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Entrare In Europa: Consensus And Transformation In Italian Capitalism

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Abstract:

The aim of this paper is to analyze the moment of consensus within the Italian political economy that corresponded to the signing of the Maastricht treaty in 1992. In the following year, the social partners signed a tripartite agreement with the government that aimed at allowing Italy to respect the Maastricht criteria and thus joining the first group of the Eurozone, which it did at the end of the decade. Although this conjuncture has been widely studied, my aim is to show that consensus formation and the transformations within a national political economy can be better understood using a neo-Gramscian framework that focuses on the concept of 'common sense', which forms the basis upon which human beings think about all aspects of social life, including the need to produce. Thus, we will show that common sense within capitalist societies is the foundation upon which political and social struggle takes place, and thus hegemonies are developed and reproduced. The central questions that will inform this work are thus: to what forms of common sense did the social partners refer in order to find a terrain of consensus on the issue of 'entrare in Europa' (joining Europe), as the debate was framed? What elements were depoliticized, and how?

Key Words: Italy; European integration; Maastricht; Neoliberalism

Introduction

The creation of the Economic and Monetary Union has radically changed the social and macro-economic context of the national political economies of the member states of the European Union. However, it also 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, the Euro. 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 in 1999. 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'. Yet, against all expectations, and notwithstanding a very large public debt, Italy was admitted among the first group of countries. The 1993 'Ciampi' protocol among the social partners (the confederal trade unions – CGIL, CISL, UIL -, the employers' organisation – Confindustria – and the government) was a fundamental step that allowed Italy to create the necessary 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 – witness 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 to be signed in Italian post-war history.

The goal of 'Entrare in Europa' 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.¹ In fact, 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, state inefficiency and tax evasion: all of this surfaced and gained wide attention 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 system.

This paper seeks to provide a conceptual framework to understand the moment of consensus in 1993 among the social partners, which was crucial in allowing Italy to join the Euro. In the first part of the paper, the nature of the 'unequal exchange', which was at the heart of the 'Ciampi' protocol, is presented. Next, the paper reviews the literature that has sought to advance explanations on such an apparently unexpected outcome, considering both the disequilibrium between capital and labour that the pact entrenched *and* the conflictual tradition in Italian industrial relations and Italian politics generally. In the third part, the paper reviews Ian Bruff's alternative conceptual framework, which is grounded in Antonio Gramsci's notion of 'common sense'. Then, a brief history of Italian capitalism is proposed, before some possible hypothesis on how the different versions of common sense found an overlapping common ground on the need to 'join Europe' are presented.

This paper contributes to understanding the significance of the Gramscian notion of hegemony in understanding the shift to neoliberalism. The neo-Gramscian literature has hitherto tended to neglect the analysis of the national trajectories, focusing instead on the transnational transformation of European capitalisms (van Apeldoorn 2002, Van Apeldoorn and Horn 2007, Gill 2003, Holman and Van der Pijl 2003, among many others). The argument is that European integration is a political project guided by transnational capital, which seeks to embed neoliberal policy paradigms and constraints at the European level through a strategy of 'new constitutionalism' (the separation of economic policies from political accountability - see Gill 1998).

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 this creating 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 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

¹ 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)

'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, p.8)

This paper aims at proposing some hypotheses for understanding the construction and the entrenchment of the 'embedded neoliberal' project within the Italian variety of capitalism, contributing to the growing body of studies on the national trajectories of European political economies (Bieler 2006, Bruff, 2008)

'1993': the unequal exchange

In this short section my aim is to show that the 1993 'Ciampi protocol' which reorganised Italian industrial relations and for the first time established an income policy, was an agreement which was skewed towards capital's goals of profitability and represented an 'unequal exchange' which was fundamental to allow Italy to join EMU.

The Ciampi protocol was signed in a moment in which the most pressing problem was that of public deficit. In 1993, large tax increases and a significant reduction of public spending were approved by the Amato government. The latter was then forced to resign in the wake of the deepening of the 'Tangentopoli' scandal which hit the whole political system, and was followed by a government 'above parties' led by the technocrat Carlo Azeglio Ciampi, which had worked at the Bank of Italy for decades. Ciampi chose as Minister of Labour a socialist former trade unionist, Gino Giugni. Significantly, both Amato and Ciampi would later join the centre-left coalition. The consensus which was generated around the protocol and the goals it set allowed the following government (The Dini government in 1995) to approve a pension reform, which would have been challenged only a few years before. A few years later, the 1997 and 2003 reforms of the labour market increased the flexibility (both numerical and functional) of the Italian labour market.

The 1993 protocol completely changed the Italian bargaining structure system by finally formalising it into a set of rules. Thus, for the first time a set of 'shared goals' became common among the social partners. The Maastricht criteria represented the explicit aim of this reformist 'era', with its parameters accepted as the neutral common goals that had to be met for Italy's 'national interest'.

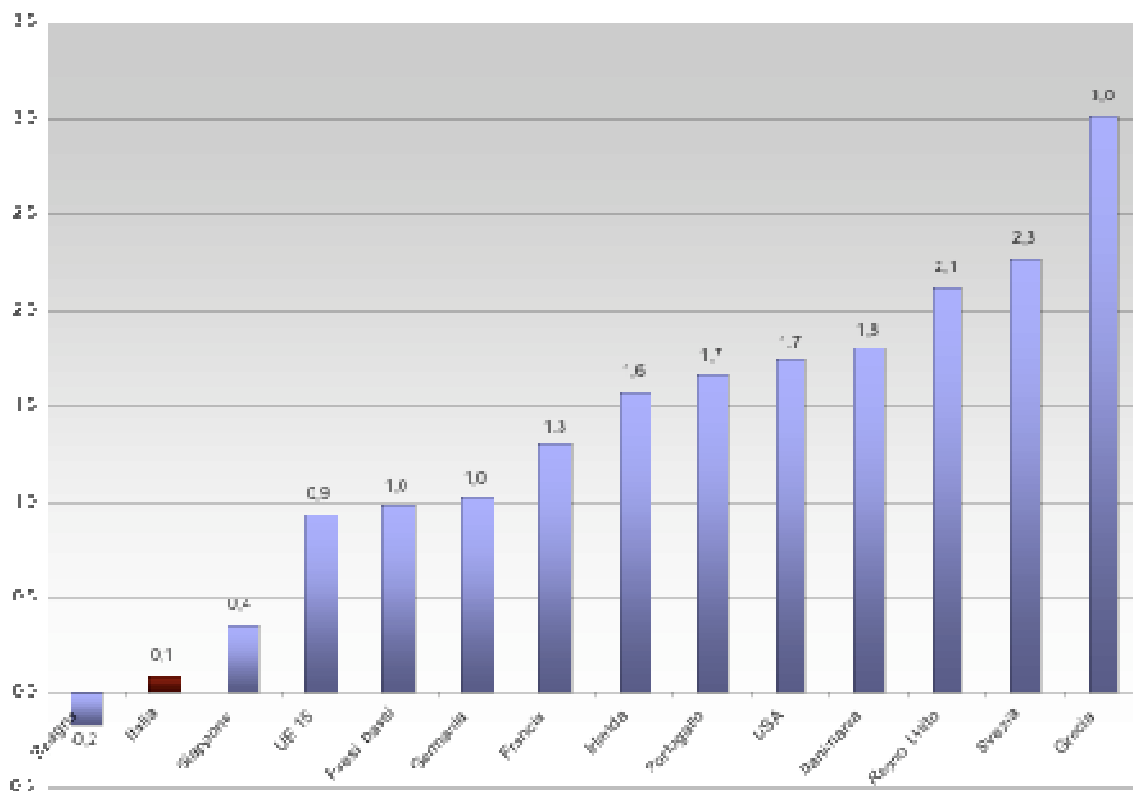
Without going into excessive details (see: Mania 1993 for an overview) the protocol itself consisted of four broad sets of measures:

1. An income policy that had the aim of reducing labour costs with the wider goal of converging on the tight monetary policies needed to join EMU after Italy had exited from the EMS due to the speculative attacks of September 1992. This required a yearly cycle of concertation among the social partners on salaries and inflation.
2. The elimination of the automatic inflation-protecting mechanism that fixed every year the increases of wages according to the national inflation rate. A new mechanism was set in place, which fixed salaries in coherence with (and thus not covering completely)

the 'foreseen' inflation rate. The latter has been set at a considerably lower level all through the 1990s, thus allowing for a *decrease* of the real wage rate. This decision was in fact taken a year earlier by the social partners and confirmed in July 1993.

