Economic Regulation and Social Concertation in Italy: A Critical View from 1945 to Today and Beyond

by

Franco Archibugi

University of Naples and Planning Studies Centre Rome

Email: francoarchibugi@tiscali.it
Webpage: www.francoarchibugi.it

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ECONOMIC REGULATION AND SOCIAL CONCERTATION IN ITALY:  
A CRITICAL VIEW FROM 1945 TO TODAY AND BEYOND

1. Premise

I am used, and inclined, to interpreting the relationships between notions and mental concepts, especially in the economic and social field, in relation to the evolutionary state of the economies and societies to which they are applied. Thus, I would not know how either to interpret, or describe, if not in relationship to the stage, or phase, of the evolution of the Italian economy (that of today and of the recent past), the interrelationship between "economic regulation" (understood as the action of the State on the economy of a country - and which we will abbreviate as ER), and "social concertation" (understood as the more or less contractual relations between classes, groups, and society interests - SC).

Therefore, this contribution intends:
1. first of all, to give a break-down by period of the structural evolution of the Italian economy, that is considered to be significant for the purposes of interpreting the relationship between ER and SC;
2. then, to describe, for each of the periods chosen, the salient aspects of the ER and SC;
3. next, to hazard a projective glance on some possible aspects of the ER and SC in the next decade;
4. and finally, to conclude with some methodological considerations on the meaning that the reading of such an experience, or of the Italian model, may have in a European and global context.

2. A Plausible Period Break-Down of the Structural Evolution of the Italian Economy

From a structural point of view, we would break down the evolution, of the Italian economy - from the post-war period until today - into three obviously linked phases:

A) a first phase, advanced industrialisation;
that goes more or less from the immediate post-war period (and from the effort connected to reconstruction: the Marshall Plan, the first forms of an organisation of an international market) to the mid-1960s (1945-1965).

This phase is characterized by a large increase in production and industrial employment, above all in the "historic" regions of the birth of Italian industry (the so-called "Industrial Triangle", but also in other regions, such as the Veneto, Emilia, Tuscany, Lazio, that feel the effects of the "reverberation" of this rapid industrialisation. Italy was, at the end of the first WW, a mainly agricultural country, despite the efforts of a somewhat forced and important "State" capitalisation, carried out in a prefascist and above all fascist epoch (when the attempt at "autarchy" was at its strongest).

Together with advanced industrialisation came:
− the widespread phenomena of migration from the country to the towns (with the unchecked growth of the metropolitan areas in the large centres of industrial development);
− an exodus from the land, especially from the hilly and mountainous areas, to other activities;
− uncontrolled building development;
− strong trade-unionisation;
− a noteworthy entry of women into the labour market, and a connected decrease in the informal economy (above all in domestic work, food-agricultural self-consumption, non-market artisan work, etc) that is characteristic of a rural economy as opposed to an industrialised one;
− a noteworthy increase in the levels of production in industry (connected to parallel increases in industrial production);
− and a series of other less important phenomena with regard to the relationship between ER and SC.

B) a second phase that we could define as that of industrial consolidation;
that goes from the mid-1960s to the end of the 1970s (1965-1980).

In this phase the expansion of industrial activity slowed down; but, within it, a noteworthy effort of technical innovation and rationalisation was made. The international and internal markets were consolidated and stabilised; and the concentration of major companies was strengthened, with numerous merger operations.

At the same time, in some regions of Central Italy the development of small and very small enterprises was increased (for example, in the clothing, textile, mechanical, pharmaceutical sectors and others), as a consequence of phenomena such as working at home, sub-contracting, and some
cooperative development (although the cooperative movement, with pro-
duction aims - rather than those of consumption - is absorbed - despite the
different juridical nature - into the logic of the large enterprises and grand
capital). Various experiments of industrial "decentralisation" were at-
tempted.

C) a third phase, that can be called that of de-industrialisation; that goes from the end of the 1970s up until today (1980-1990).

Here we are, in fact, in the presence of a decrease in industrial employment, that is not only "relative" but also absolute, and which is all in favour of "tertiary" employment.

This has not stopped, but rather increased, the phenomenon of high levels of productivity in the most reduced and dynamic industrial sectors, whilst putting others in serious crisis, both with respect to competitive European and non-European industry, and, within each sector, between dynamic and marginal enterprises. On the other hand, the area of public intervention of recovery and subsidy for extra-industrial activities which have not grown spontaneously on market stimulus has been widened. And, likewise, the area of the informal economy has increased, albeit of a type that is completely different from that which had declined during the time of advanced industrialisation.

Not only has the movement towards concentration stopped in the metropolitan areas, but an inverse phenomenon has been produced: that of the growth of the small centres, both of those around the big cities (as a natural "spill-over" effect of the same), but also of those that are autonomous, and which are not effected by the closeness of the large centres, but which are chosen as centres of both secondary and tertiary new activities; in fact these centres are advantaged by the spread and increase in public consumption (which is territorially not dependent on the income produced), and on the expansion of the public economy, in itself re-distributive, to such a point that this expansion risks compromising, rather than helping, the assumption of a capacity of autonomous development on the part of the areas that are traditionally on the edge of development (such as the "Mezzogorno" or Southern Italy).

\[\text{It is superfluous to note that the use of such a word should not recall a return to "pre-industrial" situations, but only an advance characterised by "decline" in industrial production and employment in the general economic process, an advance, on the other hand, made possible only by the intensification of some industrial activities. In this sense, the term has been largely adopted by nearly all the literature that has studied the economic transformations that have taken place from the 1970s onwards.}\]
3. Economic Regulation and Social Concertation in the Phase of "Avanced Industrialisation" (1945-1965)

The ER in this first phase concentrated on the effort of ensuring the greatest freedom of action for industrial groups that experimented in the reconstruction and development of investments, trying to adopt a social policy that would eliminate as much as possible the reasons for social conflict.

