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EUI Working Paper SPS No. 94/12

**The Implosion of Clientelistic Italy  
in the 1990s:  
A Study of “Peaceful Change”  
in Comparative Political Economy**

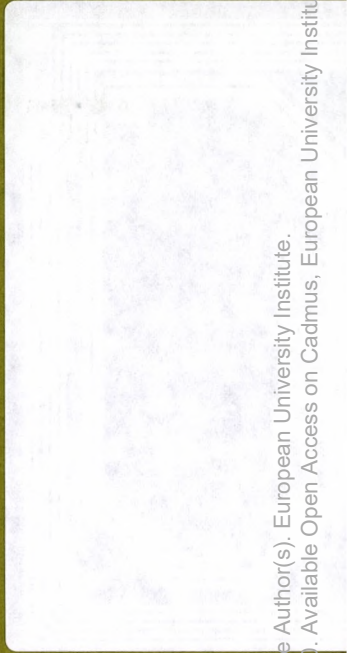
STEFANO GUZZINI

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**EUROPEAN UNIVERSITY INSTITUTE, FLORENCE**  
**DEPARTMENT OF POLITICAL AND SOCIAL SCIENCES**

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**STEFANO GUZZINI**

**BADIA FIESOLANA, SAN DOMENICO (FI)**

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Italy

# The implosion of clientelistic Italy in the 1990s: a study of "peaceful change" in comparative political economy\*

STEFANO GUZZINI  
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a slightly abridged version to be included into Heikki Patomäki (ed.)  
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# The implosion of clientelistic Italy in the 1990s: a study of “peaceful change” in comparative political economy

STEFANO GUZZINI

This chapter analyses the societal dynamics underlying peaceful change. Its main theme is the concomitant peaceful changes in Europe and within Italy. It is a response to international analysts who have tried to explain the changes in Italy mainly in terms of the end of the Cold War. This essay proposes several arguments against a top-down analysis, which attaches a prior analytical place to changes in the international balance of power in fixing the range of domestic changes. It argues first that the end of the Cold War cannot be convincingly shown to have affected the internal dynamics so as to trigger the recent “revolution” in Italy. Second, Italy’s “internal” dynamics can only be understood as a single instance of comparable transnational changes in some parts of the global political economy. Contrary to the view which sees the end of the Cold War as triggering domestic changes, both changes are incidences of adjustment processes to globalisation pressures exerted by markets, information and peoples. It will be argued that the recent changes should be seen as the effect of transnational and societal dynamics on modern welfare states that have upset the consociational/clientelistic bargain on which Italy’s domestic political economy rested. The success of the judiciary campaign *mani pulite* (“clean hands”) has been triggered by *the concomitant financial crisis of the state, its parties and major Italian industries which undermined the major actors’ ability to uphold their clientelistic systems.*

After a short exposition of the methodological and conceptual assumptions in opposition to the “end-of-the-Cold-War” perspective, the Italian case will be presented as the implosion of four intermingled clientelistic networks. The conclusion integrates the Italian case into a wider understanding of peaceful change in Europe.

## 1. Choosing a methodological and conceptual framework

After World War II, the OECD-world (excluding Turkey and including Finland), succeeded in limiting the rising participatory political and distributive economic demands of (national) mass mobilised societies within a global political economy. This compromise is in a deep crisis. The globalising dynamics of technology, knowledge and communication, transmitted by persons, media and/or markets, affect state authority transnationally. The diffusion of authority implies that state-society relations cannot be thought of in inside/outside terms: some power structures organise themselves and build up borders that do not follow the national ones. International politics “destatalises”.<sup>1</sup>

716. Taking the diffusion of authority seriously means that politics must be understood globally. In the present European context, domestic events are always an international event. Networks of markets, persons, and ideas organise themselves more and more transnationally and can thus affect actions across, and sometimes even independent of, state-borders. The domestic struggle in Russia is of immediate international significance, and part of European (and indeed world) politics. The significance depends on the potential to affect actions - wherever. For capturing this view, the concept of *Europa-Innenpolitik* (European domestic politics) will be introduced.