3. The creation of new firm-level representative organisation (RSU - *Rappresentanza Sindacale Unitaria*), partly (2/3) elected and partly (1/3) nominated by the confederal unions.
4. Provisions such as the extension of apprenticeships and training contracts, the licensing of temporary work agencies and the possibility of negotiating wages below contractual levels in zones hit by economic crisis. Moreover, there were also supply side measures such as vocational training, aimed at combating unemployment.

Where is the asymmetric exchange? The original idea was that moderate salaries would lead to increased investments on the part of capital. Yet this did hypothesis did not materialise. The great increase in profits generated a large shift of resources from industrial capital to financial capital, or to monopoly sectors, where the possibilities for rent-seeking were significant. (on the consequences of the July 1993 protocol see: Tronti 2004). Just to give an emblematic example, the Benetton family in 2003 reduced its interests in the family firm and invested in monopolistic sectors such as highways (Autostrade S.P.A), railway stations and airports.



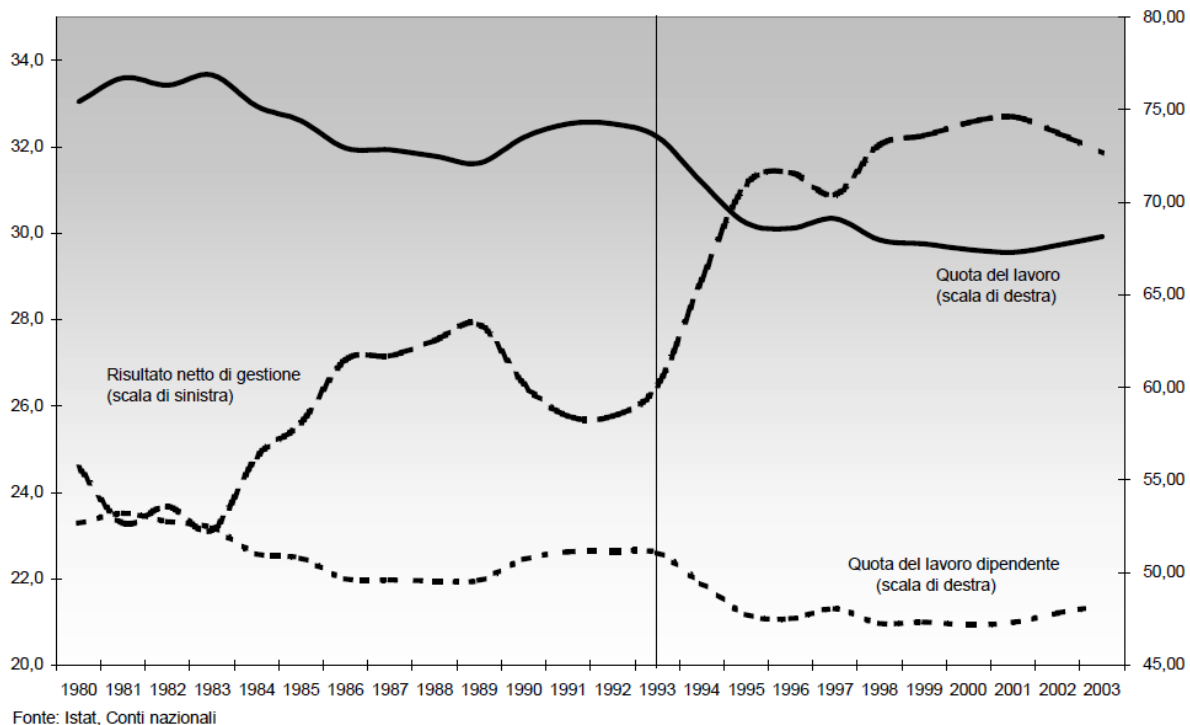
1. Average annual real wage growth

While thus on the side of labour there have been several sacrifices in the form of lower wages (and, a few years later, the acceptance of the elimination of a series of workers' rights in order to allow the labour market more flexibility), on the part of capital there has not been that 'revolution' in the market towards the paradigms of liberalisation which are rhetorically the goal of the employers' association (*Confindustria*). In fact, although the stated goal of the privatisation of the early 1990s was to introduce more 'competition' in the Italian economic

system, many of the privatised firms continued to function as monopolies, thus allowing for large profits – for instance, the privatisation of the national highway system, *Autostrade*, and the national telecommunications company, *Telecom Italia* (on the monopolistic practices that persisted after privatisation, see Mucchetti 2004). Moreover, after the 1993 pact the Italian industrial relations system has witnessed a marked decrease in levels of conflict (Istat 2003).

However, the July agreement did reap some benefits for unions. It initiated a new phase of Italian industrial relations, formalising and guaranteeing many union rights that had existed only as a matter of practice.² Moreover, although the second-level negotiations only took place in a third of all workplaces, the maintenance of the two-level contractual system was a union victory, considering also the trends towards decentralisation that the rest of Europe was witnessing. Nevertheless, 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, p.178). Moreover, the reserved third of seats to the confederal unions restrained the more radical plant activists. The 1993 pact was submitted to a referendum among workers, where it managed to obtain a majority even if the CGIL split and a large minority of its members voted against.

Though trade unions did gain institutional power and they were considered (and increasingly so, also due to the lack of legitimacy of the political class) as responsible partners in the negotiation on the modification of the welfare state, overall the pact was skewed towards capital. In fact, labour’s share of the wealth produced in the Italian economy declined by 10% from 1993 to 2003 (Fumagalli 2006).



2. Distribution of income before and after 1993 (% on Gross National Product)³

² The pact even included a commitment by the government to legislate the application of national contracts to all workers in a sector.

³ risultato netto di gestione (scala di sinistra) : profits (left scale)

'1993' in the literatures

In this section I will present the main arguments advanced in the literature to explain the emergence of the 1993 'Ciampi' protocol. This literature tends to be comparative, hence it focuses on the (re-) emergence of social pacts in Europe in the 1990s. After having briefly presented the literature, I will propose some general critiques, which stem from the fact that the analyses neglect the capitalist nature of the state, and hence disregards the fact that national 'varieties of capitalism' are all – by definition – capitalist. What will be argued is that it is precisely the *institutionalist* focus that is problematic and makes these approaches unable to understand *and* explain the moments of consensus in European varieties of capitalism.

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.⁴ The new institutionalist approaches have instead argued that there is a certain path dependence involved in the trajectories of national political economies. The varieties of capitalism approach (see Regini 1997 for an application to the Italian case) laid particular emphasis on specific national institutions, their historical formation and path dependence 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 can be seen as a sub-group of institutionalist approaches, because of its focus on interest associations (trade unions, employers' associations and governments) as the main institutions that provide the framework for the regulation of the economy. All the institutionalist literature focuses on consensus to be achieved *within* the institutional environment.

quota di lavoro (scala di destra): wage rate (right scale)

quota del lavoro dipendente (scala di destra) : dependent wage rate (right scale)

⁴ 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.

The literature on the social pacts stems from a reflection on the consequences of Economic and Monetary Union on national industrial relations systems.⁵ Evidence has been provided in favour of the hypothesis of a 'renationalisation' of industrial relations, rather than outright deregulation or 'Europeanisation' (Fajertag and Pochet 2000). The literature on national social pacts in Europe can be divided into two strands. The first one focuses on internal mechanisms of change, the so-called endogeneity argument. (Meardi 2006). With regards to the Italian case, 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). 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).

A second strand of the new institutionalist literature on the social pacts examines them by making reference to external constraints that are presented as 'common challenges'. The literature on the 'Ciampi' protocol has explicitly focused on mounting labour costs and public spending (Regalia and Regini 2002) and globalisation and its pressures for competitiveness (Regini 2003) generating a new 'hybrid' regulation between hard and soft law, concertation and self-regulation (Visser 2005). However, it is the link between these social pacts and the external constraints posed by the road towards Economic and Monetary Union that 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 2000; Ferrera and Gualmini 2004). Other authors claim that the dominant factor in explaining the union's acceptance was their commitment of the government on tight monetary policies, rather than on the ability of governments to compensate unions (Hassel 2003), or explain it making reference to a series of factors: exogenous constraints, actors' roles and institutional dynamics (Natali and Pochet 2009).

