THE FUTURE OF CORPORATISM–I

A New Italian Renaissance?

A movement to dismantle Italy's elaborate corporatist state is under way in Rome, but the outcome is far from certain.

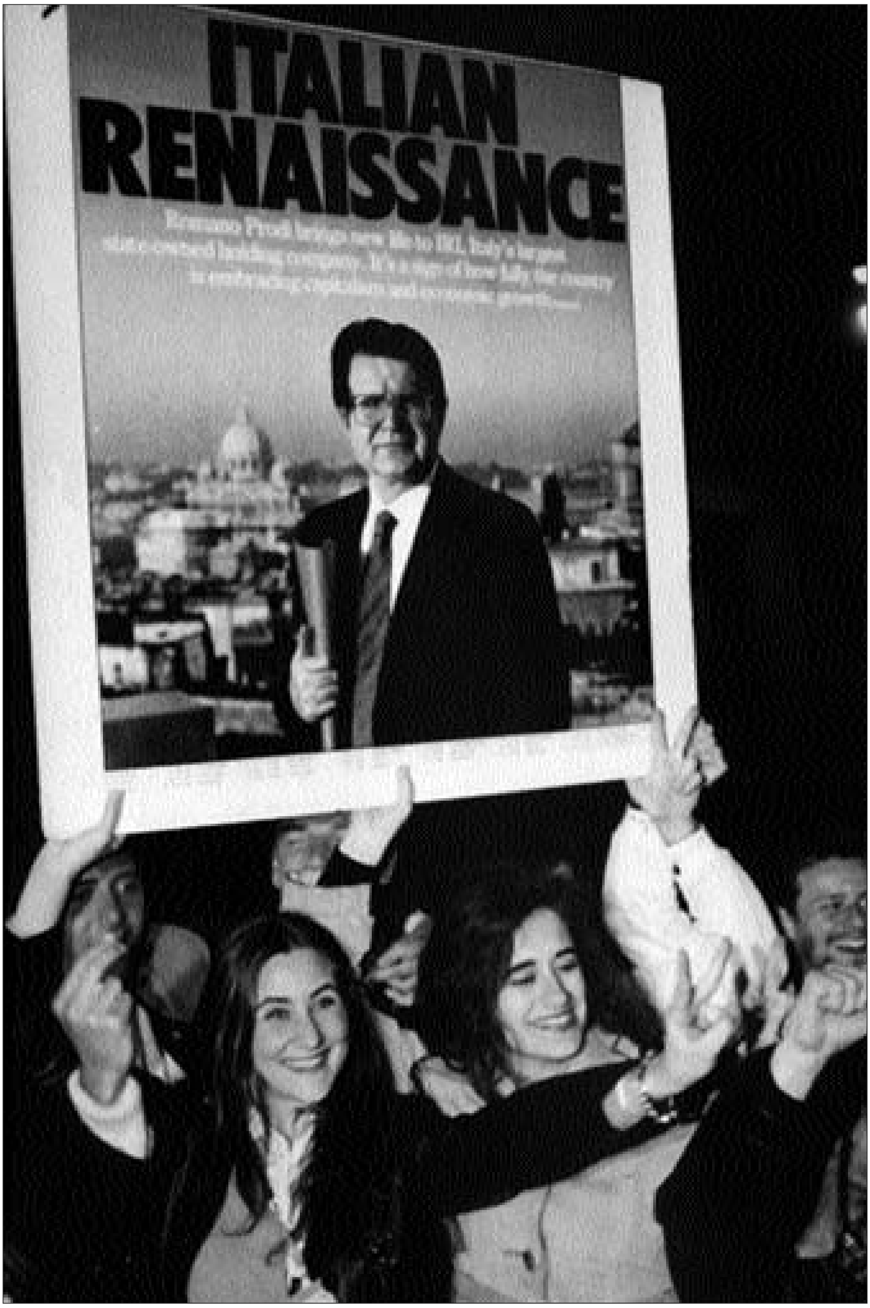
by John Hooper

Via Po, a broad, cobbled thoroughfare that runs a few hundred yards from the ancient city walls, is one of Rome's more up-scale shopping areas, featuring boutiques, furriers, jewellers, and designer leatherware stores. It is a prime site in other ways as well, being the address of the German embassy, the headquarters of the Italian soccer federation, and the walled residence of the papal nuncio. Yet tucked in amid the fancy stores and important offices, one can also find a plumbing supply store, a tacky giftwear emporium, and a basement pasta factory.

