à-vis the worker). Thus, what is hoped for is that labour renounces these kinds of demands and makes unilateral concessions.

The first part of this long quotation is also telling of the predicament of the left and how this was translated into 'common sense'. The Italian bourgeoisie and political centre-right is seen as adopting a tactic of constant exclusion of the opposition from government and refusal of compromise, utilising also violent means. The problem – for the interviewee – seems to be that the social opposition – the unions – constantly claim some compensation, whereas it should accept the objective 'economic constraints', something that in his opinion the social and political actors of the post-war decades have not done (see more on this issue below). Thus, according to this interviewee (and PD#2, that holds the same view), the DC regime's clientelism has had negative consequences on the unions, generating on the part of organised labour constant claims for some sort of particularistic benefit in a 'corporatist' fashion. Here, the internalisation of a liberal critique of *trasformismo* is manifest. In fact, PD#2 holds that 'corporatism' was the weak point of the whole concertative era of the 1990s. One must not forget the negative connotations that the very word 'corporatism' has in Italy, as it reminds of the fascist period.

However, as detailed in the previous chapter, there *was* an episode of consensus formation in recent Italian history, at the end of the 1970s. The unions, proclaiming the 'EUR' line of wage moderation, accepted austerity policies obtaining little in return (see Paggi and d'Angelillo 1986 ch.1). So, notwithstanding the strong conflict that marked Italian post-war development and the stark ideological differences that are described in the above quotations from the interviews, there was a brief but significant moment of consensus. Consensus was constructed also at the beginning of the 1990s when unions acquiesced to capital's desire for wage moderation obtaining little compensation. My argument is that consensus tends to emerge most prominently in conditions of emergency, as I will argue below. A neo-Gramscian analysis is able to capture the 'common sense' underpinnings of such a consensus by looking at how in moments of economic crisis or emergency, the different versions of common sense tend to overlap to a much greater degree, whereas in period of relative 'smoothness' of the political-economic situation, and lacking a call for strong measures and 'sacrifices', the different versions of common sense diverge more.

In chapter 3 it was argued that a hegemonic project is based also on the need on the part of the leading social group to gain the consent of other social groups, in that way offering reasons for acquiescing to the hegemonic project. It can be argued that capital in Italy was willing to compromise with labour in periods of economic crisis or 'emergency' (on the discursive nature of such moments of emergency, see below), whereas in other times the *trasformismo* strategy of exclusion and marginalisation tended to be pursued. Thus, one can see that what the

labour movement obtained when it effectively entered into such agreements were mostly symbolic concessions or agreements to include the unions into the formal decision-making process of negotiation. This was in fact the main element that unions could point to as a compensation in the 1993 pact, as the representatives of the unions confirmed in their interviews. 1993 can be seen as the 'moment of capital' in the Italian political economy, as it set in stone a series of elements that confirmed labour's acquiescence to capital's position and view on the direction that the Italian economy should follow. Unions were granted little more than a notional commitment to greater investment and an inclusion into the decision-making process (as well as the limited concession on second-level bargaining), in exchange for real concessions on not only wages, but also on pensions and the labour market. The unions were also co-opted into the pact as the goal of 'entering Europe' emerged as a shared objective across the political and social spectrum, thus signaling the emergence of a further element of 'common sense' (see below). The unions did in fact manage to extract some concessions from capital in the 1993 deal and in the following reformist period, but overall real concession tended to flow from labour to capital, whereas symbolic concessions the other way around.

Bruff, by referring to the interviews he himself conducted with the Dutch actors, argued that the tradition of consensualism in the Netherlands came to be understood as a set of arrangements in which no party is the 'absolute loser' from the bargaining process. Citing Becker (2001a: 29, cited in Bruff 2008: 95), he argues that "this means that 'the dominant interpretation of the general interest' is rendered the generally accepted opinion and, further, that this is presented by leading and subordinate groups as a joint

decision... Thus, the offering of concessions is asymmetrically spread across stronger and weaker groups". I argue that this is the case also in Italy, albeit with an important modification. Italy, as I showed above, is *not* characterised by a tradition of consensualism. Consensus emerged – as an exception – only in moments of economic emergency, in which capital successfully incorporated labour into its hegemonic strategy. It was in these moments that the dominant interpretation of the general interest became accepted also by labour. Thus, one should add, in the case of Italy, an important element in the relationship between capital and labour: consensus formation in Italy is strongly driven by economic crisis. When asked about the reasons for the absence of a neocorporatist system in the Italian political economy, UIL #1 answered:

"It is a cultural issue. We are not predisposed to deciding serious things, the reforms that are valuable, that last and actually change society, in conditions of normality. When there is normality in management, we think about everything except doing the serious things. We are always urged and motivated to do something by need or by emergency".

Later, the same interviewee gave a more detailed description of the same concept, that also sheds light on the discursive construction of the kind of political exchange proposed in 1993:

"We needed to transform ourselves from a people made of savers, but also a messy, unorganised people, into a virtuous country, which did not link the well-being of the

people, like with policies of *assistenzialismo*¹⁰², to public spending, but to a balanced system of public spending and a bet based on the enhancement of productive activity. It was an emergency, which means that it is situations of deep crisis that have *forced* us...Conditions of exceptionality produce choices, decisions, contrasts and consensus but this never happened in conditions of normality, always in exceptionality. Unfortunately it is like that, we are not made to reason effectively in the long period, we always reason in the short period, because Italian politics knows only short periods...We always work on short periods, which means that often we stumble upon emergencies."

Notice the use of the verb 'forced' to describe the pressure of the situation of emergency on the trade unions. Asked about the reasons for the weakening of the method of concertation starting from the late 1990s, UIL#1 answered that "the motivation of living in an emergency period ended, and when you don't live in an emergency, also the *external* push for finding a solution to many problems is weakened". So, emergency seems to be the catalyst of consensus, as it activates what the interviewee referred to as 'external' constraints that motivate the actors. Although more critical towards the stance adopted by the unions, also CGIL#1 confirms that it is in times of crisis that consensus is more easily found (see below).

The crisis of the 1990s will be considered below. For now, a few points are worth highlighting in the dominant interpretation emerging from the interviews. First of all, the understanding of the Italian 'First Republic' as marked by

¹⁰² This is an Italian word whose translation into English is quite problematic. Perhaps the best option is "dependency culture", albeit one based on inefficiency and waste in welfare allocation.

waste and inefficiency (by a union leader), a feature that in itself must be linked to the strategy of *trasformismo*. Secondly – once again – an idea of the state as inherently incapable of programming in the long run. And thirdly, according to the views expressed by CGIL#1's, the idea that it is only by incorporating labour into the decision-making process that 'serious' decisions can be taken.

Before turning to an analysis of how the assumption of economic vulnerability shaped the common sense views of actors, I would like to review an aspect of the history of the unions and their ideology that has emerged in the interview with Leonardo Paggi. When talking about the asymmetrical exchange of the 1990s he argued that

“In 1993 there is the idea of a sacrifice for the common good. The referendums of 1993 and 1995, this is a consensual stance. There is this idea, this *ethos* of the Italian popular classes. It was also linked to the ethics of the PCI, based on work, sacrifice and austerity. I remember the contempt with which the communist trade unionists talked about the French trade unionists: the ‘trade unions of the steak’.¹⁰³ There was this sense of cultural superiority vis-à-vis a vision of the union as an organ of wage bargaining.”

This ideological element was in my opinion quite important, as it made the acceptance of a policy of wage restraint and austerity – paradoxically – easier.

In the next section, I will argue that the shared assumption of economic vulnerability is the cornerstone of the different versions of common sense. I then consider the economic crisis of the early 1990s and the following reform

¹⁰³ Literally: “il sindacato della bistecca”, meaning a trade union focused exclusively on increasing wages and on material returns for their struggles.

of the labour market. In this way, I also show how alternative routes for the Italian political economy, dependent as they are on alternative forms of thought and ideas about the world, were effectively precluded by the common sense assumptions that depoliticise social relations. An important part of these assumptions was that Italy's weak position within the 'international' (both because of its dependence on the outside for raw materials, demand and for much-needed export earnings, as well as for its weak 'constitution' and 'backward' character rooted in its history) left the country with little choice about how to adapt to the world economy and to economic transformation.

The assumption of economic vulnerability

In this section, my aim is to show that the interviewees in their virtual totality considered Italy to be in a relatively weak position within the world economy. Italy is viewed as a country that has little choice in how to adapt to economic change, and thus experiences a constant economic vulnerability. Moreover, this economic vulnerability is seen as having increased significantly since the period of the 'economic miracle' of the 1950s and 1960s. The assumption of vulnerability is strictly linked to the idea that in order to adjust, real wages need to be kept sufficiently low.

This effective naturalisation and depoliticisation of the constraints can be explained by adopting a neo-Gramscian framework. As argued above, people within a capitalist society are *materially* dependent for their own survival (access to the means of subsistence) on essentially

political and *social* relations that they contribute to producing and constantly reproducing. What does this mean? This means that their material bases for existence is dependent upon capital accumulation. It is through capitalist social relations that commodities embodying use values are created, and thus the constraints of capitalist social relations appear as the constraints of production *per se*, naturalising what are essentially political relations.

Therefore, the way a national political economy is inserted into the capitalist world totality creates constraints on forms of thought, skewing them in the direction of capital's rather than labour's dependence on the market. The point, that is hopefully clear by now, is *not* that these constraints do not exist. They are real, in the sense that people within a capitalist national political economy are effectively dependent – in order to conserve their current condition – on maintaining a certain competitive balance with the rest of the world and on importing the needed raw materials. However, these forms of thought are *ideological* precisely because they are *real*, because they structure social relations within a given territory, social relations that are based on a fundamental power asymmetry between capital and labour.

I have already referred to CGIL #1's idea that Italy's industrialisation at the end of the 19th century was 'forced' and 'highly dependent' on foreign capital. This must be read against the background of a bourgeoisie that is seen as being incapable of delivering a liberal society and 'national' capitalist projects that are able to effectively modernise the country (see above). Italy's insertion into capitalism was thus weak from the onset, and this gave the country a specific material basis for existence that was rooted in the 'international'. Consider for instance the dependence of the

country on foreign countries for both raw materials and energy provision (Italy does not produce nuclear power). Moreover, Italy's economic strategy, as I have remarked extensively, is dependent on exports of relatively simple goods. That is, there is a relatively low level of technology in Italian products compared to other European countries. Italian economic development was also significantly based on the expansion of foreign demand more than on the development of internal demand.

The intensification of European monetary integration has significantly enhanced the issue of the external constraint for the Italian economy. As monetary authorities could no longer devalue, the adjustment mechanism shifted to wages. This re-activated the long-standing assumption of economic vulnerability of the country vis-à-vis 'the international'.. The idea that Italy was in a weak position within the international has been heightened by the *effective* weakening of Italian capital, as capital valorisation slowed down and the 'centre' of the European economy created a permanent adjustment mechanism – also by a tougher internal disciplining of 'their' working classes – that tended to transfer costs upon peripheral countries (Brancaccio 2008; Bagnai 2010).

In this section I argue that the world economy has been a constant reference point for Italian actors. In particular, the assumption of economic vulnerability has served as the common element for the different versions of common sense. I argue that this assumption of economic vulnerability is in itself grounded in the strategy of *trasformismo* and in the nature of the *vincolo esterno* and its political use (see ch.4). Both have been extensively discussed above. The idea was that real wages in Italy should not be allowed to rise significantly because this

would imperil the traditionally weak position of the country in the balance of payments, and generate a crisis. Consider the following excerpt from the interview with the economist Cesaratto. When asked about the nature of the exchange in the 1993 social pact, the economist answered that

“There were no compensations...the unions internalised was the idea that higher real wages are incompatible with the Italian economy, that is an old incompatibility. There is no doubt that Italy has an external constraint. Ultimately, what is the real constraint to the increase in real wages? It is the external constraint. That is, the increase in real wages becomes increase in consumption and thus increase in aggregate demand. Italy clashes with the fact that imports increase. So, fundamentally, it is not that there is no constraint from this point of view...Now, there are clearly alternatives on how to face this constraint...But internalising this constraint without having an adequate proposal to overcome it, this is what the unions did.”

He adds that

“Valletta in 1947-1948 used to say: Italy can grow only inasmuch as exports grow. That is: real wages can grow inasmuch as exports allow. In Germany this trade surplus has become a kind of myth, which also constrains trade union attitudes. You ask for discipline in order to maintain a trade surplus. It becomes a sort of national goal, internalised also by the unions”.

The first quotation goes to the heart of what I am arguing here. The assumption of economic vulnerability was accepted – internalised – meaning that real wages could not rise above a certain level without the risk of

generating a crisis in the trade balance. This internalised common sense assumption, as Cesaratto also notes (more on this below) has effectively foreclosed alternative paths for the Italian economy.

The understanding of the Italian economy as being characterised by a history of vulnerability has often been referred to in the interviews. Moreover, what was often also remarked was that this vulnerability has become more pronounced in the last decades. Consider the following statements, the first one by PD #1:

“Without any kind of external constraint we would have become like Lebanon. By ourselves we would have been unable to do anything. We are dependent on the outside and very disorganised. We would have ended up like Greece. We have the same level of tax evasion, and moreover we have organised crime, that they don’t have. We are like that. So, I am completely in favour of a protectorate *de facto*, if also other countries in Europe do what they have to do”.

Asked about Italy’s dependence on the outside and the nature of the external constraint, UIL #1 remarked that

“I don’t know, without the external constraint we would have ended up like Argentina, in the best scenario. And without having the means of recovery that Argentina has, because we don’t have any natural resource except for cultural or archaeological goods, we have beaches, things like that. It is true in every country, but I think especially for Italy, that our only wealth is labour. Labour-force. Apart from that, we have nothing, we don’t have raw materials. And when I say that we would have ended up like Argentina in the best scenario, I mean that Argentina has lots of resources, a vast territory, large zootechnical

industries, it's not a poor country".

UIL #1, as well as many other interviewees, argued that Italy missed the only chance it had to become stronger in the global economy by neglecting investments in innovation and technology. This is another aspect that is shared by all the interviewees. What has actually happened and will continue to happen unless Italy 'changes course' – according to the interviewee's opinion – is depicted in quite stark terms by UIL #1:

"In an increasingly globalised market, what was needed and is needed is to find ways to valorise research and technological innovation, like the USA, Finland or Germany, or even Spain and France, otherwise in some time we will have to rely upon the German or Russian tourist that comes to Italy to spend money, because that will be the only remaining industry. So we don't need scientists to understand these simple things. We have some niche products where we really constitute excellency, but they are niche products and they are only a part of the Italian economy. So we have become the periphery...We used to be at the cutting edge of nuclear technology and then it was abandoned. We have to live with the fact that, and I say it with bitterness but also with conviction and realism, that other countries are different. France, for instance is a real *sistema paese*¹⁰⁴".

The same interviewee also gives a description of what he considers the weakness of the Italian economy:

¹⁰⁴ This expression is a general term that is held to mean all those elements that contribute to a country's economic success. These elements are both material and immaterial, and can include for instance: the public administration, the state's investment strategies, the role of the unions, the international strategic choices of the country, the education system, etc.

“the economic boom has had as its catalyst sectors such as construction, roads, highways and also the export sector, but essentially technologically weak sectors. We used to be the first European producer of household appliances, but now not anymore. So, we are the sixth or seventh world economic power only if consider the quantity of the goods produced, for sure not their quality. Because in the high technology goods, including cars, we are very weak or non existent (...) Now we have some sectors of excellency, but we are running the risk that they will take also these sectors from us. At the times of the *Borboni* the saying went: *Francia o Spagna purchè si magna*” (see above).

There is here an assumption that Italy is weak in the global economy. This assumption is linked to the acceptance of the idea that there is little choice in how the country adapts. The fact that low wages have been *the* main adjustment mechanism is shared across the board. Consider the following quote from PDS#1:

“Natural resources have always been a problem. The weak point is that Italy could count on a system of small enterprises that were not always able to export on a large scale. (...) Most companies needed a comprehensive policy to help them with exports, and since the Italian big players are not many, it is inevitable that this role should have been played by public intervention. Otherwise, and it is precisely what happened, the big players became the large companies of other countries, with the Italian ones left to subcontracting”.

The interviewee, moreover, argues that

“Italian companies engaging in the competitive challenge

could not count on a *sistema paese*¹⁰⁵, and therefore have compressed labour, with low salaries and precarity”

The view that emerges here is that the state’s role favoured a punitive stance on labour. The interviewee’s opinion is that Italy’s weak position in ‘the international’ has been faced by adopting a strategy based on the “compression” of labour.

Other interviewees were not as pessimist, as they underlined the still important role that the manufacturing sector has in Italy, but they also tended to present Italy’s economic situation as weak and deteriorating. CGIL #1 argued that

“Italy still has a resource that others such as Spain don’t have, that is a significant manufacturing sector. In some respects better than France, but France has the big groups. This is the strength of Germany. What Italy has is the presence in manufacturing, it has a long history in this respect, you cannot invent it overnight...The real point of weakness is the lack of large groups. Since the late 1970s, maybe also due to the illusion that by compressing wage costs, the economy would have become better, we have completely lost the structure of the large groups. Now, the absence of large firms is dramatic, because the small firm may be good for some things, but if you don’t have large firms it’s a mess. The small firms in some respects have to comply with the orders of the large firms. So, Italy as a whole counts much less than in a certain phase of its history, even if it never really counted a lot”.

Later, the interviewee added that

¹⁰⁵ See above for an explanation of the expression *sistema paese*.

“we are already a periphery, now we run the risk of becoming periphery of the periphery...There are deep reasons that generate this situation of weakness, in a situation in which you are even more peripheral and marginal”.

PD #1 also compared Italy's strength in the international economy to other European countries. When asked about the Italian productive structure's position in the world economy, he argued that

“Vis-à-vis German or France there is no doubt that we are more vulnerable, because they have large firms. Vis-à-vis Spain not, because in Spain there is nothing.”

Another view confirms on one side the negative opinion on the role of the state, and on the other Italy's weakness in the international context. This is the opinion of PDS #1:

“The essential difference, in my opinion, is in being able to *fare sistema*¹⁰⁶. Other countries with big groups are more able to decide on what to concentrate. Even a small country like Finland is a leader in the cellular phone sector. Italy risks to become a big supermarket in which you can buy everything, but it is produced by others”.

This general pessimism on Italy's ability to succeed economically in the international context is shared across the board. An interesting point is the agreement of all the interviewees that Italy's weak position in the international economy is due also to the predominance of small firms

¹⁰⁶ This expression is similar to the one cited above (*sistema paese*) and refers to the ability to develop a coherent system of national economic management that promotes the strong points of a national economy and attacks the weak points.

and the absence of large firms. Romano Prodi, in his interview, argued that Italy is “vulnerable in the sense that it has the problem of the size of the firms”. However, the interpretation of the causes of this increasing predominance of small firms, are different. PD #1 argues – as we saw above – that the switch to a model based on small firms was due to the conflict of the 1960s and 1970s, when the employers were forced – in a situation of radicalisation and “worker opacity” vis-à-vis terrorism in the factories – to decentralise production:

“Put yourself in the position of a manager or the owner of a large industrial group with ten thousand poor guys inside the factory...the obvious choice that these people have made in this context was that of closing the factory. Decentralise, sell, move outside of the country and stop investing in Italy. And so the large industry has disappeared in Italy, the large industries that were potentially competitive. It started off with the chemical industry, steel, all the crises...until we reached this point, when we don't have anything. And so it is there that the small firm was born, and the small firm was weak precisely because it was born in this way, from firing the workers, decentralisation, fragmentation, delocalisation, etc. And the small firms needed devaluation”.

So, here we can see that the transformation of the Italian economy towards a less competitive and weaker system based on small firms is held to be the result of the ‘natural’ reaction of the employers to the radicalisation of the 1970s. CGIL #1, in the excerpt that I cited above, attributes the responsibility of the lack of large firms to the bourgeoisie’s strategy of wage compression, which has incentivised the development of small firms. Also the

representative of Confindustria argued that Italy's position within the international economy is one of weakness and vulnerability. This signals that this was indeed an anchor for the different version of common sense. The representative of Confindustria argued that Italy is particularly vulnerable to the dynamics of the world economy because

"it has many weaknesses. Its public finances are in disarray, it has a low level of organisation in the public system, its firms are on average smaller than other European partners, the property nature of the firms is familiar and not managerial...so Italy is really vulnerable and it is regressing. Although it has always been like that, globalisation in the last thirty years has swept away the small firms that have not focused on a hyper-specialised niche of the global market (...) and the small size of the firm is not suitable for a global market. The problem of competitiveness, this is and has been the problem of Italy, together with that of public debt".

Below I argue that this assumption of economic vulnerability went hand in hand with a positive idea of Europe as the virtuous force that is essential to mitigate the 'vicious' attitudes that are seen as typical of Italy. For the moment, I would like to stress that in the interviews, there was a sense of inevitability in how Italy – as a relatively small, weak and 'backward' country – had to adapt to both economic change and the international economy. The economist Graziani gives a useful description of the issue of economic vulnerability and of the nature of the economic constraint of the country. Quoting him extensively:

"The long path of industrialisation has been covered by the

Italian economy in the typical conditions both of a small country that is largely open to foreign exchanges and of a country that possesses an industry that – lacking technological autonomy – could not reach positions of authentic ‘vanguard’, notwithstanding a continuous updating. Like any small economy, also the Italian economy had to draw on foreign productive resources for its development. Which means that the growing flow of exports was necessary in order to face the need for imports. Lacking a highly developed industry, Italian exports had to impose themselves on the global markets relying more on price competitiveness than on product quality or innovation. The Italian industry and thus the Italian economy were therefore forced to pursue constant increases in labour productivity in the export industries avoiding at the same time excessive increases in wage levels” (Graziani 1992: 9).

Cesaratto, in his interview, also gives a telling description of the predicament of the Italian economy:

“We are a country that is dependent on the outside for oil imports, we are dependent for many technologies, we are dependent for energy...even if Italian exports are not doing so bad, we constantly have to keep them up, otherwise they are insufficient”.

He adds that

“The external constraint can explain a lot of things about the Italian economy...for example, the problem of energy dependency and thus energy saving is a primary problem...In spite of everything, it is clear that the external constraint is the main constraint that the country has”.

The quest for economic growth and competitiveness in Italy was therefore generally based upon moderate labour costs, whose maintenance has been an important goal, although it has not always been achieved (consider the 1969 ‘hot autumn’ that generated a sudden hike in real wages). My argument is that within the Italian political economy, the goal of maintaining moderate labour costs can be justified by referring to the world economy as an external constraint. What I am arguing is that all the actors accept economic vulnerability as a ‘real fact’ that must be faced collectively, as an external constraint that is grounded in the country’s position in the global economy. Here one can see the internalisation of ‘the international’ into ‘the national’, as adapting to the world economy by moderating labour costs is seen as the crucial condition for Italian development. The excerpts below help to flesh out my argument, as they link the assumption of economic vulnerability to the need to maintain wage moderation.

UIL #1, the interviewee that highlighted the risk of ending up like Argentina without a strong external constraint, later adds that:

“What I am saying is that Europe, for its own virtues, and the Euro, for the cage that it built around our clothes (i.e. *a straight-jacket*), are the reasons why we did not end up like Argentina. It has forced us to adopt virtuous attitudes like for instance contain our instinct to conflict, chaos and chaotic spending and wage claims, and finally realise that we need to accept certain things about how a *sistema paese* works,¹⁰⁷ in which we all accept that we have to sometimes contain our demands in order to compete, and then maybe redistribute on other levels”.

¹⁰⁷ See above for an explanation of the meaning of the expression *sistema paese*.

When asked what is the room of manoeuvre of unions in Italy in times of globalisation, the same interviewee – although he is referring here to 2012 –argued that

“Unions can do very little, we cannot exaggerate with the wage push. The only thing that is allowed to the unions in this phase of globalisation is to verify the levels of employment, the amount of production that remains in Italy...but for example if an American or a French buys a company and then there is a crisis, the first structures that are eliminated are the ones abroad”.

Even if the interviewee is talking about the current situation, the general point is revealing. Specularly, the representative of Confindustria argued that

“unions, as I said before, need a cultural shift. We all need to realise that even if of course we cannot become China or India, wages are dependent on how well the whole economy is doing, and they – the unions – need to realise this, and then we can build a competitive economy in the world. And yes, I believe that the fall of the Berlin wall and of the myth of the welfare state¹⁰⁸, of the public economy, has been fundamental for the union inspired by Marxism, but this has included also the catholic union: once the alternative development model based on wages as an independent variable has fallen, also the catholic union realised that there can be no solidarity if there is no cake to share”.

¹⁰⁸ Here, the expression that is used is not literally welfare state but *stato assistenziale*, that has a similar but perhaps slightly derogative meaning, pointing to the potential inefficiency and waste of state spending.