There is 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 logic of shared objectives (see also: Regini 1997, 2003; Rhodes 2001; 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, p.16) 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.

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 1997; see above). Regini (1997) 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 1997, p.268). In contrast to previous studies, Regini also points out that one condition for the success of such pacts is a union

⁵ 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 performance can be criticised on two grounds. First of all, it concerns itself with effects rather than origins and secondly, it is class-biased in that it takes as proxy for economic performance the unit labour costs, therefore treating as general interest what is evidently an interest of capital.

leadership that is not insulated from the rank and file, so that unions can consult their base and acquire the necessary legitimacy.

Rhodes (2001) argued 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. He 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.

Hancké and Rhodes (2005), in a more complex approach, have argued 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 asymmetrical 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.

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. 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, p.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. 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. This society, or this 'environment', is constituted by capitalist social relations, it is a *capitalist* environment. Institutions, as will be explained in more detail, are seen as the embodiment of common sense assumptions (including past assumptions) about how to organise production. Crucially, these common sense assumptions are present throughout society and they traverse both the state and society.

This literature is largely descriptive, and does not *explain* the moment of consensus, but merely categorises the different agreements (or lack thereof) of the 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 will see, is able to overcome these shortcomings by focusing on the *social purpose* of consensus, as well as on the role of ideology and culture.

Key to the critique of mainstream approaches in International Relations/International Political Economy is the neglect of capitalism as a mode of production. The state is thus not a neutral 'box' or a set of decision-making rules and procedures, but is crucially embedded in and constitutive of capitalist social relations. 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.⁶ The capitalist state, and the separation between the public and the private, the economic and the political, produces and reproduces those very conditions which 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 we refer to the entire state-system as such) is missing the point about the nature of the capitalist state. 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 also upon historical, cultural and ideological elements, capital certainly possesses an objective logic that poses constraints on the feasible alternatives. As Therborn (2008) has noted, the point is not to identify the subjective interest of capitalists. A historical materialist approach – the one adopted here – does not start from the point of view of the actor - it is not actor-centered – but from the point of view of the process of reproduction and transformation. The basic focus of analysis thus not the capitalist: it is *capital*, the objective process of capital accumulation. (Therborn 2008, pp.131-132)⁷ On the other hand, reasoning in quite abstract terms, one can say that the long term interests of capital is in the preservation of the capitalist mode of production and in expanded accumulation. However, it would require extraordinary mental powers to predict what policies are in the ‘objective’ interest of capital. A neo-Gramscian approach postulates that the interests of classes and class fractions are not pre-given but socially constructed, albeit within the limits set by their material situation, hence, capitalism.

Approaches which see ‘globalisation’ as simply an increase in capital mobility or an enhanced liberalisation/‘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. One can thus affirm that what allows capital to move from one side of the globe to the other is not technology or liberalisation *per se*. In fact, 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*. (Bieler 2006, p.29) Peter Burnham points out how mainstream approaches in IR and IPE fetishise the state and view the market as a technical arena in which the ‘external’ state intervenes. (Burnham 1995 p.136) In *Capital*, Marx shows how, even if in the market we can 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.

More in detail, the state-centric approach that dominates much of the literature sees the state as the only actor at the international level. This is one of the consequences of its neglect of the *capitalist* nature of the state. 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 which 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 state, and thus as an important agent which itself set in stone the parameters of Maastricht, taken by the literature as simple ‘external’ constraints. The process of European integration

⁶ As Gramsci noted, statolatry, or the fetishism of the state, occurs when 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, cited in Bieler and Morton 2006b, p.165)

⁷ “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.”

cannot but be 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.

The institutionalist theory we have 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 most west European states, are now under stress and need to be reformed in light of the sweeping socio-economic transformation that marks our contemporary era. These are essentially technocratic positions that, even by default, enhance the power of capital vis-à-vis labour. 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 a response to the pressures of globalisation.

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). Institutionalism is here understood in a quite wide manner, going beyond a critique of the Varieties of Capitalism approach or the New Institutional literature. In fact, most comparative political science/political economy studies and approaches focus on the institutional environment as the locus where explanations- in this case, explanation for the formation of consensus - are to be sought. 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, cited in Bruff 2008, p.2)

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, p.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. Hall and Soskice explicitly point out how their framework sees to provide an "understanding of the institutional similarities and differences among the developed economies" (Hall and Soskice 2001, p.1). 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. In this respect, the institutionalist literature suffers from a reductionism premised precisely on the assumption that "institutions are the foundation of social life." (Campbell 2004, p.1). 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 we have reviewed above is on the institutions as the locus of consensus formation. This emphasis crucially neglects the *social content* of the institutions. As we argued above, the institutionalist literature, by focusing on interest organisations (mainly unions and employers' organisation) 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.

An example of this error is for instance the taking for granted of the 'external' pressures for competitiveness and liberalisation (see Regini 2000, 2003; Hancké and Rhodes 2005). There is here an unquestioned assumption that 'globalisation' generates pressures for competitiveness. This obscures the neoliberal political project behind these very pressures, which has been studied in depth by neo-Gramscian literature. In the literature, thus, 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 thus left unexamined. Nonetheless, it is claimed that institutions must adapt to this

external environment, lest they face the increasing disfunctionality of their national variety of capitalism. There is a problem here, for if change emerges from outside the institutional environment, it is acknowledged that there is *something* apart from institutions in a national variety of capitalism, but this environment is then excluded from analysis.⁸

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 in fact function within the purely economic sphere. However, the constitution of the latter is dependent upon the action of the state, which provides the necessary institutional, law-making and repressive apparatus. Institutions have a specific *social purpose* that is nationally distinct, but is also inherently *capitalist*. If institutions are the focus of our analyses, we cannot take them for granted and ‘fetishise’ them as the source of consensus or change, or in fact the only objects of analysis: we need to understand their genesis and how they are reproduced over time.

An alternative framework: Gramsci’s notion of common sense

Let us closely follow Bruff’s reasoning on common sense as the heuristic tool to analyse consensus formation in national political economies. Without reporting his whole argument, which is quite sophisticated (see: Bruff 2008, Bruff 2010, Bruff 2011), I here simply present the thrust of it, drawing freely from his work and adding some personal observations that hopefully make this framework clearer. Bruff’s notion of common sense is based upon five main arguments (the first four are drawn from Bruff 2011 and Bruff 2008; the last from Bruff 2010), that allow for an in-depth empirical analysis of a national political economy:

1. Drawing on Gramsci, it can be argued that social life is the foundation of institutions, and not viceversa.

Common sense is defined as “the basis for how humans make sense of the situation they find themselves in” (Bruff 2008, p.47) As a starting point for our reflection, 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 1971, cited in Bruff, p.50) This rejection of the thought-action dichotomy enables us to see that our ideas about the world are embodied in all aspects of human activity.

However, what is significant in a 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.

“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 1977, Q1, p.76)⁹

From this excerpt from the *Prison Notebooks* 4 conclusions can be drawn:

⁸ 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 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)

⁹ My translation. Q1 stands for ‘Quaderno 1’, the first notebook of his ‘Prison Notebooks’

- I. Each social class (or group) has its own version common sense, and thus that different versions of common sense can coexist in a given society at the same time
- II. Common sense can be defined as “the most widespread conception of life and morals” of a given group or social class.
- III. Common sense derives from the sedimentations of thought left over by previous philosophical currents (it is the *folklore* of philosophy)
- IV. Common sense is in continuous transformation, thus different versions of common sense follow one another chronologically.

As Bruff argues, “if all humans hold thoughts about the world – which for each individual is their version of common sense – and all thoughts are embodied in everyday activity, then this is the case for humans within institutions as well as those in more informal settings.” (Bruff...) This point already overcomes the idea that the institutions are the foundation of social life and not viceversa.

2. There is a ‘fundamental asymmetry’ within our ideas of the world towards the need to produce.

“The labour process...is purposeful activity aimed at the production of use-values. It is an appropriation of what exists in nature for the purposes of man. It is the universal condition for the metabolic interaction between man and nature, the everlasting nature-imposed condition of human existence, and it is therefore independent of every form of that existence, or rather it is common to all forms of society in which human beings live.” (Marx 1992, p.283)

Thus, the need to produce, as the need for means of subsistence, are ahistorical aspects of human existence. However, it is argued that “human social practice is also conditioned by the values, norms and beliefs which comprise any conception of how to organise production.” (Bruff 2011, p.8). That is, our ideas about the world cannot escape the world of production, for the latter needs to be organised on a minimal level for any thought to be produced at all. We can thus say that the material conditions which structure a certain mode of production impose constraints on our modes of thinking, constraints which influence the variability of our ‘common sense’ but do not determine thought. As Bruff says “it is possible to identify certain asymmetries, tendencies and repetitions within common sense, without needing to fix, homogenise and universalise this version across space and time” (Bruff 2011, p.8).