Among other things, the heterogeneity of Via Po bears witness to a highly effective, though not immediately visible, form of protectionism. Had they been left to the mercy of market forces, stores such as the one selling pipe joints and rubber washers would long ago have been driven away.

Right now, however, the storekeepers of Via Po and the surrounding streets are in a state of shock.

One Friday last January—without warning—the Italian government's center-left cabinet approved a measure officials had been preparing in great secrecy, a law that, if approved by Parliament, will



Celebrating the victory of the center-left Olive Tree coalition in April 1996, young Romans hold up a poster—curiously, in English—proclaiming the reformist ambitions of leader Romano Prodi.

strike at the very foundations of a monumental bureaucratic structure that has safeguarded the way of life of Italy's family storekeepers for more than half a century.

Within broad limits, the law will allow stores to open and close when they like. At present, their hours are determined by the city council, which also decides—in the case of those that sell food and drink—when their owners are permitted to go on vacation. Even more subversively, the new law will allow storekeepers to offer *what* they like.

“With this new law,” said one shopkeeper, “even someone who didn’t know how to read or write could just open a store.”

For the moment, anyone who aspires to open a store in Italy is faced with a kind of commercial commando assault course. First, you have to get a license. And since new licenses are rarely issued, you normally need to buy one from someone who is going out of business. (Until the announcement of the government’s new measure, there was a flourishing “gray market” in these permits, with its own brokers and tariffs.) Nor will just any license do. You need one for the kind of merchandise you want to sell, and if you are eccentric enough to want to sell more than one sort of merchandise, you will need more than one license. If, for example, you propose to offer your customers underwear *and* outerwear *and* linen *and* such things as needles and thread with which to mend the rest, you will need four different permits. In a middle-class neighborhood such as the one around Via Po, that would cost you about $100,000.

Licenses for supermarkets and department stores are even more strictly rationed than others because, for almost 50 years, the Christian Democrats, who were in every Italian government from the late 1940s to the early ’90s and whose ideology was inspired by Roman Catholic social thought, made a conscious effort to preserve the family store as a redoubt of family values. One result is that, in the whole of Rome, there is not a single outlet comparable to France’s Galeries Lafayette or Spain’s El Corte Inglés.

Regulation per se has also helped sustain the little family retail business. A store can be run entirely by one family if it has limited hours. It can also get away with closing down altogether at lunchtime and for vacations because competing outlets are all forced to do the same. Only 30 percent of store assistants in Italy are from outside the family that owns the business. In France and Germany, the comparable figures are 79 and 85 percent. Not surprisingly the Italian arrangement has had a huge impact on employment patterns. Italy is a nation virtually without “shop girls,” which helps to explain why, for example, in the south only eight in every 100 women between the ages of 15 and 24 had a job in 1995.

The regulation ordeal continues. For once you have succeeded in obtaining your licenses to sell certain goods, you must get them registered with the city council (a process that usually takes several months and costs yet more money), then apply—and pay—to take an exam. “In

> John Hooper, *the southern Europe correspondent of the British newspapers* The Guardian *and* The Observer, *has been based in Rome since 1994. He is the author of* The Spaniards *(1986) and* The New Spaniards *(1995).*

One goal of Italy's corporatist arrangement has been to protect the family business. Here, grandfather and grandson take a break from their store duties to hone their soccer skills.

two parts," says my neighbor, Gabriella Capponi, jabbing a finger at the counter for emphasis. "Written and oral."

Signora Capponi works in as typical an Italian family business as you will find—a hardware store just off Via Po, higher than it is wide and festooned to the ceiling with everything from welding masks to natural sponges. It gives employment to Signora Capponi, her husband, and his mother and father, who bought it in 1958 when they moved to Rome from a village on the Mediterranean coast.