The use of the verb 'realise' is interesting, as it signals that what the unions had to do was simply to become aware of a simple economic 'fact': that wages are dependent on the competitiveness of the economy and that they – the unions – cannot demand a certain level of wages 'independently' of economic constraints. So, what can be seen in these quotes is that keeping wages moderate is a goal that is legitimated by invoking the constraints of the world economy. Let us cite a passage from the interview with PD#1 that has also partly been referred to above. PD#1 contrasts the experience of Italian unionism with that of the northern countries, arguing that in the former there has always been "radical positions of refusal":

"in other countries, social-democratic countries where there is a tradition of a reformist left, such as the Netherlands or the Nordic countries, there the reforms have been done by the socialist parties. And then they lost the elections, but then they got back into power. But there, there was a union that faced and accepted the economic constraints, and there was a political class that understood something about economics. Here, there is no comparison."

"...and in Germany...the unions and the employers sat on the same table and decided that wages would not grow anymore, that they would grow less than productivity (...) in exchange for this, the firms would not fire. And the German economic boom began (...) while here in Italy we have always had, even before the Euro, quite eccentric attitudes: we have had two, three, four contracts of the public sector employment. So if wages increased while there was a public deficit, revenues did not increase, and spending was excessive. And our competitiveness got worse, our balance of payments. So, there was no logical reason to increase wages."

Notice how the problem is considered to be the unions' excessive wage claims, which in turn caused the country's competitiveness to deteriorate. Above we also reported the following statement from PD #1:

"what we have not been able to handle, what the Italian firms have not been able to handle, is the wage shock of the early 1970s, plus the radicalisation and terrorism".

So, the link between the common sense assumption of the economic vulnerability of the country within the world economy and the idea that the country needs to maintain low wages can be established. Representatives of the unions, the employers and the major centre-left party all agreed – albeit with different qualifications – that the wage push needed to be contained in order to maintain Italy's competitiveness. Perhaps the only dissenting voice was that of CGIL #1, that emphasised that the country's position within the international was stronger in times of greater union strength. For instance, in the quote cited above, the interviewee argues that "the absence of an autonomous force of the labour movement in Italy leaves the field open to a bourgeoisie that doesn't even do the operation that other countries were doing. For itself, naturally".

The picture is that of a general consensus on the need to maintain relatively moderate wages in order to compete, even if this is shared differently across the social spectrum, with the interviewee from CGIL expressing some doubts on this strategy. Thus, the common sense anchor of economic vulnerability and *hence* the need to maintain low wages was not *totally* internalised by CGIL. Therefore, the

process of depoliticisation was not as strong in the CGIL's common sense. Below we shall see how the CGIL representative himself described the 1993 deal and his own version of common sense regarding the wage moderation of the 1990s, which confirmed this.

Above I have argued that the way the Italian strategy for competitiveness in the international economy was carried out was either through currency devaluation or its 'functional equivalent', wage moderation. However, it is important to underline that the pursuit of wage moderation was not always followed and not always adhered to. The assumption of economic vulnerability did not simply reproduce itself in the same way in the different historical moments. The pursuit of moderate labour costs manifested itself in different ways historically. This is because, ultimately, it is the pressure of the 'material basis for existence' that conditions the production and reproduction of common sense. Moreover, one should never lose sight that decisive political and social events, or new hegemonies or counter-hegemonies can always modify ideas and common sense, albeit taking as its starting point the already sedimented ideas.

One can thus propose a more refined view of this argument: in moments of relative prosperity and economic growth, or in moments of intense class mobilisation, as the versions of common sense adhered to by the various social actors became increasingly different, there was more of a wage push and thus devaluation tended to be the dominant strategy (the early and mid-1970s). In these periods, wage moderation was *not* adhered to by all the actors in the political economy. This was the period of rising inflation in the Italian political economy (in fact, all European countries experienced high inflation, but Italy's problems with price

risers was more acute). Inflation stemmed from both the oil crisis (a reminder of the country's economic vulnerability) and from the wage rises in a period of harsh social conflict.

The political economist Wolfgang Streeck argues that "inflation can be described as a monetary reflection of distributional conflict between a working class, demanding both employment security and a higher share in their country's income, and a capitalist class striving to maximise the return on its capital. As the two sides act on mutually incompatible ideas of what is theirs by right, one emphasising the entitlements of citizenship and the other those of property and market power, inflation may also be considered an expression of anomie in a society which, for structural reasons, cannot agree on common criteria for social justice" (Streeck 2011: 11-12). So, a high level of inflation signals a lack of consensus within the political economy. This level of inflation was faced with repetitive rounds of devaluation all through the 1970s and 1980s (starting from the mid-1980s, however, devaluation did not keep pace with inflation, thus increasing the *real* exchange rate). For the purposes of this research, devaluation and inflation can be seen as the counterpoint of wage moderation, the latter being – generally – the sign of a consensual approach between the social actors in the political economy.

This adherence to the common sense idea that in order to adapt to the world economy, wages needed to be moderated, is to be understood in the context of the strategy of *trasformismo*. In the previous chapter, I have reported Paggi and d'Angelillo's argument about the difference between the Italian experience and that of 'social-democratic' compromises in other European countries. Whereas the logic of political exchange

dominated in the latter case, generating a situation of containment of wage pushes, low inflation, universalist welfare state and policies of full employment, in the Italian case the wage pressure has been stronger because there was a lack of compensation any time wage moderation was pursued, and because of a generally more hostile political and social climate with respect to organised labour. The wage push of the unions tended to be interpreted as in some way subversive also in sectors of the political left in the PCI. High inflation and devaluation were the ultimate result of this process, of this lack of consensus. As I argued above, starting from the 1980s and increasingly in the 1990s with the shift to EMU, this 'model' changed and there was more pressure on an adjustment based on wage moderation rather than one based on devaluation.

In moments of economic difficulty, when the pressure of the balance of payments made itself felt more strongly, and/or when the Italian state class and capital adhered to more stringent European monetary parameters (the late 1970s, and the early 1990s), the strategy that was pursued tended to be wage moderation. The control of wages was deemed to be crucial for controlling possible disequilibria in the balance of payments. Crucially, in the early and mid-1990s, both were pursued at the same time, as the 1993 pact allowed for the sterilisation of the greater cost of imports due to the 1992-1993 devaluation. Cesaratto argues that

"Italy is wrung between a 1970s model of inflation-devaluation and the current strict monetary system model, a system in which we tie our own hands."

"There is no doubt that Italy has an external constraint...Ultimately, what is the real constraint for the

increase in real wages? It is the external constraint...So, evidently, the logic of the wage as an independent variable worked well when the Italian economy was growing, not later”.

PD#3 also gives a good description of this *sui generis* trade-off between devaluation and wage compression. He is talking here about what he considers to be the missing reforms of the 1990s, to which he attributes some responsibility also to the centre-left governments:

“When the effects of the devaluations of the 1990s ended, there was a significant fall in wages, because those accompanying factors that have eased development were not there anymore, and the reforms were not made. We were able to enter into the Euro, we did some other reforms, for sure too little with respect to what we should have done and inevitably all of this hit labour. *Clearly, now we are in a position in which it is evident that this spurious compensation, this devaluation of labour that happened in order to compensate for the devaluation of the currency, did not work.* It’s not like we can become Serbia, not to say China”.

The interviewee explicitly recognises this alternative between devaluation and wage compression, and argues that wage moderation does not ‘work’, in the sense that it has deteriorated the conditions of labour to low standards. In fact, as has been detailed above, the strategy that was discursively proposed by Ciampi in the 1990s was to overcome this alternative by putting in place another strategy, based on investments in technology, education and innovation. This is what PD#3 seems to support, even if he acknowledges the failure to enact the ‘reforms’ that would have made it possible.

A similar trade-off is also described by UIL #1:

“In 1992-1993 the goal was to devalue for the last time, to have some breathing space, some room of manoeuvre because we have always travelled on the wavelength of inflation and devaluation. When one was missing we created the other so that our goods always had a market”.

The same interviewee, in detailing the above view, also seems to envision a strategy based on higher investment and technological innovation, but recognises its failure. When asked why, according to him, Italy has tended to adopt the instrument to devaluation, UIL #1 answered that

“because our productive system is made up of micro-firms or small firms (...) So, first, the size of our productive system...Second, also due to this first point, and due to the nature of our employers, that are reluctant on some things, if you do not invest on the quality of the product and on productive models, you can maintain a market only by reducing the cost of labour. Not being able to reduce to cost of labour, inflation and devaluation developed. That was the physical, credible alternative, to the scarcity of investments in processes and products of high technology. I would like to remind you about something that everyone has forgotten, that in the 1993 deal with Ciampi, the unions, and not the employers, asked and obtained that in the governments’ acts an increasing quota for investments was planned, up to the figure of 2.5% before a certain deadline. None of this naturally happened”.

Here, the union representative acknowledges an important point of the asymmetry in the 1993 deal, to which I shall return below. What is also crucial to highlight

is that also the representative of the unions thinks that the alternative to devaluation was wage moderation. Also Romano Prodi, in his interview, was critical of the strategy of devaluation. He argued that

“devaluation means condemning the economy to a low productive level, to being suppliers of low technology goods, with low quality, and neglecting productivity. So devaluation can give some room of manoeuvre in the short run but it is a curse in the long run...there was the general awareness that competition was bound to become much harsher. Ultimately, any time there was a devaluation, everyone was happy, from Agnelli downwards. And the duty of a politician is to think in the long run and in the long run the country becomes rotten. And Italy was already characterised, long before the entrance into the Euro, by low cost production, something that I wanted to end, and in part this has worked, in part not...but I am profoundly convinced that a civilised country that wants to become modern, that wants to do research, innovation and modernisation of the firms, cannot go forward with devaluation, of this I am convinced”.

Also in Prodi's view, the alternative to the coupling of devaluation and inflation or wage moderation was a strategy of investment and upgrading of specialisation. PD#1, in describing the nature of Italy's predicament, being based on small firms, has also noted that these kind of firms are forced to compete with firms from emerging markets, and therefore are forced to reduce wages, but ultimately will fail – and are failing – as wages can never compete with Chinese ones. Devaluation, according to him, allowed these firms to survive, but he also argued that “what we needed was a long-term strategy”. The representative of Confindustria, on the other hand,

attributes the responsibility for the strategy of devaluation on the strong social conflict in Italy. When asked why, in his view, Italian élites used devaluation so much, he answered that

“Probably it was because Italy had to govern social conflict, in a country that was split between Catholics, a market economy and a state economy, with high unemployment...policies of state spending were useful in order to tame social conflict. Think about the hot autumn, the red brigades, high intellectual unemployment. So, for example, the politics of hiring in the education system was an element in a strategy of taming conflict. It was also strongly supported by the ideological trade unions at the time. And so public spending has been useful as a social shock absorber...”

So, what the interviewee assumes is exactly what Streeck was arguing: inflation is a sign of the lack of consensus in a society, and devaluation offered a way out for capital.

The conclusion I draw from the interviews and the common sense assumptions that are expressed is that in the absence of a crisis or an emergency, the different versions of common sense tend to diverge, generating conflict. In this kind of situation, the material basis for existence are more taken for granted, and the perception of economic vulnerability is less felt, particularly by the weaker group, labour. So, the legitimacy of a policy of wage moderation, in a situation of relative economic well-being, weakens, as the power of the ‘objective’ nature of the external constraint diminishes. In moments of economic crisis or emergency, however, there is a stronger pressure on weaker actors to accept the ‘inevitable’, and thus there is greater overlap

between the different versions of common sense on the need to maintain wage moderation in order to adjust Italy – a country marked by economic vulnerability – to changing economic conditions. The range of ideas about the political economy narrows, as the discursive construction of the crisis creates the conditions for the strategies of wage moderation, the need for which is anchored in the long-standing assumption of economic vulnerability. Common sense ‘sediments’ have thus accumulated on the state’s institutional terrain. In times of crisis, the reminder of the country’s weak position in the ‘international’ serves as an important element in the creation of consensus, because it depoliticises social relations to a larger degree. Clearly, this depoliticisation goes to the benefit of capital’s dominant version of common sense.

For instance, when PD #1 and CGIL #1 describe the situation in the 1970s (see above), one can see the divergence of the common sense assumption, and how capital reacted to labour’s increasing radicalisation. In times of crisis, however, the different versions of common sense tend to converge, as I will argue more in detail below looking at the crisis of the early 1990s.

The ‘vincolo esterno’ and European integration

Let us recap the analytical argument so far. The insertion of the country into the ‘international’ capitalist totality was interpreted by the actors as characterised by a particular weakness: the absence of raw materials and natural goods, the need to maintain export levels, dependence on the foreign markets, low technological development and the fact that the country’s only resource

is its labour-force. This weakness was expressed in the assumption of economic vulnerability, which in turn was the reference point for arguing that the country can compete only by moderating wages. This assumption that low wages are the key for Italy's economic success emerges in the foreground most markedly in times of economic crisis.

In this section, I will argue that the reference to Europe, as part of the reference to the 'international', has served as a crucial benchmark and point of reference for pushing through reforms and transformation within the country. Europe was interpreted by practically all the interviewees, albeit with different levels of intensity and enthusiasm, as *the* 'best practice' against which Italian 'modernisation' was to be judged (the only interviewee expressing some reservations was CGIL #1). The references to a 'virtuous' Europe and a 'vicious' Italy abound in the interviews. The assumption is that the country needs a virtuous 'external constraint' that would force it to adopt measures and policies that by itself it would be unable to carry out. 'Europe' is here a key reference point – what the post-structuralists would call a 'master-signifier' – that stands precisely for virtuous discipline. The understanding by the interviewees of the fragmented and disorganised nature of the Italian state – noted above – goes hand in hand with a view of Europe a 'civilising force' in Italy. Practically all the interviewees, underlined the positive influence that the idea of 'Europe', as well as the constraints (supposedly) imposed by European integration, had on Italian historical development. Moreover, Europe was seen as a 'modernising' force in a country that had only partially entered modernity and needed to be 'saved from the outside' from its own ways of doing things and inherent

defects. The dominant idea that Italy is still not a completely 'modern' country, and thus that it needs the external constraint in order to implement the necessary reforms is a crucial element in understanding the traditional pro-European stance of the Italians. The idea that is shared by many interviewees was that the only way to reform the country was by making a constant reference to 'European' standards and by internalising the European pressures.

Above I have reported the reflections of UIL#1 and PD#1, who argued that without an 'external constraint' Italy would have become like Argentina (in the best scenario) or Lebanon, respectively. Clearly, such a scenario – that is, the absence of an external constraint – is a pure ideal, a myth, as the capitalist world totality develops *internationally* since its inception, and thus via the constant flow of capital through national borders, thus structurally developing 'external constraints' that are rooted in the capitalist mode of production. Capital, as described above, tends by preference to occupy the interconnections between separate political and legal jurisdictions since its genesis (an instance of its *structural* power). So, the interesting issue to delve into – and it is what I am attempting to do here – is not what the 'external constraint' *is* but what it *does*: that is, how the common sense assumptions about the external constraint actually affect the country's social relations. The same argument goes for 'Europe': what is relevant is not what the term 'Europe' *is* or what it *really means*: what counts is what it *does* in the Italian political economy. The interview data reveals that the reference to Europe served to strengthen the common sense assumptions of economic vulnerability and wage restraint as the adjustment mechanism. The anchoring of the country's development

and modernisation to an adherence to 'European' standards is another way of expressing Italy's weak position in the 'international'. Consider the stark language used by PD #1:

"I would be in favour of a *de facto* protectorate".

PD #2, in describing the content of the 1997 reform of the labour market argues that

"The European constraint has been, for the centre-left, an element that increased our strength and a point of reference. Our overall reference was certainly an idea of a European labour market...We have Europe as our benchmark, our yardstick. And we can see, having Europe as our yardstick, how imperfect, how limping, our system is, how problematic it is".

Speaking generally about the reforms of the 1990s, the same interviewee argued that

"Europe has been crucial, Europe must be put in first place. Europe has been really decisive, and I think that the unique, grandiose, political result of the centre-left has been the entrance into the Euro. Because *Europe has meant the saving of Italy*, not only the fact that the different élites, us, the institutional élites, but also the economic élites, have come to terms with Europe, they have measured themselves against Europe and they have also changed their styles of production, their relationships. Europe has saved Italy in the sense that an Italian élite has committed itself, has invested on Europe, followed by the Italian people, perhaps unconsciously, but followed by the Italian people. Because the Italian people have given their consent. When we created the special Eurotax, we did not witness

mass revolts. We did a survey and we realised that 50.4% of Italians agreed. It was something extraordinary. We were asking them to pay more...we had the majority of the Italians with us”.

“The phrase ‘transfer of sovereignty’ that the President of the Republic often repeats, was common language in the 1990s within the centre-left”.

UIL #1 describes the whole path of concertation as an effort to

“reach the necessary parameters in order to access the first group of countries to enter into the common currency. But the whole process from 1992 onwards – the Maastricht treaty had just been signed – had as a final goal Europe. So, not only the problems and needs of Italy, but the goal, that was fundamental for us, of Europe”.

Romano Prodi argued that the goal of EMU gained precedence over internal conflict within the country, during his period in government:

“There was no distinction between Confindustria and the unions until the entrance into EMU.”

Speaking about the reasons for the traditional strong pro-European sentiment of the Italians, the former Prime Minister remarked that

“Among the six founding countries we were by far the poorest, and the one that was living the harshest political events, with a strong communism at home, and Europe has always been seen as something from which we could only benefit, and had nothing to lose. While in France, that is

full of past, Europe was something from which they could have something to win and something to lose. Germany was attempting to build its own industrial power. Italy had a scarcity of raw materials...Being married with the North of Europe that was richer than us was seen as a promotion without negative aspects. While remaining outside would have been a sign of isolation."

Consider also this third statement by Prodi, in which he explicitly links the process of modernisation in Italy with the creation of more intensive links with 'Europe', assuming that by itself Italy were not modern, and constantly needed an external anchor that would guide it:

"The process of modernisation in Italy is indispensable...I think that the Euro is a strong and essential prod of which we are very in need. A devaluation would still give us room of manoeuvre in the short run, it would make us get out of emergency, but then it makes the country rot. (...) *In this sense I see the Euro, in a long-term vision, as an indispensable fact, in order to give discipline to a country that really lacks it. And to force us to enter modernity in the long run.*"

PD #3 also has a highly positive view of 'Europe's' impact on Italy:

"For us the foreign constraint has been a fundamental factor of modernisation, there is no doubt about it. 'Doing like in Europe' for us has always been the rallying cry that has coincided with a social, economic, cultural and civil progress and so, inevitably, the forces that are most conservative, that are afraid of change, have resisted".

He adds that

“Maastricht has represented an important stage, first of all because we did not have, historically, a culture of stability. We arrive at Maastricht, and exit from the European Monetary System in 1992, with an explosive debt. We spent 12, 13% of GDP in interest, and so for us Maastricht has been that virtuous external constraint that allowed us to face with greater strength a whole series of obstacles”.

UIL #1 also has a similar view of Europe:

“We constantly had to keep our system under control to enter Europe, because we have nothing to spare with other European countries, we are completely different.”

The interviewee argued that the church and the PCI, the strongest traditional institutions in Italy (according to him) were “against the European Union” – and for this he criticises them – because European integration was

“contaminant, it introduced in Italy new customs and ways of doing and thinking, new freedoms. We should not forget that both the church and the PCI were the ones that wanted the ‘bombastic’ television, with didactic purposes...”

What is visible in these and other comments is the contrast between a typical Italian way of doing things and a more virtuous European way, which – so goes the argument – needs to be imported. The only interviewees that expressed some reservations about European integration were CGIL #1 and PDS #1. It is useful to quote at length from the interview with CGIL #1 because it gives a good picture of the kind of problems that the largest Italian union was facing in its relationship with Europe and the

restructuring of the Italian political economy. I would say that it also reveals, on the one side, a critical attitude towards European integration in the form that it has taken, but on the other, the lack of alternative paradigms or political projects that were available for the labour movement. Consider these reflections, prompted by a question on his idea of the phase of European integration that started with the Maastricht treaty:

“In a first phase, all of the reforms that were done in Italy were justified by the fact that we had to remain inside and not go outside of Europe. To a certain extent, this was something around which the consensus was quite vast. This has made you lose sight of what kind of Europe was being built. Actually, it has made you consciously or unconsciously, but *de facto*, it has made you an accomplice in the building of a Europe that was becoming dangerous for workers’ rights in the country. When the problem emerged, you continued to move in the same way, so that was the moment of the break with the Prodi government.¹⁰⁹ There, all the blame was given to Bertinotti, which probably did not play his cards well. But a problem emerged: we did all that was necessary because we had to enter, but now it’s time to see the other things. But of course the other things did not come about and so that was when the crisis of the government emerged (...) The problem was real precisely because of the things I said before, the 1993 pact and so on. The real change did not happen. Then there was the D’Alema government, all of

¹⁰⁹ In 1998, after Italy had been accepted among the first group of countries that would have adopted the Euro, the left-wing *Partito della Rifondazione Comunista* withdrew its support for the Prodi government, and thus the governing coalition lost its majority in Parliament. However, a new centre-left government was formed by PDS leader Massimo D’Alema with centrist elements in Parliament.

this of course must be understood in the context of a thought in the left that, not only in Italy, had become a thought that was all internal and apologetic towards the model that was being built in the world since the 1980s. The theorists were Blair, Clinton, D'Alema, it is enough to have a look at the Lisbon documents, it was all there".

The weak position of the unions and of the left emerges clearly from this quote. The interviewee implies that, notwithstanding an awareness about "what kind of Europe was being built", the left and CGIL were unable to both devise an alternative project (either at national or supranational level) or to condition the process of integration. "The problem was real" but no alternative was envisaged except passive resistance. The interviewee's opinion on the latest phase of European integration is quite critical:

"There is no doubt, think about the enlargement to the East in the forms in which it was done. They thought about everything except building a European structure that would be a social one, with social rights and social freedoms. Take for instance the right to strike, if you analyse it you see that this right is different from country to country... In fact one can say that the right to strike is present in full form only in Italy and France...so you have built this Europe, perhaps also in good faith, like Delors, and all that milieu, that wanted flexsecurity in the whole of Europe, steps forward with social Europe, and then the rest will follow. We'll become competitive with the Chinese and the Indians etc. But this was all external to the change in the relations of force within the workplaces. And from there it was all free room of manoeuvre to the firm, monetary policies and financial power".

He adds that

“all in all, European integration has not had any relation with worker subjectivity, that has remained substantially excluded, and has simply become a force to be used by those that have built Europe according to paradigms that did not recognise that there was a different subjectivity in the field”.

According to the same interviewee, moreover, the process of European integration has had negative effects on union organising:

“The unions are historically born and have developed within national bases. And what was won, it was referred to the fact that there was a national context in which different solutions were found...the welfare state, all of this was inside a national monetary control. From the moment in which processes like European integration have modified this framework, this relatively closed world has opened up. At this moment, finance started to move. The unions were not able any longer to get out of this national ‘cage’ and have continued to have a kind of understandable attitude, because it’s not simple, because the design of Europe does not emerge from the world of labour...the national framework was the one in which the unions remained closed, so (...), there is little solidarity, because everyone thinks that what one can do to have strength as a union it can be done at a national level. Now, if that opens up you don’t know how to act”.

What emerges is a quite pessimistic view of the kind of change of the last 25 years. What is interesting is the lack of any credible alternative that can be read between the lines. The trajectory that was followed by the Italian

political economy in Europe is described in quite stark terms: the neglect of the workers' subjectivity, the absence of guarantees for social rights, union weakening and a "free hand" to capital. On the other hand, CGIL – the trade union the interviewee belongs to – participated in the consensus around the need to 'enter Europe'. Thus, while *a posteriori* the interviewee is critical of the path followed, at the moment alternatives were effectively foreclosed by the dominant common sense assumptions. As will be detailed in the next section, this process of *depoliticisation* and *foreclosure of alternatives* is precisely one of the effects of common sense as such.

PDS #1, coming from the left-wing of the PDS in the 1990s, argued that

"the external constraint, including the European one, has been always used as a weapon for pressure towards the country, beginning from Amato's setting of the issue in 1992. After all, Amato talked about it openly. Personally, I have always thought that this stance was wrong. Of course, it was more comfortable to give responsibility for one's choices to someone else".

To sum up this small section on Europe, it can be argued that the 'anchor of Europe' was a shared common sense assumption among all the interviewees except CGIL #1, that, however, acknowledged that the process of European integration and monetary union had a wide following and that there was consensus around it. I would argue that references to a virtuous Europe (*vis-à-vis* a 'vicious' Italy) form part of the assumption of economic vulnerability. This assumption in turn generated the idea that Italy had to be saved *from itself*, from its own ways of organising society (ultimately, production). Once again,

these assumptions are better understood if placed in the context of a strategy of *trasformismo*. The idea of a virtuous Europe becomes an important anchor for the centre-left forces that seek to modify the traditional channels of political support that were built during the DC regime. On the other hand, such a vision assumes an essentially *liberal* understanding of social relations and the role of the state.