3. In capitalist conditions of existence our thoughts about the world are skewed towards capital’s rather than labour’s dependence on the market

The fact of living within a capitalist mode of production poses heavy constraints on our thoughts about capitalist society. What Marx saw as the defining characteristic of a capitalist mode of production, namely the separation of workers from the means of subsistence, 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: labour is dependent on the market in order to gain means of subsistence, and is thus *forced* to sell its labour-power. 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.

As Stuart Hall argues, “we should not be surprised that over time this 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 p.38). Moreover, “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 cited in Bruff 2011, p.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, p.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 necessities in the market, rather than labour’s interests.

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.

4. The accumulations of common sense sediments which comprise different institutions embody this asymmetry, giving institutions a historical force of a distinctly capitalist character.

Bruff argues that cross-national diversity manifests itself in institutional differences that can only be assessed once their capitalist character has been acknowledged (Bruff 2011, p.10). What Bruff calls the “historical accumulation of common sense sediments” will be skewed towards capital’s dependence on the market in different ways in different countries. This will in turn generate a series of assumptions about what the “needs” of the national economy are and how to achieve them. The variations that are observable across European countries are rooted in how the skewing of ideas, and thus practices and institutions towards capital’s dependence on the market manifests itself. ‘Facts of life’ will therefore be established differently in different places, placing institutions within the society they are a part of, and not separated from them. “Capitalist institutions are a historical force through the historical accumulation of common sense sediments that are embodied in the formalised rules, practices and conventions.”

In this framework, social and political conflicts centre on the “struggle of contending social groups and coalitions to render *their* conception of the world common sense and thus the basis for how humans in that society think and act.” (Bruff 2010 p.11)

5. Distinctive national trajectories of European political economies develop under the conditioning of the international

If our conceptions of the world are embodied in all social practice, then it must surely contain references to the ‘international’. Our conceptions of the ‘international’ are rooted in how the ‘international’ appears to us (Bruff 2010, p.13). Bruff has used this framework to show how the assumption of economic vulnerability goes a long way in explaining the legitimacy of wage restraint in the Netherlands (see Bruff 2008, p.91-113). As the world is intrinsically differentiated, then humans in a particular time and place are unlikely to understand it in all its complexity. Thus, how we make sense of such complexity leads to the development of assumptions about the ‘facts of life’. These common sense assumptions can then be traced to the national state’s institutional terrain.

Such a framework starts from the position we mentioned above that in all aspects of life common sense is the basis for how human beings make sense of the situation they find themselves in, and so there is no thought/action dichotomy. This is implicit in the whole body of neo-Gramscian literature, starting from Robert Cox's early writings, where he stresses that "theory is always *for* someone and *for* some purpose" (Cox 1981, p.87)

If practical activity implies a form of intellectual activity, it is clear that the function of what Gramsci calls *organic* intellectuals becomes crucial. Organic intellectuals are fundamentally linked to and thus part of social groups, and its role is crucial for the passage of common sense from its 'popular' origins to something of potentially lasting significance. It is they who enable ideas to become a material force and shape people's lives. Organic intellectuals give a sense of purpose to everyday conceptions of the world while also going beyond them. However, their ability to construct a synthesis is limited by the constant need to remain in touch with its group's version of common sense. For our purposes, trade unions and employers' organisations, as well as politicians, are considered 'organic intellectuals'.

The synthesis that organic intellectuals are able to construct can then be referred to as *ideology*, the conscious development of ideas and discourses that are reflected in certain material practices. A Gramscian approach views the state as "the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules" (Gramsci 1971, cited in Bieler and Morton 2006b, p.165), and thus common sense and ideology are clearly *part of* the state, because they are part of the mode of production. Gramsci understood the state not merely as the apparatus of government (what he called political society) operating within the public sphere, but also as part of private sphere through which hegemony functions (see Bieler and Morton 2006b, p.166). The state is thus conceived as a social relation through which capitalism manifests itself. For Gramsci, the struggle over hegemony is the struggle over intersubjective ideas in civil society. Therefore, it is through the relations between state and society that social classes establish hegemony. By developing a 'historical bloc', an integration of different class interests into a class alliance, hegemony is propagated within society "bringing about not only a unison of economic and political aims but also intellectual and moral unity...on a 'universal' plane (Gramsci 1971 cited in Bieler and Morton 2006a p.14). It is important to note that in order for hegemony to be attained, certain compromises need to be reached with the subordinate classes. Although hegemony is the project of the dominant social class, it is presented as "the motor force of a universal expansion, of a development of all the 'national' energies to become identified with the interests of subordinate social classes (Gramsci 1871 cited in Bieler and Morton 2006b p.484).

Entrare in Europa: *The new Utopia*

Turning to our object of study and in light of the theoretical framework we have just outlined, I aim to analyse here the goal of 'entering Europe', which has dominated the Italian political and public debate in the early to mid-1990s, as an inherently *political* project which was part of the European neoliberal project guided by the transnational fraction of capital, and in Italy was politically led by a specific state class that for the first time acquired state power. The European project since the mid-1980s has been analysed as fundamentally a *neoliberal* project which sought to find compromises with the two alternative projects that were being proposed at the time, the *neo-mercantilist* one and the *social democratic* one. The compromise, which was nevertheless highly skewed towards the neoliberal ideas, has been termed 'Embedded neoliberalism'. Its 'constitutionalisation' in the Maastricht treaty (and

subsequent ones) represents a success of the transnational fraction of capital, which was able to entrench into the European treaties its goals of market liberalisation (creating a European 'level playing field'), low inflation low deficit/debt, and welfare state retrenchment and thus project an essentially *negative* form of integration (i.e. the elimination of existing regulation in order to create a level playing field, instead of new positive regulative measures to create what Delors called a 'European organised space'). Stephen Gill has analysed the process of European integration as an example of 'new constitutionalism', the drive "to separate economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces and correspondingly less responsive to popular-democratic forces and processes (Gill, 1998, p.5). The 'Maastricht era' has thus formalised the ascendancy of financial capital, and this can be seen in the surge of FDI flows and stock across European countries, and the continued rise of financial capital both as a fraction of GDP and as a 'governance structure' of European firms and corporations (Van Apeldoorn and Horn 2007; see also Gallino 2005). '1993' and the – passive or active – consensus of labour were a necessary element of the hegemonic project of 'Embedded neoliberalism', and thus certain concessions were necessary on the part of capital and the state.

However, this was not an inevitable result. Turning to Italy, we can see that this outcome necessitated sacrifices and a radical change in the way the state had to be run. Adhering to the Maastricht criteria was for Italy a particularly difficult process. My argument is that in order to understand the Italian capitalist state and the significant process of transformation that it went through in the 1990s, one needs to take a more historical look at the mechanisms of power and hegemony in this country.

Capitalism, and liberalism as its accompanying ideology, historically did not acquire hegemonic status in Italy. Throughout Italy's historical development, the bourgeoisie has been weak both politically and ideologically. The process of independence in the mid 19th century was essentially led by the Piedmontese state class and a few industrialists in the north and the southern landowners (Gramsci 1972). The first years of independence of the new Italian state were thus marked by an astounding *lack* of legitimacy of the state. Its 'enemies' were many and powerful: the Church, the bourgeoisie and the peasants in the South, the workers in the north. The core of Gramsci's writing on the Italian unification focuses on the conservative nature of the Italian *Risorgimento*, in contrast to the French Revolution, and on the chance that the Italian bourgeoisie missed to forge an alliance with the peasants and the urban poor. Italian capitalist development was essentially state-led, as the bourgeoisie lacked political and ideological power.

Suffrage was extended only very slowly, and as Italy marched towards the 20th century and its mass political tendencies, 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 militancy) led to Fascism as the ruling class abandoned liberal methods and turned to a new social base for its support: the petty bourgeoisie.