Signora Capponi's father-in-law, Giovino Paradiso, still cannot believe that the state would really allow people to become storekeepers without taking an examination. "Knowing what to do is important too," he said to me, breaking off from counting out steel hooks. "With this new law, even someone who didn't know how to read or write could just open a store."

The maze of regulation surrounding the retail sector explains more than just the heterogeneity of Via Po. It explains why new products have such difficulty reaching the market in Italy. Try locating a computer store in an Italian city and you will discover that, for the most part, computers and their accessories are sold either by mail order or from warehouses in industrial zones miles from the center. Heavy regulations also explain why shopping in Italy is such an inconvenient nightmare. Someone wanting to buy a ladder, overalls, and cleaning liquid not only has to visit three different stores but also must make sure that none of these visits overlaps with any of the stores' two-hour lunch breaks, which themselves rarely coincide.

As Italy's prime minister, Romano Prodi, warned, the implications of the liberalization of the retail business are "enormous." But, potentially at least, they go beyond even its direct and indirect effects. If we are to believe Prodi, who is also a professor of economics at the University of Bologna, this is merely the first move in a campaign by his government to liberalize the whole of society. In uncharacteristically brutal fashion, he declared, "We are going to take this country apart piece by piece."

That is fighting talk. But then, what lies ahead of Prodi is a battle of epic scale. Italy, more perhaps than any other country in Europe, has a particular way of doing things that encompasses and transcends both the conventional political division between Left and Right and the economic polarization between corporatism and free-market ideology.

In the Anglo-Saxon world, it is the habit to think of confrontation and bare-clawed competition as fundamentally positive, essentially invigorating—and to be slightly perplexed when others fail to see matters the same way. Britain and America have both created bipolar democracies based on winner-take-all, first-past-the-post electoral systems. English-speakers tend also to favor conflictual economic arrangements such as free trade and free markets. And almost any nation that has been influenced by English common law has an advocatorial system of court procedure, with the judge not actually judging but holding the ring in which two sides fight it out in front of a jury.

Until very recently, Italy had none of these things. Indeed, it had close to their antitheses. Its extreme form of proportional representation ensured an intensely multipolar variety of democracy, which vested huge power in the parties but ensured that no one party could, in practice, garner enough votes or seats to form a government by itself. Moreover, a specifically Italian quirk prevented any real alternation of power. Because one of the nation's parties, the Italian Communist Party (PCI), was considered unfit for government, it was left to the others to form an endless succession of subtly varying coalitions. All of them—of necessity—included the largest of the noncommunist parties, the Christian Democrats.

Thus, beneath an appearance of incessant change, there was actually considerable continuity. Arguably, too much. For instance, the Interior Ministry, the key to power in Italy because of its control of the police, part of the secret services, and many of the most sensitive archives, was headed continuously by a Christian Democrat from the late 1940s to the early 1990s.

Over the same period, Italy developed an unusually "social" form of capitalism. One of its characteristics was a high level of public ownership. Vast areas of the economy that had been taken over by the state under Italy's fascist dictator, Benito Mussolini, were allowed to remain in public hands. Then, yet more were added. By the mid-1980s, the state, through its holding corporations, owned around a thousand firms that accounted for a third of total industrial sales. The corporatist thinking that had imbued Mussolini's regime also lived on in the continuing organization of professional people into Ordini (Orders) empowered to cartelize their respective areas of the economy. Most of the rest of the working population was just as rigorously organized within a web of employers' associations and trade unions that at the national level acquired an automatic right to be consulted on the shaping of economic policy. The strength of the communist movement, meanwhile, encouraged a proliferation of cooperatives, particularly in the center and north of the country.

The counterweight to all this "socialization" was the existence of a highly successful private sector. But even here, Italy was idiosyncratic and a long way from the individualistic Anglo-Saxon model because of the predominance of family businesses. One of the more striking aspects of Italy's economy today is how many of the larger corporations are still family-based and, to a greater or lesser extent, family run. Fiat is one example. The Berlusconi family's media and property empire is another.