Common sense and the foreclosure of alternatives

As argued in chapter 3, one of the ways in which common sense functions is by foreclosing alternative projects grounded in alternative routes of socio-economic development, let alone different ways of organising production. This is done by overshadowing alternative forms of thought that go hand in hand with transformed social relations and ways of organising society: all knowledge is here understood as an aspect of social practice. Common sense effectively naturalises social relations by turning them into economic 'facts' that reproduce themselves quasi-objectively. The depoliticised idea is that there is little choice in how a country like Italy adapts to the world economy and to socio-economic change. What is internalised is a certain inevitability in how to adapt: one may not like it, or necessarily consent to it, but this is just 'how things are'. This depoliticised idea is shared across the political spectrum, as hopefully this chapter makes clear. Above, it was shown how even a critical stance of the trajectory of the political economy becomes politically powerless if it is not linked with an alternative vision. It may thus generate passive acquiescence in the place of active consent, unless the

organic intellectuals of the social force actually envision an alternative political programme.

Consider these reflections by the economist Cesaratto on the nature of the external constraint that conditions the Italian economy (the first part has been cited above):

“There is no doubt that Italy has an external constraint...Ultimately, what is the real constraint for the increase in real wages? It is the external constraint. That is, the increase in real wages becomes increase in consumption and thus increase in aggregate demand. Italy clashes with the fact that imports increase. So, fundamentally, it is not that there is no constraint from this point of view. Now, this constraint could be attacked in two ways. On the one hand, Italy could try to fight for coordinated expansive policies at the European level. If we all expand, the constraint becomes looser for everyone. On the other hand, Italy could implement industrial policies aimed at strengthening the supply side in Italy and so making Italy technologically, and also from the energetic point of view, less dependent on the outside. Ultimately, the awareness of these problems makes the unions say: we cannot really do much. On the other hand, there is the awareness of the problem but there is no awareness, on the part of the unions, of the left, of the possible solutions, that naturally are not easy”.

In the interviews, as a consequence of the perception of inevitability in how to adapt to economic change, there was also an idea that certain attitudes were rational and efficient, as they represented the only logical, natural way that Italy had to follow. Alternative routes were considered to be short-sighted and irrational, as they reflected specific, sectoral interests that might be able to ‘capture’ the state

apparatus but are seen as *not* reflecting the 'general interest'. Reflecting what was perceived as the country's long-standing inability to program in the long-run, many interviewees judged that virtuous exceptions were attempted mostly in times of emergency, hence the need for an external 'anchor' to maintain discipline.

Virtually all the interviewees underlined the inevitability of 'sacrifices' in the early 1990s, and thus the legitimacy of a policy of wage moderation *per se*, as this was perceived to be the only rational reaction vis-à-vis economic 'facts', an external 'reality' that was seen as unmodifiable. There are, however, a few partial exceptions. PD#3, as I will show also in the next section, in recognising the asymmetrical nature of the pact, also points out that an alternative route could have been taken:

"The 1993 pact is a tripartite pact in which – now everyone forgets about it because 20 years have passed and nobody wants to remember – the unions accept an extraordinary wage moderation, that manages to substantially sterilise the inflationary impact of a devaluation of 35-40%. In exchange, I remember Ciampi's insistence on investments on the part of the firms. Ciampi was very disappointed during his period at the Ministry of the Economy because he expected that in the face of this dramatic wage moderation – real wages either remained constant or lost purchasing power in real terms – he was expecting an entrepreneurial reaction towards investments, but this second part of the pact was not very present".

Asked about what the 'missing reforms' of the 1990s, to which the interview was referring to, PD#3 remarked that

“unfortunately we did not do some of the reforms, we should have done a reform of the fiscal system, because there is no doubt that there is a too heavy fiscal load on labour incomes and firm incomes, I mean the formal taxes. We should have done a significant reform of the public administration, we should have modernised our infrastructural system...we should have built an energy policy, an industrial policy, because other countries have carried out an industrial policy (...) In Italy all of this was missing. So in the end you pay for these delays. We spent 15 years discussing about the labour market as if it's the decisive variable while it is substantially irrelevant as is evident”.

There is here a quite critical attitude vis-à-vis the trajectory of the Italian political economy in the 1990s that must be taken into account. In this quotation, there seems to be the idea of a different possible route: the interviewee recognises the missed change to implement a possible alternative, based on higher investment on the part of the firms and on a different economic policy on the part of the governments. Also UIL#1 had in mind a slightly different trajectory, as he highlighted in the excerpt cited above, in which the interviewee underlined that it was the unions who insisted in including in the pact a clause stating that investments in technology and innovation should rise to 2.5% before a certain date. However, both interviewees recognise that none of this actually happened. The interesting aspect is that – as the section below details – notwithstanding these shortcomings, the pact was described as an example of how a country like Italy could find consensus on economic policy. So, the asymmetry of the deal is acknowledged but this does not prevent the interviewees from having a positive view of the consensus,

overall. The exception to this consensus on a positive view of the 1993 pact – despite a not complete consensus on the symmetrical nature of the exchange – is CGIL #1's position, as noted above.

The next section looks at the impact of the crisis of the early 1990s on the Italian political economy. It will be argued that the common sense assumption of economic vulnerability – and 'hence' the need to moderate wages – was strengthened because of the moment of emergency the country was going through. So, the range covered by the various versions of common sense narrowed and the conditions for capital's 'moment of power' emerged.

Crisis in the Italian political economy

In chapter 3, I have argued that the idea of crisis-as-narrative theorised by Hay can be incorporated within a neo-Gramscian theoretical perspective. The basic argument was that the state (conceived as the Gramscian *integral state*) and therefore the social forces that constitute the state's *social purpose*, has the power not only to respond to crises, but to identify and define what constitutes a crisis in the first place. As the subject-object dichotomy was refused epistemologically, it does not make sense to argue that crises exist merely *objectively*. Crisis is a discourse that is, however, always to be linked to the material reality and humans' needs for means of subsistence.

The picture that emerges in the perceptions of the situation of the country in the early 1990s by both the interviewees and public opinion is one of an economy characterised by recession, high unemployment and speculative attacks. In addition, there was a perception of

political crisis: the *Tangentopoli* scandals were decimating the traditional political parties, and new political forces were emerging: the socialist left and the DC rapidly crumbled, the communist left was changing its ideology and positions, and the centre-right was going through a process of deep transformation with the emergence of Berlusconi's party *Forza Italia*.¹¹⁰

The political field was opened for new articulations of elements left behind from the First Republic. 'Europe' seemed suddenly further away, but at the same time its 'disciplining' power was strongly evoked as an absolute necessity of the country. There was a sense that Europe would save Italy from chaos, a perception that was strongly felt in the progressive camp. The political scientist Della Sala argued that

"there was a political, economic and union élite that was strongly pro-European...they said: everything is changing, there is a European social model, the Italian model is more or less part of it. It's unclear what this European social model is but we're in. And so, we must do all that is necessary in order to remain inside. There is a moment of

¹¹⁰ Perhaps it was not a chance that the political and economic 'crises' intertwined in this key moment: the economic historian Michelini argues that "it is not hasty to hypothesize that it were mainly the external constraints and conjunctures – the fall of the USSR, NATO, the globalisation of the financial markets, with the attack on single currencies *independently of the fundamentals* – that allowed Italy to avoid that the 'Clean Hands' revolution would have transformed into what the dominant classes would have defined as a social revolution, that Antonio Di Pietro would become the new Robespierre or Buonarroti, that the PCI (if it had not lost its cultural and strategic identity) would become the anchor for a process of deep and original social transformation, thanks also to the implosion of those small parties that have made the relationship between the state and the market an instrument of consolidation of the capitalism of the big families, and of criminal complicities and political rent" (Michelini 2008: 60-61, italics in the original).

void in Italian politics in 1992-1993 because already in 1995 things change. The entrance of Berlusconi on the one side fills a void and on the other side is useful for consolidating the centre-left, to give them a sense, a reason for existence. But in 1992-1993 there was that void, the crisis of 1992 was a moment of panic. And this has given a lot of space, maybe more than usual or expected, to actors that were outside of formal politics, like the social partners.

Della Sala describes discourse that emerged at this point to attempt to fill this 'void':

"You can see that there were two important narratives at that point. There is Europe, the future will be European and Italy must be a part of it. And the other narrative was: in this moment that is so crucial for Europe we have this political void because the two political forces that have defined us are not there anymore. What shall we do? And I think that the pacts, not only that of 1993, but also the 1992 budget law of Amato, these were moments in which everyone was amazed, flabbergasted. They said: we are willing to accept anything, a bit like what happened in December 2011".

This description gives a good idea of the crisis awareness of the early 1990s. As the interviews show, the 'void' Della Sala refers to has been filled, on the centre-left, by references to a virtuous Europe that 'we' should not abandon. This discourse of the positive influence that 'Europe' can have on Italy emerged and consolidated in this moment of 'crisis', in which the social partners were "willing to accept anything". The tough austerity measures of the Amato, Ciampi and Prodi governments, as well as the 1993 pact and the tough wage moderation that followed it, were all presented as the only way to 'fix' the problems

that the country had always been unwilling to face. The discourse presented a country that had until then lived in denial, accumulating public debt and using devaluation as an easy adjustment mechanism. The measures and policies carried out in the course of the 1990s (see ch.5) were all proposed and accepted as the 'solution' to a 'crisis', as virtuous acts that would make 'us' 'Europeans', thus more modern. The newly acquired legitimacy and responsibility of the trade unions were but a subsequent step after they had 'responsibly' accepted that 'things had to change' and that 'sacrifices' are needed. Thus, as the interview data shows, once unions had acquiesced to capital's common sense, they were partly incorporated into the decision-making process with the 1993 deal.

On the other hand, this awareness must be linked with the historical internalisation of the 'international' into national forms of common sense, discussed above. The assumption of vulnerability found new confirmation in the perception of the difficult economic situation of the country. In 1993, there was a decrease in national GDP that was more than twice the European average. All of this created a situation of 'emergency' that narrowed the scope and diversity of the different versions of common sense. In this way, a consensus was created, albeit one skewed towards capital's version of common sense. Interestingly, and in line with Hay's remarks about the discursive creation of crisis awareness, the unemployment rate significantly increased *after* 1993, overcoming 10% in 1995 and then reaching 11% by 1997 (EP task force 1998: 13). This was a consequence also of the deflationary measures implemented – with the consent of the unions – in view of the entrance in the Eurozone. So, lacking a political and social force that constructed a political project out of this

worsening of the economic situation in the mid-1990s, the perception of crisis waned as the country resumed from the speculation on the national currency and regained moderate growth thanks to a surge of exports, itself the effect of devaluation. Significantly, crisis awareness decreased in parallel with an improvement in the balance of payments starting from 1993. The latter remained in surplus from that year until the end of the decade (Brancaccio 2008: 3).

The interviews show that there was a desire to deal with the 'crisis' in a collective manner. Here, I would like to recall the notion of 'impending catastrophe' discussed in chapter 3. The idea is that conflict resolution is based on general perceptions of an intolerable situation in case of lack of agreement. A moment that is 'ripe for resolution' is thus associated with a 'precipice': the perception that the situation is rapidly bound to get worse if an agreement is not reached. This moment of 'impending catastrophe' provides a "deadline or a lesson that pain can be sharply increased if something is not done about it now" (Zartman 2002: 228). The discursive creation of the impending catastrophe that was (supposedly) awaiting the country if the necessary measures were not adopted was a fundamental element that produced consensus, as the following excerpts reveal. Thus, the narrative of impending catastrophe provided a deadline within which agreement *needed* to be reached, and the political authorities – particularly Amato and Ciampi – heavily insisted on the absolute necessity of consensus, otherwise the country – 'us' – would face dire consequences.

UIL #1, asked about the reasons of the consensus of the early 1990s, remarked that

"First of all, there was the emergency of the early 1990s, and then there was the goal of keeping the system under control in order to enter in Europe...*it is in times of emergency, in situations of deep crisis, it is these situations that have forced us to accept certain things.* No union would have ever dreamt of facing so unashamedly the period that we faced from 1992 onwards, moving from the labour laws to pension, to laws on public employment...Amato, when he was appointed to form the government in May 1992, decided to meet me - we were friends - , to meet me informally. There were four people, me, D'Antoni (*the leader of CISL*), Del Turco (*the leader of the socialist faction of CGIL*) and Trentin (*the leader of CGIL*), and he told us: *if Italy were a private company, at this point we would have been forced to declare bankruptcy. This has really impressed me.* What he said was that we were running the risk of not being able to pay wages...a state like Italy that runs the risk of not paying wages, which is crazy. It could not go bankrupt because it is a state, but even in that case it was an emergency, always an emergency, when we decide serious things".

This quotation expresses in a clear way what the perception of crisis entailed. The discourse, insisting on the dramatic consequences of the absence of agreement and of the possible conflictual stance of the social partners, provided the background for the necessity of consensus. Later, the same interviewee argued that

"the whole trajectory from 1992 onwards - the Maastricht treaty had just been signed - has as a final goal Europe...And so all of this, with a method that was not always spectacular, but that worked because it was based on the principle of a diversity of roles - firms, government and unions - but the common responsibility regarding the

future of the *azienda Italia*.¹¹¹ That is, the unions – in those circumstances, from 1992 to 1997 – were attributed a role of substitute, of a national responsibility, that was not present before. Mostly in the years 1992, 1993, the unions, UIL, CGIL and CISL, have been the government's majority, because the political situation was so decayed...we shouldn't forget that in 1992 *Tangentopoli* began, and the parties were at their lowest point. In 1994 there were the elections, when there were none of old parties. While CGIL, CISL and UIL were in the squares and in 1994 we did the largest labour demonstration that has ever been made in Italy"

"Concertation has developed essentially on a *common basis*, that was planned inflation".

Consider also the following quotation from Trentin:

"Reasoning with good sense one can say that in a situation that was very close to catastrophe, the social partners, with the decisive consensus of the government, have decided to face that terrible phase with new rules...*The alternative would have been a declaration of tribal war*" (cited in Mania and Orioli 1993: 156).

Nesi also pointed to the situation of emergency faced by the country:

"So suddenly we realised that the system had become unsustainable, it was getting out of hands, and there were elements who wanted a complete break with any kind of social dialogue, on the right. And so suddenly the unions, the majority of *Confindustria*, the people around Amato, Ciampi and even the PDS, they realised that there was a common problem,

¹¹¹ The term used by the interviewee can be translated with 'company Italy'.

we need to get the country going, get in Europe and make the system workable”.

The representative of Confindustria stated that

“That was the moment we realised something had to be done, the firms could not live with this wage indexation mechanism, the country needed to find new ways of adapting, become competitive, and we could not lose the train of Europe, stay outside. The unions were also becoming less ideological and they understood this, not everyone, but there was this feeling of national unity, we needed to save the country”.

The perception of 1992-1993 as a moment of crisis and emergency is shared by all the interviewees. Crisis, in turn, is seen by practically all the interviewees as generating a need for consensus formation. The clearest enunciation is that by PDS #1:

“The 1992-1993 deals, despite their differences, were both prompted by a particularly difficult economic situation. After all, when things are not working, one has to find common solutions”.

There was thus a widespread feeling of urgency and of crisis. Moreover, these quotations highlight the willingness to face the crisis collectively, assuming that the solutions of the problem were objectively related to the situation of crisis and, moreover, that the actual measures proposed and adopted entailed equal ‘sacrifices’ on the part of the actors involved.

What is interesting is also the catastrophic tone that is used. It is itself a sign of the success of the discourse on the crisis. The idea of impending catastrophe emerges clearly: consider Trentin’s remark that the alternative

would have been a declaration of tribal war, UIL#1's shock after having heard the possible dire consequences ("not being able to pay salaries") of the continuation of the crisis, or the general insistence on the fact that "something had to be done" in order to "save the country".

The narrative has focused on a series of elements that *must* be changed in order for the country to get back on its feet. Moreover, consider the use of the term *azienda Italia* (literally, 'company Italy' or 'business Italy') by a union leader to refer to the Italian state, equating the financial situation of a capitalist state with that of a capitalist firm. This is quite revealing of the extent to which capitalist social relations have become naturalised and depoliticised in sectors of the labour movement. The assumption is that Italy must work like a private company, and that in fact the role of the unions is to help make this possible. Interestingly, it seems that this awareness of the need to make the country work like *azienda Italia* emerged more strongly in times of crisis, therefore signaling that the kind of common sense assumption that dominates discourse in times of emergency is closer to capital's interests.

Despite the feeling of unity and the discourse on 'common problems', as the previous chapter has detailed, the 1993 deal was reached on an unequal basis. Trade unions acquiesced to capital's quest for wage moderation, in exchange for mainly symbolic concessions regarding the legitimization of the unions at the institutional and company level and a nominal commitment to higher investments (that did not materialise – see Ch. 5). The debate about the economic 'facts' was favourable to capital's perspective and the weaker actors eventually accepted the nature of these 'truths', also because they were grounded in the materiality of social relations and their own dependence on the market.

The reforms of the labour market and of pensions can be interpreted as a further acquiescence to capital's version of common sense. The consensus on these reforms can be viewed as the continuation of capital's moment of power in the Italian political economy.

At this point, it should be clear *why* these ideas became 'facts' about the economy. The particular relation between 'the international' and 'the national' in the Italian case generated specific forms of thought regarding how Italy adapts to economic change and to the world economy. Although often marked by conflict, in times of crisis there was a tendency in Italian history to find a common ground among the various social actors. The consensus in favour of moderate labour costs is the expression of capital's power within the Italian political economy, and the unions acquiesced to it in times of crisis.

An important point to underline is that this idea does not necessarily win over all of the labour movement and is not unproblematically consented to by the unions. However, the depoliticisation of common sense managed to contain dissent on the unequal exchange of the 1990s. The referendum organised in 1993 signals that even though the 'yes' vote passed and thus there was a significant consent for the measures and reforms included in the protocol, the turnout at the elections was low (one out of four workers that participated in the assemblies turned out to vote), thus showing that there was also a large area of 'indifference'. Therefore, dissent was successfully contained, as this indifference did not turn into an alternative political stance. The way common sense and ideology function is also through this distancing: economic 'facts' are accepted for what they are, or what they seem to be: 'facts', 'truths' that one may not appreciate, but

nonetheless elements that cannot be changed, that form part of 'how things are', undebatable factors that lie in the background. They are seen as 'natural' constraints that need to be tackled collectively because they are supposedly objective pressures of reality on 'Italy' conceived as a whole (thus, neglecting the *capitalist* nature of the state and hence the internal social and power relations). Therefore, there need not be necessarily positive adherence to or acceptance of ideology or common sense. The same result of subordination to the hegemonic project is attained if dissent is contained, if it lacks a political channel for expression, if it turns into passive resignation.

In order to understand how hegemony is produced and maintained, one must realise that its task is not only to produce consent – the subordinate classes that accept their position within society as 'legitimate' – but also to contain dissent. As noted above, "consensus does not necessarily entail positive agreement; reluctant acquiescence is just as likely" (Bruff 2008: 95). In this, the crucial element that is underlined here is that alternative routes are foreclosed by the very reproduction of the common sense view of economic vulnerability and 'hence' the need to maintain low real wages. In the absence of alternative political projects, dissent tends to manifest itself in passive acquiescence. And, as argued in chapter 4, an alternative political project is unthinkable – literally – without the work of 'organic intellectuals'. If the 'organic intellectuals' of large sectors of organised labour are co-opted into the hegemonic order, also because of their acquiescence to the dominant version of common sense, it is thus very difficult that alternative routes are considered or that protest or dissent find a political counterpart.

The particular intertwining of 'the international' and

‘the national’ discussed above, and the assumption of economic vulnerability and the consensus on moderate labour costs that went hand in hand with it, does not in itself guarantee that deals such as the 1993 protocol will be successful or accepted. What I am arguing is that there is a tendency for consensus to form around the anchor of wage moderation based upon a common sense perception of Italy’s weak position in the world economy. The different versions of common sense adhered to by Italian actors tend to overlap on this point: the need to maintain wage moderation. What matters in the analysis of common sense is not to fix certain elements as variables that can be added to the analysis. Following Bruff – as argued in chapter 3 – what is relevant is to “identify certain asymmetries, tendencies and repetitions within any one version of common sense, without needing to fix, homogenize and universalize this version across space and time” (Bruff 2010: 624). Clearly, the fundamental asymmetry is the one that skews our ideas towards the material basis for existence, the needs for means of subsistence that form the most basic ‘constraints’ on our life and hence also on our ways of thinking within a capitalist society. So, there is no certainty that pacts based on wage moderation *will* be signed or adhered to. A neo-Gramscian framework, on the other hand, makes it possible to understand how and why such asymmetric deals are accomplished, when they indeed occur, and delve deeper on the underlying ideological elements that make them possible.

In 1993, the employers were the dominant actor, the one that set the agenda, for example by calling off the deal on the wage-indexation mechanism in 1991, an act that then prompted the definitive elimination of the mechanism in 1992, in agreement with the government, and with the

acceptance of the unions. So, the need for reforms and the necessity to reach them by consensus, were goals of capital, not of labour. The moment of reform was therefore launched by capital and necessitated labour's continued acquiescence for it to be sustained. Significantly, PD#2 claims a continuity between the Ciampi government and the following centre-left governments starting from the mid-1990s (of which Ciampi was Minister of the Economy for some time):

"The PDS supported the Ciampi government, to the point that the Ciampi government is considered to be in many ways an anticipator of the centre-left government".

He added that

"there is no doubt that the Ciampi government, in part also Giuliano Amato, started a 'discourse of truth'¹¹², because the situation of the public budget presented huge problems and it was necessary to start intervening in a structural fashion, to start with structural reforms, but also start *producing a change of mentality*. And Ciampi, and the men around Ciampi, had the idea of starting to build this system of concertation, that meant also building dimensions of trust, so that certain painful changes would be allowed, would be agreed upon. However, these were only partly painful".

This claim to continuity is important, because it signals that the consensus built by the Ciampi government continued with the centre-left governments, who saw themselves as the heirs of Ciampi's process of adjustment, and as the parties responsible for its consolidation (as

¹¹² In the original, *un linguaggio della verità*.

underlined in chapter 4). The common sense view of wage moderation as *the* means of adjustment of the Italian economy consolidated on the state's institutional terrain, and the state was able to mobilise the consensus achieved in the previous years to implement relatively far-reaching reforms of pensions (1995) and the labour market (1997). Therefore, while initially launched by capital's offensive, from the Amato government in 1992, passing through the Ciampi government and the centre-left governments of the following years, the idea of the necessity of reforms, based on the common sense assumption of wage moderation, sedimented on the state's institutional terrain.

1993: common sense and the asymmetrical exchange

In this section I analyse the common sense assumptions on the actual 1993 protocol and the asymmetrical exchange set in stone in the pact. I begin with the views expressed by the scholars Della Sala and Cesaratto on the objectives of the 1992 and 1993 deals, that help set the terrain on which other opinions will be analysed. Della Sala argues that

“I myself am guilty of giving too much importance to the issue of the external constraint in my work. The issue of the external constraint is also a conservative argument, in the sense that the constraint was also the means of guaranteeing – at the level of the unions and capital – that the forces that had certain interests to protect would be part of the solution. The 1993 deal may seem like a paradox, because it offers little to labour, but on the other hand it established that the unions enter into a decision-

making process. But then things went differently, but the principle still exists today, in the sense that not only the unions but the social partners generally need to be part of the decision-making process”.

As the following excerpts also show, the nature of the asymmetrical exchange emerges clearly: wage moderation in exchange for essentially symbolic compensations, mostly a formal recognition of the unions’ role at the institutional level. And this outcome was achieved by evoking the ‘external constraint’ that, as Della Sala points out, “is also a conservative argument”. As argued in the previous chapter, formal legitimization of the union leadership was the main counterpart to the offer of wage moderation, a kind of logic that is at odds with the traditional ‘political exchange’ of neo-corporatism. As Della Sala claims:

“Italy has only in part taken the policies that would have helped it to adjust to the new framework of the Euro. For instance, it has introduced elements of a flexible labour market but without, on the other hand, having policies to favour growth, to create jobs, but also without policies of professional training, a whole series of other elements that are in other countries part of a flexible labour market and that protect workers who are not already protected”.

Cesaratto, in his interview, held that

“ultimately, concertation had the aim of avoiding an increase in inflation after the devaluation. And it was successful. The elimination of the wage indexation mechanism the year before, and in September the devaluation, it worked”.