An "agrarian reform" was implemented - particularly in the South - that aimed at the creation of agricultural small-holdings. This reform served, without numerous repercussions, to marginalise a class of landowners, who had been, moreover, incapable of transforming their traditional and consolidated land-owning power into an economically efficient and profitable enterprise, in conformity with the technical and market developments in agriculture. One must recognise as well that this incapacity of theirs was a result also of the nature of the land in question: since even after the reform, the small agricultural property, that the reform created, was swept aside by the technical-economic evolution in agriculture. It revealed the same incapacities, and was marginalised as well: almost all the settlements realised, with substantial public means, became areas of rural exodus and abandonment, with a considerable waste of the collective resources. One might ask whether these areas, if they had remained - without useless investment - in their original "natural" state, would have represented, for their respective regional communities (and for the entire national community), a natural economic heritage that would be much more important than the present one!

This was the phase in which a massive programme began and continued of public works of infrastructure in Southern Italy (the "Mezzogiorno"): dams, aqueducts, drains, roads, land reclamations and irrigation, that - like the "agrarian reform" have not given tangible results because of the changes in conditions that have taken place in the meantime in the social and urban context (changes that could have been predicted and controlled with an opportune system of economic and social "planning"). In following the emerging needs, the factors of change that these needs concealed were not taken into consideration. Bureaucratic slowness did the rest. 

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1 Literature on the "Southern problem" is vast. For more in depth discussion about the topics mentioned here and a profound critique of the economic policy, in the absence of planning and without evaluation of results, followed in Southern Italy, see Archibugi,
In industry, ER in this phase found itself managing a chain of industrial sectors in crisis, that were inherited from fascism (like State "share participations" created at the time of the autarchic industrial "forcing"). The managing agencies of these participations have absorbed and "burnt up" a great deal of public financial resources; they survived in many cases to the doubtful advantage of employment levels. However, to judge from their current state, except for what has happened in some of its innovative and particular sectors (in which private initiative revealed itself, in any case, to be lacking) it is be wondered whether a "black hole" of wasted resources was created. It is difficult to say how much this waste should be calculated with regard to the production of the intense industrial development of the private sector, and how much with regard to totally sterile resources.

From its more specific point of view, ER in this period has been minimal: it has been limited to safeguarding (with modest success: and one might ask whether such modest success has not in fact been for the good) the stability of certain monetary equilibria. Such equilibria, nevertheless, have not been had: inflation in Italy has always been superior and endemic in comparison to other Western countries, and demand has always been steady, without, at the same time, achieving full employment.

For the remainder ER has been limited (again without much success) to balancing the annual State budget, improving the State fiscal income (in a context, at the time, of massive tax evasion), and keeping ordered the (parafiscal) public system of social protection (also inherited from Fascism), which constituted another channel of endless finance.

Social Concertation (SC) in this phase, was always and only limited to collective bargaining.

In this period of "advanced industrialisation" the trade unions were strengthened (without losing their party-oriented and ideological nature that is typical of trade unions in not very industrialised traditional economies⁴). Their bargaining power, in general weak, was at the beginning guaranteed by the introduction of wage "automatisms" with regard to inflation in order to guarantee real wages.

As far as improvements are concerned, in this period, however, the trade unions achieved greater bargaining power by choosing - not without

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1977, which is also based on an extensive historical look at state intervention in Southern Italy.

⁴ The historic subordination of the trade unions to a "political" vision of society and to political parties, is the result of their structural weakness, which is a reflection of the weakness of the industrial apparatus. A study of this relationship of "weakness" in Italy was made in my report to the "Hochschule Institute für Wirtschaftskunde" in Berlin (7 June 1958) (Archibugi, 1958), this was then reissued with modifications, by H. Bartoli, in Cahiers de l'Institut Supérieur d'Economie Appliquée, (Archibugi, 1962).
internal opposition and resistance - to articulate salary negotiation and other working conditions not only at a level of the "national" industrial and category sector (whose defenders claimed was a factor for unity in the struggle and of equality in the results, whilst in reality it translated into "position rents" for the most efficient firms, in as far as wages were regularly fixed at supportable levels by the "marginal" firms on the market), but also at the level of single productive units, according to the various situations and levels of productivity. In this period the integrative company contracts were born, that gave much flexibility to the work market and also greatly strengthened union power in firms.

This moreover - together with factors of general cultural advancement - improved worker awareness and participation (as well as their cultural and civil formation).

However "concertation" on a national level on the part of the trade unions remained, in this period, somewhat formal and deceptive. To such an extent that in all the "ideological" trade unions the usefulness was discussed of trade union leaders sitting in Parliament in the sections of the parties to which they belonged, in order that they might participate better in the making of political decisions of interest to the workers, given the absence of effective social concertation outside Parliament.

SC of the industrial and productive classes (for example the "direct cultivators") was - during this phase - much more efficient (obtaining legislative and administrative measures in their favour, with generally protectionist intentions that have not helped the consumers and development). Luckily, the process begun and pursued of unification of the European markets has hindered the entrepreneurial claims of SC, that sometimes - as always and everywhere - used the employment factor as blackmail in order to obtain the conclusive support of the trade unions, in the absence of aware, policy-oriented decisions. On the other hand, one must not forget that in Italy, in particular, the industrial and productive classes have been the most influential, from the electoral point of view as well, on the government parties (above all on the majority Christian Democrat Party), because the working classes were mainly influential with the parties of the left (Communist and Socialist), that were expelled from the Government for international reasons as well, in as much as they were still linked to the Stalinist front (with all the political prejudices which that implied for all the well-

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5 The change in trade union wages policy, first proposed by the CISL (the Italian Confederation of Free Trade Unions), and then followed, albeit reluctantly, by all the trade union movement, including the Communist-oriented union, is documented in my writing from the time on the relations between "economic planning and collective bargaining" (Archibugi, 1957).
meaning democrats of all social strata). These parties of the left (from 1965, only the Italian Communist Party - the PCI), therefore - for their own responsibility - meant for a long time votes "frozen" from the opposition.

