THE POLITICS OF PUBLIC ENTERPRISE IN ITALY.  
A COMPARISON BETWEEN THE 1930s AND THE 1950s.

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DEGREE OF DOCTOR OF PHILOSOPHY  
UNIVERSITY OF EDINBURGH  
1984
I declare that the thesis has been composed by myself and that the work is my own.
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ABSTRACT

This thesis analyses the genesis and development of public enterprise in Italy in the period 1930-1960. The work is intended as a case-study of the relationships between state and civil society in a capitalist country. At the same time, the thesis aims at contributing to an understanding of some aspects of the Italian political system, by comparing the fascist period with the postwar liberal-democratic one. Special emphasis is laid on the behaviour of political and administrative elites and on the role of political society in a context, it is argued, like the Italian one where civil society is weak and poorly organized and societal interests are not strong and integrated enough to take on the task of directing the process of economic growth and political development.

After summarizing the Italian pattern of state/economy relationships since the unification of the country in the 1860s, the thesis examines the formation of publicly-controlled enterprise in the early 1930s through the establishment of the Istituto per la Ricostruzione Industriale. By analysing the policies carried out by IRI and the objectives pursued by its management it is shown how public enterprise in the 1930s was politicized only to a remarkably limited extent and how it remained largely impermeable to the fascist regime's totalitarian claims. It is argued that the relationships between fascist regime and dominant economic interests and the power dynamics of the regime itself insulated state-controlled firms from the political
system, in particular from the Fascist Party and the bureaucracy of the Corporations.

This pattern is contrasted with the development of state-controlled enterprise in the 1950s and early 1960s. In this period public enterprise was heavily politicized to the extent that a section of the governing political class saw it as a key instrument to widen its power and its hold upon civil society and to increase its autonomy from traditional supporting forces. The thesis examines how this change was brought about and what were its consequences both for the management of public firms and the working of the political system.

By comparing the two periods and patterns of relationships it is concluded that, contrary to what could be expected, the boundaries separating state and civil society - at least as far as the economic system is concerned - remained better defined in the authoritarian-fascist policy than in the liberal-democratic one. In fact, while during fascism both private and public firms retained their autonomy of decision and freedom of action and constituted as many enclaves within the formal structure of the corporatist state, in the postwar period the political class succeeded in bringing under its influence some crucial sectors of the economic system, therefore penetrating into vital areas of civil society itself.
ACKNOWLEDGEMENTS

This study would not have been possible without the kind assistance of many people. My special and first thanks go to Professor Gianfranco Poggi for his supervision and guidance. I am also grateful to Professor Tom Burns of the Department of Sociology of the University of Edinburgh for his comments and criticism on the synopsis of the thesis and on earlier drafts of the first three chapters.

I am particularly thankful to Luisa. With great generosity she has devoted time and energy to the discussion of the project and on many occasions she has contributed to carry it out. What has been more important for me, she has always given encouragement and moral support.

Many thanks to Mrs. Sheila Wallace for her excellent job of typing the thesis. In addition, I am grateful to all the staff of the University of Edinburgh, particularly to Miss Violet Laidlaw, for their help and assistance.

August, 1984

M.M.
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INTRODUCTION

The role of the state in the development process of nearly all capitalist economies is by now widely recognized. Economic historians and social scientists largely agree that even in the heyday of economic liberalism state intervention played an important part in the growth of the capitalist countries, although, of course, with marked differences according to the particular conditions of each nation, its relative level of development, its place in the world economy, etc. The only notable - and partial - exception being Britain, where a laissez-faire policy was most nearly carried out at least until the 'great depression' started in the 1870s. (1)

In all capitalist countries the state has always, at a minimum, played a facilitative role to the economic system. This was also the role of the state envisaged in classical economic theory. The state provided the basic conditions for the accumulation and the reproduction of capital, the framework that enabled the economic system to work: a common currency and a system of weights and measures, a body of property and commercial laws, a set of trade and competition rules, various transport, communication and administration facilities, etc.

Thus, even the doctrine of laissez-faire, breaking away from the mercantilism of a previous era and entrusting the creation of collective prosperity to the action of self-regulating individuals pursuing their own private interests, required the state to establish a stable legal
framework in which contracts were enforced, so that private business relationships could be effective. And this was not a little or unimportant matter at all. But in fact the role of the state was much greater even during the era of market capitalism and liberal individualism. Suffice it to mention the importance of the social fixed capital, the infrastructures, that allowed private business to flourish and that were largely dependent on public expenditure. The lines between publicly-sponsored enterprise and pure private sector were rather unclear and blurred. The state continued to behave partly in mercantilist fashion.

In the last quarter of the nineteenth century the state came progressively to abandon its non-interventionist posture and shifted openly to a more supportive role. This general trend - detectable in all European countries - can be explained in terms of the new problems, difficulties and challenges that the ruling bourgeoisie had to face at that time: the post 1873 economic depression with the related slowing down of world trade, the increased international competition among industrialized (or rapidly industrializing, as the United States after the Civil War) countries, the first signs of the rising imperialism and political aggressiveness of the continental powers, the growing strength of the labour movement. (2)

In the wake of these new external and domestic conditions some important changes came about that, in the end, deeply modified the character of the European capitalist societies and the international scene. This was the time of a
return to protectionist policies even by strongly pro
free-trade countries, the increase of industry's monopolistic
concentration, the rediscovery and revitalization on a
large scale of power politics, the concession of the civil
and social rights of citizenship to growing sectors of the
population. On the whole, to meet all these challenges
it was necessary to alter and enlarge the role of the
state and of public intervention, updating its ideology
as well, in order to foster capitalist accumulation, back
politically its expansion, and ensure a minimum level of
viable social consensus.

Therefore, in the last quarter of the century deep
changes took place in the relations between state and civil
society, which began to erode the clear-cut distinction
between the two spheres at the basis of the model of liberal-
democratic and constitutional state of the nineteenth century.
The golden age of liberal-entrepreneurial capitalism, with
its stress on individualism and self-reliance, was coming
to an end and opening an entirely new field for state
intervention into the working of civil society.

The new relationships between state and society, still
in embryo at the turn of the century and in its first decade,
would fully ripen and consolidate only in the period between
the two world wars, following the economic crisis of the
1930s and the subsequent establishment of a managed capitalism.
Virtually in all capitalist countries the depression led to
a growing state involvement in the working of the economic
system. The responsibilities of the state widened sub-
stantially: through the new techniques of demand management
and an extensive use of its financial resources the state began to regulate the business cycle; at the same time, the state considerably increased both its support of and its control over the activity of private economic actors. As a consequence, the state/society divide was further eroded and the interplay between state and economic system became an established feature of contemporary capitalism.

The state prerogatives and responsibilities vis-a-vis the economic system which were established during the 1930s have consolidated and, in some respects, even increased in the years following World War II. In some countries (France is the most notorious example) new and more sophisticated forms of state intervention have been devised to achieve the desired goals of constant economic growth and high levels of employment. Broadly speaking, and allowing for all the national differences and peculiarities, in the post-war period Western capitalism has been marked by an extensive and ramified involvement of the state in the working of the economy.

Among the different types of public intervention into the economy the ownership and management of firms by the state has historically been one of the latest to emerge.

The first state-owned or state-controlled enterprises were either 'natural' monopolies (railroads, public utilities and the like) or, less importantly, 'fiscal' monopolies (salt, tobacco, alcohol, etc.). The economic crisis of the inter-war period was again the crucial factor that forced the state, in some cases reluctantly, to turn entrepreneur. It was by rescuing nearly-bankrupt private firms
and banks that in several countries public enterprise was first established and became a permanent feature of the economic landscape (Italy is the most important case in point). In some countries the public sector of the economy was further and substantially enlarged in the aftermath of the Second World War through extensive nationalizations (Great Britain and France) and the confiscations of German or collaborators' property (Austria and France). Finally, in the three decades following the war public enterprise, often piecemeal and outside any comprehensive strategy (industrial or political), has been progressively growing in most European countries for a variety of reasons, ranging from the political necessity of rescuing ailing firms and declining industries to ideological motives and national pride. In most industrialized capitalist countries - and in all developing ones - state-owned or state-controlled enterprise occupies by now a significant place in the economic system. (3)

Italian public enterprise is part of this broader picture, characterized by the progressive growth of the contemporary 'mixed economies'. The Italian case is by no means unique and should be examined in the light of these general tendencies. Nevertheless, as we shall try to show, the origins and the subsequent development of direct state intervention in the economy, present some peculiar features which set Italy apart from other European countries.

In the following chapters we analyse the genesis and development of public enterprise in Italy in the period 1930-1960. By focusing on public enterprise we want to
highlight some features of state intervention in the Italian economy and some of its consequences for both the economic and the political system. Our work, therefore, is concerned with one aspect of state intervention in a specific national context. As such, it attempts to characterize the peculiarities of the Italian case and it emphasizes the specific conditions and factors which have shaped state presence and behaviour in the country's economy.

At the same time, the analysis of Italian public enterprise is intended, more generally, as a case-study of the relationships between state and civil society in a capitalist country. Our main interest is the interplay of the political system and the societal interests in patterning state policies: how political and social actors use the different resources at their disposal to determine scope and goals of public action, to define state prerogatives, and to draw the boundaries between state and civil society.

The study is based upon a comparison of the 1930s and the 1950s. By contrasting the events which took place in the two periods we hope to clarify some aspects of the relationships between state and society in Italy, of the changing balance between public and private power, in passing from a fascist-authoritarian to a liberal-democratic political regime. From this point of view, the history of Italian public enterprise offers the chance to analyse the behaviour of different collective actors in response to a changing set of opportunities and constraints. The different modalities of state involvement in the economy
point to, and are largely explained by the different character of the two political regimes and the different distribution of resources among collective actors.
Notes to the Introduction


CHAPTER 1

STATE AND ECONOMIC DEVELOPMENT, 1870s-1920s

As has been suggested in the Introduction, in the last quarter of the nineteenth century growing public expenditure and increasing state intervention were phenomena of European dimension, grounded in common and interdependent structural problems. But in Italy, as in other relatively backward and late-coming countries, such as pre-revolutionary Russia and post-Meiji Japan, which were beginning to industrialize at that moment, the state ended by performing a decisively crucial part in the establishment of a modern industrial system. (1)

In the Italian context, since the country had to face up to constraints imposed by the presence of some well-established industrial powers, the role of the state in fostering and sustaining industrial take-off could not be simply limited to the carrying out of a protectionist policy, after a short spell of economic liberism. Nor could Italy hope to look for a solution to her development problems in economic and political imperialism, since she lacked the economic and military resources required. Under these conditions, the action of the state could not mean simply a policy of custom-tariffs and protection of the domestic market, even if of course these measures were taken under pressure from the strongest economic groups. It consisted in a wide complex of political and economic measures, with the aims of improving the flow of investment capital towards the industrial sector, providing more
up-to-date technology, strengthening the productive apparatus, widening the war potential and the tools of colonial expansion.

As a late-comer to industrialization, Italy found herself in the position of having to set rapidly in motion a process of development and to fill the gap separating her from the other competitors, at the same time complying with the rules of the game set by them. With these problems and challenges before it, the role of the state turned out to be decisive for the country's economic expansion and advancement, in a combination of facilitation and support that cut across the analytical distinction between the two forms of intervention. The specificity of the situation led also to the setting up of a whole array of new institutional instruments to cope with the unprecedented task of industrializing the country, that would in the end shape the landscape of Italian capitalism up to the present time. (2)

The first forms of state intervention

Up to the middle of the 1860s the dominant economic interests - the Northern agrarian and commercial groups - maintained a strongly liberistic, anti-interventist, outlook, even at the expense of other sectors of the ruling class, that saw their interests negatively affected by this kind of economic policy. And they held this view since they were able to manage successfully their private business without any direct involvement by the state, being able to look after their own interests by themselves. The culture itself, the ideology, of these aristocratic and
bourgeois circles heavily stressed self-reliance and private enterprise and was characterized by an attitude clearly adverse to any decisive public interference. (3) Besides, the relatively small scale of the economic activities typical of this first stage of the Italian industrialization process, and their prevalently agricultural-commercial character, did not require any particular intervention by the institutions of the liberal state. The provision by the state of a legal framework still met adequately the fundamental exigencies of the country's dominant economic interests. The problems to be faced did not yet call for a direct mobilization of resources by the public hand.

Under limited suffrage the social overlap and homogeneity between political class and electorate, between representatives and represented, their being drawn from the same narrow social strata, (4) all this made sure that the political demands of the leading economic interests found an easy and ready acceptance in the government's policies.

At that time the most urgent problems the liberal political class had to deal with were those of nation-building and state-building: the establishment of an administrative bureaucracy and of a national army, the enforcement of a unified law and fiscal system, the setting up of a national representative structure, the integration of the population into the body of the new state. Against this background, the overriding economic problem was that of balancing the budget, of improving the disastrous condition of public finances impoverished by the expenses
for the wars of national unification, and certainly not that of industrializing the country.

Furthermore, even within the ruling elite itself not all quarters were consistently in favour of the capitalist-industrial development of the country, fearing that such a process could disrupt the traditional social relations characteristic of an economy still mainly based on agriculture and gave rise to a process of mass mobilization with unforeseeable consequences. A widespread 'fear of the factory' induced these groups to opt for a more balanced and gradual process of economic growth which improved the conditions of the country while avoiding dramatic changes and sustaining the integration of the social structure.(5)

In fact, even if the representatives of the Historical Right (the conservative government coalition that led the country until 1876) had a very strong and precise sense of the state as the unifying factor of a rather weak civil society, its role was chiefly seen as administrative and bureaucratic rather as that of propelling the economic system. The ideal was still much that of the early nineteenth century state.

The first modest signs of an inversion of this rigorously liberistic policy began to appear after the economic crisis of 1866, especially in concomitance with the consolidation of the first nuclei of industrial firms oriented towards protectionism and in search of financial support. State intervention began to be thought of in more favourable terms, above all in relation to a possible nationalization
of the railways and to the planned concentration into a single bank of the issue of paper money. But, as can be seen, we are still far from a large scale mobilization of means and resources through state action: the role of the state in the workings of the economic system had still a very limited scope and was confined to well circumscribed issues.

Indeed, it was only with the coming to power of the Left, in the completely changed climate engendered by the great economic depression started in the early 1870s, that new trends in the relationships between state, business interests, and problems of industrial development began to assert themselves. The industrialization-oriented policy of the governments of the Left and the rising importance of the capitalist groups linked with industrial concern stimulated a process of mutual reinforcement. The outcome turned out to be a more direct involvement of the state in the economic affairs of the country.

Starting from the early 1880s, through a policy of deficit spending and 'easy money' the state largely helped in supporting the growth of the heavy and railway industries, in this way making new opportunities available also to the engineering and mechanical sector. Generally speaking, the policy of expansion of public expenditure was intended to offset the deflationary consequences of the international economic crisis and to sustain a weak market demand. To be sure, the overcoming of the rigid criterion of a balanced budget gave a remarkable push to the process of industrialization and economic growth, but at the same time inevitably
brought about what, in contemporary language, could be called a fiscal crisis of the state.

Industrial protectionism and the deficit spending policy of the last quarter of the century on the whole, point out the new trends in the role of the state and the changed constellation of economic interests that was becoming predominant within the ruling classes. Even though the measures taken by the government in favour of the economy gave a sizeable stimulus to the growth of the industrial sector, spurring the modernization and the strengthening of the productive apparatus, this policy lacked any internal consistency and did not manifest any clear intention of organizing the actions of the different private groups around a more purposeful strategy. The priorities of public expenditure were actually set by the most urgent claims and exigencies of the most powerful interest coalitions, rather than by a purposefully designed industrial policy. Since the very beginning the massive intervention of the state had a particularistic and fragmentary character.

In this sense, during the last years of the century, the state turned out to be particularly ineffective in unifying and organizing the various, and often conflicting, interests of the ruling bourgeoisie, and thus in performing what is regarded by some students of the subject as the key function of the state in a capitalist society (or by the capitalist state tout court). From this point of view it seems that in Russia and in Japan, to take two countries with similar problems of development, the state did manage to aggregate and unify the heterogenous demands
of the dominant interests into a more consistent economic and political strategy.

Along with this pattern of intervention, it was just at this time that the prevailing economic forces began to penetrate into the state and to establish an intimate relationship with its apparatuses. But not, as was the case under the governments of the Right, as a class, rather as particular interests with specific demands. In the times of the Right the ruling class was the state, since the governing elite was strongly rooted in and identified with the civil society's structures of actual power: political and economic power were concentrated in the same social group, with a high degree of cohesion and integration.

With the Left, and especially after the extension of the electoral suffrage in 1882, the above relationship of organic representation failed and a new political class made up mainly of professionals (mainly lawyers) took over. A process of professionalization of the political activity began strengthening a more modern system of electoral representation. By virtue of these changes, between dominant economic interests on the one hand and political personnel on the other hand, there developed a separation that in turn led to a more dynamic reciprocal relationship more firmly based upon the rules of the political market. This opened the way to the activity of the lobbies, to pressure politics. In the new context some capitalistic circles managed very soon to establish a privileged link with government power, since the Left took over thanks to the support of economic groups which had the state as their
main customer and looked with apprehension at the restrictive economic policy of the Right. (9)

Summing up, the huge state intervention in the economic life of the last decades of nineteenth century did not mean a real capacity of direction of the process of development, of unification of civil society's contradictory forces. Given the strength of the sectional interests and the poor cohesion of the ruling class - riven by economic, social, and cultural cleavages - state action turned into a practice of random support for specific interests, which strengthened parasitical positions and deferred the solution of the general problems that affected the country and its economic system. The features here rapidly sketched out were to pattern to a large extent the relationships between politics and economy and will characterize the whole history of public intervention, notwithstanding the deep changes that were to occur in the over-all social and political situation of the country. The foundations were laid in these years of the end of the century.

A significant episode can illustrate what has been said about the pattern of state intervention and suggest some further considerations.

In March 1884 the Società Altiforni Fonderie Acciaierie di Terni, the country's biggest iron and steel works, was established. (10) The event is important among other reasons, because it highlights the pattern of relationships among state, industrial bourgeoisie, and process of economic growth. It can be considered as a paradigmatic example of the way the government made possible and backed private enterprise.
at the very outset of Italy's economic take-off.

The Terni steel works were not set up directly by the state - as it is sometimes held. They were actually established by a group of industrialists and financiers as a private undertaking; but the role of the state was absolutely crucial in the whole business. In fact, for the establishment of the concern the state provided a direct and sizeable financial contribution without any interest charges and without guarantees, while ensuring a considerable flow of public orders at special prices (mainly from the Ministry of the Navy) which would make the entire enterprise feasible and profitable. Not to speak of the customs-tariff raised on purpose to protect domestic steel output from the competition of foreign cheaper and technologically more advanced production.

Without the essential support by the public hand, the Terni steel works would not have been created, since the required capital was not available in the market and the dimensions of the domestic market made the absorption of the output difficult. Nonetheless, the undertaking remained an essentially private business, set in motion by private investors and run by them without any substantial state control or interference. Furthermore, the state explicitly rejected the alternative put forward from more radical quarters, of setting up an entirely public enterprise to supply steel products to the national economy, preferring to entrust the task to a private initiative. Subsidies, special prices, and orders by public agencies in effect remained always a vital element for the iron and steel
industry, enabling it to offset the very high costs of the plants.

This kind of state support was particularly important in yet another field, that of shipbuilding and shipping. The former sector in particular, managed to survive, expand and make large profits only because of the state subsidies and orders: it has been estimated that by 1914 the funds appropriated for the navy and the national shipyards reached 140 million lire. On the whole, the way in which the state intervened points to a pattern of public support and private control. The times were not yet ripe for the direct involvement of the state in the management of industrial firms, while also the economic and political orthodoxy still confined its role mainly to the provision of the external conditions for the accumulation and reproduction of capital: the state had not yet taken charge of the activities of civil society.

The above pattern of relationships between the emergent big industrial bourgeoisie and the state is a characteristic feature of all Italian economic history and it is grounded in precise structural conditions. The weakness of the industrial bourgeoisie, the narrowness of the fragmentation of the domestic market, the backwardness of technological know-how, the lack of investment capital and of basic raw materials, not to mention the scantiness of some more general prerequisites for the process of (development education, efficient administrative system, active entrepreneurship etc.), all this called for an industrial development widely facilitated, supported and guaranteed by the action of the
state. In these circumstances the state in Italy ended up playing a **paternalist** role toward civil society in general and the economic system in particular.

In its turn, this kind of relationship between economic and political system points to the convergence between the respective interests of the more established business circles, the Left political class, and the military-expansionist interest groups within the government. As a consequence of state intervention, in fact, a powerful coalition of interests crystallized in the shadow of the protectionist policy and the programmes of subsidies: military and colonial expansionism, the demand for new ships for the emigration toward the United States and Latin America, etc., fostered a convergence of interests between heavy industry (iron and steel, shipbuilding), banks, and political circles. The origins of Italian industrial capitalism are inextricably tied up with the birth of a military-industrial complex.

It has been calculated that in the period 1883-1887, just to quote a single figure, the subsidies to the army, the navy, and public works reached up to 50 per cent of the whole public expenditure.\(^{12}\) From this point on the state became the most important partner of heavy industry, both directly through the flow of public orders and indirectly by means of subsidies, subventions, and bounties. The interlocking of the public and private spheres was also reinforced by the shift of personnel from ministerial offices to top management positions in the private sector, and vice versa.
Economic take-off and World War I: paternalist capitalism and support of development

In the period 1896-1920 the bases were laid for the enlargement and the institutionalization of the role of the state. An important aspect of this action by the state was the systematic attempt at widening the legitimation it enjoyed vis-a-vis increasing masses of the population through the provision of a whole series of welfare benefits and services.

Public insurances against industrial injuries, against illness and for old age pensions were set up initially in 1898 and their scope was widened year after year. In 1912 the Istituto Nazionale delle Assicurazioni was established by the government and granted a monopoly of life insurance. Unemployment benefits were gradually introduced in 1917-19, to cope with the critical situation engendered by the economic consequences of World War I. On the whole, Prime Minister Giolitti's era was marked by wide and ramified state action and management of public expenditure: work conditions, sanitation, education, land reclamations, etc., were some of the areas in which the public hand intervened.

These public interventions do not amount to a direct involvement by the state in the support and/or management of the economy. Rather they must be seen in the context of Giolitti's political design to modernize the country, to lay down the first lineaments of a welfare system to the benefit of an increasingly important and organized working class, which - though still small in numbers and concentrated in limited areas of the Northern regions - was by that time
able to bring effectively pressure to bear upon the state to obtain not only civil rights but also social rights of citizenship. Giolitti's policy was the most conscious and creative attempt to transform Italy into an economically and socially 'modern' country, by promoting and supporting the process of industrialization and integrating the industrial and agricultural proletariat into a capitalist framework.

Within this political strategy the state had a crucial role in making possible and keeping under control (so that it would not transgress the boundaries intrinsic in a capitalist society) the convergence of the most active and liberal parts of the bourgeoisie with the Northern industrial working class and the peasant movement organized around the structures of class solidarity, the Socialist Party and the trade-unions (Socialist and Catholic). (14)

What is of immediate concern for the problem of state intervention in the economy is that the social security institutions set up at the beginning of the 20th century managed to collect substantial financial resources, acting as intermediaries between savers and state. The capital thus accumulated was later to be utilized by the state in the period between the two world wars for the rescue and the taking-over of many collapsing industrial and financial concerns: social security institutions became a crucial element in the widening of the state's economic involvement after the First World War.

From this specific point of view, the social policy carried out in the pre-war period in the framework of
Giolittian reformism constituted an essential prerequisite for the subsequent establishment of the Italian public enterprise system during the fascist period. This is a rather important matter, since it points to the fact that many solutions and arrangements enforced in the 1930s actually found their origins in the policies carried out by the liberal political class, in the attempt to cope with the problems posed by the process of industrialization. Despite the change of political regime, the main lines of state intervention between the wars and the institutional mechanisms through which it was carried out remained much the same.

Remarkable also, during this period, were the interventions carried out in the financial field, in order to overcome the bottle-neck constituted by the shortage of investment capital and to collect the resources necessary to finance the expenditures of the state sector. To this purpose, some public bodies were established. The Consorzio per Sovvenzioni su Valori Industriali and the Istituto Nazionale di Credito per la Cooperazione were set up in 1914 and 15 to provide financial assistance to industrial firms in the war and post-war period. In 1919 the Consorzio di Credito per le Opere Pubbliche (CREDIOP) was created to grant loans for public work to improve the country's infrastructure, as an instrument for anti-cyclical economic policy and for the post-war reconstruction.

During the period in question the most significant direct intervention of the state was however the nationalization of the railways, accomplished in June 1905, which
realized an old project of some enlightened exponents of the liberal political class. (17)

The nationalization was a public intervention the state undertook somewhat unwillingly. The Giolitti Cabinet resolved to take over the management of the railways only when it appeared clear that the private companies did not want to renegotiate the conditions of the agreement with the state and were already reducing their engagement in the industry. Thus, just the first formal act of enlargement of the public sector of the economy showed clearly the purposes and the limits of state intervention in relation to the interests of private capital: the state took over a business which private financial companies left in a very precarious situation and were not particularly unwilling to get rid of.

In doing so the state took upon itself to provide the country with a railway system suitable to the growing exigencies of the economic system, by replacing the private groups unable or unwilling to fulfil this task. In spite of some ambiguities however, this operation constituted another aspect of a wider line of policy not confined only to the fulfilment of particular demands, that characterised the use made by the Giolitti governments of the state machinery and resources.

The huge capital put into circulation by the state as compensation for the nationalization of the railways were readily and profitably reinvested by the financial companies in the growing electrical industry, that is to say in the leading industrial sector at the beginning of the 20th
At the same time the impulse given to the renewal and extension of the railway system after the nationalization provided the private industry supplying the system with excellent opportunities for business and profit. On the whole, even the nationalization of such an important sector, which at first sight could seem a severe blow for private initiative, turned out to be a profitable business both for the financial concerns ex-owners of the railway companies and for the private mechanical industry in general.

Noteworthy also is the way in which the newly-nationalized railway system was organized and managed. It points to a pattern of management of public firms that broke away from the traditional way in which the state had run public economic initiatives and that was to become an institutional character of state intervention in economic life. The new state railway company was in fact granted an almost absolute freedom of action: the administrative formula according to which it had to be run was conceived to meet the same managerial requirements as a private firm. The autonomy enjoyed by the company really enabled it to act outside the procedural rules typical of the administrative bureaucracy, to adopt a very entrepreneurial managerial style at the same time keeping the public company outside direct political interferences and pressures.

The absence of normal administrative controls, the typically managerial organizational structure, the fact of having an independent budget allowed the state-operated company to move with great autonomy and speed to face the
massive problems of the reorganization of the whole national railway system. The results achieved in fulfilling this task, contrary to the catastrophic expectations of the supporters of private enterprise, showed that a state company, skilfully managed according to modern entrepreneurial and productive criteria, could competently engage in a business extremely demanding both from a technical and a financial point of view.

On the other hand, the good results of this particular formula cannot overshadow the fact that on its basis the state sector of the economy could be managed in a way lacking any distinctively public character. In other words, from such a way of running a public enterprise the step is short to the identification of the company's goals with those of the people who manage it, outside any substantive public and political control. This problem will appear again in a striking fashion in the 1950s when the outstanding economic performance of the Ente Nazionale Idrocarburi will go together with a complete absence of any substantive political and parliamentary check; it points to the yet unsolved problem of the proper degree of autonomy from political power of the management of public firms.

The formula invented for this case contradicted the traditional praxis of public interventions, and will be later on improved, institutionalized, and embodied into the official philosophy of Italian public enterprise becoming its distinctive and unique feature.\(^{(20)}\) The built-in contradictions inherent in this particular arrangement account for many of the problems the public sector of the
economy will face over the following decades.

The antecedents of the state as 'banker and entrepreneur'

On the whole, as we have briefly seen, state intervention in economic life was a deeply rooted element in the Italian economic history. But, up to the 1920s it had limited significance, in that it did not limit the power of private interests and did not alter the basic relationship between political class and capitalist bourgeoisie. State action in fact amounted mostly to ad hoc measures, limited in time and scope, and not to a progressive strategy of industrial development intended to impose upon sectional interests a more far-sighted perspective. Put differently, the role of the state lacked continuity and consistency, it had a random character, since it limited itself to the ad hoc provision of help, subsidies and financial support. Apart from some significant exceptions during the Giolitti era, it did not intervene to rationalize the working of the system, it did not even manage to provide a more stable environment for the working of the capitalist firms. All this points on the one hand to the lack of a clear political project and on the other hand to the strength of the particular interests and to the fragmentation of the capitalist bourgeoisie, in a word to her inadequacies as a hegemonic class.

Only with the great crisis of 1929 and the subsequent world depression, state intervention becomes a permanent and noted element of the Italian economy, culminating in the establishment of IRI and in the financial restructuration
of the '30s. These did produce decisive change in the organization of Italian capitalism and the economic system on a different basis.

But before looking at the reasons for and the modalities of the establishment of IRI, we must go back to an earlier period, showing the first signs of the industrial and financial crisis that eventually led to the decisive setting up of a public sector of the economy.

To begin with, there is a characteristic of Italian economic organization that largely accounts for the history of public intervention and that is worth stressing: the complex web of inter-relationships between the banking and the industrial systems. Many of the later events are due to the initial close link between financial institutions and industrial concerns.

In order to improve the situation of the financial system after the bank crash of the late 1880s and to partially replace the partnership with French economic circles, which had become politically and diplomatically impracticable, the Italian government invited some German financial groups to establish a bank in the country. As a result, the Banca Commerciale Italiana was set up in 1894 in Milan and the Credito Italiano in Genoa one year later, with capitals and personnel largely provided by German financial circles (mainly Berlin 'high finance').

The distinctive feature of these big financial institutions - to which must be added at least the Banco di Roma, founded in 1880 and very close to the Vatican - was that they undertook both normal commercial operations and
medium - and long-term industrial investments, by using the savers' deposits to finance the development of the industrial apparatus. This type of credit policy - commercial short-term lendings together with long-range investment operations - was characteristic of the German mixed bank, whereas in British and American practice the two types of credit were clearly separate. Besides this, the big banks set up joint-stock companies of their own and got deeply involved in the management of the firms they had financed or directly established, by providing technical and entrepreneurial assistance and also by appointing representatives to their boards of directors.

To be sure, these new financial institutions made a remarkable contribution in collecting and directing fresh capital towards the industrial sector (see, above all, the help given in these years to the birth and the growth of the electrical industry), thus alleviating the perennial problems of the capital market, sustaining the economic boom of the Giolitti decade, and enabling industry to grow rapidly. (23) The other side of the coin was that in such a way a tight and intricate web of bank and industrial interests came to occupy a position of absolute pre-eminence in the country's economic structure, fostering a tendency toward increasing concentration of capital and of decision power in very few hands. Given in fact the stake that the big commercial banks had in the industrial firms, they strongly favoured a process of increasing concentration so to establish oligopolistic control over large quotas of the market and defend the capital they had
invested in such industries. As is clear, this system engendered a self-sustaining circle of irresponsibility: the banks were willing to grant credit to industrial concerns that they themselves had set up, even if these were not really efficient or profitable; in their turn, the firms could use as a lever to obtain financial support the huge stake the banks had in them, even if they could not offer solid guarantees or sound perspectives of profit. In these circumstances, the circuit banks - big firms - banks worked without the sanctions that the logic of profit and the market could have provided.

The consequences of this state of affairs as a whole was that "in times of economic prosperity and expansion, and of booming stock exchanges, long term industrial investments yielded Italian banks profits much higher than those normally obtainable from ordinary commercial operations. But in times of economic depression, of declining stock market values, and of freezing of long-term investments, those same banks found themselves in severe difficulties and at times unable even to meet normal depositors' withdrawals". (24)

After World War I for the time became fully evident the dangers of such an arrangement, which prevented the definition of clear-cut responsibilities. With the reconversion crisis that followed the war many big industrial concerns found themselves in massive financial and productive trouble, incapable of accomplishing the shift from war to peace productions. As a consequence, also the banks which had put large capital into the firms found themselves on
the verge of bankruptcy. The unsolved economic problems of the post-war period and the peculiar organization of the Italian credit system led therefore to increasing state involvement in economic affairs in order to avoid dangerous breakdowns in the financial-industrial system.

In 1921 the crash of the Ansaldo war complex and of the ILVA steel group led into severe trouble the Banca Italiana di Sconto (BIS), founded in 1914 and massively engaged in the financing of both concerns. After some unsuccessful attempts to restore the bank's financial conditions through the help of the Bank of Italy (that in June 1921 granted 1,300 million lire), the liberal government of the time withdrew its support to the BIS and decided to let it go bankrupt at the end of 1921, being unwilling to carry out a salvage operation. But the outcry and the financial panic raised by the bank's fall a few months later forced a new government to step in to save not only the firms but also to avoid a major crisis in the credit structure of the country. Therefore, in order to finance the execution of the arrangement between the Banca di Sconto and its creditors, in March 1922 a Sezione speciale autonoma of the already existing Consorzio per Sovvenzioni su Valori Industriali was set up.

The new Sezione speciale worked in a very simple way. When the bank which was being liquidated needed funds to pay the instalments of its debt settlement, it issued bills in favour of the Sezione; on the same day the latter endorsed the bills to the Bank of Italy which in turn provided the money. In practice this meant that public
financial resources were made available outside any control on the way they were used: the state played a merely passive and adaptive role.

When initially the Sezione speciale was established the Act authorized the above operation up to one billion lire, and through this system the Banca di Sconto was able to settle its debts. In payment for these subsidies, in 1925 the liquidators of the bank handed over to the Sezione speciale the assets of the BIS. In this way for the first time the state took over direct control of shareholdings in a number of industrial firms, among which were some prominent concerns of the engineering and shipping sectors (Nicola Romeo, Motomeccanica, Navigazione Generale, Società Italia, etc.).

The Sezione speciale had been established as an ad hoc measure to cope with the critical situation of the Banca di Sconto; its activity was intended to have a clearly delimited scope. But when at the beginning of 1923 another big credit institution, the Banco di Roma, found itself on the verge of bankruptcy, because of the chaotic expansion of the last years, the Sezione's range of activity had to be widened. This time the government - the fascist government - decided to intervene and rescue the bank avoiding its failure. To this purpose the one billion limit to the operations of the Sezione speciale was lifted, so that it could establish a financial company to take over the firms in which the Banco di Roma had tied up the largest funds.

It must be kept in mind that the Sezione speciale
still aimed at selling back the assets in its hand to private investors, in other words it was not intended to be the first nucleus of a public enterprise system. Its creation had indeed been exclusively the outcome of a particular situation of trouble in some parts of the industrial and financial organization, not of a purposeful plan to widen the range of economic activities under the control of the state or to increase the government's capacity to direct the nation's productive system. The Sezione speciale always remained a small book-keeping office at the Bank of Italy, without any organization, budget or legal status of its own.

From its establishment until the termination of its activity the Sezione took charge of assets worth 4,381 million lire and sold back 1,017 million of them, when the private capital willing to buy could be found. In November 1926 the Special Section was suppressed and replaced with a newly-established autonomous Istituto di Liquidazioni, which took over its assets and liabilities. Substantially, the new Institute did not change policy and continued the winding-up process successfully, reducing the net liabilities to the Bank of Italy by the end of 1930 from 1,928 to 626 million lire.\(^{(28)}\) It went on being utilized for the rescues carried out until 1932 in favour of a very considerable number of big, medium, and small credit institutions and industrial firms. Through all these interventions the Istituto came into possession of a number of shareholdings in several important industrial concerns, which were later to pass under the control of the public bodies set up in the 1930s.
In general terms, the action of the state in the first decade of the fascist regime was largely on the same lines of the liberal-democratic period, showing considerable continuity in the way public authorities interacted with private interests. This continuity points to some underlying flaw in the financial-industrial organization and to an established pattern of intervention, as the two cases we have described indicate. The problem to be faced was in fact always the same: how to insulate the deposit banks from the negative consequences of large industrial investments. What is to be noted here are the limits of the solution adopted to counter the crisis situations, since none of these interventions made any attempt to give the credit structure of the country a more stable and efficient organization. It will be necessary to wait for the crisis of the thirties to see a decisive structural reform of the banking system, based upon the distinction between ordinary and investment credit. That is to say, only when the problems of the credit system come to the crunch and appear in all their gravity, the political determination will be found to achieve a different organization of Italy's banking structure, reducing the prominence of the interests connected with the most powerful financial institutions and overcoming their veto against any radical reform of the system of money supply. Only then industrial capital will gain the upper hand over financial capital, reversing the trend that had accompanied the growth of the Italian economy during the previous fifty years.
Some conclusions

The role of the state becomes crucial in contexts like the Italian one where civil society is weak, and the social interests are not strong and integrated enough to take on the task of directing the process of economic growth and social change. In particular, where the capitalist bourgeoisie - as a result of the historical process of its formation - is not able to undertake autonomously the development and modernization of a backward economic system, the state's resources and support (facilities) have to be brought into play and relied upon to offset the deficiencies of the dominant economic groups.

This is a fairly common pattern in countries who come late to the industrialization process and often find themselves in an inferior position in an already structured international division of labour, as shown by the experience of contemporary developing countries.

But to grasp the logic of a particular case one must take into account the regional variants of the general model and especially highlight the sociological and institutional factors which explain the role played by the state in that specific context. In order to understand the state's role in the process of capitalist development it is therefore necessary to account for the power relations between and within social classes and social groups, and to explain how and why in the political system some interests are given a higher priority while others are largely neglected.

As to this, there is a feature of the Italian situation
which is worth putting at the core of the argument. In brief: that only a very limited number of selected interests had rightful access to the public apparatus. The Italian political and administrative system, in other words, was at that time characterized by an extreme degree of institutional closeness towards the 'demands' of the great majority of the population, privileged access to the decision-making arena being reserved to a tiny minority of the dominant social groups. (29)

The combination of, as it were, the 'functional' necessity of public intervention in situations of backwardness and of the relations of power existing in civil society accounts for the concrete interplay between the political and the economic systems. Simply to take on a functional perspective means to be able only to provide a descriptive picture of the role of the state, without explaining why the state acted in one way rather than in another, which were the results of its interventions, which groups most profited from them, etc.

In Italy the interplay of the two elements - indispensability of state action and public intervention on the one hand, high selectivity of the political system and wide asymmetry in the distribution of power on the other - largely accounts for the type of public intervention that took place in relation to the economic system. Summing up drastically: there is a growing network of public institutions, agencies, bodies, ad hoc measures, rescue operations, but at the same time a lack of organized strategy, of purposive, propulsive policy, able to go beyond occasional
and sporadic interventions. Help by the state is necessary and strongly demanded by the dominant economic groups, but it is limited, kept within safe bounds and under control, so that it does not limit in any substantive sense the bourgeoisie's control over the processes of resource allocation and economic decision-making.

A pattern of intervention such as the one briefly sketched out here highlights a last prominent feature of the Italian society over the first decades after the accomplishment of the national unity: the high degree of homogeneity between political class and administrative class, government and bureaucracy. In particular the administrative system, not yet fragmented into autonomous bureaucracies as it will happen during the '30s, did not have a policy different from that of the political class and indeed provided it with a fundamental element of stabilization. (30)

Besides, if we take into account that, due to the working of the electoral system in operation until the introduction of the universal male suffrage in 1913, the political class was the expression of a privileged section of the over-all population, the degree of 'social' and 'moral' integration, the shared Weltanschauung, of the ruling class as a whole was indeed very considerable. In this context the action of the state was likely to be responsive essentially to the dominant economic interests (even taking into consideration the inevitable contradictions, and the concessions to 'other' interests) and to deny any political effect to any demand that could threaten the basic institutions of the capitalist economic system.
Notes to Chapter 1


(4) See the remarks and the data in P. Farneti, Sistema politico e società civile, Torino: Giappichelli, 1971, see also A. Caracciolo, Stato e società civile Problemi dell'unificazione italiana, Torino: Einaudi, 1960. Until the electoral reform of 1882 the right to vote was granted only to 2.2 per cent of the whole population, and almost half of the electors did not vote at all. (Cf. the data provided by G. Galli, Il bipartitismo imperfetto, Bologna: Il Mulino, 1966, p.105.


Cf. above all the analysis contained in N. Poulantzas, Classes in Contemporary Capitalism, London, 1975.


On the Left in power and especially on Prime Minister Depretis see G. Carocci, Agostino Depretis e la politica interna italiana dal 1876 al 1887, Torino: Einaudi, 1956.


Cf. Castronovo, op.cit., p.121.

The monopoly of life insurance was repealed by the fascist government in 1923. On INA see the study by A. Scialoia, "L'istituto Nazionale delle Assicurazioni e il progetto giolittiano di un monopolio di stato delle assicurazioni sulla vita", Quaderni storici, vol.18, Sept.-Dec., 1971, pp.971-1027.

After INA, the Istituto Nazionale di Credito per la Cooperazione was the second agency established in Italy as a public-law body but with structure of a privatistic nature from the point of view both of its administrative autonomy and of its internal organization. See the remarks in A. Scialoia, "Protagonisti dello intervento pubblico: Arturo Osio", Economia pubblica, vol.4, nos. 11-12, 1974, pp.7-15.

The Consorzio was another public-law body. It had a capital of 102 million lire (subscribed by the usual Cassa Depositi e Prestiti (60%), INA and the Cassa Nazionale Assicurazioni Sociali), its own administration and budget, and was under the surveillance of the Ministry of Finance. The loans were made against the issue of Bonds on the domestic and foreign financial markets. By December 1930 the CREDIOP had granted loans for about 1,938 million lire mainly for reclamation, irrigation and hydraulic works and, quite outside its institutional sphere, for subsidizing shipping companies.

See A. Papa, Classe politica e intervento pubblico nell'età giolittiana. La nazionalizzazione delle ferrovie, Napoli: Guida, 1973. The railway service in 1885 had been granted as a concession to three private companies for a period of twenty years.


See the remarks in F. Bonelli, "Protagonisti dell' intervento pubblico: Riccardo Bianchi", Economia pubblica, vol.V, nos. 11-12, 1975, pp.11-17 Bianchi was the Head of the new state railway company until January 1915.


(25) The Ilva group had already been rescued from complete bankruptcy in 1911, when it was granted credits for 96 million lire by a pool of credit institutes led by the Bank of Italy itself. The recurrence of these crisis situations indicates that the basic problems of the steel industry had not yet been solved. In this respect, cf. R.A. Webster, op.cit. On the Banca Italiana di Sconto see the interesting study by E. Galli Della Loggia, "Problemi dello sviluppo industriale e nuovi equilibri politici alla vigilia della prima guerra mondiale: la fondazione della Banca Italiana di Sconto", Rivista Storica Italiana, vol.82, no.4, 1970, pp.824-86. Information on the state interventions following the collapse of the BIS can be found in Ministero per la Costituente, Rapporto della Commissione Economica, II, Industria, Relazione, 2 vols., Roma: Istituto Poligrafico dello Stato, 1947.

(26) On the whole the Bank of Italy provided funds for the settlement of the bank's liquidation to the amount of 1,700 million lire, only in small part recovered with the sales of assets which had ended in state hands.

(27) In the case of the Banco di Roma the government decided to intervene also in an attempt to please the Vatican, i.e. one of the powerful institutions of the Italian society not yet very well disposed toward the fascist regime, that was interested in the bank.

(28) Cf. The Economist, 4 February 1933, p.239.

(29) Cf. the remarks in S. Cassese, La formazione dello stato amministrativo, Milano: Giuffrè, 1974, pp.11-19.

CHAPTER 2

THE STATE AS 'BANKER AND ENTREPRENEUR'

The war period 1915-18 saw an increasing interpenetration between banks and industrial concerns, financial and industrial capital. The big mixed banks fostered and favoured a process of creation, enlargement, and transformation of many industries and firms in concomitance with the expansive war conjuncture, locking up in industrial concerns a sizeable part of their deposits and financial assets. (1)

Banca Commerciale, Credito Italiano, Banco di Roma, Banca Italiana di Sconto - the so-called 'bank quadrumvirate' - after World War I retained a very large control over the productive apparatus, were present in all branches of the national economy, had acquired an economic and political power unknown after the conflict, and were probably more significant than the Issue Banks - three at that time - in the management of credit. (2) The industrial crisis and the productive paralysis which ensued from the war had explosive effects upon this situation and the relationships between bank and industry. Several credit institutes and industrial concerns found themselves in massive trouble and the state was called upon to avoid their collapse.

We have suggested that up to the late 1920s state intervention maintained a circumscribed character. It did not bring about any appreciable modification in the working of the industrial-financial system, in particular did not limit or reduce the power of the big mixed banks
largely to determine the course of the national economic life. Indeed, the mixed bank system continued to be the core of the financial and industrial organization of the country, while the state made available its resources to cope with the situations of crisis in order to maintain stability and consensus.

On the other hand the big commercial banks confided that with the settlement of the two cases of the Banca di Sconto and of the Banco di Roma the most dangerous manifestations of the 'financial malaise' were overcome and that they could go on playing their traditional role in the management of economic affairs, by controlling the key mechanisms of financial intermediation.

It was only the international crisis which started in the United States in October 1929 that primed a series of increasingly important state interventions. The rescue of the banking system and of a considerable section of the industrial system operated in the early 1930s set in motion some processes which were to have the most long-lasting and far-reaching consequences - well beyond the duration of the fascist regime - upon Italy's economic organization and the machinery of its control. As a consequence of the interventions fostered by the Great Depression the role of the state was to change radically and its position in the economic system was to be deeply modified.

The dramatic economic crisis of the end of the 1920s laid bare the fundamental problems of Italy's financial and industrial structure as it had taken shape over the
previous few decades. Of course, the problems which afflicted the country's economic system were not a local matter limited to a particular national context. The industrial and financial troubles which Italy incurred toward the end of the second decade of the twentieth century, after a period of considerable economic expansion, were indeed mainly the consequences of the international slump which hit all the capitalist countries more or less at the same time.(3)

Also the fundamental changes in the role of the state vis-a-vis the economic system and in its prerogative were largely the outcome of similar policies adopted by many Western governments, in the attempt to soften the devastating effects of world-wide depression. The Italian case must therefore be seen within the context of the international crisis and treated as a specific variant of a general trend toward an increased interplay between state and society, politics and market: the local structural characteristics of the economic and political systems account for the distinctiveness of the case being examined.

For that reason, before analysing the events and developments in Italy, it seems appropriate to look briefly at the international situation in order to gain some comparative perspective and to identify some policy patterns in response to the crisis.

A comparative view

In all the capitalist West the economic and social consequences of the 'black Thursday' of October 1929 fostered
massive new interventions by the state into the working of the economic system and a mobilization of public resources on an unusual scale to cope with the worst effects of the crisis. In general terms, the scope and importance of state intervention reached a level unprecedented in peace-time, that largely removed the barriers which still kept state and society, public and private sphere, separated, redefining and altering the relationships between political power and great organized interests.

The gravity of the 1929 crisis, which threatened the survival itself of the capitalist economy, called for a large and incisive action by the governments of all countries. Public authorities definitively abandoned the passivity they had always shown during previous times of crisis, when economic recovery had largely been left to the operation of 'market laws'.

In the 1930s the state did not limit itself to the usual facilitative and supportive policies - customs-tariffs, import quotas, public works, unemployment benefits, financial and technical subsidies and similia. Indeed, when it became clear that left to itself the economy would not recover, or even avoid a complete bankruptcy (and it took some time before economists and policy-makers realized the full extent and the nature of the crisis), the state had to intervene directly and actively in the management of wide sectors of the national economy.

This process of increasing involvement by the state in the working of the economic system at large, which occurred virtually in every industrialized country, was clearly
widely differentiated according to the particular conditions of each nation - not only economic, but also social, political, and institutional conditions. Under the broad and undifferentiated surface of a common trend in redefinition of the functions of the state many peculiarities were hidden, which account for the wide range of solutions adopted to tackle the international slump.

The United States, Japan, and Germany were the three countries in which the intervention of the state was wider in scope and more decisive in sustaining the capitalist structure of the economy. Reorganization of the banking system, control of financial flows, regulation of prices and wages, provision and improvement of the social overhead capital, regulated allocation of raw materials, discipline of new investments, direct management of productive activities (especially capital goods), were some of the main instruments used in those countries to overcome the economic impasse brought about by the crisis, strengthening and rationalizing at the same time the structure of the economic system. (4)

If in these three countries the presence of the state became a prominent element of the economic landscape, also in other nations the role of the public authorities was by no means insignificant. France, Great Britain, and Belgium were no exception to this general pattern, notwithstanding a greater reluctance to abandon the traditional liberistic principles and to call for a new role of the state in relation to the economic activities.

In France mixed companies were set up in the oil and energy sectors, the concentration and rationalization of
the firms was favoured and largely subsidized from public resources in specific industries. Both in France and in Belgium the prices of some raw materials and agricultural goods, together with the workers' wages, were fixed by the government.\(^{(5)}\)

In Britain in 1929 depression caused a departure from the dogma of the free trade and from what remained of the laissez-faire policy of Victorian capitalism.\(^{(6)}\) Some sectors of heavy industry were nationalized in this period, state action achieved the creation of a government-sponsored monopoly in iron and steel in 1932 and the establishment of national coal cartels in 1936. Public committees were set up and legislative measures taken to control and reorganize by legal compulsion output and dimensions of the cotton, shipbuilding, and mining industries; not to mention agriculture, where about one third of total output was channeled toward state-sponsored marketing schemes in the early '30s.

In general, on a world-wide scale the crisis of the 1930s with it renewed protectionism swept away Free Trade and the Gold Standard for good, putting an end to the very symbols of the old, competitive capitalism.

Public intervention in the Italian economy was therefore only one example of a general trend common to all other capitalist countries. As everywhere, the first measures to be taken concerned the customs protection of domestic goods, the promotion of exports, the reduction of production costs, the rationalization of the productive apparatus (wider industrial concentration and elimination of marginal firms), the formation (voluntary at the beginning, compulsory
later) of cartels to control output, market shares, and prices of goods (Act of 16 June 1932), the provision of financial support to various branches of agriculture and industry, a control over the establishment of new factories and/or the extension of existing ones (Act of 18 January 1933), etc. (7)

At this initial stage the behaviour of the Italian government did not differ substantially - anyway not from a qualitative point of view - from that of other capitalist countries, notably the United States and Germany. The really substantial difference, that which in the long run will account for the diversity of the Italian experience, was that the anti-cyclical policies and the new forms of oligopolistic concentration and control took place within a much more backward and unbalanced socio-economic system and, above all, under a reactionary dictatorship which largely repressed the spontaneous dialectic and the interest articulation of the civil society.

Put another way, the fundamental difference between the response Italian capitalism gave the crisis of the 1930s and that of other Western industrialized countries consisted in the fact that the former occurred in a rightist authoritarian political regime. This point is crucial for an understanding of the history of public enterprise and constitutes an independent variable accounting for the specific reactions to the crisis.

Indeed, where the adjustment to the challenges issued by the international economic depression occurred within a system of stable liberal-democratic institutions - and where
it did not lead to their collapse as in Weimar Germany — the measures of economic policy and the whole management of the crisis were based upon a vigorous process of economic rationalization and concentration, which led to an increase in productivity, and accompanied by a rise in real income and the integration of the unionized working class into the country's capitalist structure. The most notable example of this policy was of course Roosevelt's New Deal.

In fascist Italy, on the contrary, to overcome the crisis the dominant classes and the government resorted mainly to the compression of wages, the disciplining of the labour-force, and a massive provision of support by the state. This way of coping with the crisis, quite apart from the restrictions of the political freedoms, in the end greatly reinforced the dualistic and unbalanced structure of the economy. The way chosen to come out of the 1930s difficulties was that of a 'Fordism Italian style', where productive rationalization and industrial reorganization were accompanied, and to an extent made less compelling, by a greater exploitation of the working class and by autarkic protection.

Financial crisis and state intervention in Italy

The great crisis had disastrous consequences for the credit structures of several European countries. In all of them the international depression favoured, or rather imposed, a drastic reorganization of the financial system.

For example, in May 1931 the biggest Austrian Bank — the Österreichische Credit Anstalt, which controlled about two
thirds of the country's industrial capital - collapsed, sweeping away the whole credit system of Central Europe and provoking a real financial panic. Also in Germany - where the mixed bank had been created and greatly developed - the international crisis hit severely the financial system. In July 1931 the Donat Bank failed and by the end of the month all the country's credit institutes, with the exception of the Reichsbank, were forced to close down their counters. Eventually, the state took into its hands the control of the banking system. Besides its not negligible psychological effects (with possible sudden withdrawal of deposits), the crash of some credit systems in Europe had negative repercussions upon the Italian financial structure since it unbalanced the international financial markets making the situation worse and the margins for manoeuvre narrower.

Also in Italy the critical situation of the main commercial banks and of the country's financial structure as a whole were the most urgent and difficult problem which had to be faced.

Due to the tight links between credit institutes and industrial concerns, the dramatic fall in industrial securities ensuing from the international slump led the Italian banking system to a standstill. The Stock Exchange quotations suffered an average depreciation of 39 per cent in comparison with 1929; the general index of industrial securities fell to 54 in December 1931 (1927=100). (8)

Inevitably the tumble in the share values hit particularly the mixed banks which controlled the largest portfolios of industrial shares, leading their financial
situation toward a critical point. This difficult state of affairs was negatively reinforced by the fact that the firms controlled by the banks and severely stricken by the productive downturn (9) urgently asked the banks themselves for fresh funds to cope with the critical moment, just while the governmental policy of contraction of the monetary circulation tended to reduce the liquidity available to the economic system. It was a self-sustaining spiral which was leading toward a very dangerous situation.