While such a view risks being – in my opinion – too mechanistic, in the sense that it presupposes the unions' consent to a policy of wage moderation without explaining *why* and *how* unions consented, it does point to a crucial objective of capital: that of exploiting the possibility of devaluation for the last time before the setting in stone of the exchange rate quota (before the coming into force of the Euro itself), and thus increasing competitiveness. However, devaluation brought with it an increase in import costs, and thus could potentially create an inflationary spiral, if wages rose together with inflation. The mechanism created in 1992/1993 managed to avoid wage rises by constantly keeping the planned inflation rate lower than the real inflation rate.

In 1991 the employers had called off the *scala mobile* deal, thus signaling that they were unwilling to continue with this mediating mechanism in their struggle with labour. As Regalia and Regini argue, in the early 1990s “common to all employers was the crucial problem of mounting labour costs that were increasingly difficult to pass on to consumers” (Regalia and Regini 1997: 220). The unions accepted the definitive elimination of the wage-indexation mechanism in 1992, and 1993 represented the *pars construens*, that is, the attempt to build a new system of industrial relations and a new framework for the relationship between capital and labour and the incorporation of the unions in the decision-making process, after the 1992 ‘break’.

What is being argued is that the acquiescence by the unions to an essentially unbalanced arrangement was made possible by the implicit assumption that Italy had to adapt to economic change and to the requirements of a competitive international market, whose pressures become

stronger once the criteria for European monetary integration were set in stone at Maastricht and devaluation was no longer an option. Therefore, the trade unions reluctantly accepted the idea that wage moderation was the way forward, the means by which the country could find a path of economic and employment growth. The 1993 pact can thus be seen as capital's moment of power in the Italian political economy, a moment of power that lasted all through the decade and shaped the reforms of the mid and late 1990s. These transformations were indeed innovative in the sense that they were achieved largely in a consensual manner, but the element of continuity is to be found in the path-dependency of the common sense assumption of economic vulnerability and wage moderation as the key to the country's success.

Let us start off with the analysis of the opinions expressed by the 'organic intellectuals' by looking at how even the more leftist elements of the labour movement (CGIL #1 and PDS #1) perceived the 1993 pact as a step forward for labour in a context marked by what was perceived as capital's unwillingness to mediate, expressed in the previous year's elimination of the wage indexation mechanism. CGIL #1 believes that

"the key moment was the July 1992 deal. The actual 1993 deal was in some way an attempt to recover the 1992 wound, and give a general sense that could be shared by all the unions, in particular within the CGIL, vis-à-vis a situation that had become unsustainable since 1992, since that injury had left a void. 1992 was a really dramatic moment. The secretary general of CGIL, Bruno Trentin, was in a direct negotiation with the government, CISL and UIL. The Amato government, in a financial situation of the Italian state that was very harsh, with great risks, made this

situation a tool for an attack, I insist on the subjective responsibilities. The Amato and Ciampi governments used this situation in order to promote certain choices, and these choices were shared by large sectors of the labour movement, CISL, UIL, and parts of CGIL. The situation aimed at attacking the contractual power of the workers, their conditions. So, 18 months of freeze of collective bargaining, elimination of the wage-indexation mechanism. (...)

The situation described by the interviewee is one of a situation of 'impending catastrophe', in which the choice was heavily constrained because "if you don't agree tomorrow the situation will precipitate":

"that was a very dramatic situation, Trentin found himself in a position in which he himself had to decide, in a framework in which all the other unions and Del Turco (*the leader of the socialist faction of the CGIL*) presented themselves as already in agreement with Amato...Trentin was in a condition in which he had to choose yes or no, and if he agreed, the choice would have been totally in contrast with the mandate he received from the organisation. In a tragic night, in which the situation was: if you don't agree tomorrow the economic situation will precipitate, so you have a huge responsibility on your shoulders, Trentin - right or wrong - signed, without having a mandate (...) The people that were responsible for this kind of blackmail vis-à-vis CGIL, the link between Del Turco, Amato: if you don't sign, the country will fall".

The interviewee, referring specifically to the 1993 deal, adds that

"having said this, I understand the situation and Trentin's position. The year after the real deal was done. This deal

had all the characteristics of a concertative agreement in which the elements of the year before were confirmed but in a more organic framework. That involved the workers not only in the reduction of the autonomy of collective bargaining but also in a whole series of policies that next to an incomes policy would create a framework with which to face the problems of the country. So, industrial policies, social policies. So it was not simply a deal on contractual rules, it was a deal on how to go through a phase, with what kind of system of relations, with what kind of industrial, economic and social policies, to face the situation of the country. At the same time, the deal composed the important elements of industrial relations that formalised a situation that used to be informal, giving it institutional value. For example, the national contract and the second-level contract that until then had been present but not formally, not included in a framework. In including it into a framework, we accepted also rules that were somewhat limiting with regards to the exercise of this contractual power”.

Despite these positive elements in the deal, CGIL #1 remarks that

"what happened was that what operated in reality was 1992 and not 1993, in the sense that in fact what happened was a real wage moderation of the workers and the elimination or curtailment of a series of historical gains like the *scala mobile*...”.

I would like to note that notwithstanding the unbalanced *content* of the pact, the very conditions in which the pact was signed were the result of capital forcing labour's hand, in the sense that the 1992 deal was perceived as a wound that needed in some way to be overcome, and

1993 represented a pact on a wider framework in which there were some compensatory elements in exchange for wage moderation, albeit ones that were largely symbolic (see ch.4). The aspect of impending catastrophe is clear also in the quotation above, when it is remarked that the CGIL leader Trentin had the responsibility of 'saving the country': "if you don't sign, the country will fail". Trentin argues that the 1993 deal was in some way a step forward from the situation of isolation of the labour movement (similarly to CGIL #1):

"the pact and the negotiations that preceded it are born out of a fact that has been totally ignored by the mass of workers, because of a delayed awareness on the part of organised labour, and also because the mass media have not contributed to clarifying it: the breaching of a social pact, of a social compromise, that had held up the system of industrial relations for the last thirty years. This is the point. In 1989 Confindustria threatens to cancel the deal on the wage indexation mechanism...I want to say that over time a whole series of factors accumulated, that brought Confindustria to cancel the wage indexation mechanism and then attack the whole structure of industrial relations. And, at some point, the employers have found an ally in the Amato government, because of the emergency. And this is the condition from which we started: the declaration on the part of the government and Confindustria that the *scala mobile* was cancelled; the freezing - absolutely without precedent - of public employment bargaining for three years; a moratorium on collective bargaining. It is from here that we had to begin anew, in order to redesign an industrial relations system. We were facing the breaching of a historical pact. The breaching of the material constitution of labour relations" (Mania and Orioli 1993: 153).

PDS#1, who was a member of the general secretariat of CGIL until 1996, also highlights that 1992 was a defeat, prompted by the attack on the wage-indexation mechanism on the part of the employers:

“Confindustria’s goal was clear and the relations of force were not in favour of the workers, as before, and the government was supporting the employers.”

This is the general perception of the situation the trade unions were faced with: the employers and the government agreed on the need to contain inflation through the elimination of the *scala mobile*. The unions – and in particular CGIL – perceived their ‘entrapment’: either they accepted the 1992 deal or ‘chaos’ would set in, as PDS#1 confirms:

“Trentin deemed that he could not take the responsibility of the *collapse of the country*, that the government argued would happen if a deal was not found, and so he signed the agreement (...) My judgment on the 1992 agreement is very poor, it was a real trap”.

The situations of weakness and subordination of the unions is clear in the opinions of all three representatives of CGIL cited above. PDS#1 goes as far as to hypothesise that the elimination of the *scala mobile* and thus the lack of indexation with imported inflation was the catalyst for the decision to devalue the currency. This devaluation, as noted above, was punitive vis-à-vis labour, as it went hand in hand with a *real* wage moderation that allowed for a recovery of exports and thus economic growth. PDS#1 argues that:

“In 1992 (...) Amato asked for the sterilisation of imported inflation from the *scala mobile*, and then immediately after there was a 25% devaluation of the Lira, that tremendously hit purchasing power. Amato also asked for a freezing of bargaining and other constraints, always with the declared objective of defending Italy from external attacks and achieving economic growth, but then he devalued immediately after. There are no certain proofs that the intention of devaluing was already there. However, it is difficult to think the opposite”.

The same interviewee, as Trentin and CGIL #1, noted that 1993 was an attempt to regain some power in a situation of weakness, and thus represented a way forward. However, PDS #1 also highlights that the 1993 deal was also unbalanced against the trade unions:

“The 1993 deal was very different from the 1992 pact (...) However, also the 1993 agreement contains limits and constraints. It would have been difficult to imagine to cancel these constraints in such a short period of time and with changed relations of force. I was personally against this deal as well, but mostly because I saw that the negative aspects of the 1992 deal were still there (...) *The 1993 deal was necessary for the union in order to recover the recoverable*”.

The perception of being stuck in a trap is quite evident from the above remarks. The general attitude vis-à-vis both deal is not one of ownership and defence of the content, but of resigned acceptance of the ‘least worse solution’ that was imposed from the outside. CGIL #1 highlights the ‘blackmail’ that other actors had posed to CGIL and, while ‘understanding’ the situation in which Trentin was forced to sign, nonetheless expresses his

negative opinion on the kind of reforms that were introduced and on the limitations on the role of collective bargaining. Trentin himself, as is clear from the passage quoted above, admits to a weakness of the labour movement, and seems to argue that given the difficult circumstances and the defeat of 1992 – that is acknowledged without ambiguity by both interviewees cited above –, the deal struck in 1993 was the best possible one. Trentin stresses that the creation of elected RSUs was a form of compensation. CGIL#1 also underlines the importance of the second level bargaining as a benefit. However, as Tronti argues, this second level bargaining had a very limited diffusion outside of the large factories in the North and in the Centre of the country, where they were largely already present (Tronti 2005: 5). The asymmetry of the exchange is quite clear, considering also the wage dynamics in the course of the decade and the following reforms of pensions and of the labour market, as argued in the previous chapter. However, it was considered to be the best possible deal by the union representatives, even if both Trentin and CGIL#1 acknowledge its limitations. Interestingly, CGIL#1 also argued that the unions were unable to draw what he considered to be the necessary logical conclusions from the outcomes of the pact, that in the end – according to CGIL#1 – did not work as expected and was largely punitive vis-à-vis labour. So, once again, it is important to stress that containment of dissent is just as important as creation of consent for the reproduction of a given hegemonic order. Even if there was no complete agreement, passive resignation set in and no other political project was envisaged. The asymmetrical nature of the pact was in some way – explicitly or implicitly – acknowledged

by all the interviewees. The underlying assumption of economic vulnerability, linked with the idea that wage moderation represented the only means by which the country could adjust to economic change, also emerges clearly.

As pointed out above, the 1993 deal managed to avoid wage rises by keeping the planned inflation rate lower than the real inflation rate. Moreover, the 1993 deal itself was ambiguous vis-à-vis the recovery of the difference between these two figures, as it stated that in setting the terms for such recovery, other issues such as the country's international position and the cost of imports could be taken into account in the 2-year contract renewals. Asked about this potential source of conflict, PD#2 unambiguously supported a restrictive interpretation of the pact, arguing that the unions' demands that the rise in the cost of imports needed to be included in the wage increases were out of line with the text of the pact itself:

"The problem of interpretation. Well, ultimately there was little to interpret. Because if ISTAT (i.e. *the national statistical office*) gave you the overall framework for the inflation dynamics, the roof of planned inflation, you could not ask for salary increases based on real inflation...I confirm that there was a discussion on this, and that the government was attacked by FIOM, it was attacked because of disinterest, indifference".¹¹³

¹¹³ The issue the interviewee is referring to here is the 1997 conflict between the government and the metal-workers unions. The unions requested wage increases that covered not only the planned inflation level for the coming two years, but also the difference between planned and real inflation in the previous two years (1994-1996) (for a description of the conflict around the 1997 metalworkers contract, see: Amyot 2004: 175-178).

Turning to the other actors involved in the negotiations of the 1993 pact, let us analyse first the interpretations given by the representatives of the employers' association. Callieri, the representative of Confindustria that was responsible for industrial relations and that contributed to the negotiations in 1993, argued that the responsibility for collective bargaining even at the second level should be limited to the confederal unions and not to other bodies or representations of workers:

"nobody will be able to deny that collective bargaining is the responsibility of the union associations, and not of clouded clutters that organise themselves through the electoral instrument. These are rotten conceptions of 1968 that it is best we forget" (Mania and Orioli 1993: 146).

Here, what emerges is also Confindustria's concern to maintain the unions' role of social control on the workers. By rejecting the possibility that local union that are not signatories of the protocol can be able to accede to collective bargaining, what is guaranteed is that at all levels the pact will be respected. Later, speaking about the reform of the labour market, the interviewee remarked that

"Parliament cannot oppose the use of flexible and agency labour. We cannot say we are European in all things, and then we remain at the level of the Middle East for the labour market. If other European countries use this instrument, I cannot understand why we should not use it" (*Ibidem*: 146).

Clearly, it can be seen that labour flexibilisation was a goal of capital. Once again, moreover, Europe is used as a

reference point. The representative of Confindustria that I interviewed argued that

“the situation was dramatic in 1993, and the unions understood that. You needed to keep wages down, and they agreed. On the other hand, they got this second level of bargaining, also because the small and medium enterprises were willing to compromise, and so we made the deal. And the unions demonstrated their responsibility, of course there are always tensions but Europe could not wait”.

From these quotes, it is clear that capital supported wage moderation and the flexibilisation of labour unambiguously, and also conceived of the role of the unions also as a watchdog of social control on the workers. The Minister of Labour of the Ciampi government, the former union representative Gino Giugni, expressed quite clearly that:

“in the 1993 pact there are practically no elements of exchange. It is this that makes it anomalous, unique, atypical and difficult to assimilate” (Mania and Orioli 1993: 138).

The interviewee then asked the question: “so you are saying that there was no exchange?” Giugni answered:

“Let’s ask ourselves what the unions obtain from the deal. They have guarantees that the contracts should be signed. But these are still guarantees for the future. So, it is not money that enters into their pockets. And the employers? They obtain a mechanism that, after having eliminated the *scala mobile*, should guarantee the workings of the system in the face of the nightmare of social tensions that may

emerge precisely because of the total elimination of social shock absorbers related to wages" (*Ibidem*).

Below, Giugni also remarked that

"in order to understand the significance of 1993, you just need to imagine what would have been 10 years ago the reactions of the unions to the mere hypothesis of distinguishing between the national contract and the firm contract. They would have reacted like a cat whose tail is being stamped on. Go back another 10 years and imagine that someone proposed to the unions the introduction of a moratorium or a cooling clause on strikes. It would have been like stamping on their tail another time. All of this has now changed, even if a part of the leftist jurists remain anchored to that idea of non-regulation" (*Ibidem*: 139).

Consider the first quotation from the interview with Giugni. It is clear that the kind of exchange described by the Minister is asymmetrical: the unions accept wage moderation in exchange for the guarantee that contracts will continue to be signed. The employers, apart from wage restraint, obtain a guarantee of social control. The second quotation expresses in quite clear terms the evolution in the unions' power in the last decades: it is argued that while in the previous decades such a deal would have been unambiguously refused by the labour movement, in the 1990s labour was in a defensive position and was therefore forced to accept.

What is also significant in these quotes is the fact that the power of the government was not used neutrally in order to broker a deal, it in itself tended to favour one actor over the other. The positive remarks by the representative of the government Giugni – the one who effectively made

the two parts agree on the deal – on the moderate stance of the unions in this occasion are a good example of how this ‘shadow of hierarchy’ been used in order to force labour’s hand. Telling in this respect is also Trentin’s comment (reported above) that the employers had found “an ally in the Amato government *because of the emergency*”, indicating that in this time of crisis, capital and the government shared the same position, and therefore organised labour was left alone to choose whether to acquiesce or to face probable unilateral measures. Another telling quote from Giugni’s interview concerns the nature of the opposition. In a way admitting that this kind of deal is punitive to the workers, he argues that

“in September we would not have made it: ¹¹⁴ there is a wave of protest in the air, that is operative within the CGIL, and is most visible in the Northern factories, where the pressure of unemployment certainly cannot generate a favourable view of this kind of deals. And it is here that the appeal of the Lega Nord, even if does not enter into the workers’ organisation, emerges and develops, and finds its corners in the café conversations. And then the *legghista* protest takes on another name, another characteristic, it becomes Bertinotti (...)The point of departure of ‘bertinottismo’ in the North is, in many cases, this discontent. And then there are the industrialists. The rigidity of the small firms is born in large part in the *legghista* atmosphere. The strong resistance of Abete (*the leader of Confindustria*), his will to have elements of certainty to exchange (for instance on firm-level bargaining), in order to show them and say that there is a new policy on labour costs, and that the unions give up conflict, signal that

¹¹⁴ The deal was signed in July, just before the summer holidays, thus in a period in which workers’ militancy was at its lowest.

within Confindustria there is a strong, worrying centrifugal push. The deal has flowed down this process, maybe it has blocked it...The deal also creates a kind of convergence on both sides, with the marginalisation of the most radical industrialists and 'Essere Sindacato'¹¹⁵. A real front of protest" (Mania and Orioli 1993: 139-140).

The attempt to occupy the centre of the political spectrum, the sphere of 'reason' against irrational tendencies, is always a crucial element in any hegemonic project. The creation of an antagonist, of an obstacle to change – what the post-structuralists call a 'constitutive outside' (Torfing 1999: 51; 85-86) – is the main element of formal politics *per se*. There is no politics without antagonism. And this is what gives Giugni's remarks significance. In a way, he equates left-wing opposition to the deal with the increasing sympathy towards the Lega Nord that was emerging in the North of the country, thus creating an equivalence between populism, protest and opposition, that together face a group of 'reasonable' people that worry about the future of the country.

Let us now turn to the representatives of the unions. We shall see that there is a generally positive view of the pact, both at the moment of the signing of the agreement itself (I quote the interviews reported in Mania and Orioli 1993) and retrospectively. UIL#1 is among the most outspoken in underlining the positive responsibility that the unions took upon themselves in order to 'save the country':

"what now emerges is a classic system of concertation of triangular responsibility (...) The nature of the union

¹¹⁵ 'Essere Sindacato' is the left-wing faction of CGIL.

changes. This does not mean that the union revokes or renounces the use of strikes, that it abandons struggle. The union simply entrusts to struggle a subordinate function. To the point that a clause for the cooling of conflict during contractual phases has been introduced. The process must be seen as a continuous process from 1992 to 1993. 1992 represents the phase of union availability in order to favour the recovery, the adjustment of the country. And as a matter of fact, what followed were the government measures concerning pensions, healthcare, public employment, the state budget. Each one of these measures has been painful for labour. But each one has been functional for the containment of public spending, for a reduction of the interest rates" (Mania and Orioli 1993: 166).

The union leader here explicitly recognises the positive role of the unions and their sense of responsibility in a difficult moment for the country, a sense of responsibility that manifested itself in the acceptance of sacrifices. Therefore, while recognising that the measures were "painful for labour", he also point out that they were necessary, and thus implicitly that there was no alternative. Moreover, in contrast to the view of the representatives of CGIL, UIL#1 argues that the 1992 and 1993 deals were part of the same process of 'union availability', that continued even after the 1993 deal on welfare state issues. Here, the common sense view that the sacrifices on the part of labour (essentially, wage restraint) were objectively necessary and simply derived from the 'state of the economy' is perhaps expressed most vividly. As the same interviewee remarked,

"competition is between systems: we are now aware of that, we saw it with our own eyes. And so, in order to create a

competitive *sistema paese*,¹¹⁶ certain premises are unavoidable” (*Ibidem*: 168).

According to him, the common basis of the new system that was being built with the consent of the unions was planned inflation. In my interview with UIL #1, he underlined that the structuring of the system along these lines was

“an important signal to demonstrate that Italy had embarked upon the path of the control of public debt and the containment of public spending. This is how concertation starts off”.

When asked about the wage dynamics of the 1990s, and specifically about the risk that there could be a difference between real and planned inflation, and therefore a fall in real wage, the interviewee answered:

“No, because without the *scala mobile* and with inflation being free to move according to market parameters, there would have been a strong erosion of real wages”.

So, basically, it is implied that the deal was the best one that could have been achieved, given that the wage indexation mechanism had already been abolished. Regarding the asymmetrical nature of the pact, above we have reported the disappointment of UIL #1 in the face of the fact that the 2.5% target in investment in technology and innovation was not reached. In describing the positive results of concertation, the interviewee pointed out that:

¹¹⁶ See above for an explanation of the meaning of the expression *sistema paese*.

“Italy had reached a 5% surplus primary surplus, a wonderful thing, a huge result. It has not been a politics of austerity, of rigour, because it has produced very important results for the life of the Italians. The positive result of the primary surplus was one of those, because it allowed us for the first time to actually reduce public debt, not only payments on interest”.

What is interesting is that when asked about the positive results of the pact, the representative of labour immediately put himself in the position of the government, arguing that the pact managed to help the country achieve important macroeconomic goals. UIL #1 points out that the positive results in macroeconomic terms were attained thanks to the ‘painful’ measures. Here, the *national* standpoint is totally internalised. In listing the positive effects of the deal, there is no mention of the outcomes in terms of labour conditions and wages, issues that regard the membership of the union (the workers), and thus a *partial* interest, and not the perspective of the *general* interest that is taken as the basis, the yardstick against which to measure the success of the pact.

As argued by the interviewee above, the concessions were seen as fundamentally unavoidable if the unions were to adopt a responsible political stance. The common sense assumption that this was the only way for ‘Italy’ to adjust to economic change in effect foreclosed alternative possibilities and also obscured the fact that the kind of changes sought and enacted were asymmetrical, as the costs tended to fall more heavily on labour’s shoulders. It is also interesting how the objective of low inflation was itself presented as a goal of labour by D’Antoni (the leader of CISL in 1993):

“with a high rate of inflation, the weakest sectors of society would be abandoned to themselves (...) The choice we have made favours the weakest in the labour movement, and not the strongest” (Mania and Orioli 1993: 160).

What is neglected – from labour’s standpoint – is Streeck’s argument (see above) that inflation is a representation of a distributional conflict in society, an indication of the lack of consensus in the political economy. Here, the objective of low inflation is presented as the ‘general interest’ of all the members of society. In a neo-Gramscian perspective, the incorporation of sectors and groups in society within a ‘general interest’ can be interpreted as a sign of a successful hegemonic order.

A confirmation of the common sense assumption of wage moderation in this phase is given by the same interviewee (D’Antoni). The following is also a good example of how common sense forecloses alternative views of the world.. He acknowledges that the current recessionary phase cannot bring real wage increases (thus confirming the common sense assumption that it is only through wage moderation that Italy can get out of the crisis, increase exports and start growing again) (*Ibidem*: 159-161). He adds that

“it’s clear that in an expansionary phase the problem of a real increase in wages will emerge. However, I would like to add a reflection: Unfortunately, even when the recovery will arrive, the employment problems will all remain. What is happening in the United States shows that with the first signs of recovery of the system, there is no parallel recovery of employment. In such a phase, the union will have to make a choice: either it privileges an increase in real wages of the employed or it points at increasing the

employment levels. I would have no doubts and would opt for the second choice" (*Ibidem*: 160).

Here the idea that in order to increase employment you must make the labour market more flexible is already present. In fact, as Brancaccio shows citing OECD data, the effect of labour market deregulation is statistically *not* an increase in employment (on which it has no effect) but a curtailment of wages (Brancaccio 2008: 13-15). The union leader's perspective is once again rooted in the assumption of economic vulnerability, presupposing that the only way to increase employment is by keeping wages low. What is implied is that increasing real wages is threatening not only for the country's international position, but *for labour itself*. This quotation signals the fact that sectors of the labour movement pre-emptively accept capital's dominant version of common sense that – even in times of economic expansion – real wages cannot rise too much without threatening the economic wellbeing of the country and employment levels. The internalisation of this common sense view makes it possible for representatives of labour to present their acquiescence as an act in the general interest of the country, neglecting its *anti-labour* content.