SC of the industrial classes had guaranteed, however, the operational efficiency of the mechanisms that presided over the intense development of industrialisation during this period. In reality, the existence of a Government that is quite prone to industrial influence ensured maximum efficiency in the industrial process, without contradiction or impediment. But it distanced the possibility of introducing similar efficiency in the public system, and great social waste.

And it distanced the possibility of bringing the trade unions from the traditional bargaining position, that is in general inefficient for ER, to a cooperative and technically more aware position, which has more effect on ER.


The second phase of the industrialisation process represented a process of "consolidation". However, it had to confront the first symptoms of an industrial apparatus exposed to the selectiveness represented by the challenge of the open markets that the creation of the EEC and international economic and commercial policy determined. Many have spoken of the "rationalisation" of Italian capitalism; certainly there was a process of rationalisation; and since the production structure was largely in the hands of private capital one may accept this expression. But such a process would have been necessary in any case in an economic regime that wished to confront the technical-productive developments that were in full swing throughout the world.

Meanwhile, the intense industrial development of the preceding phase had left a strong imbalance between a rapid modernisation of industrial activity and the level of the public and social services that were still in their pre-war state. There was an attempt, therefore, first of all, to harmonise industrial and social development in an organic and controlled vision of "economic planning". It was an attempt that was contemporaneous with that emerging during the same period in all Western countries (in some more, in some less, and in some countries earlier and in some later).

A national "Plan" (1965-1969) was developed, of a very general character as an accounting frame (therefore insufficient as an efficient frame of reference of a quantitative ER), which was too detailed in some institu-
tional operations, whilst, at the same time, without carrying out a quantita-
tive check of the costs, and therefore of feasibility. Institutions were cre-
ated and reformed that were capable of managing economic planning. But
a legislative "procedure" to launch a real system of SC on the Plan (with
the social forces, entrepreneurs and trade-unions, and institutions of re-
gional representation) was not introduced.

After several attempts at launching a system of general economic plan-
ning, during the stage of the preparation of the second plan, the mecha-

nism got stuck and was gradually abandoned. One began to speak - as a substi-
tute - of "planning by projects" or of "planning by sectors", in order to
avoid and deny the logic itself of planning, which is that of coordinating
projects, sectors, "reforms", costs, etc. in an organic whole, which evalu-
ates and chooses priorities and interdependencies.

SC on the "plan" never managed - as said - to take place seriously. This
was the principle and definitive factor for failure in the planning process. It
coagulated and maximised - after a first wave of fashion and infatuation
that was not supported by adequate research and a technical structure - the
diffidence, resistance and opposition to a certain extent of all:

- the opposition parties, obviously, having a powerful influence on a large
  part of the trade unions, that accused the plan of being an attempt on
  the part of the government parties to "rationalise capitalism" (a few
  years later, for want of other serious proposals, the Italian Communist
  Party cried crocodile tears and advocated a planning that was identical
to that it had obstructed, which, by this time, had been completely
shelved); the managerial groups that felt they would not have com-
plete control of ER, like they had had in the preceding phase (but the
most evolved and dynamic sectors of industry, proved to be, on the
other hand, the most convinced supporters of planning, guaranteeing
their collaboration, because they sensed its usefulness and necessity in
a phase of consolidation and rationalisation of the unruly development
of the activity that was had in the preceding phase);

- the trade unions, even the "free" ones that were not linked to the opposi-
tion, which partly by lack of preparation and partly through an inferior-
ity complex, feared in economic planning, a restriction on their free-
dom of bargaining power, and thus on their autonomy, and, therefore,
they contributed to the refusal of what little procedures were underway
(however, shortly afterwards they realised the weakness of using their
own bargaining instrument without the guarantee of an ER or an SC
that conformed to the expected results, which were always put into play by the "monetary", fiscal, unilateral policies of the government
independently from the trade unions, in the absence of an SC on the "Plan"; the parties, finally - which were closer in their political leadership to sectorial and regional lobbies - felt they might lose some of the possibilities of wielding the discreional power of spending exercised directly on Ministers, above all because the coordination of government spending became the first direct product of planning. Moreover, the parties were likewise fearful of rising regionalism, since among the reforms rendered possible at the end of the 1960s was the institution of the Regions as autonomous political bodies; an institution that despite being allowed for by the Constitution of 1947, had been left to one side up until this time. The Regions immediately warned central government not to compromise their freedom of decision, claiming for "regional planning", that was intimately linked to that of the territory, the "responsibility" of deciding on many delicate aspects of national planning (which was accused of "centralism"). And any interregional coordination was frustrated by the refusal to approve a law on planning procedures that could have and should have fixed the modalities and time scale of SC between the government, the Regions, and the social forces.

Therefore, this type of ER - represented by an advanced system of concerted, global, articulated and economic planning - in this period was lacking. It was rapidly substituted by plans of social spending (in capital accounts, i.e. in investments, and in current accounts, i.e. in consumption) for which - as said - a strong social demand had been accumulated in the preceding years, on the part of the trade unions as well. This approach was called emphatically a "policy of reforms" that for the most part consisted in laws of public financing that, behind the rhetoric, was aimed more at the employed than at the users. The tap was thus turned on in the field of education, health, housing, transport, social assistance, without the preventive planning and evaluation of the results to be achieved and without an overall account of the resources to be used and their real availability. Spending was dedicated to research into an omnipresent "welfare state", but without, however, making it efficient in its implementation and in the services that it produced.

In this direction, ER and SC arrived at results that were quantitatively significant. Public spending, in proportion to the national product, increased quantitatively to the point of reaching the quota levels of nearly all the Western countries with a developed welfare state. But, because of this expansion, the public budget deficit as well reached much greater levels
than those of these same countries (this is the peculiarity of the Italian phenomenon).