The gravity of the consequences engendered by the fall in share values can be fully appreciated if we think that, out of a total of deposits and current accounts amounting to 4.5 billion lire, the banks' funds tied up in industrial concerns amounted to as much as 12 billion. With total assets worth 1,300 million lire the Banca Commerciale, i.e. the country's largest and most powerful mixed bank, had tied up in industrial shareholdings about 4,000 million, whereas the total Italian share capital approached 50,000 million lire. (10)

Given these critical patrimonial conditions (a sudden withdrawal of deposits would have meant total bankruptcy), and taking into account the crucial position the big mixed banks occupied in the financial-industrial structure, the heavy depreciation of the large blocks of shares held by the banks themselves could well jeopardize the survival itself of the whole credit system of the country and with it that of the entire economy, as it dramatically occurred in Germany and Austria with a chain reaction of ruinous bankruptcies. As in fact happened in those countries,
very likely this eventuality would have entailed the risk of a large and unforeseeable social and political crisis, which the regime obviously was eager to avoid.

Something had to be done in the interests both of the banks, that clearly did not want to go bankrupt, and of the government that was very much concerned with political stability and anxious to maintain social consensus (after all the regime's legitimacy was at stake). In a few words, there were strong and converging pressures in the direction of a wide state intervention: only the state could provide the resources to overcome the critical juncture.

Starting at the end of 1930 various measures in favour of several credit institutes were promptly adopted by the government to alleviate the explosive situation and give again the banks liquidity in a sufficient quantity. These early, unsystematic interventions were rather limited in scope, not particularly effective and did not alter substantially the organization of the financial system. As a whole, in the course of 1931-32 the Istituto di Liquidazioni backed by the Bank of Italy granted a sizeable number of banks 2,590 million lire to relieve the heaviest situations of insolvency.

These measures were only a temporary and insufficient relief. It was only in a deteriorating situation that the government opted for a more resolute line of conduct: state intervention began to change its character. In an often contradictory and complicated way, and against strong resistance by the interests that were being affected, the government took steps in favour of the major credit institutes
which opened the road to a much more radical, articulated, and consistent policy and to the consolidation of a permanent presence of the state in the country's economic fabric.

As such, the events of 1931-32 can be considered the direct antecedents of the interventions carried out in 1933 which customarily mark the birth of the 'state as entrepreneur'.

As an example, we can mention one case of state intervention. It was not the first, but it was probably the most relevant given the importance of the bank at the centre of the intervention itself. It helps to shed light upon the largely novel way the public authorities were beginning to move. (13)

On grounds of a convention stipulated on 31 October 1931 between the Banca Commerciale on the one hand and the Bank of Italy and the Ministry of Finance on the other hand, the Banca Commerciale itself had to pass all its strongly depreciated industrial shares on to the financial company Sofindit. The latter had been established by the Banca Commerciale in 1923 and its capital (increased to 300 million in November 1931) was controlled by a group of companies linked with or indebted to the bank itself. As for the state, the government was to provide Sofindit with a credit of one billion lire through the Istituto di Liquidazioni, in partial payment of the four billions it owed the Banca Commerciale for the transfer of the shareholdings. In return for this the Bank of Italy obtained the right to appoint half of the members to the company's Board of Directors; also the Chairman of Sofindit had to be nominated jointly by the Governor of the Bank of Issue and by the
shareholders' trustee. The bank was also forbidden to take over new shareholdings in industrial concerns and its activities were to be limited to operations of ordinary, commercial, credit.\(^{(14)}\)

The financial operation which was forced upon the Banca Commerciale and carried out in October 1931, strongly opposed and contrasted by its top management,\(^{(15)}\) was a first decisive step toward the political liquidation of the autonomy of the bank and a reappraisal of its role in the country's economy. At the same time the state took on a direct responsibility in the management of the credit system, relinquishing the passive role it had played until then. After 31 October 1931 for the first time the bank's top management, because of the intervention of the state, found itself substantially unable to exert any significant degree of control over the industrial life of the country, having lost the undisputed power it had wielded in the previous decades. Even if for the time being only to a limited extent, the state was beginning to ask for more control in return for the money it granted the credit institutions.

A few days later, in order to restore the financial channels of the industrial system, the Isituto Mobiliare Italiano (IMI) was set up with the task of providing medium-term loans to Italian private firms, thus replacing in this job the big mixed banks.\(^{(16)}\)

The establishment of IMI certainly was the most important and significant intervention accomplished by the state until that moment, especially if compared with the other
institutes for special credit set up before. Given its scope and purpose IMI presaged a larger and more decisive state control over the system of industrial financing and constituted a potential device for steering the industrial system as a whole, introducing a significant element of novelty in the management of the economy by the public authorities. Its management indicates limits and aims of public intervention in the financial field.

The Institute was late in getting organized and in practice it did not work for all the first year and was not able to deal with numerous and difficult cases of small- and medium-sized firms that needed fresh capital to reorganize their productive activities. On the whole, IMI adopted cautious policies in order not to antagonise the private business milieu, which feared that the new state body could alter the power balance between public and private forces. Significantly, the chairmanship and the management of the new public credit institution were entrusted to Senator T. Mayer, a well known and circumspect financier, who made it immediately clear that IMI had in no way to be regarded and feared as a threat or a challenge to the position of private industrial capital. At the installation of IMI’s Board of Directors in December 1931 Mayer declared plainly:

"Many misunderstandings also of a doctrinaire nature had appeared among the forecasts. Some had even talked about a process of nationalization of the firms, without taking into account that the very notice of such a principle stands in the greatest contradiction with the spirit and the letter of the corporatist economy"

Clarifying the position of the government about the
recent state interventions, on the same occasion Mussolini himself added:

"To regard the Istituto Mobiliare Italiano as an instrument created to cause catastrophic transformations in the economic structure of Italian society is absurd, but to regard the Istituto Mobiliare Italiano as a means to energetically lead the Italian economy toward the corporatist phase is right: that is, to a system that fundamentally respects private property and private enterprise but wants them within the state, since only the state can protect, control, enliven both". (19)

Thus, state action had no socializing aims at all in regard to the industrial apparatus. On the contrary, it was there to help and back private industry. There remained the connection with the corporatist structure of the state, with its claim to establish the subordination of sectorial interests to the 'general interest of the nation', to ensure the control by the state over the civil society. Subsequent events were to show that also the corporatist state was only a formal cover behind which the strongest interest groups were largely able to get what they asked for.

One therefore must be careful in reading the meaning both of the establishment of IMI and of the conventions of October 1931. At the same time it must be emphasized that the establishment of IMI did show that private enterprise's predominance over the financing of industry was waning, that the mixed bank system was being replaced by public intervention in the financial field.

All things considered, the first measures taken to cope with the crisis in the intense and dramatic period 1930-32 did not provide a definitive and lasting solution to the country's problems of industrial financing, did not put
order into the intricate system of the relationships between big credit and financial institutions, industrial firms, Bank of Issue, and state. To be sure, state action in those years did begin to show a more consistent and clear pattern. The state was no longer simply the passive 'guarantor in the last instance' of the banks' solvency, and by its interventions some vested interests were severely hit and their power reduced (above all the Banca Commerciale).

Nevertheless, state action was still piecemeal, the interventions were half-wasted; many credit institutes still retained (see in particular the case of the Credito Italiano) a sizeable degree of control over the capital market and the system of industrial financing. Some interventions were also influenced by considerations of a particularistic nature. For example, behind the conventions stipulated with the Banca Commerciale lay the determination to liquidate a centre of power that had always remained openly and strongly hostile to the fascist regime. The crisis of the '30s was a good chance to settle old accounts with the bank, quite apart from any aim of giving the credit system a better organization or of putting it under stricter public control.

At that time the government was not particularly willing to bring about a radical and complete revision of the way the financial-industrial circuit was organized. Of course, the big banks were trying to resist interventions which would alter drastically their position in the national economy, their capacity to control financial channels. But the partial character of state action was due as well
to the common belief - or illusion - that the worst moments of the crisis were over. Since, according to a largely shared opinion, the critical point had been overcome, the interventions accomplished until then seemed sufficient to avoid the crash of the economic system. There was no need for a further increase in the state prerogatives.

The international economic crisis started in 1929 had created a worrying state of affairs for Italian banking capital and led it into a sort of blind alley. The financial situation of the banks - marked by a heavy unbalance between their own assets and the funds locked up in industrial shareholdings - was in fact absolutely unbearable and very likely to lead in a short time to a series of chain bankruptcies if left to itself. Indeed, given the scale of the financial problems involved, only a massive intervention by the public hand and an extensive mobilization of resources by the state could provide a workable solution.

But a step like this could have meant a drastic loss of power for the big mixed banks that constituted the core of the financial capital and based their strength mainly upon their extensive connections with some of the biggest industrial concerns in the country. The initiative of modifying the credit structure would have marked the end of their supremacy in the national economic organization. The banks' resistance to measures which severely reduced their autonomy of action was to be expected: in fact they actively tried to prevent the state (or better: the official state-controlled financial institutions) from taking over what had always been their main job.
On the other hand, also big industrial capital was rather suspicious of such an extension of the state prerogatives, fearing it could give the corporatist state apparatus and bureaucracy a powerful instrument to limit considerably private business' freedom of movement, through the virtual monopoly of the financial channels of investments.

The somehow fragmentary and hesitant interventions carried out before the establishment of IRI were the outcome of this contradictory situation. A need for far-reaching changes had to be connected with a certain reluctance to intervene on a massive scale and with the necessity not to antagonize the whole dominant economic class.

The establishment of IRI

Eventually the continuous worsening of the economic-financial conditions during 1932 overcame the resistance of financial capital. (20) The government overcame its previous indecisiveness and resolved to take far-reaching steps in the direction of a general redefinition of the relationships between state, Bank of Italy, credit institutes, and industrial firms.

At the end of 1932, because of the rescue operations carried out in the previous years, the Bank of Italy was exposed for more than 7.5 billion lire, that is to say the amount relevant to the interventions was equal to 56 per cent of the total monetary circulation. (21) In these financial conditions a collapse of the main commercial banks would have swept away the whole credit system. A major intervention could not be put off any longer. The
Istituto per la Ricostruzione Industriale was therefore established on 23 January 1933 to bolster the collapsing credit structure, and avoid the incipient bankruptcy of the three main Italian banks - Banca Commerciale Italiana, Credito Italiano, Banco di Roma. (22)

Essentially the intervention aimed at the definitive disengagement of the mixed banks from permanent involvement in and management of industrial firms. In other words, the state intervened to finally unravel the intricate web of ties that had been woven among private and public economic institutions since the end of the 19th century and that the two crises of 1907-8 and of 1919-21 had strengthened and made more complex. (23) The establishment of IRI finally cut the ties that still linked commercial banks and industrial firms, bringing to completion the partial interventions of 1930-32 and, at the same time, continuing and rationalizing the activity of support to firms that had been carried out by the mixed banks.

According to the regime, the establishment of IRI constituted a fundamental step toward the implementation of the corporatist state. IRI was to be an instrument through which fascism would face the problems posed by the international crisis. The regime press was unanimous in presenting this version: great emphasis was put on the Institute's connection with the structure of the corporatist state, on the fact that it was only one element of a wider and more articulated strategy which the regime was carrying out to tackle the depression. The fact that a fascist trade-union leader was appointed among the members of IRI's
Board of Directors was greeted as a sign of the increasing importance the regime was according the organized working class.

The influential *Il Giornale d'Italia* (22 January 1933), in a leader by its editor, pointed out that:

"We are at a new stage of the process which is being accomplished at the right time for the reorganization of national economic life and for its preparation for recovery and for new tasks of expansion. The state intervenes again in this organization. We know that, overcoming the academic and useless disputes about state intervention, the fascist regime actively and directly intervenes in the control over and assistance to the national economy. This intervention is by now common to every state; but while elsewhere it is episodic, disorderly, linked to a group policy and to particular sections of dominant interests, in Italy it is organic, guided by a comprehensive vision of balanced proportion, of collective interest"

On the whole, the contemporary comments on the establishment of IRI were somewhat contradictory. Some compared the newly-established state financial holding with the Financial Reconstruction Corporation set up by President Hoover, just to make it clear that between fascist Italy and liberal-capitalist America there were many points of contact as to the management of the crisis, and that anyway the new institution did not intend to subvert the structure of the economy. On the other hand, the massive state intervention was legitimized in terms of corporatist doctrine and principles, trying to combine public control and private enterprise. Limits and aims of IRI were well expressed in the editorial comment of the official daily of the Fascist Party *Il Popolo d'Italia* (22 January 1933):
"This is another aspect of the action of the corporative state. From the passive phase of the state interventions necessary to confront the immediate consequences of the crisis . . . we advance to action intended to create the conditions in which private enterprises can better develop by fulfilling the task set them by the corporative state; namely to put to their best use the Nation's productive energies in the industrial field. To exploit them and hence to coordinate and finance them, rather than to replace them with cumbersome state organisms."

If on the one hand the regime publicized the establishment of IRI as a decisive instrument to overcome the economic crisis, it is interesting on the other hand to see how the industrial bourgeoisie received the new state intervention.

We shall not examine in detail the positions of the various sections of the productive bourgeoisie. Obviously, the sectors of the dominant class who saw their command positions questioned by the intervention of the state did not welcome very enthusiastically the governmental decisions, even if they actively tried to make the most of public intervention, and sought to condition the operations of IRI and minimise the consequences of its activity.

Rather we want to highlight here the point of view of that section of the industrial bourgeoisie who did not oppose in principle the establishment of the public holding company and who indeed welcomed its potentialities for the rationalization of the credit and industrial system. A quotation from an article written by Gino Olivetti in those days seems of great help in clarifying this point.

Olivetti was at that time Secretary-General of the employers' association (Confederazione Generale dell' Industria Italiana) and a prominent and influential exponent of the business milieu in Turin; his general stand-point was
very close to that of FIAT's Chairman Senator Giovanni Agnelli. In a leading article which appeared in the Turin daily newspaper *La Stampa* on 24 January 1933 one day after the establishment of IRI, commenting in very favourable terms on the creation of the Institute, he wrote:

"It is particularly in these periods of reorganization that the state is asked to have an always wider action in the economic field. The problems facing the nation cannot be solved on a purely individual plane. They are of too great importance, they often have roots in reasons of an international origin, they require remedies that only the State can provide, also because they must be coordinated with its action"

After criticising the behaviour of the big mixed banks as reflecting speculative rather than productive criteria he went on:

"It was necessary to set up a body that first of all has available the financial means necessary to meet the needs of the firms, by doing away with those relationships between bank and industry that damage both . . . It is a decisive step for a return to normality, it is the most classic and useful means to tackle clearly the problems of the locking up of capital, which are one of the crucial points of the whole world economy, also avoiding the remotest danger of monetary and credit inflation . . . The Sezione smobilizzi liquidates the past on behalf of the State: the latter provides it with the required financial means without calling on private saving and underwrites the possible losses, quickly amortizing them with contributions given yearly as sunk capital"

That is to say, state intervention was welcomed since it solved a dramatic problem - common to most of the capitalist countries - taking upon itself the burden of the operation by 'nationalizing' the losses and avoiding putting pressure upon the private financial market. (24)

Olivetti's attitude toward the newly-established state financial institution can be considered representative of
the position of the 'modern', market - and export-oriented section of the industrial bourgeoisie, who resented the control that the big banks exerted over the national economy. To them the birth of IRI marked the end of the banks' supremacy, i.e. of an unacceptable concentration of power and of a system of financial intermediation which was no longer up to the exigencies of an expanding industry. (25)

This section of the industrial bourgeoisie, together with the new 'public managerial bureaucracy', was to emerge in the following decade as the hegemonic group in the national economic system.

Initially IRI's task had to be transitional and limited. Even if the scale and scope of the intervention was unparalleled in the history of the Italian economy, it was expected that it would have only a definite and temporary character. It was intended to overcome the worst moments of the crisis that had revealed all its gravity in the course of 1932. (26)

The objective of the establishment of IRI, which dominated its activity in the period 1933-36, was essentially that of normalizing the position of the three big banks and hence of the financial system as a whole through two operations:

1) by acquiring from the banks all the shares and credits in industrial concerns other than those with a character of ordinary credit, without considering whether this operation concerned firms operating at a profit or at a loss;

2) in taking upon itself all the losses which had gone on being accumulated in the banks. They were due not only
to the losses engendered by the 1929 slump, but also to
the fact that the industrial concerns heavily financed by
the three credit institutes before and during the First
World War had been unable to shift successfully from war
to peace productions.

This operation of financial surgery was carried out
by the Institute in March 1934. Thanks to it the three
banks were relieved of the weight of the heavily depreciated
securities and recovered a financial and economic equilibrium,
which allowed them to play again a valuable role in the
financial system on a more solid basis, also towards small -
and medium-sized firms and not only the giant oligopolistic
concerns as the banks had done until the 30s. (27)

Among the banks' securities which IRI took over there
were also some controlling positions in financial companies
that in turn owned the majority of the stock capital of the
banks themselves. It followed as an inevitable consequence
that the control over the three banks passed to IRI. In
this way 94 per cent of the Banca Commerciale's shares,
78 per cent of the Credito Italiano's and 94 per cent of
the Banco di Roma's ended in the hands of IRI. The result
meant a virtual nationalization of the most important
section of the country's credit system still in private hands.

Interestingly enough, IRI's debt toward the three banks
in return for the securities transferred to the Istituto
was not calculated on the basis of the value of the secur-
ities themselves. The criterion that inspired the settle-
ment of the debt situation between IRI and banks instead was
that the latter had to be granted the sum necessary to
reconstitute their financial equilibrium, in order to make them start a new credit activity on sound patrimonial bases. The sum which IRI granted the banks was therefore greater than the value of the transferred securities. This difference constituted the loss suffered by IRI — and hence by the state.

The settlement of the situation of the country's three biggest banks was the most important and difficult step toward a complete reorganization of the credit structure. Even though the definitive reorganization of the banking system was achieved only in 1936, the conventions stipulated between IRI and commercial banks in 1934 entailed the end of the financial capital's supremacy in the national economy, marking a turning-point which indicated the beginning of a new phase in the relationships between bank and industry.

The resignation in March 1933 of Giuseppe Toeplits, who had been the sole Managing Director of the Banca Commerciale since 1917 and who, more than others, had personified financial capital, concretely symbolized the shift from bank's to industry's predominance in the Italian economic structure. Within the ruling class power was changing hands. (28)

The crisis of the 1930s put an end to the supremacy of financial capital not only in Italy. Indeed, the distinction between deposit and discount banks and credit institutions for industrial investment was enforced in many countries along lines similar to those followed in Italy, marking a more general transition to a new stage of the world economy. In the United States, for example, the separation was made
effective with the Banking Act on 1933 that forced even
the powerful Morgan Bank to hand over to another institution,
the Morgan Stanley, its activities of industrial investment.
In Germany the rescue operations of the '30s led to the
establishment of special institutions for the disengagement
of commercial banks from permanent involvement in industry
and to the control of the banks themselves by public bodies.
In Italy as elsewhere the problem was that of replacing the
pattern of financial intermediation prevalent until that
time - which had fostered the capital accumulation and the
economic expansion of the first decades of Italian industrial-
ization - a different organization of the financial system
and of the capital market, one more adequate to the new
needs of the world capitalistic economy.

Judged against this more general background, the solution
adopted in Italy in January 1933 with the establishment of
IRI was that of

"taking away the management of large industrial
concerns from the particularistic directives of
single banking groups and, on the other hand,
relieving the banks of the risks of industrial
financing, through the establishment of a new
Institute working as a technical intermediary
between the saving and the capital market on
the one hand and the productive units that
needed savings on the other hand" (29)

In substance, the operation tried to provide a more
precise definition of the functions of the different types
of credit institutions, overcoming the confusion which had
been characteristic of the previous decades. It aimed at
offering a solution that would ensure the financing of
industrial investment, not need other interventions by the
state, and avoid new diversions in the activity of the Bank
of Issue.

For all these reasons, and notwithstanding its intended temporary character, the establishment of IRI marked a complete change in the modalities of state intervention in the economic life of the country, compared with all the interventions which had been carried out before over a period of almost thirty years. The importance of the change can hardly be overstated. As has been forcefully pointed out:

"While in the previous interventions the State limited itself to cover the losses or at the most to take over positions in deficit . . . , the intervention carried out by IRI transferred from the banks to IRI all the assets not of ordinary credit, not only the bad but also the good ones. And this because, unlike the previous ones, the new intervention on the one hand aimed at directing the deposit banks away from the exercise of industrial credit toward the exercise only of commercial credit . . . ; on the other hand, according to what appears from the evidence, it also aimed at establishing, as a last result, a set of institutions which better answered the financial needs of a developing industry" (30)

The establishment of IRI hence was a decision taken above all to solve the problems of the country's financial structure, and not to bring under public control some of the most important Italian industrial concerns. The latter was a subsequent development that was not explicitly envisaged in the original Act of 1933. This is also the main difference with respect to the operation of nationalization carried out in other European countries.

Taking over all the industrial securities held by the big mixed banks and all the assets and liabilities of the former Istituto di liquidazioni (which was suppressed), IRI unexpectedly found in its hands and gained control over a very broad range of productive activities: iron and steel,
mechanical-engineering works, chemicals, textiles, electricity, shipbuilding, shipping, telephones, hotels, agricultural firms, building societies, cinema etc. (see Table 2.1).

They were worth over 12 billion lire and were equivalent to about 25 per cent of the whole Italian share capital.

Table 2.1

Structure of IRI shareholdings, selected years

<table>
<thead>
<tr>
<th>Shareholdings</th>
<th>1934</th>
<th>1936</th>
<th>1939</th>
<th>1944</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>22.9</td>
<td>12.0</td>
<td>9.4</td>
<td>17.7</td>
</tr>
<tr>
<td>Radio and Television</td>
<td>-</td>
<td>0.3</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Telephones</td>
<td>7.8</td>
<td>5.8</td>
<td>6.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Shipping</td>
<td>5.8</td>
<td>18.7</td>
<td>19.2</td>
<td>15.6</td>
</tr>
<tr>
<td>Iron and Steel</td>
<td>13.5</td>
<td>11.9</td>
<td>21.1</td>
<td>19.0</td>
</tr>
<tr>
<td>Mechanical industry</td>
<td>7.2</td>
<td>7.0</td>
<td>13.8</td>
<td>21.6</td>
</tr>
<tr>
<td>Mining and Chemical industries</td>
<td>4.0</td>
<td>2.2</td>
<td>5.6</td>
<td>10.4</td>
</tr>
<tr>
<td>Textile industry</td>
<td>7.9</td>
<td>5.1</td>
<td>2.1</td>
<td>-</td>
</tr>
<tr>
<td>Construction and Agriculture</td>
<td>9.2</td>
<td>9.3</td>
<td>7.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Building Societies</td>
<td>7.7</td>
<td>6.7</td>
<td>1.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Various Italian and Foreign</td>
<td>13.4</td>
<td>9.0</td>
<td>7.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Others</td>
<td>0.6</td>
<td>12.0</td>
<td>4.6</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Rapporto Saraceno, op.cit., p.132, Table 39.

This huge and heterogeneous set of firms reflects the absolute lack of any selectivity in the take-over process: IRI simply took over all the industrial securities without any distinction, with the sole aim of cutting definitively the ties between banks and industrial concerns. The rationale of the establishment of IRI was basically of a financial nature; it was not set up according to any industrial logic. The Institute for Industrial Reconstruction, therefore, was born as a conglomerate; it was a set of large firms loosely coordinated by their majority
shareholders. This suggests that originally the operation which led to the establishment of IRI was intended as a rescue one and explains some of the difficulties the Institute subsequently met when it came to manage such a diversified group of industries and firms.

Not only were the firms in IRI's hands scattered over a large number of sectors, they were in very diverse financial and productive conditions as well. Some of them in fact were among the most bankrupt firms, with extremely poor prospects of a profitable management and in very deep financial trouble (especially those in the heavy industry), others on the contrary were fairly healthy or at least in easily remediable conditions.

Before concluding it is necessary to outline the peculiar institutional character of the Istituto per la Riconstruzione Industriale and therefore of state intervention in the economic field. A few remarks will suffice to describe the main features of the so-called 'IRI shareholding formula', which was to become the distinguishing characteristic of Italian public enterprise with respect to the experience of other European countries.

IRI was established as a holding company completely owned by the state, but outside the main body of its administrative organization. It was a public-law financial agency similar to those set up in the 1910s and 1920s (see above). As such, the Institute was not part of the machinery of central government; it had its own legal status, independent budget and staff. Though it was obviously accountable to some government department (the Ministry of
Finance), IRI enjoyed a wide degree of administrative, organizational, and managerial autonomy. In this respect, IRI was continuing and enlarging a tradition of public intervention dating back to the establishment of the State Railways in 1905.

But the fundamental characteristic of the IRI group was that the firms it controlled were joint-stock companies, subject to the same rules of company and commercial law as their private counterparts. When, as a consequence of the operations of financial reorganization, IRI took over from the banks all their industrial securities it was thought advisable to leave unchanged the juridical nature of the firms as joint-stock companies. Therefore, of some companies IRI owned the totality of their share capital, while, which was the usual pattern, in others it simply had a majority holding together with private shareholders. In the period preceding World War II, and indeed up to the 1960s, private shareholdings in IRI-controlled companies were substantial, especially in some sectors. Later IRI was to establish a number of subholding companies with sectorial responsibilities in order to improve the management and coordination of the large and diversified group of firms under its financial control. Also these sectorial holding companies were set up as joint-stock companies in which the Institute controlled the majority of the share capital.

The role of IRI was essentially intended as that of the shareholder not of the manager. For this reason the Institute itself was - and remained - a small body, with a very limited number of professional staff, not directly
involved in the management of the firms. IRI subsidiaries were in many respects firms operating in the market in competition with other firms, with no special legal or financial status nor enjoying any particular privilege.

Therefore, an element of partnership with private interests was embedded from the beginning in the peculiar institutional formula characteristic of the organization of the IRI group and, in the post-war period, of other Italian public enterprises.

Apart from the financial side of the arrangement (private shareholders could provide much-needed and scarce investment capital), this partnership was important in that it constituted a built-in check to the management of the firms. Private interests had in fact to be accommodated and taken account of; since private investors fundamentally expect the business to be run profitably, this represented a powerful constraint for IRI and its subsidiaries counter-balancing the pressures coming from the political class. The IRI shareholding formula was therefore a simple but effective safeguard against excessive interference by the state. As long as private interests remained influential within the IRI-controlled firms, this contributed to reduce the politicization of public enterprise and to strengthen a managerial behaviour responsive to market pressures.
Notes to Chapter 2


(2) See the remarks in P. Grifone, Il capitale finanziario in Italia, Torino: Einaudi, 1971 (originally published in 1945), ch.3.


(4) Public intervention in the U.S.A. largely coincides with the policies carried out in the context of the New Deal. As an introduction to this subject, see W.E. Leuchtenburg, Franklin D. Roosevelt and the New Deal 1932-1940, New York, 1963.


(8) See the indexes elaborated by Prof. Bachi and published in ISTAT, Annuario Statistico Italiano, Roma, various years. I have recalculated the indexes putting the base at 1927=100.

(9) The production index for the manufacturing industries fell from 90 in 1929 to 77 in 1931-32. Output of steel went down from 2.1 to 1.4 million tons, cars from 52 to 26 thousands, cotton fabrics from 135 to 95 thousand tons, sugar from 405 to 295 thousand tons, etc. Cf. the data in ISTAT, Sommario di statistiche storiche dell'Italia 1861-1975, Roma, 1976.

A detailed discussion of these measures is in G. Toniolo, "Prima fase dello smobilizzo pubblico delle banche miste (1930-1932)", Economia Pubblica, vol.7, no.10, 1977, pp.403-17.

Further information to be found in Toniolo, op.cit., p.408. The first interventions of the Istituto di Liquidazioni benefited some small credit institutes which had largely financed local industrial firms. Because of these interventions the Institute's liabilities to the Bank of Italy, which had gone down steadily over the previous years, rose to 1,931 million lire in December 1932; cf. The Economist, 4 February 1933, p.239.


The text of the convention between Banca Commerciale and Bank of Italy/Ministry of Finance is published (for the first time) in G. Mori, op.cit., pp.295-99. The text is of a similar convention signed between Italian Government and Credito Italiano - the country's second largest bank - on 20 February 1931 is also quoted. I did not take into consideration the case of the Credito Italiano, though chronologically it precedes that of the Banca Commerciale; the two cases are substantially similar but that of the Commerciale highlights in a clearer way the pattern of state intervention.

Cf. E. Conti, Dal taccuino di un borghese, Milano: Garzanti, 1946, pp.464-75. Conti directly witnessed all the operations since at that time he was Chairman of the Banca Commerciale itself. Cf. RDL 13 November 1931, no.1398.

IMI had a capital of 551 million lire subscribed by over forty public and private institutions, among which in particular the Cassa Depositi e Prestiti, INA, the Cassa Nazionale delle Assicurazioni Sociali. The Cassa Depositi e Prestiti, that subscribed virtually half of IMI's capital, collected the small deposits of the post office savings; it was not the first time the Cassa was asked to operate outside its institutional sphere. This says something about the way the small savings of large sectors of the rural population were utilized in support of the strongest economic groups.
Istituto Nazionale di Credito per la Cooperazione (1915),
Consorzi di Credito per Opere Pubbliche (1919),
Istituto di Credito per Imprese di Pubblica Utilità (1924),
Istituto Nazionale di Credito Edilizio (1925),
Istituto per il Credito Navale (1928).

In its initial period of activity IMI strongly favoured
the big concerns in the granting of loans to the
detriment of smaller firms, thereby reinforcing the
relationships between state and big oligopolies. A
large share of the first bond issues (450 million lire)
were absorbed by two loans to the Terni concern
(200 million) and to the Italgas company (140 million),
both controlled by the Banca Commerciale. Cf.
L. Rosenstock-Frank, Les étapes de l'économie fasciste
italienne: du corporatisme à l'économie de guerre,
Paris, 1939, p.89.

The quotations from both speeches come from G. Bevione,
"Banche, industrie e Istituto Mobiliare Italiano",
Gerarchia, vol.12, no.1, January 1932, pp.5-10.
Senator Giuseppe Bevione was at that time a member of the
Board of Directors of IMI itself and Chairman of the
Istituto Nazionale delle Assicurazioni (the state
institution for life insurance) and hence a prominent
figure of the public sector of the economy and an
authoritative spokesman of the regime in the financial
field. His comments on the establishment of IMI
in the above article are extremely telling with regard
to the 'real' meaning of the whole operation. He says:

"If the recent events in the banking and
industrial field had not taken place, if state
intervention on this ground had not appeared
necessary . . . the regime would have not
chosen this moment to take steps in these
matters, and would have not added these new
ones to the many great and complex tasks it
must daily accomplish"

Where it is clear that the intervention by the fascist
state was seen as the only suitable means available to
avoid a general collapse of the system of industrial
financing. Any other prospect had to be ruled out:
above all, IMI had not been set up to contribute to the
establishment of a state-directed economy. In the
same article Bevione also compared the newly-created
state institution with the National Credit Corporation
and the Finance Reconstruction Corporation set up in
the United States during the Hoover Presidency to cope
with the financial crisis. According to the commentator:
compared with IMI "steps taken in the climate of the
most orthodox liberal economy do not start from
different premises, nor have they different aims".

The general securities index in Milan was down at 39.84
on 1 July 1932, made it equal to 100 in December 1925.
Cf. The Economist, cit., p.240.

(22) A Brief account of the establishment of IRI can be found in M.V. Posner and S.J. Woolf, *Italian Public Enterprise*, London: 1967, ch.2. The indispensable and most detailed source of information is Ministero dell'Industria e del Commercio, L'Istituto per la Ricostruzione Industriale - IRI, vol.3, Origini, ordinamenti e attivita svolta (Rapporto del Prof. Pasquale Saraceno), Torino: UTET, 1956 (henceforth quoted as Rapporto Saraceno). It is mainly from this source that we draw the data and information on IRI.


(24) Pressures from the industrial bourgeoisie for extensive state interventions in support of private firms had been exerted even before. As early as November 1931 A.S. Benni, Chairman of CGII informed the Executive Council of the employers' association to be about to ask the government for a systematic subsidization of private enterprise; cf. R. Sarti, *Fascism and the Industrial Leadership in Italy, 1919-1940*, Berkeley: University of California Press, 1971, p.118. And Giovanni Agnelli, in his report to the shareholders on 7 March 1935, had stated clearly:

"It is to our advantage to invest part of our available funds in the establishment of the various groups which have been formed and are to be formed for the winding up of firms kept under provisional management by IRI"


(25) It is worth noting that the news of the establishment of IRI was greeted with enthusiasm also by the Stock Exchange. As The Economist's correspondent put it: "Financial circles hope that he (IRI's Chairman) will speed up the transfer process of frozen assets to IRI, thus giving elasticity to the market". Cf. The Economist, cit., p.240.

(26) The crisis was still rather underrated during 1931 even among well accredited economists. The misunderstanding of the structural character of the crisis played a part in the delayed adoption of suitable measures to tackle the situation successfully. For some remarks in this direction cf. P. Sylos Labini, "La politica economica del fascismo e la crisi del '29", *Nord e Sud*, no.70, 1965, and also M. Abrate, "Remarques sur la conduite des entrepreneurs en Italie pendant la grande depression", *Annales Cisalpines d'histoire sociale*, no.1, 1970, pp.105-115.
(27) The operation of financial reorganization involved also some other minor banks in the course of 1935 (Istituto Italiano di Credito Marittimo, Banco di Santo Spirito, Credito Fondiario Sardo). Rapporto Saraceno, op.cit., pp.7-8.

(28) In the years immediately after the 1907-8 crisis the strongest industrial groups had shown their intolerance of the power held by the big mixed banks. The first attempt to reverse the relationship of subordination vis-a-vis the banks was made by the powerful Perrone group (Ansaldo steel works) in 1914 with the establishment of the Banca Italiana di Sconto. In 1915-16 they tried unsuccessfully to gain control over the Banca Commerciale Italiana; two further attempts to secure for themselves a control position in the bank were made in 1920 and they nearly succeeded. Cf. E. Galli Della Loggia, op.cit. Later the Agnelli-Gualino group (FIAT and artificial fibres) launched an attack against the Credito Italiano, but eventually they had to give up their attempt.


CHAPTER 3

THE PRIVATE MANAGEMENT OF PUBLIC ENTERPRISE

To accomplish the objects which had been set to it, IRI was divided into two juridically distinct sections, each one with its own patrimony and budget:
1) a Sezione smobilizzi industriali (smobilizzo meaning sale of assets)
2) a Sezione finanziamenti industriali.

The first one took over the parcels of industrial securities previously in the banks' hands and the assets and liabilities of the Istituto di liquidazione (which was suppressed). In this way the 'perverse' links between the credit institutes themselves, industrial concerns, and Banks of Issue were cut. The task originally set was that of reorganizing, liquidating and selling back to private enterprise the acquired assets, in order to pay off the banks' debt to the Bank of Italy. To this purpose, the Section was granted an annual subsidy of 85 billion lire for twenty years and large tax exemptions. Of the two this was IRI's by far most important Section, entrusted with the difficult job of putting an end to the credit policy that had marked the last thirty years of the Italian economic history, eliminating the monopolistic hold of private financial capital and undoing the ties that, especially after the 1907 economic crisis, had bound the future of a large part of the national industry to the policy carried out by the big 'mixed banks'.

The second Section had a relatively minor importance
and dealt with long-term loans to any sort of industrial firms, to help them overcome the crisis by developing or redeveloping productions able to absorb the huge unemployment. In this way the Sezione finanziamenti cooperated with IMI in the task of channelling the savings toward industrial investments. (1)

The activity of the Sezione smobilizzi of selling back to private capital the shareholdings now under IRI's control was dominant during the first years of the existence of the Institute. In the period 1933-36, namely before the transformation of IRI into a permanent holding company, the activity of selling back was at its maximum (see Table 3.1).

Table 3.1

Sales back to private capital in the period 1933-44
(1954 billion lire)

<table>
<thead>
<tr>
<th>Shareholdings</th>
<th>1933-36</th>
<th>1937-39</th>
<th>1940-44</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank and finance</td>
<td>20.3</td>
<td>2.5</td>
<td>0.5</td>
<td>23.3</td>
</tr>
<tr>
<td>Electricity</td>
<td>71.1</td>
<td>18.5</td>
<td>1.2</td>
<td>90.8</td>
</tr>
<tr>
<td>Telephones</td>
<td>0.8</td>
<td>0.1</td>
<td>-</td>
<td>0.9</td>
</tr>
<tr>
<td>Shipping</td>
<td>3.8</td>
<td>-</td>
<td>-</td>
<td>3.8</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Mechanical industry</td>
<td>16.6</td>
<td>0.9</td>
<td>1.7</td>
<td>19.2</td>
</tr>
<tr>
<td>Mining and chemical</td>
<td>12.7</td>
<td>4.3</td>
<td>3.1</td>
<td>20.1</td>
</tr>
<tr>
<td>industries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textile industry</td>
<td>11.8</td>
<td>12.0</td>
<td>13.6</td>
<td>37.4</td>
</tr>
<tr>
<td>Construction and</td>
<td>15.9</td>
<td>13.8</td>
<td>14.3</td>
<td>44.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various Italian</td>
<td>29.0</td>
<td>5.2</td>
<td>2.3</td>
<td>36.5</td>
</tr>
<tr>
<td>Various Foreign</td>
<td>7.1</td>
<td>12.0</td>
<td>4.5</td>
<td>23.6</td>
</tr>
<tr>
<td>Others</td>
<td>25.0</td>
<td>7.9</td>
<td>7.1</td>
<td>40.0</td>
</tr>
<tr>
<td></td>
<td>214.1</td>
<td>77.2</td>
<td>48.5</td>
<td>339.8</td>
</tr>
</tbody>
</table>

Source: Rapporto Saraceno, op cit., p.125. Modified version of Table No.35.
The sale of assets amounted to 214 billion lire at 1954 prices, equivalent to almost 37 per cent of the value of the total shares and credits transferred to IRI in consequence of the mentioned operations of financial reorganization. (2)

According to the original transitional tasks, the Institute had to reorganize healthy firms and sell them back to private capital, and to liquidate the bankrupt ones. In other terms, its institutional tasks did not commit IRI to organize and manage those firms which had come into public hands as a consequence of the credit reorganization. The overall aim of the complex operation, it is worth stressing again, was not to set up a public enterprise system; the main objectives were instead of a financial and credit character.

In fact, the activity of selling back began with great promptness. From the beginning IRI tried not to move at random and to conduct its asset selling in such a way as to rationalize and render more homogeneous the whole group. In this way it began to lay the premises for the establishment of the public enterprise system, which was to emerge definitively only in the post-war period (3).

The selling policy carried out by the Institute over the first years is extremely telling and sheds much light on the constraints that IRI observed in carrying out its job and upon the resistance offered by some private economic interests to the establishment and consolidation of a group of public firms. At the beginning IRI relieved its portfolio by getting rid of minority shareholdings or of those
ones which were completely foreign to the main body of the Institute's holdings, in order to raise the money necessary to meet its obligations toward the banks and the Institute of Issue. Contemporaneously, on the other hand, IRI began to reorganise some of the most important industrial concerns now under public control according to an industrial strategy that prefigured the structure and the management of a system of public enterprises.\(^{(4)}\) It is difficult, if not impossible, to say whether this reformulation of the original tasks was due to a purposeful strategy by the Istituto's top management, in an attempt not to dismantle completely the important group of firms come under state control, or, on the contrary, this happened simply under the pressure of the events, namely the fact that private capital was unwilling to buy back some industrial assets, both for lack of money (which was a serious problem in the mid 30s) or in view of the prospect of profits. To be sure, both elements played a part in the way IRI's action was structured and in the outcome that was eventually achieved, i.e. the establishment of a public enterprise system which was notably different from the original objects set in the early 30s. Indeed, starting from the intention to avoid a very dangerous crisis of the financial apparatus, without any explicit plan state intervention ended by gaining a real control over a much larger part of the country's industrial system than in any other European country, with the exception only of the Soviet Union.
The policy of reprivatization.

The policy of reprivatization that the Institute carried out from the beginning of 1934 was deeply influenced by the relationships prevalent within the dominant classes. The industrial bourgeoisie was fairly diffident toward IRI and reluctant to go along with its evolving policies. The Institute was in fact quite a new feature of the national economic landscape and had still to win a full right of citizenship within Italian capitalism. Given this state of affairs, IRI was very prudent in divesting itself of industrial and financial securities. It tried not to subvert the balance of power within the industrial-financial bourgeoisie and not to clash with the strongest economic groups.

Indeed, it could not have been otherwise, in view of the interests which were at stake: a lasting nationalization of the firms ended into IRI's hands would have threatened the existence of a large, and very influential, part of Italian private capitalism. Given the relationships between the industrial financial bourgeoisie and the political class a solution of this kind, advocated in some quarters, was impossible, and actually was not even taken into consideration either by the government or the Institute's top management. First of all, the major private industrial concerns which had managed to avoid the worst consequences of the crisis would not have let IRI take over such an important section of the productive apparatus, with the potential—but ever present—threat of an anti-monopolistic and hostile use of it. They had no intention of witnessing without opposition the establishment of a concentration of economic and political
power of such scope, which could turn out to be a dangerous competitor both in the market and for scarce public resources, even if it refrained from any public orientation.

In this sense IRI had to sell back the industrial securities in its possession, had to refrain from decisively altering the delicate balance of power among the various fractions of the financial-industrial bourgeoisie. IRI's top management was perfectly aware of all this and indeed it tried to set limits to its own area of operations in order to avoid as much as possible confrontations with the big private economic interests. It could be said that a sort of 'law of anticipated reactions' worked in this case: IRI's management did not attempt to modify in any substantial manner the profile of Italian big business, since they knew it would have turned out to be a losing step in those circumstances.

On the other hand, a direct involvement in managerial activities of industrial character was quite foreign to the outlook of IRI's promoters. As it will be clarified better in the next chapter, the role of the state in economic matters was mainly conceived in terms of credit control organization, rather than of management of productive activities. The latter had to be left to private enterprise, better equipped to carry it out, while the state should have taken care of the country's financial organization, by providing a lasting and adequate solution to that endemic problem of Italian capitalism constituted by the weakness of the capital market. Furthermore, to run such a large number of industrial firms (with all the problems of their reconversion) would have
required the availability of skillful managerial expertise within the Istituto itself, not to mention the financial resources necessary to set in motion the process of industrial reorganization. In its initial stages IRI did not have at its disposal human and financial resources of this kind, at least not in a sufficient measure.

Probably the most revealing example of this policy of 'non-antagonism' was the return to private control of the financial holding company Bastogi, with all the securities in its portfolio. The case in question is particularly important since the Bastogi holding had traditionally been the intersection point of the most powerful financial circles in Italy. To have kept this powerful financial holding company under its control would have given IRI a key instrument for the control of a strategic section of Italian capitalism, a decisive blow for the autonomy of private bourgeoisie. But the Institute and its top managers were not inclined, and very likely did not have the strength, to bring about such a drastic shift in the distribution of power within the ruling classes. The Bastogi, in fact, was among the very first shareholdings to be reprivatized. The control over it was taken up by a syndicate composed of the most powerful private industrial and financial groups of the country (Pirelli, FIAT, Centrale, Montecatini, Edison, SADE, Assiscurazioni Generali).

Another example concerns the electric power industry. Through the rescues carried out in the early thirties, control shareholdings in some prominent electrical companies ended in IRI's hands. Among them there were the
Società Idroelettrica Piemonte (SIP), the Unione Esercizi Elettrici (UNES), and the Società Meridionale di Elettricità (SME). Even if other big electrical companies, such as Edison, SADE and Centrale remained outside IRI, the parcel of shares held by the state was large enough to exert a substantial influence upon the industry's policies, with the possibility of directing the whole sector toward the promotion of general ends of development, thus influencing also the behaviour of the companies still in private hands. On the contrary, IRI did not take any meaningful initiative to reorganize the sector. In fact the shares of the Società Meridionale di Elettricità in the Bastogi's portfolio were returned to private capital, while the other companies were not grouped together and reorganized according to any industrial strategy. Contrary to other sectors, IRI's electrical shareholdings were not systematically organized in any sub-holding until 1952, when eventually Finelettrica was set up. Indeed, since the electric power industry was a profitable one and comparatively much less risky than others, by 1941 its return to private capital had reduced the share of state-controlled electric power generation to only 15.6 per cent of the national total. (6)

On the whole, in the period 1933-36 the policy of reprivatization did not show a consistent pattern, sales back were in almost all sectors. (7) This policy reflected, on the one hand, the necessity of handing some strategic shareholdings over to the private bourgeoisie's control, and, on the other hand, the attempt to divest itself of all those firms which did not constitute a pre-eminent
interest for the Istituto. The policy of reprivatization showed clearly the limits of state action.

Only with the transformation of IRI into a **permanent public organization** (June 1937) it became possible for the Institute to carry out a more organic policy of industrial reorganization and rationalization. The Royal Decree-Law of 1937 in fact allowed IRI:

1) **to manage** the shareholdings in its possession and to sell back those which were not consistent with the structure of the Istituto:

2) **to take over new shareholdings**, up to the amount of one billion lire, "in big industrial firms which have as their main goal the solution of problems created by the exigencies of the country's defence or geared to the achievement of national economic autarky, or connected with the industrial and agricultural exploitation of Italian Eastern Africa".

The transformation of the Istituto per la Riconstruzione Industriale into a permanent financial holding company was a fundamental turning-point in its history and sanctioned institutionally a line of policy that had been emerging since the very first years of IRI's existence. The 1937 Decree took note of the fact that some shareholdings could not be sold back to the private sector, both because of the lack of capital in the market to buy them and because of the high riskiness of the productions concerned. In other words, by the middle of the decade it was clear that the state would have had to take upon itself a sizeable section of the country's industrial apparatus which the private
bourgeoisie was no longer able or willing to manage.

A different set of reasons as well pushed toward the institutionalization of a permanent state presence in the management of some productive activities. On 23 March 1936, delivering an important speech at the National Assembly of Corporations on the Capitol, Mussolini had said:

"As to the big industry that works directly or indirectly for the defence of the Nation ... it will be organized in big units correspondent to what are called key-industries and it will assume a special character in the framework of the State. In Italy the operation will be facilitated by the fact that the State already owns, through IRI, large parts and sometimes the majority of the share capital of the main groups of firms that concern the defence of the Nation ... It is perfectly logical that in the fascist State these groups of firms should cease to have also de jure that character of private concerns that de facto they have completely lost since 1930-31. These firms - both for their character and their volume and for their decisive importance for the purposes of war - go beyond the boundaries of the private economy and enter the field of the state-controlled economy. The production provided by them has only one purchaser: the State. We are going toward a period during which these firms will not have either the time or the possibility of working for private consumption, but will have to work exclusively or almost for the forces of the Nation". (8)

The speech from which this long quotation had been excerpted was indeed regarded by the most convinced corporatists as a decisive turning-point in the relationships between state and private entrepreneurs and in the policy carried out by the government in the economic field. However, its importance, the impact it had upon the concrete management of the public sector of the economy, must not be overstated. Beyond the smoke-screen of the corporative rhetoric, the regime intended to use IRI as an instrument for carrying out the autarkic policy to cope with the
sanctions applied against Italy as a consequence of the invasion of Ethiopia in 1935 and for the preparation of the war economy. But, as it should be clear from what will follow, the regime's declared ambitions of establishing a state control over key industries was to be achieved - in some cases it was indeed unavoidable - essentially in those sectors that private enterprise itself left free, because they were not profitable enough or too demanding in terms of the required capital.

This is not to deny that the turning-point announced by the speech of March 1936 was to introduce an element of greater dynamism, of negotiation, in the relationships with the private groups. The new status granted to IRI and the pressures that in this way the political class brought to bear upon it widened the range of the (competing) demands the Institute had to face. In other words, the behaviour of IRI was affected, and its action limited, by a complex set of factors, not easily reducible to a single prominent element: private capital's resistance and claims, governmental power politics and autarkic programmes, the strategy of industrial development of IRI's own management. On the whole, of these three elements probably the second one was the least determinant.

The definitive recognition of the permanent role of IRI in the national economy enabled the management of the Institute to carry out a more consistent and far-sighted policy of sales back, by concentrating its shareholdings in a few key-sectors, above all in heavy and mechanical industry (as can be seen in Table 3.1). By 1939 three
sectors (shipping, iron and steel, mechanical industry) accounted for 54.1 per cent of IRI's total holdings, whereas in 1934 the corresponding percentage was only 26.5.

It was in fact in the heavy-mechanical industry that the Istituto managed to carry out a more homogeneous policy of reorganization, through the acquisition of new firms, the rationalization of the existing ones, and new investments. (9) Thanks to this activity of industrial reorganization IRI came to assume a more consistent shape and to occupy a more precise and stable place in the national economy, shedding the provisional character it had in the early '30s at the time of its establishment. In fact, notwithstanding the massive activity of reprivatization, on the eve of World War, IRI held 44.2 per cent of the Italian share capital and, due to the acquisition of new positions in some industries as well, 17.8 per cent of the total capital. In some industrial sectors, above all the heavy ones, IRI's share of production was predominant. Some data is presented in Table 3.2

Table 3.2

<table>
<thead>
<tr>
<th>IRI-controlled firms: percentage of total domestic production in 1939</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industries</td>
</tr>
<tr>
<td>Pig iron</td>
</tr>
<tr>
<td>Steel</td>
</tr>
<tr>
<td>Iron ore</td>
</tr>
<tr>
<td>Shipbuilding</td>
</tr>
<tr>
<td>Aircraft</td>
</tr>
<tr>
<td>Electrical-mechanical</td>
</tr>
<tr>
<td>Mechanical-engineering</td>
</tr>
<tr>
<td>Subsidized shipping</td>
</tr>
</tbody>
</table>

Public enterprise and private interests.

Through its evolving policy the Istituto managed to gain a full right of citizenship within the Italian business community, not only by carrying out a careful programme of reprivatization - and on some occasions showing a clear subordination to the sectional interests of some private capitalist groups - but also through a fruitful activity of partnership and cooperation with a number of private firms.

In a way, the peculiar institutional shareholding formula provided (as was intended) the natural ground on which a joint partnership between IRI and private interests could develop. But the behaviour of the Institute in its relationships and dealings with private capital can also be read as an indicator of the limits that the structure of the interests and the distribution of power in the industrial system imposed on the action of the state holding company. Indeed, in many cases, IRI's action was to a large extent controlled by the interests of the private bourgeoisie, not being able to oppose successfully the pressures coming from the big monopolies.

One of the best examples of this aspect of IRI's activity was that of its relationships with the FIAT group. (10) Leaving aside the pressures that FIAT put on IRI to take over, on favourable terms, some of the firms in liquidation or in the course of reorganization, the partnership between state holding company and the giant private concern in the period 1933-35 developed especially in the iron and steel,
mechanical, aircraft and shipyard sectors. IRI for example had a strong interest in the iron and steel sector where it controlled some of the most important firms, even if they were in great difficulties. Moreover, IRI started soon to reorganize the industry according to more rational productive criteria. This reorganization activity might have collided with the interests of the FIAT group that was widely engaged in the sector and that had just made new investments for the production of special steel, rolled steel sections, and drawn plates; the reorganization policy carried out by IRI might compromise or interfere with FIAT's plans. The private industrial group in fact managed to impose a clear partition of the respective 'areas of influence' and to maintain room for its specialized steel production. More or less the same happened with FIAT's civil and commercial air lines. In this case too - in an area of clear general interest - the Turin group succeeded in retaining its autonomy and position in the sector, notwithstanding the fact that IRI had come into possession of the major air companies of the country. In the mechanical industry the agreement between IRI and FIAT led to the definitive acquisition by the private group of the OM mechanical concern with its three factories of Milan, Brescia and Suzzara (buses, lorries, tractors, diesel engines, railway material, threshing machines).

Another interesting case was that of the Burgo company, producing a third of the paper manufactured in Italy was the sector's biggest group. A relevant amount of Burgo's shares had ended in the hands of the Institute as a
consequence of the bank rescues, even if the number of shares controlled by the state did not secure the control over the concern. The group was initially in heavy financial difficulties and IRI promoted an arrangement whereby its debt situation greatly improved and it became possible to recover the credits. After the completion of this operation of financial reorganization, and hence after having put again the paper concern in a position to operate profitably, IRI sold back all its shares to private capital. (12) In 1938 IRI through the establishment of the Cellulosa d'Italia company on a joint basis with the Burgo group and the Federation of the Consortia for hemp (Federcanapa) began the construction of five factories for the production of cellulose. (13) IRI invested the considerable sum of 300 million lire in these plants, which could produce up to 45 per cent of the national peace consumption of cellulose. (14) On the eve of the war the construction of the plants was completed and they had begun to operate on a sound economic basis. At this point, after several years of remarkable financial, managerial, and technological efforts in the industry, IRI decided to transfer these productive units to private enterprise, foregoing almost completely its presence in this area. Thus the two factories of Cuneo and Mantova were sold in 1942 to the Burgo company and that of Capua to the Chatillon company (operating in the field of artificial fibres). In 1946 a third factory was sold to Burgo. The only plant - the one located in Chieti - that remained under IRI's control was not producing any profit and did not
therefore look attractive to private capital.