Both Trentin and CGIL #1 held a slightly different position, and Fausto Bertinotti – the former leader of the left-wing faction 'Essere Sindacato' – held an almost completely negative opinion on both the pact and the idea of concertation. From the interviews with the first two interviewees one can draw the conclusion that the pact was signed not out of a convinced adherence to the kind of exchange proposed, but because of a mix of resigned acquiescence, lack of alternatives and political pressure. This kind of stance is just as significant for our purposes,

because it signals the normalising power of common sense, its capacity to contain dissent. Let us start with a couple of excerpts from the interview with Trentin. In the first one, the leader of CGIL responds to the interviewee, which points out the limited nature of the democratic participation of the workers in the referendum on the pact. Trentin argues that

“clearly, much more could have been done in terms of participation, of presence. But here we can see with our own eyes problems of a much deeper nature, which cannot be overcome in a few days. This is the glaring fact: a non-presence, or an absolutely occasional presence, in the assemblies (*the trade unions organised 30000 assemblies in the factories to explain the content of the reform and inform workers on the referendum*), a real disengagement on the part of the workers. A disengagement that we must analyse. I believe, however, that one thing is certain: there is a vast area of mistrust vis-à-vis organised labour...the belief that not even the unions (in addition to other political subjects) are able to change, to actually influence the problems that people perceive as primary, such as the defence of jobs, the defence of the social protection system...People don't think that these are things they should be interested in (...). In this phenomenon I also see the effects of the culture of *Lega Nord*, which blames all institutions and all parties. And so, why not include the unions? I think this is the real state of affairs that one should acknowledge, in order to try to understand the absences in the referendum” (Mania and Orioli 1993: 151).

Here there is a quite evident acknowledgment of the perceived weakness and weakening of organised labour in a moment of lack of trust in politics generally, a moment that coincided with the *Tangentopoli* trials, the fall of the

First Republic parties and the crowning of the liberal project that I have described in the previous chapter. This weakening of the union is also a result of the economic crisis of the early 1990s, which increased unemployment to unprecedented levels (more than 10%). Attempting to regain a dialogue with the base was thus perceived as an important goal, even if – as Trentin himself admits – it partly failed. The low level of participation – as argued above – was a sign that there was no widespread agreement with the proposed deal, but also that there was little organised opposition. Instead, as I stated above, what emerged was a resigned acquiescence. The following set of excerpts from the interview with Trentin is, in my opinion, also significant, as it clarifies the kind of political exchange envisaged and the role of the unions within in:

“what needs to emerge with clarity is the diversity of responsibilities. The government has the responsibility to propose a measure to the Parliament, and the latter has the responsibility to actually take the decision. This distinction of roles must remain intact. The alternative is both very dangerous and catastrophic.” (*Ibidem*: 154).

“conflict is at the basis of democracy, if there is no conflict, democracy risks being questioned (...) We always have to keep in mind, being realist, that either there is a division of responsibilities, and so the possibility that each force uses the instruments that are democratically assigned to it, or the result can turn out to be the impotence of an industrial relations system...The model may have success if the responsibilities are distinct, and if the negotiations are really substantive and not on the rhetoric of convergence. The alternative is a purely superficial operation without substance” (*Ibidem*: 154-155).

Notice the tentative language that is used. The interviewee explicitly recognises the possibilities that the pact will fail and will be punitive vis-à-vis labour, and takes distance from a view of 'common responsibilities' (that has on the other hand been positively claimed by UIL #1), underlining the continuing importance of conflict. It can be argued that there is here a flexible interpretation of the kind of responsibilities that the pact entails, in order to guard against a vision that sees the union as a collaborator of the government's policies. However, the asymmetrical nature of the pact and the weak position of labour are acknowledged. Consider the following excerpts, also drawn from the interview with Trentin, dealing with the nature of the exchange:

"fundamentally, I see the opportunity of making transparent that which yesterday was more or less hidden. In the Italian tradition, as a matter of fact, the government has always dialogued with the social partners on the big issues of economic and social policy. These have often been hidden relations...now we have the opportunity of negotiating openly, a fact that - I repeat - leaves each one free to take his own decisions" (*Ibidem*: 155).

"the deal opens up an unprecedented perspective for organised labour. In the heat of the moment, what was forgotten was that the Councils (*the forms of worker representation that emerged in the 1970s*) were limited to a marginal role, they were divided and unelected for years, and they never had the legal ownership to conclude agreements, for collective bargaining. The RSA had it, but they were appointed by the confederal organisations. Now, the RSU will be elected" (*Ibidem*: 157).

Here, one can see the preoccupation of the union leader for issues of legitimacy. The fact that workers' representative bodies become elected is seen as a chance to increase the participation of the workers and the legitimacy of the unions (see ch.4). The unbalanced nature of the pact also emerges: wage moderation is concretely offered in exchange for a formal recognition of the role of the unions at the national level and the creation of elected workers' representative bodies. What can be argued is that the concessions on wage moderation were real, while the ones that flowed back in favour of labour were largely symbolic and also reflected the preoccupation of the union confederations to maintain legitimacy in their base.

In the following quotations from CGIL#1 – partly cited above – one can see the perceived weakness of CGIL that, according to the interviewee, needed to move on and find a new framework after what the interviewee considers to be the defeat of 1992.

“The year after (i.e.1993) the real deal was done. This deal had all the characteristics of a concertative agreement in which the elements of the year before were confirmed but in a more organic framework. That involved the workers not only in the reduction of the autonomy of collective bargaining but also in a whole series of policies that next to an incomes policy would create a framework with which to face the problems of the country. So, industrial policies, social policies. So it was not simply a deal on contractual rules, it was a deal on how to go through a phase, with what kind of system of relations, with what kind of industrial, economic and social policies, to face the situation of the country. At the same time, the deal composed the important elements of industrial relations that formalised a situation that used to be informal, giving

it institutional value. For example, the national contract and the second-level contract that until then had been present but not formally, not included in a framework. In including it into a framework, we accepted also rules that were somewhat limiting with regards to the exercise of this contractual power.

CGIL #1 also points out the difference between the way CGIL interpreted the deal and CISL's stance:

"ultimately, all of this was not a kind of regime, a general system for the organisation of society, no. Its sense was: how do I go through this phase, a series of reciprocal commitments that we called concertation. This way of interpreting the pact was different in the CGIL and in the CISL and UIL...CISL interpreted concertation as a system, a regime. This is not a minor difference, because for CGIL it was simply an instrument that was necessary in this phase. This allowed CGIL to unite within itself, to attempt to unite, the elements that were closer to CISL and the people who expressed a deep dissent vis-à-vis concertation".

According to the interviewee, the deal was necessary in 1993 because

"You had to find a way to recover after the 1992 wound. You needed to acknowledge what had happened and then re-position yourself in a more acceptable framework. 1992 was a deal just on four or five things. 1993 was the positioning of these things in a wider framework in which the sacrifices of the workers were counter-balanced with a structure of industrial relations that recognised the second level that had formally never existed, it was there *de facto* but it was not formalised before. The pact introduces the democratically elected RSU, so it organised and consolidated certain things, and linked

all of this together so that you could say: next to certain aspects that limit the workers' ability to struggle for wages, worker conditions and so on, there are other things...We were in a framework in which the wages were decreasing, the profits were increasing, as well as rents.

Thus, the interviewee's argument is that there was an exchange:

"in that framework the moderating initiative on wages was only one aspect. Linked to it were other aspects such as the structure that formalises and accepts a series of guarantees on union organising, national collective bargaining, the second-level contract, the election of the RSU, the contractual role of the RSU. On another level, there are initiatives of industrial policy, certain choices on research and development...This is the framework that allows you to say: we will go through this phase with these commitments. After that, what happened? What happened was that what operated in reality was 1992 and not 1993, in the sense that in fact what happened was a real wage moderation of the workers and the elimination or curtailment of a series of historical gains like the *scala mobile*, there its story ends...moreover, this went in parallel and maybe favoured a whole series of things that had nothing to do with the 1993 deal".

So, here the interviewee argues that even if the pact itself did include certain potentially substantive compensations for workers, these did not materialise. A further example of the acquiescence of labour is given by the interviewee himself, when he talks about the union's reaction to the actual functioning of the pact in the years following 1993:

“at a certain point, the framework of concertation had no sense anymore. It was not being respected, and so we had to realise that concertation was over, it was not there anymore. This step of awareness was never done by the unions, both because of general problems of all the unions, and also internal problems of the CGIL...In the end the question that was asked was not: the 1993 deal was right or wrong? The reasoning that was done was not: having signed this deal, let's see if it is being respected a few years later, and you could say: it is not being respected, so the deal is not there anymore (...)

The interviewee also highlights the flexible nature of the pact, which left certain elements open to interpretation. However, these elements

“were strangely interpreted restrictively by a large part of the union, both by those who were in favour of the deal and those who were against it. A classic example is the wage increase in the national contracts. What passed was the interpretative idea that the deal said that you could not ask for wage increases beyond the planned inflation rate, that was the official one, and it was different from the inflation rate from the point of view of the worker, otherwise you were outside the deal...It was not true that the 1993 deal prevented other possible interpretations. In fact, the metal-workers at the end of the 1990s and the beginning of 2000, asked for wage increases that are linked to the profits in the sector and not simply to inflation and both the CISL and UIL and Confindustria were against, they said this was not allowed, this was outside the rules of 1993...it was the metalworkers who directly faced the fact that it is not true that the 1993 deal prevented us from having as a reference point the profit dynamics of the sector, the productive dynamics”.

Later in the interview, he points out that in the end it was the employers' side that 'broke' the deal, also because the unions had been unable to react and to take an autonomous position:

"concertation was swept away from the right. In the sense that the powers that be ignored it and the unions were divided between those that interpreted the deal in a certain way and stayed totally inside without having an attitude that would focus on its possibilities and thus also its contradictions, and this was also done paradoxically by both those who agreed with the pact and those that initially did not agree, who – precisely in order to demonstrate that they were right when they said that they did not agree – said: that is the correct interpretation, what you are saying cannot be done. This is the paradox. In the end it was swept away by the right".

It is significant that, according to CGIL #1, the union did not have the strength and the autonomy to react in the face of what he considered to be an asymmetrical exchange. It can be argued that the sectors of organised labour that were critical of the pact were unable to mobilise support for an alternative or to push through a different interpretation of the clauses of the pact. Once again, this signals that dissent was contained and thus the dominant version of common sense was able to become stronger. The necessity of enhancing the legitimacy of organised labour in its relationship with both the workers and the political system played an important role, as the interviewee CGIL #1 also confirms:

"the 1992-1993 deal have also been a means to attempt to regain a relationship with the workers. The unions have

done so not so much because of a fear of the COBAS. In industry they were non-existent (...) But there is no doubt that 1992-1993 must be understood also as an attempt to regain an authority of the union on the system”.

The only sector of the trade unions that was unequivocally against the pact was ‘Essere Sindacato’, the left-wing faction of CGIL, led by Fausto Bertinotti. He argues that the 1992 and 1993 deals are agreements that follow the same general anti-labour guiding lines. As the following quotations highlight, there is little overlap in common sense assumptions with the previous interviewees. An element that is shared with Trentin is the view that conflict is the cornerstone of a democratic society. The conclusions that Trentin and Bertinotti reach based on this assumption are however rather different.

“I believe that a society that is unable to consider conflict as a dynamic element of democratic growth, is a society that is characterised by an authoritarian tendency that can take even all-encompassing forms. For example, with this tendency to deny conflict, to characterise it ever more negatively. The organisation of Japanese firms is the expression of this culture. The firm becomes a unitary institution with common interests that is constantly in competition and conflict with another community that is constituted by another firm. This is a tragically regressive idea that tends to transform the firm in a total institution and make this the cell of an authoritarian society” (*Ibidem*: 176).

It is based on this vision of conflict and democracy that Bertinotti criticises the 1992 and 1993 deals:

“they are two different things but with the same inspiration. The first deal (i.e. 1992) directly attacked the material conditions of workers, blocking the *scala mobile* and suspending collective bargaining (...) one can say that for Confindustria, the 1992 deal represented the conclusion of a long *pars destruens* that began in the 1980s. A process that culminated in the elimination of something that was even symbolically representative of workers’ power: the *scala mobile*. In 1993 there is the *pars construens*. That is, Confindustria obtains the definition of an industrial relations system that is based on a conciliatory and substantially collaborative idea. In this model the accepted paradigms are: the market and the firm. The workers’ paradigms are, so to speak, overshadowed by the former. Therefore, there is a link between the two agreements. With 1992, the labour movement suffers a harsh defeat on its previous gains. On this basis, the 1993 deal builds a system of industrial relations that engages the unions” (*Ibidem*: 171).

Speaking about the prospects of the labour movement, Bertinotti argues that:

“it seems to me that what emerges is a union movement with reduced spaces of autonomy of claims, and even of initiative. With this deal, what is delegitimised is the autonomous possibility on the part of the workers to meet, to consider as unacceptable the labour and/or wage or power conditions under which they are forced to work. And then to autonomously propose a platform of claims, to promote the protest against the *status quo*, struggle for these demands and for a contract that would include these demands. The deal establishes that in order to access the negotiations, there is always a condition that is external to the workers that must be *a priori* respected. This condition

can be the competitiveness or profitability of the firm, or planned inflation" (*Ibidem*: 171-172).

This radical position of refusal was not incorporated into the dominant version of common sense. The distance that this part of the union movement expresses vis-à-vis the deal and the rest of the labour movement is clear and is visible also in the following statement. Commenting on the low turnout at the referendum and on the fact that in many union bastions in the North (such as Milan and Venice) the 'no' vote gained a majority, Bertinotti argues that

"the union movement is facing an unprecedented problem: the dissent vis-à-vis its strategies on the part of its base...the unions become stronger as an institution and the workers distance themselves from a union that presents itself to them with this face...the union becomes an element in the system. It becomes an element in the system of government that the country is building. In brief, the unions have become, with this deal, an institutional part of the government" (*Ibidem*: 174-175).

Let us now turn to an analysis of the interviews with representatives of PD, former PDS. The three interviewees all share an overall positive opinion of the pact and the reforms that followed it. The sense of urgency and of impending catastrophe that the perception of going through a crisis generated is a common thread in these accounts – as detailed above. Moreover, and most prominently in PD #1 and PD #2, the limit of this kind of social pact is identified in the demands on the part of labour of some form of compensation in exchange for the offer of wage moderation. PD #1, asked about the nature of

the exchange between the social partners in the 1993 deal, stated that:

“there were many meetings with the unions, in those years there have been exchanges with respect to welfare policies, not in infrastructure and investments, not with respect to a strategy for the country, for Italy’s role in the world. The problem was a distributive one. And this was the limit that I see also today in the attitudes...”

Before, the same interviewee had argued that a policy of concertation does not really work because, ultimately, what the unions want is to “make a deal with the employers and present the bill to the state. This is how it works”. Later, he repeats a similar point, arguing that:

“for instance, now (i.e. *January 2012*) the unions have managed the results of this financial package, and there were no protests, no strikes, but they have done so because they were forced, they have done it reluctantly, and now they ask for some symbolic compensation, that a useless symbol such as article 18 (i.e. *article 18 of the Workers’ Statute*) remains, just to say: we exist. And the left is then very much influenced by this, and so everyone thinks he deserves something”.

The vision here is one of a labour movement that must not ask for compensations in exchange for wage moderation, as it should view this policy as *commonsensical*, as the only possible line of action. This opinion is telling of a general attitude within the major centre-left party. In fact, PD #1 sees the possibility that unions do ask for something in return as the limit of this kind of pacts. The internalisation of the idea that labour represents a *sectoral*

interest that is potentially in contrast to the *general interest* is clear. I have reported above PD#2's restrictive interpretation of clause on the recovery of past inflation, an interpretation that was at odds with the CGIL's opinion. What this stance implies is that organised labour should accept wage restraint as the rational strategy for the country as a whole, limiting their demands for particularistic benefits. Asked about the limits of a policy of concertation with the social partners, PD#2 remarked that the greatest obstacles to the consensus of the early 1990s came from the unions' "corporatist pressure", adding that

"one should go and read the national contracts that were signed after the government's mediation. There was always an outlay of public money. It concerned the management of restructuring operations and thus the conditions of workers, the ways in which they received their *cassa integrazione*..."

What is lamented is once again the 'corporatist' stance of the unions and the excessive claims that they voiced. PD#3, however, has a slightly different view, perhaps reflecting his positioning in the left-wing of the party. Above we reported his view that the kind of exchange sought in 1993 entailed the increase of investment on the part of capital, something that did not materialise. Nonetheless, the interviewee holds a positive view of the pact: "now everyone forgets about it because 20 years have passed and nobody wants to remember, but the unions accept an extraordinary wage moderation, that manages to substantially sterilise the inflationary impact of a devaluation of 35-40%". However, he also acknowledges that the political exchange has been asymmetrical:

“this trilateral pact has worked but in a downward manner. It has not built a reformist path and thus has not found more advanced solutions after the implosion of the pre-1990s model that was visibly unsustainable and that worked thanks to exports and public spending. I believe that the changes have been deeply asymmetrical, because they have involved much more the field of labour and not enough the other interested subjects, because if we look at what happened in recent years we see a significant retrenchment of welfare, we see an increase in taxes on dependent labour, the data are very clear”.

He adds that

“substantively, in the so-called Second Republic, instead of the ‘balanced disarmament’ Monti talks about in his articles for *Il Corriere della Sera*, we had an ‘unbalanced disarmament’ and so today, when one talks about equity, I think this should be taken into consideration. That is, the previous match did not end up with a draw, it ended up with a very negative result for one part, and so equity should take into consideration this trajectory”.

What one can see here is the re-positioning of a part of the centre-left political élite towards a more critical stance on the changes introduced since the early 1990s, a move perhaps also motivated by the economic and financial crisis that has hit the Western economies since 2008, seen by the interviewee as the result of thirty years of neoliberal policies.

A secondary but nonetheless significant aspect that emerged from the interviews with two union representatives (UIL #1 and CGIL #1) was the interpretation of the issue of egalitarianism, one of the cornerstones of the era of ‘union centrality’ (Lange *et al.*

1982) in the 1970s. In the previous chapter I have discussed the *scala mobile* as a crucial outcome of labour's struggle and as a mechanism that reinforced the egalitarian ideology of the trade unions. Interestingly, both the interviewees – coming from quite different traditions in the Italian labour movement – considered the battle of egalitarianism as not suitable to the changed economic situation starting from the 1980s. Moreover, both see it as a stance that the confederal unions should have overcome earlier, and one that contributed to the weakening of labour in the 1980s. When asked if he considered the *scala mobile* as a gain for labour, UIL #1 answered

“in my opinion, no, it was not a gain. Just like you cannot define gains all that tends towards egalitarianism, all that tends to consider the world of labour in the same way. The *scala mobile* was a necessary choice (...) but it was a wrong one because if you consider all the workers in the same way, it is like saying that merit, knowledge and professionalism count nothing. So in principle it was wrong but practically, back then, you brought home something and naturally a cost-benefit analysis in these cases is secondary (...) Like egalitarianism, it is a mistake, even if it very felt in CISL, it is a mistake because it considers all labour as uniform. They were not numbers but people, each one with his own characteristics, his own story, his own ambitions and possibilities. So...all that tends to consider a phenomenon as equal among the mass of the population, the rights and needs, and so on, ultimately it is wrong. It has caused a flattening out of wages”.

CGIL #1, speaking about the same issue, remarks that

“in the 1980s the unions were suffering because you were paying for the chaotic way in which you went through the 1970s. The COBAS reproduced in a rhetorical way what happened in the industries...I spent three years in the transport union. General secretary for Emilia-Romagna, from 1986 to 1989, and I was able to see in a crucial phase the problem of the engine drivers, that then created Or.S.A (i.e. a COBAS union). Coming from the experience of the metal-workers, I immediately realised the nature of the issue. What had happened? In the industrial factories, same increase for everyone, egalitarian policies, in the sense that the key productive structure that had imposed this was the factory, what was called the ‘mass worker’. What happened? That in the assembly line of Fiat or Indesit, Zanussi, Weber, at some point the worker raises his head and says: I am the centre of the production of the commodity (...). I am not complementary, but you give me less than to all the others. And I have the lowest qualification and salary. I question all of this. And from here: equal wage increases for everyone, the struggle for improving the conditions of work, and so on.

According to CGIL #1, this struggle was translated in the transformed situation of the 1980s in a completely different way:

“these things are simply translated as slogans in situations where the same thing has an opposite meaning, for instance in the railways. It becomes: equal wage increases for everyone, for the workers that are in the office and don’t do anything as well...this is felt as an abuse by the engine driver, the equivalent of the mass worker...the opposite happens, and the confederal unions follow the first path: equal wage rises for everyone. (...) All of this then causes the rebellion of the engine drivers, that say: you don’t represent us, there is no democracy, or simply

you use democracy to put everyone else against me...and so tensions form and the real COBAS emerge. It is a strong wound, there's nothing you can do about it, because the unions continued to say: you are just part of the process. And solidarity had worn out".

Here, one can see that the union leadership itself perceives the battle for the equalisation of wages as an old struggle, as an element that was important in a previous phase but has now lost much of its appeal and attraction. In fact, ideological forms of thought tend in their very structure to present those who fight back as old, antiquated, and unable to perceive that 'times have changed'. In fact, it is noteworthy that not only public opinion, but the interviewees themselves, perceived hard-won victories of the labour movement as an obstacle to change. The perception is that organised labour, in some of its positions, is still linked to archaic symbols and ways of 'doing politics'. This certainly indicates *in itself* a position of weakness.

For instance, it is significant that the union leadership has partly – at least with regards to this specific aspect – internalised the dominant ideology of the individualisation of the labour relation. UIL #1's opinion is here particularly revealing: he presents the necessity to overcome the battle for the equalisation of wages as based on the need to enhance meritocracy and professionalism. These are elements that imply a vision of a more *individualised* contractual relationship, a discourse that emphasises the need to better reflect (even economically) each workers' individual skills and competencies, not necessarily neglecting but certainly pushing into the background a class-based standpoint. Clearly, this point must be understood within a more global context in which

common sense perceptions tended to present neoliberal positions as *innovative* and even, in some aspects, *revolutionary*, with the left and labour seen as *conservative* and *defensive* in the face of the offensive. Again, this defensive position is in itself weak, because it does not relaunch the (material and ideological) struggle based on a political project, but aims at defending established positions. The foreclosure of alternatives generated by common sense is here quite clear. Moreover, once the commitment to an equalisation of wages weakens, labour – precisely because of the absence of alternative projects – by default seems to internalise capital’s position regarding the need to individualise the labour relation, thus introducing elements of ‘flexibility’ in what were perceived to be ‘rigid’ mechanisms.

The post-1993 reforms

The trajectory of the reform period that began in 1993 was described in chapter 4. This section will therefore look at the common sense views on these reforms, specifically the reforms of pensions in 1995 and on the labour market in 1997. These – particularly the latter – are quite representative of the overall consensus and overlap of common sense among the social partners.

Summing up what was said in the previous chapter, the 1997 ‘Treu’ package legalised temporary work in various forms. Progressively, temporary work was extended to several branches of the private and the public sector (the latter from 2000), both for skilled and unskilled jobs, although initially it was limited to more skilled labour. The law also abolished the automatic conversion of

temporary contracts into lifelong contracts in the cases in which employees continued working, replacing it with wage compensations. As Ferrera and Gualmini argue, "large urban centres in northern Italy have been the main areas of expansion of this new form of employment (i.e. *temporary work*), and male workers and young workers below the age of 40 have been its main protagonists" (Ferrera and Gualmini 2004: 102). In the 1998-2000 period, part-time jobs increased from 4.9% to 8.1% of the working population, while fixed-term contracts rose from 5.1% to 9.3%, and continuous and coordinated employment contracts (a common form of temporary contract) from 6.9% to 9%. In-work training contracts also increased, surpassing 8% (Ministero del Lavoro 2001).

The reform also officially dismantled the public monopoly on job placement established in 1949. Private organisations were admitted for labour market recruiting and were allowed to set up their own employment centres, competing with the existing public ones. In recent years, both national and international temporary work agencies have proliferated.

The law came one year after the signing of the 'employment agreement' between the social partners and the government, that formed the basis for a law agreed upon by the unions and the employers' associations. Under the heading "negotiated planning", the government introduced several policies aimed at fostering local entrepreneurship, based mostly on training programmes and the establishment of the so-called territorial pacts and area contracts in order to encourage 'employability' in depressed areas. The former encourage the creation of procedures and bargaining rules designed to promote business development and employment, with the

participation of both the social partners and a wider network of private subjects. The latter are contracts for specific areas that are suffering from economic crisis. These agreements can waive the national contractual standards and accept greater wage and administrative flexibility in the labour market.

These combined reforms were mostly agreed upon by all the social partners and the parties supporting the centre-left government, with the exception of sectors of CGIL and *Rifondazione Comunista*. The overall agreement was found by offering, in return for their consent, funds to finance welfare provisions in the South (mainly, work fellowships and the so-called 'socially useful jobs').

Let us now turn to the interviewees. As can be easily expected, the employers held a generally positive view of these developments and of the rationale of the labour flexibility law, as the interview with the representative of Confindustria confirmed. The trade union representative UIL #1 also expressed support for these measure, but used a cautious language:

"following the same method and with a lot of patience and many contrasts and discussions, in 1997 we made the first reform of the labour market and for the first time we introduced temporary work, for the moment limited and circumscribed to certain categories, mainly of a high professional level. We accepted to create temporary work agencies that were common all across Europe".