The judicial system similarly reflects an emphasis on group values rather than individual rights. The defense begins each case with several disadvantages. Chief among these is the fact that the prosecutor, who has carried out a detailed investigation before the trial and concluded that the defendant is guilty, is as much a representative of the perceived interests of society as the judge or judges. The prosecutors are not attorneys but are themselves judges who belong to the same corporate body as the officials presiding over the court. Thus, a prosecutor's task is not so much to defeat an adversary as to get his or her own conclusions endorsed by a colleague who is also expected to act on behalf of the collective good.

For the most part, Italy's nonconfrontational practices served it well for decades. Italians and non-Italians alike might complain of the disorganization, but they could not dispute some remarkable achievements—several decades of relative political stability and an equivalent period of strong economic growth that, by the start of the 1990s, had given Italy a greater gross domestic product (GDP) per capita than Britain or, indeed, Kuwait. An important reason these preferences worked is that they offered solutions to at least two specifically Italian concerns.

One was the experience of dictatorship under Mussolini. A political system that, by its very nature, ensured that no one individual or party could gain control of society was as good a guarantee as any that the country would not slip back into totalitarianism. The "chaos" of Italian politics, with its revolving-door governments and interminable crises and melodramas, can even be seen as a thoroughly healthy reaction to the "order" imposed by Il Duce.

The other concern—felt unevenly in Italian society, perhaps, but very keenly in the Vatican and by successive U.S. administrations—was the immense power of communism in a country that had been consigned to the Western sphere of influence in the postwar agreements. Throughout the Cold War, the PCI was the West's most heavily votedfor communist party. One of the effects—and purposes—of a highly "social" form of economic organization was to undercut the Marxists and make it impossible for them to claim that the working class was a helpless victim of exploitation. Indeed, there can be times—particularly when faced with some mind-numbingly senseless official restriction, or the power of the unions as demonstrated by their latest strike—when the foreigner in Italy can be forgiven for thinking it avoided communist rule only by making itself into a passable imitation of the old Soviet Union.

For some time, though, it has been clear that Italy's anti-Darwinian, Catholic-corporatist way of doing things is no longer working. Politically, it was manifest in the collapse in the early 1990s of the old, party-dominated system known as the *partitocrazia*. Even the mighty Christian Democrats were swept away. Economically, it has been discernible in a less-than-sparkling performance over recent years. By the middle of this decade, Italy's much-publicized *sorpasso*—its overtaking of Britain in the table of average output—had been quietly reversed. The European Union's latest comprehensive figures, which are for 1995, put the United Kingdom's GDP per capita at 14,358 European currency units (Ecus), just ahead of Italy's 14,245.

The anecdotal evidence of relative decline is even more compelling. Visitors arriving at Rome's Fiumicino Airport may feel—not surprisingly, since they are arriving in the world's fifth industrial power—that they need not bring currency or travelers' checks. A Spanish friend made this mistake. He set off with a pocket full of credit cards, expecting to be able to raise cash at the Rome airport. And remained penniless. Only some of the Italian banks' automatic teller machines recognize cards other than their own, and they are frequently out of operation, usually for *assenza di collegamento* (want of connection), whatever that means. In the end, our friend was forced to hire a car with his credit card just to get to the city center.

On the way, he passed a very elegant bridge on the right side of the road. What he, and hundreds of thousands of other tourists, failed to spot was that it leads from one field full of sheep to another field full of sheep. It is another of those monuments—a lesser, though poignant, one —to the trillions of squandered lire that have gone toward building up a national debt that is 125 percent of the nation's GDP.

Once in Rome, he—like many of our guests—was struck by its beauty but also by its neglect. The motorist arriving in the city by way of the Via Ostiense, which is the most popular route, travels along a patched-up highway on which the pedestrian crossings are scarcely visible. It is divided by an untended strip of grass and trees, and the crash barriers on either side of it are smashed and dented. It has to be one of the most unimpressive entrances to any city in the developed world.

Fortunately, the car rental agency gave our friend a full tank of fuel. Apart from the fact that the vast majority of gas stations are closed for lunch and on Sundays, even on major roads into Rome, there are several days of the year when they are closed because of strikes by the pump attendants. What is more, quite a few gas stations still do not accept the usual internationally recognized cards.