A further example of this trend can be mentioned. The biggest Italian group in the rubber industry - the Pirelli company - sought financial support from the government to start the production of synthetic rubber as a part of the autarkic policy, afield private capital being reluctant to enter on its own given the huge capital requirement and the high risks involved. The state decided to meet the request of the private group through the intervention of IRI as a joint partner in the undertaking.\(^{(15)}\)

In 1937 IRI and Pirelli established two joint-stock companies for the development and production of synthetic rubber. Both companies were set up with an equal capital contribution by the two groups, which provided 300 million lire each.\(^{(16)}\) In 1939 a third joint-stock company was established with the same formula and it incorporated the other two. Besides the contribution made by IRI, other funds were obtained from the state for the increase of the production of synthetic rubber.

Other instances of cooperation between the state holding company and private industrial concerns could be cited. Taken together they support the statement that IRI ended by being fully accepted by the private industrial complexes, there became established between them a fruitful activity of cooperation and partnership that soon reassured the private bourgeoisie concerning the character of state intervention in the economic system. The initial doubts and fears about IRI's intentions were rapidly dispelled.

All things considered, the consolidation of the state
enterprise and its recognition as a full member of the
business community came about through a massive process of
interpenetration of private and public capital. At the
beginning IRI was moving in a hostile environment, its
role in the management of industrial firms was poorly
defined. The oppressive attitude of some sectors of the
corporatist and trade-union bureaucracy inspired fears
that IRI might hinder the freedom of action of the private
bourgeoisie. Later, the growing cooperation between
public and private capital served to dispel the doubts of
the most dynamic sectors of the private industrial bourgeoisie,
to clarify the reciprocal expectations, to create a climate
of better confidence and understanding. An indicator of
the extent to which private and public sector interlocked
and of the profitability for private industry of the co-
operation with IRI is the fact that by 1937 the biggest
private groups (from FIAT, to Edison, to Montecatini) had
subscribed 775 out of the 900 million of the new issues
made by IRI.

It should not be thought that the relationship was
always idyllic or that IRI was simply a docile instrument
in the hands of the big monopolies for the fulfilment of
their particularistic interests. Indeed the situation
was more complex. One may speak of the presence of "two
souls" within IRI: one in favour and the other against
private capital. As can be read in an internal report of
May 1937:

"IRI has made an abundant harvest of enemies;
but this was unavoidable in a country like ours
where . . . most of the exponents of the plutocratic
and capitalistic classes have always conceived the function of their relationship with the State as a continuous attempt of depredation of the State". (17)

The report went on to list some of the cases in which IRI's activities had conflicted with the sectional interests of specific capitalist groups. One can mention, for example, the conflict with FIAT over the reorganization of the car company Alfa Romeo of Milan, now owned by the State and that the Turin group hoped to see dismantled to do away with a potentially dangerous competitor in the narrow Italian automotive market. The attempts by FIAT to liquidate and eventually take over the Milan concern failed; Alfa Romeo remained in public hands and carried out its own productive reorganization and expansion. One might also mention the refusal to sell on overly favourable conditions the textile company Chatillon to some private groups of the sectors. Or the clash with Edison (the biggest electrical concern) over IRI's refusal to make it participate in the increase of capital of the SIP company. The list could be lengthened and other occasions of clash between IRI and private interests could be recorded. The following three cases seem worth examining in some detail in order to get a more precise idea of the relationships between public and private capital, of the pressures put upon the state holding company, and of the limits of its freedom for manoeuvre.

i) The case of the Cantieri Riuniti dell'Adriatico (CRDA)

With the bank rescues IRI had come into possession, directly or through other companies under its control, of the
biggest Italian shipyards (Monfalcone, Trieste, Fiume, Genova, Livorno, La Spezia), which had provided in the previous period 78 per cent of the tonnage for the mercantile fleet and 91 per cent for the passenger ships. (18) Among the shipyards in IRI's hands there were the Cantieri Riuniti dell'Adriatico (CRDA) which controlled the three yards of Monfalcone, Trieste, and Fiume. With almost all the yards under its control IRI soon started a policy of radical rationalization of this important sector, intended to overcome the productive fragmentation, the lack of coordination and the problems of over-production that affected it.

FIAT owned more than 24 million of CRDA's shares (bought in 1930) and was very interested in them, because not only could CRDA buy its marine engines but it also controlled a company (Fabbrica Macchine di S.Andrea) which produced diesel engines in direct competition with FIAT's own plant (the Fabbrica Grandi Motori in Turin). FIAT, therefore, approached IRI in order to gain control of the CRDA. The news of the negotiations between the two groups deeply worried the local authorities and in particular the CRDA's Chairman, F. Giunta: the sale of FIAT would imply the end of production of the diesel engines in Trieste and its concentration in the FIAT factory in Turin, with great damage to the local economy. The contacts with FIAT were therefore dropped and IRI, going on with its policy of reprivatization, in March 1935 sold back the CRDA's majority parcel to a syndicate of Trieste private financiers headed by Guido Segre, that declared its intention to defend and
expand local industry. On this understanding, Segre with about 30 million lire managed to buy a concern with 37 million profits, 80 million reserves, and more than half a billion of work on the stocks. However, shortly after the purchase, Segre entered into negotiations to sell the CRDA to the FIAT group. At this point the Chairman Giunta, (19) a fascist deeply committed to state intervention in economic life, sent a detailed report directly to Mussolini explaining the whole story and asking for an intervention by the government that would ensure the return of the CRDA into public hands. When Segre refused to return to IRI the control parcel of the CRDA, a governmental committee was set up to study the problem of the shipyard sector. Eventually with the Decree of 15 April 1937, which declared the shipyard companies with a capital superior to 100 million lire of 'national interest', IRI was able to buy back the share parcel of the CRDA at the same price it had sold it to the Segre group two years before.

In the case of the CRDA the state managed to overcome the resistance of the private groups, by opposing the sectional interests with a view to the general reorganization of the industry in question (considered to be a vital asset in the international power game). But it must be noted that it was only the direct intervention of the government, in particular of the Minister of Finance, (20) that led to the final solution, not a purposeful action by IRI's management, who indeed, as shown, was ready to meet FIAT's demands and to sell the shipyards.
ii) The case of Chatillon

Another important case of conflict between private capital and state enterprise was the one which saw as a protagonist the Chatillon company. (21) Established in 1918 the company operated in the textile sector, producing artificial fibres. Together with two other companies (Snia Viscosa and Cisa), Chatillon was organised in the consortium ITALRAYON, set up to control output and sale of fibres. Its capital being controlled by the Banca Commerciale, with the credit reorganization of 1934 Chatillon passed under state control. According to its usual policy, IRI immediately offered the company to Pirelli and Snia Viscosa in order to reprivatize it, but the private groups made an unacceptable offer and Chatillon remained in public hands. Led by a skilfull management, in the period 1930-39 Chatillon greatly increased its production and market share reaching 30 per cent of the national output of yarn, in strong competition with the other private groups (in particular the big monopoly Snia) that were in a serious financial and productive crisis: while the public-owned company increased its sales, the private company Snia declared losses of 90 million lire. At this point the private groups began to put pressure upon IRI to be able to buy Chatillon and therefore to absorb the dangerous competitor. Initially IRI resisted this request of purchase for a few years, but eventually, during the war period, (22) after renewed pressure, Chatillon was handed over to private capital. One further observation can be made with regard to this case.
A profitable concern like Chatillon was sold back within a wider policy of reprivatization of the whole textile sector (see below). This suggests that, in general, IRI maintained its presence essentially in those sectors which for whatever reason private enterprise was unwilling to engage in.

iii) The case of the cotton sector.

In March 1934 the Istituto Cotoniero Italiano was set up as a public body, with the usual aims of output control, export support, price regulation, and so on. The new public body was officially intended to be one of the organs of the corporatist structure of the economy that was being built in those years. Actually the Istituto Cotoniero Italiano had existed since 1912, when it had been established by the most prominent cotton industrialists as a cartel to cope with the crisis of the 1910s; the body created in 1934 in practice was the private cartel itself made public. The Minister of the Corporations appointed as its chairman the Hon. Gino Olivetti, one of the best-known private entrepreneurs of the period, founder in 1919 of the Confederazione Generale dell'Industria Italiana (the employers' organization) and its Secretary-General until 1933. The board of directors of the Istituto Cotoniero comprised, besides other members in representation of state institutions, some of the biggest private industrialists of the cotton sector.

On 9 January 1935 IRI informed the Ministry of Finance that the Istituto Cotoniero had approached it with a view
to solving the problems of the cotton industry where the state holding company controlled some firms. To reduce the over-production that afflicted the industry, chairman Olivetti proposed that all the spindles controlled by IRI (about 667,000) should be withdrawn from production, while a further 400,000 spindles would be closed down in factories in private hands. The state holding company aptly commented on this proposal:

"IRI had suggested that the cotton industrialists should propose that only the most obsolete and least economic factories had to be closed, by choosing them between those of IRI and those of the free industry, without any distinction as to whom they belonged to. The proposal as it has been made, on the contrary, sacrifices efficient factories together with inefficient factories only because they belong to IRI rather than to private industry . . . Now it must be kept in mind that the fact of belonging to IRI is not proof of inefficiency of the factories, since they were transferred to IRI for another reason, namely, with a view to a totalitarian cleaning out of the banks' portfolio, from which it has been taken over both good and bad material" (25)

On the basis of the available evidence it is impossible to say whether the proposals by the Istituto Cotoniero were consented to or not, and to what extent. But as a matter of fact in the period 1936-44 IRI went on selling back to private capital its shareholdings in the textile industry, completely withdrawing from the sector before the end of the war (see the data in Table 2.1).

To sum up: between IRI and industrial groups there occurred many cases of conflict and tension on specific issues. In some particular cases the public holding company managed to resist the pressures coming from the sectional interests of private capital. None the less,
the policy of selling back and of industrial reorganization that the Institute carried out entailed a considerable extent of subordination to the interests of the industrial bourgeoisie. It was as if IRI were constitutionally unwilling to antagonize the dominant industrial circles.

Indeed it was in the spaces left clear by private capital that IRI had the best chances to show its ability to carry out a programme of industrial reorganization and rationalization. IRI activities in fact developed either a) in those sectors which were not profitable or b) in those sectors which, because of the huge financial resources needed, did not look appealing to private enterprise. (26) Within these limits, the Institute's activity showed a remarkable degree of dynamism and entrepreneurship, achieving important results in the process of reorganization of the country's industrial apparatus (see, above all, the case of the iron and steel sector).

State intervention and industrial bourgeoisie: some concluding remarks.

Summarizing things that have already been discussed, it can be confidently said that the state intervention which led to the establishment of the Istituto per la Riconstruzione Industriale was essentially conceived as a financial operation, was intended to put order into the situation of the banks and of the country's credit system, not to be the beginning of the purposeful establishment of a public enterprise system: in this sense in the early '30s the state was born banker rather than entrepreneur.

The basic idea - which found its antecedent in the
establishment of IMI in 1931 and its conclusion in the banking reform of 1936 - was that of promoting the process of industrial development of the country, be reorganizing the banking system and giving the state a prominent role in the provision of financial resources to the firms. Any wider aim of permanent, coherent, and organized state presence in the country's productive activity was explicitly excluded in the original intentions that inspired the establishment of IRI. Only afterwards, under the pressure of the events, IRI became a holding company actively engaged in the management of industrial activities. The point is crucial for an understanding of IRI's role: the history of its origins nicely highlights the limits intrinsic to its operations.

As argued by Andrew Shonfield, probably this was the most casual nationalization ever accomplished by a capitalist country, accomplished only as a consequence of the reorganization of the 'mixed banks'. Actually even the term 'nationalization' is incorrect. Leaving aside the institutional differences between a nationalized industry and the IRI formula - a difference that must not be underrated and that to some extent accounts for a divergent pattern of behaviour - the very idea of nationalization implies an act of political will, carried out purposefully by a government according to some political design. Furthermore, nationalization has always been associated with socialist of social-democratic policies, and heavily marked by an anti-monopolistic flavour. No hint of a socializing attitude with reference to the
productive activities can indeed be detected in the creation of the Institute for Industrial Reconstruction.

As Prof. Pasquale Saraceno, a direct witness of the establishment of IRI and a protagonist of its subsequent history, puts it in retrospect:

"the political justification of that intervention thus is not the purpose either to stop private monopolies, or to give an impulse to certain industrial production, or to develop depressed areas, but it rests with the weakness of private enterprise, with its inability to provide, without the deposit banks, the capital required for the control of a rather important group of industrial concerns existing at the moment of the rescue" (28)

Even if we are only in the realm of hypotheses, it is easy to say that had it not been necessary to confront a serious crisis situation which threatened the entire economic system, IRI would not have been set up. In other words, the original initiative did not come from the state, the state provided an answer to a situation over which it had not been able to exert any appreciable influence before it deteriorated to such an extent as to require public intervention. One can say that the crisis of the '30s provided the structural pre-conditions that enabled the state to carry out a substantial intervention.

Having said all this, it must be added that the establishment of IRI was something of a revolutionary act; compared with the history of state intervention in the decades before, it marked a notable break with the consolidated pattern of public action. As we have seen, the 'rescues' have been a recurrent feature in Italian economic history. The pattern is easily summarized: the state intervenes where and when, because of the links between banks and industrial
concerns, there is a danger of collapse for the bank, the firm, or both. In other terms, a rescue is an ad hoc intervention, not implying any substantial modification of the causes that have led to the crisis in a specific sector of the industrial-financial apparatus. The periodical recurrence of the same pattern of intervention points to the lack of any structural solution, to an inability to bring about a reorganization based on new premises, and indicates the degree of success of the resistance against such changes.

This pattern of intervention was however bound to show all its weakness at the moment of the great crisis. Judged ex post it looks particularly short-sighted since it did not promote any process of rationalization, a more solid readjustment of the financial and economic environment in which the capital operates. It points to the lack of any consistent strategy, to the strength of the sectional interests, to the fragmentation of the industrial-financial bourgeoisie. It highlights the inability of the political class to perform a more far-sighted role in organizing public intervention in the economic system, to aggregate the political demand coming from the civil society; this in turn reveals the absence of a hegemonic ruling class and of the cleavages existing within the bourgeoisie itself.

In the '30s, in the wake of the problems created by the international depression, the government's behaviour began to change, its action became more purposeful and significant. The process culminated with the establishment of IRI, whose meaning has been discussed in the course of
the chapter. With respect to the interventions carried out so far the fundamental novelty was the capacity to promote a public action that was not simply limited to a circumscribed area of the economic system, but that had a general relevance, and introduced a change relevant to the whole economic structure. Put differently, in the '30s state action managed to transform the particularistic pressures of some sectional interests (the 'mixed banks') that asked for public support into an intervention with a much broader significance. Mainly through an instrument like IRI, the state intervened in such a way as to rationalize and strengthen the whole structure of the Italian capitalist economy, removing a fundamental obstacle which stood on the road of a more mature and efficient working of the economic-financial system. In these terms the establishment and the subsequent management of IRI had a progressive character, opening up a new phase of the development of the Italian capitalism.

From the historical point of view it will be remembered that the other period in which the state was able to perform such a 'general' function, to further the interests of a class (the capitalist bourgeoisie) rather than those of sectional interests, was the Giolittian era. In those times, as in the case of IRI, state action showed its ability to move according to considerations of a general character concerning the industrial system as a whole.

A last remark is worth making. If it is true that the establishment of IRI marked a departure from the usual pattern of state action in the economic system, it must also be
stressed again that its activity, by and large, remained subordinate to the priorities set by the big private industrial bourgeoisie. More specifically, it is clear that, once the power of the financial capital was liquidated, IRI's action did not go any further: the situation, the power relationships within the dominant economic class, were frozen, just because IRI had not been set up to bring about revolutionary changes in the structure of the Italian industry.

By the same token, the subsequent activity carried out by IRI remained largely entrapped in these structural limits. IRI had to 'negotiate' its position vis-a-vis the great economic interests in a context within which the 'definition of the situation' was provided by the big private industrial bourgeoisie, i.e. by what had become the hegemonic fraction of the dominant class. IRI had to adjust itself to the parameters set by the big private economic organizations by accepting their rules of the game. The Institute indeed had not at its disposal the resources - economic, political, managerial, organizational - that would enable it to achieve a different "definition of the situation", even in case it had wanted to (and this is questionable). This is what really defines IRI's subordinate position with respect to the private industrial bourgeoisie, much more than single cases of yielding to the immediate interests of some specific industrial groups.
Notes to Chapter 3

(1) The Sezione finanziamenti was suppressed in March 1936 and incorporated into IMI (which in this way remained the sole credit institute for the financing of long-term industrial investments). Its assets and liabilities were transferred to the Sezione smobilizz. During its existence the Sezione examined about 1,500 requests of credit and granted loans for a total of 1,125 million lire. (Its own capital was 100 million lire), subscribed by the Cassa depositi e prestiti, the Cassa nazionale delle assicurazioni sociali and the Istituto Nazionale delle Assicurazioni. For more detailed information see Rapporto Saraceno, op.cit., Appendix no.3 ("Notizie sulla Sezione finanziamenti industriali dell'IRI e bilancio della Sezione fino al suo scioglimento, 14 Marzo 1936") pp.341-7.

(2) Our elaboration on data provided by Rapporto Saraceno, op.cit., pp.124-5.

(3) See R. Levis, "Interventi chirurgici in materia finanziaria (il risanamento dei due gruppi industriali 'Italgas' e 'SIP')", La riforma sociale, vol.44, no.6, 1933, pp.719-26.

(4) More details about the activity of industrial reorganization carried out in the first years of IRI's life can be found in the Rapporto Saraceno, op.cit., pp.22-31. The most significant intervention was the reorganization of the telephone companies ended under state control. In October 1933 IRI established a subholding company (STET) that was entrusted with the task of managing the state shareholdings in this sector. See O. Lefebvre D'Ovidio. "L'azione dell'IRI per la riorganizzazione dell'industria", Rassegna Economica, vol.7, no.6, 1937, pp.189-94.


(9) Cf. Rapporto Saraceno, op.cit., pp.38-59. Two new subholding companies were established in this period: FINMARE in 1936 for the shipping sector and FINSIDER in 1937 for the iron and steel sector.


(12) See Rapporto Saraceno, op.cit., p.31.

(13) Idem, pp.47-9. Where not otherwise specified, all the relevant information comes from this source.

(14) Cf. Ministero per la Costituente, op.cit., vol.1, Relazione, p.177.


(16) Further 200 millions were granted by IMI as a long-term loan.


(19) Francesco Giunta was a very influential member of the Fascist Party and in very close contact with Mussolini himself. He has been Undersecretary to the Presidency of the Council of Ministers between December 1927 and July 1932.

(20) The Minister was at that time Paolo Thaon di Revel, strongly committed to the 'fascistization' of the economy and finance (see his parliamentary speeches reported in the Rivista Bancaria, from 1937 onwards).


This was a common pattern during fascism. Indeed, it was a characteristic feature of the regime's institutional set-up. Many private organizations established by businessmen benefited considerably from being given a public, official status, while going on working in practice as private associations. See for example the case of the employers' confederation Confindustria.


The following table gives an idea of the sectors in which the policy of reprivatization was more intense (values expressed in current million lire):

<table>
<thead>
<tr>
<th>Sectors</th>
<th>1934-36</th>
<th>1937-39</th>
<th>1940-44</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Electricity, telephones, Shipping, shipyards, iron and steel, mechanical.</td>
<td>1,254</td>
<td>350</td>
<td>107</td>
</tr>
<tr>
<td>2) Textiles, building societies, agriculture, mining, chemicals, other various, etc.</td>
<td>1,516</td>
<td>1,027</td>
<td>1,525</td>
</tr>
<tr>
<td></td>
<td><strong>2,770</strong></td>
<td><strong>1,377</strong></td>
<td><strong>1,632</strong></td>
</tr>
</tbody>
</table>

Source: Rapporto Saraceno, op.cit., p.61.


PUBLIC TECHNOCRACY AND PRIVATE BOURGEOISIE IN THE FASCIST REGIME.

Over the twenty years of the regime a fascist ruling elite did not develop. The regime did not possess a leading political class, well integrated, technically and politically prepared, able to operate a synthesis between the major socio-economic interests. The regime lacked such an elite because "it lacked a sociologically consistent basis, a class, an estate, a group which totally identified itself with it".\(^{(1)}\) This was one of the regime's gravest weaknesses.

In this respect growing state intervention and involvement in the economic life, the establishment of a large machinery for (supposed) state regulation of the economic system, could provide a very important opportunity of developing and strengthening a managerial public bureaucracy capable of coagulating around itself a fascist ruling class. IRI, a complex, ramified and powerful economic organization, could have constituted the core of this attempt. Things in fact went in quite a different way. Instead of promoting the development of a fascist managerial bureaucracy, IRI spurred the emergence outside the regime's ruling groups of the first nucleus of a public bourgeoisie, which would go on managing enterprises well beyond the fascist period.

The seizure of power by fascism, and its subsequent consolidation, brought about relevant changes in the composition of the governing political elite. The regime displaced the liberal political class that had run the country from 1876 to 1922 and brought into politics a numerous lower
middle-class element, which otherwise would have remained outside the centres of governmental and political power in the old liberal system. (2) A survey of 265 people occupying in the early '30s top positions in government and party showed unequivocally the petty bourgeois origins of the new personnel of fascist party, cabinet and unions (see Table 4.1).

Table 4.1

<table>
<thead>
<tr>
<th>Agencies</th>
<th>No. of cases</th>
<th>Social origins</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>P</td>
</tr>
<tr>
<td>Cabinet</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>Grand Council</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Party Executive Committee</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Provincial Party Secretaries</td>
<td>66</td>
<td>3</td>
</tr>
<tr>
<td>Chief Executives National</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unions and Associations</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>Provincial Secretaries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union of Agricultural Workers</td>
<td>53</td>
<td>0</td>
</tr>
<tr>
<td>Union of Industrial Workers</td>
<td>51</td>
<td>0</td>
</tr>
<tr>
<td>Union of Commercial Workers</td>
<td>43</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>265</td>
<td>10</td>
</tr>
<tr>
<td>Percentages</td>
<td>100</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Source: Table adapted from H.D. Lasswell and R. Sereno, "Governmental and party leaders in fascist Italy", American Political Science Review, vol.31, October 1937, pp.914-29. (3).

Code: P = proletariat; LB = lesser bourgeoisie; PL = plutocracy; A = aristocracy.

The data scarcely need commenting. They make a nice contrast with those concerning the Senate of the Kingdom, which was still representative of the traditional political elites (Senators were appointed by the King for life):
more than 50 per cent of its members were of "plutocratic" or aristocratic background. The two exceptions to the general trend - constituted by the Cabinet and the Provincial Party Secretaries - are extremely significant. In the Cabinet persons from a very high social background can be found, which points to the penetration of members of the aristocracy and the bourgeoisie into the government: this was particularly true for the Finance Ministry to which prominent representatives of the business establishment were appointed. At the level of the Provincial Party Secretaries and of aristocratic or bourgeois origins seems to indicate a policy of compromise with and recruitment from the existing local political elites, which therefore provided the Party with a certain number of leaders. (4)

This group of petty bourgeois leaders filling top posts in party and government represented the contribution of fascism to changes in the Italian political class. Without the regime these people would have been very unlikely to rise to positions of such importance. In most cases their common denominator and their means of entering politics was an early affiliation to the party and often a direct participation to the violent raids of the squadrist phase of fascism (1919-22); they were known as the Fascists della prima ora (of the first hour). Party organization and party propaganda were the foundation of their careers. This group was characterized by a high degree of heterogeneity, was little integrated, did not share a common experience and background, was by and large less educated than its liberal predecessor. Such a diverse
grouping of leaders could hardly provide the country with a political class up to its task.

The seizure of power by fascism did in fact bring about a change in the composition of the ruling class only in so far as the above party and governmental agencies are concerned. A thorough going turnover took place only in this section of the dominant groups; that is to say, in the most 'visible' offices, which however are often not the most important ones in terms of real power and management of basic institutions of state and society.

On the contrary, the top positions in the economic organizations, both private and public, to a large extent were not touched by the change of political formula or by the consolidation of the regime: as R. Webster has remarked, business leaders were neither outsiders nor newcomers. (5) What strikes one is above all the fact that this was true also for the continuously expanding public or quasi-public sector of the economy. In this respect, the collapse of liberal Italy and the advent of fascism did not mark a decisive break in the patterns of recruitment and career in the economic field. This continuity had important consequences both for public enterprise and for the business elite as a whole.

The IRI group - the Institute as such and the firms under its financial control - exemplified these tendencies in the clearest way. In what follows this point will be argued by highlighting some characteristics of IRI's top management and of its formation and by placing it in the context of the Italian business elite of the period. (6)
For a start, we shall outline the careers of those who played a crucial part in the establishment and management of the Institute, in particular Alberto Beneduce the real 'father' of IRI and its Chairman in the crucial period 1933-39. By analysing the biographies of these top managers it is possible to bring some aspects of the genesis of the state as banker and entrepreneur and to better understand the pattern of formation of the technocrats who managed public enterprise.

IRI's top management.

Alberto Beneduce (1877-1944) was born in Caserta (Southern Italy) in a modest petty bourgeois family. In 1902 he took a degree in mathematics and started his career as an employee in the Department of Statistics at the Ministry of Agriculture, Industry and Commerce. Here in the period 1902-10 he carried out extensive and original research work in statistics, publishing many scientific works and gaining a significant position in economic-statistical circles; in 1911 he organized the preparation of effectively the first industrial and commercial census of the country.

The crucial turning-point of his bureaucratic-administrative career took place in 1911 when - as a civil servant and a well-known demographer - he was asked by the competent Minister to take part in the preparation and establishment of the Istituto Nazionale delle Assicurazioni (INA) which was to exercise the state monopoly of life insurance. In this very controversial reform project,
which raised strong opposition in Parliament and in the country, Beneduce had the opportunity to collaborate with the radical-reformist politician F.S. Nitti — then Minister of Agriculture, Industry and Commerce in the Giolitti Cabinet — and with B. Stringher, another key figure of this period. Director General of the Bank of Italy and (as influential) economic adviser to the government. (8)

When the new Institute was established in 1912 Stringher was appointed Chairman of its Board and Beneduce was given a place as Director; in 1916 Beneduce became INA's Managing Director, an office which he held until November 1919.

In 1914-15 he cooperated with the Director General of the Issue Bank in the establishment of the Consorzio per sovvenzioni sui valori industriali. In the war years Beneduce also worked with Stringher in the raising of public funds through the so-called 'national loans', by means of which the state financed its intervention policy during the period 1917-19. (9) After the war — always together with Nitti, then Prime Minister, and Stringher — Beneduce took part in the establishment of the Consorzio di Credito per le Opere Pubbliche for the financing of public works. (10)

In these years Beneduce was also active in local and national politics, being close to such reformist Socialist Party leaders as Bissolati and Bonomi. Following the end of the war, having resigned INA's management and the University professorship he had obtained a few years earlier, Beneduce stood as candidate in the elections of November 1919 and was elected to Parliament, for the constituency of his native Caserta, which he represented
until 1923.

In the Chamber he joined the newly-formed Socialist-Reformist Party, headed by the former Socialist Bonomi, and took on the chairmanship of the Chamber's Finance and Treasury Committee, playing an important role in the economic and financial legislative activity of the period. In 1919-23 Beneduce held several administrative positions in a dozen public bodies, in this way gaining a fruitful experience of the state machinery and of some of the financial instruments for state intervention in the economic life. When the Bonomi government was formed he was appointed to the recently-established post of Minister of Labour and Social Security (July 1921-February 1922). As antifascist and socialist-reformist his political career ended with the change of regime; he did not stand again in the elections of May 1924 and at the end of 1925 retired from active political life. With these events the first cycle of Beneduce's experience as public manager and political man ended. It is important to stress that at this point of his career Beneduce had behind him more than ten years of active involvement - as a prominent figure - in the widening of state financial instruments for the intervention into the economy. His financial, administrative and managerial experience was solid; his career well structured. In this sense the subsequent years constituted the continuation - though on a much larger scale - of the experiences of the pre-fascist, liberal, period.

Without rejecting his past as a socialist-reformist, after his retirement from political life Beneduce devoted
himself to the management of the public financial bodies which he had contributed to establish, thus officially collaborating in the financial policy of the regime, above all as Chairman of CREDIOP and of the new Istituto di Credito per le Imprese di Pubblica Utilità (ICIPU).\(^{(12)}\)

His cooperation with the regime became closer and more important at the time of the policy of monetary stabilization (the so called 'Battle of the Lira') in 1926-27. As responsible for the management of ICIPU Beneduce made available the financial resources collected by the Institute on the American Market to support the revaluation policy of the government. In the same year he took part in the organization of the Istituto di liquidazioni, which has already been mentioned.

In 1926 another very significant event marked Beneduce's managerial experience. With the backing of Stringher and Volpi di Misurata (newly-appointed Minister of Finance and himself a prominent member of the Northern private financial circles) he was appointed Chairman of the biggest and most important Italian private financial holding company (Bastogi), a traditional intersection point of the most powerful financial groups of the country (chiefly in the electrical power field). Thanks to this appointment Beneduce became a key figure in balancing and mediating the relationships among dominant economic interests, between public and private economic institutions. His appointment indicates another crucial aspect of state intervention: the interchangeability of roles between public managers and private financiers and industrialists at the top of the biggest
private companies and public institutions. (13)

However, the most significant events for Beneduce's career took place beginning from the 1930s in the context of the economic and financial crisis that hit the country as the consequence of the international slump, aggravated by the government's policy of revaluation of the currency. He was indeed the **eminence grise** behind the conception and establishment of IMI in 1931 and IRI in 1933, and he was appointed Chairman of the latter. In the mid '30s Beneduce was thus in a crucial position in the industrial-financial system, being present and active in the Boards of Directors of some of the main private companies and public bodies of the period; his cumulation of top economic offices was unparalleled in the regime. Beneduce held the Chairmanship of IRI until November 1939, when he resigned because of a grave illness which had affected him since 1936. The other offices in public institutions were abandoned a few months later. (14)

Some aspects of Beneduce's career pattern are worth emphasizing. First of all the continuity of his experience, passing from liberal to fascist Italy, as a protagonist of growing state involvement in the workings of the economic system. Secondly, the characteristics of his career, which was essentially a managerial-bureaucratic one, marked by a constant involvement in the financial and productive activity of the state; the whole coupled and legitimated by a high degree of professionalism and technical expertise.

In particular, Beneduce's career was not due to his political involvement with the fascist movement of the Party.
From this point of view he was an outsider to the regime and indeed he always maintained a certain hostility (amply reciprocated) toward the Fascist Party and its top personnel. But, unlike most of the Party officials and the new fascist elite, he was not a newcomer on the financial scene. When in 1925 he began to work with the regime he already was a key figure of the new public financial bureaucracy, with a distinctive managerial background and firmly inserted in the new state mechanisms for the intervention in the economy.

When Beneduce resigned from IRI he was replaced by Francesco Giordani, who remained the Institute's Chairman until 1943 when IRI's management, after the fall of fascism, was entrusted to a Commissar. Giordani, born in 1896 in a wealthy bourgeois family, started with a very brilliant and successful academic career: in 1928 he was Professor of Chemistry and in 1932 Head of the Chemistry Department at the University of Naples. In 1933 he was introduced to Beneduce and began to cooperate with IRI as an expert for the chemical sector. This activity enabled him to win Beneduce's esteem: in 1937 he was appointed Vice Chairman of IRI and entered the Institute's Executive Committee. When Beneduce retired he took his post as Chairman, although some fascist circles were pressing for a different solution (they had earlier on urged the replacement of Beneduce himself). That is to say, Beneduce was replaced by a person who had long been associated with IRI and enjoyed his confidence: it was a succession from within, which highlights IRI's success to remain impermeable to the penetration from external elements.
From the point of view of the continuity, it is noteworthy that Giordani went on playing a prominent part in economic and scientific life of Republican Italy. Soon after the war he was chosen as the country's representative at the International Bank for Reconstruction and Development; in 1950 he was appointed Chairman of SVIMEZ, a public body for promoting industrial development in Southern Italy; in '52 he became the first Chairman of the newly-created National Committee for Nuclear Researches; between 1956 and 1960 (when he died) he was at the head of the National Research Council.

But even more significant for our attempt to sketch a profile of public management is the career of IRI's General Manager in the period 1933-43. Donato Menichella was a central protagonist - much more than Giordani - of the first phase of the Institute's life in the years between its establishment and the fall of fascism in 1943/44. (16)

He was born in Foggia (Southern Italy) in 1896, the same year as Giordani and almost twenty years later than Beneduce. After gaining a degree in Social Sciences, in 1920 he entered the Istituto nazionale dei cambi con l'estero, which had been set up the year before by Nitti, Stringher and Beneduce. From there he went on in the following years with a rapid career in the banking and financial sector: Banca d'Italia (1922-23), Banca Italiana di Sconto (1923-28), Banca Nazionale di Credito (1929-30). In the period 1931-33 he held the office of General Manager of the financial holding company SFI (Società Finanziaria Italiana), established by the Credito Italiano in January 1931 to hand
over its most compromised industrial shareholdings. As we have seen previously, the SFI was at the centre of the convention signed between state and Credito Italiano in February 1931 and later of the convention between IRI and the bank. This position gave Menichella the opportunity of working closely together with Beneduce, who was at that time conducting the operations of redifinition of the relationships between mixed banks and state. It is moreover clear that Menichella's first hand knowledge of the banking system, and particularly of the financial problems of the mixed banks, was very thorough. The combination of these two factors - personal acquaintance with Beneduce and undisputable professional experience - helps to explain why as soon as IRI was formed he was appointed its General Manager. He held this office until 1943, thus providing the management of the Institute with a strong element of continuity: in the ten years he spent at IRI Menichella played a fundamental role in shaping the Institute's policies. After the end of the war he was appointed General Manager of the Bank of Italy (1946-48) and in 1948 succeeded Luigi Einaudi, of whom he had been a close collaborator, as its Governor, a position which he held until 1960. After retiring from the Bank he was Vice-Governor for Italy of the International Bank for Reconstruction and Development and a member of the Boards of Directors of the Bank for International Settlements.

A similar career pattern may also be found in the case of Pasquale Saraceno, Menichella's closest collaborator in the operations of credit reorganization during the '30s.
Saraceno (born 1903) was later on to become a very important figure in the management of the Institute and a protagonist of the economic interventions carried out by the state in post-war Italy. Like Menichella, he started his career in private banking system, working in between 1918 and 1929 the Banca Commerciale, the stronghold of Italian financial capital. In 1929 he took a degree and became a Teaching Assistant of Banking Technique at the Bocconi University in Milan, a prestigious private institution for business and economic studies. At the same time he was carrying out a professional activity as auditor, a field in which he gained valuable experience. In the course of this activity he met Menichella, who soon appreciated in him the technical preparation in banking and auditing matters. For such reasons in 1933 he asked Saraceno to join IRI, where the activity of credit reorganization and industrial winding-up required professional expertise of this kind. Since 1933 Saraceno had always been working within IRI in increasingly important offices.

Some remarks can be made if we consider the four cases as a whole. Firstly, so far as one can judge from the information available, their career pattern is of a bureaucratic and meritocratic type, being based primarily on considerations of professional competence and technical qualification. Although the number of cases we have dealt with is limited, it appears that professional experience and technical know-how were crucial determinants in the careers of the early nucleus of IRI's top management. At the same time, however, it can be noticed that the
channels of recruitment tended to be particularistic rather than universalistic, in that people were recruited more through personal acquaintance or recommendation than through some formalized procedures. Recruitment, in other words, closely resembled co-optation into an elite group. Secondly, the variables of party affiliation and political involvement do not seem to have affected to any appreciable degree the composition of IRI’s top management in the pre-war decade. This was favoured by the fact that recruitment and career were very much similar to those typical of private organizations, where managerial selection tends to stress professional ability more than other characteristics.

All these elements are important since they contributed to create a high-quality and ideologically homogeneous managerial group outside the fascist circles, thus helping to insulate the Institute from political interferences.

In this respect, the case of IRI sharply contrasts with that of some traditional bureaucratic agencies, above all the Ministries of Foreign Affairs and of the Interior, which were widely infiltrated by persons owing their careers to affiliation with and service in the Fascist Party. The years 1926-28 were the golden period for the massive entry of fascist elements into the managerial careers of the Civil Service. For instance, in 1928 the diplomatic and consular services were penetrated on a large scale by party men, with the appointment to as many as sixty high level posts of fascist elements (who became known as the ventottisti). Furthermore, according to Lasswell
and Sereno, in the early '30s among the First Class Prefects twenty-two out of forty-nine were appointed from outside the regular career service in the Ministry of the Interior, the traditional recruitment channel to these offices; nine of them had taken part in violent squadristic actions. (20)

On the other hand, it must be pointed out that the case of IRI was anything but unique. Even in the Ministry of Corporations, the most typically fascist of all Ministries, created in 1926, the top posts remained a firm monopoly of the traditional administrative elite. In 1937 - over ten years after the establishment of the Ministry - not one of the thirty Directors-General, Inspectors-General and Chiefs of Division had entered the service after 1916. (21)

Continuity and innovation in the public managerial elite.

So far we have dealt with the structuration of the top management within IRI and we have tried to identify some patterns in this process. To have a complete picture it is now necessary to look at the situation of the companies which were under the control of the Institute. To this purpose a sample of IRI's subsidiaries and their top management have been analysed, to verify which change, if any, occurred in their commanding structure passing from private to state ownership. The following is a brief summary of the findings (cf. Appendix A for further details).

First and foremost, as a quite predictable consequence of the operations of credit reorganization and of the drastic redefinition of the mixed banks' role, a considerable
number of persons representative of or somehow linked to the banks lost their places in the Boards of Directors of the companies which were no longer dependent upon them. In this way the 'umbilical cord' which bound together banks and firms was cut. This was in fact the main change that occurred in the Boards of Directors of the concerns fallen under IRI's control. Once the presence of the men of the mixed banks had disappeared or had been drastically reduced, there took place a strengthening of the position of the 'industrialists' within the firms, both through an inflow of managerial personnel coming from other private industrial firms and through managers coming from inside the firms themselves. It is particularly the strengthening of these managerial groups and their coming to occupy the top positions in the Boards of Directors which constitutes the real novelty brought about by the replacement of the old shareholders. IRI's control - to the extent that it was able to impose its own will vis-a-vis the private interests still sharing the ownership of a particular company - strengthened within the organization the presence of managerial groups not characterized by a financial-speculative orientation as the banks' old representatives had been, but more industrially-minded, technically and managerially better prepared. It must be stressed, however, that these processes were only embryonic and more evident in some sectors than in others (iron and steel is a good example of this trend). In the 1930s this public management had not yet formed and, above all, was not clearly differentiated from the private
industrial bourgeoisie.

Here we touch upon a second crucial point. Many of those who ran IRI's industrial concerns in the mid-1930s were the same people who were managing them before 1933 or anyway were recruited from the already established managerial elite. Apart from any other consideration, this is hardly surprising if one thinks that to run the public firms - most of them big, complex, technologically and productively advanced - experienced management was needed, that in practice was largely available only within the traditional managerial groups. Therefore, many people simply maintained their posts, while others were recruited either through a process of promotion inside the organization or from the most prominent private industrial-financial circles. (22)

That is to say, from this point of view what took place was not the formation of a new public entrepreneurship, but rather a process of recruitment from within of the existent economic organizations. These remarks serve to qualify and put into better focus the statement made above about the embrionic formation of a distinct public management. The replacement of the old management indeed was only partial, fragmentary and uncertain. But where it took place it enabled the emergence of some new energies, which were to play a more decisive role only a few years later when, if only for generational reasons, the process of replacement would be completed.

Another important point which has to be made about the public managerial groups is that the whole process of their
formation was a very 'privatistic' one. By this we mean above all that, similarly to what happened within the Institute itself, the structuration of IRI firms' management was little affected by political variables. Obviously, in order to qualify for the top positions one had to show some degree of - at least - passive-acceptance of the regime. But the crucial point here is that public enterprises were not penetrated, not even infiltrated, by elements of political provenance or politically characterized; in this important respect public enterprises remained largely impermeable to the political environment, notwithstanding the supposed pervasiveness of the fascist institutions. This contrasts sharply with the party-controlled appointments to the top of public firms which were to be typical of post-fascist Italy. This means that career patterns in the financial-industrial sectors, unlike party and political domains (see above), were little modified by the so-called 'fascistization' of the state and the economy.

Moreover, the value system and ideological orientation of the public managerial elite were closer to a liberal conception of the state and economic activity than to the corporatist vision of society, with its emphasis on the primacy of the state and the dissolution of civil society into it. They strongly believed in a capitalist organization of production, stressing the importance of competition in an open market. Indeed, the managerial groups who controlled public firms showed little propensity to be guided by criteria other than those of an efficient and
profitable business activity and remained extremely wary of the intrusiveness of the state.

Within IRI (under the guidance of the Institute's top management) there gradually developed and crystallized a group of public managers quite foreign to the fascist environment. On the whole, managers coming from a 'liberal' rather than a 'fascist' background were appointed to the high level posts. These public managers had begun their careers in the period preceding the coming to power of fascism, had acted in a liberal milieu and their Weltanschauung was decisively non-fascist, if not really anti-fascist. These features point to the strong element of continuity in the composition of the ruling economic class, to the narrowness of its social basis of recruitment, to the limited pool of managerial and technical skills available to fill the top posts.

Furthermore, they suggest that the major economic organizations - even those formally controlled by the state - managed to remain 'off bounds' for fascist personnel, avoided large scale penetration into them by fascist elements: the economy had not yet been colonized by the political class and party affiliation was not decisive in determining key appointments in state-controlled financial and industrial agencies. The fascist regime's patronage stopped at the doorstep of the economic organizations. This is rather striking in a political regime otherwise displaying many characteristics of patrimonial rulership. (23)

The fact that fascist personnel - especially from the Party and the Corporations - did not enter IRI and that
'independent technicians' close to and interlocked with the big private bourgeoisie were appointed to its top strengthened the Institute's independent management and tended to depoliticize it. It made IRI less permeable to the pressures coming from the fascist political class. Of course, the particular freedom of action of IRI's top management - together with its closeness to private interests - was embedded in and reinforced by its institutional shareholding formula, which protected the Institute and (even more) its operative firms from the intrusion of political power.

To this one should add the overlapping and interlocking between private and public companies' management, epitomized by the case of Beneduce: the Italian business elite was a mixture of private financiers-entrepreneurs and public managers-officials. The tight interpenetration between private and public spheres was indeed the most significant feature of the Italian industrial-financial bourgeoisie.

This obviously reflects the character of Italian capitalism during the thirties, based upon the convergence of a privately-owned oligopolistic sector and of public bodies (both productive and financial). It points also to the fact that during the fascist regime, and especially beginning from the 1930s, the widening of the state's role and prerogatives progressively induced and strengthened a remarkable redistribution of power among the various segments of the Italian bourgeoisie. That is, during the fascist period the dominant social bloc changed and became increasingly based upon the alliance between big
private industry and top spheres of the bureaucratic-administrative system — while the big land-owners were losing ground in power terms — as a consequence of the peculiar process of economic development that took place within the context of a mixed economy. (24)

In 1938-39 L. Rosenstock-Franck, in his excellent analysis of the corporatist economic system, tried to pick out the top managers of this financial-industrial complex, by examining the composition of the Boards of Directors of the largest Italian joint-stock companies. (25) As a whole Rosenstock-Franck selected 128 companies with a total share capital of about 25,000 million lire, which represented about half of the capital of all joint-stock companies. (26) By and large, the companies selected by the French student constituted the elite of Italian capitalism, for share capital, market shares, production and control positions in other companies.

By analysing the composition of their Boards of Directors, Rosenstock-Franck was able to identify a limited number of people who in the second half of the thirties were managing big companies. This restricted elite were those who controlled the largest number of companies and occupied the strategic positions in the map of Italian capital. They represented as well the figure of the entrepreneur-financier, the new protagonist of that phase of capitalist development, who was overtaking the 'traditional' entrepreneur, leader of a family enterprise, largely excluded from the big game of high finance. This top ground represented the new 'command structure' of the Italian
economy during the 1930s.

Clearly, Rosenstock-Franck's analysis has no statistical significance, but it has the merit of concretely indicating the concentration of decision power in the hands of very few people. He lists some of the most prominent figures among the directors of the big joint-stock companies, by choosing those who were present in the largest number of Boards. In Table 4.2 we have assembled and reproduced the directors selected by Rosenstock-Franck.

It was a common pattern for the people being considered here to sit on the Boards of both private and publicly-owned companies or bodies. Among them there were some directors who represented the participation of the state to the management of the economic organizations: bureaucrats taking part in productive and financial activities (see the cases of Beneduce, Bevione, Broglia, Grassi, Morpurgo). The private bourgeoisie were well represented in this group, but not overwhelmingly. On the whole, it is difficult to find people with no connection with the public sector of the economy, as a result of the institutional arrangement which structurally provided for the interpenetration of the private and public spheres.

What matters for our discussion is above all that this interpenetration, resulting from multiple and overlapping membership of the Boards of Directors, strengthened the integration of the command group of the economic system. Moreover, it made easier the process of interaction and communication between the different sections of the bourgeoisie and secured privileged channels of information.
Table 4.2

Italian business elite, mid 1930s

<table>
<thead>
<tr>
<th>Name</th>
<th>Most prominent position</th>
<th>Number of directorships</th>
<th>Capital administered (million lire)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberto Beneduce</td>
<td>C IRI</td>
<td>14</td>
<td>6,650</td>
</tr>
<tr>
<td>Edgardo Morpurgo</td>
<td></td>
<td>11</td>
<td>3,300</td>
</tr>
<tr>
<td>Giacinto Motta</td>
<td>MD Edison</td>
<td>10</td>
<td>3,950</td>
</tr>
<tr>
<td>Alberto Pirelli</td>
<td>C Pirelli</td>
<td>9</td>
<td>4,250</td>
</tr>
<tr>
<td>Guido Donegani</td>
<td>C Montecatini</td>
<td>9</td>
<td>3,200</td>
</tr>
<tr>
<td>Giuseppe Bevione</td>
<td>C INA</td>
<td>9</td>
<td>2,200</td>
</tr>
<tr>
<td>Vittorio Cini</td>
<td>C ILVA</td>
<td>8</td>
<td>2,600</td>
</tr>
<tr>
<td>Ettore Conti</td>
<td>C COMIT</td>
<td>8</td>
<td>2,500</td>
</tr>
<tr>
<td>Giuseppe Broglia</td>
<td>C Cassa Resp. Torino</td>
<td>8</td>
<td>1,450</td>
</tr>
<tr>
<td>Enrico Parisi</td>
<td>VC La Centrale</td>
<td>7</td>
<td>2,300</td>
</tr>
<tr>
<td>Achille Gaggia</td>
<td>VC + GM SADE</td>
<td>7</td>
<td>1,980</td>
</tr>
<tr>
<td>Francesco Cartasegna</td>
<td>VC La Centrale</td>
<td>7</td>
<td>1,670</td>
</tr>
<tr>
<td>Giuseppe Volpi</td>
<td>C SADE</td>
<td>7</td>
<td>1,432</td>
</tr>
<tr>
<td>Arturo Bocciardo</td>
<td>C Finsider</td>
<td>7</td>
<td>1,300</td>
</tr>
<tr>
<td>Giovanni Agnelli</td>
<td>C FIAT</td>
<td>6</td>
<td>1,730</td>
</tr>
<tr>
<td>Paolo Grassi</td>
<td>GM Ministry of Finance</td>
<td>-</td>
<td>1,900</td>
</tr>
</tbody>
</table>


Code: C = Chairman; VC = Vice Chairman; MD = Managing Director; GM = General Manager.
In turn, both these elements were important in facilitating the definition and pursuit of a common interest: they made collective action both easier and more effective. (28) From this point of view, the sociological relevance of having few people occupying a great number of seats in some vital ganglia of the economic organization does not lie primarily in the function performed by the Boards of Directors; (29) rather, it stems from the complex web of interests which in this way was created and maintained. It provided a network which helped to integrate the system of the companies themselves. The relations of interdependence in the Boards of the joint-stock companies thus largely contributed to the stability of the economic environment and to the cohesion of the big industrial-financial bourgeoisie. They reinforced its values, providing a crucial element in the structuration of this class. (30)

In this connection, it must be taken account also of the fact that private and public entrepreneurs alike were still organized in the same employers' associations and hence constituted vis-a-vis the government and the administration a unified group. Confindustria in this respect performed an essential function in unifying and integrating private and public industrial bourgeoisie: it constituted an institutional 'clearing room' in which to balance contradictory and conflicting interests and to work out a common policy. It certainly further facilitated communication and interaction between private industrialists and top managers of IRI companies, by helping them to adjust their reciprocal behaviour. (31)
All the elements we have mentioned are important since taken together they strengthened the 'moral' and 'social' integration of the bourgeoisie and thus contributed to keep the management of public enterprise within safe bounds. As a result, the behaviour of IRI remained clearly oriented by economic and business criteria of a rigorously privatistic kind, and therefore remained close in inspiration and policy to private enterprise. In the end the strong element of continuity in the composition of the business elite helped to reduce the danger of irreparable clashes within the industrial bourgeoisie and to rule out any challenge to the establishment structures of a capitalist organization of the economy.
Notes to Chapter 4


(3) The Provincial Secretaries of the employers' associations have been excluded from the calculations, since in our opinion they can distort the picture. Top personnel of the employers' associations was in fact mainly drawn from the local business elite and sociologically had very little in common with the personnel of the fascist agencies. Furthermore, they did not represent any fascist organization.

(4) This is an indication of the strong position of the traditional notables at the local level. They were to exert a wide influence on the local political system also in republican Italy, especially in the South.

(5) Cf. Webster, op.cit., p.4.

(6) At present we do not have at our disposal an accurate and well-grounded sociological profile of the Italian business leadership during fascism. A partial exception is A.M. Chiesi, "Una ricerca sulle biofrafie imprenditoriali nell'Italia liberale e fascista - Problemi teorici, analisi empirica e tipologia", Quaderni di Sociologia, vol.26, no.2, 1977, pp.109-49. Data concerning 190 'great entrepreneurs' of liberal and fascist Italy are analysed and tabulated in the article. The problem is that people of very different periods are mixed together and hence it is difficult to single out the data concerning the fascist period. Some general remarks about dominant classes in Italy can also be found in L. Gallino, "L'evoluzione della struttura di classe in Italia", Quaderni di Sociologia, vol.18, no.2, 1970, pp.115-54. Our own analysis rely mainly upon some very good, detailed biographies of prominent public managers or people occupying key positions for the management of the economy. The biographical material has been complemented by information available in the many works dealing with fascism, by the memories of the contemporaries, and by some original data collected by ourselves. (see Appendix A).

(8) Bonaldo Stringher (born 1854) started his career in the Civil Service, becoming State Undersecretary at the Ministry of the Treasury in 1900. In the same year he was appointed Director General of the Bank of Italy - which at that time was one of the three Institutes of Issue. In 1928 he was appointed Governor of the Bank itself, an office which he held until his death (1930). He was also Treasury Minister in 1919. His case is another example of a technical-bureaucratic career pattern and bears witness to the strong element of continuity at the top of the most important public economic institutions, notwithstanding the change of political regime. For Stringher's biography cf. C. Belloni, Dizionario storico dei banchieri italiani, Firenze: Marzocco, 1951.

(9) Furthermore, in 1917 Beneduce established and became Chairman of the Opera Nazionale Combattenti, for organizational and financial assistance to war veterans.

(10) Always in 1919 in the troubled post-war situation Nitti, Stringher and Beneduce set up the Istituto Nazionale dei Cambi con l'Estero to tackle the problems of the currency on the international financial markets.

(11) I. Bonomi and L. Bissolati had been expelled from the Socialist Party (PSI) in 1912 and in the same year had founded the Italian Socialist Reformist Party (PSRI) of more moderate persuasion. See G. Mammarella, Riformisti e rivoluzionari nel PSI, 1900-1912, Padova: Marsilio, 1968.

(12) ICIPU was set up on 20 May 1924 (RDL no.731) with a capital of 100 million lire subscribed by public bodies, savings banks and private insurance companies. It was under the supervision of the Ministry of Finance. Its purpose was to grant loans to Italian firms to carry out works or build plants of recognized public utility, such as the production and transmission of electric power, communication services, aqueducts, etc. In practice, the policy of the Institute massively favoured the hydroelectric power undertakings.

(13) In 1928 he became also Chairman of the new Istituto per il Credito Navale (established on 5 July 1928, RDL no.817), yet another public-law body for 'special credit', which Beneduce organized in the mid '20s to finance the modernization of merchant marine.

(14) Interestingly enough, CREDIOP's and ICIPU's Chairmanships passed to the Governor of the Bank of Italy (Vincenzo Azzolini), who was already Chairman of IMI and of the Consorzio per Sovvenzioni su Valori Industriali. In other words, the two public financial bodies remained firmly under the control of the 'traditional' public officials and did not end in the hands of personnel linked to the Fascist Party or the Corporations.

(16) Biographical information has been gathered mainly from C. Belloni, op.cit. ad vocem and Istituto della Enciclopedia Italiana, Enciclopedia Italiana, Roma, App.III, ad vocem.

(17) Some information on Saraceno's career can be found in G. De Rosa, "Le origini dell'IRI e il risanamento bancario del 1934", Storia Contemporanea, vol.10, no.1, 1979, footnote at pp.14-15.

(18) I use the concept of elite group in the sense proposed by Giddens, "to designate those individuals who occupy positions of formal authority at the head of a social organization or institution". Cf. A. Giddens, The Class Structure of the Advanced Societies, London: Hutchinson, 1973, p.120.

(19) See Aquarone, L'organizzazione dello stato totalitario, op.cit., pp.73-5.