A direct effect of this situation was obviously sustained inflation. Not only the inflation induced by the so-called oil shock (which had taken place in the meantime) that in fact in Italy, as elsewhere, hit only very lightly and only for a short time the rhythm of productive activity and the dislocation of resources and real incomes. (The generalised inflation from the oil shock, in fact - being the product of a transference onto the costs of the supply of goods and services, that in Italy was largely automatic given the presence of price indexing mainly for labour and capital, guaranteed, that such an oil shock did not constitute disequilibrium for real resources both within the country, amongst income perceivers, and outside, among imports and exports).

We are talking of an inflation that is attributable to the public deficit, when this could only be financed by running up debts and with the devaluation of the monetary rule. Such inflation results - all things considered - from a "differential" in Italy with respect to other industrial European countries ("two figure" inflation as opposed to "one figure" inflation).

As a remedy for medium and long term economic planning, during this phase a pluriennial budget planning (of three years) was introduced which inevitably failed, in the absence of real suitable parameters; and an annual budget manoeuvre, which despite its claims, never managed to justify coherently either the declared constraints or the practiced permissiveness.

Among the social reforms that SC decided to introduce in this period was the legislation of a "Workers Statute" containing a series of "non-economic" rules to guarantee employment and working conditions. This Statute had, however, the effect of diminishing the bargaining presence of the trade unions in firms and in the country, and of increasing the level of rigidity in the labour market. It constituted such a burden, especially for small and medium-sized firms, that - with the presence of chronic unemployment - extra-contractual relations were favoured, in the new and dynamic sectors of the labour market, with the growth of a "submerged" economy that given the weight of some contractual regimes, could be simply defined as "informal" or even "free". Thus one could say as well - from another point of view - that the Workers' Statute has been inserted among
the "reforms" of this period as a further element that has characterised the consolidation of activities, but by means of reaching levels of productivity in circumstances that were susceptible to supporting the linked (social and non-economic) burdens. It can be thus considered a factor that has contributed to the change and industrial rationalisation by means of the introduction of labour saving technologies.

5. Economic Regulation and Social Concertation in the Last Phase of "De-industrialisation" (1980-1990)

We have reached the third stage (that which begun in the 1980s) which is marked by two opposing but coexisting and even converging phenomena.

Industrial productivity (and also that of some sectors of the commercial tertiary sector, banks for example, in which the work processes are greatly automated and computerised) has reached growth levels never before known; at the same time, it tightened its contribution both to production and - to an even greater extent - to national employment.

In fact, the greatest expansion in employment has been had in the sectors of PA and private services (professional, cultural, touristic, recreational, etc) in which the productivity rates, despite the use of modern instruments of telematics and informatics, remain (as by tradition) structurally low if not at zero, not being linked to the quantity but rather to the quality of the output.

This has brought about a drastic lowering of the general rates of productivity, that are identified with those of "development". This phase has radically changed the criteria and paradigms linked to the traditional concept of development, with an influence also, therefore, on the criteria of ER and SC.

The expansion of the PA sector and its overall weight on the GNP, in this last phase, has tended to stop (and even to hint at a recoil). New productive activities at the same time have emerged of a private nature but which are not aimed at profit (and are non-profit in fact), and which have

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7 In this period, there was another SC initiative, aimed at making industrial consolidation socially easier: that of getting the State to intervene, with temporary integrative support, for the payment of part of the workers' wages in companies who had to reduce their productive levels and, therefore, their manpower, or carry out technical reconstruction aimed at an increase in productivity and a decrease in costs. The institution connected to these operations was called the "Cassa integrazione guadagni" [Wage Compensation Fund], and its management gave rise to many deviations and abuses.
eroded, or made redundant, both the private activities that are traditionally geared to profit, and the previously public activities to which private initiative of a cooperative and associative type has been preferred.

This last tendency is connected to the crisis of the welfare state, as it has been repeatedly called (and to which we will return later).

We have, with other European experts on the phenomenon - identified this new emerging sector of activity, for its importance and for its specificity, as the "third system" of the economy, which is added to that of the enterprise economy (aimed at profit) and the public economy (aimed at the free supply of services of a general interest). In the third system, that could also be called the system of the "associative economy\(^8\)", the interest is not general anymore, but responds to the desires and aspirations of the subjects that promote its activities and nothing more; it can act "in" the market, but not "for" the market (just like the public economy). It does not sell, but rather consumes its products autonomously (the futurologist Alvin Toffler calls it the prosumptions sector of the producers-consumers\(^9\)).

The growth of this sector, faces up, by giving valid alternatives, to the crisis of the welfare state and to the need for profound changes in its management. The increase in public social spending, with a direct role of the State, that has characterised, as mentioned, the second phase of the evolution of the Italian economy, that of industrial consolidation, has entered into crisis (as in the western economies overall) above all from the point of view of its results in terms of the quality of services, with respect to the enormous social costs that it represents.

Such a crisis is born from the economic evaluation of the costs and benefits of the services themselves. On the one hand, the needs of the users, with the general increase in well-being and incomes, have become

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8In France it has been called the sector of the "Social Economy", and a member of the Government cabinet was even entrusted with its political management. In the USA it is called the "Independent Sector" and has given rise to many initiatives, partly through the work of a vast promotional organisation. See for emblematic studies: for France, J. Moreau, 1982; for the USA, Independent Sector, (1992) and V. A. Hodgkinson (1989). The third sector, or system, of the economy has as yet had little in depth theoretical study carried out into its economic functioning in terms of behaviour logic, and into the effects of its presence on the economy as a whole. See, however, some important pioneering work has been collected in Weisbrod (1977), in the study programme on non-profit organisations at the the University of Yale (called "Ponpon") which was initially illustrated in a volume of essays edited by S. Rose-Ackerman (1986), and in some other interesting work such as that by H. Hansmann (1986), Dennis Young (1983), and Robert Scott Gassler (1986).

more sophisticated in wide sections of the same usership. On the other hand, the quality of services has greatly disappointed, even with respect to the analysis of costs that these services get public finance to support. It has been demonstrated that the administration of the services of the welfare state is overburdened and inefficient, in as much as the public nature of the service renders it, to a certain extent, inflexible and unsuitable for the real needs of the usership. Moreover, poor service has resulted from bureaucratisation, politicisation, the creation of forms of parasitism and undue exploitation of the usership and finally the poor and illegal management. These are the classic defects of "etatism".