But then this is a country in which the number of people who own a Visa card is lower than in Turkey. The unacceptability of plastic money is less obvious to the tourist. Restaurants and hotels have been forced to adapt to this odd foreign quirk. But in everyday life, cash is still the normal means of transaction, and you need to carry a lot of it at all times.

It has become customary to talk about a nation's problems in terms of its leanness or flabbiness, but what Italy is suffering from at the moment is more like structural arthritis. It is not life threatening. Whatever happens, Italy will continue to be a relatively prosperous country. But it is being slowed down by a progressive stiffening of the joints.

If, for example, this article were a letter from Rome, you might never have seen it. As I was sitting down to write, my bank statement arrived from Gibraltar. It had taken 29 days to get here from the mouth of the Mediterranean. You can do the journey more quickly on a sailing boat.

As we approach 2000, Italy—a member of the G-7 group of the world's economically most advanced nations— still does not have a mail service that can deliver letters quickly and reliably. Spokespersons for the Italian mail service claim that 85 percent of letters sent from the provinces to the cities are delivered within three days, but few of us who live here believe them—and, in any case, they are giving us no assurances about the remaining 15 percent.

Some weeks ago, a kidnap victim sent a desperate plea to a TV station. The envelope took 11 days to get from a village near Arezzo in Tuscany to Milan, 240 miles away. The chairman of the Italian mail was entirely unabashed. He blamed the fact that the kidnappers, while remembering to include the amputated lobe of their victim's right ear, had failed to use a postal code.

The mail is one of the best examples of the problems facing Italy. The reason the service is so poor is that, for decades, it was treated not as a vital part of the nation's economic infrastructure but as an important aspect of its welfare provision. Under the old system, it became the tradition for parties to give out jobs in the mail service to poor but politically loyal southern voters. Since the jobs themselves were quite understandably regarded by their occupants as rewards rather than challenges, the mail service became a stronghold of bureaucratic obscurantism, petty corruption, and the worst sort of hairsplitting trade unionism.

What has attracted attention to Italy more than anything in recent years has been the campaign against corruption that began in 1992 and acquired the generic name of Tangentopoli (the word for "kickback" in Italian is *tangente*). Thousands of business executives and party officials were jailed in an apparent frenzy of virtue. Much of the subsequent reporting on Italian affairs has dwelt on the drive to clean up public life after a half a century of corrupt *partitocrazia*.

Tangentopoli was undoubtedly important. But six years on, it is clear that it was an early symptom of something less visible yet much more significant for Italy's long-term future—a shift away from Italy's collaborative traditions toward the Anglo-Saxon model. This is the real revolution, though its progress up to now has been faltering and its outcome is far from certain.

Tangentopoli did not stamp out graft, but it did undermine the particular form of graft on which Italy's old political order depended for its survival. Since World War II, all political parties have needed huge sums of money to pay for their ostentatious presence in society. Those that were able to get a share of power raised funds by levying unofficial commissions at every level of government, from the village to the state, on a vast array of public contracts. (The first Tangentopoli inquiry looked into a bribe for the right to clean a retirement home.) To be able to pay such *tangenti*, the firms that secured the contracts inflated their prices. The fact that the state was paying more than it needed to for nearly everything it commissioned or bought was among the main reasons why its debts kept increasing. It has been calculated that between 1980 and 1992, $20 billion was paid out in bribes, a sum that accounted for about 15 percent of all that the state owed.

But—and this was the stroke of genius—the debt was financed by means of bonds that were made available to ordinary Italians at very attractive rates of interest. The most popular of these bonds were—indeed are—known as BOTs (for *buoni ordinari del tesoro*, or "common treasury bonds"). They became a central part of the personal financial planning of millions of ordinary Italians who, with a wry wit, came to be known as the "BOT people." The orchestrators of corruption thus succeeded in giving millions of their compatriots a direct interest in the survival of graft, by turning the cost of venality into lucrative fixed-interest securities.