(20) See H.D. Lasswell and R. Sereno, "Governmental and Party Leaders in Fascist Italy", American Political Science Review, vo..31, October 1937, p.921. The first Prefetti fascisti were all generals and were appointed in 1923. Every year afterwards a new infusion of party elements took place, so that by the middle of the 1930s about fifty per cent of all Prefects serving in the Provinces came from outside the regular career service. Cf. R.C. Fried, The Italian Prefects, A Study in Administrative Politics, New Haven: Yale University Press, 1963, p.183.


(22) Other Directors, present in the Boards of IRI, IRI-controlled firms, and other public economic bodies as well, were coming from the highest echelons of the Civil Service or other public institutions: General Managers of various Ministries (especially Finance, Treasury, Corporations) or agencies such as INA, INPS, IMI, etc.


(26) Using the Yearbook of the Association of the Italian Joint-Stock Companies, Rosenstock-Frank selected all the companies with a share capital of 100 million lire or more and about fifty other companies among the most prominent whose capital did not reach that limit.

(27) A complete set of data on interlocking directorates is available for the year 1923. The data unmistakably indicates that there is a small minority of Directors who constitute the core of the economic-financial system and dominate the life of the largest joint-stock companies. Cf. P. Luzzato Fegiz, "Il Consiglio d'Amministrazione e l'interdipendenza delle imprese". Giornale degli Economisti e Rivista di Statistica, vol.43, no.3, 1928, pp.197-231.

(28) According to Giddens, "If the extent of social 'integration' of elite groups is high, there is also likely to be a high degree of moral solidarity characterising the elite as a whole and, probably, a low incidence of either latent or manifest conflicts between them". Cf. Giddens, op.cit., p.120.

(29) It is well known that the Board is seldom engaged in the management of the company, which is usually carried out by one person (Managing Director or General Manager) in cooperation with a technical-managerial staff. For this and other related problems see R.E. Pahl and J.T. Winkler, "The Economic Elite: Theory and Practice", in P. Stanworth and A. Giddens (eds.), Elites and Power in British Society, Cambridge: Cambridge University Press, 1974, pp.102-22.

(30) For the concept of class structuration see A.Giddens, op.cit., pp.107-12.

(31) In addition to Confindustria there was also the Association Among Italian Joint-Stock Companies (Assonime) to play a similar role in providing a forum in which top management of both private and public industry could work out a common policy. Assonime had been established on 22 November 1910 by fifty-three businessmen representing 181 joint-stock companies for a capital of 1,586 million lire of the time. Its Chairmen until the Second World War were: Carlo Esterle (Managing Director of Edison), Dante Ferraris (Vice-Chairman of FIAT), Giuseppe Volpi
(Chairman of SADE and former Minister of Finance - July 1925 to July 1928), Giovanni Silvestri (Vice-Chairman of the Società Metallurgica Italiana) and Ettore Conti (Chairman of the Banca Commerciale). Cf. Associazione tra le società italiane per azioni, Cinquant'anni di vita dell'Associazione fra le Società Italiane per Azioni, Roma, 1961.
CHAPTER 5.

MIXED ECONOMY AND CORPORATIST STATE.

We have argued that the public intervention leading to the establishment of IRI was an adaptive response to a situation over which the state had not exerted any control before it deteriorated to such an extent to make the intervention virtually inevitable. The state acted on the basis neither of a political design nor of considerations of industrial policy in the process which established public enterprise. And in fact the management of IRI-controlled firms remained largely outside the state and was oriented to essentially privatistic criteria.

A further indicator of the passive role played by the state, of the adaptive nature of its intervention, can be found in the relationships between the newly-established IRI and the corporatist structure of the economy.

It would be out of place to analyse here in detail the institutional structure and characteristics of the corporatist system which had gradually been developing since the mid twenties. A short account will suffice to clarify the basic features of the system. (1) Article three of the fundamental Act of 3 April 1926 on collective labour relations for the first time explicitly mentioned the so-called Corporations as organs of centralized coordination and control. Although a Ministry of Corporations was set up in July 1926 to supervise and monitor the operation of the corporatist syndical machinery, the Corporations as such came into existence only in February 1934. The twenty-two
Corporations thus established for the main branches of national economic activity were councils composed of ministerial and party officials and of an equal number of representatives of workers' and employers' syndical associations. They had general consultative powers in relation to their particular branch of economic activity and conciliation powers in collective labour disputes. But in the original programme their main function, what really gave them a new characterization, was far more ambitious: guiding and planning economic activity by enacting norms for "the collective regulation of economic relations and the unitary control of production".

According to their official aims, the Corporations were to be the instruments through which the state could exercise its centralized control over the management of the economy, with a view to furthering "the growth of the wealth, political power, and wellbeing of the Italian people". As an authoritative student of fascism has suggested, "the fundamental purpose of the Corporatist organization was to provide a system in which the state had constant control of the nation's economy without taking direct responsibility for the various branches of production. Management of the economy was largely left in private hands, but it was to be carried out under the auspices of the Corporations, which were to mediate between opposing class and category interests and to act as the framework for producers' self-government under the supreme direction of the state". Corporatism, both as an economic system and a mode of interest representation, was to represent the supersession
of both liberalism and socialism, individualism and collectivism, a sort of 'third way' between them, by providing a synthesis able to retain the basic features of the two systems: private property and enterprise on the one hand, state regulation on the economy on the other. (3)

Corporations and public enterprise.

Seen against this background, the establishment of IRI should have provided the state and the corporatist apparatus with an important operative instrument to accomplish the fundamental objective of guiding the national economy. Indeed, the Institute for Industrial Reconstruction, for its characteristics, dimensions, and strategic position, might have become the key instrument of public policy in the economic field, employed to orient the choices of economic actors and to attain the centralized control of the productive system by the state to which the fascist regime officially attached overwhelming importance. The Institute's behaviour vis-à-vis the industrial sector and private capitalist interests has been already examined. In the following paragraphs we want to go into some detail in the relationships between IRI and the corporatist structure of the state.

First of all, neither the National Council of Corporations nor the Central Corporatist Committee were even consulted (or asked an opinion) about the establishment of an important public holding company such as IRI (or, for that matter, IMI), despite what the law stipulated on matters concerning national production. (4) The Institute was in
fact conceived and planned completely outside the corporatist institutions; its structure and functions were not debated at all within the relevant corporatist organs. State intervention to take over the mixed banks' shareholdings was almost exclusively the product of consultation and bargaining among Mussolini, Beneduce and the Minister of Finance: as on many other occasions, the corporatist apparatus — supposedly the 'general staff of Italian economy' — was completely bypassed and its prerogatives utterly ignored.

Not only was the most important public intervention in the economic field of the 1930s conceived outside the corporatist institutions, but the government never thought to make the newly-established IRI part of the corporatist machinery, being implemented just in that period for the 'unitary control of production'. In a letter of 9 January 1933, written by Mussolini to the Finance Minister to sum up the main purpose of the whole operation and clarify the lines of activity of the new Istituto, the possibility of establishing some form of connection between IRI and the structures of the corporatist system was not even contemplated or mentioned. (5)

The Decree-Law which established the Istituto per la Ricostruzione Industriale conceded simply that the members of IRI's Board of Directors were appointed by the Minister of Finance in concert with the Minister of Corporations. Furthermore, one of the three standing auditors was to be designated by the latter. The Minister of Corporations had also to be consulted for the approval of the Institute's
new constitution. This was all: to the corporatist institutions was reserved a totally decorative role, devoid of any real possibility of affecting the management of the Istituto.

On the whole, IRI's position vis-a-vis the executive power was ill-defined and rather unclear. But, if there was an administrative-political organ to which the Institute was formally responsible, this was the Ministry of Finance, certainly not that of Corporations. On the other hand, the problem of control and accountability was not limited to IRI, but was common to all the other agencies, bodies and institutions which were set up in the '30s in the production field. It was not clear, above all, whether the new bodies were to be accountable to the corporatist organs and subjected to their directives or not. In practice, many of the new bodies were established precisely to accomplish tasks which in theory were already - or better: were supposed to be - carried out by the various Corporations and corporatist institutions.

IRI's institutional and legal status was clarified better in 1937 when the Institute was transformed into a permanent organization. The new Decree-Law and the new constitution specified and strengthened the prerogatives of the Finance Ministry, to which the Institute was unambiguously made accountable for its main operations. As to the Corporations, art. 1 of the Decree-Law stated that the Institute "has the task of providing with unitary criteria for the efficient management of its share-holdings, according to the directives of the Regime's economic policy
as expressed by the relevant Corporations". As can be seen, an extremely vague and generic expression of intentions, which amounted to no precise power of supervision and coordination by the Corporations.

In sum, from the very beginning, it resulted perfectly clear that IRI was to retain a high degree of autonomy and to be managed according to 'technical' rather than 'political' criteria, the corporatist rhetoric notwithstanding. In this way, the potential threat (for private industrial bourgeoisie) of a management of the Institute carried out according to a scale of priorities negotiated at the political level was avoided: IRI was privatized from the very beginning, as a result both of its institutional structure - which made room for private interests - and of its subsequent management. State intervention was thereby deprived of any public significance. This contradiction between public juridical character of state enterprise and its privatistic management will remain a constant even in the post-war period and a permanent source of political disputes and strains. The very fact that, after all, public enterprise is owned by the state and accountable to some state institution will provide the ground for repeated attempts by various political actors to impose a stricter control upon it.

As we have already seen, the establishment of IRI was greeted by the regime's press with great enthusiasm and clamour, as another measure taken within the framework and the directives of the Corporatist State. How are we to explain this patent inconsistency between propaganda and reality?
The configuration of the fascist political system and the power relationships between regime and dominant economic interests explain why IRI was deliberately kept outside the corporatist machinery. Leaving aside the ideological explanations which at the time were put forward to justify this fact, to connect the Institute with the complex network of corporatist institutions would have entailed several important consequences for the overall working of the regime. First of all, it would have meant to face private capital's opposition. Private industrial-financial bourgeoisie was already sufficiently worried about the first steps of the corporatist system and the bellicose intentions of some fascist circles (the so-called 'integral corporatists'), eager to turn the rescue policy into an effective instrument of corporatist planning and to enhance their power. In this situation the government did not choose to challenge the dominant economic interests, and possibly to question the political balance of the regime. The 'degrees of autonomy' of the government were clear-cut and rather limited, especially in a situation of economic crisis such as that of the thirties, which was already putting to a test and straining the regime's stability and credibility. A conflict with the most vigorous components of the power bloc that backed the regime - and now the 'modern' industrial bourgeoisie was becoming the most important section within it – could bring about a withdrawal of the mandate they had granted the fascist government and offer to other political forces - both within and outside the fascist movement - an opportunity to modify the political situation.
and the composition of the government itself.

The government's room for manoeuvre was limited by the existing political situation in two ways: on the one hand, there were the constraints set by the dominant economic interests mentioned above; on the other hand, the poor interest articulation of civil society, the compression of any real political dialectics other than the internal to the fascist elite and the ruling circles, and above all the absence of the autonomous working-class movement destroyed by the regime, made it impossible for the governing political class to mobilize support from other social groups for a decisive implementation of its policies in order to offset the pressures coming from private interests. Given the power relations which characterized the structure of the political system, and the set of forces supporting the regime, there was no alternative but to keep the newly-established public holding company far away from Corporations' reach and grant it a very wide degree of managerial autonomy as indeed the private employers' Association and IRI's top management were unanimously asking.

In addition to these structural constraints upon the government's range of choice, there was another factor internal to the fascist political system which made the Executive prefer to keep IRI outside the corporatist institutions. To integrate IRI into the structure of the Corporations, as their most convinced upholders were advocating and indeed as the official blueprint of the state would have required, meant in fact to endow the bureaucracy of the Corporations themselves with a real power, with effective
instruments for the intervention into the economic system. In turn, this could generate within the fascist movement itself an autonomous centre of power, threatening the monolithic structure of the state and the centralization of decision-making in the hands of the Prime Minister. The insertion of IRI into the corporatist system, in other words, was potentially dangerous not only for private interests but also for the cohesion of the ruling political class. A prominent centre of power - under the political control of the Ministry of Corporations - could aggregate around IRI: with such resources at its disposal it could take on a strategic and independent role in the management of the country's economic activities and thus gain political pre-eminence. (10)

This aspect of the relationships between the public holding company and the corporatist organization is worth emphasizing. In particular, focusing on the behaviour of a collective actor such as the corporatist elite, on its successes and failures, will enable us to draw some comparisons with the behaviour of a section of the Christian Democratic political class which during the 1950s confronted basically the same problems (and pursued similar goals).

At the top of the corporatist organization there was a clear awareness of what was at stake with the creation of IRI, of what it could mean in terms of the actual enforcement of corporatist principles. Within the regime some leading figures of the corporatist movement and fascist trade-unionism had quite clear and consistent ideas
about the role of the Istituto in the national economy: it should become an important instrument for economic planning, an integral part of the corporatist machinery, operating to keep private economic forces under control and to organize them into a public framework.

In this respect, a pivotal role was played by Giuseppe Bottai, one of the most interesting and problematic figures of the whole regime. Among the supporters of 'integral corporatism' he was the leading political figure, the most consistent and articulate advocate of the new system of political and economic organization. To a large extent the debate about corporatism - especially in the economic sense of the 'self-discipline of the producers' - was inspired by and revolved around him. Furthermore, his importance was not only cultural and ideological but also political. Bottai was in fact at the head of the Ministry of Corporations from 1926 to 1932, at first as Under-Secretary and later as Minister (1930-32). Therefore, he was in a position to shape the Ministry's policy in the formative period of the corporatist system, trying to put into practice the principles of the new politico-economic organization. Above all, he tried vigorously - to transform the Corporations into real instruments of economic planning, able to coordinate the country's productive life according to a public programme, and to make the Ministry the centre of this activity of coordination and supervision of the economic system. However, he failed.

Immediately after the establishment of IRI Bottai wrote an extremely significant leading article in Critica
Fascista, the influential fortnightly review he edited. (14) Taking as his starting point the measures introduced in 1932-33 by the government concerning industrial and financial activities (compulsory establishment of cartels, control over the construction of new factories, creation of IRI) Bottai emphasized the fact that the government was decisively moving toward a planned economy:

"no longer desultory and occasional state intervention in the sphere pertaining to private enterprise, but an organic and continuous action carried out with suitable means and institutions. The overcoming of the old liberal idea becomes more and more marked and from the traditional phase we begin to enter the clearly corporatist one". ( . . . )

"The Corporation, born with prevalently jurisdictional functions, to eliminate conflicts among categories and classes, has to acquire increasingly important functions of regulation of economic life. It is clear that the more the Corporation will increase its concrete economic content, by regulating from within the life of the firm, the more it will be possible to arrive at a state economic action of a corporatist character".

What is interesting is precisely the connection which Bottai established between state intervention in the economic system and implementation of the corporatist economy. Clearly Bottai would have liked to see the new Institute under the control of the Ministry of Corporations, as an essential element of a broader strategy to achieve a centralized coordination of economic activities in the framework of the new Corporatist State.

Indeed, the whole article contained a circumstantial appraisal of corporatism, which is the sole system able to transcend liberalism's typical dualism between state and individual and eliminate socialism's bureaucratic oppression of the individual by the state. The corporatist
economy is technically, morally, and politically superior to the individualistic one, since it makes it possible "to replace a partial consideration of the economic phenomenon with an integral one"; in fact, "only the state ... is able to know the interplay of the different forces working in the system and therefore to perform the function of harmonizing and addressing such forces to a common end". Referring specifically to the new Institute for Industrial Reconstruction, Bottai put forward an idea of great importance: the rationale for public action was and ought to be different from that of private action, in that their ends are not identical. State action could - and indeed should - have extra-economic objectives, which were not reducible to calculations of a privatistic nature. In other terms, Bottai postulated and prefigured that politicization of state economic action. In view of the superior ends of the nation the state had to behave in such a way as to directly impinge upon and modify the parameters shaping the action of private subjects.

The advocates and supporters of 'integral corporatism' considered the establishment of IMI and IRI, and the other economic measures taken during the depression of the 1930s, as the "first concrete step toward the realization of a Act ".(15) The law on compulsory cartels was even thought of as the "corporatist premise" for IRI's action. In these quarters of the fascist élite expectations as to the place and function of IRI in the national economy were thus outspoken and far-reaching.

The problem of the links between IRI and the Corporations,
once they were established in February 1934, was also clearly perceived by other sectors of the fascist political class. One of the most authoritative fascist trade-unionists, Tullio Cianetti, who in '34 was President of the Confederation of Workers in Industry and in this capacity member of IRI's Board, saw the problem in the following terms:

"When an Institute of such scope and importance is concerned with regulating, coordinating, and giving a direction to industry, a vast sector of the nation's economy, and is therefore carrying out tasks which are assigned by law to the Corporations, it obviously cannot live a separate existence from them. If it is true that the Corporations are aiming at self-government for the categories, IRI must necessarily be included in the corporative system, within which its action must be directed" (16)

The idea of using IRI as an instrument for a corporatist economic policy geared to the coordination and supervision of the national economy was clearly one of the ambitions of these political groups, on the 'left', as it were, of the regime. The intellectual awareness of the problem was precise, the political will to find an answer to it was evident, the corporatist machine was practically complete and ready to play its institutional role. Nevertheless, these ambitions ended by being utterly frustrated, marking a decisive defeat for the technocratic efforts of the corporatist elite and the beginning of its de facto decline as a significant political grouping. (17)

This attempt to gain for the state - more precisely, for the bureaucracy of the Corporations - a larger control over civil society was bound to fail. The political and organizational resources these collective actors were at the time able to mobilize were not sufficient to confront
successfully the resistance of the dominant economic interests. Above all, they lacked any social basis on which to activate and carry out a political design of control over the most powerful sections of civil society. Moreover, they possessed only a limited power within the political system of the fascist regime and controlled some specific parts of the state machinery. The failure of the 'integral corporatist' design illustrates the recurrent technocratic and Jacobin delusion that one may utilize a party organization and the state apparatus against the dominant economic and social interests without the indispensable support in civil society itself, i.e. in social groups interested in backing a political project of this kind.

This points again to the absence of any organized political force outside the regime itself, from which support could be won and with which a possible convergence of interests could be found. Probably, at the time the corporatist elite did not have the political lucidity to understand the complexity of the situation and what was at stake when such proposals were advanced. Indeed, to achieve such a substantial redistribution of power, such control capacity over the economic system, would have implied a marked redefinition of the bloc of interests upon which the regime's stability was based. And it would have meant to have a look for allies among social interests external to the regime itself. In this sense the corporatist project of state control over the economic system was impossible and illusory within the political
bounds of fascism. The actual course followed by IRI was part of this failure.

On the whole, these contradictory and abortive ambitions of state-controlled management of economic activities can be regarded as the first conscious and purposive attempt to control some crucial segments of civil society through the organization of a political machine. As we shall see, in the 1950s a similar attempt will be repeated, when a section of the ruling Christian Democratic political class would try to reduce the power of private interests, gain a wider control over the management of the economy, and strengthen its hold upon civil society. At that point, however, the radically changed socio-political environment, the space available for free interest articulation, the wider political and organizational resources available, the more lucid understanding in the actors of the situation and of political opportunities, will produce results strikingly different from those achieved by some sectors of the fascist movement.

The 'limited pluralism' of Italian fascism.

As did other economic and administrative institutions of the regime, the Istituto per la Ricostruzione Industriale remained basically outside the corporatist structure of the state and went on acting independently on the basis of considerations of a private character. Notwithstanding the initial fears that the Institute could become an instrument of economic policy in the hands of an aggressive corporatist bureaucracy, therefore giving real substance to the power of
the Corporations, it soon appeared evident that IRI would not interfere too much with the well established management of economic affairs by private bourgeoisie, would not contest the interests of the strongest economic groups.

Not only IRI frustrated any ambition of control by the corporatist elite, it also tended, with the consolidation of its structure and position in the productive system, to play in the overall management of the economy a role far beyond the scope of its institutional tasks. In fact, it was IRI, and not the Corporations, that became the protagonist of the 'public' management of the economy and the engine of state intervention in the industrial-financial system.

The most outstanding example of this 'expansive' trend on the part of IRI was the bank reform carried out in 1936. This was a very important piece of legislation, which brought to completion the reorganization of the credit structure which had begun in 1926. The 1936 reform laid down the foundations of Italy's new credit organization which - except some minor adjustments - is still based on the same principles and regulations.

Such a fundamental reform was worked out neither by the financial Ministries nor, least of all, by the competent corporatist institution (the Corporation of Credit and Insurance). In fact, although officially all the details were discussed and approved by an ad hoc technical committee set up on that occasion, the reform Bill was drafted within IRI by the Institute's top management: the Corporation of Credit and Insurance merely ratified what had already been decided elsewhere. The 1936 bank reform
was indeed conceived by the same minds as the organic and logical conclusion of the process of credit reorganization begun in the early 1930s with the establishment of IMI and culminated in the creation of IRI. That is to say, the reform was the final and conclusive stage of a well-designed series of interventions in the financial system, in order to shape a new credit organization for the country based upon the distinction between short- and medium-/long-term operations.

Both the general lines and the technical details of the reform Bill were developed by IRI's 'brain trust': Beneduce, Menichella, Saraceno, De Gregorio. As we have already seen, Menichella, who at the time was IRI's General Manager, after the war was to become the Governor of the Bank of Italy (1948-1960), the very institution that the 1936 Banking Act placed at the core of the credit and financial system and that in the Republican period was to play a paramount role in the management of the economy through monetary policy and control of aggregate demand.

If we were to attempt a generalization, we could say that the 'new capitalism' which gradually emerged during the 1930s in the wake of the great crisis was something very different from the corporatism of the fascist doctrine. Italian fascism did not create a new, different, economic system, clearly distinct both from capitalism and socialism, as was officially declared. Italian capitalism in the '30s changed deeply, as happened in all other Western countries, but it retained, beyond the facade of the complex control machinery set up by the regime, a marked 'liberal'
character, i.e. it remained based on a private process of resource-allocation and economic decision-making. In this respect, the situation took a quite different turn in Germany and Japan, the other two industrialized countries which in the inter-war years experienced a fascist-authoritarian political regime, where an extensive, effective and centralized apparatus was set up for a state control and coordination of the economic system. In the fascist camp the Italian pattern was more similar to that of agrarian societies such as Spain and Portugal.

On the contrary, IRI, and more in general the economic system, were not 'fascistized', permeated with corporatist principles, in spite of the efforts made in this direction by some sectors of the regime's political class. Indeed the opposite happened: the new institutions of the mixed economy successfully imposed their directives and priorities upon the official bureaucratic machinery of the regime.

As other institutions (above all, the Army, the Church and the Catholic organizations), both private and public firms were not absorbed by the fascist regime. Indeed, they maintained their autonomy of decision and freedom of action, and constituted as many enclaves within the formal structure of the corporatist state. They remained largely impermeable to the regime's totalitarian claims, retained their organizational logic, their rationale. To put it another way, Italian fascism did not succeed, supposing it even intended to, in integrating civil society into the state, in penetrating into its structures and organizations, as its proclaimed totalitarian ideology required.
This 'limited pluralism', to use Linz's useful definition, which remained a characteristic of Italian fascism throughout its existence, makes it more similar to authoritarian than totalitarian political regimes. (22) To be sure, these forms of pluralism remained confined to the dominant circles (with the possible and partial exception of the Catholic organizations); they did not have much bearing on the articulation of societal interests at large. Nevertheless, they substantially limited the regime's expansive tendencies and its ambition to pervade civil society. Especially in the economic field, these enclaves which remained outside the regime helped to preserve some liberal principles of social and political organization, which were to prove valuable after the fall of fascism.

The fragmentation of administrative machinery.

From the point of view of the administrative organization of the state the fascist regime witnessed the development of the so-called 'parallel bureaucracies'. The widening of state presence and functions in the economic system which occurred during the 1930s brought about a multiplication and differentiation of industrial structures. Beside the traditional administrative apparatus, there developed the bureaucracies of the Corporations and of the new public economic agencies. While the bureaucracy of the corporatist system was an entirely new phenomenon grown out of the fascist reorganization of political and economic life, the bureaucracy of the industrial and financial agencies had been growing steadily since the first
decades of the century, as the state progressively widened its intervention in the economic system. On the other hand, it was only in the 1920s and 1930s, above all after and as a consequence of the Great Depression, that this group took on an increasingly important and autonomous role. (23)

It is crucial to keep these three bureaucratic groups well differentiated one from the other, since over the years there developed among them some remarkable conflicts as to areas of competence, scope of activity, hierarchical ordering, administrative and political supremacy, etc. Above all, they had different aims and were pursuing different strategies. An analysis of the behaviour of these institutional actors, usually rather neglected, can contribute to clarify the internal dynamics of the fascist regime and to place the story of public enterprise in a better perspective.

On the whole, the traditional state administration managed to retain a crucial position among the different bureaucratic organizations, especially thanks to the 'legislative power' it wielded by a continuous and frequent use of an instrument such as the Decree-Law. The ministerial organization found itself under attack above all from corporatist quarters. The group around Bottai would have very much liked to do away with the traditional administrative structures, particularly for what concerned economic matters. According to the corporatist elite, the control over and the supervision of the economy should be taken away from the various Ministries and transferred
to the Corporations, the new institutions created to this end by the fascist regime. (24)

This and other projects for shaping a new model of administrative organization, in fact for changing radically the idea of bureaucratic administration, were largely unsuccessful. The traditional bureaucratic organization remained the backbone of the administration. In some cases it even increased the scope and importance of its activity. For example, the reform of the Ragioneria Generale dello Stato carried out in 1939 was a decisive step taken by the government, which strengthened the control of the traditional administrative organization over public expenditure and enhanced its discretionary power in its management. (25) At the same time, the establishment of the Ministry of Corporations was looked upon with remarkable suspicion by the high level officials of those Ministries with which there was an overlapping of activity and domain. This was particularly the case of the Ministry of National Economy, which was charged with the coordination of national productive activities. Eventually, in this specific instance, the Ministry of Corporations gained the upper hand, when in 1929 the short-lived Ministry of National Economy was abolished and its prerogatives and functions in the industrial field passed to the former. (26) But this remained an isolated case. On the whole, the Ministry of Corporations, which was supposed to epitomize the changes introduced by fascism in the articulation of the state, never acquired the political and administrative pre-eminence that the corporatist thinking assigned it.
But in the confrontation among the three bureaucracies the real winner was that of the new public economic agencies. Its progressive and continuous growth in the decades preceding World War II not only indicated the increasingly complex and influential role of the state in the management of the economic system, it also points to the need for new and different institutional tools to carry out such intervention and to the non-suitability of the traditional administrative machinery. The new 'para-state' agencies in the financial and industrial field answered deeply-felt exigencies of greater dynamism, adaptability, and flexibility in the modalities of state intervention. These public agencies represented the answer of a state faced by the difficult problem of adapting its structure and *modus operandi* to changing circumstances and needs. From this point of view, it must be acknowledged that the state in Italy displayed a remarkable 'institutional creativity' in devising original instruments for public intervention in the economy.

On the other hand, the growth of these new institutions brought about the fragmentation of the state machinery and the loosening of centralized and unitary control over the different administrative systems. In turn, this opened the way to a partial privatization of some state segments and to a tighter interpenetration of state and society. It is impossible to penetrate into the administrative apparatus as it is traditionally conceived and organized; usually, pressure is brought to bear upon it - this is the domain of pressure groups and lobbies of various kind. To enter into
the state different institutional structures are needed, whose characteristics and organization make this penetration possible.

In the Western countries the development of the liberal-democratic state in the twentieth century, and particularly since the 1930s, has been characterized by an increasing compenetration of the political and societal realms, and by a tendency towards the obliteration of the state/society divide. (27) Private organizations have been granted a public status and entrusted with portions of the state's sovereign authority. The state has ceased to be the sole locus of public power. As a consequence, the unity of the liberal state - its absolute and indivisible claim to rule - has broken up: the state has shared its monopoly of rule and society has penetrated into the state thus appropriating parts of it and of its faculties. In other words, there has taken place both a process of 'statisation' of groups politics and of 'contracting out' of state power to private groups. (28) These developments all point to the departure of the contemporary state from the classic liberal model designed by bourgeois political philosophy and nineteenth-century constitutionalism.

These processes have undermined, inter alia, the traditional concept of administration, as the instrument for putting into operation public policies. The traditional bureaucratic organization of the state has been, if not superceded, at least supplemented by other forms of administration! On the one hand, there has been a proliferation of those institutions, committees, boards, etc. of uncertain
juridical status, where the participation and representation of organized interests is institutionalized.\(^{(29)}\) On the other hand, there has been a delegation of authority from the state which has led to the formation of private governments responsible for the implementation of those policies in whose formulation they have taken part.\(^{(30)}\)

The public economic agencies we have been dealing with must be connected with these common trends in the transformation of the state. They represent a particular Italian variant of these developmental processes. The Institute for Industrial Reconstruction - and the whole idea of 'state shareholdings' - is one, outstanding and peculiar, example of this escape from the state and of the fragmentation of its administrative-bureaucratic machinery.
Notes to Chapter 5.


(3) See the remarks in S. Cassese, "Corporazioni e intervento pubblico nell'economia", Quaderni storici delle Marche, September 1968, pp.402-57.


(6) A full account of this subject can be found in G. Scagnetti, Gli enti di privilegio nell'economia Italiana, Padova: Cedam, 1942.

(7) Cf Cassese, op.cit.

(8) See the Decree of the Head of the Government of 31 December 1937.


Mussolini himself was Minister for Corporations during this period - 1926-1930 - but his appointment was completely formal and he did not take active part in the management of the Ministry.


Cf. the article not signed but certainly by Bottai "Statalismo corporativo", Critica fascista, vol.11, no.3, 1 February 1933, pp.41-2.

The quotation is from F.M. Pacces, "Verso un piano economico-corporativo - 1", Critica fascista, vol.11, no.6, 15 March 1933, pp.103-4.


Basically the same conclusions are arrived at by G. Guarnieri, Lo stato industriale in Italia, 1890-1940, Milano: Etas Libri, 1982 and Ibidem, Industria e fascismo, Milano: Vita e Pensiero, 1976.


(29) For an interesting variant of these common trends see A. Barker (ed.), *Quangos in Britain: Governments and the Networks of Public Policy Making*, London: Macmillan, 1982.

CHAPTER 6

POLITICS AND THE ECONOMY IN THE DEMOCRATIC STATE

In the post-war period with the change of political regime state intervention in economic life takes on a completely different character and significance, its logic changes radically. The trend moves - progressively but inexorably - towards what could be summarized in the formula 'politicization of the economy', marking a clear discontinuity with the previous period.

This process finds its fullest and clearest expression in the events of the 1950s and early 1960s, which will be discussed in the next chapters, but its roots are in some structural political-institutional transformations that occur after the fall of fascism.

In this respect, the central variable, the precondition for the politicization of the economy, is clearly the shift from a fascist-authoritarian to a liberal-democratic political regime. The new configuration of the political system, characterized by the restoration of democratic procedures, presents two main aspects:

a) Free political parties, characterized by largely opposed ideologies and with partly different membership and class bases, compete in the political market for electoral support;

b) There is a free articulation of interests. Social and political opposition is legitimate and has institutional channels of expression. Pressure can thus be brought to bear upon the government to get certain political demands satisfied.
To this general framework some factors, more specific to the Italian situation, must be added in order to understand the situation in which state-controlled enterprise - and, for that matter, all other structures of public intervention find themselves:

1) The new and prominent role of the left parties and trade unions - strongly legitimated by their fundamental contribution to the anti-fascist struggle and to the Resistance;

2) The wide mobilization of popular masses (especially the industrial working class) and their strong commitment to socio-economic changes;

3) The sharp loss of legitimation suffered by the capitalist bourgeoisie for its support of the involvement with fascism;

4) The foundation of a strong Catholic party, not simply identifiable as a classic bourgeois-conservative party.

In the following sections of the chapter we shall see how it will take some years for the process of politicization to develop, for the new collective actors to begin to exert any significant influence on state policies and, in our specific case, public enterprise.

We saw how during the 1930s public enterprise came to be insulated from the political system and from the claims of the political class, and how its management came to be privatized. Fundamentally, we have attributed this outcome to the lack of a 'public sphere' which the political class could address and mobilize to achieve its objectives, and to the internal power dynamics of the fascist regime.

All this changes drastically with the Republic. We shall see how in the new environment the socio-political
conflicts mediated through the political system, will penetrate public enterprises and politicize them.

State and industry after the second world war.

At the end of the war the state had come to control - in one way or another - a remarkable range of firms producing goods or services, partly in response to the specific circumstances of the war economy and partly as a heritage of the 1930s. Table 6.1 gives a rough idea of the size of the public sector of the economy in terms of employment.

Table 6.1

<table>
<thead>
<tr>
<th>Employment in state-controlled industries, 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct state management</td>
</tr>
<tr>
<td>Autonomous public corporations</td>
</tr>
<tr>
<td>State-controlled joint-stock companies</td>
</tr>
<tr>
<td>Public-law bodies</td>
</tr>
<tr>
<td>IRI group</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>


Most of the firms under direct state management depended on the war, Navy, and Air Ministries and were strictly engaged in war productions: they were to be drastically reduced or altogether dismantled in the following years. The Aziende autonome were public corporations set up to administer public utilities such as railways, the postal
and telegraph services, state telephones, state monopolies and roads. (1) Save for the railways, nationalized in 1905, the other corporations were established mainly in the 1920s. It should be noted that out of the autonomous corporations' 248,000 employees, more than 170,000 were to be found in the railway service.

As to the state-controlled joint-stock companies and the other public-law bodies engaged in productive activities, most had been established after 1935 by the fascist government to pursue its autarkic policy of economic self-sufficiency and in preparation for the war. They were concentrated particularly in the mining (AMMI, ACaI, ALI), and in the chemical and oil sector (AGIP, ANIC, EMN). (2) Finally, there was IRI, the country's largest and most important complex of public firms: in 1950 out of about 200 firms in state hands, 135 were IRI-controlled.

There is little doubt that state intervention in the economic field was massive and extending into several industries, as the data in Table 6.2 indicates.

Table 6.2

<table>
<thead>
<tr>
<th>Product</th>
<th>Share of total domestic output by state-controlled firms for selected products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>99</td>
</tr>
<tr>
<td>Anthracite</td>
<td>85</td>
</tr>
<tr>
<td>Lignite</td>
<td>80</td>
</tr>
<tr>
<td>Mercury</td>
<td>65</td>
</tr>
<tr>
<td>Nickel</td>
<td>100</td>
</tr>
<tr>
<td>Tin</td>
<td>70</td>
</tr>
<tr>
<td>Cast and pig iron</td>
<td>80</td>
</tr>
<tr>
<td>Steel</td>
<td>65</td>
</tr>
<tr>
<td>Shipbuilding</td>
<td>80</td>
</tr>
<tr>
<td>Electricity</td>
<td>24</td>
</tr>
<tr>
<td>Telephones</td>
<td>80</td>
</tr>
<tr>
<td>Shipping</td>
<td>40</td>
</tr>
<tr>
<td>Railways</td>
<td>73</td>
</tr>
<tr>
<td>Airlines</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Ministero per la Costituente, op.cit., p.386.
Potentially, the control of such an important part of the country's industry gave the state the possibility of exerting a significant degree of influence over economic activities and private business. In this context, it is understandable that this very considerable state involvement in the country's productive life soon became one of the greatest themes of political discussion of the post-war period.

In particular, those of liberal persuasion - which meant the private economic forces and an important section of the political class - regarded most of public intervention into the economy as a result of fascism's autarkic policy and of its totalitarian drive. Therefore, in the new political and economic atmosphere of liberal-democratic Italy, these 'residues' of fascist interventions had to be got rid of, in order to put the country's economy on a new and more sound footing. Stated briefly, this was the position of the orthodox liberals, who, after the silence and frustrations endured during fascism, had come to exert not only a paramount influence on governmental activity, but an intellectual leadership in the ongoing debate on the shape the Italian economic system had to take in the new situation.

As has been suggested the very first years after the end of the world conflict were dominated by highly ideological debates on the future configuration of the economic system. Two conceptions confronted each other in the initial political-intellectual discussions and later during the activities of the Constituent Assembly (July, 1946-December 1947): free market and planned economy, liberism and dirigisme.
Couched in these terms the two models were clearly irreconcilable and above all largely abstract. (3) None of them had any solid links with the reality of Italian capitalism as it had emerged from fifteen years of monopolistic development under the fascist regime.

In fact, the terms of the debate had very little bearing on economic reality and on the way the Ricostruzione was actually being carried out. But at the time it seemed that a decisive and long-lasting choice had to be made between state planning and market forces, between public and private, and that any specific decision of economic policy had to be measured against this standard. Indeed, the 'fundamental choice' had to come before any particular policy measures. (4) For various reasons, the two opposite fields came to regard the future of Italian society as depending on this preliminary choice. This resulted in a very ideological and sterile polarization of the political-intellectual debate, with the consequent inability — on both sides — to devise and implement policies able to take into account the features of the system which had developed over the previous two decades, with its oligopolistic tendencies and the new symbiosis between state and private interests, but also with its potential for development and modernization. (5)

As can be expected, IRI found itself right in the middle of this 'holy war' over the principles that should inspire the conduct of economic affairs. Indeed the debate over IRI's future and behaviour took on a very extreme character — which epitomizes the above-mentioned polarization; the end-
result being the absence of any serious discussion of the industrial policy IRI could pursue and of its possible role in the national economy.

On the one hand there were those who wanted to see the Institute dismantled and the firms sold back to private capital or, where impossible, closed down altogether. On the opposite front, it was held that the only way to make IRI an instrument of industrial policy was to nationalize its firms, thereby taking them away from the control private interests still exerted upon them. (6)

In reply to a questionnaire on The Role of IRI in Italian Industry prepared by the Economic Commission of the Ministry for the Constituent, the Edison Company (by far the country's largest producer of electric power) made some very interesting remarks. Its reply is worth quoting at some length, since it best exemplified the attitude of the arch-liberals within the industrial-financial bourgeoisie:

( . . . ) As to the function in general performed by IRI in the Country's economic life our assessment is totally negative, because of the support given by the state to the firms it controls, the special conditions granted them, etc. The Institute's activity . . . has favoured the creation and conservation of an industrial complex which is today a burden to us. In IRI's activity political reasons always prevailed over economic ones . . . We do not think that IRI can have any useful function in the future. We are convinced that in general the State should intervene in the Country's economic life only exceptionally and we are even more convinced that the State is a very bad entrepreneur . . . We do not think that IRI should be expanded; on the contrary, we deem it necessary that it is progressively liquidated in all its sectors . . . To keep alive unprofitable firms cannot but worsen the Country's already difficult industrial situation and delay the return to normality . . . Even during the period of IRI's complete liquidation, a period whose duration will have to be kept to a minimum, it is necessary to release as much as possible the Institute's activity
from that of the Government, or better of the parties in Government, since industry has to be managed according to economic, not political, ends ( . . . ) (7)

At the opposite pole of the political-ideological spectrum the Communist Party was on the whole putting forward proposals of a vague nature, which are better understood in terms of ideology than of an industrial strategy. (8) Although private enterprise should have been given a significant role in the Ricostruzione, the state was to play an important role of control and direction of the country's economic forces. In this connection, resolute action was urged against the 'big monopolies'; sweeping nationalizations were demanded; affecting the Bank of Italy, the three banks of 'national interest' (already IRI-controlled), the electrical and chemical industries (above all the giant Montecatini group), the insurance companies, the public services. Time and again it was stated that IRI would have a crucial function to perform in the control of the economy by the renewed democratic state. To this purpose, the Institute should be "reorganized as the central agency of state-controlled industry" and its firms run "in the public interest . . . doing away with private groups' interference in their management". (9)

PCI's position was paralleled by CGIL's (the labour confederation, at that time still united and largely dominated by Communists and Socialists). Immediately after the war in fact CGIL went even further by asking for the nationalization of IRI and IRI-controlled firms. At the Ist CGIL Congress in liberated Italy (Naples, 28/1 - 1/2 1945)
the final motion read: "The Congress asks for . . . the nationalization of private economic monopolies and of Key industries, beginning from the electric power one and the mines. The Congress asks as well for the nationalization of all Italian railways, the telephones and all public utilities. It wishes the process of nationalization of the above key industries to begin with the IRI firms, which in a very large measure already belong to the Nation. Therefore none of them is to be under any form, reprivatized". (10)

As a whole, on the left IRI was seen as the most important "instrument in the state's hands to carry out a planned economic policy". (11)

In fact, looking at the opinions expressed in this period one gets the distinctive impression that neither the arch-liberals nor the left seemed to appreciate in any realistic fashion the problem of IRI's future and of its position in the post-war Italian economy. To a very considerable extent, the dilemma between reprivatization and nationalization was a false and misleading one. It left unanswered, and indeed unasked, the real questions about IRI's function in a mixed economy which was already a solid reality in Italy. Both ways of looking at the problem are ideological and indefinite. They seem to be logical extremes rather than policy alternatives.

To some extent, this was true of the whole debate on the institutional characteristics the Italian economic system should take after the fall of fascism. Above all, in the years 1945-47, in a situation characterized by an uncertain political context, a conflictual balance in class
relations, and very strong intellectual passions, the debate focused on the great principles, the non-negotiable alternatives: liberalism and collectivism, capitalism and socialism, freedom and totalitarianism. Each party sought to define its identity and mobilize support by advancing claims of an ideological nature, rather than proposals for practical solutions and negotiable policies. It was not a time for bargaining.

To this it must be added that the debate tended also to reflect the nearly absolute lack of information on IRI and its activities in the previous decade. Indeed, very little was known about the Institute outside the inner circle of its top managers and, possibly, the higher civil servants in the Treasury. This was one unimportant by-product of the 'privatization' of IRI we have discussed in previous chapters. In this situation, proposals from different quarters were found to constitute rather personal or ideological opinions than documented policy options. This is the overriding impression one forms from reading the numerous statements, proposals, analyses, projects, etc., of the years immediately following the war.

Furthermore, there was a widespread tendency to consider IRI just as another example of the interventions carried out by fascism. No distinction was made between intervention and intervention: everything — irrespective of its issues and consequences seemed the sinister consequence of the regime's ambitions to control all aspects of society or, on the other front, the final proof of the inextricable links between state and monopoly capital. To both sides
of the debate IRI seemed the specific product of the dynamics of the fascist economic system; hence, its structure and behaviour had to be drastically changed, in order to sever the links with a past that was considered, in both quarters though for different reasons, completely negative.

On both fronts there was some awareness of the importance that IRI could have in the national economy and of the potential threat it could represent for the power structure of the industrial-financial bourgeoisie. As the above-quoted passage by the Edison company betrays, the capitalist bourgeoisie feared that IRI could be used as an instrument of economic policy and, perhaps, even of control over industry; in other words, that the Institute could be used for political purposes. To a degree these fears concealed more particular and immediate reasons for being suspicious and concerned: IRI firms could become dangerous competitors in certain sectors, especially if able to secure for themselves a privileged access to state credit and financing. (13) This was particularly the case in the electric power and steel industries. They were profitable sectors where private interests were at the time very strong, above all in the first one: reprivatization would have been not only possible but also warmly welcomed, as the hearings of the Economic Commission unmistakably indicate. (14)

But on the whole, the industrial-financial bourgeoisie was afraid that in the new political situation the left parties and the labour movement could successfully bring some pressure to bear upon the state-controlled firms and hence influence their behaviour in a direction contrary to
private interests (in such areas as price competition, levels of investment, labour relations, financing etc.). What had not been achieved by the bureaucracies of the Corporations and of the Fascist Party could be achieved in the very different context of democratic Italy. In the 1930s the bourgeoisie had learned to live with the huge presence of the state in the economic system: a modus vivendi had successfully been found. But now, in a much more turbulent and threatening political environment, the risks were considerably bigger.

Obviously, this was particularly so in the period before the ousting of the Communists and Socialists from government in May 1947 at a time when the left parties seemed able to exert considerable influence on governmental policies. With the moderate turn of the following years, and above all with the Christian Democratic landslide in the 1948 general election, the presence of a larger public sector of the economy lost something of its threatening appearance. Now that the left had been pushed back into opposition and had no longer direct access to governmental decision-making, private and public firms could perhaps go on working together as they had done in the decade 1933-43.

At this point it is worth anticipating something we shall expand on at greater length in the next chapter. In the first post-war years, private capital did not perceive any real threat coming from moderate quarters and in particular from the newly-founded Christian Democratic Party. We shall see how in a few years time they will prove to have been wrong. On the other hand, it must be
acknowledged that up to the mid 50s the Christian Democratic leadership did not show any serious intention of challenging the supremacy of private economic interests, notwithstanding the occasional and ambiguous use of an anti-capitalist vocabulary. On the contrary, private economic forces were to be completely relied upon not only for purposes of reconstruction, but also for the future development of the Italian economy.

In this, as in the general approach to economic and industrial problems, the government was decisively influenced by the 'liberals' holding key Cabinet positions. In particular, the Cabinet formed after May 1947 marked the beginning of a long-lasting hegemony in the management of economic policy by the Ministers of liberal orientation. Of course, this hegemony - which was in the first place cultural - meant, inter alia, that public enterprise was not to be thought of as an instrument in the government's hands to intervene in the management of industry. This would indeed amount to interfering with market forces and as such was anathema for the liberals.

Perhaps more importantly, it marked also the end of any ambition by the party leadership to give the government's economic policy a more original and precise social-christian connotation, as advocated especially by the party's left, characterizing it in a reformist direction. Therefore, 1947 did not only signal the defeat of PCI and PSI but also the defeat of a catholic political design, different from liberalism and communism.

Public enterprise must therefore be seen in the broader
context of the policies which the government chose to adopt in the economic field. More in general, the character and the aims of public intervention must be seen in the context of the fundamental choices which were made in the years 1945-50 regarding the configuration of Italian capitalism and its relationships to the state.\(^{(18)}\)

As is well known, following a period of uncertainty as to the direction of economic policy and to its priorities, in the summer of 1947 the new government decided to bring inflation under control even at the cost of keeping unemployment dramatically high.\(^{(19)}\) The deflationary measures which were promptly adopted did succeed in checking inflation and stabilizing the exchange rate of the lira, but they had severe consequences in terms of national product and employment.\(^{(20)}\) Until the outbreak of the Korean war the Italian economy remained rather depressed while, given an insufficient demand and a lack of investments, few new jobs were created.

The measures of 1947-48 were fundamentally related to what possibly was the most far-reaching choice of economic policy made in the second half of the forties: the opening of the Italian economy to international trade and competition. The monetary stabilization of 1947 was in fact the precondition for the trade liberalization of the following years and for Italy's entry into the world market and into a system of international payments based on fixed exchange rates.

Therefore, both the short-term economic policies and the structural choices to a considerable extent marked the
prevalence of the liberal-minded and market-oriented economic and political groups.

The behaviour of IRI and the answers given to the highly controversial 'IRI problem' in the first post-war decade must be assessed in the light of this general situation and political-economic climate.

Surviving without changing.

The two conflicting positions on the future configuration of the economic system we have summarily sketched earlier represented the grand alternatives, more ideological than practical. As such they did not have a great impact on the working of IRI. The Institute after all was not put into liquidation nor dismantled: those who wanted to see it disappear from the Italian industrial landscape were disappointed. As to the left, it is well known that in general its proposals in the economic field were heavily defeated, on account both of their own weaknesses and of other factors pertaining to the strength of the liberal position. The left's policy concerning IRI was no exception to this trend.

Although the tone of the discussion was largely ideological and abstract, it did not lack completely a more realistic assessment of IRI's achievements in the previous decade and of its possible role in democratic Italy. From this point of view, the most important contributions were undoubtedly made by those who had managed the IRI-controlled firms in the previous years and who had an inside knowledge of the working of the Institute.
But more significant - both ideologically and politically - were the positions of some figures of the business milieu. It is these positions - numerically weak but politically strong - that will prevail and influence the behaviour of public firms (and indeed of the economic system as a whole) for a considerable number of years. In this respect, are revealing the opinions expressed by Angelo Costa, Chairman of the Confederation of Italian Industry (Confindustria) and a pivotal figure in the political and economic history of the post-war period:

"We must consider IRI as an existing fact and on this basis set out our reasoning. If we could say: IRI does not exist but many independent firms exist, we would have the ideal situation to consider our problem. But since IRI does exist we cannot leave this out of consideration. (...) From the economic point of view if we thought that private industry were in a position to take over IRI we could say: let us liquidate IRI and let it be taken over by private business. But today we cannot think of a private industry which is able to take over a concern such as Ansaldo, for example. Rather, the problem of IRI should be approached and discussed in this way: to relieve it of everything that does not fall within the specific function of this body" (23)

Costa's assessment is typical of the most balanced and realistic sectors of private capital. IRI exists and it is difficult to see how in the dramatic economic conditions of post-war Italy the firms it controls can possibly be liquidated or sold back to private enterprise. A programme of massive privatization and/or liquidation would inevitably aggravate the already difficult situation of both the financial and the labour market. In this situation the most advisable - or perhaps the least expensive - course of action seemed that of leaving things roughly as they were.
However, while the debate—fierce and at times rough—on the future of public enterprise (and more in general of the public sector of the economy) showed the relevance of the problem, its importance should not be overemphasized. It must be stressed again that in few other areas the discussion was as divorced from reality as in the field of state intervention. It would be misleading to give excessive importance to statements of principle which did not become positive alternatives. There is always the danger of heeding those who make most noise, whatever its intrinsic significance. Furthermore, the debate tended to die out in a relatively short time: by the end of 1947 all the major contributions had already been made and the attention was no longer focused so heavily on IRI. The debate had shifted to other problems, deemed more urgent or important: above all that of the South and of the alternative inflation/deflation. IR1 and public enterprise will return to the forefront toward the '50s, but in a different context and for different reasons.

In a sense, the 'IR1 problem' had in fact been solved: by not taking any definite and positive measure as to the Institute's structure, organization, and role, and allowing it to carry on much in the same way as before. This was indeed a very good example of non-decision by the government. The result was inevitably conservative: the preservation of the status quo.

The costs of a substantial change in the structure and role of public enterprise were perceived as too high by all the actors involved, and the government did not deem it
wise to push for a change that could dangerously antagonize various organized interests. To a certain extent, therefore, the different pressures exerted on IRI balanced and offset one another: IRI would not be dismantled nor would it be used as an instrument of economic or industrial policy by the government.

IRI would survive with minor institutional changes, on the understanding that it would not interfere with the private sector, and renounce any ambition of a wider role in the coordination of industrial activity. IRI was acceptable as long as it confined itself to the role of the shareholder: minding its own business and not getting involved in 'politics'.

One of the results of this situation was the confirmation of the mixed character of the Italian economy which had become consolidated during the 1920 and the 1930s. Above all it became clear that the presence of the state - notwithstanding the liberals' wishful thinking - could not be done away with in any simple way. In this outcome was implicit a recognition of the indispensable role the state had to play in the economy and, at the same time, of the weakness of 'market forces'. The intervention of the state had - no matter how reluctantly - to be recognized as a structural feature of Italian capitalism.

The unenthusiastic acceptance of this state of affairs certainly represented a set-back for those intellectual and economic groups that, for whatever reasons, would have preferred a much lesser degree of state intrusion into the economy. At the same time, such a development indicates
the gradual emergence of a more realistic political and economic orientation, as a mediation among the different components of the industrial bourgeoisie, which is well symbolized by Costa's chairmanship of Confindustria.

Having said that, it seems quite clear that the solution given to the IRI problem, and the Institute's behaviour in the first post-war period, was a considerable defeat for the left. Indeed, the hopes of using the IRI-controlled firms as an instrument of industrial policy, public direction of the market, and 'democratic' economic planning were dashed. It could be argued that, after all, the left achieved a crucial, albeit somehow minimal, objective, namely the non-liquidation of IRI. But the point is that IRI's dismantlement was never as a matter of fact on the agenda, it never became a realistic policy alternative, in spite of the campaign waged by some industrial groups. Possibly, some results were achieved by the labour movement in avoiding the reprivatization of specific firms which looked attractive to private capital; this could only be assessed with more specific historical research of the kind we are not concerned with here.

On the other hand, the most significant proposals of the left for public enterprise were decisively ruled out. Indeed, the future development of the Institute was to take place completely outside the ambitions of the left. It is for these reasons that in our view the 'un-politics' of public enterprise carried out well into the '50s (in so far as IRI is concerned) had a substantial conservative character and a built-in bias in favour of the dominant interests.
IRI's difficult development.

IRI had come out of the war considerably damaged in its productive structure: the FINMARE fleet was practically destroyed (all the big liners were lost); productive capacity was reduced by 90 per cent in the iron and steel sector, by 45 per cent in the shipbuilding and engineering sectors, by 40 per cent in the electric one, by 15 per cent in the telephones. Probably, the damages suffered by the IRI-controlled firms were far more serious than those suffered by other industrial groups or sectors of the national economy. This, of course, made the reconstruction work much more difficult, expensive, and slow. At the end of the war the situation of IRI was not only characterized by the extensive physical damage suffered. There were as well very serious problems of overmanning and excessive productive capacity with respect to the volume of orders available; the financial situation was also dramatic.