The welfare state has constituted therefore a significant factor of social waste, without even resolving the problem of assisting and adequately serving certain genuinely needy low-income social strata (although these have been diminishing during the three indicated phases).

The National Health Service is the emblematic case. Contrary to certain structural proposals put forward in some Italian trade-union circles (by CISL at the end of the 1950s), the choice made, at the end of the 1960s, was that of a National Health and Pensions Service generalised for everybody, completely comprehensive and independent of the contributory possibilities of the users. Thus, an extremely expensive service has arisen, which in order to be available for all is condemned to waste resources, without providing a good service for those who genuinely need it. The alternative proposal was to leave, apart from an essential basic fund, for the really needy, a certain amplitude for the associative organisation of private individuals (and trade unions), with contribution incentives tied to their autonomous concourse, and with privatised management, in order to assure greater control for the "user-owners" of the management itself.

All this could diminish the burden on the state budget, avoiding the wastes that are typical of statalism, eliminating bureaucratic parasitism, and improving the quality of services for the users (both those really in need of a totally public assistance, and others). It is in this direction, that - still in a confused and approximate form - both public and political opinion

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10 For a more in depth analysis by the author of the Welfare State crisis (which is however the subject of an endless stream of literature) see a report presented to a Conference promoted by the Roskilde University Centre on "Comparative Systems of Welfare" (Archibugi, 1994).

11 For this proposal see the study La sicurezza sociale e il Sindacato [Social Security and the Trade-Unions] (see CISL, 1959). The proposals of the study, that was presented to the organs of the CISL in July 1957, were assumed in a Resolution of the Executive Committee "for an implementation programme of social security", in January 1958.
is going, without, however, yet finding - in particular in the trade unions - suitable projects of further reform.

ER in this phase, which is aimed in essence at balancing public spending and reducing the large deficits that the social policy has induced from the second phase onwards, is trying today to limit social (and political) demand by means of ephemeral "cuts" which have limited effect; on the other hand, it is not succeeding in channelling private-collective initiative towards its full implementation: that which would be the best way of lightening the public finance burden without diminishing its aims and effectiveness.

SC on the complex of social uses of income, has become chaotic and disordered in this phase, and therefore difficult, episodic, and fundamentally contradictory (thus losing credibility and prestige) because of the absence of an adequate "social accounting system", which would permit negotiators and decision-makers to know the quantitative terms of the choices in question well. The distorting role of the accounting system in the real welfare of citizens has been long since shown up in the most qualified spheres of statistical economics\textsuperscript{12}. This despite the fact that any reasoning about current economic policies is still carried out on the basis of false and deceptive quantitative evidence in respect of the real welfare which may be negotiated during SC.

The importance the level of salary income levels has in the life of the citizen-worker, (or however linked to his or her workplace) but also his or her position as user of the public services and consumer has put in crisis the traditional trade union organisation, which risks being by-passed by a new movement (orientated towards environmental and urban needs, the quality of consumption, the conditions of the services user, tourism, spare time, etc) that takes in new necessities and new vital realities for the quality of life and society. All this would need a new type of trade union collective bargaining, based less on working conditions than on living conditions; but in order to do this the trade union should be placed in the position of the contractual interlocutor of the government, not only on this or that social expense, but on the \textit{overall management of the economy and of the final allocation of resources}, of which the public ones become more and more a strategic instrument. Elsewhere I have called this "plan bar-

\textsuperscript{12}For example in a lot of work by the "National Bureau of Economic Research" (NBER), in New York, founded in the 1930s by Wesley C. Mitchell, and which for some decades has been considered the fulcrum of discussion on reform of the SNA (System of National Accounting). A famous Conference of 1971 of the NBER, at the University of Princeton, on the measurement of economic and social results (see Moss, Ed. 1973), included important contributions by, amongst others, Kuznets (1971), and Nordhaus and Tobin (1973).
gaining"\textsuperscript{13}, and it would be the modern form of SC in a phase of de-
industrialisation and emergence of a "post-industrial" society. This would
demand likewise a radical renewal of the conception of the traditional trade
union.

Some glimmers of awareness have made progress in the trade unions,
albeit along with a thousand related ambiguities. At the end of the 1970s
(thus at the beginning of this phase of "de-industrialisation") the Italian
trade unions unitarily made insistent requests for a concerted planning of
economic development, social and productive investments to be realised,
and conditions for an incomes policy that would guarantee a balanced de-
vlopment of investments and employment, in particular in the South of It-
aly\textsuperscript{14}.

However, this three-year plan too (called the "Pandolfi Plan" after
the name of the Minister of the Budget who produced it) was nothing but
an exercise in "squaring" the "financial" accounts of the states in a three
year perspective, which could not activate, in the direction indicated by the
trade unions, "concertation on the real allocation of resources, within the
constraints of necessary compatibility". And even this purely financial
plan, did not have regular concertation, but was substituted by a reiterated
annual merry-go-round on the "economic manoeuvre" discussed within the

\textsuperscript{13} In \textit{Sui nuovi compiti del Sindacato} (On the New Tasks of the Trade Unions), see

\textsuperscript{14} In a well known document approved in an Assembly of trade union leaders (in
EUR, Rome, Feb. 1978) the Federation of Italian trade unions asked for a "welding between action in the short term and that in the medium term" for the realisation of the full
employment of the work force, claiming that this welding could take place only "by means of the reorganisation of a serious and coherent planning based on a precise ac-
counting frame that allows for the definition of feasibility both of sectorial and territorial
plans at the desired levels". The Federation underlined, in the document, "the necessity
that planning became, on the one hand, an articulated process with high participation in
decision-making and actions, and thus neither a technocratic or authoritarian process,
and, on the other, a rigorous instrument of compatibility between demands and real re-
sources." Subsequently (in Feb 1979) the trade union Federation, commenting on a three-
year plan that the government - with the encouragement received - had nevertheless pre-
pared, claimed that this "which should have been a plan fully aimed at overall economic
accounting from which would spring the implementable prospects of employment oppor-
tunely articulated by territory and sector, did not live up to this expectation." The actions
that have to be the way of rendering concrete in terms of real accounting and employment,
the reasoning on financial equilibrium (of the Pandolfi Plan), showed up - for the
Federation - "the lack of preparation on the part of the government for a planning man-
age of their own activities; that means above all: being in the condition to know the
interdependencies and the effects of decisions and actions undertaken in a sector or area
for other sectors and areas."
approval process of the "finance law", in which State expenditure was defined, according to the old habit of preventive budget formation.