Notice the use of the pronoun 'we' to describe the social partners (both trade unions and employers' organisation). In fact, the 1997 law was the outcome of the tripartite negotiations and so was presented as a common answer (of all the social partners) to the problem of

unemployment. Despite the fact that the trade unions and the employers' organisation did not agree on everything, they did hold similar ideas on how to face the problem of unemployment, even if this common ground was the outcome of the acquiescence of labour to capital's common sense view. So, once the unions accepted capital's version of common sense, the social partners were able to agree upon the effective measures and present them as a common solution to a common problem. Later, the same interviewee argued that

“whatever people may say, the method of concertation has produced substantial benefits for the citizens and for *azienda Italia*. This has (...) disappeared with the idea of doing something new, which was only words, because substantively nobody can tell me what was done. After, the only thing that was done with efficacy was the pulverisation of labour rights, because next to the forms of flexibility that we have introduced with temporary work, from 2001 onwards all the other forms of access to the labour market proliferated. They already had the *co.co.co.* (i.e. *the continuous and coordinated employment contracts*), but no, it was not enough, they wanted more, and they have created the precarity that now concerns millions of people...I had nothing against Berlusconi, but there is no doubt that he has devastated the economy and labour”.

I interpret this view as signaling a weak position of labour. Temporary employment and the flexibilisation of the labour market are not goals of labour but of capital. Hence, the use of the phrase “*we accepted* to create temporary work agencies” in the first quotation. This signals the fact that labour was willing to offer unilateral concessions as long as the government agreed to continue negotiating reforms

with the unions, and thus to include labour in the decision-making process. After the new right-wing government was elected in office in 2001, the forms of negotiations with the social partners changed, and in place of the tripartite negotiations based on the method of 'social partnership' – concertation of socio-economic reforms with the social partners –, the government opted for 'social dialogue', a form of mediation in which the government consults the social partners but has the upper hand in making decisions unilaterally.¹¹⁷

The nature of the asymmetrical exchange emerges clearly: concessions in exchange for incorporation into the decision-making process and formal legitimation. This does not mean that the concessions to the unions were entirely symbolic. The labour movement remained a powerful actor in the Italian political economy, and the unions were able to mitigate the effects of the reforms on their own members by 'dumping' the cost of the reforms (both of pensions and of the labour market – see ch.4) onto the non-members or the younger generations, therefore maintaining consensus within their social base. It is clear, however, that these were defensive positions, as unions had accepted the principle of reform according to capital's needs.

There was thus an accommodation with the consensus on the part of the unions, who interiorised the depoliticised views on the political economy. Turning now to the representatives of the parties, one can see the extent of the consensus achieved. PD #2 remarks that the trade unions,

¹¹⁷ During the Berlusconi government (2001-2006), sectors of the labour movement did manifest more conflictual attitudes, and the largest labour demonstration was organised in 2003 against the government's proposal to curtail art.18 of the 1970 *Workers' Statute* that defends workers in companies with more than 15 employees against firing 'without a just cause' (the government then abandoned the proposal, even in a watered-down version).

the parties of the government majority and the employers' organisation all agreed on the reforms, and that the only form of resistance came from the left (*Rifondazione comunista*) and from some sectors of the CGIL. The interviewee argued that the most significant limit to the experience of concertation in Italy was the 'corporatist pressure':

"the experience of the Treu legislative package is significant. The most extremist sectors of the CGIL and COBAS asked for 100.000 socially useful jobs in order to accept temporary work, pretending not to know that we were being sanctioned at the European level, that we could not introduce it, because we had already lost at the judicial level, we could not introduce temporary work (...) So there was the language of the square, of the protest. This is a hypocritical and irresponsible form of action, that also does not have faith in the intelligence of single people, who are not the noisy minority, but the ones who work hard every day, that develop their own opinion, many times even different from common sense, and far away from any kind of meetings, of organisations".

This kind of opinion seems to parallel the neoliberal idea that organised interests in society – especially organised labour – represent a minority that, thanks to its positioning as a veto-player in the decision-making structure of the state, is capable to push forward the corporatist interest of sectors of society at the expense of the silent majority "who works hard every day", who is unable to make its voice heard. Moreover, in this quote one can see the ideological posture of 'reason' against "the language of the square" and against "common sense". In critiquing the position of the left, PD #2 argues that

“the attitude of *Rifondazione Comunista* was typical of the idea of social relations of some forces on the left. What do I mean? First of all, *Rifondazione* had the problem of maintaining a dialogue with the COBAS, with the organisations of the unemployed in the South...and with a minority within the CGIL...So, since for them temporary work was equal to *caporalato*¹¹⁸, it did not matter that we showed them with statistical data that the use of temporary work in this country was more expensive and more difficult than anywhere else in Europe. It’s not true that precarity in this country was born out of temporary work, it’s absolutely not true, it has been demonstrated, but even today it is politically useful to use these slogans. The problem in our country was that lifelong contracts have not been made more expensive than fixed-term contracts, and so the employers use it more, now even more so after the right-wing governments have extended their use”.

The problem, according to the interviewee, was that

“*Rifondazione Comunista* posed as compensation the outlay of large sums of public resources to finance 100.000 socially useful jobs in the South. There was a very painful internal discussion, they threatened a government crisis. It goes without saying that the Prime Minister, Treu, me and Veltroni, that was vice-president, did not agree at all, and it turned out to be a lethal things from the point of view of *assistenzialismo* (i.e. ‘dependency culture’ – see above), even today...Certainly there was the idea that since we created temporary work we had to give an answer to 100.000 people in the South. The data shows that it was a totally inadequate answer”.

¹¹⁸ A form of illegal recruitment system that is widespread in the South of Italy.

PD #2 defends the position of the government arguing that

“employment was slowly growing, why? Because we had on the one hand freed up some resources, and on the other we had given a more flexible normative answer to the problems of the labour market. For instance the majority of small and medium enterprises in the North don’t have any recruitment office. They use the work agencies. Thus, they externalised costs and so became more competitive, they were able to employ one more person, perhaps two or three. The European constraint for us in the centre-left has been a reference point. Our overall reference point is certainly a European-style labour market”.

The pro-capital stance of the opinion expressed in this last quote is quite clear: deregulating the labour market allowed small and medium enterprises to save on labour costs by externalising the service to work agencies, that used temporary work, that is more easily displaceable when needed. There is no mention of the consequences for the workers of this enhanced competitiveness for the firm. Asked about the reactions to this legislative package on the part of other social partners or political forces, including the employers’ organisation, the interviewee answered: “there were no problems”. Therefore, the reform of the labour market was conceived as a process of modernisation to which everyone agreed to, except “extremist sectors of the CGIL” and *Rifondazione Comunista*. It can be argued that capital’s common sense view on the labour market (deregulation brings greater competitiveness and employment) had by now consolidated on the state’s institutional terrain. The introduction of greater flexibility was thus a goal of the employers who were able to demand and attain trade union acquiescence in a time of high

unemployment (above 10% starting from the mid-1990s). This acquiescence was also based on the perception that there was no other way to increase employment other than deregulating the labour market and thus moving in the direction of an economy with greater worker insecurity, fewer rights and lower salaries.

The resistances were coming from the left, and particularly from the left-wing of CGIL and *Rifondazione Comunista*, a party that was led by Fausto Bertinotti (former leader of the 'Essere Sindacato' faction of CGIL) whose opinions on the 1993 deal have been reported above. It is clear that these opinions did not overlap with the common sense that was gaining ground within the centre-left coalition. *Rifondazione Comunista* later withdrew its support for the Prodi government.

The deflationary impact of the Maastricht certainly played a role in how the labour market reform was conceived: as I remarked above, the deregulation of the labour market tends statistically to lower wages and has no statistical effect on the level of employment. Deregulation was however deemed useful to *increase* employment, as also PD #1 remarked:

“back then, what we said was: let’s try to change the labour market so that we can increase the quota of active workers, women’s labour, and ultimately in order not to face the real problems, we have created the most dual labour market in the world. We said: let’s defend the workers that are there already, and then let’s give to the firms the possibility to do something on the margins. And then the margins became the normality...this was the issue, and there was no opposition. It seemed like a way forward in the direction of flexibility....flexibility as a way to increase employment. It is better to have a job than no job”.

Although the tone of this latter comment is somewhat critical, there seems to be resignation to the fact that no alternative was envisaged “it seemed like a way forward”). The common sense version of the main centre-left party thus overlapped quite markedly with the goals of capital, as the party acquiesced to labour market flexibilisation together with the bulk of organised labour. So, it was the subordination of the most significant sectors of organised labour that made concertation work well. By ‘working well’ I mean that labour continued to acquiesce to capital’s version of common sense, that was consolidated on the state’s institutional apparatus.

Clearly, and as I pointed out above, the concessions to labour were not merely symbolic. The participation of the unions in the drawing up of both the 1997 law on the labour market and the 1995 pension reform did prevent the reforms from touching more heavily on the interests of organised labour (and on the indirect salary). In fact, the 1995 reform was more lenient on labour than the one presented by the right-wing government the year before (Ferrera and Gualmini 2004: 138-145; see chapter 4). As mentioned above, the 1995 reform was actually not only negotiated, but largely *drafted* by union exports informally assisting ministerial technicians (Regalia and Regini 1998). There is little doubt in the literature that it represented an instance of welfare retrenchment, even if its effects were chronologically spread out over the following years (see Barba 2011: 79; Paggi and Cantelli 2011: 134; see Ch. 4).

One of the reasons for this kind of acquiescence that emerged in the interviews was the argument that a refusal on the part of organised labour to accept a ‘modernisation’ of welfare and of the labour market could be detrimental in

the sense that capital would then have an incentive to implement more radical reforms refusing the method of consensus and concertation altogether and aiming at a restructuring of the economy towards a much more Anglo-Saxon set of arrangements.

The absence of a tradition of consensualism in Italy generally makes the possibility of reaching an agreement difficult. The interviewees from labour and from the centre-left political spectrum tended to stress that reaching consensus was the priority and that the resistances came from sectors of Italian capital that were 'unwilling' to mediate, usually described as linked to the political right, and from sectors of the left that were 'ideological'. An idea that tended to surface in the interviews with representatives of labour and of the political centre-left was that if an agreement among them was not found on how to 'rationalise' the Italian political economy by institutionalising a mechanism for maintaining wage moderation and partially retrenching the welfare state keeping certain rights for organised labour, then either the economic situation would become unsustainable or the centre-right would implement much more punitive reforms vis-à-vis labour. Thus, the indirect pressure of capital to break the method of concertation was felt and it forced the hand of labour. Labour was forced to "learn", to "be convinced on" (to use Ferrera and Gualmini's language – Ferrera and Gualmini 2004) how to adapt. It was not a neutral learning process, but one that was happening against the background of the threat of unilateral reform. This can be seen as a variation of the 'impending catastrophe' argument: either agreement and consensus are reached rapidly, or a much *worse* (for labour) settlement will be devised.

In the quote cited above, UIL#1 argued that the 1993 pact was the best one possible because by then the wage-indexation mechanism had been abolished and so leaving the setting of the inflation rate entirely to market mechanisms would have been worse (in his opinion). Consider the following excerpt, in which UIL#1 describes the advent of the Berlusconi government in 1994.

“the system of concertation worked well until a certain point, then it entered into a crisis. In 1994 there were the elections. Forza Italia became the first party and so formed government with AN and the Lega. Notwithstanding his initial remarks, Berlusconi has never maintained his promises. He said that he was in favour of concertation, we organised some meetings on incomes policy. But then after having said all of these things, in the summer of 1994, his Minister of the Treasury, Dini, from the Bank of Italy, gave an interview on the weekly *Panorama* and without having discussed anything with us, presented a framework for a reform of pensions that would have been a real social massacre...They wanted a very strong compression of the pension system and without discussing anything...and then there was the reaction that we all know, a very strong reaction and one of the reasons of the reaction was that they were unilaterally violating the protocol that bound each one of us to certain attitudes, including the government(...)

However, with the new Dini government, formed after Lega Nord had withdrawn its support for Berlusconi,

“we worked together and we worked well with patience and constancy, and we did the first real pension reform. The one whose effects we feel up to now. Now the government (i.e. *the Monti government*) says: the

contribution-related system will be the effective system for everyone. But that system was introduced in 1995 with Dini. It was sometimes painful but we did that reform, it worked”.

Here one can see that the fear of a harsh pension reform was one of the elements that convinced the unions to negotiate with the new government a pension reform that – even if ‘painful’ – would mitigate the costs for organised labour and prevent a more radical reform. Considering that, according to the literature (see ch.4), the 1995 pension reform was not very different from Berlusconi’s failed proposal, it seems from the interview above that the element that made the difference was the inclusion of organised labour into the decision-making process. Thus, the unions were willing to accept a punitive reform if the government was willing to negotiate it with the unions. The need for reform was however perceived as necessary. PD #2 also has a positive view on the pension reform of the Dini government:

“the interesting thing is that that kind of government majority – we supported the government – with Treu as minister and Dini as Prime Minister, was able to do the first real important pension reform. Together with the unions, but with a decisive role of the parliament. The unions naturally had many ‘bellyaches’, but it was done”.

The deal is presented as touching on some of labour’s interests but nevertheless necessary. PD#1 describes the nature of the 1995 deal on pension as follows:

“in 1995 we risked default once again, the Berlusconi government fell, and then came Dini who had the task of

doing this pension reform. And in fact he did it, it could have been decisive and more radical and the PDS was in favour of the contribution-related system but some in the unions were against (...) PDS proposed to have a *pro quota* system starting from the first year...but then the idea of UIL, that was backed by CISL and the others, prevailed. And this thing of 18 years remained, and we carried it with us until now¹¹⁹. So, once again, delays and fears”.

The compromise found in 1995 is judged by the interviewee as insufficient, as it prevented a more radical reform in the direction of a contribution-related system in place of an earnings-related system, (the traditional welfare state solidaristic pension system). The former links the actual pension with the individual wage (see ch. 4 and Ferrera and Gualmini 2004: 112). The inability of the government to pass a more radical reform is judged a consequence of fear of change on the part of the Italians. But this ‘change’ was not class-neutral.

The acquiescence of labour to the flexibilisation of the labour market and pension reform was driven by the dominant position of capital *in general*. This is visible in the fact that the state was not a neutral agent, but effectively supported these reforms and even attempted to pursue – as with the 1994 Berlusconi government – a unilateral action in the face of a lack of agreement, although it was forced to give up. However, the state was an active actor in the process, constantly pushing for consensual reform (as the Amato, Ciampi, Dini and Prodi governments). In this situation, labour had to ‘learn’ to accept the reforms, and to

¹¹⁹ The reform maintained the earnings-related system for workers with at least 18 years of work in 1995. This was a compromise solution, as the unions were skeptical on the new contribution-related schema starting immediately for everyone.

be more 'realistic', because it was forced from the beginning to either negotiate the reforms and attempt to mitigate what it considered to be its harshest aspects, or risk seeing tougher reforms pass unilaterally. Reforming the labour market or retrenching the welfare state were clearly not in the interest of labour, but of capital. Although the unions did manage to limit the extent of the reforms, they were stuck in a position of weakness and forced to accept an asymmetrical deal.

From all the above, it can be concluded that 1993 was capital's moment of power in the Italian political economy, a key turning point that set in stone the path that socio-economic policy was to follow in the next years. As I reported above, even some of the critical voices (like PD #3) of certain aspects of the reforms, believed the attainment of consensus in 1993 to have been beneficial for the Italian economy, allowing it to respect the Maastricht criteria (except the debt criteria) and join the monetary union. On the other hand, the relatively poor economic performance of the economy in the 1990s was not sufficient to generate a transformation in labour's common sense towards a more critical stance. In fact, the assumption that the country suffered from economic vulnerability and that wage moderation was the means by which Italy could adapt to a new economic scenario was strongly internalised by labour. Once devaluation was ruled out as a mechanism for adjustment, in purely economic terms the deflationary bias of the structure of the Eurozone implied that only wage moderation could be used to compete, and more so in a situation in which the surplus country (Germany) uses wage moderation and productivity increases to enhance exports, and in turn finances the peripheral countries with the earnings (see ch.4).

Elements of the left's ideological transformation

This final section adds a reflection on a few elements in the ideological transformation of the left in the 1990s. Here I use the term 'ideology' because I do not simply refer to interiorised forms of thought, such as common sense, but to conscious interventions that seek to create a new synthesis among different elements to develop a coherent framework of thought more in line with the transformations in contemporary capitalism. Obviously, considering the complexity of the Italian left's transformation, the following just refers to a few aspects that have emerged during the interviews.

In the preceding chapter, I discussed the emergence of a centre-left discourse in the 1990s centered on the 'culture of stability' and on what historian Leonardo Paggi called a 'reformism without mutualistic principles', in an attempt to overcome not only the Italian communist tradition, but also the socialist and – eventually – the social-democratic ones. As an introduction to the opinions of the interviewed actors, I would like to report a couple of comments from the scholars Della Sala and Paggi, starting from the former:

"in the 1980s and 1990s, when all the rest of Europe was going in the neoliberal direction, there hasn't been much discussion in Italy. Strangely enough, if there was any discussion, it was within the left. And at times even within the unions. I remember (...) an editorial from Cofferrati (*the leader of CGIL in the 1990s*), in 1995-1996, in which he says: we have to think about a society based on shareholders. Not stakeholders, but really: shareholders. This is the leader of a leftist union confederation. So, if he says this it means that on the other side there is no discussion and

Italian capital has often made a strategic use of liberal and neoliberal arguments. When they are necessary, we want them, but not necessarily accept the neoliberal package” (interview with Della Sala).

This is a quite revealing comment. Della Sala’s description of the right in the 1990s must be linked with what has been said in the previous chapter, namely the importance of the strategy of *trasformismo* and the legacy that the construction of the Italian democratic state in the postwar decades by the DC has left. Italian capital, as well as its not always loyal political referent (the DC) – as I show above – has made a selective use of liberal policies. On the other hand, the internalisation of a *liberal* critique of the DC regime on the part of the left, as well as the lack of a conflictual theory of society and the myth of national unity, were also important legacies that re-surfaced in the early 1990s when they encountered a new international neoliberal culture that was rapidly becoming hegemonic after the fall of the Soviet Union. This long quotation from my interview with Paggi gives a good idea of the kind of transformation:

“the areas where the PCI was strong were the areas of the democratic tradition of Mazzini. This tradition is very important in the left. It was a weak and at the same time idealist political formation. It was fragile, without many links with other forces, very sublimated. Exactly like the PCI. Without the Soviet Union the PCI would have collapsed, because it was the centre, it gave a sense of identity, of antagonism. The reference to the USSR was fundamental, even for the myth. The 1993 deals cannot be explained without the fall of the USSR”.

The presence of a myth was therefore central for the identity of the PCI. However, as argued in chapter 4, this *hyper-identitarian* element of the party coexisted with a theory of society that was essentially *harmonic*, based on the mutual development of *socialism* and *democracy*. As Paggi argues,

“in the PCI there was no theory of society based on conflict. Even if the PCI had done a lot of conflict. The 1975 deal is attained after a series of struggles that start at the beginning of the 1960s. It's not that the PCI has not been conflictual, that it has not defended interests, it's that all of this does not translate into political conscience, into democratic culture. And so this democratic hegemony remains in the hands of the tradition of the Action Party, the deflationary tradition of *Einaudismo*...the important thing now is that this leftist tradition since 1991, this PD, is born on the basis of the 'Republic of citizens' against the 'Republic of parties'. This is an important fact. Occhetto (*the leader of the PCI-PDS in the early 1990s*) joins forces with the ones that organised the referendum, with the populist attack. In order to dismantle the PCI he has to lean on this culture, for instance Mario Segni. And Maranini, the extreme liberal constitutionalists, who have always attacked the Italian constitution as a Soviet constitution, as a 'consociative' constitution. Amato is a central figure...there is a strong attack against the parties, as an element of imperfection in a democracy”.

I believe this quotation effectively describes central elements in the transformation of the left. The absence of a conflictual theory of society makes the heirs of the PCI more open to liberal political positions, also because of the lack of a conflictual understanding of social relations. Once the *hyperidentity* of the party weakened with the emergence

of a post-modern individualist society and with the fall of the USSR, the liberal undercurrent in the left re-emerged.

Let us now turn to some elements that can be drawn from the interviews with the political actors. The first element that has emerged with clarity in the interviews with two of the representatives of the PD was the explicit distancing from what is considered an archaic 'statist' political culture. This factor has been underlined quite markedly in the interviews, and in several instances by PD#2. The interviewee also affirms that the main obstacles to reform during the centre-left governments of the 1990s – the interviewee was a member of the government under the Ministry of Labour – came from leftist resistances to 'modernisation', as I also noted above when discussing the issue of labour flexibility (the fact that *Rifondazione* and leftist elements in CGIL asked for a compensation for the passing of the labour flexibility law). These resistances, in PD#2's opinion, stem from the missed chance to overcome an antiquated conception of the role of the state. Consider the following statements by PD#2. It is significant that PD#2 comes from the experience of the PCI, having been elected in Parliament in the 1980s. When asked about the strategy the centre-left had in mind in combating unemployment, the interviewee argued that

"for the left, for the centre-left, the fundamental transformation in the view of how to combat unemployment and of the role of the state is linked to two elements. The first, luckily, is the abandonment, that I think is definitive – if not for a minority – of a statist culture: the idea that the state can do business. It is completely abandoned. Actually, on the contrary what happened was that perhaps we emphasised too much the effects of some privatisations that in the end have not really

worked as we had predicted, such as the privatisation of *Autostrade* (*the national highway system*) (...) some privatisations worked, others did not (...) but employment was slowly growing, why? Because we had on the one hand freed up some resources, and on the other we had given a more flexible normative answer to the problems of the labour market.”

PD #1, himself also coming from the experience of the PCI, talks about the role of the Communist party in the 1980s as in some way that of a collaborator of what he considers to be policies of excessive state spending. In this critique of the role of the PCI one can see the transformation of the left’s ideology towards a more liberal understanding of the relation between state and civil society, as argued also above by PD #2. Consider these statements by PD #1:

“in the 1980s we had a deficit...and the governments were the centre-left governments of the First Republic, the PCI and the MSI (i.e. *Movimento Sociale Italiano, the post-fascist party*) were in opposition. The governments never faced the problem of the cuts in state spending or the increase in taxes. On the other hand, the PCI – with the exception of a few, even if preminent, members of Parliament of the ‘independent left’ – was critical of the deficit, but the substance is that it did not want any intervention on social policies, even less so on pensions, and on the issue of the *scala mobile* – it even organised a referendum. This was the situation, from there we had to organise a new politics, a new direction for the party”.

PD #2 gives a useful account of what the interviewee considers to be the obstacles to reform and consensus in the 1990s: the leftist elements within the

government coalition and the leftist faction within CGIL. These actors are seen as the bearers of obsolete ideas, in particular with regards to the role of the state. Speaking about the 1997 'Treu' reform of the labour market, PD#2 argues that

"there is no doubt that the 'Treu' package is an important step in the modernisation of the whole centre-left. However, there are some unresolved problems in the sectors that have as electoral reference the leftist parties, or at least that used to have that electoral reference. Now we really cannot say that about significant sectors of CGIL, because they vote anything, including Lega Nord, so now we cannot use these categories anymore, but in the 1990s, yes. Even if, already in 1996, the big success of the Lega in Lombardy and Piedmont was the result also of the vote of the working class".

Here one can see the identification of the 'enemies' of the reform in the left, and the admission that significant parts of the former historical bloc of the left have changed political referents. There is thus an awareness of the distance between the new reformist position of the heir of the PCI and the leftist trade-unionist 'corporatism' – as the interviewee defined the stance of the most militant sectors of organised labour. Even more telling is the following quote, that usefully characterises the gulf between the 'new' left and what the interviewee considers outdated attitudes of sectors of the 'old' left:

"the resistances to reform, in the first place, come from the statist, so also from the extreme left. Because Europe becomes the mirror of your conscience, you have to measure yourself against something that is larger than you.

And that also creates constraints, because you share the currency...So: certainly the extreme left. Why? Well, because it has an unconfessed leninist idea of the state, as the instrument of equity, and for them it is simply their state. It is not a state that is conditioned and influenced by parameters...and on the other hand, the populist right that does not want Europe”.

The common sense assumption of economic vulnerability emerges also in this passage, where the interviewee underlines the ‘parameters’ that the Italian state must respect, and that are outside of its control, because “you share the currency”. There is also, I argue, a neoliberal posture in this kind of discourse, distancing itself from the ‘corporatist’ and ‘statist’ tradition of the left and from the ‘populism’ of the right. The ‘culture of stability’ that Ciampi talked about is quite close in fact to a technocratic view of social relations, one that tends to perceive alternative political stances as characterised by a ‘populist’ or ‘demagogic’ discourse, in contrast to the healthy ‘realism’ of a reformist attitude that is aware of the parameters and constraints within which the state must act. From a neo-Gramscian perspective, these parameters and constraints are understood as themselves the creation of human action, and not some sort of objective criteria that stand outside political control.