In the immediate post-war years the organizational-institutional situation of IRI appears to be very unsettled and subject to numerous, and sometimes contradictory, changes. In April 1946 the norms of the 1937 constitution were radically modified, in order to bring them in line with the new political situation. In February 1948 an entirely new constitution was approved, after much discussion and bargaining. This meant that in the period 1945-48 no less than three sets of regulations applied to the Institute, with the imaginable organizational consequences.
One aspect of the new constitution approved in 1948 is particularly telling and relates to what has been said above on IRI's inactivity. Article 1 in fact reads: "IRI manages the share holdings and the assets in its possession". In other words, there is no reference to a possible widening of its activities and to the take-over of other firms, whereas the 1937 Constitution (Article 2) explicitly allowed the Institute to do so. On the whole the tasks set to IRI seem rather unspecific and poorly defined, even in comparison with the fascist period, and this is the result of the post-war uncertainties.

Furthermore, during 1945-48 no less than six persons alternated at the top of the Institute (four Commissars and two Chairmen). And to the instability of IRI's top was added the uncertain situation of the management within the IRI-controlled firms, because of the prosecuting and "purging" of the individuals most compromised with the fascist regime. In few words, the situation of the IRI groups was chaotic, to say the least.

Taking all this into account, only after 1948 - with the approval of its definitive constitution and the appointment of the normal governing bodies - IRI could be said to be in a position to work in normal organizational conditions. At the end of 1948 the first development plans for the group's main sectors were examined and approved by the Interministerial Committee for Reconstruction (CIR), charged with the supervision of IRI's activities. (28) However, it must be remarked upon that up to the mid '50s IRI went on behaving strictly as a financial holding company,
leaving to the sector sub-holdings the task of devising an industrial policy. The Institute as such did not have any integrated industrial strategy.

This resulted in a lack of coordination and rationalization, in duplications, etc., and in a particularistic view of the firms' productive problems. Only in 1956/57 IRI will present a corporate development plan (see below), setting the tasks for the following four years. From this point of view, IRI showed a remarkable degree of continuity with the pre-war period, along the lines set by Beneduce and Menichella.

The main problems which IRI faced in the post-war period were excessive productive capacity and overmanning, the two being obviously interrelated. These problems were particularly acute in the shipbuilding-engineering sector, which was the single biggest sector within the group. Furthermore, engineering had undergone a massive expansion during the war and now faced dramatic problems of reorganization in a situation in which demand for its products had drastically decreased and in some cases completely disappeared.

To put things into perspective, it must be said that the whole Italian engineering industry remained in a very difficult plight up to the late 40s, mainly as a consequence of the war. The list of the problems is the usual one: excessive productive capacity, overmanning, obsolete technology, financial troubles. Several firms went bankrupt or had to be heavily subsidized with public money. The government - its much-trumpeted liberistic leanings
notwithstanding - had to intervene to soften the consequences of this situation, especially by making available much needed financial resources. (32) In this respect, the most important measure taken by the Cabinet to tackle the problems was the establishment in September 1947 of a special credit institution (Fondo per il finanziamento dell'industria meccanica - FIM), officially conceived as a temporary relief, to assist the crisis-stricken industry.

IRI's troubles were thus in no way exceptional, indeed they were shared by a substantial proportion of Italian industry. On the other hand, in the case of the Istituto they were aggravated to a considerable degree both by the extent of the destructions suffered and by the presence of an irremediably loss-prone shipbuilding sector. These elements help to explain why IRI's mechanical-engineering sector continued to have a negative performance at a time when its private counterpart was becoming the leading industry of the Italian economy, contributing substantially to the 1950s' development and export successes.

Engineering and shipbuilding was the sector which engaged to the greatest extent the activity and the financial resources of IRI in the post-war years, as the data in Table 6.3 show.
Table 6.3

Financial requirements of IRI-controlled companies during post-war reconstruction, 1945-1948 (1953 billion lire)

<table>
<thead>
<tr>
<th>Companies</th>
<th>Supplied by IRI</th>
<th>Supplied by market</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric power</td>
<td>3.3</td>
<td>6.3</td>
<td>9.6</td>
</tr>
<tr>
<td>Telephones</td>
<td>1.7</td>
<td>9.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Shipping</td>
<td>13.3</td>
<td>18.0</td>
<td>31.3</td>
</tr>
<tr>
<td>Steel</td>
<td>9.6</td>
<td>24.7</td>
<td>34.3</td>
</tr>
<tr>
<td>Engineering and Shipbuilding</td>
<td>95.0</td>
<td>4.5</td>
<td>99.5</td>
</tr>
<tr>
<td>Banking</td>
<td>0.4</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6.9</td>
<td>1.2</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>130.2</strong></td>
<td><strong>64.6</strong></td>
<td><strong>194.8</strong></td>
</tr>
</tbody>
</table>


The situation was particularly serious in shipbuilding, which in 1954 still employed over 45 per cent of the total workforce of the mechanical-engineering sector. It has to be remarked upon that the problem of IRI shipyards largely coincided with the problem of the national shipbuilding industry, given IRI's share of the sector. Moreover, shipyards were already losing concerns at the moment of their takeover by the Institute in the '30s and have continued to generate heavy losses for the group ever since.

The shipbuilding-engineering sector will continue to be in the following years one of the major problems for the IRI group and a constant source of financial losses, thus indicating the structural roots of its crisis, embedded in the conflicting demands placed upon the Institute and the firms under its control.

The way in which the problems of the sector were tackled
indicates the contradictory and loosely defined role played by IRI in this period. Stated in few words, the problem was to reorganize the industry and make it economically viable, while at the same time avoiding any drastic cuts in the workforce. These two contradictory objectives largely explain the long-lasting crisis of the shipbuilding-engineering sector which continued well into the 1950s.

It was the defence of employment that set the main constraint to reorganization activity. Employment in the shipbuilding-engineering sector was an issue socially and politically sensitive above all for its geographical concentration: IRI mechanical firms were basically located around three cities (Trieste, Genoa, and Naples), where they contributed in a very high proportion to the total employment of the respective areas.

Large-scale dismissals - of the kind requested to cut substantially productive capacity - would have created very serious problems for the local labour market, already characterized (above all in the South) by high levels of unemployment. Moreover, the problem was made all the more difficult by the necessity of introducing in the plants new labour-saving technology to raise productivity and profitability.

As can be seen in Table 6.4, reducing the workforce took a considerably long time. Only in 1952 employment returned to the pre-war level, and it must be taken into account that 1938 was already a year of rising productive activity because of the preparations for war. Inevitably,
this situation resulted in heavy losses above all for the shipyards.

Table 6.4

<table>
<thead>
<tr>
<th>Index Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1938=100)</td>
</tr>
<tr>
<td>1932</td>
</tr>
<tr>
<td>1938</td>
</tr>
<tr>
<td>1942</td>
</tr>
<tr>
<td>1947</td>
</tr>
<tr>
<td>1948</td>
</tr>
<tr>
<td>1950</td>
</tr>
<tr>
<td>1952</td>
</tr>
<tr>
<td>1954</td>
</tr>
</tbody>
</table>

Source: Complied from data in Rapporto Saraceno, op.cit., pp.246, 250, and Table 20, p.87.

It is also very significant that from the end of the war up to the late '50s the shipbuilding-engineering sector was the only one where IRI had to step in to rescue crisis-ridden private firms. Immediately after the war the Institute was asked to take over "for social reasons" the nearly bankrupt S. Giorgio concern (Genoa) with its five mechanical factories and 11,000 employees, since the private shareholders could not meet its financial requirements. (35) This further increased IRI's commitments in the engineering sector, particularly in the Ligurian area: after the S. Giorgio take-over IRI controlled in the region 18 factories with a total workforce of about 53,000. Later in 1951 IRI was asked again to rescue other two ailing firms, located in the troubled Neapolitan area (IMAM and AVIS), by taking them over from FIM. (36) Lastly, in 1959
the Taranto shipyards (Societá Cantieri Navali di Taranto) passed to public enterprise.

In a generally difficult situation, and with all the caution needed in an unstable environment, IRI tried to reorganize its mechanical-engineering sector, by rationalizing it, coordinating the various productions, improving productivity, updating the plants, etc. To this end in 1948 the sub-holding company FINMECCANICA (the fourth after STET, FINMARE and FINSIDER) was created for the technical and financial coordination of the shipbuilding-engineering firms controlled by the Institute.(37) Some significant results were achieved in this drive to improve the sector's performance. Losses went on decreasing steadily. Between 1948 and 1954 turnover increased by 130 per cent, and per capita turnover by 180 per cent, which obviously meant that productivity rose faster than production.(38) The crisis-stricken Neapolitan mechanical-engineering complex was considerably reorganized, expanded, and given a better chance to turn profitable. Alfa-Romeo - the sector's biggest concern apart from the shipyards - was fairly successfully converted from aviation to motor-vehicles production.

This does not mean that the problems were all solved and FINMECCANICA had become a well organized, integrated, profitable, industrial group. Quite far from it. More than anything else, there remained virtually unsolved the problem of the loss-generating shipyards, which was further aggravated by the above-mentioned take-over in 1959. The shipbuilding-engineering sector will indeed continue to be
a source of trouble in the years to come, since its problems are rooted in the socio-political conflicts which lie at the very heart of the development of public enterprise. The shipbuilding-engineering sector epitomizes the difficulties IRI had to face in the post-war period; it exemplifies in the clearest way the contradictory pressures the Institute and its finanziarie were subjected to.

The achievements of public enterprise.

But after the war IRI did not limit itself to cope with the problems of overmanned, undersized, little integrated, poorly productive firms, trying to carry on while hurting as few interests as possible. The activity of the Institute and of its sectoral holding companies had also a brighter side: growth, innovation, profits, and a significant contribution to the development of the national economy. (39)

The telephones and the electric power sector developed very fast and improved their performance under all respects, in most cases doing better than the corresponding private firms. Radio and television broadcasting was another field in which IRI achieved significant results. On the other hand, it must be kept in mind that the sectors we have just mentioned constituted a relatively small part of IRI's share-holdings: they accounted for only 12.3 per cent in 1948 and were 20.3 per cent in 1954.

Moreover, they did not face in any comparable measure the conversion problems of shipbuilding and engineering, or the need of devising a completely new industrial strategy as in the case of the iron and steel industry. The 'market'
for their products was rapidly expanding. Profits were high and private shareholders went on investing in the publicly-owned concerns, thus contributing to supply the financial resources needed for their development. (40) In other words, they experienced comparatively little problems in the post-war reconstruction and development and therefore they should be assessed against this background. What can be said with confidence is that in these sectors IRI appeared to be a competent and experienced entrepreneur, sometimes more far-sighted and innovative than the private ones.

Where IRI did prove it could make a determinant contribution to the development of the Italian economy, while at the same time bringing to a solution the long-lasting and deeply-rooted industrial problem, it was in the iron and steel sector. As an enthusiastic English student of the Italian public enterprise put it, "if IRI had not also demonstrated the efficacy of the state entrepreneurship formula in other fields, its success in steel alone would rank as an achievement of the first order". (41)

Production of pig iron and steel had always been one of the great problems of Italian manufacturing industry and of the economy as a whole, a major bottle-neck in its development process since the last decades of 19th century. A good deal of the protectionism which characterized the Italian economy was to the benefit of the iron and steel industry. The state had always either to support the steel concerns (Terni) or to rescue them from bankruptcy (Ansaldo), pouring into the industry vast financial resources. But the problems of the steel industry were never positively
solved. Being extremely poor in the indispensable raw materials (coal and iron ore), up to the beginning of the second world war Italian steel industry relied mainly on the melting down of scrap, which is an expensive process and does not allow large economies of scale. Steel production had always been undersized, uncompetitive and expensive; hence of course the need to protect the industry and as a consequence the penalty imposed on the whole economy. (42)

With the bank rescues of the '30s a heavy burden fell on IRI's shoulders. At the time IRI-controlled steel firms (Terni, Dalmine, Ilva, SIAC) produced about 75 per cent of pig iron and 45 per cent of crude steel, the bulk of the rest being in the hands of the national private producers (Falck, FIAT, Breda, Magona, Redaelli), but for another public firm (Cogne) not controlled by IRI. With this kind of share of the industry IRI had to think its development in national terms.

The Institute began by rationalizing production, trying to transform the firms into a more homogeneous concern. (43) In 1937 a sectoral sub-holding company (FINSIDER), was established to assist financially and technically the firms and also to meet the requirements of the autarkic policy and of war production. Above all, the plan prepared by FINSIDER envisaged a progressive shift toward the concept of vertically integrated shore-based plants, by importing iron ore and coking coal from the lowest cost world producers and gradually moving away from the melting down of scrap. To this end in 1938 it began to reorganize and modernize the group's major works and planned the construction of an
entirely new integrated plant at Cornigliano (Genoa).
The programme could not be completed because of the war: in particular, the new Cornigliano plant could hardly start production since the Germans in 1943 dismantled it piece by piece and carried it away with them.

The problem of the steel industry emerged again after the war, as one of the important choices that had to be made and that would have influenced the path and character of post-war development. Private enterprise was convinced that the Italian steel industry did not have any real prospects as a large producer, that the mass products could be bought on foreign markets at lower prices and that the best way was to go on with the relatively small-scale scrap melting plants.(44) Basically, they did not consider it possible - or anyway considered it too risky - to engage in large-scale production and enter an open market as major producers for other steel users.

Behind all this the assumption was also lying that the Italian economy - and in particular the mechanical-engineering industry - would have expanded at a much lower rate than in fact it did and hence that demand for steel products would have not been much higher than it had been in the pre-war period. This indeed was part and parcel of the way most of the economic establishment forecast the development of the Italian economy.

FINsider's projects were of a substantially different nature; within the holding there was a strong belief both in the possibility of establishing a large and modern steel industry and in a rapid economic development based on
manufacturing industry. A large and competitive steel industry was viable and necessary at the same time, if the country was to accelerate its growth rate and fully industrialize.

To a considerable extent the plan which was to provide Italy with a modern steel industry was the result of the ideas and the work of a single man, Oscar Sinigaglia. (45) In 1932 Sinigaglia had been appointed Chairman of Ilva, one of the four big steel concerns later to be taken over by IRI. At that time he had already clear and basic lines along which Italian steel industry could be modernized and made competitive: vertically integrated, shore-based, plants, using imported iron ore and coal. The idea was simple in principle and had a whole range of financial, economic, and political implications which made it appear unfeasible and unrealistic. In fact, he failed to get his plan approved and then in 1935 resigned from Ilva. However, although he remained until the end of the war outside public enterprise, he inspired the FINSIDER's reorganization programme of 1938. At the end of 1945 he was appointed Chairman of FINSIDER (office he held until his death in 1953), where he had the opportunity of putting into practice his ideas about the steel industry.

The first post-war years were devoted to repair the substantial war damage and get the plants working again. The problems and uncertainties of the moment (foreign exchange and import restrictions, severe financial shortages, inflation, unemployment, etc.) did not allow the launching of any long-term development programme. Only in 1948,
after a degree of economic and political stability had been achieved, FINSIDER could submit its plan to reorganize, modernize, and expand the public iron and steel industry. (46)

Basically, the plan provided for the reconversion and expansion of the shore-based plants at Piombino (Livorno) and Bagnoli (Naples), the construction of a new vertically integrated plant at Cornigliano, the overall reorganization and rationalization of the group's other units. The plan was approved by the Interministerial Committee for Reconstruction in September 1948, together with those of the other main sectors. It started to be implemented in 1949, with a first big loan from the European Recovery Programme (24 million dollars). The new Cornigliano plant was completed in 1953 at the moment of the opening of the European Coal and Steel Community, which Italy had decided to join; a second blast furnace started production in March 1955. (47)

In terms of production the results of the 'Sinigaglia plan' have certainly been remarkable, as the data in Table 6.5 unmistakably indicate. By the mid '50s this development had already brought IRI to occupy a crucial position in the country's iron and steel industry, especially in rolled products. Turnover grew accordingly from about 83 billion lire in 1948 to over 154 billions in 1954. (48) Furthermore, this development resulted in profits and hence in dividends paid to both public and private shareholders.

On the whole, the establishment of a large, modern, and competitive steel industry by public enterprise made possible Italy's entry into the ECSC, and later into the EEC,
Table 6.5

FINSIDER’s output of iron and steel (thousands of tons)

<table>
<thead>
<tr>
<th>Pig iron</th>
<th>FINSIDER (a)</th>
<th>Index Number (1938=100)</th>
<th>National output (b)</th>
<th>(a)/(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>662</td>
<td>100</td>
<td>864</td>
<td>76.6</td>
</tr>
<tr>
<td>1945</td>
<td>6</td>
<td>1</td>
<td>65</td>
<td>9.2</td>
</tr>
<tr>
<td>1948</td>
<td>152</td>
<td>23</td>
<td>449</td>
<td>33.8</td>
</tr>
<tr>
<td>1952</td>
<td>732</td>
<td>111</td>
<td>1,102</td>
<td>66.4</td>
</tr>
<tr>
<td>1953</td>
<td>832</td>
<td>126</td>
<td>1,122</td>
<td>68.1</td>
</tr>
<tr>
<td>1954</td>
<td>940</td>
<td>142</td>
<td>1,256</td>
<td>74.8</td>
</tr>
<tr>
<td>1956</td>
<td>1,504</td>
<td>227</td>
<td>1,873</td>
<td>80.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crude steel</th>
<th>FINSIDER (a)</th>
<th>Index Number (1938=100)</th>
<th>National output (b)</th>
<th>(a)/(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>1,036</td>
<td>100</td>
<td>2,323</td>
<td>44.6</td>
</tr>
<tr>
<td>1945</td>
<td>143</td>
<td>14</td>
<td>395</td>
<td>36.2</td>
</tr>
<tr>
<td>1948</td>
<td>918</td>
<td>89</td>
<td>2,125</td>
<td>43.2</td>
</tr>
<tr>
<td>1952</td>
<td>1,548</td>
<td>149</td>
<td>3,535</td>
<td>43.8</td>
</tr>
<tr>
<td>1953</td>
<td>1,566</td>
<td>151</td>
<td>3,500</td>
<td>44.7</td>
</tr>
<tr>
<td>1954</td>
<td>2,029</td>
<td>196</td>
<td>4,207</td>
<td>48.2</td>
</tr>
<tr>
<td>1956</td>
<td>2,934</td>
<td>283</td>
<td>5,908</td>
<td>49.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rolled steel</th>
<th>FINSIDER (a)</th>
<th>Index Number (1938=100)</th>
<th>National output (b)</th>
<th>(a)/(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>664</td>
<td>100</td>
<td>3,198</td>
<td>46.8</td>
</tr>
<tr>
<td>1945</td>
<td>113</td>
<td>17</td>
<td>4.437</td>
<td>52.9</td>
</tr>
<tr>
<td>1948</td>
<td>671</td>
<td>102</td>
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<td></td>
</tr>
<tr>
<td>1952</td>
<td>1,146</td>
<td>173</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1953</td>
<td>1,120</td>
<td>169</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1954</td>
<td>1,496</td>
<td>225</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1956</td>
<td>2,348</td>
<td>354</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

on an equal footing with her other main economic partners.
It enabled also the elimination - albeit gradual - of its
tariff barriers; something which had never been achieved
before. Without the Sinigaglia plan iron and steel
imports, in order to catch up with demand, would have
risen much higher in the '50s, possibly demanding a
deflationary policy to reduce a deteriorating trade balance
and thus jeopardising the overall development of the economy.
Engineering - the manufacturing industry which with its
exports led the boom of the fifties - benefited most from
the supply of high quality steel at internationally
competitive prices.
Notes to Chapter 6

(1) See the report prepared by Minister Ugo La Malfa in 1951 on the reorganization of public enterprise (henceforth quoted as Rapporto La Malfa). The report was later published in MINISTERO DELL'INDUSTRIA E DEL COMMERcio, L'Istituto per la Ricostruzione Industriale - L.R.I., Torino: UTET, 1955, vol.1 (Studi e documenti), pp.1-145. A full historical account of the various companies and agencies is at pp.18-88; a complete list of state-controlled companies can be found in Appendix A, pp.132-41.

(2) For the pre-war period see G. Scagnetti, Gli enti di privilegio nell'economia italiana, op.cit.


(7) Cf. MINISTERO PER LA COSTITUENTE, Rapporto della Commissione Economica, II. Industria, Appendice alla Relazione (Questionari e Monografie), Roma: Istituto Poligrafico dello Stato, 1946, replies to questionnaire no.3 ("L'IRI e la sua funzione nell'economia industriale italiana"). Cf. also the hearings of Frassati, Tedeschi, Marzotto with interesting statements about IRI.

(8) On PCI's attitude toward the proposals for the reconstruction see in general C. Daneo, "Il PCI di fronte alla ricostruzione", Rivista di storia contemporanea, no.3, 1973, pp.216-29.


See in this sense the remarks in Ministero per la Costituenti, Rapporto della Commissione Economica, II, Industria, Relazione, vol. 1, op.cit., pp. 179-80.

Senator Frassati had stated this point very bluntly during his hearing before the Economic Commission of the Constituent Assembly: "IRI represents the greatest immorality of all, since it finds the money whenever and at whatever price it wants".

See the hearings of Pietro Ferrerio, Chairman of the Edison Company and Giovanni Falck, Chairman of the Falck steel group.

In the Cabinet formed by De Gasperi at the end of May 1947, his fourth, the 'liberals' were appointed to the key economic Ministries: Luigi Einaudi, former Governor of the Bank of Italy and later to become President of the Republic, had the all-powerful Ministry of the Budget, created purposefully on this occasion, G. Del Vecchio got the Treasury and C. Merzagora became Minister for Exterior Trade.

Cf. on this point Barucci, op.cit., pp. 130-36.

In the third, short-lived, De Gasperi Cabinet - February-May 1947 - two Christian Democrats, Pietro Campilli and Ezio Vanoni, were appointed, respectively, to the Treasury and to the Ministry of Exterior Trade, the two crucial economic ministries. Campilli and Vanoni were not only leading party members, but had also substantially contributed to the foundation of the new Christian Democracy and represented the reformist aspirations of the Catholic party. On Vanoni cf. the profile by M. Ferrari Aggradi, Ezio Vanoni, Roma: Cinque Lune, 1956.

In 1949 the official recorded number of unemployed was 1.8 million. But according to a United Nations report, "four millions would be a conservative estimate of total unemployment, open and concealed". Cf. United Nations, Department of Economic Affairs, *Economic Survey of Europe in 1949*, Geneva: 1950, p.68.


Cf remarks by Barucci, op.cit., pp.143-53.

See especially the hearings by the Economic Commission of L. Piccardi and P. Formentini, and the replies to the questionnaire on IRI by the FINSIDER holding company and Dr. Bima of the Ansaldo company.


It must be remembered that the Costituent Assembly had concluded its work at the end of 1947. The Economic Commission had as well completed its survey of the problems of Italian industry (the results of the inquiry, with hearings and questionnaires, were published in 1946-47).


See the remarks in the report prepared by the Giacchi Commission, set up to inquire into IRI's activities and to make proposals for its new constitution. Cf. MINISTERO DELL'INDUSTRIA E DEL COMMERCIO, op.cit., vol.II (Progetti di riordinamento), pp.9-128.

(31) In 1948 54.4 per cent of the Institute's shareholdings were in this sector.


(34) Losses of the shipbuilding-engineering sector showed the following trend: (1954 million lire)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in million lire)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>15,854</td>
</tr>
<tr>
<td>1951</td>
<td>10,456</td>
</tr>
<tr>
<td>1952</td>
<td>9,500</td>
</tr>
<tr>
<td>1953</td>
<td>8,500</td>
</tr>
<tr>
<td>1954</td>
<td>6,500</td>
</tr>
</tbody>
</table>


(36) Ibidem, p.85.

(37) IRI transferred to FINMECCANICA a majority holding in all the shipbuilding-engineering companies it then controlled. The sub-holding company's share capital amounted to 15 billion lire in 1948, 25 in '49, 40 in '52. In July 1955 it was increased to 50 billion lire. In 1956 FINMECCANICA was wholly owned by IRI, although half of the IRI-MECCANICA debentures issued by the Institute were convertible into shares: apparently, private investors did not find FINMECCANICA, and its prospects for profit, very attractive (in 1977 FINMECCANICA was still 99.9 per cent IRI-controlled). Cf. Rapporto Saraceno, op.cit., pp.245-46.

(38) This was achieved by a 20 per cent reduction in employment. Cf. Rapporto Saraceno, op.cit. p.87.


(40) STET's share capital was 42 per cent in private hands in 1956.


(44) See the hearings of G. Falck and A. Costa by the Economic Commission, Cf. also C. Daneo, La politica economica della Ricostruzione 1945-1949, op.cit., Appendix to chapter X ("L'IRI, la siderurgia nazionale e lo sviluppo economico") pp.306-18.


(46) In the same year the Italian government submitted to the OEEC its long-term recovery programme. According to the programme, the production target was three million tons of crude steel by 1952 - end of the recovery period. The total estimated costs to carry out the steel development plan amounted to about 250 million dollars, including 130 million for the creation of three vertically integrated iron and steel units, alone capable of producing 1.7 million tons of steel.

(47) A second blast furnace was also completed at Piombino in 1956.

In the previous chapter we have suggested that in the immediate post-war years the government's economic policy had a marked liberistic character, and was mainly concerned with the stability of the currency and the control of inflation. This largely frustrated any hope of a more active policy of intervention by the state, of a more positive management of the economy, which not only the left but also important sections of Christian Democracy were advocating. As far as IRI was concerned, we have seen how these policy trends resulted in the Institute being managed in a basically privatistic way, with few indications of the government wishing to orient its behaviour or use it as an instrument of economic policy: the politicization of public enterprise was still in its early stage. It was indeed something of a success that IRI was not liquidated or reprivatized.

Toward the end of the 1940s the situation began to take a different turn. The relationships between state and economy, political class and private interests, began to change considerably in character and direction, setting in motion a process which, by the end of the next decade, had substantially redefined and altered their respective roles. The change was slow, the outcome of a progressive and mutually reinforcing reorientation of attitudes and policies, but once under way it gained momentum: the changes had a cumulative character.

Public enterprise found itself at the very heart of
these processes. In fact it provided the ground where some of the most far-reaching and wide-ranging changes took place. In this chapter we shall discuss how the above-mentioned new attitudes and policies came about and began to play an important part in Italian politics. Our attention will be obviously focused on public enterprise, but we shall try to place it in the wider context of government's action: failing to do so would result in not understanding the specific features of the Italian case. Above all, we shall deal at length with the process which led to the establishment of an entirely new public company (the National Hydrocarbons Agency) in 1953. Its creation marked the conclusion of a process of policy re-orientation and epitomized the changes that had happened, and also signalled the consolidation of a new strategy. For these reasons this case will be analysed in detail.

Party strategy and the economy.

At the centre of the events of the 1950s there is a turn in the strategy and behaviour of the governing political class. More specifically, the key to understanding the intensive phase of politicization that affected public enterprise during this decade is the strategy and behaviour of the Christian Democratic party. This is not to say that it is the independent variable which can explain everything. To be sure, other significant factors helped to stimulate the growth of public enterprise and to shape its features, and we shall try to take them into account as well. But if we were to select one set of factors which chiefly
account for the specific developments in the '50s, the conduct of Christian Democracy would appear as the crucial one.

Before examining those developments themselves it is thus necessary to look at the Christian Democratic party, in order to explain why its political action became so important. We must examine the transformations which took place within the party from the late '40s onwards: the new ideological orientation, the designs in the coalition dominant within it, the changing character of factions, the new relationships between party and civil society, the nature of its electoral strength, etc. (1)

A newly-established party, born essentially in the Northern regions of the country, after 1945 Christian Democracy managed to acquire a dominant position in the post-fascist political system thanks to an alliance with powerful Southern clienteles. In the absence of a tradition of political Catholicism in the South, to establish its power there, DC had to rely on the already existing network of traditional clientelistic groups. The overwhelming victory won in the general election of April of 1948 sanctioned this alliance as the pivot on which the Christian Democratic party and its political leadership rested. (2) It is interesting to observe that the notables who controlled those clienteles were the same people that had constituted the local political elite during fascism, through the control of the Partito Nazionale Fascista at the provincial level: thus they managed to adapt successfully to three different political regimes, the liberal,
the fascist, and lastly the republican.

In this first phase Christian Democracy was fundamentally a party of political notables, with a very primitive and fragile organizational structure, shallow roots in the civil society, a marked electoral character, relatively limited membership, and a high degree of dependence on external organizations for support and resources. This last point is of particular relevance: in the immediate post-war years DC was a party still in a very embryonic state with a rather limited organizational articulation; in fact, it was more an electoral committee than a political party in the modern sense of the world. The resources it had at its disposal were few and insufficient to perform the role of the national ruling party it aspired to play. Hence the necessity of drawing on the 'flanking' organizations external to it, to make up for the lack of its own organizational resources and structure. The alliance with the Southern clientelistic groups was one aspect of this crucial problem.

For almost a decade most of the much-needed resources, in terms of membership, staff and organization, were provided by Church-inspired and Church-supported Catholic lay associations. Indeed, at the beginning the Christian Democratic party functioned largely as the Catholic Church's political instrument for the religious and social regeneration of the country. At the time Christian Democracy was essentially a party of Catholics, i.e. of persons primarily organized in units other than the party and who tended to see political activity as a means to achieve meta-political
goals. This means that the incentives to political mobilization and participation were of ideological (in the case de quo, religious) nature, and that loyalty was not due in the first place to the party as such but to the spiritual values it embodied. Christian Democracy was therefore to a remarkable extent a political organization sponsored and nourished by the Church and Church members. From this point of view, a paramount role was played by organizations such as the Italian Catholic Action and, at electoral times, the so-called Civic Committees. They provided the basic organizational network and logistic support; they performed such vital functions as that of primary recruitment and political socialization. Catholic Action provided DC with party members, activists and, in a few years time, leaders. Therefore, it can be concluded that Christian Democracy was highly dependent on the larger and complex 'Catholic world' for its working and indeed for its very existence as a party. We shall see how an attempt to overcome this state of affairs, with its obvious limitations and liabilities, was to provide one of the main incentives to expanding the public sector of the economy.

A second central point which bears directly on our problem is the character of the Christian Democratic political class, and its position within the political system and in Italian society as a whole. In this respect, the most important feature was the degree of marginality of the people who, as members of the ruling political party, came to govern the country. Christian Democracy's oldest generation, the heirs of the Partito Popolare Italiano
suppressed by fascism in 1925, had been out of politics and government for more than twenty years; most of them in fact had had no experience at all in either field. They were hardly prepared to take on the management of the country, all the more so in the difficult conditions of post-war Italy. The second generation of Christian Democratic politicians, those grown up and educated during fascism, was still in its formative period as a significant political force. For this reason Christian Democracy had to rely to such an extent on personnel and skills recruited outside the party. And this reliance in turn constituted a severe constraint on the party's freedom of action and a limit to its room for political manoeuvre.

Besides being quite devoid of any experience of administrative and political management, and thus lacking a basic expertise in the complex task of running the country, Christian Democrats were on the whole marginal to the most important public institutions: in the judiciary, the civil service, the army, the ministries, the top constitutional organs, the economic agencies, and the universities, the key posts were firmly in the hands of people of either liberal or fascist background and orientation. The Christian Democrats were thus in the unhappy position of the newcomers and the outsiders. Obviously, this is a problem faced by any political class coming to power for the first time, possibly with little administrative and political expertise, a weak organizational structure, and few links with most of the country's institutions.

What is more important in the Italian situation
is perhaps the fact that the reintroduction of democratic rule did not by any means have the repercussions which a revolutionary change normally has on the whole political, institutional, economic, social and intellectual fabric of a country. Above all, the institutions and the personnel of the old regime were not done away with in any decisive manner. Therefore the Christian Democratic political class found itself in a highly structured environment, which, when not altogether hostile and suspicious, was clearly foreign to it. For the most part, the Christian Democrats felt uneasily isolated in a state that was not 'their own'. They had to adjust themselves to this state of affairs, to make the most of their resources and to reverse the situation when and where possible.

The situation was particularly problematic in the case of those state institutions which, in the transition from fascism to the Republic, showed a remarkable degree of continuity, despite the much heralded good intentions to make a clean break with the past. We have already seen how in the field of economic policy the liberals dominated the stage, and we have stressed the influence they exerted on government's action. To this must at least be added the position of that all-powerful institution, the Bank of Italy, that remained firmly outside Christian Democracy's reach and political control; and IRI, the most important state economic agency, was still unquestionably 'off limits' for the party. To a remarkable extent, DC in the first post-war period confronted the same difficulties that twenty years before the fascist political class had faced:
we have already suggested that many institutions in the 1920s and the 1930s successfully resisted fascists' penetration.

Especially after the general election of April 1948, which definitively sanctioned Christian Democracy's political supremacy, the party started to become more clearly aware of this state of affairs, to question its position of marginality in the country's institutional system, and to take positive action to regain ground.

The progressive drive to secure for the party and its members a stronger and more solid presence in the various institutional spheres took different forms. Given the constraints of the democratic constitutional administrative system, one obvious route was the gradual replacement of old personnel by party members. The main problem with this sort of strategy of replacement is that it takes time (often it is necessary to wait for the incumbent of an office to die or retire) and that it is bound to meet with considerable resistance from within the organizations concerned.

Another, easier and less time-consuming way adopted to strengthen the party's hold of the institutional system and to widen the scope of its power was penetration into the numerous and varied new state agencies which began to be set up for economic and welfare purposes from the very early fifties onwards: what has been called, with colourful expressions, 'occupation of the state' and 'colonization of the economy'. Public enterprise was among the protagonists of this strategy. Its rapid expansion in the '50s and '60s provided the Catholic party with many opportunities to widen its power in both political and organizational terms.
In general, the willingness by Christian Democracy to use state resources to carry out certain reforms and to tackle social problems by increasing state intervention gave the party a magnificent opportunity to gain control over important public agencies. Reforms and "occupation of the state" therefore reinforced each other in many ways. To put it differently, the institutional forms chosen to carry out the different policies offered considerable scope and leverage for the strengthening of the party. Reformism offered Christian Democracy the instruments whereby it would achieve and consolidate its future hegemony in the political system. Ironically and, no doubt, involuntarily, in this Christian Democracy was assisted by those other political parties, especially of the left, which pressed for an extension of state presence and prerogatives.

The Christian Democratic Party started to move more resolutely, though by no means unanimously or without contradictions and second thoughts, in a reformist direction after its third National Congress, held in Venice between 2 and 5 June 1949. (9) At the Congress the intention was announced to carry out a land reform, to launch a massive programme of public investments, to test new forms of interventions in the Southern regions, and lastly to re-organize the fiscal system. The problem which dominated the Congress and gave it its interventionist impetus was that of unemployment, still dramatically serious especially in the Mezzogiorno and in agriculture. In many speeches the ideal point of reference was often the Labour government of Clement Atlee in Britain, its programmes and
policies; the Beveridge Plan set the example to be followed by a reform-oriented and full employment committed Christian Democracy.

Of course, the entire party did not identify itself with a programme of this sort, least of all those factions and members representing the agrarian groups or the most conservative and traditionalist economic circles. But, as a whole, the majority of Christian Democracy recognized that something had to be done to alleviate the plight of the unemployed and of the South. In one of the two official opening speeches it was said:

"In the modern economy the productive system cannot do without the state, existing to regulate or stimulate consumption, to regulate and guarantee, if not to supply, investment, to provide for commercial outlets, or even to absorb production (. . .). And above all for the purpose of full employment we are convinced of the effectiveness of economic planning, that (. . .) creates the essential conditions for a high absorption of labour" (10)

The relevance of this change of direction should not however be over-emphasized. After all the Treasury continued in the next few years to control public expenditure tightly and also the vast programme of reforms, from taxation to agriculture, was implemented only partially and with unexceptional results. At the same time, it cannot be denied that the Venice Congress marked the beginning of a change of emphasis within the party and that some important interventions were actually carried out, though possibly with outcomes different from those expected and also with some unforeseen consequences.

Some of the first measures to be taken in the aftermath of the Congress were of a fairly traditional and
non-controversial character: a programme of public works and reaforestation, and, more importantly, various schemes to encourage the building of houses for workers. They simply aimed at alleviating unemployment (as IRI itself was doing, especially in the shipbuilding-engineering sector). Two other measures, however, both taken in 1950 and both announced at the Party Congress the year before, were of far greater importance: the launch of a partial land reform and the creation of a special Fund for the Development of the South. The government attached great importance to these two pieces of legislation and regarded them as viable solutions to the problems they tried to tackle. Apart from their respective successes and failures, these two interventions were to have far-reaching consequences for the political system and for Italian society as a whole. We do not intend here to go into the details of the two momentous measures adopted in 1950. We shall limit ourselves to some brief remarks which have a more direct bearing on our topic, by stressing the fact that, beyond the original intentions of the policy-makers and the official goals of the reforms themselves, they became an important aspect of Christian Democracy's attempts to widen and consolidate its power.

The land reform concerned 749,210 hectares of land, two thirds of which is in the continental South and the Islands (Sicily and Sardinia). The basic idea of the reform was that of creating a new class of small land-owners; in fact more than two thirds of the properties which were distributed consisted of small holdings of about ten hectares
each. From the economic point of view the reform has proved to be quite ill-conceived and substantially unsuccessful, especially because of the excessive division of the land which was expropriated. But also politically it failed to achieve its main goals. The reform aimed at 1) countering the peasants' struggles of the first post-war years and 2) widening the consensus for the dominant party, by creating a new social group more interested in the preservation of the status quo and less inclined to support the Communist Party. In fact, the political attitude of the Southern peasants have not changed appreciably, as the increasing success of the PCI shows, both because of the limited number of them who benefited from the distribution of land and because of the criteria themselves according to which the land was apportioned. (13)

The aspect of the land reform that relates more directly to what we have been saying about Christian Democracy and its power system was the creation of large public agencies (the Enti di riforma) to carry out the complex operations of expropriation and apportionment of the land, and later to provide technical assistance, build farm-houses, carry out irrigation works and land improvements. The Enti di riforma were in fact readily appropriated to be managed by Christian Democracy's members or by people somehow connected with the party. They soon became powerful centres of political influence and patronage. (14)

In this respect, however, there is little doubt that the most significant intervention was the establishment of the Fund for the South, the Cassa per il Mezzogiorno,
in view of the scope of its activity, the magnitude of the resources it was endowed with, and the range of problems it had to tackle.\(^{(15)}\) The Cassa, whose structure and goals closely resembled those of the Tennessee Valley Authority created by the American Federal Government in May 1933,\(^{(16)}\) was conceived as an *ad hoc* instrument to carry out 'extraordinary interventions' in the Southern regions.

With an initial fund of 1,000 billion lire to be spent in the decade 1950-60, the Cassa's task was essentially to provide infrastructure, of various kinds (roads, railroads, housing, sanitation facilities, aqueducts, sewers, etc.) in order to improve the conditions of productive activity in the South, with the hope of raising productivity and attracting private investments. At the beginning, the main emphasis was on capital projects directly linked to agriculture, in support of the land reform: water control and irrigation, land improvements, plants for the exploitation of agricultural products and by-products, etc. Later also industry and industrial development became a major focus of the Cassa's activity.

As in the case of the Enti in charge of the land reform, but on a larger scale, over the years the Cassa per il Mezzogiorno turned into an extraordinary power centre controlled by Christian Democracy. Given its very large operational and administrative autonomy and the vast financial resources at its disposal, as is easily imaginable, in the South the Cassa became a major instrument to channel political consensus toward the party, to strengthen the
existing clienteles and to create new ones. Leaving aside the economic and social consequences of its activity, which by any account has been massive and long-lasting, the impact the Cassa per il Mezzogiorno has had on the political system of the South, and indeed of the country as a whole, has been really profound, in that the Cassa came to constitute a major component of Christian Democracy's power system.

Public enterprise is very much part of this picture: its development and the reorientation of its behaviour must be seen in this context, otherwise it is impossible to understand their rationale. They are indeed rooted in and generated by Christian Democracy's reformist drive in the early 1950s and its attempts to use direct state intervention in the economy to bring about the desired changes. We shall see later on how the policies we have briefly remembered, and others as well, were to provide the material basis for the strengthening of a significant section of the Italian political class.

Having outlined the general context, we now turn our attention directly to public enterprise, with the establishment of the Ente Nazionale Idrocarburi in 1953. We shall look in some detail at the genesis of the new agency, since it is in the course of this process that we can best see the new forces at work and assess the constraints and opportunities offered by the democratic political system as it was structured at that time. Indeed, the establishment of ENI was perhaps the single most important result of the socio-political changes which took place in this period and, at the same time, in its making, helped to strengthen
and shape these very changes.

In the following narrative we shall first trace ENI's distant origins in the policies of the fascist regime and then proceed to describe how out of them there developed a much more significant public presence in the economy.

**Hydrocarbons and the State.**

Public intervention in the field of hydrocarbons goes back to the mid 1920s, when AGIP (Azienda Generale Italiana Petroli) was established by the state to engage in petroleum exploration and commerce in competition with private enterprise. \(^{(18)}\) This was the first time the state used a company operating under private law to pursue a specific public intervention policy in the economic field; it set an example and a precedent for when it had to be decided how to structure IRI. Thus, AGIP was an instance of fascism's propensity to extend state presence in the economy through direct intervention. On the other hand, it is also true that some form of public intervention was badly needed in a sector in which private firms had proved unable or unwilling - because of the magnitude of the financial commitment required and of the intrinsic risks of exploration activity - to develop the national resources in any appreciable degree. Indeed, the liberistic policy adopted by successive governments since the beginning of the century had not brought about any significant results; a more positive attitude by the state was thus practically inevitable if Italy were to improve its energy situation by taking part in the fast-growing oil business. \(^{(19)}\)
The instrument chosen to carry out this intervention was that of a joint-stock company owned by the state and other public financial institutions, but operating under private law. This and the fact that it was not granted either a monopoly for prospection and exploitation or any particular privilege vis-a-vis private firms (both Italian and foreign) indicates a large privatistic approach to the whole problem; after all in 1926 the regime had not yet elaborated its autarkic policies in any comprehensive fashion.

A year later a Mining Bill was passed that extended state property to all subsoil resources and hence made it necessary for companies to be granted a concession for their prospection and exploitation. State intervention in the hydrocarbons field took a more dirigiste turn from the mid 30s onwards and the scope of public enterprise widened considerably as a consequence of the regime's policy of aiming for self-sufficiency. In 1936 ANIC (Azienda Nazionale Idrogenazione Combustibili) was set up for the "hydrogenation of crude mineral oils": it was the first tangible expression of the autarkic goals the fascist regime was trying to achieve. In 1940 the Ente Nazionale Metano (ENM) was established to "carry out, co-ordinate - by making it part of a general plan - and control the prospection of deposits of natural gas in the national territory and see to their exploitation". Lastly, in 1941 there was the establishment of SNAM (Societa' Nazionale Metanodotti) for the transport of natural gas.
Therefore, at the beginning of the 1940s - no doubt as a consequence of the autarkic drive and in response to war needs - the state was massively involved in the hydrocarbons field (in particular if we take into account all the numerous subsidiaries of the main parent companies), with its interests ranging from prospection to exploitation, to transport and distribution of petroleum products. Among the state companies the most important was AGIP. We shall look more closely to it and to its activities, not only for this reason but also because of the role it was to play in the post-war period.

AGIP was active both in Italy and abroad: in Italy it operated two important cracking plants at Fiume and Porto Marghera (Venice); abroad it owned two companies in Rumenia: Prahova (prospection and exploitation) and Petroleum Bucaresti (refining) (and indeed most of the mineral oils refined by AGIP came from Rumenia). Through AIPA (Azienda Italiana Petroli Albanesi) it also controlled oil prospection and exploitation in Albania. Moreover, AGIP managed an important stocking and distribution network in Italy and in the colonies, with storage facilities, tankers, tank trucks, and petrol pumps. As to oil and natural gas production - for which it received substantial state subsidies - AGIP's achievements were quite meagre: up to the war its contribution to the already very modest Italian production of crude oil remained around ten per cent, while the lion's share was provided by a company controlled by Standard Oil of New Jersey. Even in the more promising field of natural gas the state company met with severe difficulties and
discovered very few important fields - for many years the results were indeed scanty. Only at the beginning of 1940, some fifteen years after its establishment and with the country already at war, there took place the first substantial discoveries of natural gas reserves, which were to be fully exploited only after the end of the world conflict (See Table 7.1).

At the end of the war also the hydrocarbons sector controlled by the state - as all the other forms of public intervention in the economy - came under severe scrutiny by the government and its experts. AGIP was subjected to a close review. On the whole, the results of its activity in the previous decade and a half were not really brilliant. In the Balkans the results had not lived up to the expectations; on the national territory the state controlled company still occupied a very minor position in comparison with the private firms (both Italian and foreign). On the other hand, the state had had to tie up large financial resources in this undertaking to subsidize considerably AGIP's exploration activity (323 million lire before the war).

In the new 'liberal' climate of post-war Italy the assessment of the efforts made by the state in the field of petroleum products, whatever their merits, was bound to be negative, reflecting the general attitude of profound suspicion toward what fascism had produced as to industrial and economic policy. The arguments put, and the conclusions drawn, were the familiar ones: as an aspect of fascism's autarkic policy and of its intrusion into the market, state intervention had proved inefficient and unable to solve the
Table 7.1
Italian Output of Natural Gas, 1926-1970
(\text{thousand M}^3)

<table>
<thead>
<tr>
<th></th>
<th>ENI Group</th>
<th>Other Companies</th>
<th>Total</th>
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<tbody>
<tr>
<td>1926-1930</td>
<td>-</td>
<td>6.776</td>
<td>6.776</td>
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<tr>
<td>1936-1940</td>
<td>3.683</td>
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<td>1941-1945</td>
<td>14.391</td>
<td>34.205</td>
<td>48.596</td>
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<tr>
<td>1946-1950</td>
<td>94.527</td>
<td>112.217</td>
<td>206.744</td>
</tr>
<tr>
<td>1951</td>
<td>723.583</td>
<td>242.689</td>
<td>966.272</td>
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<tr>
<td>1952</td>
<td>1.171.114</td>
<td>261.535</td>
<td>1.432.649</td>
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<td>2.006.822</td>
<td>272.856</td>
<td>2.279.678</td>
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<td>1954</td>
<td>2.700.400</td>
<td>266.869</td>
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<td>1955</td>
<td>3.343.273</td>
<td>306.538</td>
<td>3.627.243</td>
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<td>4.158.736</td>
<td>283.970</td>
<td>4.445.706</td>
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<td>4.684.391</td>
<td>302.391</td>
<td>4.987.074</td>
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<td>1966</td>
<td>8.630.583</td>
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<td>1968</td>
<td>9.709.642</td>
<td>702.630</td>
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<td>1969</td>
<td>10.998.436</td>
<td>960.805</td>
<td>11.959.241</td>
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Source: ENI, Annual Report, 1970, p.34.
problem of hydrocarbons. The logical consequence was to suggest the dismantling of the state presence in the sector and to allow private enterprise - undoubtedly much more suited for the job - to take it over. To be sure, it must be considered that AGIP - and in general the whole hydrocarbons sector - had suffered considerable damage during the war, that its Rumenian oil fields with all the up-to-date equipment had been lost, and that huge financial resources (a very scarce commodity in post-war Italy) were needed to resume exploration and production. A case could indeed be made for private (which meant basically foreign) enterprise, and for disengaging the state from this field of activity. But on the whole, the plan to dismantle AGIP was once more an essentially political decision, taken more on ideological than on technical or financial grounds. It also reflected the already noted predominance - not only of political but intellectual as well - that the "liberal" elements exercised within the coalition government of the time, with all the weight, in terms of legitimization and credibility, that this gave market forces.

Accordingly, in May 1945 the Minister of the Treasury - the Liberal Marcello Soleri - in a letter to the Minister of Industry - the Christian Democrat Giovanni Gronchi - strongly recommended the rapid liquidation of AGIP. The same opinion was then expressed in July of the following year by an inquiry commission appointed jointly by the two Ministers. The AGIP's days seemed numbered. However, the story was But over. A number of factors which had not been accounted for both by the economic Ministers and
by private business, were soon to come into play and give the whole problem of AGIP a very different turn.

At the end of April 1945 the Committee of National Liberation - that at the time exercised considerable administrative powers in many fields - had appointed a Commissioner for AGIP in Northern Italy to take care of the company on its behalf. The person chosen for the job was the partisan commander Enrico Mattei. His appointment was to prove a fateful one in many respects. Although here we are not concerned with Mattei, a short discussion of his background and career is in order, to understand the future development of ENI in its political context. (28) Moreover, for ten years the identification between Mattei and the state oil company was so strong as to make it impossible to speak of one without mentioning the other.

Party politics and the new public entrepreneurship.

Mattei was born on 29 April 1906 in a village of Central Italy of a modest family: his father was a non-commissioned officer in the local Carabinieri. Mattei's career was that of a typical self-made man. After a short period of vocational training he soon entered a local factory as an unskilled worker. His second job was in a tannery, where he made a remarkable career: in a few years from apprentice, at twenty he became manager of the factory. In 1929, however, the young Mattei left the small town of Matelica (in the Marche region), where the family had moved some years before, to emigrate to Milan, the big industrial centre in the North. After a few years as an agent for some German
chemical companies, in 1934 Mattei set up his own business: a small chemical firm which produced paints and auxiliary products for the tanning industry. The business proved to be quite successful.

So far Mattei's story had been that of a young enterprising emigrant. But in Milan, Mattei also made friends with Marcello Boldrini, Professor of Statistics at the Catholic University. Boldrini was to become a close associate of Mattei and to have a profound intellectual and political influence on Mattei, who was fully aware of his own very poor cultural development. But, above all, through Professor Boldrini Mattei got in touch, in Milan, with those important Catholic groups that after the war were to become the leaders of Lombardy's Christian Democracy and play a prominent role in national politics. Among Lombardy's Catholics - that in the main represented a moderate wing within political Catholicism - Boldrini was somehow on the 'left': he was characterised by a sensitivity to social problems a certain anti-capitalist vein, support for moderate state intervention, and above all a vague Keynesism in economic policy. Boldrini's intellectual and political orientation was to make a lasting impact on Mattei's own populism. These earlier contacts with the Northern Catholic Left would prove crucial for Mattei some years later, both as a source of ideological orientation and as a basis of political support. Mattei's political awareness was deepened and widened by his participation in the armed struggle against fascism and the Germans: after the armistice of 8 September 1943 Mattei in fact
began to get actively involved in the Resistenza, both politically and organizationally.

After the arrest (and eventual shooting) of Christian Democracy's representative in the Milan Committee of National Liberation, in March or April 1944, Mattei was asked to replace him. In the same period he entered the newly-formed Executive Committee of Christian Democracy for Northern Italy, thus becoming more directly involved with and committed to political activity: his links with the new Catholic party - still very much in its formative period - were by then solidly established. Save for the short period of his arrest (eventually he managed to escape), Mattei remained Christian Democracy's member in the General Command of partisan forces until Liberation in April 1945, with the overall responsibility for organization and finance. During the whole period of the armed struggle he was also Commander in Chief of the Catholic partisan brigades. His activity as partisan leader won him the Gold Medal of the Resistance and an American Bronze Star. (32)

Immediately after the war the 'General' Enrico Mattei entered Christian Democracy's National Committee at its first meeting in Rome (31 July - 3 August 1945) as Chief of the Catholic partisan movement. (33)

As we have said, both for his activity during the Resistance and for his political affiliation, in April 1945 Mattei was appointed Commissioner for AGIP. (34) His appointment was obviously politically motivated by his membership in Christian Democracy (the posts of Commissioner were distributed among the parties of the National Committee
of Liberation), and to some extent it represented the reward for his important contribution to the partisan movement.

At that moment the composition of AGIP's managing boards was quite confused and contradictory: in the North the former Commander of the Christian Democratic partisans, in Rome a recently-appointed Board of Directors composed of people largely compromised with fascism, and of bureaucratic and ministerial extraction. It is difficult to say who controlled whom and what. Formally, it was the Board in Rome that controlled the company, while Mattei's role was somehow ill-defined (this was a problem common to all the Special Commissioners appointed immediately after the war). AGIP's operational activities, however, were all located in the Northern regions where it was easier for Mattei to exert a de facto full control, especially in the extremely fluid economic and administrative situation of the second half of 1945. Nonetheless, there was undoubtedly a potential conflict between Rome and Milan, given the considerable difference of views on the future of the state enterprise. The Board of Directors in fact deemed that AGIP was not fit to carry on with the exploration and exploitation activity and that the private firms - above all the big multinationals - were much better equipped, financially and technically, to do the job. The position coincided with that of the Treasury, not to mention the Anglo-American companies (and also the allied governments).

On the other hand, Mattei, who had been informed by AGIP's geologists of the presence of large deposits of natural gas in the Po Valley, far from starting liquidation
in the summer of 1945 urged to go on with the drilling of the wells at Caviaga (Lodi, near Milan). To overcome the impasse he then decided to politicize the whole question, by using the leverage that his political connections offered him. He urged the direct intervention of the Head of the Government, pleading for AGIP not to be liquidated and asking to enter its Board of Directors in order to put an end to the existing duality of powers. And in fact on 31 October 1945 Mattei was appointed as one of AGIP's two Vice-Chairmen.

Mattei's appointment, however, did not mean a definitive choice in favour of public enterprise. The wells bored at Caviaga had not produced the results which were expected, above all no oil had been found, except in insignificant quantities. The Board in Rome was pressing for AGIP's practical liquidation and for the privatization of a large section of its business. At a certain point they seemed to have succeeded: on 11 February 1947 an Interministerial meeting presided over by the Minister of Industry (the Socialist Rodolfo Morandi) accepted the proposals formulated eight months before by the Commission set up by the Treasury, which in essence amounted to the dismantling of AGIP. At the beginning of May Mattei, seemingly defeated, resigned from AGIP's Vice-Chairmanship, though remaining a member of the Board.