In reality, the trade unions quickly abandoned the "grip" of planning, as a base of a new way of negotiating with the government and with the bosses, and moved to an easier wages and claim routine.

Subsequently, around 1980, there was further concertation between trade unions and the government about the creation of a wages investment fund, on the model of certain experiences of contractual saving that had been had in various European countries, in particular in the Scandinavian ones. The initiative, if carried out would have guaranteed a greater trade union presence in the allocation programmes of financial resources. But after more than a year of discussion on the formulas to be adopted (an initiative by law or by contract? trade unions mixed or only government management?) the proposal - like the planning procedures beforehand, became bogged down and never took off.

And also a more recent "result" of social concertation - in 1983-84 - consisting in a renouncement agreement on the part of the trade unions of a part of the automatic adjustment of wages to the level of inflation, did not see unfortunately the same trade unions sufficiently prepared to ask the government to introduce as compensation an advanced system of planning and the relaunch of the trade union investment fund. In the opinion of the author, a good chance was lost.

It is without doubt that these lost chances for widening the bargaining presence of the trade unions (and also of the other social forces) on ER, understood as a system of medium and long term planning (and not only as a "short term economic manoeuvre"), have greatly weakened the trade union, causing it to undergo a serious identity crisis today. But it is also without doubt that both ER and the possible SC are significantly changing.

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15. The explicit reference was to the proposal put forward by the Swedish trade unions with the well known "Meidner Plan". But in the Italian CISL - albeit with many misunderstandings and much opposition - proposals of this type had been around since the '50's. See the volume edited by the CISL on "contractual saving", and the references to the opportuneness of including the trade unions in the capitalisation processes as well in Archibugi, 1957.

16. The trade union or contractual investment fund could have put the trade unions in the condition of being the promotor (financial as well) of that "third sector" of the economy that we have called above the "associative economy". In fact this sector finds particular difficulties for its development from the financial point of view: nothing would be more reasonable than if the initiatives in this sector (which would represent - similar to the trade unions - a private-collective sector of activities autonomously managed by the workers) found a source of financing from the contractual saving of the same workers, and was managed by these same trade unions (without passing through State transfers).
in nature and prospects. As said, the new environmental emergencies, and the new social needs relative to the quality of life (work duration, urban traffic, political participation, access to culture and recreational activities), are modifying in Italy - as moreover in all the industrially advanced countries - the paradigms of well being and "development". And this is tending to overturn many of the traditional logical schemes still used in economic policy reasoning.\textsuperscript{17}

And these new paradigms, that are typical of a society defined by some as "post-industrial", and which have emerged in Italy as well in that which we have called the "third phase" of the development of the country, will be projected into the future, thus influencing both ER and SC.\textsuperscript{18}

6. The Prospects for ER and SC in the Next Twenty Years

We well have a quick look - by important steps - at the possible evolution of ER and SC in the next twenty years.\textsuperscript{19}

Experience has shown that ER, limiting itself to realising budget, monetary, and financial equilibria, has not in any way achieved its actual equilibrium goals. Inflation, like in other countries, has been controlled (more through external than internal factors), however the financial state deficit has not been controlled at all. The strength of these things would urge, therefore, for a completely new management of the public debt.

The overall reduction of the development rate that is typical of a post-industrial society, has reduced and almost cancelled the "multiplier" effect of public spending (of Keynesian memory) and of the public debt and has neutralised the "healing" technique of the "spending deficit". Economic equilibrium does not happen any more through the financial disequilibrium (as Keynes rightly theorised for his time, of "advanced industrialisa-
tion" compromised only by the crisis in demand and the purchasing power\(^2\). 

In a situation, like the present one in Western developed economies, of industrial consumer goods demand saturation, produceable at levels of growing productivity and of - on the contrary - a tendential increase in the demand for services with low or nil productivity, the public debt finances only these latter activities, without possible increases of income as an effect. Therefore, the public debt is alone in realising a *simple dislocation* of resources, which always meets an overall quantitative constraint, and without the creation of "new" wealth (as happens on the other hand in the Keynesian scheme).

On this simple dislocation, it is necessary to make some _informed choices ex ante_, rather than record _ex post_ those of the market (that nevertheless remain - for want of better - an excellent revealer of preferences).

And, for these informed choices _ex ante_ - perhaps carried out in SC - an organic system of medium and long term economic and social planning should be developed.

In this framework, the public debt too, and the financial deficits of the public sector with regard to the private one, and even any incidental inflation, would become _instruments_ of an ER, supported by suitable SC, with objectives and choices in the medium and long term.

Today the results of collective bargaining between trade unions and entrepreneurs, and also between the trade unions and government, are in crisis because of the ungovernability of the market forces and by the absence of medium and long term objectives which go beyond mere monetary and financial equilibria, that are wrongly considered as objectives _in se_, instead of being considered as instruments for the achievement of "other" objectives, of a socio-economic nature; objectives that today are inexistent because of the absence of a suitable SC.