What brought this experiment in politico-economic alchemy to such an explosive conclusion remains a matter for debate. One explanation

Said one Italian observer, “Ours is a servile race, incapable of self-government, which is looking to Europe for salvation.”

puts it down to the end of the Cold War. Accordingly, Italians realized they could no longer count on being saved from their excesses by the United States and other European countries fearful of a communist takeover. Another explanation is that it was the onset of a recession: firms were simply unable to pay the 10 to 15 percent markup that they had paid with ease during the booming 1980s. There is an element of truth in both of these arguments.

But even more important than either, in my view, was Italy's commitment to join a single European currency. The agreement on currency convergence signed in the Dutch town of Maastricht six years ago meant the merry-go-round had to stop. It made participation in the new arrangements conditional on, among other things, a low budget deficit and modest government borrowing. So there could be no more *tangenti*.

But why did Italy sign on? The answer, I believe, lies in the nature of Italy's relationship with “Europe.” It should never be forgotten that this is a country severely lacking in self-confidence. It has only been a unified state for 128 years, and before that, for well over a millennium and a half, it was fractured and vulnerable. German, French, Spanish, and Austrian armies tramped over the peninsula, reducing vast swaths of it to servitude for centuries at a time. The Italians share with the Irish, the Norwegians, and the Dutch the relatively unusual historical experience of having been the colonial subjects of other Europeans.

That means that an institution such as the European Union (EU), which guarantees Italy the same status as its erstwhile colonial masters, is one that holds a peculiar appeal to Italians. Diplomats in Rome will tell you privately that Italian civil servants show little concern for the detail of European projects. They do not, like the British, French, or Germans, draw up detailed position papers, scrupulously weighing the pros and cons. What is important is belonging and participating, and this can sometimes mean the government will go along with initiatives that are not necessarily to the country's advantage.

Then, too, the EU imposes on Italy from the outside the kind of discipline that Italians find so hard to impose on their country from within. That may sound patronizing, coming from a foreign observer, but Italians themselves are much less tactful. The veteran commentator Indro Montanelli put it this way not long ago: “Ours is a servile race, incapable of self-government, which is looking to Europe for salvation.”

The most evident implication of the Maastricht treaty was that the administration had to stop overspending—and not just on *tangenti*. Thus, two of the outstanding themes in Italian politics over the past six years have been the need to prune back Italy's irregular, and in some respects lavish, welfare provision, and to sell off loss-incurring state industries. Three separate attacks have now been launched on the welfare state, each of which has trimmed entitlements and saved money. From 1994 to 1997, meanwhile, the Italian treasury sold off more than $20 billion in assets.

Italy may not have been able to reduce its debt by much. But it has been able to slash its budget deficit to within a whisker of the three percent of GDP demanded at Maastricht. And if it can succeed in getting the lira dissolved into the new euro, it faces the enticing prospect of being able to pay off what it owes at the sort of interest rates traditionally associated with low-inflation, strong-currency nations such as Germany.

Monetary union, however, calls for a discipline that goes beyond the containment of public spending. There is not much point in all of the countries in the union enforcing tight fiscal restraint if, every few months, one of the biggest among them is alarming the currency markets by plunging into a government crisis. Hence, the third dominant theme in Italian politics at present: the need for constitutional reforms that can deliver stable government.

In 1993, Parliament approved a characteristically Italian compromise whereby 75 percent of the seats in the lower house would be allocated to single-member constituencies and the remaining 25 percent would be filled on the basis of proportional representation. That arrangement has succeeded better than anyone had a right to expect. In two successive elections, it has given working majorities to, first, the Right, and then the Center and Left. But in both instances, the core of the administration was at the mercy of a difficult ally whose parliamentary strength rested on proportional representation—the separatist Northern League, in the case of Silvio Berlusconi's right-wing cabinet that ran the country for seven turbulent months in 1994, and the hard-line Communist Refoundation, in the case of Romano Prodi's coalition of the Left and Center that took office two years ago after a spell of nonparty administration by the stop-gap cabinet of Lamberto Dini. The Northern League brought down Berlusconi's administration in 1994, and Communist Refoundation came within an ace of felling Prodi's government last autumn. It is clear that a more rigorous solution is required, and last June a committee of both houses of the legislature completed work on a draft constitution to be put before the full Parliament later this year.