The fact that a Socialist Minister like Morandi, who strongly regarded public enterprise as an essential instrument to democratize and plan the economy and balance the power of private capital, presided over and accepted these
decisions says something on the strength of the liberals who in the Cabinet represented the 'market forces'. That the defeated was a former Commander of the Catholic People's Brigades and a party member says also something on the policy trends within Christian Democracy, the political balance among the party's different factions, and on its lack of self-confidence. At the time within Christian Democracy still prevailed those traditional and conservative elements who regarded with great suspicion the intervention of the state into the economy, and were still adhering to a liberal idea of the role of the state. This state of affairs points to the fact that within the party there had not yet emerged a political group committed to enlarging the presence of the state in civil society and to using it as a means to strengthen itself and re-distribute power among the various collective actors.

By the middle of 1947, then, the privatistic line - favoured by the government (in particular by the Treasury), by the national and foreign private oil companies, and in some measure also by AGIP's Board - seemed to have definitively prevailed. However, on the contrary, notwithstanding the politico-ideological climate and the powerful coalition of interests that pushed in the direction of privatization, the last word had not yet been said on AGIP. In a little more than a year's time the situation was reversed: in June 1948 at a special meeting of AGIP's shareholders Boldrini and Mattei were appointed, respectively, Chairman and Vice-Chairman of AGIP. What had happened to bring about this remarkable change of direction, completely unforeseeable
just a year before?

The crucial factors were the changes in the general political situation and in the relationships among parties we have already hinted at: in the General Election of 18 April 1948 Christian Democracy had taken 48.5% of the votes in the Chamber of Deputies (but it had the absolute majority of the seats, 305 out of 574) and had thus placed itself firmly at the centre of the party system. Such an electoral result set completely new parameters for political action and governmental policy-making. A victory of these proportions in the first General Election of Republican Italy meant for Christian Democracy a much lesser dependence on other political forces both in Parliament and in Cabinet, a new self-confidence, the feeling of being the legitimate representative of large sections of society, of having a very broad political mandate, in essence a unique opportunity to implement its own policies. Indeed the 1948 elections marked the investiture of a new political class, a fact which was to have momentous consequences for the whole Italian society. The sudden and unexpected turn in the AGIP story must then be seen in this context, as a specific, but by no means secondary, example of the new trends in national politics. Besides, a part was undoubtedly played also by the fact that Mattei himself had been elected to the Chamber of Deputies among Christian Democratic ranks. (36) This decisively strengthened his position within the party, which up to then had not seemed inclined to lend him full support in his battle against private interests. Moreover, Mattei had already began to improve his standing within the
party and to acquire political credits toward the party's leadership. In 1947 in fact, at De Gasperi's explicit request, he had masterminded the split between Christian Democracy and left parties within the National Association of Partisans, which led to the establishment of a separate association directly controlled by Christian Democrats.

On the whole, the appointment of Boldrini and Mattei to top positions in AGIP was one of the very first examples of patronage by Christian Democracy. It is noteworthy because it was the first of a long series which was soon to follow in the next few years in the Enti di riforma and the Cassa, an early tentative step in the direction of that rapidly increasing penetration of the state machinery and of public agencies that will become a distinctive trait of Christian Democratic rule in Italy. The episode indicates an important change of perspective: Christian Democracy had chosen two people coming from its own ranks against the old ministerial and fascist bureaucracy that controlled AGIP. This points not only to a strengthening of its position vis-a-vis the liberals, but also to a change of attitude toward the role which the state has to play in modern society; this in turn signals a change in the political balance within the party, the beginning of the shift from the right to the centre-left that was to find its culmination at the Venice Congress. The appointment of Boldrini and Mattei was indeed a significant point in favour of those factions within Christian Democracy that advocated a stronger and more decisive presence of the state in the economic field and, more widely, in civil society. Particularly important
in this connection was the convergence which took place between Mattei and the then Minister of Finance, the Christian Democrat Ezio Vanoni, who was one of the most prominent political figures of the period and a member of the Christian Democratic reformist circles, one of those new Catholic politicians who intended to use the state and its resources to bring about change in the society at large. (37)

Vanoni had convinced himself of the importance of a public agency in the hydrocarbons field and had become its strongest and most convinced advocate within the party and the cabinet. In April 1949 he managed to block a Mining Bill, proposed by the Minister of Industry (the Social-democrat I.M. Lombardo), that opened the Po Valley to private companies: the Bill was sent back to the Interministerial Committee for Reconstruction for further examination. Another tactical battle had been won by Mattei and his political sponsors. But apparently the question of AGIP and of the prospection/exploitation of hydrocarbons in Italy was far from settled, private companies and their governmental supporters did not want yet to concede defeat. In this heated climate there exploded what became known as the 'Cortemaggiore's oil bomb': on 13 June 1949 during a visit by Vanoni to the Cortemaggiore fields (near Piacenza) the long-awaited crude oil suddenly gushed from the well. It was an uproar: "Italy has won the oil battle", the press reported Vanoni to say. Mattei declared that AGIP had made a major discovery which changed the whole aspect of Italy's oil balance. In his own words - which were later
to become almost legendary - : "We have located a safe wide open". In fact, at Cortemaggiore there was no oil in any significant quantity. Very likely the whole business was a well-timed and masterly-organized propaganda blitz, very much in Mattei's cavalier style, intended to make the problem of hydrocarbons a public issue and to force a still hesitant Christian Democracy to take a stance less liberistic and more favourable to AGIP, the state company that had managed such achievements.

No doubt the 'Cortemaggiore bomb' achieved its goals, notwithstanding the scandal and the public outcry which followed the statement by the Ministry of Industry denying Mattei's and Vanoni's over-optimistic declarations. The supposed discovery of oil in the Po Valley by AGIP convinced most of Christian Democracy that it was better to drop the plan for the liberalization of the industry (in July CIR decided to shelve for good Lombardo's Mining Bill), and gave more strength and credibility within the party to Vanoni. So much so that at the next meeting of the party's National Council held a few weeks later (30 July - 2 August) - just after the Venice Congress - the Secretary-General of Christian Democracy summing up concluded that the Council "showed to support overwhelmingly the approach to the question of oil and natural gas adopted by Vanoni". In his report the Finance Minister had proposed a hydrocarbons policy which provided for the continued existence of AGIP and for the granting to it of the monopoly of prospection and extraction in the Po Valley. (38)

At this stage, after four years of battling between
Mattei and the private companies, and of continuous changes of front, the whole problem had become a hot political issue, much broader in significance than the actors involved would have thought at the beginning. It had now turned into something of a test for the policies which the new majority party intended to pursue and for its relationships with the traditional economic power centres; the whole problem had wide implications in electoral terms and for the distribution of political support both within the party and in the society at large. It is significant that to a very large extent this political battle was fought within Christian Democracy, where the supporters of both sides confronted each other; it was not fought over by Christian Democracy - Mattei's party, it is worth remembering - against other parties representing different interests or ideologies. This reveals a great deal about the nature of Christian Democracy: a composite party made up of different factions, a coalition of diverse interests, juxtaposed more than integrated in an homogeneous political structure, of quite different ideological persuasions beyond the undifferentiated religious orientation, and with different constituencies on which to depend and to which to address themselves.

As has been already suggested, the political battle which took place within Christian Democracy on the issue of hydrocarbons was only one aspect of a much larger debate, which opposed between the end of the 40s and the early 50s the advocates of a liberistic economic policy and those oriented toward public interventions of a Keynesian kind. In other terms, between those party sections of liberistic
orientation and tightly connected with certain private business groups, from which they received financial and electoral support, and those sectors of the party far less convinced of the virtues of the market and committed to some degree of public intervention and planning in order to bring about a measure of social justice. As Mattei himself put it: "The credit of the state as manager of the economy is on the rise also in the democratically ruled countries . . . The market economy has had its day and it is increasingly necessary for the state to perform a prominent function in production and trade". (40)

The establishment of the Ente Nazionale Idrocarburi.

Since the problem of hydrocarbons had become such a delicate political issue, in the three years preceding the creation of ENI the clash between Mattei and the private companies, and the respective political sponsors, gained again momentum. Each party made its best to mobilize all the resources - economic, financial, political, propagandistic, and even diplomatic - it could command. By any standard it was a fiercely fought battle: the stakes were high indeed and none of the contestants seemed ready to give in. (41)

Both fronts resorted to intensive lobbying of members of Parliament. Interviews, radio broadcasts, articles in sympathetic newspapers and scientific journals, memorandums, pamphlets, conferences, meetings, every available means was used to influence public opinion, the government and Christian Democracy as leading party in the coalition. The American
companies even tried to blackmail the government by threatening to cut oil supplies, especially to the STANIC refinery jointly owned by ANIC and Standard Oil of New Jersey. At a certain point it was suggested that also the European Recovery Programme, for what concerned Italy, could be put at risk if private companies were not granted permission to drill in the Po Valley.

At this point another variable we have not yet taken into consideration began to play a part in the whole business: the behaviour of the left parties. As we shall see in more detail later, this new element will have a decisive role not only in the process of ENI's establishment, but also in the future development of public enterprise as a whole.

The left parties had supported all along a solution to the hydrocarbons question which favoured public against private enterprise. This is not surprising, and can be expected of parties that explicitly advocated ample nationalizations and a massive presence of the state in the management of the economy. In July 1950 the Communist Party brought in a Bill which proposed: a complete state monopoly on the whole national territory of the prospection, exploitation and transport of hydrocarbons, the revocation of all existing mining rights, the suppression of AGIP and ENM, and the creation of a new national agency for the sector. The Bill - with its strongly statalist flavour - was a provocation and an important political signal. It was intended to force the government to act expeditiously and at the same time made clear PCI's readiness to support the
proposals of the cabinet on this matter. Besides, the Communist Bill made the Vanoni project look a very reasonable and moderate proposal indeed, thus giving him important room for manoeuvre in Parliament.

On 13 July 1951 Vanoni, on the government's behalf introduced before Parliament his Bill on the establishment of a National Hydrocarbons Agency. (43) The parliamentary iter was long, complex, and difficult; it witnessed above all the debate between the left and Vanoni, while the other parties never really became involved in the discussion. The contribution of the left proved important, not so much for the amendments it helped to introduce, (44) but more generally for keeping up the whole project and seeing it to a positive conclusion. One year after its first introduction the Bill was approved by the Chamber of Deputies on 8 July 1952. The voting was as follows:

In favour 269
Against 53
Abstained 65

The Communists abstained and in a statement by their spokesman summed up their position:

"We could not vote against, not only out of loyalty toward the colleagues of the majority, who by accepting on some points our suggestions have cooperated with us to a better wording of the articles, but above all because we agree with one of the fundamental principles the present Law is based upon: that of a state monopoly in the Po Valley. We think, however, that this principle ought to be extended to the whole national territory. ( . . . ) To conclude: we cannot vote in favour of the present Bill, as it stands today. However, since we do not oppose the establishment of ENI and the sole rights granted it in the Po Valley, we shall abstain from voting". (45)
The statement is typical of the ambivalent attitude of the Communist Party toward the government's policy on public enterprise: it cannot openly subscribe to the position of a DC-dominated Cabinet, but, at the same time, it cannot oppose it, having also contributed to shape it.

In the Senate the Bill had even a more difficult time. Within Christian Democracy itself there were strong perplexities and reservations on the new Ente and its goals. A quotation from a speech made by a Christian Democratic Senator gives an idea of the feelings in some Catholic quarters:

"When I hear of these state or para-state firms I get the shivers, I feel cold, I am afraid; afraid of what? I am afraid that these agencies are bound to accumulate loss after loss, which then have to be paid, as usual, by the consumer and the country". (46)

But again the left provided the much-needed backing of the government Bill and on 21 January 1953 the Senate passed it.

The Act provided for the establishment of a Ente Nazionale Idrocarburi (ENI) as a public-law agency with "the task of promoting and effecting new activities of national interest in the field of hydrocarbons and natural steam" (article 1). Article 2 was the most controversial part of the whole Act: it granted the newly-established state enterprise the monopoly 1) of the prospection and exploitation of hydrocarbons deposits and 2) of the construction and operation of pipelines in an area of about 55,000 sq km roughly corresponding to the Po Valley. (47) Moreover, it defined ENI's field of activity as "the processing, transformation, utilization, and commerce of hydrocarbons".
The Act, therefore, met the two fundamental requests advanced all along by Mattei and Vanoni since 1948-49: the creation of a new public agency for the hydrocarbons sector and the definitive sanctioning of its primacy in the Po Valley with the granting of the exploration and exploitation monopoly.

The Act was effectively a remarkable piece of legislation, which provided for a complete restructuring of the hydrocarbons industry in all its aspects, by putting order in the ramified, and sometimes chaotic, presence of the state in this important sector. All public undertakings in the industry - joint-stock companies such as AGIP, ANIC, and SNAM, or a public corporation such as ENM - were in fact brought together in a single, integrated, financial and industrial group, specifically entrusted with the task of carrying out a **public policy** in the vast sector of hydrocarbons, from exploration to supplying, to refining and distribution. Its importance can hardly be overestimated. As far as public enterprise is concerned, it will be necessary to wait until the late 70s - in a very different political and economic climate - to see again legislative measures of similar scope and significance, and with such broad implications for the industrial and economic structure of the country.

The new law assigned ENI the government's holdings in AGIP, ANIC, ROMSA and SNAM; the bonds issued by ANIC; the endowment fund of the Ente Nationale Metano (which was to be liquidated); and other assorted assets and properties for a total value of 15 billion lire. (48) Article 7
fixed ENI's endowment fund at 30 billion. It is also interesting to see how the new industrial group was organized. In one fundamental respect the structure of the new ENI mirrored that of IRI, in a remarkable and significant display of institutional continuity: at the top of the system there is a public agency, entirely owned by the state and acting according to the norms of public law; below this holding company and depending upon it, the firms - both sub-holdings and operating companies - are all joint-stock companies, identical in every respect to all other private firms and subject to the norms of private law, whose share capital is wholly or in part owned by the public corporation itself. In other words, at the moment of setting up the new agency for the hydrocarbons and so-called 'IRI formula' was deemed the most appropriate and efficacious for striking a balance between public control and entrepreneurial autonomy. Evidently, the institutional solution worked out and adopted exactly twenty years earlier to keep public enterprise outside the traditional administrative machinery, with all its bureaucratic rigidities and cumbersome procedural rules, still seemed to be the most suitable option for the state to carry out its intervention into the economy, in spite (or, perhaps, because) of the lack of substantive public control which had characterized IRI's experience so far.

On the other hand, ENI differed from IRI in several and important respects. First of all, the very limited presence of private share capital within the ENI group. This is largely the consequence (above all in the first years)
of the law stipulating that ENI should operate in the Po Valley only through companies entirely publicly-owned (this was one of the amendments successfully introduced by the left). But also in other sectors of the group the presence of private capital was very limited and has been declining (see figures 7.1 and 7.2). For example, in ANIC (chemicals) ENI's share was 49.25 per cent in 1953 but reached 73.2 per cent twenty years later. On the whole, whereas in the IRI companies private shareholdings in the '50s represented a substantial amount of their total capital (and still do so in certain sectors), in the ENI group the firms were largely, if not totally, controlled by the holding company. Within ENI then there has always been a much lesser need to accommodate private interests and to mediate between them and the public enterprise. Which means that ENI's behaviour has been influenced to a much lesser degree than IRI's by the presence of these interests and has never felt the need to protect them. On the other hand, it is evident that for this very reason the ENI group is politically more easily controllable and, in the absence of the constraint represented by private capital, more permeable by political demands. This important difference substantially accounts for ENI's and IRI's contrasting patterns of behaviour, at least until the end of the 60s.

A second relevant difference is worth mentioning, which also helps to understand the peculiar features and working of each agency. Unlike the Istituto's, ENI's sphere of action is clearly and precisely defined in the establishing Act. Which means that while the IRI group is basically a
Figure 7.1 Structure of the ENI group, 1960

Source: ENI, Annual Report, 1960
Figure 7.2  Structure of the ENI group, 1970

Source: ENI, Annual Report, 1970
conglomerate, with the Institute performing the function of financial manager, the ENI group is a set of firms which corresponds to an industrial logic. ENI in fact was conceived of as a highly integrated financial and industrial group, constructed by firms which complement one another for the purpose of producing, processing, and selling oil and natural gas. Hence, the extremely verticalized organizational structure: decisional power rests with the parent company and not with the subsidiaries, ENI's organizational and power structure is the reverse of IRI's: power goes from the centre to the periphery, from the top to the operating base, and not vice versa. It is for this reason that it makes sense to talk of an ENI policy, while the same cannot be said for IRI. (51)
Notes to Chapter 7.


(7) This is different from the party alternation in government in a two-party system. For an earlier statement of this problem see S.M. Lipset, Agrarian Socialism, Berkeley: University of California Press, 1950.

(9) Cf. Baget Bozzo, op.cit., pp.279-95 and also G. Galli, op.cit., ch.7. One of the two official opening speeches was by M. Rumor, who was to become in the '60s a leading party figure, on the "Vital needs of Italian labour".


(18) Cf. RDL 3 March 1926, no.556.

(19) For the historical background see C. Alimenti, La questione petrolifera italiana, Torino: Einaudi, 1937 and also M. Magini, L'Italia e il petrolio fra storia e cronologia, Milano: Mondadori, 1976.
(20) Of the initial 100 million lire capital, 60 were subscribed for by the Ministry of Finance and 20 each by INA and INPS.

(21) Cf. RDL 29 July 1927, no.1443. This was the first mining law valid for the whole national territory.

(22) Cf. RDL 8 June 1936, no.1118. ANIC was set up by the state - through AGIP and AIPA (Azienda Italiana Petroli Albanesi) - and the private concern Montecatini.

(23) Article no.2 of ENM's constitution. Cf. RDL 20 October 1940, no.1501. Unlike AGIP and ANIC, ENM was a public corporation, i.e. a public-law body under direct state control.

(24) SNAM was another joint-stock company operating under private law. Its share capital was subscribed by AGIP (30%), ENM (30%), Salsomaggiore Spas (30%), and ASURGI (Società Anonima Utilizzazione e Ricerca Gas Idrocarburi) (10%). In general on the companies and bodies in the hydrocarbons field, see Rapporto La Malfa, op.cit. pp.41-48 and G. Scagnetti, op.cit., for more details of their activities.

(25) Furthermore, in 1930 AGIP took part with a 20 per cent share in the establishment of the British Oil Development Company for the exploitation of oil fields in Iraq. This share-holding was eventually transferred to the Iraq Petroleum Company in 1936.

(26) AIPA had been established in 1925 by the state; it was initially controlled by the Ministry for Communications and managed by the State Railways, AGIP took it over later.

(27) Indeed, it seems that the Industry Minister, the Christian Democrat Giovanni Gronchi, who was on the left of the party, did not fully support the Treasury's intention to liquidate the state concern.

(28) On Mattei and his activity there is an endless bibliography, most of which is however of very limited use. The best two accounts are G. Galli, La sfida perduta. Biografia politica di Enrico Mattei, Milano: Bompiani, 1976 and M. Colitti, Energia e sviluppo in Italia. La vicenda di Enrico Mattei, Bari: De Donato, 1979, from which I mainly drew my information. The first is highly critical and controversial, the second - written by ENI's present General Manager for Planning and Development - is very sympathetic in tone.

(29) Boldrini came from the same provincial town where the Mattei family had moved when Enrico was a small boy.

(30) In this period Mattei managed to get a diploma in accountancy and afterwards matriculated at the Faculty of Political Sciences of the Catholic University.
In these years they formed a very important and influential part of the Catholic world, whose intellectual and political stronghold was the Università Cattolica in Milan. They were also deeply rooted in the country areas and in the smaller towns of the Po Valley.

Further details on Mattei's activity during the Resistance in Colitti, op.cit., pp.30-52.

Later, at the Party's first Congress (24-28 April 1946) Mattei opened the conference with a report on the "Contribution of the Christian Democratic Partisan Forces to the Liberation war", which was much applauded and gave him considerable popularity within a party that, on this issue, suffered an acute inferiority complex toward Communists and Socialists. At the time, Mattei was also Vice-President of ANPI, the National Association of Italian Partisans.


For instance, the Chairman of the Board, Arnaldo Petretti, had been Vice Governor-General of the Italian Eastern Africa and Director-General for Industry at the Ministry of Corporations.

In fact he made quite a poor showing, coming penultimate among the eighteen Christian Democrats elected in the Milan-Pavia constituency.

Cf. M. Ferrari Aggradi, op.cit.


Pella and Fanfani represented within Christian Democracy these two political lines. Fanfani was even defined 'subversive'. Of course, ENI was not the only issue which split the party. Fiscal and agrarian reforms were two other notable examples. On the latter, a group of Christian Democratic Deputies brought in a Bill different from the Government's.


For full details see Colitti, op.cit., ch.4.

Here I refer to the Socialist and Communist parties.

All the amendments tried to strengthen the public character of the Bill. The changes actually introduced were the following: ENI could operate in its exclusive areas only through companies entirely publicly owned; ENM was to be liquidated rather than being transformed into a joint-stock company owned by ENI; ENI's Board should include two workers' representatives.


Cf. Law 10 February 1953, no.136, Table A.

Idem, Table B.

See F. Forte, "I 'modelli' dei gruppi a partecipazione statale", in G. Minervini (ed.), Le imprese a partecipazione statale, Napoli: Jovene, 1972, pp.29-49.


See the remarks by Forte, op.cit.
CHAPTER 8

PUBLIC ENTERPRISE AND THE POLITICAL CLASS

The controversial establishment of ENI in 1953 was a distinctive operation, the first significant consequence of the changes which had occurred in the political system and the result of the action of new collective actors within it. It pointed to the different dynamics which characterized the political system.

Above all, the establishment of ENI represented a very marked change if compared with the creation of IRI exactly twenty years earlier. As we have shown, ENI did not originate as a rescue operation, according to the traditional pattern of state intervention in Italy, nor was it set up under pressures coming from the economic system, as had happened in the 1930s in the case of IRI. The contrast is striking. In the early 1930s the state decided to intervene only to avoid the collapse of the country's financial system, and thus played a largely passive role. On the contrary, in the 1950s it was precisely from within the political system that the initiative came for a large scale intervention in the economy. The independent variable lay in the pressures originating from a variety of political actors, not in the exigencies or interests of private capital. It was the outcome of multiple, overlapping and converging actions by different parties, party factions, local political leaders and trade unions.

On this and other accounts the creation of a new state
Agency for Hydrocarbons in 1953 represented an important turning point in the development of post-war public enterprise. The Ente Nazionale Idrocarburi was only the prelude to what was to come in the field of direct state intervention into the economy. Its establishment triggered off a range of political, economic and intellectual consequences, which were to mark profoundly the structure and conduct of public enterprise in the next two decades. What is perhaps more important, it changed deeply although not immediately the perception that political and economic forces, and the public at large, had of public enterprise, of its role and of its potentialities. The establishment of the new Hydrocarbons Agency had unmistakably shown that state intervention was not inevitably tied up with private capital's failures or deficiencies, and that it could be inspired by larger motivations.

The process which led to the creation of the new Ente had also shown that a number of collective actors could be fruitfully mobilized and that a convergence could be achieved among different interests to attain the desired goals. In this chapter we shall follow these developments in the public enterprise area, identify the new patterns of relations between the political class and economic interests, and assess the political and social impact of a growing public productive sector.

In the field of state-controlled enterprise the momentum gained with the establishment of ENI was subsequently maintained. Basically the same forces that in the late 1940s and early 1950s had pushed for the creation of ENI operated
further to widen the presence of the state in the economic system and to give it a more political character.

A new phase of Christian Democratic politics.

The most powerful and decisive impulse to this dual process of expansion and politicization came again from the Christian Democratic Party. The dominant position enjoyed by DC in the party system and in the government granted it prime responsibility in the decision-making process, although other political forces joined the Catholic party in its efforts at giving public enterprise a new direction.

The establishment of ENI had been a victory for those sectors of the party committed to some degree of public intervention and planning, not fully convinced of the virtues of market forces (especially the domestic ones) and oriented toward a policy of social and economic reforms. The creation of the new Ente had only been a first significant example of what an aggressive political class could achieve by mobilizing the resources available in the democratic political system. The strengthening within the party of these sectors provided the opportunity and the incentive to widen scope and range of state intervention even further.

We can conventionally locate the beginning of this new phase of Christian Democratic politics in the election of Amintore Fanfani as Secretary-General of the party, following the Fifth National Congress of DC in June 1954 in Naples. Fanfani's appointment officially sanctioned the predominance within the party of a new majority, somewhat on the left of De Gasperi's centre. It also marked
the power shift from the first to the second generation of Christian Democratic leaders, a rather different group of people as to political orientation and experience. (3)

The 1954 Congress was also a turning point in Christian Democracy's faction history. It marked the beginning of a period of increasing factionalism within the party and of the inexorable transormation of political factions into 'power groups'. It is in fact in the mid '50s that the party becomes divided with organized and structured factions, financially autonomous from the party leadership, with their own press agencies and newspapers, with different head-quarters.

Factions become organized political 'clans', controlled by faction bosses, able to channel votes toward their candidates, to appropriate and distribute the 'spoils' of various kind (financial resources, offices, jobs, etc.). As has been aptly pointed out, (4) factions become the key units in the party's decision-making process and factional loyalty becomes crucially important for recruitment into decision-making positions in the Cabinet and governmental agencies. Furthermore, factions increasingly lose any precise ideological and political connotation, as will be evident in the sudden and unexpected reversals of alliances and policies characteristic of the political struggle within DC. With the possible exception of the left groups, policy and issue differences among Christian Democratic factions become blurred and unstable. Their overriding goal becomes defending and enlarging their influence at the expense of other competing factions. (5)
This situation contrasts with the period of Christian Democratic history between 1946 and 1954, dominated by De Gasperi. Although distinct factions tend to emerge and consolidate very early in the newly formed party, they are not yet power groups in the sense outlined above. In this initial period it is possible to distinguish clearly between a left, a centre and a right within the party in the traditional sense, differentiated along political and ideological lines, with different constituencies in terms of social interests, with conflicting programmes etc., as a consequence of a high degree of ideological and political tension.(6) Furthermore, notwithstanding these divisions, De Gasperi's hegemony was very strong. For a number of reasons, both right and left wing factions were not able to seriously challenge De Gasperi's predominance over the party and oppose his 'centrist policy'.(7) The party's National Congresses in this period always ended with a common motion, as a sign of this unity, albeit difficult to achieve.

On the contrary, after the personal decline of De Gasperi and the breaking-down of the four-party Centrist coalition following the 1953 General Election, a process of political realignment and organizational change began within DC, which was to transform the party into a federation of organized factions, competing for power with each other. Once set in motion factionalism and fragmentation will increase in the next few years, reaching a peak in the 1960s and early 1970s, with paralyzing consequences for both party and government.(8)
The party's new Secretary-General was the leader of a new Christian Democratic faction (Iniziativa Democratica), founded at the end of 1952 after the dissolution of the Cronache Sociali leftist group led by Giuseppe Dossetti.\(^9\) Iniziativa Democratica was a rather heterogeneous political grouping which, in order to win a majority within the party, had to tone down its leftist connotation, dilute its reformist character and soften Cronache Sociali's ideological and political intransigence. Iniziativa Democratica could be best described as the 'neo-centrist' majority within Christian Democracy. Fanfani himself liked to be considered the heir of De Gasperi; he was representative of the Christian Democratic 'second generation' that replaced the old leadership of political notables still linked to the pre-fascist Popular Party.

The Fanfani Secretariat (1954-1959) is of crucial importance to understand the development of public enterprise in the following years. The changes that Fanfani introduced into the organization of the party, the shift in the bases of its influence on civil society which he brought about and the political design he was pursuing bear directly upon public enterprise. Public enterprise was indeed a core element in Fanfani's political strategy. Although public enterprise will later take a different turn from that envisaged by Fanfani, the roots of its future behaviour are to be located in the changes introduced by the Christian Democratic leadership in the second half of the 1950s.

Basically, Fanfani's political strategy aimed at
modernizing DC by transforming it into a mass party, with the complex and articulated organizational network characteristic of this type of political party: a territorial structure of sections and federations spread all over the country, a body of professional party officers, a number of permanent auxiliary organizations, an information and propaganda agency and a party press, a large membership and regular membership campaigns, etc. Fanfani was seeking to make Christian Democracy organizationally similar to the Italian Communist Party, its chief political rival, whose structure and organization had proved so successful in electoral terms.

Fanfani's drive to reorganize the party stemmed from the conviction that DC's poor showing in the 1953 General Election (when it lost over eight percentage points with respect to 1948) derived essentially from its structural weaknesses and shallow roots in civil society. If the party wanted to consolidate and improve its position, first of all in electoral terms, it had to penetrate into civil society, to widen its constituency, to establish new links with different social groups. In order to achieve these goals, a more modern and stronger political instrument was necessary, able to pursue a different policy of social alliances less constrained by the party's traditional supporting forces.

The attempt to strengthen the organization aimed precisely at making the party more autonomous from these external forces. In particular, DC appeared too dependent on:
1) the Church and the Catholic organizations, that had provided in the past decade most of the resources (mobilization, personnel, organization, symbols, etc.) which had massively contributed to make DC a dominant national party, but influenced heavily the party's political choices;

2) the powerful Southern clienteles gravitating around local notables, with which DC had allied itself after 1946 in order to gain the status of dominant party in the post-fascist political system, but whose vested interests blocked any innovative policies of social and economic reform;

3) interest groups such as Confindustria and Confagricoltura and the most important private firms themselves, which were crucial for the party's finances, and on that account exerted a strong influence on the government's economic policy, pushing it in a direction likely to alienate the support of large popular sectors.

The Christian Democracy envisaged by Fanfani had to become able to generate its own resources and stand organizationally on its own feet; to find less constraining forms of financing; to lessen the influence of traditional power groups upon party policies. The overall goal was that of creating a tool through which to exercise control on the electorate independently of outside supports, in other words, the new Catholic leadership, in the aftermath of the electoral losses suffered by DC in '53, was seeking a different way of acquiring and retaining consensus, bypassing traditional mediations. It was an ambitious and complex strategy implying considerable changes within the party and a fundamental shift in its relations with
civil society and organized interests. It was bound to meet with strong opposition and resistance both within and outside the party.

To put into practice this strategic design the post-1954 leadership moved in two directions. On the one hand, creating and strengthening the party's organization as such. To this end various steps were taken. An apparatus of auxiliary units was created at the central level by establishing three new Departments (for underdeveloped areas, education, and recreational activities). The first full-scale membership campaign was also launched. Fanfani, moreover, was the first Christian Democratic Secretary to employ a drastic system of controls, supported by disciplinary sanctions, in order to keep the behaviour of party members in line with the policies of the leadership. In addition, incentives and rewards were introduced for the most zealous party activists and officials. (12)

On the other hand, in order to strengthen the party's position and modify the bases of its influence on civil society, the Christian Democratic leadership turned decisively to an increasing utilization of the state machinery and of public resources. This took two forms: penetration into the existing state structures and agencies (a strategy which was to be labelled by critics 'occupation of the state'); creation of new public agencies and bodies, to be controlled and utilized by the party. Especially in the economic field, Christian Democracy under Fanfani, therefore, accelerated the strategy that he had already delineated at the beginning of the '50s, by pushing without hesitation or
reservations toward an increasing and more vigorous presence of the state in all areas of economic life (the rather infamous "colonization of the economy") and, pari passu, toward growing control over the agencies and institutions through which public intervention was carried out. The two aspects of this strategy went together and reinforced each other.

It is this second aspect of Fanfani's policy which is most important for our subject, rather than the organizational innovations per se (though there are important connections between the two aspects of the strategy). Agencies operating in the economy were to be the chief instruments to achieve the desired goals. In fact, the vast financial resources they were granted to be administered, the large number of jobs they provided or created, and the impact they could make upon social and economic conditions offered splendid opportunities for patronage and clientelism and for directing consensus toward the party. Thus public enterprise had the requisites to become an integral and essential element in this picture: from this point of view the widening and the strengthening of the state intervention in the economy were instrumental in giving realistic substance to the political strategy pursued by DC in the '50s and outlined above.

The establishment of the Ministry of State Shareholdings.

The history of Italian public enterprise in the second half of the 1950s has to be seen in this wider context, characterized by the efforts of the Christian Democratic
leadership to find new modes of consensus formation, by 
expanding the party's presence in civil society and 
forging a new 'organizational weapon'. Public enterprise 
becomes one of the most powerful and incisive instruments 
in the hands of the ruling political class for the inter-
vention into the economy.

In the period of Fanfani's Secretariat a number of 
important changes were introduced, which were to affect 
heavily the character and behaviour of public enterprise, 
its relations with the political class and its role in the 
economic system. These changes were also to impinge 
markedly on the property structure of Italian capitalism, 
on the cohesion of the business community and on its power.

A first aspect of the new role that the ruling political 
class assigned public enterprise, and of the use it intended 
to make of it, was the establishment at the end of 1956 
of a new Ministry charged with the supervision and coordination 
of those firms which the state for whatever reason, controlled 
or owned.

The form and the substance of government control over 
public enterprise had always been a particularly contro-
versial issue. The control itself, repeatedly attempted, 
had always proved an awkward task for politicians and civil 
servants alike. Stricter and more effective controls 
over the firms in the hands of the state had long been 
advocated by various sections of the political class and 
other organized interests (especially trade-unions). We 
have seen how during fascism the ambitious aims of sub-
jecting IRI to the political control of the Ministry of
Corporations failed and the Institute remained outside the Ministry's reach. In the immediate post-war years another attempt was made, this time led by the left parties, to bring the public holding company under stricter scrutiny and supervision by the state. But again these efforts came to nothing: IRI, for all practical purposes and notwithstanding some high-sounding declaration, for the second time escaped political control by the government and went on being managed in a rather privatistic fashion.

The problem of coordinating and controlling the numerous firms and financial holdings ('state economic participations', in the official language) in which the state had a stake surfaced again at the beginning of the '50s. (13)

By establishing an ad hoc Ministry, the left parties and the leftest factions within DC sought to achieve their old ambition of using state enterprise as a powerful instrument of economic and industrial policy, in accordance with those 'social' goals that private business was inevitably unable to pursue.

The most important innovations introduced with the creation of the new Ministry were the following:

1) All the duties and powers of the various Ministries (industry, Finance, Treasury, etc.), of the Council of Ministers and of Interministerial Committees concerning IRI, ENI, the firms controlled by FIM and any other firm with direct or indirect state participation were transferred to the Ministry of State Shareholdings (Art. no.2 of the Act).
2) An ad hoc five-member permanent Committee - composed of the Ministers for State Shareholdings, Budget, Treasury, Industry and Labour - was established, in order to enhance the degree of coordination of governmental industrial policy and to integrate firmly public enterprise into it. Furthermore, the Committee examined yearly the programmes and performance of state-controlled firms (Art. no.4).

3) All the various and scattered state holdings were to be organized into autonomous 'management agencies' (Enti di gestione) (Art. no.3).

4) Within a year of the promulgation of the law the state - controlled firms were to discontinue their membership in the private employers' Associations (Art. no.3).

As can be seen, the Act passed in December 1956 introduced a number of major changes.

Firstly, control was unified and concentrated in a single political and administrative centre. The previous multiplicity of controls, dispersed among a host of different Ministries had been tantamount to absence of control and to self-determination on the part of IRI and ENI. For the first time a specific Minister was made officially responsible for the supervision and coordination of the management of state-controlled firms. One aspect of the control powers transferred to the new administrative organ is particularly important for our argument: the Minister's right to appoint the members of the firms or agencies' Boards. Furthermore, the Act also provided for a strengthening of controls by Cabinet and Parliament; the five-member Interministerial Committee was without
doubt in a much better position than the whole Council of Ministers - as had been the case with IRI - to monitor the behaviour of public firms: and the Enti di gestione were obliged to submit to Parliament each year the last balance sheet and a programme report.

Secondly, with the creation of the Enti di gestione the rather disorganic and dispersed industrial presence of the state was rationalized, or at least given a better shape: the firms operating in the various industrial fields (from steel to telephones, from spas to the film industry etc.) were to be grouped and reorganized into more homogeneous management units. Moreover, the Enti di gestione were thought of as a sort of filter between the Ministry and the firms. On paper at least, political power was not to interfere with the management of the Enti's subsidiaries. Its directive role was to be indirect, through the 'management agencies'.

The nature of these new Enti was left unspecified in the Act. (16) The general idea was that of having a limited number of agencies connecting the (public) structure and activity of the state bureaucratic administration with the (private) structure and activity of the firms. (17) From the debate in Parliament it emerged clearly that by Enti it was meant such public holding companies as IRI and ENI. In practice, the IRI shareholding formula was to be extended to the whole direct state intervention into the economy, as had been authoritatively advocated by the Republican leader Ugo La Malfa in his 1951 report, and in fact the government soon agreed that IRI and ENI could be considered Enti di
gestione in terms of the 1956 Act: therefore their subsidiaries did not need to be regrouped in new public agencies. (18)

The institutional solution given to the problem of supervising and coordinating public firms is also interesting and has important consequences. It tells something of the ruling political class's goals. Three possible solutions had been proposed to remedy the chaotic dispersion of controls over the firms and agencies: 1) transfer of the various control powers to a single Ministry already existing (most likely, that of Industry); 2) appointment of a Minister without portfolio, especially charged with the supervision and coordination of public enterprise, similarly to the solution adopted for the Cassa del Mezzogiorno; 3) establishment of an entirely new Ministry in which to concentrate all controls and the coordination activity (the option eventually chosen).

Without the necessary powers and administrative-technical means, a Minister without portfolio would have been too weak to exert any meaningful control over public enterprise. On the other hand, the transfer of control powers to a pre-existing Ministry would have meant to put public enterprise under the supervision of a well-established ministerial bureaucracy, not easy to control politically, jealous of its administrative prerogatives and independence, with consolidated patterns of behaviour, and a well defined idea of its role. In the specific case of the Ministry of Industry, moreover, these problems could be even worse: the Liberals had a strong influence within the Ministry,
between its higher officials and private firms and their associations solid links of cooperation and understanding had developed, a distinctly anti-statalist flavour predominated. (19) This could lead to discrimination against public enterprise, to a more benevolent treatment for private firms, to conduct hostile to state intervention in the economy in general.

With the creation of the new Ministry an autonomous unit was established and endowed with an administrative-technical staff and a separate budget. At least on paper, this gave the Minister for State Shareholdings all the indispensable instruments to exercise his supervision and coordination powers. The weaknesses characteristic of a Minister without portfolio were thus overcome. In the second place, the decision to set up a new administrative-political organ made it possible to overcome the obstacle of an already established ministerial organization. The new Ministry could in fact be more easily controlled by a series of 'appropriate' appointments to its core offices. Interestingly, Article No. 6 of the 1956 Act provided that the three top positions in the Ministry could be attributed to people coming from outside the civil service. The Christian Democratic ruling political class was therefore in the position to secure for itself an incisive control over the new department, by creating an administrative leadership homogeneous to it and dependent on it.

For more than twenty-three years - from 1957 to 1980 - the Minister of State Shareholdings was to be a Christian Democrat, save for a short period of about eight months
when the Social Democratic Party held this office. (20)

The Ministry became an essential element of the DC's power system a fundamental instrument to achieve the much-sought after autonomy, and a very important source of patronage. It strengthened the Christian Democratic Party's penetration into the state apparatus, above all that of the Ministries, and contributed substantially to overcome the position of marginality in the institutional system which had afflicted the DC in the post-war period, as we have suggested in the previous chapter. Furthermore, the new Ministry widened drastically the scope of the party's power and the range of its activities, by giving it important prerogatives directly in the industrial field, where private forces still prevailed and where DC had not ventured during the De Gasperi era.

Severing the links with private employers

The disaffiliation of state-controlled firms from the Associations of private business (we shall refer to them simply as Confindustria) constituted another major change, with far-reaching consequences in the political and industrial relations spheres. (21)

The disaffiliation (sganciamento) of public firms from Confindustria was not provided for in the original Bill presented by the Government, nor in the two reports by the Interior and Industry Committees of the Chamber of Deputies of December 1955. It was introduced later into the text of the Bill through an amendment proposed by the Christian Democrat Giulio Pastore, Secretary-General of
CISL and leader of the trade-union faction within the party; the Pastore amendment was then accepted by the Cabinet.\(^{(22)}\)

In fact, the amendment had already been submitted to Parliament, by Pastore himself, as a motion of basically the same content which was discussed in August 1954. After a heated debate, the Pastore motion had been approved by all political parties, except the Liberals and the Neo-fascists. Notwithstanding Parliament's approval and DC's official backing of the motion, the government did nothing to put it into effect, because of the strong counter-presures by Confindustria and of the hostility of some Cabinet members to such a measure (in particular the Liberal Villabruna, Minister of Industry, who was directly concerned with the problem of disaffiliation). Therefore, two years later in April 1956 Pastore resubmitted his earlier motion, as an amendment to the Bill on the establishment of the Ministry of State Shareholdings being discussed in Parliament.

The disaffiliation of IRI-controlled firms from Confindustria had been ardently advocated since 1947 by CGIL and by the Communist and Socialist Parties, which several times put the problem on Parliament's agenda. It was an attempt to break the cohesion of employers in industrial relations and to find a more autonomous role for IRI in industrial policy. In the unfavourable climate of the first post-war years these attempts failed to make any real impact on the government's attitudes and policies toward the Institute: until 1954 the government, through the Ministry of Industry, consistently rejected the requests
advanced by the left. (23)

The turning point in the tormented story of the sganciamento was the attitude of CISL and thus of the trade-union left within Christian Democracy. The two things were obviously connected, Giulio Pastore being both leader of the trade-union faction (Forze Sociali) within the party and Secretary-General of CISL. Between 1953 and 1954 CISL aligned itself with CGIL's position on the sganciamento issue. At the same time, the leadership of the Catholic trade-union succeeded in making Christian Democracy and the government support such a controversial measure, by allying itself to the then Prime Minister Mario Scelba (the irony is that Scelba, a notable of the De Gasperi period, was on the right of the party, strongly anti-communist and certainly not particularly sympathetic to the labour movement in general, as he had demonstrated during his tenure of the Interior Ministry). (24) In January 1954 Pastore in a letter to Scelba officially requested that IRI firms gained full autonomy from private industry. The following August he submitted to Parliament his motion.

In pushing for the disaffiliation of public firms from Confindustria Pastore and CISL were looking for a way of finding a different autonomous and more relevant role for the Catholic trade-unions, still largely outweighed, politically and organizationally, by the Communist-Socialist ones. Once its associational links with private industry were severed and adequate political pressures brought to bear upon it, public enterprise could offer such an
opportunity, by making CISL its privileged partner and by adopting an industrial relations policy more favourable to it and more consonant with its ideological position. In CISL's view, heavily influenced by North-American trade-unionism, state-controlled firms should have an autonomous industrial-relations policy, different from that followed by private industry and largely based upon the decentralization of bargaining processes, new methods of job evaluation, the institutionalization and de-poli-
cization of conflict, and a wage policy linked to increases of productivity. (25) State-firms were then asked to carry out a more 'advanced' policy in the industrial relations field, in particular by giving full recognition (also in institutional terms) and legitimacy to the trade-unions' role within the firms. Probably, in this way CISL hoped to increase its importance in the Italian labour movement and to gain some ground at the expense of CGIL, still largely committed to centralized, nation-level forms of collective bargaining and the politicization of labour conflicts. (26)

But the disaffiliation of public firms from Confin-
dustria had also a wider political significance, not confined to the industrial relations arena and clearly perceived by various political actors. The sganciamento was part of the strategic design pursued by the Christian Democratic leadership in the second half of the 1950s for strengthening the party and reducing the influence of private industry on the government's room for manoeuvre in economic policy. According to an acute and authoritative
observer:

"The disaffiliation was a political fact of extreme importance, not only in the evolution of state-controlled firms but in the political evolution of the country. It was the turning point in the attempt, made by certain political forces, to free themselves from Confindustria's influence. That is, the attempt to overcome the Angelo Costa - Alcide De Gasperi economic policy and to create an area ensuring the independence and development of other political forces, in a process which passed through the Centre-Left". (27)

In this sense, the fragmentation of business interest representation aimed at reducing Confindustria's political power and at enabling the government to pursue an economic policy less conditioned by private industry's interests and more responsive to labour's demands. This made possible a convergence between Christian Democracy and CISL, on the one hand, and left parties and CGIL on the other, as it had already happened with the establishment of ENI in the early '50s.

As can be imagined, the proposed sganciamento met with strong protests by Confindustria, very worried about the weakening of its position and the loss of a large number of big firms from its membership. It also aroused a legal controversy, since the new norm allegedly violated the firms' freedom of association (the firms were private undertakings), which was guaranteed by the Constitution. (28)

Moreover, the publicly-controlled firms themselves were not very happy at the idea of leaving Confindustria, to which they had always belonged, and feared to be subjected to political pressure, which would put them in a different situation with respect to private firms (which often were their competitors). The sganciamento was indeed forced
upon a reluctant management, very wary of political interference.

Such opposition notwithstanding, by February 1958 (within one year's time, as the 1956 Act stipulated) state-controlled firms had left the private employers' interest organizations. A period of confused uncertainty followed as to public firms' associational position. Eventually, in 1960 a new employers' association - Intersind - was established by public firms. At the beginning of the new decade Intersind - a first-order membership association to which (unlike Confindustria) the firms were directly affiliated - came to operate side by side with Confindustria as the representative of Italian industry.

The disaffiliation of public firms and the establishment of Intersind were severe losses for Confindustria, both politically and organizationally. It must be kept in mind that state-controlled firms were all big - and medium-sized and were present in many important industries. In terms of interest representation this meant a further, certainly heavier, blow to Confindustria's ability to speak for Italian industry as a whole, after the earlier establishment of another competing employer's association for small-sized firms (Confapi). The cleavages within Confindustria and among private entrepreneurs, which were emerging more and more strongly, were widened and deepened by the events of the 1950s. Italian industry's ability to act collectively was drastically reduced. At the same time, the fragmentation and dispersion of their interests were increased, according to how far political leadership could
fulfil particular and sectional demands. From the point of view of the organization, the consequences are easily imaginable. The loss of the public firms' membership dues and resources (technical expertise, staff, etc.) posed serious problems to Confindustria.

On the other hand, substantial gains were obtained by those DC's sectors, including CISL's leadership, that had promoted and carried to effect the whole operation. They succeeded in breaking the cohesion of business as an organized collective actor and, therefore, in reducing its pressure potential on the government. But there is also a second aspect of the sganciamento, not less important for the Christian Democratic politicians: considerable financial and organizational resources were transferred to an Association more easily controllable by the party. In the future Intersind would offer attractive employment opportunities to party members, function as a public relations and research department, and provide technical expertise and advice on matters concerning industrial relations and labour problems to Catholic leaders.

Shifting the balance in favour of public enterprise

In addition to the establishment of the Ministry of State Shareholdings and the subsequent disaffiliation of state-controlled firms from Confindustria, another extremely important measure was approved by the government in the same period: the Hydrocarbons Act of January 1957. This piece of legislation has usually attracted little attention, in comparison with the above-mentioned measures.
However, it is very significant and fits well into the general pattern of DC's action toward public enterprise. The 1957 Act, moreover, concerned directly ENI and its position vis-a-vis private enterprise: it was an essential element in the strategy to strengthen it.

The new Act on hydrocarbons had an extremely long and tormented history. In practice it took ten years to pass the new legislation on the subject — a sign of great delicacy of the issue and of the massive interests involved.

Prospection for and extraction of hydrocarbons was still regulated by the old 1927 legislation on mining activity. (30) In the immediate post-war period a number of proposals were put forward to provide a new regulatory framework for the hydrocarbons sector: an ad hoc Technical Committee was appointed by the Higher Council of Mines to report on such problems; the Industry Minister then submitted a proposal to the Council of Ministers; on its part, the Communist Party proposed to nationalize the whole sector by granting the state a monopoly of prospection, extraction and transport of hydrocarbons. (31) In July 1951 a Bill was presented to Parliament by the Minister for Industry Giuseppe Togni (Christian Democrat), but it failed to be approved because of the end of the first Republican Parliament.

The Bill was then represented by the Pella government in November 1953, but its discussion by the Chamber's Industry Committee started only one year later. The Bill aroused immediately a lot of controversy: the discussion went on fruitlessly until Autumn 1955 while a number of
important changes were proposed by different quarters. The long-drawn discussion within the Industry Committee and a change of political orientation on the hydrocarbons issue led the following Segni government to reexamine the whole problem. In October 1955 the Minister of Industry Cortese presented to Parliament a substantially revised text of the Bill, which introduced significant alterations concerning ENI.

On the whole, the new governmental Bill strengthened ENI's position and accentuated the public company's predominance over private firms, above all through granting it a number of important exemptions as to territorial limitations to prospection and extraction and by applying to ENI special procedures for granting licences and concessions etc. (32) While according to the original governmental text ENI was on a par with private firms, the changes introduced by Cortese (ironically enough, a Liberal Minister and as such, supposedly the staunchest supporter of private initiative) stressed the Ente's public role and accepted the principle that it was the state's instrument for intervention in the hydrocarbons sector. Furthermore, the Bill provided that private capital could not enter into partnership with ENI and reap the benefits of the privileges granted to the latter in consideration of its public nature and functions.

But, perhaps the most important of all, the new Act explicitly confirmed ENI's monopoly of hydrocarbons prospection and extraction in the Po Valley (art.1), rejecting proposals for the abolition of that monopoly. The
confirmation was fundamental to ENI, since the Po Valley was by far the richest area in Italy as to hydrocarbons: from here ENI extracted most of its natural gas (oil was never found in significant quantities). The monopoly in the Po Valley ensured ENI a position of absolute predominance - in fact, the near monopoly - in natural gas production in Italy, (as the data in Table 7.1 show quite clearly). The huge profits made out of natural gas provided the essential financial basis for ENI's entry into other industrial sectors in the following years and even for its path-breaking international strategy in the oil business. (33) ENI was several times accused of keeping the price of gas artificially high and therefore of enjoying 'gas rent' at the consumers' expense.

The 1957 Hydrocarbons Act was a victory for ENI and for Christian Democracy, in that it strengthened public enterprise against aggressive private interests. This has been underestimated and not given the emphasis it deserved by many students. (34) In fact, ENI - four years after its establishment and thus in a delicate growth phase - was put in a condition to expand further in other industrial sectors, and to play the active and propulsive role that both its management and the political class were expecting of it. The convergence between Fanfani and Mattei was also the prerequisite for ENI's innovative policy towards the oil producing countries and for its original role in the oil business which began precisely in 1957.

For Christian Democracy's leadership it was another step towards shifting the balance in favour of public
enterprise and strengthening one of the chief instruments for its political design. But in Fanfani's view the 1957 Act was to be only a first step. The Christian Democrat Secretary had in mind a far more ambitious project for ENI: the concentration in the Ente of overall responsibility for energy policy.(35)

In presenting to Parliament in July 1958 the programme of the short-lived two-party government he headed, Fanfani called for the establishment of a National Agency in which to concentrate all state shareholdings in the energy sector (the reference here was especially to the IRI-controlled electric power companies) "in order to entrust it with a systematic direct intervention aimed at supplementing the manifest deficiencies of private enterprise".(36) More particularly, Fanfani suggested that the concessions for electric power production and distribution granted to private companies should be transferred, as they expired, to the new Ente. Already at the sixth party Congress of 1956 Fanfani, after praising public action in the hydrocarbons sector, had advocated state intervention in electric-power generation and distribution. On that occasion he added: "the policy concerning energy sources must facilitate social reform in a Christian solidaristic sense".(37) This was typical of the religious-ideological rhetoric in which DC wrapped up its political manoeuvring.

A national Energy Agency under Mattei's chairmanship and in close contact with the dominant party controlled by Fanfani could be, leaving aside the economic implications, a major autonomous source of power for the ruling political
class, a powerful instrument for exercising political leverage upon the choices of economic actors.

The interests threatened by such a project were important and strong: above all, the private electric power firms and the holding companies which controlled them. In financial terms these companies made up a large and powerful bloc in Italian capitalism. They also occupied a dominant position within Confindustria, whose policies in the fifties they were able to influence to a remarkable extent. In sum, they formed an influential, resourceful and articulate pressure group, in close contact with some political parties (above all the Liberal party and the right-wing factions of Christian Democracy). Politically, they were of rather conservative orientation; (which meant, above all, strongly opposed to a government coalition including the Socialist party) in economic policy, they remained stubbornly liberist. A change such as that Fanfani was proposing implied a drastic reduction both of their financial-economic power and of their political influence, inevitably they firmly resisted it.

Fanfani's plan to establish a National Agency for Energy was not carried out. With the collapse of his Cabinet in January 1959 the idea was shelved for good. The failure was caused by different factors; most obviously, the strong reaction of those financial-industrial interests jeopardized by the government's project. Furthermore, IRI itself, which in 1956 accounted for over a quarter of national production of electric power, did not see with favour the transfer to ENI of the sector; IRI, in practice,
opposed any modification of the status quo in the industry.

But, more interestingly, unexpected opposition to the idea of granting ENI overall responsibility for the energy sector came also from the Communist Party, which hitherto had always favoured any extension of public enterprise.

On this occasion the party clearly realized the risks of creating such an Ente for energy: an extremely powerful enterprise, crucial for economic development, difficult to control by Parliament (as the experience of ENI was proving), and sponsored by Christian Democracy, could constitute a further element in the governing political class's power system and strengthen its influence on civil society. The newly-acquired awareness of having contributed to provide DC with the means for the consolidation and preservation of its own dominant position in the party system convinced the Communists not to support Fanfani's plan, and ENI's ambitions. It was this fact, more than the lack of a numerical majority in Parliament, that killed the project.