It is therefore probable, and moreover to be hoped, that in the near future, in the presence of a socio-economic planning, SC (until now represented by collective bargaining and government agreements) becomes a "planning" SC; including in such a way simultaneously *all* the aspects of the development that interests the social parties, aspects that are structurally interrelated, and that cannot be managed with one separate from the

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\(^2\)Keynes proposed a sort of "fordism" applied to the whole economy of a country: to pre-finance demand so that the typically industrial increase in mass production, which arose out of the full utilisation of factors and from the consequent productivity and profitability of companies, was transformed into a new economic equilibrium of the budget both of the state and the entire nation (at the cost, perhaps of a certain rate of variation in the monetary parameter, i.e. of inflation).
other. This concertation should be founded on the thorough knowledge of the *scenarios* on which the plan choices are based, in a "vision" that emphasises at one and the same time all the situation's constraints, and all the costs and benefits of alternative decisions. This is very different from the generic "social pacts" (recurrently proposed) that are founded on the schemes of the aggregate economy.

If this is defined "rationalisation" of the system, then this definition is to be welcomed. Because with it one means that the social requests must be "rational", i.e. not contradictory or impossible, and they must be concerted *all together* by the social forces with those responsible for planning. In this way one will be able to avoid the risk for the social forces of creating expectations that cannot be satisfied; and for the government forces the risk of profiting from the incompatibility (stupidity) of the requests, in order to carry out choices that are not concerted with the social forces, choices that end up rewarding only certain sectors of such forces (usually the strongest). In other terms, the dissociation of ER from SC. A suitable slogan could be: *no plan without social concertation, and no social concertation without a plan.*

In order to associate and integrate ER and SC in a system and planning logic, development would be necessary of the awareness and personal and political capacities of the political and trade union leaders that will take a long time, perhaps longer than the next twenty years. Often - and this has been the case in Italy - this awareness and capacity are not covariants of political democratisation. It is not by chance that often democratisation implies a lowering of the capacities and qualities of the political leadership. In this lowering, the existent capacities are accused of "technicism", "techocratism" or "elitism", and the emerging leadership defines itself as "pragmatic". Often it is a question of sincere and honest pragmatism; but often not much is needed before it is transformed into a "swindler's pragmatism".21

However unpleasant a decrease in the technical quality of the trade union and political leadership22 which may accompany democratisation may be, this latter remains nevertheless an essential corollary of serious economic planning to be integrated and associated with social concertation.

In formulating the developments in Italy (as elsewhere) of the relationship between ER and SC, it is to be predicted that a real "technological sti-

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21. To translate a well chosen expression ("pragmatismo dell'intrallazzo") used by Giorgio Ruffolo in *La Qualità Sociale* [Social Quality], 1984.

22. Which is joined in Italy with a widespread delegitimisation of the traditional representative forms, to which it is not necessary to add anything to what has already been said and heard.
fling" will be the difficulty of knowing how to launch an efficient "social planning system" (including "social evaluation") through a leadership of social actors that is capable and evolved both culturally and technically. Any effort carried out in the direction of the "finalised" formation of this leadership will be precious, or, moreover, determining.

The legal and bargaining procedures of economic planning are still scarcely present in any of the Western countries. If progressively introduced, and practiced, they will represent an "historic" revolution in the system of public affairs management: to the same extent that (with the constitution of the democratic states and respective parliaments) the introduction of a procedural system of formation and discussion of the public budget was historic; on which system there still rests (with all the related fail-lances) the cohesion and functioning of today's state.23 From the point of view of its contents, in the coming years planning will have to face the crisis of the Welfare State, which (as I have stated on previous occasions) may be faced with the riappropriation by the directly concerned users of its management and financing of social services; which constitute a sector in expansion, as stated, in the structural evolution of consumption demand. We are talking about that growing sector of economic activity that is no longer guaranteed by the state (sick as it is with overloading and bureaucracy), and thus is no longer public but rather "private"; and which does not seek profit, since it is promoted by its very users, and thus is not a commercial private concern, since it is "social" in its ends and means. It is the "third system" of the economy, the expansion of which is inevitable, and which will absorb resources and labour (it will be the only sector to see an absolute expansion of its labour force). It is a sector that I have called the "Associative Economy", and which would merit serious study, and above all help, with opportune fiscal and financial incentives, in order that it develops more quickly as is happening in many other countries of the world.24

But in order to include the expansion of coming years of the third system in planning and in SC, the development of a new social accounting system will be necessary, since the third system - not being commercial - operates "outside the market", and is unlikely to be appreciated, for better

23On this point see the author's considerations in a previous essay on planning as a basic institutional reform (Archibugi, 1985).

24I have developed and written widely on the historical characteristics, functions, and promises of the "third system" and the associative economy on numerous occasions. See a paper (already mentioned above) prepared for the 1984 Intergovernmental OECD Conference (Archibugi, 1985a), and a summary in the GGIL Journal Quaderni di Rassegna Sindacale (Archibugi, 1985c).
or worse, as profits and/or as costs, on the basis of the GNP systems of accounting (that evaluate production "at market prices"). And the evaluation "on cost factors" (as happens in the public sector) would also be very approximate, having become too approximate for the public sector as well\textsuperscript{25}.

It is to be foreseen, then, that the "third system" will receive very particular attention in the next decade, starting from a juridical "regulation" in order to avoid fiscal uncertainty and abuse; and end with the study of its financial incentivation (at least in the take-off phase of the single institutions)\textsuperscript{26}.

Another aspect that will merit careful evaluation (in the framework of "plan concertation" of the type described) is that of a more advanced redistribution of working time (i.e. labour sharing).

Not only has de-industrialisation not seen industrial employment develop (which is now in decline not only relatively but absolutely, as happened previously for rural employment, bearing in mind the fact also that the overall population is tending to decrease rather than grow in advanced countries) but it is also seeing total employment decrease as well.

This calls to mind the recent observation of Leontief that despite noteworthy increases in working time productivity, realised in the most industrialised countries in the last thirty years, the average duration of the working day has remained more or less the same\textsuperscript{27}.