After the Second World War, the DC essentially retained this base of support – what Gramsci calls a 'historic bloc' – mobilising it with reference to anti-communism, and this time with the unquestionable support of the Catholic Church, with the United States strongly backing it – both ideologically and financially. Capitalism – as an ideology, as a way of life, as a set of values – continued to lack a hegemonic status, as the population swiftly divided into two dominant subcultures, the Catholic one and the Marxist one. Capital was weak and had to base its support on the DC (*Democrazia Cristiana*), a very peculiar political party that was not totally receptive to capitalist needs. Since the end of World War Two, Italy had 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.

The need to use repression and fraud to maintain power and the use of the state to develop a base of support, rather than relying on a strong hegemony in civil society, in fact seem to be features of Italian ruling parties, as Gramsci argues (Gramsci 1971 p.227). In fact, its social support came from a series of groups, most of them petty bourgeois: the small commercial bourgeoisie – witness the very large number of small family-owned shops in Italy up to this day; the public employees which have been recruited largely thanks to clientelistic practices in the south and which owed their position to the party; the white-collar bourgeoisie – the professional cadres such as lawyers and doctors; the landowners in the countryside, organised in the powerful *Coldiretti*. This social base was supported through a series of means that were, from capital's perspective, inefficient: corruption, clientelistic practices in the South, a huge tax evasion (perhaps the single most important 'measure') that favoured the petty bourgeoisie.

This base of support made it impossible for the DC to develop – as was being done all across Western Europe – a 'Fordist' mode of regulation of the economy: measures to sustain the purchasing power of the working class, income policies, support for collective bargaining and a comprehensive welfare state. Trade unions were weak, and the Italian economic miracle of the 1950s and 1960s was based essentially on low wages and export, as the internal demand was still quite low. No form of concertation or social compromise was sought, and Italy appeared to be an exception among the Western European states in its lack of typically 'Fordist' policies. It can be said that the Italian state had a strong anti-fordist *bias*, which coincided with the interests of the dominant fraction of capital up to the mid-1960s. Until the 1960s, neither general measures of support for labour in collective bargaining nor comprehensive welfare-state measures were adopted. The net result was that workers' income lagged behind productivity growth, and the economic 'miracle' – guided by the classic 'Fordist' industries of the automobile cycle – was thus based mostly on exports rather than the expansion of national demand. That was the moment when, following the nationalisation of electric energy in the mid-1960s, the Fordist bloc of industries led by Fiat and Pirelli supplanted the electric and chemical monopolies as the dominant fraction of Italian capital (see Amyot 2004, p.17-22). However, this did not lead to what the Regulation school would call a Fordist 'mode of regulation'. (see Aglietta 1979)¹⁰ The reasons for the lack of such an outcome lie in the characteristics of the political regime; the DC's historic bloc was formed by self-employed or state employees and the petty bourgeoisie, who were hostile to the working class movement and felt threatened by a modernisation of the Italian state and economy.

From the mid-1960s to the late 1970s Italy witnessed a surge of political and union militancy, and this forced the Italian ruling class to allow for some reform. The 'hot autumn' of 1969, marked by a wave of worker militancy brought with it the adoption of the *Statuto dei Lavoratori* (1970), which granted a series of workers' rights, and wages started rising significantly. Moreover, the PSI (*Partito Socialista Italiano*) joined the government in 1963 inaugurating the era of the 'centre-left' governments. However, the socialists, after having pressed for the nationalisation of electric energy and thus having muted the most conservative sector of capital, gradually entrenched into the state apparatus and participated in the system of *lottizzazione* (the division of the state apparatus into different segments, each controlled by a party). Some fractions of capital (notably, ENI – the national gas company – under Enrico Mattei in the 1960s, and some of the large 'fordist' industries of the automobile cycle such as FIAT in the next decade, albeit ambiguously) were proposing a compromise with

¹⁰ 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.

the working class to create a sort of belated 'Fordist' mode of regulation – and eliminate the inefficiencies of the state. In the 1970s Gianni Agnelli, president of Fiat, began to speak of the possibility of an 'alliance of producers' with the working class, an argument that was well received by the mainstream working class movement and by the PCI. Large industries such as Fiat were thus aiming at eliminating the 'parasitic' elements in the Italian economy, which was also a goal of the unions, and in 1975, as a sign of good will, the automatic inflation-indexing mechanism (the *Scala Mobile*) was approved by the unions and the employers.

However, the progress towards Fordism was halted by the weight of the petty bourgeoisie, and also somewhat restrained by the fact that the period when it was envisaged was precisely the period when it entered into crisis in the other European countries, as Europe experienced years of monetary instability and a restructuring of the political economy. Then, as the political climate switched to the right in the early 1980s and new technologies and innovations made it possible to partly restructure the economy of the country towards post-fordist production processes – in which the Small and Medium enterprises were particularly strong – these projects were soon abandoned. The 1980s witnessed perhaps the high point of clientelism and corruption in Italy, with all the governing parties – now including permanently the PSI (*Partito Socialista Italiano*) of Bettino Craxi – receiving consistent kickbacks in exchange for contracts on public projects. A huge public deficit – which was also the consequence of the new macroeconomic climate inaugurated by the Volcker shock of 1979 – ensued. This further increased the public debt, which however seemed to be caused not by a high level of state expenditure – in fact, it is near the average for Western Europe – but by a failure to collect taxes, an important element for maintaining the DC's social base.

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, cited in Amyot 1995). This stems from the lack of direct capitalist hegemony that we underlined above. The distrust of the state and of the political parties – evidently manifested for instance by Berlusconi's party and the Northern League – on the part of large sectors of capital does not have institutional but *social* roots. The bias which was imparted on the Italian state apparatus by the DC regime is not the product of the independent history of political institutions and their links among each other, as the institutionalists suggest, but of the specific class structure of Italy and the general incapacity of capital to construct a solid hegemony in civil society. The state institutions owe their origins and power to the social forces in civil society that shaped them or in response to which they were created.

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, p.158).

This short historical background has been proposed in order to understand the particular conjuncture that the country was facing in the 1990s. In 1992 speculation on the Lira forced Italy outside the European Monetary System, and the *Tangentopoli* scandals led by the renowned 'judges of Milan' revealed to public opinion the extent of illegal financing and corruption that had characterised the relationship between business and the political parties. The DC and the PSI were eliminated from Italian political life within a few weeks' time. The costs of the system were increasing significantly, and the national debt was becoming a

serious burden for the country, also in light of the Maastricht criteria. The very high debt is the product of not only the general circumstances that produced similar debt problems in most other European countries, but are also related to the policies followed by the DC regime in building support.

Italy then entered a confused political phase, and in 1993 for the first time (former) communists joined the government as ministers in the new government led by Carlo Azeglio Ciampi, a technocrat from the Bank of Italy who later joined the centre-left coalition, and who prided himself in guiding a government 'above parties', thus essentially technocratic. The 1994 elections brought to power the first, short-lived, Berlusconi government, then followed by a technocratic government led by Dini and, in 1996, for the first time since the second world war, a Centre-Left coalition – with the post-communist PDS as the dominant party – won the elections, staying in government until 2001.

We can see that after the fall of the First republic and until the official adoption of the Euro in 1999, apart from the short-lived Berlusconi government of 1994, the governments were formed either by a centre-left coalition (1996-1999), by technocrats who later joined the centre-left (Ciampi in 1993-1994 and Dini in 1995-1996) or, in 1992-1993 by a political figure coming from the PSI which, albeit supported in Parliament by the traditional First Republic parties, soon acquired an independent status and a considerable power as Prime Minister – also because of the lack of legitimacy and weakness of the parties – and later joined the centre-left coalition, returning even to the position of Prime Minister again in 2000-2001.

Thus, we can see that the road towards Maastricht has been largely paved by a small technocratic elite and the centre-left, whose main party was the PDS (later DS), the former communists. As Dyson and Featherstone argue, it was a technocratic elite that dominated the domestic policy process on EMU, against the backdrop of a permissive consensus in favour of European integration. However, this technocratic elite was significantly supported by the Centre-Left coalitions and governments. Moreover, the technocrats were able to defeat the politicians' entrenched interests because their political project coincided with the interests of an ascendant fraction of capital. The overall goal of the policy was to maintain Italy at the heart of European integration and reduce the monetary asymmetry with Germany. Internally, the further entrenching of a tight monetary regime and market liberalisation has strengthened the power of transnational capital. The latter has also undermined the traditional patronage system of the *partitocrazia*. Incidentally, the soon-to-be president of the European Central Bank Mario Draghi was the minister of the Treasury in 1992 and a central figure in the negotiations of the monetary aspects of the Maastricht treaty (Dyson and Featherstone 1996 p.279).