The Communist Party and public enterprise.

In the preceding sections of the chapter and in the discussion of the controversial establishment of ENI several times we have touched upon the behaviour of the Italian Communist Party in the area of state-controlled enterprise.

It seems appropriate at this point to deal more systematically with the role played by the PCI in the development of public enterprise in the first two postwar decades. This is not to argue that the Communist Party affected the history of public enterprise to the extent
that Christian Democracy did. Far from it: as we have tried to show, the political strategy of the dominant party is the key - though not the only - independent variable explaining the peculiar development of state-controlled enterprise in postwar Italy. But among the political factors which contributed to the redefinition of the scope and functions of public enterprise the behaviour of the Communist Party deserves special attention, because of the particular and influential place occupied by the party in the political system.

As has been suggested in chapter six, the left in Italy - as indeed almost anywhere else in Europe - has always attached a great importance to the existence of a wide public sector of the economy. In the postwar period the problem of the economic role of the state was typically couched in the traditional terms of the nationalization of basic industries and big concerns, seen as the long-term and fundamental objectives of the party's political action.

In the specific situation of post-fascist Italy, IRI was considered by the Communist opposition as possibly the chief instrument in the "democratic struggle against monopolies" and as the "central agency of state-controlled industry". The official goals of the PCI remained basically unchanged throughout the fifties: nationalization of monopolistic firms (particularly in the electric power sector) and utilization of public enterprise for steering the economy in the collective interest were the staples of the party's policy. The following statement of February 1958 by the PCI's Executive Committee, entitled "For a new economic
and social policy of public firms", typifies the position of the party:

"The fact that state-controlled firms left Confindustria and all private employers' associations is a first important success of the struggle by workers and democratic forces with the final objective (. . .) of the real democratization of these firms, of their antimonopolistic behaviour, of their transformation into the chief instrument of a policy of economic development, of fight against unemployment and of social progress, in the framework of those structural reforms provided for by the Constitution, and particularly of a policy of nationalization of key sectors, such as that of energy sources.(. . .) While the monopolies attack again with violence public firms, . . . the government follows a line of compromise, which tends to make the productive activity of public firms a platform upon which private monopolistic enterprise can develop and prosper. (. . .) On the other hand it becomes increasingly clear that clerical forces intend to use State capitalism to extend their organic penetration into the monopolistic structure of the Italian economy, by using public firms exclusively as an instrument of discrimination and 'integralism' in the economic and social real" (38)

We have already stressed the ideological and propagandistic nature of these statements, their vagueness and ritualistic character: they were essentially slogans to mobilize support, not viable policy proposals. (39)

Leaving aside such vague and inconclusive official declarations, what was the actual behaviour of the Communist Party towards the issues concerning state-controlled enterprise? Which were the criteria the party adopted to orient its practical political action?

In order to assess the role played by the Communist Party vis-à-vis state-controlled enterprise we have analysed its behaviour in Parliament in this policy area, with particular reference to its legislative performance. Although the PCI affected the development of public enterprise
also in other ways, and using different organizational resources, it seems plausible to focus exclusively on Parliament since the latter constituted the privileged locus of its influence. It was indeed in Parliament, given their numerical strength and also the two Chambers' procedural rules and internal articulation, that the Communists were able to exploit to the full the large mandate they received.

On the whole, the Communists (and the Socialists for that matter) seem to have been guided by the rather simplistic idea - shared by some leftist sectors of Christian Democracy - that anything which appeared to favour public over private enterprise was intrinsically positive and hence worth supporting. This meant that the Communist Party backed the government and Christian Democracy in their drive to widen and strengthen the public sector of the economy.

We have already described in some detail, in chapter seven, the crucial role of the Communist opposition in the establishment of ENI and in the defeat of private interests. Also the creation of the Ministry of State Shareholdings in 1956 - and the subsequent sganciamento of public firms from private employers' associations - and the Act on Hydrocarbons passed in 1957 saw the Communist Party actively support the Cabinet within and outside Parliament. Thus, the three most important and far-reaching innovations of the decade concerning state-controlled enterprise saw the convergence between government and opposition. Not only did the Communists vote with the governmental majority on the three
Bills; they also contributed to shape their contents by successfully proposing amendments to the original texts. Moreover, the PCI favoured the very emergence of the issues, helped to keep them up in the two Chambers, and sustained their long and tormented parliamentary iter.

The PCI - and the PSI with it - supported the much-abused centrist governments not only on the above mentioned decisions, which represented significant turning-points in the postwar development of state-controlled enterprise. Also in minor, more specific and less far-reaching decisions affecting the structure and functioning of public firms the government coalitions led by Christian Democracy and the Communist opposition found themselves on the same side almost on all occasions.

We have examined all the Bills concerning directly and specifically public enterprise which were discussed and approved directly by the relevant Committees of the Chamber of Deputies during the second and third Parliaments (1953-63). (41) The near totality of the Bills on public enterprise submitted to Parliament in the period in question were discussed and passed within the two Permanent Committees we examined, the most notable exceptions being the three we discussed at length above. (42)

In the decade twenty-four Bills were discussed and passed by the two Committees (nine in the second Parliament, fifteen in the third). Fifteen of them were approved by a unanimous vote. As to the behaviour of the Communist Party, it voted in favour nineteen times, against two and it abstained three. Particularly striking is the level
of consensus reached in the third Parliament: out of fifteen Bills, thirteen were passed by a unanimous vote; the PCI never voted against, in two cases it abstained. These data are consistent with the findings of other empirical researches on the legislative behaviour of the Communist Party. (43) In the second and third Parliaments the PCI voted in favour of, respectively, about seventy-eight and eighty-eight per cent of the Bills submitted either by government or by individual deputies. Furthermore, these percentages tend to rise when the Bills are discussed and approved directly within the Permanent Committees. On the other hand, it is worth emphasizing that throughout the first three Parliaments the average percentage of votes in favour of the Bills approved with the Committee system has never been less than ninety, reaching a peak of ninety-six in the period 1958-1963. The relevant percentages for the Bills approved in the assembly hall during the same period have oscillated between seventy-five and eighty-five. (44)

It can be argued that the remarkable level of consensus achieved in Parliament is a function of the limited scope and sectional character of most Italian legislative output, the so-called leggine. (45) In other words, parties in Parliament easily agree on most legislative measures because these are non-controversial and of minor importance. Nonetheless, even accepting this note of caution, it seems undeniable that, in some policy areas, certainly more than in others, the distinction between government and opposition becomes rather blurred and the idea of a governmental majority rather loose. The legislative majorities shift
and change from issue to issue, but tend to be always large and very often include the opposition. Law-making in the field of state-controlled enterprise exemplifies in a rather extreme way this state of affairs.

Verbal confrontation notwithstanding, throughout this period - and beyond - public enterprise has rarely been a partisan or divisive issue. Beyond the smokescreen of high-sounding declarations of principle and long-term goals, a *de facto* convergence took place between government and opposition, and especially Christian Democracy and Communist Party, on the policies concerning the state-controlled sector of the economy. As a result, the legislative majority and the political coalition that supported the development of public enterprise in postwar Italy has always been wider than the one comprising only the parties in government. What is more important, it has always included the left opposition.

During this decisive formative period the expansion and strengthening of public enterprise was perceived by all major political actors - government (especially the Christian Democratic Party), opposition (notably the Communist Party), trade unions - as a positive-sum game. Everybody could see in the development of a large and powerful public sector of the economy the opportunity to achieve some of its own goals, be they the increased autonomy of the party, a way of reducing the power of market forces, or a different system of industrial relations. The expansion and politicization of state-controlled firms seemed able to offer attractive returns to all its advocates and
promoters. That the various collective actors were pursuing different and even conflicting objectives seemed at the time of only secondary importance. The least common denominator was easily found in a generalized growth of the public sector and in its increasing politicization: the differences could be settled at a later, and rather remote, stage. This was the solid foundation of the consensus which in the 1950s and early 1960s promoted the growth of the public sector of the economy.

As we have seen, in one important case the political coalition which had sponsored the expansion of public enterprise broke up. When Fanfani tried to get his plan for a National Energy Agency approved, the Communists withdrew their support: on that occasion, for the first time, the helpful convergence between government and opposition did not take place.

The main opposition party was worried of the possible consequences of a further extension of the partecipazioni statali. Intervening in the parliamentary debate about the programme of the Fanfani Cabinet, Togliatti, PCI's Secretary-General said:

"We are not in favour of State intervention in economic life in any case and in any situation; rather, we think that under certain conditions State intervention in economic life can be a bad thing. Under fascism there was a wide State intervention in economic life and corporatism came out of it and we know what it was. It was a characteristic regime of monopolistic predominance and of bureaucratic corruption. Well, we feel that today, inspired by Hon. Fanfani, something of the old corporatist trends is reviving. (. . .) We have been in favour, for example, of the establishment of ENI, but today we notice to our surprise that it has become not an economic agency, but a political power in our country . . ."
ENI has its own newspapers, sponsors this or that politician, this or that party, this or that faction within any single party. This is a degeneration of democratic practice and of economic life. If we want to continue on the road of a State intervention into economic life, it is necessary to take into account not only the needs of the economy but also the need to defend democracy from the dangerous tendency to slide towards a regime of clerical paternalism and of increasingly political and economic discrimination, by accumulating new and heavy state and para-state apparatuses. Here is the source of the greatest part of the spreading corruption which everybody deplores . . . " (46) (emphasis added)

Togliatti's statement is very significant and revealing. For the first time, the Communists openly recognized that public enterprise was not necessarily a positive phenomenon. After four years of Christian Democratic leadership by Fanfani and of substantial widening of state prerogatives in all possible economic sectors, the PCI realized that the changes which had been introduced - thanks also to their cooperative behaviour - were undermining the traditional bureaucratic state, through the proliferation of bodies and agencies outside its administrative structure and thus beyond control by representative organs.

Far from providing the state with the instruments to orient the process of economic development and to influence market forces, the widening of the public sphere was, on the contrary, taking away from the democratic-representative state important prerogatives and powers. This altered substantially the conditions of political competition in favour of Christian Democracy, which had access to resources that other parties - especially those in the opposition - completely lacked. As we have suggested, in Parliament
the left parties, and particularly the PCI, were able to influence decision-making and the legislative process to a remarkable extent. But the new instruments of state intervention were de facto outside any possibility of control, let alone supervision and direction, by Parliament. They had purposefully been established as independent units and, though being public bodies accountable to democratic institutions, had been appropriated by the Christian Democratic political class for its own particularistic goals.

Already in the early fifties - after the establishment of the Cassa per il Mezzogiorno, of ENI, and other numerous Enti - the Communist Party was perfectly aware that the proliferation of the new public and semi-public agencies offered Christian Democracy an excellent opportunity to gain control over important economic and political resources. But the Communists probably underestimated or misjudged the political consequences, in terms of inter-party competition, of these new organizational modes of state intervention. On the other hand, they largely overestimated the possibility of making this growing and ramified apparatus accountable to some representative body, where they too had a say; in their own phraseology, to "submit it to democratic control".

This helps to clarify the meaning, and the limits of PCI's opposition to the plan of a National Energy Agency, to put it in the context of its relationships with the other political parties. The Communists were not opposed to the idea of concentrating in one single body the overall responsibility for energy. In fact, as the party on
several occasions pointed out, this had been all the time a fundamental objective of its political action, a goal to which it attached a great importance, in an attempt to strengthen public control over the working of the economic system. The Communist Party opposed the way in which Fanfani envisaged the reorganization of the energy sector: through another semi-public agency that, like IRI and ENI, would have escaped any effective scrutiny and control by representative or administrative institutions. In other words, the Communists did not want to help the dynamic Christian Democratic leadership to add a further powerful weapon to the arsenal of its political resources. In this episode the main concern and goal of the Communist Party were to sink Fanfani's plan and frustrate Mattei's ambitions, the two faces of the same dangerous coin.

On the contrary, the Communist opposition fervently advocated — though, admittedly, as a long-term objective — the nationalization of the whole energy sector. With a degree of wishful thinking, the PCI judged that a nationalized enterprise could obviate the negative consequences, in terms of accountability and parliamentary supervision, of an IRI-style agency. For this reason, among others, the Communist Party supported the nationalization of the private electric-power firms at the end of 1962 and the creation of a single public corporation of the British type, directly dependent upon and accountable to the government (in particular, to the Ministry of Industry). (48)

The behaviour of the Communist Party on the problems of state-controlled enterprise offers interesting insights
into and suggests a few general considerations about its role in the political system and the character of Italy's postwar regime.

On the whole, the Communist Party has moved along a double track since the period of the Constituent Assembly, the years immediately after the war: opposition/competition on the governmental front, cooperation/integration on the legislative one. As a result, the legislative majorities of the various Republican Parliaments have always been different from and wider than the governmental ones, thanks chiefly - albeit not exclusively - to the inclusion of the Communist opposition.

Well-aware of having, for a number of different factors, extremely poor prospects of entering or forming a government coalition, the Communists tried to make the most of their two main political resources: their ability to mobilize grassroots support for their policies and their numerical strength in Parliament. By combining adroitly the threat to use its considerable potential for disrupting public order - and, sometimes, its actual usage - and its important position in the law-making bodies, the Communist Party managed to gain influence and partake in decision-making. With the stabilization and the institutionalization of political life, the PCI's cooperation became essential both to maintain order and to make Parliament work.

The government, while insisting that the Communists were not, because of domestic and international reasons, 'legitimated' to take its place, tactically admitted the necessity of coming to terms with such a powerful antagonist.
This meant that the PCI was informally recognized the right to participate in the policy-making process, to influence it and to contribute to it. The broadened 'legislative majority' that we have seen at work in Parliament was the instrument which made possible such participation in policy-making by the opposition. It was in this cooperation - not - institutionalized, pragmatic, and informal - at the parliamentary level that DC and PCI found a rather stable, though uneasy, modus vivendi.

In a political situation which, for the foreseeable future, ruled out the Communist Party's accession to power or solutions of the consociational type (too visible, rigid, and institutionalized to be viable) this arrangement offered a possible way out of an otherwise difficult, and at times dangerous, state of affairs. The advantages of this 'compromise' are evident: a degree of decisional and institutional effectiveness is ensured, while the game of inter-party competition can go on being played with some plausibility. The actors do not have to redefine drastically their identities, as long as the cooperation is tacit and not explicitly acknowledged.

What the consequences have been for the policy outputs and the working of the democratic-representative institutions is a completely different, and highly complex, question, we shall not even dare to enter into. It could well be the subject of another study. (49)
Notes to Chapter 8


(10) The characteristics of the mass party have been spelled out by M. Duverger, Political Parties, London: Methuen, 1959, (second edition).


Cf. Rapporto La Malfa, op.cit., part III, chs. 12 and 13, and also the Report by the Chamber's Tenth Permanent Committee in Atti Parlamentari della Camera, Second Parliament, Appendix to Document no.1727A.

It is interesting to note that the administrative organization adopted for publicly-controlled firms is modelled upon that of the Cassa per il Mezzogiorno (Committee of Ministers, Minister, agency) with the difference, however, that in the case of public enterprise a separate Ministry with its own organization and jurisdiction has been established. See V. Bachelet, "L'istituzione del Ministero delle partecipazioni statali", Rivista Trimestrale di Diritto Pubblico, vol.8, 1958, pp.202-3 and the Report by the Chamber's Tenth Permanent Committee, cit., part V. La Malfa had proposed to adopt the same solution chosen for the Cassa, by appointing a Minister without portfolio with the special task of controlling and coordinating public firms, cf. Rapporto La Malfa, cit., page 111.

The Enti autonomi di gestione were introduced with an amendment proposed to the text of the governmental Bill by the Industry Committee of the Chamber of Deputies.


Cf. the statement by G. Bo, Minister for State Shareholdings, quoted by Bachelet, cit., pp.205-6. This was a conservative solution, which favoured the status quo.


A complete list of the Ministries for State Shareholdings can be found in Appendix B.

The provision contained in art.3 concerned the IRI firms and other companies directly controlled by the Ministry of State Shareholdings. ENI's subsidiaries were not concerned for the simple reason that they had never joined private employers' associations.

Details and documents concerning the sganciamento can be found in Confederazione Generale dell'Industria Italiana, Il distacco delle aziende a prevalente partecipazione statale dalle organizzazioni degli altri datori di lavoro, Roma, 1958-59, 5 vols.
(23) See the documents in Confederazione Generale dell' Industria Italiana, cit.

(24) Also the Socialdemocratic and Republican Parties turned in favour of the disaffiliation, probably because the Unione Italiana del Lavoro - the smallest of the three trade-union confederations, strongly linked to the two parties - was advocating it.


(26) Cf. V. Traverso, op.cit.


(29) Law 11 January 1957, no.6 Ricerca e coltivazione degli idrocarburi liquidi e gassosi.

(30) RDL 29 July 1927, no.1443.

(31) See the Report by the Tenth Permanent Committee of the Chamber of Deputies in Atti Parlamentari della Camera, Second Parliament, Document no.346A.


(35) In the meanwhile ENI in 1957 had entered the nuclear energy industry, by starting building the first Italian nuclear-power station at Latina.


(38) The complete text of the statement can be found in L. Barca, F. Botta, A. Zevi, op.cit.


(41) For the Second Parliament (1953-58) the workings of the Tenth Permanent Committee (Industry, Trade and Tourism) have been examined; for the Third Parliament (1958-63) those of the Fifth Permanent Committee (Budget and State Shareholdings). By limiting our research to these two Committees we have not taken into account other Bills which indirectly can concern at least sections of public enterprise - such as the measures in support of shipbuilding or favouring the reorganization of the steel industry - and which were dealt with by different Permanent Committees.

(42) It is well known that in the Italian Parliament most legislation is discussed and approved in the Permanent Committees and not in the assembly hall: about 80 per cent of the laws in the first five Parliaments (1948-1972) have been passed with this procedure (Cf. A. Predieri, "Mediazione e indirizzo politico nel Parlamento italiano", Rivista Italiana di Scienza Politica, vol.5, no.3, 1975, pp.407-41). In the less visible, more informal, and 'private' environment of the Committees the rigid, ideological and largely symbolic confrontation between government and opposition disappears and it is superceded by a fluid process of negotiation and mutual adjustment among parties, leading to high levels of consensus.

(43) See F. Cazzola, Governo e opposizione nel Parlamento italiano, Milano: Giuffrè, 1974 and G. Di Palma, op.cit., ch.2.

(44) Cf. Di Palma, op.cit., p.56.

(45) Ibidem, ch.2.


(47) See for example the article by the Communist deputy M. Lena, "I gerarchi democristiani alla conquista dell'economia italiana", Rinascita, vol.10, no.4, April 1953, pp.243-46.


(49) For some tentative remarks see G. Di Palma, op.cit.
RISE AND DECLINE OF AN ITALIAN PHENOMENON

In the 1950s, and above all from the second half of the decade onwards, the dynamic and energetic action of the dominant party, backed up by a wide political coalition extending well beyond the boundaries of the government, completely reshaped public enterprise and state intervention in the Italian economic system.

With a series of selected measures – chiefly, establishment of ENI in 1953, creation of the Ministry of State Shareholdings in 1956 and the consequent disaffiliation of public firms from Confindustria, Hydrocarbons Act in 1957 – in a relatively short time the ruling political class succeeded in changing substantially the institutional profile and economic role of state-controlled enterprise. At the end of the decade public enterprise was unrecognizable with respect to the late 1940s or, even more so, the 1930s. A public enterprise system was emerging, albeit with difficulty, out of a very loosely-coordinated set of semi-private firms. What is more important, the ruling political class had asserted durably its right to exercise control over public firms and to use them as an important political resource at its disposal.

From our point of view the crucial aspect of the changed situation were the new links which were consolidated between state-controlled firms and political power. In the fifties public enterprise began to be thought of by the political class as an instrument to achieve party/
political goals. Moreover, public enterprise became an important element in the political game and itself a protagonist of Italian political life. This resulted in the encompassing politicization of public enterprise. It had never happened before.

We have argued that this was largely the result of a strategy to strengthen the dominant political party and to provide it with new sources of influence upon society and new channels for acquiring electoral support.

The contradictory development of public enterprise

The changes put into effect during the 1950s laid the institutional foundations for public enterprise's far-reaching and wide-ranging action in the following years.

From about the mid fifties public enterprise witnessed an extraordinary growth and development, which made it one of the chief protagonists of the Italian 'economic miracle'. Together with the more dynamic, modern, and export-oriented private firms (such as FIAT, Pirelli, Zanussi, Montecatini, to name just a few), public enterprise led the way in the most rapid economic expansion the country ever experienced: its contribution was essential to this period of growth and improvement. State-controlled enterprise was a propulsive force for economic development and a modernizing factor for the whole industrial system and constituted an essential prerequisite for the 'economic miracle'. It put the national economy in a condition to develop and compete in world markets. (1)

In 1966, ten years after the establishment of the
Ministry of State Shareholdings, the official Annual Report of the Enti di gestione submitted to Parliament could proudly say:

"It seems out of the question that on the whole the activity of state-controlled firms has to be appraised favourably, when some essential facts are taken into consideration: from 1956 up to now the amount of yearly investments by the firms controlled by this Ministry has nearly quadrupled, sales have doubled, total employment has increased by over 100,000.

During the last decade undertakings of fundamental importance to our economy have been carried into effect by these firms in all sectors: among them there are big iron and steel works, mechanical and petrochemical plants, electric and nuclear power stations, pipelines, modern air fleets, telephone networks and motorways, and a complex set of minor undertakings.

This huge effort in different industries has required investments amounting to almost 5,500 billions. Of them about 1,750 have been destined to Italy's Mezzogiorno, i.e. about forty per cent of total domestic investments by state-controlled firms, which amount to about half all industrial investments (public and private) made in the South during the same period". (2)

The development of ENI was rather spectacular: from 1954 to 1970 net sales increased from 146.4 to 1,130.4 billion lire; employment grew from 15,800 to 71,700. In the same period, production of natural gas rose from 2,700 to 12,106 million cubic metres. (3) The same applied to other chemical products.

Besides increasing its production of hydrocarbons, from the mid fifties ENI started to diversify and invested heavily into chemicals, a very promising sector at the time: in 1955 the construction of ENI's first petrochemical plant located at Ravenna was started. Other two plants were started at Gela (Sicily) in 1960 and Pisticci (Lucania) in 1961. These big undertakings were hailed as the Ente's
contribution to the development of the Mezzogiorno, as irrefutable evidence that public enterprise was in the forefront in providing a lasting solution to the problems of Italy's underprivileged Southern regions. In fact, given the nature and costs of petrochemical production processes, these new plants contributed only to a very limited extent to Southern economic growth and employment, though huge sums of money were invested in them. (4)

Iron and steel, telephones, and motorways were the sectors where IRI gave its most important contribution during the fifties and the sixties.

The first one was the industry in which the Istituto's activity was most crucial to the economic development of the country. Following on the 'Sinigaglia Plan' of the late 1940s, IRI-controlled FINSIDER went on expanding production. In 1961 work began at Taranto for Finsider's fourth shore-based plant, which was to be one of the biggest and technologically most advanced in Europe. When the new Taranto plant started production in 1964 the Sinigaglia Plan could be said to be approaching completion. Pig iron production passed from 1.5 million tons in 1956 to 7.1 million tons in 1967, which made Finsider the near-monopolist in the sector. Over the same period the output of crude steel rose from 2.9 to 9.5 million tons, equal to about 60 per cent of the national total. Iron and steel was by far the single largest sector in the whole public enterprise system in any respect: in the decade 1957-1966 it accounted for 30 per cent of total domestic (excluding electricity) investment in 1967 it employed 22 per cent of total
workforce (excluding banking) and made up 25 per cent of sales.

In the telephone sector IRI - through its sub-holding company STET - already controlled the three major companies operating in Northern and Central Italy (STIPEL, TELVE, TIMO). Other two private companies (TETI and SET) operated the telephone service in the rest of the country. In June 1957 the telephone concessions granted by the state in 1925 to the five companies were expiring. A week before the expiry date the government hastily issued a decree stipulating that new concessions could be granted to companies controlled by the state without following the normal tendering procedures. Clearly, the government aimed at concentrating into IRI-controlled companies the operation of the telephone service, by granting them the new concessions. And in fact at the beginning of 1958 the Institute took over TETI and SET, thus acquiring the monopoly of the domestic telephone services. IRI invested heavily in the sector: over 886 billion lire in the decade 1957-1966, about 18 per cent of its total domestic investments (excluding electricity). Telephone subscribers increased from about 2 millions in 1956 to well over 5 millions in 1967. IRI's achievements were particularly remarkable in the Southern regions, initially characterized by an extremely low telephone density. On the whole, it can be said that state-controlled companies succeeded in developing an integrated, modern and efficient telephone service throughout Italy. Another sector where public enterprise made a significant
contribution to Italy's infrastructure was that of motorways. As in the case of telephone services, here again the DC-dominated Cabinets decided to favour state enterprise when the first massive programme of motorways construction was started in the second half of the 1950s. The 1957 Act which appropriated the funds for new motorways provided that the concessions for construction and operation should be granted preferentially to publicly-controlled firms: the government purposefully discriminated in favour of public enterprise. (7) IRI was then granted the concessions to build and operate the motorways in the programme, above all the famous Autostrada del Sole from Milan to Naples, perhaps the greatest public work ever undertaken in Italy, whose construction began in 1957. In 1961 a further ten-year programme for motorways was approved by the government. IRI-controlled companies were granted concessions for about 2,200 kilometers out of a total of 4,900. (8) This programme was to provide Italy with the first-largest motorways network in Europe after West Germany's. In the decade 1957-1966 IRI's investments in this sector totalled 555 billions, over 11 per cent of its domestic investments (excluding electricity).

Hydrocarbons, petrochemicals, iron and steel, telephones and motorways were the success stories of state-controlled enterprise between the fifties and the sixties: they enabled Italy to overcome some of the fundamental deficiencies of its economic infrastructure. These sectors became the show-pieces proudly exhibited by both management and government as examples of what could be achieved with
the Italian-style public intervention in the economy. They made the so-called "IRI shareholding formula" an example to be copied by the planners of other countries, as a successful means to avoid bureaucratization and ensure managerial efficiency when the state undertakes to run productive firms. This was the side of Italian public enterprise which most impressed foreign observers and, perhaps, made them overlook other aspects of this experience.

One of these less bright aspects was that state-controlled enterprise expanded also by taking over bankrupt or poorly profitable firms from private capital. For example, this was the way a public textile industry was formed over the years. Here the state intervened in a declining industry which was undergoing a deep profitability crisis and was under strong competition from developing countries. A number of textile firms had come under IRI's control in the 1930s as a consequence of the rescue operations, but they were soon sold back to private investors. After the war there remained no textile sector in public hands. Its formation started in 1957 when IRI took over from the Banco di Napoli a big cotton firm located in the South, which at the time was the largest employer in the area. Later, in 1962 ENI assumed control of Lanerossi, one of the most important textile groups in Italy. The reasons for its take-over have never been entirely clear. ENI justified it as a process of vertical integration, as an outlet for its production of synthetic fibres. But likely precarious conditions and the former management's lack of enterprise played a role in the
decision by the public company. (10)

The state-controlled textile industry employed in 1965 over 16,000 people. New factories were built in the North (Schio) and in the South (Foggia and Nocera). The sector was completely reorganized. All these efforts notwithstanding, textiles have remained in the red. (See Appendix B). Furthermore, giving the continuing crisis of the industry, public enterprise's presence in textiles has further increased, especially from the early 1970s, through the take-over of a number of other firms. (11)

At the same time, public enterprise continued to support chronically loss-making industries, notably shipbuilding and engineering. In chapter six we have seen that in the postwar years these two sectors were the main crisis areas within the IRI group and we have described how their reorganization was constrained by the politically sensitive problem of unemployment. The basic problems of the two industries were not solved in the following decade. Despite FINCANTIERI's strenuous efforts at rationalization and reorganization, and massive subsidies by the state, public shipbuilding remained the loss-making sector it had always been since the war. (See data in Appendix B). Moreover, at the take-over of the Taranto shipyards in 1959, IRI in 1970 was asked by the government to rescue another nearly-bankrupt yard, the Cantieri Navali del Tirreno e Riuniti, which further lowered the sector's profitability and significantly increased employment (12) as shown in Table 9.1.

A similar situation and pattern of intervention can be
found in the mechanical-engineering sector, whose problems were substantially worsened by the construction of the Alfasud car factory near Naples (see below).

Table 9.1

Employment in IRI-Controlled Shipyards, 1953-1974 (thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>28.5</td>
</tr>
<tr>
<td>1954</td>
<td>27.9</td>
</tr>
<tr>
<td>1955</td>
<td>27.1</td>
</tr>
<tr>
<td>1956</td>
<td>28.4</td>
</tr>
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<td>1957</td>
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As demanded by the 1956 Act which established the Ministry of State Shareholdings, state-controlled firms were reorganized and grouped into sectoral holding companies. Two new Enti di gestione were created in May 1958: EAGAT for spas and EAGAC for cinematographic activities. They have been of very minor importance, compared with the giant conglomerates such as IRI and ENI. On the other hand, like the latter, they have not escaped politicization and have offered the usual opportunities for patronage and clientelism, though obviously on a much smaller scale.

Much more important, on the contrary, was the third new Ente di gestione EFIM - which was established in January 1962. Initially, EFIM was set up to manage the firms controlled since the end of the war by FIM
(which, among delays and second thoughts, was being liquidated). Though its tasks were confined to the management of FIM's mechanical firms, EFIM started immediately a process of vigorous expansion and diversification, entering in such diverse industries as food processing, manufacturing of cement, glass, aluminium, paper etc. This diversification process was accomplished both by taking over existing firms (especially, as usual, crisis-ridden or poorly-profitable ones) and by establishing new ones. In 1967 EFIM's constitution was changed to legitimate ex-post its unplanned expansion and diversification.

In a decade sales increased more than ten-fold, and employment quadrupled (from 10,000 to 40,000). In order to finance such impressive growth, EFIM received from the state very considerable financial resources, in the form of endowment funds, subsidies, low-cost loans, and contributions of various nature. On the other hand, self-financing was practically nil, while losses were significant (about fifty billion lire in ten years), even taking into account the size of the Ente. On balance, the public group's economic performance has been very disappointing.

Thus, development of public enterprise from the second half of the 1950s presented deeply contradictory aspects. On the one hand, there were the important and successful undertakings we have mentioned above which undoubtedly gave a remarkable contribution to the modernization of the economic system. On the other hand, a number of important industries and firms showed throughout the period a negative performance: they went on generating, and indeed often
increasing, losses. The state-controlled Enti di gestione continued to rescue bankrupt or crisis-stricken firms, for reasons of a political and social character. Especially in the second half of the 1960s, a good deal of public enterprise's expansion took place through the take-over of formerly private firms, and not the creation of new, profitable, companies. (15)

On the whole, as the case of EFIM shows on a smaller scale, the process of expansion and diversification of the public enterprise system took place without any coordination and outside any even vaguely consistent design of industrial policy. State presence in the economic system developed and expanded because of a series of particularistic, uncoordinated and often contradictory pushes and pressures. The activities of public firms were never guided and controlled by the institutions especially created to serve this purpose: neither the Ministry, nor the Interministerial Committee, nor the Court of Accounts, nor, least of all, Parliament and the relevant Permanent Committee succeeded in controlling the centrifugal tendencies of public enterprise or in devising any consistent strategy for its development.

The system of controls set up in the 1950s, centred upon the Ministry of State Shareholdings, proved completely ineffective. As it had been conceived, it was an abstract and formalistic edifice: the decision-making process was supposed to work waterfall-like from the government down to the firm managers. In fact, it never operated this way. The period was characterized by a bargaining relationship
between the Enti di gestione and the Ministry.\(^{16}\) Basically, the Ministry ratified the agreements reached within the Enti: it did not direct or govern their action, as the high-sounding rhetoric of the Minister's Annual Reports pretended it was doing. The control structure, which formally looked pyramid-shaped, was actually constellation-like with a plurality of autonomous decision centres, - and among them the Ministry was certainly not the strongest or the most resourceful.

The institutional framework regulating the relationships between political power and state-controlled firms was changed again in the second half of the sixties with the formal introduction of economic planning.\(^{17}\) In 1967 the prerogatives of the special Ministerial Committee for state-controlled firms were transferred to the newly-established Interministerial Committee for Economic Planning (CIPE) which was broader in scope.\(^{18}\) Public enterprise was thus formally integrated into the planning machinery; it was indeed conceived as its main element. In fact, the subsequent failure of economic planning and CIPE's overload left public enterprise completely outside the government's economic and industrial policy.\(^{19}\)

Public enterprise's policy in Southern Italy is probably the best example of the contradictory and complex character of state economic intervention. It also illustrates how the official machinery for supervision and direction was completely bypassed by decisions taken outside it by the Enti's top management and prominent political leaders. In the next section of the chapter we shall
look at the policies carried out by state-controlled firms in the South, mainly in the light of the political strategy of Christian Democracy.

**Industrializing the Mezzogiorno?**

One of the tasks the governing political class emphatically set to public enterprise was the development and modernization of Italy's Southern regions, traditionally the poorest and most backward part of the country.

As we have seen, after the first partial postwar measures state intervention in the South was stepped up at the beginning of the 1950s with the establishment of the Cassa per il Mezzogiorno, of specialized credit institutes of various economic agencies etc. But state action based essentially on public works did not have the expected results, especially in terms of self-sustaining growth and employment. Therefore, in the mid '50s the government opted for a more direct promotion of the industrialization process and for larger-scale intervention. The so-called 'second cycle' of state intervention, the cornerstone of this industrialization policy was the Act 2 on the Mezzogiorno passed in 1957. The new Act extended the period of activity of the Cassa until June 1965, and increased its financial resources. What was more important, the Cassa's range of action was widened to include the promotion of industrialization, through incentives and subsidies of various kind for the firms investing in the Southern regions.

Public enterprise was given an important role in this
programme of industrialization of the Mezzogiorno: art. 2 of the 1957 Act provided that at least 60 per cent of public firms' new industrial investments and 40 per cent of their total investments were to be located in the Southern regions. This was the very first time public enterprise was purposefully used as an instrument of industrial and regional policy, as advocated from many quarters since the immediate postwar years. The government attached great significance to this measure and considered it as a decisive break with the past:

"The necessity of creating an environment favourable to economic development is not satisfied only with the creation of infrastructures. Even when all environmental conditions have become favourable, industry does not arise if the circle of depression is not broken . . . State firms must be the instrument of the break, the initiators and the accelerators of the great Southern industrial development . . .

It has been noted that up to now IRI has done little for the Mezzogiorno and the remark is substantially correct: interventions have been modest and located in Naples. But unquestionably after the war IRI could not but attend to its sick creatures: its investments have been aimed at reconstructing or reorganizing the firms it controlled and, since the factories were located mainly in the North of Italy, the interventions have been carried out in the North and not in the South. But now the cure is over and IRI must increasingly become an healthy company, but also an instrument of the state's economic policy and must participate actively and decisively in the economic and social rebirth of Italy's Mezzogiorno" (23)

The demanding requirement of 40 per cent of public firms' total investments to be located in the South was added to the Bill under pressures from the left. The government, more cautiously, had originally proposed only the required 60 per cent of new industrial investments. The idea of requiring that public firms should locate at least 40 per cent
of their total investments in the South, though generous and well-meaning, was rather naive and simplistic as a means to reduce unemployment, the final goal of public intervention. The utilization of state-controlled firms in this direction was constrained by the structural characteristics of public enterprise. In the 1950s most of the factories were located in the country's Northern and Central regions, which meant that a considerable share of the investments had anyway to be allocated to them (for renovations, enlargements, etc.) in order to keep up productivity and competitiveness. This considerably constrained and limited public enterprise's ability to invest in the South. It also meant that, in order to meet the required target, in practice nearly all new investment projects had to be located in the South. All this would end up straining not only the public groups' finances - especially IRI's - but also other scarce resources such as managerial skills, organization and technical expertise, with negative consequences for the performance and growth of the firms.

The 40 per cent required was approximated only at the beginning of the sixties, as shown in Table 9.2. The sums invested were huge: 4512 billion lire between 1957 and 1972 (at 1963 prices). Nevertheless, this massive flow of investments has not at all solved the problem of unemployment in the South, which was the government's - and the opposition's - declared main goal. The fact is that the 40 per cent required has been met chiefly by investing in expensive projects with an extremely high ratio
investment/employee. Public firms' investments in the South have therefore been mostly in capital-intensive projects in sectors such as petrochemicals, hydrocarbons, steel, or in services such as telephones and motorways, which by their very nature do not generate much employment. In the decade 1958–1967 employment in the factories located in the South grew by 18,600 units, against investments of 2,152 billion lire. But, if in 1958 employment in the South was 16.8 per cent of total employment in Italy, in 1967 the percentage had increased only to 18.5: in a decade the redistributive effects in favour of the Southern region were not impressive. (25)

Table 9.2

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Not only the public firms' direct contribution to employment in the Mezzogiorno was modest, especially compared with the financial resources which were employed. What is more important, public firms' investments did not succeed in setting in motion any autonomous and self-sustaining process of economic growth able to generate stable employment. The factories built in the South remained
'cathedrals in the desert', to use the colourful but appropriate expression coined in that period, isolated attempts at industrialization in the middle of regions which remained fundamentally underdeveloped. Actually, in some cases public investments destroyed the existing industrial structure at the local level.\(^{(26)}\) In this respect, though it formally achieved the goals set by the government, public enterprise failed to accomplish the substantive results which, perhaps rather naively, were expected of it by its most convinced supporters.

Public enterprise's activity in the South had not only economic implications, as is most obvious, but political ones as well. These political aspects have to be taken into consideration if we are to understand the behaviour and performance of state-controlled firms in the Mezzogiorno. They are indeed an integral part of state intervention in this area of the country and have influenced its modes and characteristics to a large degree. Public enterprise must be looked at also from this angle, which is the most important from the point of view of the political system.

Here we have to go back to the behaviour of the dominant party. Public firms' investments in the South were, in fact, used by the Christian Democratic political class to increase its electoral support, widen its presence in civil society, and strengthen its party organization. In particular, public enterprise, as seen in the last chapter, was used by the Christian Democratic leadership to transform DC from a party of notables to a mass party. In
other words, public enterprise was instrumental in modernizing the party, in providing it with autonomous political resources, according to Fanfani's strategy.

This transformation was especially necessary and, at the same time, difficult to achieve in the South of Italy. Here DC could not draw on the resources of a well established Catholic political subculture, as existed in the Northern regions, with its lay organizations, traditions of political participation and diffuse presence in the societal fabric. On the contrary, in the South the Christian Democratic party had few and weak links with civil society and was not in a condition, on its own, to organize and mobilize the population even for electoral purposes: the mediation and the support of the powerful and established local notables with the economic, financial and symbolic (prestige, authority, etc.) resources they commanded were indispensable to channel popular support toward the party. But, obviously having to rely on local clienteles was a severely constraining policy, which limited the party's room for manoeuvre and made it heavily dependent on outside interests.

Christian Democracy succeeded in defeating these old fashioned notables only by replacing traditional clientelism centered around them with a new form of party-controlled clientelism. As a consequence of Fanfani's strategy, a change of leadership took place throughout the South: power shifted from local notables to the political machinery's controllers. Patron-client ties, which had dominated Southern political life since Italy's unification, were superseded by mass patronage directed by the party as a
means to structure political participation. (27)

We have mentioned in the previous chapter how the Cassa per il Mezzogiorno was turned into a major instrument to channel political consensus toward Christian Democracy, by using its vast resources to feed the party's patronage machine and to allow party members to displace old notables in the clientelistic game. The same can be said of the huge and dense network of agricultural bodies, reclamation agencies, educational and vocational institutions, credit institutes, industrial development agencies etc., that Christian Democracy came to control almost monopolistically. (28)

Public firms were part of this game and must be seen in this context. From this point of view, the requirement of 40 per cent of total investments in the South by state-controlled firms offered considerable opportunities for patronage and clientelism to the Christian Democratic political class. The new plants, which were set up even if it did not contribute much to the development of the South, played an extremely valuable function as instruments of political consensus.

One of the most telling examples of this 'political use' of state-controlled enterprise and of the results produced by DC's action in the late '50s and early '60s was the location near Naples of a new car factory, the well-known Alfasud project.

In 1966-67 IRI decided that there was room for producing 300,000 medium-sized cars a year, on the basis of the expected market trends. The new factory was to be located in the South and to employ 15,000 people, the largest number
of jobs ever created in the Mezzogiorno by any industrial
firm. After being discussed and approved within the
Institute, the project was submitted to the government and
to the Interministerial Committee for Economic Planning
(CIPE), the recently-established institution for the
coordination and the supervision of economic policy.
Although FIAT - which in 1954 had successfully vetoed
the production of a small-sized car by Alfa Romeo (IRI's
subsidiary) - brought a lot of pressure to bear on govern¬
ment and Ministers, the plan was speedily approved by CIPE
in June 1967. Work at the construction site started in
April 1968; mass production at the new car factory began
in 1972.

As can be imagined, the project of a new car factory
located in the troubled Neapolitan area aroused immediately
a lot of controversy and passion. The plan for IRI's
new investment was kept secret until the last moment.
Though in that very period a heated debate was going on
about economic planning, the Alfasud project was never
discussed in Parliament or in any other institutional arena.
CIPE, in fact, simply approved what had already been decided
elsewhere (by IRI) in a completely autonomous way.
Political parties and public opinion were informed by the
media. It was the Milan daily Corriere della Sera to
give the news in May 1967. Everybody - from FIAT to most
political decision-makers - was taken by surprise. This
aroused great resentment, since the Alfasud project had
very important political implications, first of all in
electoral terms. It has to be remembered that in the Spring
of '68 the general election was scheduled and Alfasud was likely to feature prominently in the electoral campaign.

The idea of the new car factory was born within IRI and discussed with senior Christian Democratic politicians. Indeed, at the time IRI's top management was extremely close to the dominant party: IRI's Chairman was a DC member. The Institute was very attentive to the party's political exigencies and ready to use its considerable resources to favour it and the most powerful factions within it. There is little doubt that the Institute was led by political considerations in choosing what kind of investment in that particular place.

At the political level the whole operation was skilfully masterminded by two Christian Democratic politicians. Interestingly enough, and this says something on the significance of faction distinctions within DC, they were poles apart in the party, but found their interests, and their political constituencies' interests, converging on the common ground of the new car factory. On the one hand, there was Carlo Donat Cattin, the emerging leader of Christian Democratic trade-union faction and Under-Secretary for State Shareholdings in the Moro Cabinet. On the other hand, there was Senator Silvio Gava, of rightist inclinations, former Treasury Minister in various centrist governments and DC's local boss in the Neapolitan area. Donat Cattin worked within the government to build support for the car factory plan. He also secured CISL's unconditional support to the initiative (this was also helped by the fact that Giulio Pastore was
himself a member of the Cabinet as Minister for the Mezzogiorno). Gava, on his part, mobilized local support and resources and used his large political influence to see that the project went quickly ahead.

The Socialists, who were the junior partners in the centre-left coalition, found themselves outmanoeuvred by DC's swift action. They, with good reason, felt completely cut-off from decision-making and faced with a fait accompli. They reacted strongly. Giacomo Mancini, Minister of Public Works and strongly identified with Southern interests, attacked this system of assailing public opinion by creating great clamour around the undertaking, by arousing enthusiasm and expectations with an orchestrated and intense press and public relations campaign, without the plan having yet been examined, without any decision having yet been taken within the appropriate bodies. (30) The Socialist left was extremely critical of the whole project, had strong reservations on its merits, and felt bitter at DC's scorning the institutions for economic planning they cherished. But, on the other hand, Socialist MPs from the Naples area soon turned fervent supporters of IRI's undertaking and resented Mancini's statements as damaging to the party standing in the area. (31)

Also the Communists, though they thought the project a 'mistaken choice' and anyway 'demagogic', promptly aligned themselves with the supporters of Alfasud. Mass political parties, and especially the Socialists among them, with important electoral stakes in the South and in the area feared that Christian Democracy could reap all
the political and electoral benefits of the operation. They were forced to play DC's game, even if they did not like it much, in order not to find themselves outdone by the Catholic party as the champion of Southern development.

Therefore, the Alfasud project went ahead, FIAT's opposition notwithstanding. Since the issue had been politicized to such an extent, and given the characteristics of the Southern political system from the very beginning IRI found itself under a myriad of pressures coming from all manner of organized interests and political coalitions. (32) Alfasud was generating a great amount of valuable resources for which the competition was extremely strong: jobs, contracts, subcontracts, etc. The location of the plant itself was a controversial affair, much criticized by urban planners for its proximity to Naples (14 km) with all the ensuing problems for an area already overcrowded and congested. Each local political leader was sponsoring a different location. The place which was eventually chosen had powerful patrons within Christian Democracy.

The next big problem, which was to affect Alfasud's performance in the next decade, was the selection and recruitment of the workforce. Until January 1972, when hiring began, 120,000 applications were received by Alfasud; later they totalled 200,000. The first 4,000 employees (non-manual and skilled manual workers) were selected by the firm's management with some degree of autonomy. Afterwards political and clientelistic pressures became irresistible: jobs were distributed according to political sponsorship among parties, party
factions and local clienteles. This peculiar and distorted process of selection was helped by the intervention of the Minister of Labour, the same Donat Cattin who a few years earlier had so actively promoted the construction of the new car factory. The Minister of Labour set up a complex mechanism of institutional mediation to 'monitor' the recruitment of the workforce. Thanks to this mechanism, about 8,000 workers were selected on the basis of predetermined contingents coming from different areas in the Campania region. As a consequence, managerial discretion was replaced by the discretion of the local political-clientelistic system. All attempts by management to select the workforce according to some minimal qualitative standards were overthrown. The firm was forced, for example, to hire all who had worked at the construction site (2,000 people). The end-result was a workforce badly selected from the professional and psychophysical point of view (some 2,700 workers - 21 per cent of total manpower - presented 'reduced physical ability'), territorially dispersed and poorly socialized to industrial values. (33) This has resulted in high absenteeism (with peaks of 30-50 per cent), low productivity, frequent strikes (mostly very short and unofficial). Until recently, Alfasud has been afflicted by quality problems with its cars. Production has hardly exceeded 100,000 cars a year, instead of the 300,000 planned.

Alfasud has always incurred heavy losses, as shown in Table 9.3, thus contributing substantially to IRI's overall negative performance over the decade.
The expected fall-out of Alfasud investment in terms of employment and economic growth in the area has proved much smaller than the over-optimistic forecasts predicted. The impact of increased income and consumption on the local economy brought about by Alfasud has been poor. In fact, they have resulted in greater market penetration by outside firms, which have therefore displaced many local marginal productive units. (34)

Its shortcomings notwithstanding, the experience made with Alfasud must have been thought rewarding if in 1973 the new Minister of State Shareholdings and IRI ordered Alfa Romeo to build a new car factory in the South and transfer there the production of the new Alfetta model which was scheduled to start in the company's Milan factory. Apparently, also some trade-unionists went along with the Minister's directives, in spite of the inevitable loss of jobs in the Northern factory. But this time the plan met with strong opposition on the part of Alfa Romeo's management and other political parties. The operation was too overtly political and propagandistic. Eventually, this
led to the shelving of such ill-conceived plans, but
Alfa Romeo's Chairman and other senior managers were
forced to resign over the issue and were replaced with
more docile people (which added to the firm's problems). (35)

The Alfasud case is perhaps the clearest and most
impressive example of the kind of politicization public
enterprise was subjected to, of the contradictory and
multiple pressures which the political system - and within
it chiefly the Catholic political class - brought to bear
upon state-controlled firms. But Alfasud was by no means
an exception. There have been dozens of other cases which
have witnessed the same pattern of intervention and politi-
cization: from FINSIDER's iron and steel works at Taranto,
and later its misconceived plans for a fifth iron and
steel complex at Gioia Tauro, ENI's petrochemical plants
in Sicily, Sardinia, Lucania and elsewhere, down to smaller
cases (such as a number of firms set up by EFIM and EGAM).
Also the consequences have in the main been sadly similar
although in some cases they proved less disastrous than
Alfasud's: massive investments, poor management, bad
performance, etc., as the most recent history of public
enterprise show.

Epilogue

In January 1959 the Fanfani government collapsed;
soon afterwards Fanfani resigned his post as DC's Secretary-
General. In a few months' time his dynamic and ambitious
leadership within the party came to a halt.

Not too much should be read into Fanfani's resignation
and the collapse of his Cabinet. More than on account of his economic policy or reforms, he was brought down by the power struggle among competing factions within Christian Democracy: Fanfani came under attack from the right and the centre of the party mainly for his tentative opening toward the Socialist Party! But even within his own faction there was growing dissatisfaction toward the party's energetic Secretary, the concentration of power in his hands, his attempt to use the party machine to keep the other faction leaders in marginal positions. (36)

In fact, the new party leadership which emerged at the following Florence Congress (October 1959) moved, albeit hesitantly, toward the famous 'opening to the left', which brought the Socialists into the government coalition and later the Cabinet. Fanfani himself was to serve again as Prime Minister in two successive governments between July 1960 and May 1963: almost three years, a rather long period for Italian standards, during which the Socialist Party benevolently abstained. Furthermore, as the main price agreed with the Socialists for their cooperation and support, in December 1962 the electric power industry was nationalized.

Therefore, as far as policies are concerned, the troubles within DC in the late fifties did not mark any clear-cut change, at least in the short-run. Nevertheless, it is possible to see in Fanfani's resignation as party leader a symbolic turning point in the history of Christian Democracy, the end of a political cycle and of a political design. After Fanfani Christian Democracy was to become
a different party, with substantially different goals and policies; and this, rather ironically, thanks above all to the former leader's activity and achievements.

Fanfani was ousted from DC's Secretariat by a new coalition of leaders coming from the ranks of Iniziativa Democratica itself: the so-called Dorotei, after the convent of Santa Dorotea in Rome where they held the caucus which brought to an end Fanfani's leadership. (37) The Dorotei, as DC's majority faction, were to dominate the period 1960-1973, by occupying the most important offices within the party and the crucial ministries in the Cabinet. They were to manage the first centre-left experiment of government coalitions including the Socialists, until its collapse at the beginning of the seventies.

The events which led to Fanfani's resignation well symbolize the definitive transformation of the Christian Democratic party into a federation of organized factions as power groups, we have discussed above. With the emergence of the Dorotei and of their political 'style' the process of factionalism and fragmentation within the party reached its peak. The new faction was devoid of any substantive ideological and political connotation; it was a rather unpredictable group swinging from right to left and vice versa according to purely opportunistic and tactical considerations. The Dorotei as dominant group within the party gave DC its worst leadership ever, both from the political and the moral point of view.

The new leadership brought to completion the process of 'secularization' that Christian Democracy had begun in
the mid 1950s with Fanfani. DC lost its peculiar nature as a Christian party, which had characterized and distinguished it in the postwar years. The political autonomy it thus achieved from the Catholic Church meant that the party ceased to express and voice at the political level any religion-inspired design for society and abandoned the global project of a society based upon religious values.\textsuperscript{(38)}

Christian Democracy gradually transformed itself into a truly catch-all party, de-ideologized and pragmatic.\textsuperscript{(39)} This created a void in the political system, given the high degree of ideological commitment typical of political participation in Italy. Thus the search for the ideological identification found expression in social movements and in other forms of unorthodox political participation. In the following years some of these movements were to pose a serious challenge to the democratic political system.

To respond to the decline of traditional loyalties, eroded by the modernization and secularization brought about by economic development and social changes, Christian Democracy found it convenient to resort to a very pragmatic and unprincipled form of interest politics, basically centred upon a massive and particularistic exploitation of public resources. This was accompanied and made possible by a greatly increased penetration into the state and para-state administrative machinery which in the 1960s the new Catholic political leadership achieved. In particular, the Christian Democratic party increased its hold upon those agencies controlling and distributing public resources.
The Dorotei in fact completed and perfected the 'occupation of the state' and 'colonization of the economy' the party had undertaken in the previous decade. These processes were the root cause of that clientelistic degeneration of the Italian state which was to surface in all its gravity and extension in the first half of the seventies and which was to cause great electoral damage to DC. (40)

In addition to this, and more importantly, the Dorotei presided over the failure of the centre-left experiment. They were in fact chiefly responsible for its disappointing failure.

In the mid 1960s the economic system and the Italian society as a whole needed a deep adjustment and transformation to cope with the new conditions engendered by almost ten years of intense but chaotic economic growth (uneven development, dualism in the industrial structure, persistent - and in some areas even increasing socio-economic differences between the North and the South of the country, mass migrations, 'savage' urbanization, etc.), with all the related socio-political consequences: mobilization of large sectors of the population, emergence of new collective subjects, saturation of the primary labour-market, strengthening of trade-unions, increasing demands for welfare services, rising expectations, and so on.

To put order in this situation, would have required at least a measure of economic planning, in order to orient the process of development towards a more balanced economic growth; a more consistent, less fragmentary and particularistic, economic and industrial policy; a different
system of industrial relations and to take into account and institutionalize the changes in the relationships between labour and capital and the transformations in the structure of the labour force and in the nature of productive processes; a number of reforms to meet the demands generated by economic development and urbanization (in housing, education, transport, health, social security, etc.).

However, the centre-left which took its first steps in 1962 failed to carry out such a programme. The nature of Christian Democracy's relations with societal interests, the party's clientelistic machine and patronage system, largely explain the poor record of the centre-left coalitions and the long list of missed goals. In fact, the rationalization of the social and economic structure and the policies which PSI was demanding - and to which important sectors of the ruling class were not unfavourable - threatened the position of the dominant party. They would have implied a clear definition of priorities, overt decisions affecting vested interests and parasitic sectors, the dismantling of the spoils system based upon clientelistic groups and diffuse semi-private negotiations between governing parties and organized interests.