Moreover, the engineering of society from above based on technocratic principles of a rational governance of the economy has been seen as one of the main element of neoliberalism, as argued in the previous chapter. Van der Pijl entitles his illuminating chapter on neoliberalism in his 2006 book *Global Rivalries* “the market *against* democracy”, highlighting precisely this element of élitist technocratic governance as a curtailment of both democratic

accountability and the power and influence of the intermediate bodies in civil society (described by neoliberals as 'veto players'), that characterises the most recent capitalist hegemony. In Italy, the link to this transnational capitalist transformation was arguably provided by a centre-left technocratic élite (the Amato-Ciampi-Dini-Prodi line), and *not* mainly by the Berlusconi right, still partly dependent on a network of political-corporatist links with significant sectors of Italian civil society. In a curious paradox of history, it was the former communists who embodied most completely the neoliberal discourse and practice in the 1990s.

On the transformation of the left's ideology a couple of other quotes from the same interviewee are significant. Consider this first excerpt on the interpretation of the history of the left. Asked about the changing interpretations of the role of the state by the Italian left, PD #2 answers:

"I would like to say that on the role of the state in the economy there has been (i.e. *in the First Republic*) a convergence of common sense, of politically transversal sub-cultures. And also socially transversal, in terms of interests. Even Confindustria was in favour of a direct intervention in the economy, in the same way as the CGIL, the CISL and the UIL were in favour".

PD #2 is also quite critical of the role played by the PCI:

"even when we talk about the left we have to keep in mind that the left had different forms of party organisations. *In the 1960s, the greatest innovators were the socialists.* The communists realised only very late what the economic boom and the centre-left government had meant.

Remember that the communist party was against the colour television. The socialists were great innovators. They were the main promoters of the health system reform, of the unified middle school (...) They had a great vision (...) *The communists have made great strides in the 1970s on the issue of the market – from a conceptual point of view –, on a reduction and a regulative function of the state, a non-invasive function of the state. However, a statist sub-culture remains, there is no doubt about that, while the socialist party does not have this statist sub-culture.* It does not have it, it is more liberal. And then the socialists, in an effort of accreditation, even in the phase of the dwarves and the ballerinas,¹²⁰ import in Italy an ensemble of new cultures and forms of thought.

In chapter 4 I discussed the role of Amato and Bobbio in the evolution of a liberal critique of the Dc regime. It is thus significant that, in praising the positions of the PSI, PD#2 argues that

“an accomplice, a positive accomplice in this, is the fertile relationship between people like Giuliano Amato, Bobbio and Ruffolo. Bobbio brings with him liberal thought, the *LibLabs*, and they bring the relationships with the American universities, new trends in liberal-democratic thought...the socialists feel this problem of distancing themselves from a certain communist cultural hegemony that says that the taxpayer should pay also for the production of films. Even today they fight against the cuts in culture, including cuts in film production. But in this logic also the trash movies are financed, because it is a national production. So, there is a communist statist sub-culture, there is the idea that the

¹²⁰ In Italian, the phase of *nani e ballerine* is a reference to the 1980s rule by coalition governments of the DC and the PSI, and to the generally held view that this was a decade of corruption and easy money, coupled with the rise of private television and a more hedonistic attitude.

state can do anything, the idea that if it is not public it does not bring justice or quality. This is a sub-culture that continues all through the 1980s, but then there is no doubt that these sub-cultures start to fall. Now they re-emerge in other movements, in strange movements, but certainly not in those, like us, who have entered a party like the PD, coming from the communist experience”.

Moving on to the transformation of the PCI in the 1990s, the interviewee remarks that:

“there is no doubt that the post-1989 theoretical reflections bring an awareness that freedom is market freedom. The communists even wrote it in the constitution...but you really accept it all the way. And the problem becomes one of the re-legitimation of the state, conceptualised as an institution, the problem of state authority within a European context. The transfer of sovereignty...The state here takes a step back from the octopus state¹²¹ and its tentacles, and re-conquers a new authority for itself in a completely new scenario, so there is no doubt that the state as an entrepreneur cannot exist anymore...Now, the issue of privatisation is not there anymore. There is little left to privatise. The problem now is: have these privatisations been handled well? They need to be analysed. Do they operate in a free market or are they still in protected markets?...This is the cultural line of the PD, so you are not constantly with your head turned backwards”.

Several themes emerge in these quotes. First of all, the retrospective view of the socialist party as an innovator and the communist party as in way stuck in a statist *impasse*. Bobbio and Amato were two important figures in

¹²¹ The original term used is *la piovra*, the metaphor of a state that extends its reach in all corners of civil society.

the 'liberal strategy' of the Second Republic (see above). The fact that they are here cited as positive examples of the kind of culture that was – according to the interviewee – lacking in the PCI is telling of interiorisation of the liberal (considering the nature of Amato's critique of the DC regime on essentially liberal lines) culture by the post-communist tradition. Essentially, there is a quite negative view of the 'communist sub-culture', unequivocally identified with an antiquated 'statism' and thus with a view of an omnipotent and prodigal state. The idea that emerges from the interview with PD #2 is that the new PD must not look 'backwards' but accept the challenges of modernity against both an uncompromising left and an essentially populist and anti-modern right (impersonated by the figure of Berlusconi).

Another revealing element that must be acknowledged are the fact that the PCI's experience is in some way equated with that of the Soviet Union by the simple fact that the interviewee refers to the 'post-1989' theoretical reflections, thus signaling that 1989 was *the* crucial year also for the Italian communists. This equation of Italian communism with the Soviet bloc serves the function of discrediting the trajectory of the PCI and allowing for a re-launching of the liberal elements that were already present in sectors of the party, but within a new conceptual framework. 'Statist' resistances are seen as stemming from the antiquated sectors of the left, while the 'First Republic' state is negatively presented as an authoritarian 'octopus' that invades civil society with its 'tentacles', an image that brings back to mind the neoliberal attacks against the 'threat of Leviathan', for instance by James Buchanan (1975).

What is ultimately assumed in these lines is a

neoliberal idea of society, in which the idea of a rationally-organised capitalism – albeit with compensatory ‘social’ elements – is possible only as the restriction of the role of the state. The restoration of micro-economic rationality to the individual’s life-cycle, perhaps *the* central objective of neoliberalism as a hegemonic project (Van der Pijl 1998: 129-132; Overbeek 1993) implies a theory of society – and thus a *policy* stance – conceptualised around the relationship between the individual and the market. Intermediate institutions organised around collective identities – and, potentially, class identities – are seen as political interventions into a rational economic logic, and so the aim of government is seen also as containing the power of such institutions. The reference to the need to a “re-legitimation of the state” and the problem of “state authority” signal that what was envisaged was a distancing of the state from the organised interests in civil society that were seen as blocking reforms, and its repositioning as a more autonomous power. These reflections mirror Della Sala’s (1997) argument about the ‘hollowing out’ and ‘hardening’ of the state mentioned in chapter 4. Neoliberalism was also about creating a ‘strong state’ that is independent from conflictual political influences coming from ‘below’, as a precondition for a ‘free economy’ (see Gamble 1994).

A further issue that emerges in the interviews with two representatives of the PD is the idea that the PDS (later DS), at the time of Maastricht treaty and the following reforms aiming at respecting the Maastricht parameters, was aiming at looking ‘beyond’ Maastricht. Monetary union was seen as one step in the political unification of Europe, a stance that also Prodi takes in his interview. Here it may be useful to briefly cite a passage from Van

Apeldoorn's 2002 book *Transnational Capitalism and the Struggle over European Integration*, in which the author gives a good description of the rival projects that were devised in the early 1990s by different constellations of social forces across Europe. Crucially, the kind of compromise achieved with the successful 'embedded neoliberal' project, although incorporating elements of three different projects – the neoliberal project, the mercantilist project and the social-democratic project – was skewed towards the first. The author argues that "all three projects favoured a relaunching of Europe through the completion of the internal market: as such, all three were relatively market-oriented. This (particularly on the part of social democracy) in itself already reflected a shift away from previous ideological orientations vis-à-vis the integration process" (Van Apeldoorn 2002: 78). Moreover,

"The social-democratic project for Europe's socio-economic order developed within the context of the initial success of the internal market programme and the new 'Europhoria' engendered by it. It was within this context that, in particular within the European Commission, the idea took hold that the internal market ought to be complemented with a 'social dimension' or, more broadly, a project for positive integration ensuring a strong regulatory political framework to embed the new single market" (*Ibidem*: 78-79).

I argue that the following quotes from the interviews with representatives of the PD signal that the Italian progressive forces supported the social-democratic project for integration that – however – was itself incorporated into the wider 'embedded neoliberal' project. The latter ultimately aimed at creating market-enhancing policies at

European level, while maintaining symbolic concessions to labour and social-democracy at the supranational level and the remaining elements of embeddedness (in the Polanyian sense) at the national level.

Consider the following citation from PD #3:

“Maastricht has been important, and the problems that we now see in Maastricht, that are there, were even more visible back then, in that part of the centre-left establishment that most insisted on the Euro, for instance Ciampi, Prodi, Napolitano and the union leaders. Back then, Maastricht was not the arrival point, but a stage in a longer path that should have taken us to common economic policies and a form of political union.

This first paragraph indicates that the centre-left of the 1990s indeed has as its political horizon the development of a ‘political Europe’. However,

“with the benefit of hindsight we have had too much faith in a sort of mechanism that would have automatically taken us from a common currency to a common politics. In reality, this ambition, that a part of the European progressive forces had, clashed with a paradigm that was very strong and that substantially saw in the common currency and the internal market the two instruments that are sufficient for an economically functioning union. This has been the basic issue: that for some, Maastricht was just a stage in a process, while for others it was the end of the process: with budgetary policies constrained by the treaty provisions, monetary policy entrusted to an independent institution like the European Central Bank – whose only goal was inflation – they added the internal market, and there you had a recipe to make the economy work. We

deceived ourselves that following this paradigm, this could be the process to make Europe work and then we arrived at this situation that we know. But the progressive forces, particularly the Italian progressive forces, have betted on the Euro were not within this horizon, this vision. They had another vision and they rightly continue to claim it”.

PD #1 has a similar opinion:

“Delors tried to introduce more social measures with the social chapter, but they cancelled it immediately. He also said that what was needed was at least some common infrastructure, investments, and that did not happen. Delors knew economics well, unlike now...The design of the Euro, as we were perfectly aware of, was not a point of arrival but a bet on the future”.

I would argue that behind this progressive idea of Europe stood a fundamental assumption that has guided the action of leftwing forces: the idea of ‘globalisation’ as an irreversible, irresistible and inevitable process. As Prodi argued,

“Globalisation, there is actually little you can do, it is an inevitable thing. The problem is joining forces together and winning the competition, in order not to lose too much terrain. If you want to stop globalisation, go ahead, if you are willing to fight a new world war that destroys the whole world, you can do it...we are at these levels, this is what I am afraid of, that globalisation is an irreversible fact, because it is the basis for the rebirth of four billion people”.

Globalisation is thus fetishised as an uncontrollable process that one may hope to placate but never to subdue. Even here, what is significant is that ‘globalisation’ is not

necessarily viewed positively. In fact, in Prodi's remarks quoted above there is even a negative assumption regarding the consequences of the process. However, it is seen as a 'fact', as the current 'reality' that one is forced to face. The evoking of the constraints of globalisation effectively *normalise* the policies and measures that are carried out in its name and shape perspective of the 'limits of the possible' in political terms (see Hay and Rosamond 2002 for a theoretical reflection along these lines). Again, if thought is conceived as an aspect of social practice, what is ultimately crucial is what the discourse of globalisation *does* in terms of social relations

In this chapter, based on the interviews conducted with the representatives of the social partners and of political parties, I have traced the common sense assumptions that have guided the ideas and actions of the main actors in the Italian political economy of the 1990s. I have analysed the issue of consensus and conflict in Italy and argued that from the common sense perspectives of the actors emerges the dominant idea that Italian history was a history of conflict and lack of consensus, although clearly there is no agreement on the responsibilities for this lack of consensus. I have then showed that the assumption of economic vulnerability forms an anchor for the different versions of common sense, and that this reference point is in itself conditioned by the view of Italy's weak position within the international economy. The assumption of economic vulnerability in turn generated the common sense view that wage moderation is the means by which to adapt to economic change, particularly once devaluation as an option was ruled out. I then analysed the economic crisis of the early 1990s and the collective perception of crisis that

created the conditions for the reaching of consensus. I also focused on the internalisation of the common sense assumptions and the asymmetric nature of the 1993 pact and the following reforms, before concluding with a brief analysis of some elements in the ideological transformation of the left in Italy.

Conclusions

This research has studied consensus formation within a Western capitalist political economy. Its aim was both understanding *and* explaining how consensus on a phase of neoliberal restructuring of social relations – and thus of state/society relations – was achieved. Consensus *in itself* was presented as a phenomenon worth studying, thus overturning the mainstream bias that tends to focus on explaining conflict instead as the exception and consensus as the rule. This work assumes that in a divided society, as a capitalist society inevitably is, conflict is endemic. Whether it bursts out in the open or is mediated by ‘the political’, class struggle is the motive force of history and of social transformation. In the Marxian political economy perspective that is proposed here, it is not ‘the economic’ that determines ‘the social’ or ‘the political’; quite on the contrary, ‘the economic’ itself is the outcome of class struggle, so that the latter is the key mediation between structure and agency. Therefore, consensus is an interesting and revealing object of study in itself: the ways in which capitalist social relations are naturalised, depoliticised and/or contested is historically and territorially specific, depending upon historical sedimentations of class struggle and accompanying forms of thought, hegemonies, and ultimately common sense.

The notion of common sense, as the basis for how human beings make sense of the situation they find themselves in, was applied to the Italian case. The diffusion of dominant versions of common sense generates a depoliticisation of social relations that takes on the granitic quality of ‘reality’. Through interviews with organic intellectuals it was shown that the way ‘the international’

was internalised within 'the national' – although with slight variations depending on the actual organic intellectual that was being interviewed – was through the common sense assumption that the country suffers from economic vulnerability and thus that maintaining moderate wages is key to economic success. It was shown that this common sense assumption was more easily able to become hegemonic in times of 'economic emergency', when there was greater pressure on labour to accept sacrifices in the name of 'the economy'.

I believe that the contribution that the present research makes to existing literature and knowledge is twofold. On the one hand, I aimed at applying the concept of common sense to a new case study where conditions that were present in other cases examined previously in the literature on 'common sense' (essentially, a consensual history of industrial relations and, more generally, a consensual model of political economy) are absent. I thus showed that common sense is a useful analytical tool to analyse political economies that have *not* been marked by a history of consensus among the social partners and by the lack of institutionalised neo-corporatist systems of negotiation and social mediation, such as Italy. The heuristic value of the concept of common sense is therefore extended to account for a case that is fundamentally different from the other two countries to which it has been applied previously – that is, Germany and the Netherlands (Bruff 2008). By incorporating the concept of *trasformismo* into the main explanation, it was possible to elaborate on the historical development of common sense in the Italian political economy by looking at the historical basis for such common sense assumptions.

Secondly, approaching the issue *from below*, neo-Gramscian theory and the notion of common sense were used to shed light on the Italian consensus of the 1990s, with the objective of showing the inadequacy of the theoretical apparatus and findings in the existing literature. As shown in Ch. 1, there exists no lack of academic sources on the 1993 social pact, as well as on the reform season of the 1990s. However, analyses that were proposed thus far, by being entirely consistent with an institutionalist perspective, are unable to describe *and* explain the moment of consensus: as discussed in Ch.1, the conceptual and theoretical distinction between state and market as separate realms of social relations obfuscates their mutual constitution. The main limitation is due to their unduly focus on institutions as the sole basis of consensus. In such accounts, the focus is entirely on the design of institutions (collective bargaining systems, industrial relations, trade unions) and their reaction to economic phenomena, seen as *external* to the institutional environment (through dubious categories such as 'institutional learning'). Such a conceptualisation separates institutions from the society that is portrayed to be 'under' them, therefore fetishising them as actors and/or structures instead of viewing them as part and parcel of the social relations that they embody and reproduce. Through an analysis of the interview material, I have shown that common sense assumptions form the basis of the attainment of consensus. State institutions (in the Gramscian sense of the 'integral state') are not independent from the materiality of social relations, but – through the mediating function of organic intellectuals – crystallise and embody them into rules and procedures. Different social forces and their organic intellectuals in turn seek to modify the common sense

assumptions of the population at large. It is hoped that the conceptual and analytical framework used for this research can be fruitfully applied to other cases, in Europe and beyond, where different conditions are met. In my view, the future research agenda could focus on cross-country comparisons of common sense sedimentations, possibly focusing on the current moment of economic crisis and austerity coupled with a discourse of 'economic emergency' that is generating different reactions across Europe. This is all the more relevant for in times of economic crisis, the discursive construction of what a crisis *is* and what it supposedly necessarily entails come to the forefront of public debate, and form the backbone of processes of restructuring and of austerity policies.

The ambition of the present research was not only to identify the versions of the common sense proposed by organic intellectuals, but also to focus on wider transformations in the left's ideology. As has been stressed at length in the course of this work, ideology is to be conceived as a *social practice*, and not simply as a form of thought that changes autonomously from material relations. In this sense the findings of this research are in my view significant also in relation to wider themes such as on-going modifications in the left's *raison d'être* and the transformation of the left/right dichotomy. In the remaining part of this conclusion, on the basis of the findings, I speculate on such broader issues seeking to highlight those aspects that, at the end of this research, appear to me as potentially paving the way of new avenues for future research.

What I have termed in Ch. 4 and 5 the 'technocratic centre-left project' was developed by post-communist politicians by incorporating elements of the neoliberal

discourse and practice. However, beginning in the early 2000s, the 'reformist' coalition's electoral support waned, particularly within the traditional constituencies of the left in the working class. Since then, the centre-right coalition experienced large electoral gains in traditional working class areas. Even the 2006 electoral victory of the centre-left coalition was attained only by a very small margin and at the cost – if one may say so – of uniting a very heterogeneous front counting all the political forces willing to form an anti-Berlusconi coalition (from the communists to moderate catholic parties and liberals such as *Partito Radicale*). Thus, while the 1990s had been the decade of the centre-left, the 2000s were undoubtedly marked by the hegemony of the centre-right coalition and by the extension of its consensus to the traditional social bloc of the left: this was the case even in areas previously hegemonised by the PCI (for instance, the right managed to 'conquer' the stronghold of *Bologna la Rossa*).

An aspect which underlies the hegemonic neoliberal discourse of the 1990s, on which I have touched upon in the analysis of the interviews, is the discursive construction of the left – and traditionally left-wing approaches to socio-economic matters – as conservative and in some way antiquate vis-à-vis the changes that are 'necessary' to adapt to a modified economic environment. In this context, market-enhancing and welfare-retrenching solutions were presented as 'reformist', with the term 'reform' taking on an entirely different meaning – perhaps even a specularly opposite one – than the one derived from the traditional left-wing notion of 'reformism', which is historically contrasted with the revolutionary position. Whereas the traditional project of the *reformisti* was to put in place institutions that would guarantee strong elements of social

protection (in the Polanyian sense) within a liberal-democratic order and by adopting a gradualist approach, the 'neo-reformist' agenda is precisely to gradually *dismantle* those very instruments in the name of 'the market', 'the economy' and national competitiveness. The fact that the Italian left largely adopted this stance is highly revealing of the profound transformations that have occurred in its ideology.

The reformist stance of the 1990s was based – as argued in the previous chapters – upon the all-pervading goal of 'entering Europe' and thus policies of low inflation, wage moderation, harsh fiscal policies and privatisation of state assets. What the protagonists have described as a 'retreat of politics' manifested itself in a consensus with little compensations to labour that stemmed into an unprecedented fall in the wage share and in industrial conflict. The latter, within a social-democratic model of industrial relations, is usually seen as a sign of consensus on the part of the workers on the economic and social policies of the governments. However, the elimination of the wage-indexation mechanism a year earlier as well as the effects of the 1993 protocol generated a substantial dispossession of the strength and capacity for action of the unions. Moreover, in addition to the measures of welfare retrenchment (the pension reforms), unemployment rose to record-high levels – as internal demand decreased – and only began to fall after the approval of the 1997 flex-law, that increased fixed-term precarious labour. This kind of labour is much more difficult to organise into traditional forms of union organisations, thus further weakening organised labour. One of the slogans produced by the centre-left in this phase was: *meno ai padri, più ai figli* (less to the fathers, more to the sons), highlighting that a general

increase in wages and welfare measures for the working class as a whole was deemed to be outside the 'limits of the possible'.

It can be argued that the reforms accentuated the process of distancing of workers from their traditional union and political representatives, and favoured the displacement of votes towards the centre-right parties. The increase in the 'confidence' of financial markets is paid by a loss of consensus for the political forces of the centre-left. The 'culture of stability' to which the centre-left governments of the 1990s aimed at, distancing itself from the traditional reformist social-democratic policies, sew the seed of following losses for its protagonists.

As a result of the experience of the 1990s, the gamut of alternatives now perceptible by the workers is drastically limited, even compared to a not distant past. Translated in political terms, the 'limits of the possible' do not include alternative comprehensive hypotheses for society. Organised labour does not promote any such alternative – not only the classic revolutionary alternatives, but not even the 'new models of development' proposed by the unions and PCI over the 1970s. However, as has been documented by the research, there seems to be little strong support for the present model of society and social relations. What seems more plausible is that social relations have become increasingly depoliticised, naturalised as an 'inevitable fact'. The vision of the status quo as inevitable is all the stronger in new generations of workers who have not experienced the struggles of the 1970s. This idea of inevitability is a huge barrier to social agency. Even if the unions never adhered to a neoliberal conception of society, the form of concertation they supported was weak and

lacked strong compensations. A defensive stance is thus implied in these positions.

The analysis proposed in Ch. 4 and the analysis of the interviews in Ch. 6 reveals an interesting phenomenon in the left's ideology that can be described in Gramscian terms as the idea of civil society as the locus of 'cultivation' of the public virtues against a political society as the locus of political exchange and private vices. Thomas argued that, according to Gramsci,

"just as Spinoza's proposition that 'mind is the idea of the body' – that is, it is the idea of the body that constitutes the mind, rather than the mind giving rise to the body, Gramsci assigns priority to one of the terms. Political society is the idea of civil society, the mind of civil society's body" (Thomas 2009: 193).

Thus, in the new ideological stance of the left, civil society is increasingly seen as an autonomous realm, the sphere of liberty vis-à-vis the world of formal politics. The logical outcome of such a harmonic view of social relations in civil society is that political competition becomes increasingly void of social antagonism. The utopia of democracy is precisely the idea of competing 'for' something without fighting 'against' someone. The maximum form of conflict that was carried out was the temporary personification of that someone in the part of the 'evil one' (i.e., Berlusconi). I would argue that throughout this process the categories conventionally used to describe the left-right distinction have become outdated, and that they are in need of a reconfiguration. In Bobbio's classic view (1994), the left is distinguished from the right because it couples the theme of freedom with that of equality and justice. This is the

classic liberal socialist position. However, in Italy such an articulation was arguably present only in the program of the Action Party, and perhaps later – starting from the 1970s – in the one of the PSI. In a context of tremendous social transformations brought about by a new globalised capitalism, cannot the key words freedom, equality and justice be seen as the idealised expressions of the current form of capitalism? In fact, Marx argued precisely that freedom and equality are the forms in which the sphere of market exchange appear.

It is perhaps not by chance that the political culture of *azionismo* has come back to central stage in the post-1989 era. In this culture, *Berlusconismo* has deputised fascism and – as any ideology or form of thought – has obscured the transformations of real social relations. The narrative was that against a pre-modern right one had to answer with a modern left. Arguably, what emerged was a *post-modern* left that abandoned the claim to represent a *part* of society and unambiguously embraced the 'general interest' understood in a novel neoliberal way. In its quest for novelty, in the 1990s the post-communists have attempted to reset the past to zero, start all over again, with a so-called new beginning. Having internalised a liberal-democratic critique of their own tradition, the post-communists looked down upon the sedimented history of their political party as a burden to get rid of as soon as possible.