My argument is that consensus in 1993 was achieved because of the emergence of a new political project whose aim was to modernise Italy, eliminate or reduce the 'inefficient' practices of the First Republic ruling class and project Italy towards the core of the European Union. This was done by using 'Europe' as an ideology, perhaps the last utopia for the former communists. The point is that labour accepted this 'unequal exchange' because this pact was part of a project of wider restructuring of the state with the aim of 'joining Europe'. The mobilising capacity of the idea of 'Europe' was thus the common feature that held together the social partners and the government in a period of 'national emergency' and of political uncertainty after the fall of the First Republic, and economic shocks caused by the speculation on the Lira. As Dyson and Featherstone argue, the small group of senior civil servants which drove the process of negotiation on EMU sidelined the ministers and created a situation of information asymmetry in favour of the technocrats, "which could in turn legitimate their policies by reference to 'Europe' " (Dyson And Featherstone 1996, p.277).¹¹

¹¹ It is also interesting to note that the Italian view of the foundations and design of the European monetary architecture was that drawn up by the Bank of Italy (see Dyson and Featherstone 1996).

It is thus interesting to understand the version of common sense that the three actors developed in order to find a common ground on the 'necessities' of the economy. While this paper is part of a wider project in which union representatives, representatives of the employers' organisation (Confindustria) and government officials will be interviewed, we can nevertheless propose a reading on the mobilising power of 'Europe', which however will need to find empirical confirmation in the interviews. It is only through interviews that we can understand through which versions of common sense the social partners were able to find consensus. The thrust of my argument that 'Europe' represented the 'last utopia' of the former communists, which were able to mobilise around their project large sectors of their traditional base in the working class and state employees, as well as financial capital and the sectors of industrial capital most committed to European integration, which pursued a strategy of transnationalisation, both of investments and of production. Let us analyse in some detail the position of the main actors.

Capital

Capital in Italy has traditionally, but increasingly since the 1970s, been divided in two loose camps: The Small and Medium enterprises, very strong in the so-called 'Third Italy' (Veneto, Emilia-Romagna, Central Italy – see Bagnasco 1977), which have always been an important part of the Italian economic structure, and which gained further prominence in the 1980s with their highly innovative post-fordist 'lean production' methods; Big Capital – known informally as the 'good salon' of Italian capital, usually led by Fiat (with Pirelli, Olivetti, the state sector around IRI and ENI) and with Confindustria, the employers' organisation, as their stronghold. The former tended since the 1980s to pursue a pure 'neoliberal' strategy, refusing to accept compromises with labour even in the factory and basing their success on innovative, niche export shares and devaluation of the Lira. The latter were ambiguous with regards to labour, but at times were willing to compromise. With regards to European integration, their position was more favourable, as a common currency would lower transaction costs, create a more stable macroeconomic climate and lock in their preferred economic policies (low inflation, cut of the deficit, elimination of inefficiencies).

Let us look at the transnationalisation of Italian capital. 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 p.83). Although capital that relies on export does not necessarily favour a fixed currency, for sure it is against a highly oscillating one, as the Lira was 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.¹² If one looks at the data on FDI stock, which is a better measure of transnationalisation than FDI flows – because it measures the actual consolidated interdependence between Italy and the rest of the world, rather than the yearly flows – this 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 (these data are drawn from Unctad.¹³).

¹² To this one could add the fact that 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) further strengthened the financial sector of the economy.

¹³ See: http://www.unctad.org/sections/dite/fdistat/docs/wid_cp_it_en.pdf ; accessed on 27 August 2011.

This created further interdependence between the Italian economy and the European one. One can thus see that the Italian economic system was increasingly dependent upon a stable and predictable environment vis-à-vis the European economies. Within Confindustria, the industrial employers' association, the 'good salon' has always sought to mobilise the Small and Medium enterprises 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 p.135)

Frieden (1991) has proposed a division of business interests on monetary policy, arguing that those involved in international transactions will favour a fixed exchange rate; exporters will want it fixed but low; international investors and bankers will want it fixed but high; domestic producers who compete with imports will want a cheap and floating currency; the non-tradable sector will want it high and are indifferent to its volatility. Based on this model, we can see that the increasing prominence of transnational capital has been a major force pushing for a fixed exchange rate.

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, giving 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'). 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 unwilling to tackle the interests of the petty bourgeoisie. In fact, it was precisely the latter that most feared some of the consequences of EMU such as the possible tightening of regulation, the enforcement of practices against favouritism, for a greater liberalisation and for the efficiency of tax collection, an end to the closed bidding lists for public contracts, and an end to many subsidies to industry.

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 also developed a broad strategic view of its problems, and has been at times prepared to cooperate with the unions. For instance, Agnelli in the mid-1970s proposed an 'alliance of producers' with the unions in order to reform the state, create sustainable welfare policies that would allow a more consensual factory environment and lower labour costs, and eliminate the 'parasitic' elements which were part of the anti-Fordist bias of the DC regime that we mentioned above. 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 was prepared to make concession to labour and hence 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, their consensus was part and parcel of the hegemonic project of 'embedded neoliberalism', which sought to lock in neoliberal policies at the European level.

Amyot argues that while the DC since the 1970s tried to "build and maintain bridges to the more dynamic elements of capital, led by Fiat and Pirelli, these never trusted it as it was so close to small industry and the petty bourgeoisie." (Amyot 2004, p.95). Moreover, the 'First

republic' parties' record on deficit was negative: from 1981 to 1993, public deficit was always higher than 10%, and the DC and PSI were afraid of losing electoral support by implementing reforms. As Amyot argues, the DC-PSI (and 3 other minor parties) governments of the late 1980s "were unable to choose any particular economic strategy, whether that of the *modernisers* or that of the *populists*, the proponents of cheap money and government largesse. It was indeed in the last months of the CAF (Craxi – Andreotti – Forlani, the 3 central political figures of the governing parties) period that Italy signed the Maastricht treaty ushering in EMU. However, the ministers who participated in the conference admitted that they considered the conditions for joining the monetary union impossible for Italy to fulfil" (Amyot 2004, p.170).

It can be argued that the large capitalist groups in the early to mid- 1990s increasingly turned to the centre-left as the guarantor of their long-term interests. The immobilism which the DC regime has manifested in the 1980s certainly did not look well to those sectors of capital who were pursuing a transnational strategy and who were increasingly fed up with the inefficient practices of the *partitocrazia*. Berlusconi, and its political party, *Forza Italia*, was an unmediated representative of capital, and aroused suspicions among sectors of the capitalist class that he might use his position to gain business advantage. Karl Marx, in *The Eighteenth Brumaire of Louis Bonaparte*, underlined that the bourgeoisie normally has difficulty in itself occupying the leading positions in government, as their personal economic interests in the end predominate over the general capitalist interest (Marx 1987). Moreover, his coalition had inherited the social base of the DC, with the post-fascist *Alleanza Nazionale* representing sectors of the population in the South and the Centre who were dependent on state spending, and the *Lega Nord* (Northern League) which built on the hostility to the state, to the political system and to taxes that the SMEs of the North manifested. Thus, it can be said that the centre-right coalition was electorally dependent not on big capital but on the self-employed and the small entrepreneurs, whose hostility to taxation and to the rigorous policies of the Bank of Italy (as well as to concertation with the unions) made them unsympathetic to the goal of EMU. This can be shown in Berlusconi's choice for the position of foreign minister in his government: Antonio Martino, a eurosceptic and a member of Margaret Thatcher's Bruges Group that was critical of further advances in European integration. Berlusconi, adopting a neoliberal policy – albeit one 'corrected' to fit his social base – explicitly promised not to raise taxes and this made it unlikely that his government would sustain a firm stance on meeting the Maastricht criteria.¹⁴ For instance, the Berlusconi government's budget was mainly targeted at welfare cuts and gaining revenues through amnesties for unpaid taxes (the single largest item in the budget) (Amyot 2004, p.161). Interestingly, the former Prime Minister Lamberto Dini, a former IMT official and general director of the Bank of Italy, decided, after having been a member of Berlusconi's government, to join the centre-left coalition in 1996 because its policies were more akin to his views.