The Tangentopoli investigations, welfare cuts, and constitutional reform can all then be seen as part of a single, immense package designed to limit the damage Italy could do to the euro. It is an indication of the depth of Italian "Europhilia" that up to now very little has been said about the damage the euro could do to Italy.

By sacrificing their currency, the Italians will, of course, be sacrificing the right to devalue it. Nor will it be possible any longer for the lira to depreciate on international markets against the currencies of the other nations in the union. Yet devaluation and, more recently, depreciation have been choice weapons in the armory of successive Italian governments—a way of enhancing the competitiveness of Italian business whenever the going got tough.

This is where Professor Prodi and his new shop law come in—if, as he claims, it is the first step toward a far more ambitious program of deregulation. Such a program would certainly help the Italian economy as a whole get in shape for what is going to be a straight fight with the Germans, the French, and others. Prodi has said his next target will be the professions. But already one of his ministers has submitted to Parliament a bill that would shake up Italy's civil service by decentralizing the state and giving the regional and local authorities much wider powers to deal with areas such as protection of the environment, zoning, roads, and transportation.

That, in turn, could be a step, however modest, toward resolving the other historic challenge facing Italy—how to stay united. The very inadequacies that have to be made good if Italy is to make a success of European monetary union are those that have driven many in the more advanced and prosperous regions of the country to dream of secession.

Umberto Bossi's Northern League represents an arguably unique form of nationalism. It is certainly not the first regional nationalist movement to have grown up in one of the richer parts of the state from which it intended to secede; nor is it the first to have been motivated by the perceived failure of a backward capital to understand the problems of an advanced region. The Basque and Catalan movements in 19th-century Spain are textbook examples. But Bossi may well be the first regional nationalist leader to make such a case without any recourse to ethnic, cultural or linguistic differences. The inhabitants of his imagined republic of "Padania," stretching from the French to the Slovenian frontiers, would have no common history, culture, or language (other than Italian).

In its most thoughtful form—not often heard from Bossi himself, who is a born rabble-rouser—the League's argument is not that northerners are innately different from southerners, but that the Piedmontese, Lombards, Venetians, and others have been made different by their more rapid economic progress. They therefore need a different, "lighter" form of government. They do not, for example, need as many handouts, but they do require an advanced infrastructure.

The League's view is that the north, by itself, would be able to hold its own in the proposed monetary union—not surprisingly, since an independent Padania would have the highest GDP per capita in the EU. What the League questions is how it will fare as a part of Italy, weighed down—as the League sees it—by the exactions and inefficiency of "Roma ladrona" (Rome the she-thief).

Will European monetary union add to pressures that are already threatening to divide Italy?

There is another issue, though. Might not the reality of monetary union split Italy even more decisively than at present? Could it be that the north will swim, and get yet richer, and that the south will sink, and get yet poorer? It is one thing to imagine Milan as part of the same economic area as Lyons or Frankfurt; it's quite another to think of Catania or Naples having to compete with, say, Malmö.

Much will depend on Italy's ability to change and adapt. The track record so far is patchy. Reforms have been introduced. But all too often they have been tentative in the extreme. The legal system is a case in point. It remains substantially unchanged despite years of discussion among politicians. The prosecuting magistrates have had their powers of arrest and imprisonment somewhat curbed, but they have still not been given a separate status that would put them on a par with defense lawyers rather than judges.

Foreigners often make the mistake of assuming that, because Italians are so dynamic, vivacious, and energetic, they are also highly flexible. Though this may be true of individuals, it is not true—except superficially—of the culture as a whole. In Giuseppe di Lampedusa's *Leopard*, the Prince of Salina utters one of the most oft-cited remarks in Italian literature. "We want things to change," he says, "so they can stay as they are." The line is so frequently quoted because it reflects so succinctly the character of Italian life—the frantic, hectic, and not infrequently melodramatic activity disguising an underlying continuity. In other words, it expresses what happens every few months when the country appears to lurch from government crisis to government crisis.