Since to a large extent this amounted to the destruction of the power system on which the dominant party's hegemony had rested over the previous ten years, the role of Christian Democracy and its centrality in the political system would have been inevitably and profoundly affected. Furthermore, such a reformist programme was obviously likely to meet the veto-power of many powerful interest groups that had
profited from DC's rule: it could only be implemented by the governing political class at the cost of a sharp loss of support and consensus from large sectors of civil society. This made unlikely any decisive break with the established patterns of interest intermediation and demand satisfaction.

Almost nothing of the reformist policy was carried out, as the history and the failure of centre-left coalition governments show very clearly. After a promising start under Fanfani's energetic premiership (nationalization of the electric power industry, establishment of a National Commission for Economic Planning, reform of lower secondary education), the centre-left lost any reformist impetus. The 1963 election, in which DC lost almost 750,000 votes to the right-wing parties, convinced the Christian Democratic leadership to shelve reformist policies, by postponing them \textit{sine die}. Instead, the reformist design was replaced by a policy of short-term, partial, adjustments and \textit{ad hoc} measures based upon the fulfilment of sectional demands. Trying to survive without governing, Christian Democracy left unsolved the most urgent problems and in the end made the situation much worse.\(^{42}\)

In order to cope with socio-economic problems, to retain a satisfactory level of consensus and legitimacy, and to meet the, often conflicting, demands coming from the various interest groups and clienteles, the ruling political party increasingly resorted to the above-mentioned extensive use of public resources and of the state machinery. Publicly-controlled firms were at the very heart of these
processes of ad_hoc adjustments and partial changes: as a result, their management was intensely politicized, though in a different way with respect to the fifties.

The new wave of politicization resulted above all in a sharp increase in the investment rate and spending policy by state-managed firms, to stabilize the business cycle, increase employment, and provide some local clienteles with financial and patronage resources. (43) Also the take-over of collapsing or less profitable firms intensified in this period, in order to avoid strains in the labour market and not to perturb the local political environment. In the decade 1964-1973 the take-over of existing firms added 65,000 jobs to public enterprise's employment, more than a quarter of the total increase over the period. (44) Furthermore, in 1971 a new agency - jointly controlled by ENI, IRI, EFIM and IMI - was established. The new company GEPI was to intervene into firms in temporary difficulties, reorganize and return them to profitability. In fact, GEPI had been taking over bankrupt firms which in most cases it had been unable to sell back to private investors, thus becoming the latest instrument for rescue operations. (45)

These developments indicate that the remarkable expansion of public enterprise over the period was the adaptive response to critical situations in the economic system rather than the result of an active and skillful strategy of productive growth or of purposive political action; in other words, the outcome more of ad_hoc adjustments than of a clear and consistent design of industrial policy or of a managerial strategy. In fact, it was the result
precisely of the lack of both.\textsuperscript{(46)} This had as a consequence a substantial dispersion of targets, a management of public enterprise with no intrinsic logic and characterized by an apparently chaotic set of decisions, lack of coordination, waste of resources, and, last but not least, misconduct and corruption. Over the period as a whole, the governing political class - which means essentially the Christian Democratic party - used the public enterprise system as an instrument to accomplish some of those adjustments necessary for the working of Italian society and economy, while trying to avoid any significant change in the configuration of a political system marked by the lasting predominance of one party.

After years of buoyant expansion public enterprise's crisis exploded in 1974, as an aspect of the more general troubles encountered by DC's rule. Investments collapsed, the financial situation deteriorated sharply and losses increased hugely.\textsuperscript{(47)} The economic-financial crisis was paralleled by a series of scandals concerning public firms' managers. Public enterprise and Christian Democracy, that had largely controlled it for more than twenty years, came heavily under attack from different quarters. The crisis of the early '70s rekindled the never-extinguished polemic about state intervention in the economy.\textsuperscript{(48)} Some political parties saw it as an opportunity to embarrass Christian Democracy by exposing its mismanagement of public affairs; private interests thought they could take advantage of public enterprise's difficulties and reduce its scope of activity.
A number of proposals for reform and change were put forward, Conferences and debates were held to dissect public firms' troubles and discuss their prospects. In 1975 Parliament decided to set up a Special Commission to report on how to reorganize the state enterprise system so-called (the Commissione Chiarelli). The Minister for State Shareholdings thought it appropriate to append to his Annual Report an unusual Nota Aggiuntiva in which he defended public enterprise's record and achievements and spelled out his way to recovery and profitability. IRI itself appointed an ad hoc Technical Committee to enquire into the group's loss-making companies and proposed solutions.

All this flurry of activities did not come to much. The most conspicuous and scandalous aspects of public enterprise's mismanagement have been removed. One Ente di gestione - the discredited EGAM - has been abolished. Parliament has been endowed with more effective control powers over appointments to top positions in state-controlled companies and over their managerial strategy. Nevertheless, the structural causes of public enterprise's negative performance have not been tackled. The contradictory demands and the conflicting pressures placed upon public firms have not been eliminated since the structural characteristics of the political system and the modes of inter-party competition have not changed. Actually, the economic crisis of the past decade, with the social and political problems which have come as a consequence, have made the pressures stronger and more pervasive,
bringing in recent years the public enterprise system nearer than ever to bankruptcy and making some drastic and painful interventions difficult to postpone.
Notes to Chapter 9


(2) Cf. Ministero delle Partecipazioni Statali, Relazione programmatica 1967, Roma, p.11. Further quantitative data on public enterprises can be found in Appendix B.


(4) For example, see the case study of the Gela plant and its impact on the surrounding area by E. Hytten and M. Marchioni, Industrializzazione senza sviluppo. Gela: una storia meridionale, Milano: Angeli, 1970.

(5) Cf. Decree Law 6 June 1957, no.374 converted into Law 26 July 1957, no.615. For further details see the Reports attached to the Bill, in Atti Parlamentari della Camera, Second Parliament, Documents nos.2956 and 2956A.


(7) Cf. Law 21 May 1955, no.463.


(10) At the beginning of the 1960s Lanerossi was in fact a rapidly declining firm. This was the result of, inter alia, the numerous and speculative changes of ownership. On Lanerossi and state intervention see P. Bianchi, "Il caso TESCON-Lanerossi", Rivista di economia e politica industriale, vol.1, no.1, 1975, pp.429-53.


(13) Cf. the two DPR 7 May 1958, nos.575 and 576.


(16) See S. Cassese, "Stato e partecipazioni statali: il problema dei controlli", in Atti del Convegno su La crisi delle partecipazioni statali: motivi e prospettive, Pavia, 17-18 October 1980. This phase coincided with the period of office of the Christian Democrat Giorgio Bo. In 1959 a Committee composed of the Minister and the Enti's Chairman was established as a forum for the discussion and elaboration of public enterprise's policies.


(18) Cf. DPR 14 June 1967, no.554.

(19) Furthermore, while CIPE formally took many institutional prerogatives away from the Ministry of State Shareholdings, and therefore weakened it, the latter managed to strengthen itself both organizationally and politically. With the Decree of 31 March 1971, no.282 the Ministry was reorganized, new Departments were established and its staff was increased.

(20) A summary of the measures taken by the government is the Relazione al Parlamento del Comitato dei Ministri per il Mezzogiorno, Roma, 1960.

(21) Cf. Law 29 July 1957, no.634.

(22) A more detailed analysis of the Act can be read in the Report attached to the Bill by Prime Minister Segni, in Atti Parlamentari della Camera, Second Parliament, Document no.2453.


(28) See the contributions in F. Cazzola (ed.), Anatomia del potere DC, Bari: De Donato, 1979.


(30) Quoted by Petracca, op.cit., p.7.


For a vivid description of the workforce selection at Alfasud see D. Salerni, op.cit., pp.27-33.


The episode of the new car factory to be built in the South is narrated by Alfa Romeo's former Chairman G. Luraghi, Cf. his "La verità sull'Alfa Romeo", Epoca, 11 August 1979, pp.5-10.


As a consequence, Iniziativa Democratica split into two new factions, the Fanfaniani (followers of Fanfani, mostly young Deputies at their first mandate who had risen from the ranks of the party bureaucracy) and the Dorotei. For a short analysis of the Dorotei see R. Zariski, op.cit., p.15ff.

This is the thesis persuasively argued by Baget Bozzo op.cit. In this context there was a growing need to justify and rationalize ex post the party's power-centred behaviour (see the various 'ideological conferences' organized by Aldo Moro). On the latter point cf. G. Miccoli, "Chiesa, partito cattolico e società civile", in V. Castronovo (ed.), L'Italia contemporanea 1945-1975, Torino: Einaudi, 1976, p.238ff.


Particularly significant was the anti-cyclical behaviour in the crisis of 1970-72 when, while there was an overall fall, public enterprise invested more than 5,000 billion lire to support economic activity (cf. Appendix B). See the analysis and the remarks in S. Sterpi, "Congiuntura e sviluppo nella politica di espansione delle imprese pubbliche", *Rivista Internazionale di Scienze Sociali*, vol.81, no.4-5, 1973, pp.433-48.


CONCLUSIONS

We have looked at public enterprise as one aspect of the relationships between state and civil society in a specific national setting. By analysing the formation and development of public enterprise in Italy our aim has been that of elucidating some problems concerning and dynamics of the political system and the distribution of power and resources among different collective actors.

To this end we have found it expedient to focus on a comparison between the events of the 1930s and those of the 1950s. The two periods in question represent in fact two different patterns and modes of state intervention. They point to a shift in the relationships between state and society, between political class and private interests; the development of public enterprise and its evolving policies exemplifies the changing boundaries between the public and the private sphere.

Quite paradoxically, during the fascist period the industrial activity of the state showed a modest degree of politicization, in the sense of being basically oriented by inputs originating within the political and party system. As has been argued, the specific conditions of the period, the institutional characteristics and the power dynamics of the regime ended by insulating the activity of public firms from the political system, in particular from the Fascist Party and the bureaucracy of the Corporations. In fact, in the 1930s public enterprises went on being managed largely according to criteria of a purely business
character and with a minimum of state interference in their internal decision-making. This strengthened the interests and the cohesion of the private capitalist groups and of the public managerial bureaucracy itself, at the expense of a wider political control.

In the 1930s the variable that makes better sense of the establishment and behaviour of public enterprise is the dynamics of the economic system and of its dominant forces. The problems of capitalist accumulation, the need for a rationalization of the financial-productive system, the support of and integration with private interests, were the elements which set parameters and limits to the action of public firms. A second factor shaping the performance of state-controlled firms was the industrial-financial policy carried out - within the limits set by the previous factor - by the new public managerial bureaucracy created by state intervention. The political-economic orientation of this managerial group - shaped by its socio-economic origins, career patterns, and professional experience - directed its action towards supporting the interests of the private industrial bourgeoisie and strengthening the capitalist character of the economic system.

The pattern changed radically with the 1950s. In this period, the single most important factor shaping scope and form of state action in the productive system in its most relevant aspects was the behaviour of the dominant political party - more exactly, of its majority faction. The least successful of all in influencing the development and policies of public enterprise were the interests of the
private industrial bourgeoisie. Indeed as we have seen, the two key events of the period - the establishment of ENI and the creation of the Ministry of State Shareholdings - were the result of the political strategy carried out by the Christian Democratic party and by those sectors of public management close to it against private interests' strong opposition. During the decade of the 1950s, therefore, public enterprise was politicized to the extent that a section of the Christian Democratic political class say in it a key instrument to widen its power and its hold upon civil society.

What is particularly striking and noteworthy, the boundaries separating state and society, at least as far as the economic system is concerned, withstood the attack by the political class better in the authoritarian-fascist regime than in the liberal-democratic polity.

The economic organizations largely escaped any control by the state and remained outside its reach. The wide claims of the fascist political class toward the economic system did not have any substantial impact on it. This had important repercussions for the regime. The fact that, on the whole, the economic system was not 'fascistized' severely limited and constrained the room for manoeuvre of the fascist political class. The regime was thereby deprived of crucial resources to assert decisively its supremacy over the civil society. This was a fundamental weakness for the regime, perhaps the single most important factor which kept the power of the fascist state within circumscribed limits and curbed its totalitarian tendencies.
Together with the Church and the Catholic organizations, private and public firms provided the main elements of pluralism within the fascist regime. Most probably, especially in the case of industry, this was an unintended consequence of their action. They were not purposefully trying to make the fascist regime more pluralist; they were simply attempting to safeguard their own identity as independent organizations.

The successful efforts by both Church and business to retain their freedom of action, to preserve their independent prerogatives and to limit state interference were to prove of considerable consequence also in the postwar period, in that they helped in making the transition to pluralist democracy an easier process. In postwar Italy the religious and the economic organizations, in addition to the external pressures (military, diplomatic and economic), played an important role in the tormented process of building a liberal - democratic political regime; the considerable constraints they placed upon the behaviour of political actors contributed to rule out different options of political organization. This is not to deny that both Church and business were in the main conservative forces. It is simply to acknowledge the, largely overlooked, fact that they contributed substantially to make Italy a pluralist society.

Unlike the fascist ruling elite in the 1930s, the Christian Democratic political class in the 1950s managed to a remarkable degree to accomplish its own totalitarian claims towards the civil society, by occupying vital areas
of the economic system. We have seen how the Christian Democratic leadership skilfully and successfully exploited the social and political resources that the democratic regime made available and used them to assert itself.

The situation in which both the fascist and the catholic political class found themselves when they came to power presents an important similarity. Both were in a position of marginality with respect to the most important institutions of state and society (with the crucial exception for the Catholic political class, of the Church). In other words, both fascists and catholics at the beginning of their political experience were facing a foreign, if not an hostile, environment. Both political groups tried to reverse this uncomfortable situation by establishing their presence in the state and the civil society.

Understandably, the fascists were more easily successful than the catholics in the public sphere, given the position they enjoyed in the political system. However, in the civil society they found two powerful institutions, the Church and industry, that resisted political interference and remained outside the regime. In particular, we have shown that public enterprise substantially escaped penetration and control by the fascist ruling groups. On the other hand, while obviously in no need to forge links with the Catholic world, Christian Democracy not only achieved a considerable hold upon the state institutions, it also managed to gain a wide influence over important sectors of the economic system. Public enterprise was one of the chief instruments to accomplish this goal.
We argued that the Christian Democrats have succeeded where the fascists have failed fundamentally because of the different nature of the two political regimes.

But apart from the respective failures and successes, it is rather striking that two different political elites, not committed to any socialist goals and acting in such different political regimes, have both attempted to use the state resources to control, or at least heavily influence, the economic system. This is partly explained by a continuity in ideological orientation between the two political groups.

Fanfani, and most of the Christian Democratic 'second generation', in the 1930s were in their formative period at university (in particular the Catholic University in Milan). Corporatist ideology and thinking had a lasting impact on their vision of the relationships between state and society and of the proper role of the state. Besides, a marked hostility towards liberalism and market capitalism was shared by both Corporatists and Christian Democrats. But ideology per se is not sufficient as an explanation. It is necessary to take into account other factors. In the dissertation we have indicated some specific reasons for this behaviour on the part of political elites. Here we should like to draw attention to some general characteristics of the relationship between state and society which appear to have a bearing on this problem.

In Italy the repeated attempt to give the political supremacy over the economic is largely the consequence of a weakness of the civil society and of the absence of a
strong, hegemonic, ruling bourgeoisie. In turn, this reflects the long-term characteristics of the country's social and economic development. The fragility of this process and the weakness of the market forces enhanced the role of the state, enabled the political class to set the objectives to be pursued and widened the scope of its autonomous action.

The role of the state and of the political class is enhanced in contexts like the Italian one where civil society is relatively weak and poorly organized and the social interests are not strong and integrated enough to take on the task of orienting the process of economic growth and socio-political development. This, for example, seems to be the case of other Mediterranean societies, such as Spain, Portugal and Greece.

In more recent times, in Italy this feature has been greatly reinforced by the role played by the 'political society' in the setting up of the Republic. Political society has been in Italy the indispensable supporting element of an underdeveloped and rather static civil society. Political parties have thus come to play a 'pedagogic' function in relation to society. This has turned them into the fundamental channels for representation of civil society's demands, the protagonists of political life at the parliamentary and governmental level, and, more recently, the chief responsible for the distribution of resources. (2)

In Italy this state of affairs reflects also that 'alienation from politics' that has characterized the capitalist bourgeoisie since the process of state-building:
a detachment from direct involvement in political and parliamentary life, the absence of a real bourgeois-conservative party, a preference for personal relationships with members of the executive rather than the pursuit of a more general and wide-ranging political strategy, the particularistic pressures on the state machinery, the close contacts with the highest echelons of the different bureaucratic organizations. (3)

This helps to explain why in the postwar years some sectors of the political class met a limited and rather ineffective resistance when they undertook to manage the polity with a wide degree of freedom and large margins for manoeuvre, while the bourgeoisie continued to forgo direct intervention in political life. That is to say, while some of the basic structures of a capitalist society have never been threatened, there has been increasing room for the autonomous action of a collective subject such as a section of Christian Democracy, especially during the decade of the 1950s. The strengthening of some external instruments of the political class, chiefly the public enterprise system, supplied the material basis for this far-reaching action.

During his Secretariat, Fanfani gave a decisive impulse to the Catholic political class's drive toward the control of the various state bodies and the consolidation of its presence in some of civil society's vital ganglia. In many ways, he made them possible by creating the institutional and structural conditions for them to materialize. Fanfani succeeded in endowing Christian Democracy with some
of its chief instruments of power and hegemony for the next two decades. This was Fanfani's most enduring legacy to the party and, consequently, to the country, probably beyond his own intentions.

Fanfani's attempts at transforming the party into a mass organization and at lessening its dependence on outside forces were not completely successful and had contradictory results. Organizationally, DC's apparatus made remarkable improvements but did not reach the level hoped for; in comparison with the Communist Party, its competitor and model, it remained a very primitive and weak organization. This meant that especially the various Catholic associations remained important in providing resources such as participation and membership.(4)

In the South traditional clientelism of the economic notables was replaced by party clientelism based upon the control of public resources. But this gave rise to a new group of political notables with their mass clienteles to support and sponsor. They were to become very powerful within the party and influence heavily its policies by exercising their veto-power on initiatives contrary to their interests.(5) Christian Democracy got rid of the old local economic bosses, but ended up depending on the new, ambitious and unscrupulous political leaders controlling the party machine at the local level. It is doubtful that this was a change for the better. Their growing influence within the party, the hold they achieved upon governmental decision-making, made it impossible for Christian Democracy to pursue any consistent and effective
strategy of modernization of the Southern regions. In this way the changes which Fanfani had introduced to promote modernization and development generated the very interests that were later to oppose them.

Fanfani's most enduring successes and achievements were in the field of public enterprise and, more in general, state presence in the economy. The far-reaching and wide ranging action of the Christian Democratic leadership favoured and facilitated by the behaviour of the left parties, in the second half of the 1950s succeeded in definitively reducing the supremacy of private capital. The relationships between ruling political class and capitalist interests changed dramatically as a consequence of this action. The post-1954 leadership, choosing an aggressive strategy towards the traditional sources of economic power, violated the agreement based upon distinct areas of competence and entered into competition directly in the economic arena. This reversed the situation characteristic of the late 1940s/early 1950s, when between productive bourgeoisie and managers of political power there existed a clear-cut division of tasks and the government did not demand to control economic forces.

By strengthening and widening public enterprise, by tightening political power's control over it and by increasing party's influence upon it, the Christian Democracy led by Fanfani substantially lessened its dependence on private interests and organizations (chiefly industry and Confindustria). Public firms became a less constraining and demanding source of financing for the party and a
source of well-paid jobs for party members. They provided DC with vast resources for patronage as well. On the other hand, the growing flow of investments which public firms were able to generate, and which the parties were eager to stimulate, made the governing political class less dependent on private capital for economic growth and employment.

This reduced one of the main constraints which in a capitalist economic system and in a liberal-democratic polity limits the ruling political class's policy options. This also enhanced the Christian Democratic autonomous ability to legitimate its rule and its dominant position in the political system. In fact, the development and employment opportunities created by public enterprise, together with their innovative and dynamic image, from the second half of the 1950s became a fundamental instrument of consensus, cleverly and massively used by the government and, as its dominant component, by the Christian Democratic Party.

More in general, and more importantly, the action of the Christian Democratic leadership during the 1950s inaugurated a new way of relating to society, of acquiring consensus and of promoting political participation. From this point of view, Christian Democracy under Fanfani with its innovative and aggressive policies fundamentally altered the conditions and the modes of inter-party competition.

The other political parties had to adjust their behaviour to the new standards and methods introduced by Christian Democracy. As a result, clientelism and patronage, the
widespread practice of sottogoverno in the local jargon, have become a structural feature of Italian political life. (7) Notwithstanding general condemnation, the other political parties have learnt the Christian Democratic lesson and have preferred to imitate its behaviour rather than try other, more uncertain and less rewarding, routes. This is certainly the case of the Socialist Party in the seventies, and there is some evidence that even the Communist Party, at least at the local level, is adopting similar policies.

This state of affairs might be the inescapable consequence of the logic of political competition, but, sadly, it has largely contributed to increase the particularism and cynicism of Italian public life.

The points we have briefly touched upon in these conclusions obviously need further elaboration. Far from providing any definitive answer, they raise a number of questions which only further research and analysis can answer. We hope that other students will undertake this task.
Notes to the Conclusions


(3) See the remarks by P. Farneti, *Sistema politico e società civile*, op.cit.


(5) A significant example is the Gava clan in Naples. See P.A. Allum, *Politics and Society in Post-war Naples*, op.cit.


APPENDIX A

The Appendix is related to what has been said in chapter four about the public managerial elite. It describes in more detail the changes, if any, which took place in the top management of a sample of IRI's subsidiaries passing from private to public ownership.

The companies selected cover a wide spectrum of IRI's shareholdings and represent the core of the assets in its hands. They are: the three 'mixed banks' (Banca Commerciale, Credito Italiano, Banco di Roma), the three subholding companies established during the 1930s (STET, FINSIDER, FINMARE), eighteen companies chosen in five major sectors (shipping, shipbuilding, iron and steel, electricity, telephones). The data refer to the years 1932, 1934 and 1937, so that it is possible to follow the modifications which occurred passing from private to state ownership.

In the comparative analysis the offices of Chairman, Vice-Chairman, Managing Director, and General Manager have been taken into consideration; other observations have been drawn from an examination of the companies' Boards of Directors.

The following is a brief account of the findings.

Significant changes took place within the mixed banks the protagonists of the operations of credit reorganization. The Banca Commerciale's top management thoroughly revolutionized: Giuseppe Toeplitz, sole Managing Director since 1917, was replaced by Raffaele Mattioli and Michelangelo Facconi, both bank's former Central Managers; the three
Vice-Chairmen (G. Donegani, C. Parea, P. Puricelli - who represented the traditional private interests) lost their offices, though remained members of the Board; Chairman Ettore Conti was the only one to maintain his place. (3) The Board of Directors, on the other hand, remained composed by the same people as before, made up of the representatives of the most powerful private groups. Relevant changes took place also in the composition of the Central Direction which was drastically reduced in number (from eight in 1932 to two in 1934).

Something very similar happened within the Credito Italiano (CREDIT). Managing Director Carlo Orsi, who became Vice-Chairman in Alberto Pirelli's place, was replaced by Mino Brughera and Giovanni Stringher. Brughera had previously been Central Manager of the bank; Stringher - son of the Bank of Italy's late Governor and future Chairman of CREDIT in the post-war period - was coming from the bank as well. No change took place in the bank's Central Direction. The financier Carlo Feltrinelli, Chairman of the electrical giant Edison, retained his position as Chairman. As in the case of COMIT, the then members of the Board were still the exponents of the traditional private financial centres. On the contrary, in coming into public hands no change affected the top management of the Banco di Roma. Chairman, Vice-Chairman and Managing Director remained the same and also the Central Direction maintained its structure practically unaltered. Probably, this can be explained by the fact that this bank had a minor role in operations of financial reorganization,
due to its far smaller industrial shareholdings. In 1935 Chairman of the bank was appointed Antonio Pesenti who was the owner and Chairman of Italcementi, Italy's largest cement group, and a distinctive representative of the most traditional private capital of familiar character. He replaced A.S. Benni, former Chairman of Confindustria (1926-1933), who resigned from the Chairmanship of the Banco di Roma (which he held since 1928) since he was appointed Minister of Communications.

On the whole, for what concerns the banks it can be said that COMIT and CREDIT underwent the most significant change, while the Banco di Roma got a better treatment. This is not surprising if one thinks that the two credit institutes were the main protagonists of the IRI operation and that they opposed a strong resistance to state permanent intervention. Their management had to be replaced. In both cases the Managing Directors were replaced by people coming from within the banks themselves and quite foreign to the traditional financial circles of the mixed bank period. They represented a new management of a highly technical and professional kind, which points again to a bureaucratic pattern of recruitment and career. On the other hand, however, in spite of IRI owning by far the largest share of their capital, the structure of the banks' Boards of Directors did not change at all: private interests and personnel still dominated them and guaranteed that their management did not alter the power balance within the capitalist bourgeoisie. This is another example of the supple tactic line followed by IRI in the process of establishing
itself as an autonomous centre of power and decision-making.

Other interesting tendencies can be detected if we take a glance at the new sub-holding companies which were established directly by IRI in the course of the 1930s.

STET (Società Torinese Esercizi Telefonici) was established on 21 October 1933 to manage and coordinate IRI's telephone shareholdings. Chairman of its Board - there was no Managing Director - was appointed Ugo Bordoni (1884-1952), professor of electro-technics at the University of Turin since 1912 and an internationally reputed physicist. (4) Paride Formentini and Giovanni Silva were appointed as General Manager. Both had worked in the private sector and had a large professional experience. Formentini (graduate in Economics) in 1934 had been IMI's General Manager and was later on to take on the same position in FINMARE (see below); in the post-war period he became General Manager of the Bank of Italy. Silva (who had a degree in Engineering) had been Technical Manager at SIP before entering STET; afterwards he left the public sector and joined an electrical private company of which he became Managing Director.

When FINSIDER was established in July 1937 to act as a sub-holding company in the iron and steel sector Arturo Bocciardo was appointed its Chairman. (5) Bocciardo's career is very telling. Born in Genoa in 1876 from a wealthy family of entrepreneurs, in 1907 he was already General Manager of an important private electro-mechanical company (San Giorgio). After the war in 1920 he was, as COMIT's representative, co-opted on to the Board of
Directors of Terni, the giant steel and shipyard concern; in April 1921 he became its Managing Director, in practice replacing the old ownership represented by Giuseppe Orlando. As Terni's Managing Director he carried out important programmes of expansion and industrial diversification, widening its activities into the electrical and electro-chemical sector and bringing it to a position of pre-eminence in the national productive structure. When Terni, whose capital was largely owned by the Banca Commerciale, ended in public hands in 1933 Bocciardo was reconfirmed in his office. In the following years he took on an increasingly important place in the iron and steel field and in 1937 he was appointed Chairman of FINSIDER, a position from which he could play a fundamental role in the management of the national iron and steel industry, also in consequence of the regime's autarkic and war policy which enhanced the functions of this branch of the public sector. In 1937, in addition to FINSIDER's Chairmanship, Bocciardo held the offices of Vice-Chairman and Managing Director of the shipyard concern Odero-Terni-Orlando (OTO), Chairman and Managing Director of the Terni complex, and Director of the Ansaldo shipyards. FINSIDER's Vice-Chairman, Z. Benini, was also a well known Florentine industrialist of the iron and steel sector. In 1938 General Manager of FINSIDER was appointed the engineer Agostino Rocca who came from a managerial career in the Dalmine steel concern; the new Commercial and Mining Managers of the company were respectively Andrea Ardissone and Dandolo Rebua, since many years General Managers in the Ilva iron and steel group.
A similar situation can be found in FINMARE, the sub-holding company set up in December 1936 to put order into IRI's shipping shareholdings. Its Chairman was appointed Giuseppe Lojacono, an engineer born in 1884, who had occupied various top posts in the major shipping companies before their reorganization by the state in 1937. Vice-Chairman became Antonio Cosulich, Managing Director of the homonymous shipping company and exponent of some of the strongest groups in the sector. General Manager was appointed Paride Formentini, who previously occupied the same position in the other IRI sub-holding STET. As regards the members of the Board of Directors, they were mainly the same people who had been managing the formerly private shipping companies; indeed they represented the cream of the traditional oligopolistic concerns of the sector.

Turning now to the above-mentioned eighteen companies, though it is not easy to specify well-defined patterns of change, some trends are clearly recognizable.

Quite interesting is the situation of the electrical shareholdings. For example, notwithstanding that IRI controlled 10 per cent of the capital of the Società Meridionale di Elettricità (SME), its Board of Directors did not witness the minimal change and indeed the position of its Managing Director - Giuseppe Cenzato - was strengthened within the company. Cenzato (1882-1969), electro-mechanical engineer, had begun his career in the electrical private industry. He entered SME in 1919 as Manager and in 1928 was appointed Managing Director of the company,
an office he held until 1956. Under his management SME became a very efficient and profitable technical-financial concern. The fact that IRI owned a considerable and growing share of its capital did not bring about any change in its management: SME continued to be run according to rigorously privatistic criteria of efficiency and profitability and indeed IRI renounced any possible interference into the company, also because of mutual friendship and esteem which existed between Cenzato and Beneduce. Cenzato on the other hand entered the Board of Directors of several IRI-controlled firms, of ICIPU, and of Bastogi, thus strengthening the links between private and public sector of the economy. In 1952-56 he was also Director of FINELETTRICA, a sub-holding company established by IRI in 1952 to organise and manage its electrical sector.

The cases of SIP and UNES, the other two electrical concerns, are different. Above all the first company, which constituted a financial holding in its own right, was in a very serious crisis, after wrong investments and the mismanagement of previous years. As early as 1933 IRI began to reorganize, first of all by taking away from SIP its shareholdings in three major telephone companies (STIPEL, TELVE, TIMO) and then by regrouping the activity of production and distribution of electric power. These operations were largely inspired by Cenzato, who played a very prominent role in the whole story of SIP reorganization providing all his experience as manager and technician; Cenzato himself was offered SIP's Chairmanship, but he refused, pleading his duties
in SME. The reorganization activity led to the removal of Giangiacono Ponti from the company's Board. He had been SIP's Managing Director and General Manager since 1918 and represented the typical exponent of the financial circles during the period dominated by the mixed bank.\(^{(11)}\) Ponti's place was taken by Giancarlo Vallauri (1882-1957), engineer, professor of electro-technics at the University of Turin and a well known scientist.\(^{(12)}\) Even more important are the changes which took place in the senior management: the new General Managers, Attilio Pacces and Luigi Selmo, were two technicians coming from Cenzato's SME and had been sent to SIP to redress the compromised situation of the company. On the other hand, also in UNES the Chairman (E. Conti) had to resign and the Managing Director was replaced as well. Two persons again coming from SME (Antonio Agustoni and Arturo Ferrari) entered the Board of the company. On the whole, therefore, the old management, responsible for the grave financial-productive state of the two companies, was removed from control positions and replaced by new people largely coming from outside. The new appointments indicate the policy of putting personnel of tested managerial competence at the top of these companies. The result was a strengthening of the professional and technical element, according to the managerial model provided by SME.

The three telephone companies formerly controlled by SIP were grouped under STET. Here the most significant change was the removal of the already mentioned G. Ponti from the commanding positions he occupied in the three
companies: Managing Director of both STIPEL and TIMO and Vice-Chairman of TELVE. Also Ettore Conti, who represented within the companies the Banca Commerciale, had to give up some offices, although he retained STIPEL's vice-chairmanship. Among the new people to enter the Boards of Directors there was U. Bordoni, who was appointed Chairman of the all-important STIPEL - concessionaire of the telephone lines in Piedmont and Lombardy he was at the same time Chairman of the public telephone holding company (see above) and a member of TIMO's Board. Interestingly enough, Giuseppe Broglia was appointed Managing Director and then Vice-Chairman of STIPEL and joined the Board of Directors of STET. Broglia had been General Manager of FIAT - of which he remained a consultant afterwards - from 1902 until the mid 20s and from 1929 Chairman of Turin Savings Bank, being one of the most prominent figures in the local business milieu. From another point of view, very telling is the fact that in all three companies the General Managers remained in office without any change, guaranteeing the continuity of the technical and professional element.

The shipping sector underwent a substantial process of industrial reorganization. IRI had come into possession of the shares of the major Italian shipping companies: Italia, Cosulich, Lloyd Triestino, Tirrenia, Adria, Società Sarda di Navigazione. In 1936 they were reorganized and grouped into four new companies to rationalize this industry, each dealing with a specific sector of maritime traffic. The establishment of the four new companies
(Italia, Lloyd Triestino, Adriatica, Tirrenia) constitutes a good test to see whether changes in the top managerial positions occurred or not. In fact, the new top managers were largely recruited from the former commanding groups and most of them were pivotal figures of the private business milieu. Vittorio Cini, the powerful Venetian financier, for example, was appointed Chairman of Adriatica; the company's Vice Chairman was Alfredo Dentice di Frasso, former Chairman of Lloyd Triestino and Cosulich; Luigi Rizzo, the new Chairman of Lloyd Triestino, had been Director in the Adria and Italia companies. In the Italia concern, the most important among the shipping groups, Chairman and Vice-Chairman (Federico Negrotto Cambiaso and Rocco Piaggio) remained the same. Piaggio, a very important exponent of the Genoese industrial bourgeoisie and a member of a powerful industrial dynasty, was at the same time Vice-Chairman of the Ansaldo shipyards. On Italia's Board sat other Directors coming from various former shipping companies (Giovanni Pala, Carlo Pignatti Morano) or, again, from Ansaldo (Carlo Bombrini, shipyards' other Vice-Chairman).

For what concerns the companies of the shipyard sector, interesting evidence can be gathered by looking at what happened within the three major concerns (Ansaldo, Odero-Terni-Orlando, Cantieri Riuniti dell'Adriatico). OTO and CRDA show a very remarkable degree of continuity in their managerial structure. CRDA's Managing Directors, Augusto Cosulich and Cesare Sacerdoti, held the same office already in 1932 and were among the most prominent figures
of the business circles in Trieste. The case of Odero-Terni-Orlando is also very significant: Chairman, Vice-Chairman and Managing Director are exactly the same in 1932, '34, and '37, save for Chairman Attilio Odero who died in 1936. Furthermore, they were among the most important and powerful figures of the private industrial bourgeoisie of the '20s and the '30s. Luigi Orlando Jr., to quote just one case, who was also OTO's General Manager, was the nephew of Luigi Orlando Sr. (1814-1896), founder and owner of important shipyards in Livorno, and the son of Giuseppe Orlando (1855-1926), Terni's former Chairman and General Manager. In 1929 the Orlando shipyards were taken over by the Terni group and incorporated into the new Odero-Terni-Orlando joint-stock company; in 1933 they then ended in IRI's hands after the reorganization of the banks. Throughout these changing events the Orlando family always remained in control of the homonymous shipyards with solid links with the Terni steel works. In this respect the situation of the Ansaldo company appears quite different. Chairman, Vice-Chairman and Managing Director left the company and were replaced by Carlo Piaggio, Carlo Bombrini (Vice-Chairman) and Agostino Rocca (Managing Director). But the first two represented the traditional, familiar, private capitalist groups in Genoa and Rocca was certainly not a new-comer in the managerial milieu (see below). (15)

If we take as observation unit the Board of Directors of the various companies, it appears that as a whole the shipping and shipyard sectors formed a largely integrated industrial complex with a close network of interconnections
Among the Boards. To be sure this reflects the links of financial and technical character which had been forming since the beginning of the process of industrialization between the two sectors. But it is equally clear that their grouping under IRI control spurred this process of integration.

Also the case of the iron and steel firms appears very interesting. In spite of the large activity of industrial reorganization carried out by IRI, in particular after the establishment of FINSIDER and the beginning of the rearmament policy, (16) top managerial groups did not change much in this sector of national industry. At the centre of the new organizational structure there was A. Bocciardo, who has already been mentioned, as Chairman and Managing Director of the Terni concern (iron and steel, electricity, electro-chemical products, etc.) and Chairman of FINSIDER. A prominent position was also taken on by A. Rocca who in 1937 was at the same time SIAC's Managing Director, Dalmine's Vice-Chairman and Managing Director, Ansaldo's Managing Director and FINSIDER's General Manager. A very distinctive element of continuity can be detected as well among the top managers of Dalmine, Ilva, and Terni: the commanding structures remain virtually intact. As in the previous case, the iron and steel sector is also a highly complex and integrated one, marked by large overlapping memberships in the Boards of Directors, partly because of the links already existing between the companies and partly as a consequence of the reorganization carried out by IRI. It is an organizational system in which few people hold the key commanding positions.
Notes to Appendix A

(1) They are divided by sector:
Shipping: Tirrenia, Adriatica, Lloyd Triestino, Italia;
Shipbuilding: Ansaldo, Cantieri Navali Riuniti
dell'Adriatico, Odero-Terni-Orlando,
Cantieri Navali del Quarnaro;
Iron and steel: SIAC, Ilva, Dalmine, Terni;
Electricity: SIP, SME, UNES;
Telephones: STIPEL, TIMO, TELVE

(2) The data come mainly from Associazione tra le Società
Italiane per Azioni, Notizie statistiche sulle
società italiane per azioni, vols.XIII, XIV, XV, Rome,
1932-37. Other information is found scattered in
the literature on fascism and the fascist economic system.

(3) Toeplitz resigned from Managing Director during a
meeting of the Banca Commerciale on 8 March 1933 and
was appointed Vice-Chairman for foreign affairs.
During the same meeting, in compliance with the
governmental directives for all the joint-stock
companies, the number of Directors was substantially
reduced from 26 to 11. Cf. The Economist, 11 March,
1933, pp.560-61.

(4) Cf. E. Pozzato, "Ugo Bordoni", Dizionario Biografico

(5) Cf. the biographical profile by F. Bonelli in
Dizionario Biografico degli Italiani, vol.11, Rome,
1969, pp.89-93.

(6) Managing Director of the Società Italia, Vice-Chairman
of Lloyd Triestino and Cosulich.

(7) In addition there were the usual representatives of
the social insurance institutes, Giuseppe Bevione
Chairman of INA and B. Biagi Chairman of INPS.


(9) Cf. M. Fatica, "Protagonisti dell'intervento pubblico:
Giuseppe Cenzato", Economia Pubblica, vol.7, no.4,
April 1977, pp.139-49.


(11) Also E. Conti had to give up the Chairmanship of the
company.

(12) Cf. Istituto della Enciclopedia Italiana, op.cit.,
vol.34, Rome, 1937, ad vocem.
The sole case which indicates a different pattern in the replacement of the old management is that of Luigi Spezzotti, who was appointed Chairman of TELVE in the place of the financial Vittorio Cini. Spezzotti in fact came from a political background having been Under-Secretary to the Ministry of Finance from July 1924 to July 1925. He was made Senator in January 1929.


The names of the other members of the Board of Directors are also very significant: Arturo Bocciardo, Lorenzo Bruzzo, Giuseppe Lojacono, Luigi Orlando.

## APPENDIX B

### Table B.1

**Employment in public enterprise, 1953-1974 (thousands)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Italy (a)</th>
<th>Mezzogiorno (b)</th>
<th>b/a x 100</th>
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<td>1953</td>
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<td>47.5</td>
<td>17.4</td>
</tr>
<tr>
<td>1954</td>
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<tr>
<td>1955</td>
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</tr>
<tr>
<td>1956</td>
<td>280.8</td>
<td>43.2</td>
<td>15.4</td>
</tr>
<tr>
<td>1957</td>
<td>308.3</td>
<td>52.8</td>
<td>17.1</td>
</tr>
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<td>1958</td>
<td>307.2</td>
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<td>1960</td>
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<td>1961</td>
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<td>17.9</td>
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<td>1962</td>
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<td>1969</td>
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<td>1970</td>
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<td>1971</td>
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<td>1972</td>
<td>584.8</td>
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<td>1973</td>
<td>617.9</td>
<td>155.6</td>
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<tr>
<td>1974</td>
<td>687.3</td>
<td>171.6</td>
<td>25.0</td>
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</table>

**Source:** Ministero delle Partecipazioni Statali, *Relazione Programmatica*, Roma, various years, our calculations.
Table B.2

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<th>Sector</th>
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<td>2,794.1</td>
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<td>Cement</td>
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<td>117.0</td>
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<td>Engineering</td>
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<td>646.3</td>
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<td>Ship building</td>
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<td>Oil and natural gas</td>
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<td>Chemicals</td>
<td>1,057.1</td>
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<td>Textiles</td>
<td>122.6</td>
<td>52.6</td>
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<tr>
<td>Electricity</td>
<td>527.1</td>
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<td>Telephones</td>
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<tr>
<td>Radio and Television</td>
<td>179.2</td>
<td>39.9</td>
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<tr>
<td>Shipping</td>
<td>374.4</td>
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<tr>
<td>Airlines</td>
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<td>-</td>
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<tr>
<td>Motorways</td>
<td>1,847.8</td>
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<tr>
<td>Cinema, Spas</td>
<td>45.4</td>
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<tr>
<td>Others (*)</td>
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<td>359.5</td>
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<td><strong>Total</strong></td>
<td><strong>18,152.5</strong></td>
<td><strong>7,708.3</strong></td>
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**Source:** Ministero delle Partecipazioni Statali, Relazione Programmatica, Roma, various years, our calculations.

(*) Including food, other manufacturing and services.
Table B.3

Sectoral distribution of public enterprise’s domestic investments, 1957-74

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<td>Cement</td>
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<td>1.5</td>
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<tr>
<td>Engineering</td>
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<td>Ship building</td>
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<td>1.2</td>
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<tr>
<td>Oil and natural gas</td>
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<td>Textiles</td>
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<td>Shipping</td>
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<tr>
<td>Airlines</td>
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<td>Motorways</td>
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<td><strong>Total</strong></td>
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Source: Ministero delle Partecipazioni Statali, *Relazione Programmatica*, Roma, various years, our calculations.

(*) Including food, other manufacturing and services.
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<td>17.8</td>
<td>7.5</td>
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<td>-13.4</td>
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<tr>
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<td>Chemicals</td>
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<td>29.5</td>
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<td>1.4</td>
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<td>2.2</td>
<td>2.3</td>
<td>3.7</td>
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<td>Total</td>
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<td>36.4</td>
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<td>7.5</td>
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<td>35.8</td>
<td>38.2</td>
<td>42.8</td>
<td>23.5</td>
<td>43.6</td>
<td>45.6</td>
<td>47.3</td>
</tr>
<tr>
<td>Radio and Television</td>
<td>0.1</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
<td>0.8</td>
<td>0.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Shipping</td>
<td>-2.4</td>
<td>-2.8</td>
<td>-1.7</td>
<td>-0.9</td>
<td>0.6</td>
<td>-5.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Airlines</td>
<td>-</td>
<td>-5.1</td>
<td>-6.6</td>
<td>-37.1</td>
<td>-49.7</td>
<td>-40.1</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-103.7</td>
<td>-124.2</td>
<td>-33.0</td>
<td>-213.7</td>
<td>-827.9</td>
<td>-933.5</td>
<td>-1,380.7</td>
</tr>
</tbody>
</table>

**Source:** Ministero delle Partecipazioni Statali, *Relazione Programmatica*, Roma, various years.

(*) The figures have been calculated by adding up profits and losses of most state-controlled firms. Profits and losses have not been consolidated.
Table B.5

Sales, gross fixed capital and employment in the Italian big industry,
1965, 1969, 1973, (% distribution) (*)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private industry</td>
<td>48.34</td>
<td>46.47</td>
<td>40.63</td>
<td>37.80</td>
<td>36.74</td>
<td>35.33</td>
<td>53.63</td>
<td>56.11</td>
<td>51.02</td>
</tr>
<tr>
<td>Montedison</td>
<td>12.19</td>
<td>11.35</td>
<td>10.58</td>
<td>18.85</td>
<td>18.43</td>
<td>13.64</td>
<td>12.00</td>
<td>10.80</td>
<td>9.46</td>
</tr>
<tr>
<td>Public industry</td>
<td>20.00</td>
<td>21.27</td>
<td>29.80</td>
<td>31.61</td>
<td>30.98</td>
<td>39.20</td>
<td>20.25</td>
<td>19.87</td>
<td>25.17</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>


(*) Data concerning the manufacturing firms included in the first 150 joint-stock companies (classified according to sales).
Table B.6

**Gross fixed investments in industry by private and public firms (% distribution)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>81.1</td>
<td>66.1</td>
<td>56.2</td>
<td>66.6</td>
<td>59.4</td>
<td>53.4</td>
<td>51.0</td>
<td>63.5</td>
<td>69.6</td>
<td>63.6</td>
<td>65.0</td>
<td>68.9</td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>18.9</td>
<td>33.9</td>
<td>43.8</td>
<td>33.4</td>
<td>35.1</td>
<td>40.6</td>
<td>46.6</td>
<td>49.0</td>
<td>36.5</td>
<td>30.4</td>
<td>36.4</td>
<td>35.0</td>
<td>31.1</td>
</tr>
<tr>
<td>(Electrical)</td>
<td>(4.8)</td>
<td>(10.5)</td>
<td>(17.6)</td>
<td>(17.1)</td>
<td>(16.4)</td>
<td>(16.1)</td>
<td>(16.1)</td>
<td>(16.4)</td>
<td>(11.9)</td>
<td>(10.6)</td>
<td>(13.5)</td>
<td>(13.9)</td>
<td>(14.2)</td>
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Table B.7

Indicators of regional disequilibria (Italy = 100)

<table>
<thead>
<tr>
<th></th>
<th>1951</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>South</td>
<td>Rest of Italy</td>
</tr>
<tr>
<td>Population</td>
<td>37.0</td>
<td>63.0</td>
</tr>
<tr>
<td>GDP at factor cost</td>
<td>24.1</td>
<td>75.9</td>
</tr>
<tr>
<td>Industry</td>
<td>15.6</td>
<td>84.4</td>
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<tr>
<td>Income per caput</td>
<td>62.7</td>
<td>121.9</td>
</tr>
<tr>
<td>Industrial investment</td>
<td>15.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Total employment</td>
<td>33.0</td>
<td>67.0</td>
</tr>
<tr>
<td>Employment in industry</td>
<td>22.5</td>
<td>77.5</td>
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</table>

Table B.8

Sales of main IRI - controlled firms, 1975
(billion lire)

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italsider</td>
<td>1,715.5</td>
</tr>
<tr>
<td>SIP</td>
<td>1,299.3</td>
</tr>
<tr>
<td>Alitalia</td>
<td>491.0</td>
</tr>
<tr>
<td>Dalmine</td>
<td>447.4</td>
</tr>
<tr>
<td>Alfa Romeo</td>
<td>437.8</td>
</tr>
<tr>
<td>Siemens</td>
<td>284.8</td>
</tr>
<tr>
<td>RAI</td>
<td>279.8</td>
</tr>
<tr>
<td>Italcantieri</td>
<td>208.5</td>
</tr>
<tr>
<td>Alfasud</td>
<td>190.4</td>
</tr>
<tr>
<td>Generale Supermercati</td>
<td>186.1</td>
</tr>
<tr>
<td>Alivar</td>
<td>173.3</td>
</tr>
<tr>
<td>Star</td>
<td>170.8</td>
</tr>
<tr>
<td>Acciaierie di Piombini</td>
<td>166.8</td>
</tr>
<tr>
<td>Montubi</td>
<td>163.4</td>
</tr>
<tr>
<td>Autostrade</td>
<td>162.6</td>
</tr>
<tr>
<td>Ansaldo</td>
<td>142.2</td>
</tr>
<tr>
<td>Terni</td>
<td>136.3</td>
</tr>
<tr>
<td>Motta</td>
<td>119.8</td>
</tr>
<tr>
<td>Aeritalia</td>
<td>113.8</td>
</tr>
<tr>
<td>Cantieri Navali Riuniti</td>
<td>99.9</td>
</tr>
<tr>
<td>Alemagna</td>
<td>92.0</td>
</tr>
<tr>
<td>Sirti</td>
<td>87.6</td>
</tr>
<tr>
<td>Societa Italiana Impianti</td>
<td>77.7</td>
</tr>
<tr>
<td>Loyid Triestino</td>
<td>74.2</td>
</tr>
<tr>
<td>Innocenti</td>
<td>72.0</td>
</tr>
<tr>
<td>Selenia</td>
<td>71.1</td>
</tr>
<tr>
<td>Acciaieria e tubificio di Brescia</td>
<td>71.1</td>
</tr>
<tr>
<td>AMN</td>
<td>68.2</td>
</tr>
<tr>
<td>Italia di Navigazione</td>
<td>65.6</td>
</tr>
<tr>
<td>Cementir</td>
<td>65.4</td>
</tr>
<tr>
<td>Cartiere Italiane Riunite</td>
<td>62.2</td>
</tr>
<tr>
<td>Italcable</td>
<td>58.7</td>
</tr>
<tr>
<td>Grandi Motori Trieste</td>
<td>57.9</td>
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<tr>
<td>Terninoss Acciai</td>
<td>56.6</td>
</tr>
<tr>
<td>Aereo Trasporti Italiani</td>
<td>55.6</td>
</tr>
<tr>
<td>Condotte d'Acqua</td>
<td>53.5</td>
</tr>
<tr>
<td>Compagnia Italiana Montaggi Industriali</td>
<td>52.5</td>
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<tr>
<td>Societa Costruzioni Autostrade Italiani</td>
<td>50.7</td>
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</table>

Source: Mondo Economico, no.41, 30 October 1976.
Table B.9

Ministry of State Shareholdings 1956-1980

<table>
<thead>
<tr>
<th>Prime Minister</th>
<th>Minister</th>
<th>Undersecretary(-ies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segni</td>
<td>G. Togni (DC)</td>
<td></td>
</tr>
<tr>
<td>(July 1955)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zoli</td>
<td>G. Bo (DC)</td>
<td></td>
</tr>
<tr>
<td>(May 1957)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fanfani</td>
<td>E. Lami Starnuti (PSDI)</td>
<td></td>
</tr>
<tr>
<td>(July 1958)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segni</td>
<td>M. Ferrari Aggradi (DC)</td>
<td></td>
</tr>
<tr>
<td>(February 1959)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tambroni</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>(March 1960)</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>Fanfani</td>
<td>G. Bo (DC)</td>
<td></td>
</tr>
<tr>
<td>(July 1960)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fanfani</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>(February 1962)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leone</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>(May 1963)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moro</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>(November 1963)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moro</td>
<td>&quot;</td>
<td>C. Donat Cattin (DC)</td>
</tr>
<tr>
<td>(August 1964)</td>
<td>&quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>Moro</td>
<td>&quot;</td>
<td>&quot;</td>
</tr>
<tr>
<td>(February 1966)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leone</td>
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<tr>
<td>(June 1968)</td>
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<tr>
<td>Rumor</td>
<td>A. Forlani (DC)</td>
<td>R. Misasi (DC)/F. Principe (PSI)</td>
</tr>
<tr>
<td>(December 1968)</td>
<td></td>
<td></td>
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<tr>
<td>Rumor</td>
<td>F.M. Malfatti (DC)</td>
<td>V. Scarlato (DC)</td>
</tr>
<tr>
<td>(August 1969)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rumor</td>
<td>F. Piccoli (DC)</td>
<td>F. Principe (PSI)</td>
</tr>
<tr>
<td>(March 1970)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prime Minister</td>
<td>Minister</td>
<td>Undersecretary(-ies)</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>Colombo</td>
<td>F. Piccoli (DC)</td>
<td>F. Principe (PSI)</td>
</tr>
<tr>
<td>Andreotti</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andreotti</td>
<td>M. Ferrari Aggradi (DC)</td>
<td>B. Corti (PSDI)/G. Mattarelli (PSI)</td>
</tr>
<tr>
<td>Rumor</td>
<td>N. Gullotti (DC)</td>
<td>F. Principe (PSI)</td>
</tr>
<tr>
<td>Rumor</td>
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</tr>
<tr>
<td>Moro</td>
<td>A. Bisaglia (DC)</td>
<td>A. Gunnella (PRI)/F. Bova (DC)</td>
</tr>
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<td>Andreotti</td>
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<td></td>
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<tr>
<td>Cossiga</td>
<td>S. Lombradini (DC)</td>
<td>F. Bova (DC)/A. Castelli (DC)</td>
</tr>
<tr>
<td>Cossiga</td>
<td>G. De Michelis (PSI)</td>
<td>Tocco (DC)/Dal Maso (DC)</td>
</tr>
<tr>
<td>Forlani</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Graph B.1

Employment in public enterprises, 1953-74 (growth rates)

Italy

Mezzogiorno

Source: Ministero delle Partecipazioni Statali, Relazione programmatica, Roma, various years, our elaboration
Graph B.2

Investments by public enterprises, 1957-74 (1963 billion lire)

- Italy
- Mezzogiorno

Source: Ministero delle Partecipazioni Statali, Relazione programmatica, Roma, various years, our elaboration
Graph B.3

Financial requirements of public enterprises, 1957-74 (Billion lire at 1963 prices)

Source: Ministero delle Partecipazioni Statali, Relazione programmatica, Roma, various years, our elaboration
Graph B.4

Investments in the Italian economy, 1957-74 (growth rates at current prices)

Source: Ministero delle Partecipazioni Statali, Relazione programmatica, Roma, various years,
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