The Centre-Left governments

The particular history of the Italian Communist Party and the Italian communist subculture provided the left-wing governments of the 1990s the versions of common sense that they were then able to mobilise in order to create consensus on the need to 'join Europe'. Several elements form part of this common sense.

¹⁴ Amyot (p.160) also points out that Berlusconi himself did not have much of an interest in furthering European integration, as his interests lied mainly in domestically-oriented sectors such as telecommunication, media and publishing. Also for this reason, he might have been more willing to appreciate the concerns of those capitalists who feared competition at the European level.

First of all, since the end of WW2 the PCI's leadership, headed by Palmiro Togliatti, refused the traditional idea of a revolutionary party, claiming that the party's role was not only to criticise but also to propose 'concrete solutions' to the country's problems (see Amyot 1981). This strategy, which may seem obvious, was in fact quite a break from the tradition of the Italian communists. For instance, it entailed a perception of capitalist crises not as chances for revolution, but as moments in which consensus needed to be found within the state. This tradition re-emerged in the late 1970s when, in the face of a mounting economic crisis and a possible entry of the PCI into the governing coalition (the *compromesso storico* - 'historic compromise' - which however never materialised), the PCI secretary Enrico Berlinguer even provided an ethical defence for austerity because of the need to face the country's dire economic situation. (Berlinguer 1977)

A second element is the PCI's apparently paradoxical sympathy for the economic liberals. This stance was also the result of the - also paradoxical - lack of a strong Marxist economics 'school' or consistent economic research within the PCI. Paggi and D'Angelillo (1986)'s thesis is that the PCI remained subordinate to the dominant *pre-Keynesian* liberal orthodoxy in economic thought. In Italy, because of the way capitalism has developed, the 'good salon' of Italian capital rarely adhered to the rules of the 'competitive market', preferring to rely on state support for financial aid, legislative measures (including help in reducing the work-force by granting baby-pensions) and monopoly profits. The links between large capital and the DC regime were several, and in fact some of the largest firms in the country were, before the privatisation season of the early 1990s, state-owned. The 'revolving doors' between politics and the state-owned firms meant that the appointment of the managers of the latter was essentially a political process involving all the governing parties, thus excluding systematically the PCI. The PCI's strategy was to propose a democratic and popular 'anti-monopoly coalition' campaign during the Cold War. The PCI's affinity with liberalism, as Amyot (2004, p.157-158) argues, goes beyond a simple tactical convergence. It is related to the intellectual prestige of liberal intellectuals, and to the wartime links with many of them, who fought in the resistance within the Action Party.

Moreover, alone in the European panorama, the PCI was not a *statist* party, as it had internalised a certain distrust of the state, equating it with the corrupt and paternalistic practices of the DC regime. Thus, in contrast to the other major leftist parties in Europe, the PCI was ideologically less attached to the idea of a 'strong' state, and was not a supporter of 'soft' money and deficit spending.

The power and the local electoral majorities that the PCI enjoyed in many of the regions of the 'Third Italy' also helped it to gain the consensus of many small family-owned firms that were highly competitive in the international market (particularly in Emilia-Romagna and Tuscany). The small enterprises were until the 1970s seen by the PCI as victims of monopolies. (Paggi and d'Angelillo 1986) Moreover, the PCI also tended to defend the Bank of Italy's autonomy from the government, not because it shared many of its policies, but because the Bank was perhaps the only institution that was not controlled by the DC. The PCI's critical stance towards what it perceived as the closed, oligarchic and potentially authoritarian character of capitalism in Italy made it sympathetic to Anglo-saxon democracies. The major progressive newspaper in Italy, *La Repubblica*, whose readers are mostly left-wing and former PCI voters, is owned by De Benedetti, which represents the Anglo-saxon trend in Italian capital (see above) and has a less confrontational attitude towards the unions.

Turning to our object of analysis, we can now better understand the PDS's position in the 1990s. The party was in favour of maintaining the welfare state, yet it was also committed to a 'responsible' and 'credible' stance towards the fiscal problems of the state. In fact, it can be argued that the party was the one more in sympathy with the objective for intellectual and

historical reasons. During the first phase of the Prodi government, when the harshest measures were launched, the centre-right even organised mass demonstrations to protest against higher taxes. Thus, the policies most conducive to the long-term sustainable domination of capital were implemented in Italy by the centre-left and former communists. Perhaps the centre-left governments of the 1990s in Italy can represent a useful example of Marx's notion of bonapartism, where the bourgeoisie cannot rule directly but relies on an alternative leadership – the PDS had no business interests of its own.

The Trade Unions

Perhaps the most difficult aspect to explain – and interviews would certainly help here – is the position of labour with regards to the 1993 'protocol' and the following season of reforms, particularly the position of the CGIL, the traditionally communist and largest trade unions confederation. The union movement in Italy had been weak and divided ideologically until the 'hot autumn' of 1969, after which it managed to gain power and legitimacy, as salaries rose and some welfare state policies were adopted. However, the weakening of the economy in the 1970s and the restructuring of industry initiated a capitalist offensive against the unions, culminating in the symbolic defeat of the Fiat strike in 1980. In the 1980s, the unions were isolated and witnessed modifications in the inflation-protecting mechanism (the *Scala Mobile*, created in 1975) which favoured the employers, and which divided the labour movement (in 1984, the federation between the three unions broke down). However, even if weakened by the rise of the service sector and the turn to post-fordist technologies, the unions retained their bastions in the core of the industrial labour force. When the *Tangentopoli* revolution set in, the unions improved their public image and legitimacy as one of the few state institutions left unscathed by the scandals.

It can be argued that the possibility to negotiate with the employers' organisation and the state on macroeconomic policy and welfare state reform (it was the first time in post-war history) played a key role. Moreover, the centre-left's political project of eliminating or diminishing the inefficiencies of the state, fighting tax evasion and providing shared goals of macroeconomic policy-making (as highlighted in the 1993 protocol) had a certain appeal upon the labour movement, as it broke with its isolation and with the informal rules that had governed industrial relations in the past. The organisational and institutional benefits that accrued to labour we have described above also played an important role. Moreover, the idea of reversing some of the policies that had traditionally benefited the DC's 'historic bloc' was applauded. The Italian fiscal system had systematically favoured the petty bourgeoisie at the expense of dependent labour and state employees, and the unions caught this opportunity to ally with the centre-left in order to avoid having to bear the major costs in the fiscal consolidation programme (see also Fargion 2001). This strategy was a success, as (see above) the main victims of the budget consolidation of the 1990s were the petty bourgeoisie (the self-employed and small entrepreneurs). However, I believe that the main mobilising element was the ideological appeal of 'Europe', which at that time had a social-democratic flavour, with Delors as president of the European Commission. The Italian unions, and the Left saw the new phase of European integration as a good chance to 'modernise' the country by reforming the inefficiencies and inequities of the state, and were partly seduced by Delors' idea of a future political Europe as an 'organised space', where Euro-corporatism would find a place within the EU architecture.

The politics of Maastricht

The massive effort to solve the debt problem since 1992 has involved several harsh measures. These measures have for the first time been directed significantly against the social base of the DC regime, the petty bourgeoisie. The unions have thus generally accepted the operations of fiscal consolidation, as the workers were not particularly targeted – in contrast to other European experiences. The causes of the debt problem, as is perhaps clear from the above, are not only in factors that affected all the major industrialised countries (ageing, unemployment, industrial restructuring, higher interest rates) but derive mainly from the policies aimed at maintaining the support of the DC (and PSI) 's social base: the expansion of public employment; the use of (fake) disability pensions in the South as a disguised unemployment benefit; the baby-pensions that helped firms restructure in the 1980s without shedding labour; the widespread corruption and bribery which characterised the state procurement system. However, the problem was more on the revenue side than on the expenditure side – the expenditures of the Italian state are in line with the European average (see Amyot 2004, ch.8). Here the single major factor was the inability (or unwillingness) of the state to collect taxes among the self-employed and the small entrepreneurs, tolerating tax evasion as a way of maintaining consent. The centre-right governments of the 1990s and 2000s have manifested a similar attitude.