Change is viewed with great suspicion and tradition honored with tenacious respect in Italy. This is apparent in the Italians' attachment to family and respect for age. Indro Montanelli is, at 88, Italy's most respected commentator. The chairman of Fiat is about to step down at 75, having been handed the job by the legendary Gianni Agnelli when he too reached 75.

A deep conservatism is equally apparent in dozens of little ways that are not obvious to the casual visitor—the Italians' reluctance to try foreign food or wine, their attachment to a very traditional, voluptuous, notion of female beauty, not to mention the unexpected formality of Italian forms of address. "Good morning, Accountant," says the waiter in my local bar to a customer as he comes in for his cappuccino. "Good morning, Engineer," he says to the next.

Italy may have undergone an economic revolution, but what is obvious to anyone who lived through the late 1960s and early '70s in the Anglo-Saxon world is that it has yet to undergo a social one. This is still a country in which the working man "knows his place" and signals that knowledge by, for example, addressing anyone he suspects may have a university degree as *Dottore*.

The coalition that keeps the present government in power is as good an example as any of the Salina principle in action. Strip away that government's postmodern title—the "Olive Tree"—and what you are left with is an alliance between what remains of the two biggest parties in the old order of things. Its main components are a group of the more progressive, and honest, Christian Democrats and the PCI's successor party, the Democrats of the Left. Professor Prodi is a former chairman of the mightiest of all of Italy's state holding corporations. His deputy prime minister, Walter Veltroni, was once editor of the Communist Party organ, *L'Unità*.

Foreigners often make the mistake of assuming that, because Italians are so dynamic, vivacious, and energetic, they are also highly flexible.

Just how much of the government's commitment to free-market principles is born of necessity and how much of conviction can be hard to discern. The grasp among individual ministers of what liberalization represents can certainly seem shaky. Not long ago, a plan was announced to lighten the burden on government by divesting it of responsibility for the issuing of license plates and driving licenses, the examining of drivers, and the inspection of automobiles. And to whom was it proposed to give these duties? To none other than the Automobile Club of Italy, which already has a thoroughly ambiguous function as the body that both represents Italy's drivers and issues them their vehicle licenses. It would be difficult to imagine a better example of corporatist thinking at work—the offloading of a state function onto a parastatal body formed around a vested interest.

If the Olive Tree administration does succeed in carrying out a liberal revolution, it will be profoundly ironic not just because the regime's component groups have a history of antipathy to confrontational arrangements such as the free market but because that is the very thing they have in common.

One way of looking at the Olive Tree is to see it as a posthumous realization of the hopes of the late Communist leader, Enrico Berlinguer. His dream was of an "historic compromise" between Italy's two dominant parties. In a passage from his *Austerity—An Opportunity to Transform Italy* (1977), quoted in Paul Ginsborg's *History of Contemporary Italy* (1990), he noted that the PCI and the Christian Democrats shared a commitment to saving the country from, among other things, "unbridled individualism, senseless consumerism [and] economic disorder."

What Berlinguer correctly identified as common ground was the concern of the Roman Catholic Church—and hence, at least in theory, the Christian Democrats—with the negative side of individualism. That concern still constitutes a powerful force in Italian society, quite powerful enough to ensure that it does not follow the Anglo-Saxon societies into a set of arrangements based on the competition among individuals.

Among the people one might imagine to be most fully committed to such arrangements is the governor of the Bank of Italy. Last June, the current occupant of the post was invited to contribute to a debate at the University of Bologna on competition and values in the market and society. Among other things, Governor Antonio Fazio had this to say:

> In Italy, the values of the Catholic church have always been an important point of reference for society and individuals. They are profoundly rooted in civil society and are reflected in the prevailing concept of social justice. These values are developed in the social doctrine [of the Roman Catholic Church] beginning with the [papal encyclical] *Rerum Novarum* and ending with *Solicitudo Rei Socialis*, taking in—I refer only to certain high points—*Quadragesimo Anno*, *Populorum Progressio* and *Laborem Exercens*. I identify with that doctrine and vision of the world.

Alan Greenspan would not, one suspects, have said quite the same.