This phenomenon of "stickiness" may become very serious if it carries on in its present state. The increase in possibilities in post-industrial society (information technology and robotics) cannot leave to an ever more limited class of full-time workers (both in industry and in services) the task of sustaining the material consumption of resources of an ever more wider class of "unoccupied" (eternal students, pensioners, housewives, children who stay at home until adult, "artists", "scholars", "brasseurs d'affaires", those who do nothing etc. i.e. the new class of those who profit from the work of others and which corresponds in our century to the "faineants" of the 18th century and the "rentiers" of the 19th century). This happens only because the high efficiency of modern industrialism permits it.

Sooner or later, the social super-structure will adapt to the economic structure and a drastic process of restructuring will take place, founded on

\textsuperscript{25}In fact if it was once acceptable, in it approximation when the public sector represented 10 to 15% of the National Product, it is completely unacceptable, since it is profoundly distorting, today when the the public sector represents more than 50% of the national product in nearly all advanced countries.

\textsuperscript{26}In France, as mentioned later, the study of the practice for the financing of the third sector is very advanced (see X. Greffe, \textit{et al}, 1983).

\textsuperscript{27}See W. Leontief \& F. Duchin (1986).
the redistribution of work and on the radical reduction of daily working time for all. And the misunderstood slogan "working less in order that all work" will find its true meaning of "all working in order to work less".

With this in mind it is necessary that governments, entrepreneurs, trade unions adequately prepare themselves, perhaps in the framework of a "planning SC" of the type described, introducing operational instruments for the implementation of this reduction: organisation of team work, training on the job, continuous opening of public services, etc.

7. Method Conclusions on the Significance of the Italian Experience with respect to Other Possible European and Non-European Situations

We have strongly linked the interpretation of ER and SC in Italy, in this rapid review of the period from the end of the last war until today, to the type of phase of economic evolution of the country.

This should be done with the same criteria - and even more rightly so - if we examine it in relation to the situation in other European countries or otherwise.

On the European scale, Italy has in the post-war period more or less achieved the same structural level of other countries, even if some noteworthy cultural gaps still exist, in particular as far as the Southern Italian regions are concerned.

As far as the global scale is concerned, and in particular with regard to the comparison with some developing countries, the question is much more complex.

Above all there is a great variety of situations and cases, in these countries, given their structural and cultural heterogeneity.

And even if one recognised certain cultural and structural affinities for some of them, specific questions arise; for example: in which "phase" - of those described for Italy - are each of the countries in question? And furthermore: is the tripartite division for the Italian development (proposed by us) valid for these countries? or: is it necessary to go further back in time, to a phase that was had in Italy between the wars? And: (an even more complex question) is it really necessary that the various countries in question go through each of the phases indicated? or, could they not "jump" one or more of these phases (able as they are to see and judge the outcomes of others' experiences).

Italy, for example, with respect to the "classic" model of development for a capitalist and industrial society has undoubtedly made some (at least temporary) "leaps". It is very plausible that - in the consolidation of a
highly "globalised" market, and in which the problems, methods, and policies to face these (environmental problems, cultures, technologies, communication, transport, etc.) are becoming equally globalised - the rhythms and passages "by phases" of the development described for Italy may be overturned.

Leaps and by-passes, nevertheless, may only occur up to a certain point. "Local" factors of preservation and resistance to change (in particular cultural factors that are typically linked to demographic generations) may exercise a role that cannot be ignored or underrated. The main problem (and probably the point of discussion and possible dissent) is what will be that "certain point" at which the leaps and by-pass will not be possible.

Therefore we could generalise as follows:

− "The ER and SC models of the type described for Italy, for the past and those ones desired for the future - are the expression of the cultural status of each of the national communities in which they operate, of the distribution of personal capabilities, of the knowledge of the various economic subjects in question, and of the life styles relative to each of them".

− All this is also the function, it must be said, of consumption levels and existent income (which are themselves the expression of the "stage" of economic and social development of the country itself); but also of the generational cultural influence of the community.

− And it is necessary likewise to bear in mind that certain generational rigidities cannot be altered and modified by certain changes in income. For example, in Italy we have seen that the improvement of the income factor has not had great results in regional policy (for the South) with respect to other sociological and human factors (culture, life styles, etc.), unless through the factor of generational change (this too with much stickiness ...): therefore, it is this latter generational factor that has definitively dictated the rhythm of change.

− Nevertheless these generational changes may be planned, i.e. they may become the object of the ER (or rather EP, Economic Planning) and SC, mentioned above.

− Choices may be orientated (and relative evaluations) in the short and medium term, towards objectives of a longer period.

− The uncertainties that - as often said - increase in the long term do not necessarily deny the opportuneness of such choices. Today important technical means of phenomena monitoring are available, which permit periodical adjustments and opportune temporal checks on the choices themselves.
All this is still better than abandoning planning, and carrying on in a haphazard absence of actual choices, with rash or hasty decisions, i.e. with "decisions without choice".

It is not to be ruled out that historically this has been the factor that has led to the decline of some economies, whose early stages were not particularly inferior to those of the countries that have subsequently realised the kind of leading development that today one wants to achieve everywhere.

This is why, all things considered, I would be of the opinion that the ER and the SC may be orientated towards an advanced planning process, independently from the nature and the phase of development of the country in question. It is a matter of orientating its contents in a suitable way with regard to the specific problems of that particular country. But the method seems worth maintaining and recommending, everywhere.


-----(1965), Il risparmio contrattuale, [Contractual Saving] (ed. by the "Ufficio studi e formazione"), Roma 1965.
Federazione unitaria Cgil-Cisl-Uil (1978), Per una svolta di politica economica e di sviluppo civile e democratico [For a Change in Economic Policy and for Civil and Democratic Growth] (Federation Document approved by the Assembly of Leaders at EUR, 13-14 Feb, 1978), in: (by extracts) F. Archibugi (ed.) La domanda di programmazione e il sindacato, [The Need for Planning and the Trade Union], Edizioni Lavoro 1979.