The experience of the speculation of 1992¹⁵, which forced the Lira out of the EMS, as well as the Tangentopoli scandals, provided the government with ample political resources to fight the debt. The major efforts at debt reduction, focusing on both cuts (albeit temporary) and increases in taxes were those of the Amato (1992-1993), Ciampi (1993-1994) and Prodi (1996-2001) governments. Significantly, the self-employed were singled out for extra tax increases, a policy justified by the fiscal privileges they had hitherto enjoyed. Ciampi's budget policies were supported in parliament by the centre-left coalition. However, it was arguably the centre-left government (1996-2001) that showed greater consistency in meeting the criteria. With Ciampi as treasury minister, the Prodi government took drastic action (the first budget consisted of 80 trillion Lira, with 33 trillion in new taxes) to enter EMU, being careful not to touch the interests of its constituency too harshly.

Conclusion: 'Europe' as nodal point

'1993' can be understood when placed in the context of a political project that was being developed by a series of actors and social forces. On the part of capital, the increasing internationalisation of the Italian economy, spurred by the elimination of exchange controls in 1990 and the buying of government debt by foreigners coincided with a greater transnationalisation of Italian (see above). This changed the 'material basis' of common sense for capital, as it had more of an 'exit' option, and thus capital became more and more critical of the debt problem linked with the bias in the state implanted by the DC regime. While there were resistances in the SMEs and domestic-oriented industries, big capital's hegemony over *Confindustria* managed to create consensus on the need to restructure some aspects of the national political economy in order to eliminate inefficiencies and 'parasitism'.

The early 1990s witnessed the *Tangentopoli* revolution, after which there were a series of governments led by technocrats and the centre-left. The latter, for the first time in government in post-war history, were able to make reference to their ideological and historical tradition in order to propose a modernisation of the Italian state which relied on an attack on the DC's traditional clientele, a more equitable fiscal regime and the joining of the 'core' European countries, thus reconnecting to common sense perceptions of a virtuous Europe against an inefficient and backward-looking 'Mediterranean Italy' (as the

¹⁵ Even here perhaps we can see the rise of the power of financial capital in creating the conditions for the imposing of an economic 'straightjacket' for states.

Eurobarometer surveys continue to show). Given the strong support for European integration, the Italian representatives in 1992 believed that it was impossible not to sign the Maastricht treaty – forgetting for a moment what the respect of those criteria would mean for their own domestic political support – fearing of having to admit that Italy would not be part of ‘Europe’. As this was a truly fundamental phase in which a new hegemony was being built, the consensus of the trade unions was considered essential. Here we can see the long-sightedness of the technocratic and centre-left governments of the period, which considered it important to bet on a moderate yet strong union movement, instead of a divided yet potentially troubling and unintegrated one.

The unions took this opportunity to finally enter the state’s institutional terrain, and were able to be co-opted into this political project due to their hope of creating a ‘producers’ alliance’ which arched back to the failed attempt of the 1970s to create a belated ‘Fordist’ mode of regulation. It was able to maintain part of its strength by institutionalising the informal rules that had hitherto regulated the industrial relations system, and profit from the lack of legitimacy of the political parties by acquiring the status of organisations that acted in the ‘national interest’.

Crucial in all these ideological positions was the idea of ‘Europe’ that meant different things for different social forces but, crucially, for all it meant a chance to overcome what were perceived as some of the deep-rooted ‘problems’ of the Italian political economy.

The concept of ‘Europe’ was crucial in mobilising support from all sectors of the Italian political system. The inefficiencies and biases of the Italian state that have been described above have created a public opinion which – for different reasons according to its class and ideology – is highly distrustful of the Italian state, equating it with corrupt and clientelistic practices. ‘Europe’ has thus been the ‘external constraint’ that would have forced Italy to become a ‘normal country’ (incidentally, this was the title of a book by PDS secretary and Prime Minister Massimo D’Alema). Dyson and Featherstone show how the EU-level was used by a technocratic elite in order to promote a series of goals: shift domestic policy towards disinflation; justify the measures to induce greater wage and price flexibility; use the introduction of freedom of movement of capital after 1990 to press ahead with market-oriented adjustment (Dyson and Featherstone, p.291-294).¹⁶ It can thus be argued that the goals, with regards to both the effects of the Maastricht criteria on the domestic economic climate and the rules set in stone for European monetary integration, were in line with how the political and technocratic elite perceived the long-term interests of capital.

For transnationalising capital, ‘Europe’ meant creating an ‘external constraint’ which would circumscribe the potential strength of the unions and of the working class and overcome its resistance. It would also create an economic ‘straightjacket’, forcing Italy to adopt some of its preferred policies and thus creating a stable economic environment for it to continue with its transnationalising trends in Europe and beyond (through the creation of a true ‘level playing field’ within Europe). This strategy was in line with Gill’s notion of ‘new constitutionalism’ (see above), as it aimed at bracketing off economic and social policy from democratic control. For the technocrats, ‘Europe’ was a chance to overcome the problems linked with the Italian *partitocrazia* and *lottizzazione* that had entrenched the political parties’ power over the whole Italian state apparatus. For the left-wing parties (and notably, the PDS), ‘Europe’ was a symbol of progress and modernity for a country that the former communists perceived as dominated by a backward-looking ruling class linked with the petty bourgeoisie, which had potentially authoritarian tendencies and was unwilling to renounce to

¹⁶ “The nature of the Italian state led to the perception that (...) reform would be much more difficult to achieve by domestic actors acting alone. Here history offered a lesson internalized by the technocratic elite. Their memory was of how during the 1970s currency instability, high inflation and fiscal profligacy had accompanied a weak ‘vincolo esterno’. By contrast, EC obligations since the onset of the EMS in 1979 were seen as enhancing Italy’s international competitiveness.” (Dyson and Featherstone 1996, p.295)

its privileges. The PCI had, starting from the late 1970s, seen in European integration and thus the shifting of policy competences to the European level, a way of weakening the DC's hold on the state apparatus. The PCI's tradition – which we briefly outlined above – played a key role. In a moment in which not only communism was eliminated from the political horizon in Europe, but also social democracy as an ideology was weakening, 'Europe' represented an important ideological reference point for the Left in Italy. For labour, 'Europe' stood for a corporatist tradition that was largely lacking in Italy, and at that particular conjuncture, also for a possible 'social-democratic' vision that was being proposed by the president of the European Commission Jacques Delors.

Bieler and Morton, also working from a neo-Gramscian perspective, argue – citing the Marxist scholar Nicos Poulantzas – 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. (...) Yet, lest the meaning of this phrase is misunderstood, it should be made clear that relative autonomy *does not* mean a distancing from the social relations of production but solely that the state experiences a relative autonomy vis-à-vis the classes and fractions of classes that support it. (...) 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.

Thus, it can be argued that the Italian technocratic elite and 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. For sure, capital was transnationalising and large sectors of the capitalist class were in favour of joining EMU in the first group, but Confindustria and many capitalists in fact at times criticised the 'Jacobinism' with which the governments wanted to reach this goal even at the cost of high taxes and a depressed economic climate. In the face of the division of capital over the issue, 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.

The aim of this paper was to analyse the reform season of the early and mid-1990s in Italy, and particularly the 1993 'Ciampi' protocol as an 'unequal exchange' between capital and labour. After having reviewed the literature and presented an alternative approach for thinking about consensus formation in European national political economies, some hypotheses have been advanced on the ideological elements that mobilised the social partners around the need to 'join Europe'. This paper is intended as a reflection on how hegemony and common sense was produced in Italy, a country that had hitherto experienced a conflictual political system and industrial relations practices. However, a fine-grained empirical analysis of the versions of common sense through which the 'organic intellectuals' (the trade unions and employers' organisation) understood the consensus and thus the 'necessities' of the Italian economic system needs to be carried out through interviews in order to reach any solid conclusion.

These are tentative hypotheses that will need to be confirmed, but nevertheless represent some useful starting point for understanding how the objective of joining the core of Europe and thus entering in the Maastricht 'straightjacket' was a reference point for 'organic intellectuals' of various social forces. Like any hegemony – as Gramsci reminds us – the one set in stone by the Maastricht criteria was guided by a 'fundamental social class', in this case transnational capital. However, and I hope this paper has shed some light on this aspect, this social force had to find a compromise not only at the European level but also at the national level in order for it to develop a truly hegemonic project. Whether this project was able to maintain its hegemony over subordinate classes is an open question, but at the moment it is doubtful that 'Europe' can become an ideological reference point in the same

way that it was in the early 1990s, and it seems that the political 'space' can be opened for the emergence of new political agendas and projects at the national or European levels.

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