In the post-war decades the PCI contributed to a deep transformation of the form of democracy, which incorporated not only political society but also civil society, in the direction of a democratic *society*. Placed at the centre of the political realm by the successful antifascist struggle, communist, socialist and Christian-democratic parties together overcame that form of elitist liberal democracy

that characterized Italy since the early 1900s. The Fordist era in Italy was characterised not only by a party democracy, but also by a party *society*. It was not only 'the social' that was organised by the parties, but 'the social' that *organised itself* through the political parties. The democratic revolution spurred by the bourgeois revolutions of the 18th and 19th century here reached the furthest points of development, with the liberal notions of equality and freedom given a social twist and incorporated in the left's ideology and in the welfare state concept. What Van der Pijl terms 'corporate liberalism' "takes the ideas of popular sovereignty and universal human rights and seeks to accommodate, *within the capitalist order*, the aspirations for socialism spawned by them" (Van der Pijl 2006a: 19). The historical form of democracy in both Italy and Europe was characterised by competition between two strong *partial* interests, a competition based on who is more capable of guaranteeing the 'general interest' from its own particular point of view, a battle for hegemony. Politics was this: dividing the camp into poles, decomposing the conservative idea of 'the people', generating different values under the same general respect of the rules of democratic game.

It is precisely against this configuration that the new capitalist offensive sets in. The problem was described by the (neo)liberal culture (in its most coherent form in the 1975 Trilateral commission report – Crozier *et al* 1975) as one of excessive demands stemming from the political parties and intermediate bodies such as trade unions that were channelled through the political system into the state. The 'crisis of politics' was a subjective intervention by social forces within the political system and the political economy. Neoliberalism and 'anti-political' ideology are

results of and are both functional to a deeply *political* process, the 'hollowing out' of 'corporate liberalism'.

In Italy the watershed was, in this respect, at the beginning of the 1990s, perhaps later than in other Western countries. In a destructive climax of different processes, the 'perfect storm' kicked off. Civil society *against* the state: that was the *real* process of the neoliberal revolution. In Italy, at the ideological level, the process found its key rallying cries: *giustizialismo*¹²², the culture of the referendum and direct democracy *against* the political élite, anti-party ideology, the success of new anti-establishment forces such as Lega Nord. As argued above, the post-communist party leadership chose to ride this ideology. The liberal anti-party ideology under whose aegis the PCI dissolved has had deep consequences in terms of the very concept of left in a transformed national political competition and international context. The post-communists abandoned the central issues that had been inherited from the 1970s crisis: the exhaustion of the kind of party organisation built by Togliatti's generation of party cadres, the organisation of social demands within a modern welfare state, a redefinition of the very concept of socialism in changed historical circumstances. In its place, a view of the crisis of Italian politics largely based upon a critique of political corruption of the political parties and of the institutions of the First Republic (including, crucially, the proportional electoral system). Thus, a critique of *political* society and not *civil* society, thus obfuscating the power relations inherent in a capitalist political economy.

¹²² A political stance – that has no equivalent in the English language – expressing an overzealous pursuit of justice. The *Clean Hands* season of the early 1990s is often described as a manifestation of *giustizialismo*.

The liberal economic positions and the policies that followed from them were also a consequence of this choice. In this way, Gramsci's historical lesson concerning the need to organise politically in civil society with a view to conquering political society was forgotten: the goal had now become to separate a vicious political society from a virtuous civil society. What was placed in the background was the whole trajectory of the left that – organised in a political party – proposed an alternative modernity on the basis of a 'scientific' analysis of reality that refused abstract notions of freedom and justice and organised a battlefield on which to place class struggle.

In Ch.5, the process by which governments become ever more technical and ever less explicitly political was analysed. It is hard to remember the last time in which alternative political parties or coalitions competed for alternative projects on society, alternative conceptions of the state and of politics, different *modernities*. In its place, what emerged was the classic Schumpeterian idea of politics as a political marketplace, as competition between political élites under the aegis of economist, private behaviours of electoral engineering. The very name of 'party' is becoming practically an insult, as politics increasingly conceives of its function as simply reflecting the contingent and continually changing moods of a deeply depoliticised electorate. It seems that for the post-communists the mythical figure of the sovereign citizen is one that makes his public political choice from his own private room (and – one would add – while attempting to making ends meet in a deregulated labour market that generates insecurity). There remains little space for intermediate bodies and for the political elaboration of organic ideas and of the educating and directing function

of the party, whose role has historically been not to coalesce scattered opinions in a world of atomised individuals – each one making his choice in his own private realm – but to *organise* democracy and *direct* historical transformation with a political perspective. The means was an *education* of the masses – a ‘political and moral reform’, to use Gramsci’s words – and not the chasing after a ‘public opinion’ conceived as a separate sphere from politics. To put it differently, Italian post-communist practice and ideology has been largely instrumental in bringing about a Lockean state/society complex.

The paradox is that the political forces and personalities that enthusiastically welcomed a majoritarian democracy of alternation in government were the same that took for granted – ‘for everyone’s wellbeing’ – the end of any social conflict. They discovered political conflict but were against social conflict, and at the same time in which they condemned ‘consociativism’ they praised social dialogue and concertation.

In Italy, in partial contrast to other European countries, it was (also) the left that rode the anti-political ideology based on a mythical direct democracy – e.g., the referendums – against corrupt political parties. Silvio Berlusconi’s political strategy was ultimately based on the same rhetoric: the people’s direct link with the leader, without the mediating function of intermediate bodies. I would argue that today – more than 15 years after the period under focus in this research – ‘anti-politics’, in its various forms – anti-state, anti-public, anti-party – is a fundamental element of neoliberal hegemony. I would characterise anti-politics as the view of civil society’s claim to represent itself autonomously in a direct link with the image of the political leader, without the mediating

function of modern politics. It has become a true mass common sense idea, an ideology in the sense that it is founded upon a naturalised idea of civil society based on individual and free direct relations. It is also an ideology in the sense that is highly functional to the consolidation of a (neo)liberal society and the pre-emptive disempowerment of counter-hegemonic projects. The *real* process is the neoliberal transformation of capitalism; anti-politics is its most refined and capillary ideology, projected by the mainstream media and reproduced daily in entrenched forms of common sense (that, at times, take on an explicit *populist* twist). I would argue that it is much more resilient to change than any positive ideology based on the attainment of consensus for neoliberalism, because it functions by depoliticisation, by rendering the status quo *within* society *natural*. The very term *politics* increasingly ceases to be conceived or presented as the competition within society of alternative projects for modernity, guided by a cadre of professionals (in the Weberian sense), and becomes equated with privilege, corruption, dissipation of public resources. If politics is privilege, then the world of 'the economy' is supposedly the sphere of freely interacting individuals, and the market distribution of resources is perceived as natural.

Italian post-communism based its competition with the centre-right precisely on the issue of who was most capable of managing the neoliberal cycle of capitalist growth, seen as the definitive form of globalised modernity. It was a hegemonic strategy based on the dominant ideology. The consequence was that instead of attempting to modify the anti-political discourse, the post-communists decide to narrate it, so that 'the caste' is becoming a key word in popular consciousness and the

expression of a neoliberal common sense. Neoliberal hegemony continues to be based – it goes without saying – on forms of political democratic regulation, but then it builds upon this an anti-political ideological apparatus, brought forward by both the left and the right. I would argue that even sectors of the radical left in Italy have been strongly influenced by this common sense view, for instance in their refusal of party politics, seen as *politique politicienne* and as occult compromise, and in their strong emphasis on ephemeral forms of political organisation in the new social movements.

Gramsci's *problématique* – for long a cornerstone of the PCI's strategy – of the organisation of 'private' interests in civil society as the precondition for a collective process of political identification and for the construction of a historic bloc with the aim of directing historical processes, is overcome, and with its sunset politics' mediating function too seems to be gone. The political party's historic function is also transcended. Perhaps it is not a chance that the waning of the modern political party as a form of politics went hand in hand with the weakening of class identity. It is clear that if politics is relegated to a secondary role in both ideology and practice, then what gains ground is the apparently spontaneous organisation of society by capital through 'the market'. The crisis of politics has thus secured for decades the strength of neoliberal hegemony. If the 'organic intellectuals' of the left speak of the limits that must be placed to formal political action and the role of the state, and if the role of the state itself is conceived as a threat to individuals' freedom in civil society (opinions confirmed by the interview data), then arguably it is the very notion of 'left' that must be re-thought.

One of the classic arguments on the historical territorial and social cleavages that have generated the modern divisions in Western political systems is that proposed by Stein Rokkan (1999).¹²³ The switch to what has been termed a post-materialist society has caused a re-positioning of these cleavages and the emergence of new ones (Kitschelt 1994; 1997; Kriesi 1993). According to these authors, enhanced atomisation of social relations, the fragmentation of professional identities, greater societal welfare and the consolidation of market values have generated a new cleavage that separates leftist libertarian positions and right-wing authoritarian (or paternalistic) identities.

However, transformations in the Italian political system – I claim – cannot be grasped simply in terms of a turn to a ‘post-materialist’ society, but must be comprehended in parallel with a restructuring of the capitalist mode of production towards neoliberal forms of governance and ideology. Thus, the turn to ‘post-materialism’ cannot be viewed – as is often done in the political science literature on party systems (as in Fasano and Pasini 2003) – as *the* causal factor; the switch to a

¹²³ In his groundbreaking work, that has spurred a lively debate in political science for decades, the structuring of European political systems is seen as responding to the different configurations of a series of political cleavages within society (in the Rokkanian vocabulary, the *structures of cleavages*: their *timing*, *hierarchy* and *intersection*). In short, Rokkan considers the original differences in the party systems as deriving from the different underlying structure of cleavages, in turn produced by the processes of state formation and nation building. Cleavages emerge in *critical junctures* in the historical development of a political system and then *freeze*, giving rise to relatively stable and predictable patterns of alliances and oppositions, as well as political identities and political systems. In the Italian case, the particular structure of cleavages gave rise to a polarised political system in which several cleavages inter-locked (capital/labour; state/church; centre/periphery).

service-based economy, the fragmentation of labour and the parcelisation of identities are effects of the restructuring of capital as a social relation in the Western political economies, and not background 'objective' factors that then find correspondence in transformed political identities and affiliations. The findings of this research signal a transformation in the discourse and practice of the left in the 1990s towards liberal positions that goes well beyond a simple re-positioning or attenuation of the cleavages, perhaps pointing towards a radical transformation of the classic modern political cleavages themselves.

If the main leftist party becomes a supporter of a conception of the state as market regulator to promote capitalist competition, the privatisation of state enterprises (including public utilities) and public banks and policies of liberalisation, then arguably we are witnessing the eclipse of the traditional meaning of left and right. The waning of electoral support for the left in the late 1990s (most markedly among its traditional electorate – as indicated above) is an indication and at the same time a further factor in its transformation. With the abandonment of the left's traditional electoral base in the working class and the latter's switch to more liberal positions in economics and more conservative stances in terms of security, public order and the 're-discovering' of local territorial identities, the left seems to have found a new electoral base in sections of the liberal bourgeoisie (Fasano and Pasini 2003: 20). Future research could shed light on the emergence of new cleavages that go beyond the contingency of the historical moment and point to a structural change in political identities.

A re-definition of the left-right distinction is necessary not only in view of the incorporation of the

(neo)liberal anti-political discourse and practice by the left. It would be a mistake, I would add, to equate the whole neoliberal project solely (or even predominantly) with centre-right parties and positions. The left's autonomous role in the production of neoliberal ideology (and corresponding policies) must be taken into consideration in order to have a more complete view of the production of this hegemonic order (see Lee Mudge 2011). I believe the case of Italy to be particularly interesting in this respect. This is not only because of the peculiar coupling of *trasformismo* and liberalism described above, or because of the particular insertion of the country into 'the international' (and the corresponding common sense assumptions), but also because of the way the latter elements have intertwined to generate a left-wing free trade (and free capital movement) ideology that sets it apart from both the centre-right coalition (who has often flirted with protectionism) and from other left parties in Europe (such as the French socialists).

This research has shown how it was precisely what I call the 'technocratic centre-left' that was able to generate an unprecedented consensus on largely neoliberal socio-economic policies. In a moment of 'economic emergency' the common sense assumptions of economic vulnerability and wage restraint emerged as the anchor for the ways in which different social actors (and their organic intellectuals) envisaged a 'solution'. Crucially, the state cadre that managed this phase and thus narrated both the crisis and in turn the proposed 'way out' (see ch.3) was the 'technocratic centre-left', whose project was based also on the anti-political liberal discourse I have described above.

In Italy the 'U-turn' of the left in the direction of free (international) trade and capital movements occurred

arguably in the late 1970s. The symbolic moment can perhaps be identified with the congress on protectionism organised by the communist review 'Rinascita' in 1976. Here, protectionism was explicitly refused as a political strategy of the left, and free international trade – beginning from the European Community – was embraced as the horizon of Italy's economic future. Since then, and most markedly since the early 1990s – when the PCI dissolved – a kind of acritical, at times apologetic, free trade stance seems to prevail among the heirs of the tradition of the labour movement (as the interview data confirms). The research conducted here can shed light on the underlying common sense assumptions, as the 'limits of the possible' posed by the 'external constraint' were evoked both at the end of the 1970s and in the early 1990s (as well as in the current economic crisis). I would argue that the common sense assumption of economic vulnerability and wage restraint is operative here, as this free trade stance emerged most vividly in these three moments of economic crisis. For the PCI leadership of the late 1970s, the external constraint also meant the possibility of making a government formed (also) by communists compatible with a more stable integration of the country within the European order and the entrance into the EMS (the PCI would have approved the latter if a crisis in the governments of 'national emergency' did not set in). Free capital flows are a key element – perhaps *the* key element – of neoliberal globalisation. The race to the bottom brought about by the neoliberal hegemony brings with it a heightened world competition among workers that has been internalised and furthered within the EU and its market-enhancing competitive disinflation policies, with Germany acting as

the neuralgic core of wage competition (with its very high wage – labour productivity differential).

In a curious irony of history, the traditional internationalism of the left seems to be gradually transforming into an internationalism *of capital*, a strict ideological adherence to the principle of openness to capital movements. Even several international organisations point out that there is a correlation between openness to capital and commodity movements and a fall in the level of employment protection and the wage quota in national product (see European Commission 2007, in which OECD and IMF studies are cited as a confirmation of this correlation). Once the perverse redistributive effects of these policies had become clear, the centre-left élites increasingly justified free trade and capital movements in the name of world peace or as simply an economic ‘fact’ that cannot be modified without running the risk of generating a new world war (as the interview with Prodi and other representatives of PD confirmed). Neoliberal globalisation is seen as the bearer of universal peace. Any kind of protectionist instinct – coupled with alternative socio-economic and industrial policies – is seen as a ‘nationalist’, ‘reactionary’ ‘right-wing’ reaction.

Here I would like to make just a passing remark on the Italian political crisis that has been unfolding as this dissertation was being written, especially after the end of the Berlusconi government in December 2011. As Brancaccio (2012) points out, the free trade internationalist stance of the centre-left does not allow for the identification of an autonomous point of view of labour in the eternal battle *within capital* between the supporters of protectionism and those of free trade, so that one wonders what would the political position of the left be in the event

of a speculative attack on national debt, if the attack was so strong as to force the country to face head on the problem of the EU disequilibria, brought about precisely by a form of European integration based on free capital movement and competitive disinflation.

I believe this research can shed light on this last point, for common sense assumptions on Italy's integration into 'the international' *must* form the basis upon which *any* political strategy is based. The turn to a favourable stance on free trade on the part of the left is highly significant because it signals a view of the inevitability of the 'external constraint'. The convinced support of these policies on the part of the Italian left was more deep-rooted and principled than that of the centre-right in the 1990s and beyond. Perhaps this is because the centre-right maintained organic links with its social basis and thus elaborated alternative strategies based on particular conjunctures (the SMEs were, for instance, less interested in furthering the international integration of the country). The centre-left, on the contrary, having significantly detached its practice and ideology from its traditional social base, has more easily switched to the ideology of globalisation.

Bieler and Morton, referring to Poulantzas's work, argue that

"The state is not a simple class instrument that directly represents the interests of the dominant classes. Dominant classes consist of several class fractions that constitute the state, which thereby enjoys a *relative autonomy* with respect to classes and fractions of classes. (...) Within the unstable equilibrium of compromises, (...) the state organizes hegemony by imposing certain concessions and sacrifices on the dominant classes in order to reproduce long-term domination" (Bieler and Morton 2006c: 169).

On the basis of the evidence that this research presents, I would argue that the Italian 'technocratic centre-left' governments of the 1990s acted in a 'relatively autonomous' way in order to further the long-term interests of capital and were able to develop a coherent political project around this vision. The state apparatus was mobilised by a new state class which had a clear political project based on its idea of the long-term interests of capital. Perhaps Marx's notion of Bonapartism (Marx 1987) can be a useful way to characterise the experience of the centre-left governments in the 1990s. Bonapartism can be defined as government by an alternative leadership in a situation where the bourgeoisie cannot rule directly. A neoliberal stance on market integration in the EU and privatisation was coupled with wage moderation and partial welfare retrenchment, achieved through a compromise with organised labour. The 'technocratic centre-left' governments (1992-2001) have therefore proven to be better able to carry out the policy favoured by transnational capital, also by maintaining social cohesion. *Post festum*, one can see that the communist tradition has predisposed a political cadre that was able to acquire the confidence of transnational capital, more than the Italian centre-right was capable of.

The question that arises by way of conclusion is: what does the left stand for in this new configuration? How does the discourse on a 'new reformism' – one that lacks a 'subject' and is akin to a technocratic abstraction from the traditional social bloc of the left – and the Italian left's convinced support of free trade and capital movements modify our understanding of the left-right distinction? I Further research, possibly also based on analyses of

common sense and on empirical interview methods, could shed light on this deep transformation in the left's practice and consciousness.

At the end, I would like to propose a few reflections that are based on the present work of excavation into the past, but which seek to identify the possibility of the development of a counter-hegemonic bloc. Having defined a neo-Gramscian critical approach as a *perspectival* stance – “theory is always *for* someone and for some purpose” (Cox 1981:128) – and adhering to a view of knowledge as a form of *social practice*, I do not wish to shy away from the political implications of this research.

Any kind of alternative political project must be based upon an alternative configuration of class forces within a framework of specific relations of class power. This – organisation, organic ideas, forms of culture, historical consciousness – is the substance of politics. If *any* counter-hegemonic social bloc and strategy can be envisaged for the future, it must reconquer what Gramsci called the *casematte* (pillboxes), the trenches in civil society that give coherence and direction to the historic bloc and guarantee the smooth reproduction of the hegemonic order and discourse. Engaging with the terrain of common sense – the reproduction of inherited ‘truths’ about the political economy – cannot be avoided. However – adopting a view of historical development as an open-ended process – there is no historical necessity for trade unions to be progressive actors: this is also the outcome of social and political struggle for emancipation.

Italy represents a unique case in many respects. One of these is the fact that the left has for decades exercised if not *political* hegemony, certainly a *cultural* hegemony in

civil society. After having entrenched into the *casematte* of civil society, this power climaxed in the late 1960s/early 1970s. The strength of the left in the 'era of union centrality' (Lange and Vannicelli 1982) was founded upon a particular *material* configuration of forces. What the workerists termed the *operaio-massa* (mass worker) was the dominant figure of labour, based on the centrality of Fordist production in the factories of the north. Its strength was based on the concentration of the workforce, favouring trade union organisations (and also autonomous work councils). Power was also an outcome of concentration of forces, spurring class struggle. The presence of a communist party was a catalyst for struggle, for it provided the possibility of inscribing one's condition into a wider universe of meaning and equivalences (referring also to a *territorial* identification with real existing socialism in the Soviet bloc). The mass worker was a material reality implanted strategically in the heart of capitalist production and the party supplied the organisational and strategic instruments for class consciousness.

Now, the conditions have radically changed. One of the most lucid descriptions of labour's predicament was provided more than twenty years ago by Accornero, who talked about 'labour after class' (Accornero 1986). This expression referred to an employment structure organised around the rise of service work – without the 'dignified' characteristics of blue-collar work –, the increase in precarious work and the weakening of the distinctions between different types of *professions*. These phenomena generate a new worker subjectivity, much more dependent on the ups and downs of 'the market' and who increasingly looks upon *himself* (or *herself*) more as a commodity, internalising the capital relation (see also Bologna and

Fumagalli 1997). Time of work and leisure time, as well as *space* of work and private space become increasingly blurred within a more commodified life-world. There is no doubt that, in these circumstances, class identity has weakened, and most workers do not feel part of a working *class*.

However, the partial switch to immaterial and autonomous labour – that conceives of itself more as entrepreneurial activity – does not loosen the ‘dull compulsion of economic relations’. This work is now indirectly dependent upon capital, perhaps signalling a partial return to forms of ‘formal subsumption’ of labour, after the Fordist era had entrenched ‘real subsumption’ in the factory system. Post-fordism has decomposed the single worker’s labour and the class relation in the factory. It has revolutionised the productive process marginalising ‘the factory’, that is, making the workers *and the physical master* marginal. It is the flipside of financialisation, the M-M’ cycle that accumulates capital based on claims on *future* production and the constant comparability of the profitability of different capitals through the new instruments of an ever more complex financial market (such as derivatives, that constantly measure each capital against each other capital in its capacity to generate surplus-value).

The left’s and labour’s loss of cultural hegemony is also a consequence of this fragmentation of labour, brought about by the proliferation of temporary contracts and technological innovation – itself the result of a defeat of alternative political projects in the 1970s. As pointed out in ch.3, technological innovation is *never* class-neutral. The clearest impact of new technologies is in the elimination of old forms of labour and the wild precarisation of new

labour. With the coupling of these two effects, capital has attacked the historic core of the working class. However, while there is no doubt that the 'working class' has lost centrality in the materiality of the production process, in its place there is a potential political centrality of labour. There is little centralisation in production, but a horizontality of diversified yet potentially politicised form of labour. Any kind of counter-hegemonic project must – I would argue – contrast the hegemonic view that work is marginal in people's lives. It is true that it is marginal in the dominant narrative, with its all-pervading focus on the enjoyments in the sphere of consumption (hence, circulation). Simply, labour *cannot* be marginalised in the production of capital, for it is the *substance* of capital. The battle for hegemony must have a core, and counter-hegemony must, I would argue, reformulate the centrality of labour in people's lives in order to attempt to challenge neoliberal hegemony. Capital's neoliberal offensive was based upon a similar (practical and ideological) strategy that coupled with the materiality of the *real* process: the idea that market competition and the firm are the absolute regulative principles of society and that labour is and must be subordinate to the smooth functioning of capital accumulation.

Common sense is a central battleground in the struggle for hegemony. If hegemony is the production of an ideology based on culture, then common sense is the precondition, the basis for that very culture. The flattening of political competition on the need to keep up and chase after 'public opinion' is, from the perspective of social and political forces committed to a counter-hegemonic projects, dangerous. This is because if 'politics' simply aims at *reflecting* what already exists in society (relations of power,

forms of thought and consciousness), then it can merely reproduce common sense. Counter-hegemonic projects are, in the first instance, subjective interventions *against* the production and reproduction of the hegemonic version of common sense. Of course, it is a mutual relationship: common sense is produced and reproduced in society, and reflected by the *élites*, who in turn give coherence and direction to it, imparting it with a political *meaning*. The terrain of common sense is crucial also because language is not simply a description of ‘things’ that exist autonomously ‘out there’. The post-structuralist lesson is: language *constitutes the very thing*. A sensitivity to the ability to re-define terms and meanings, inscribing them into a horizon of social and political change – with a central nucleus, a myth, a master-signifier – is to be regained. Ultimately, if hegemony cannot be defined as simple domination, the realm of culture becomes central. Hegemony means being able to insert a subjective intervention into a historical process, that is both guided and followed by the hegemonic forces. It is a movement that is already happening in society, also as a consequence of the very ideas and practices that are subjectively inserted into it. What better definition of hegemony, one that I would argue must be taken on board by labour and the left, than Rousseau’s maxim:

“the strongest could never be strong enough to be master all the time, unless he transforms force into right and obedience into duty” (Rousseau 1987: 19).

Appendix: List of interviewees

- *Partito Democratico*
 - PD #1: Vincenzo Visco
 - PD #2: Elena Montecchi
 - PD #3: Stefano Fassina
- *Democratici di Sinistra*
 - DS #1: Alfiero Grandi
- *Confindustria* (employers' association)
 - *Confindustria* #1: Pier Luigi d'Agata
- *CGIL (Confederazione Generale Italiana del Lavoro)*
 - CGIL #1: Tiziano Rinaldini
- *UIL (Unione Italiana Lavoratori)*
 - UIL #1: Pietro Larizza
- Romano Prodi, Prime Minister (1996-1998)
- Nerio Nesi, former director of *Banca Nazionale del Lavoro* and MP for *Partito della Rifondazione Comunista* (1996-1998) and *Partito dei Comunisti Italiani* (1998-2001)
- Prof. Sergio Cesaratto
- Prof. Vincent Della Sala
- Prof. Leonardo Paggi
- Prof. Luca Michelini

- Prof. Umberto Romagnoli

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