In other words, it is not only because there are transborder links that the Italian case is a matter for IR/IPE, but also because events internal to Italian dynamics are part and parcel of the plurinational context in which politics articulates itself in the greater part of Europe today.

### Peaceful change

This chapter approaches peaceful change from a conception of politics as necessarily “transversal”. This implies a redefinition both of large-scale violence, and of normatively relevant global processes.

First, the minimum definition of peace is the avoidance of large-scale violence. The inter-state approach will conceive of peaceful change as the establishment of an order that limits (inter-state) war. A global political approach must broaden the definition of large-scale viol-

<sup>1</sup> Therefore, the “diffusion of authority” should not be confused with a simple system-change with higher n-polarity.



ence to include phenomena such as environmental destruction (violence also against the present and future generations) and famine. As one cannot fully apprehend these phenomena in terms of intentional agency, the analysis of peaceful change must integrate unintended effects for the understanding of the context of action (see also Patomäki in this volume). Not all actions, individual or collective, can have important — although possibly unintended — effects.<sup>2</sup> In judging the context for action, agents must take into account what effects *could* occur, whether intentional or not. To judge whether or not they are conducive to peace depends on the way in which peace and peaceful change are conceived. *Friedenspolitik* as process and peace research cannot ignore actions and dynamics, whether intended, unforeseen, unintended or even impersonal.

Second, this wider vision of the dynamics that can enable or obstruct peaceful change requires a redefinition of politics. Taking the diffusion of authority seriously, implies a conception of politics as all action that significantly affects the public sphere, be the agent a (public) government or a (private) firm or an interest group. Consequently, Dieter Senghaas has, for instance, integrated public and private networks in a European approximation of Karl Deutsch's pluralist security community based on democratic principles, all-European institutions for conflict management and collective security, domestic and intra-European welfare distribution, and even inter-cultural empathy. The success of such a policy depends on its capacity to be politically satisfying, i.e. to provide enhanced returns in terms of democracy (in particular human rights), security (peaceful conflict management), welfare and the management of a peaceful coexistence of multiple cultural identities.<sup>3</sup> The "front" for a peace-furthering policy, so to speak, becomes enlarged to include a societal level. He calls this encompassing policy

<sup>2</sup> Both this particular capacity to effect and the diffusion of the origins of power are aspects of what has been called "structural power". See Susan Strange, *States and Markets. An Introduction to International Political Economy* (New York: Basil Blackwell, 1988), pp. 23-32. For a critique of the debate, regarding whether or not unintended or impersonal effecting should be included in a single concept of power, see Stefano Guzzini, "Structural Power. The Limits of Neorealist Power Analysis," *International Organization*, vol. 47, no. 3 (Summer 1993), pp. 443-78.

<sup>3</sup> Dieter Senghaas, *Friedensprojekt Europa* (Frankfurt/M: Suhrkamp, 1992), pp. 78-80.

*Weltinnenpolitik* (world domestic policy).<sup>4</sup>

In that respect, the relevance of the Italian case within a viable *Friedenspolitik* should be seen as part of a political realm which could be described as “European” or “OECD domestic policy”. This concept needs some elaboration. It differs slightly from Senghaas’ framework. He derived the concept from the trans- and supranational networks that undermine state sovereignty. Yet, it is not clear if he confers a political status to these networks. Although he might well have conceived it differently, *Friedenspolitik* is seen as a question of mere state policies, as in his example of humanitarian interventions. The above-mentioned conception of politics is however wider and carries some of the connotations of the concept of “totale Außenpolitik” (total foreign policy) elaborated by Ekkehart Krippendorff.<sup>5</sup> He defended a view of foreign policy as emanating from the society or state-society nexus. “Foreign” policy cannot be abstracted from “domestic” society. In the modern age of mass-democracies, a societal conception of foreign policy must include all aspects of society. Its very efficiency depends on the capacity to respond to external threats on all domestic levels. Foreign policy becomes “total”. With regard to the following case, the mainly internal dynamics of changes in Italy should therefore be judged for being part of this wider realm of politics.

The final question is what *Friedenspolitik* should pursue in the post-wall system? This chapter will touch the state-societal angle of OECD domestic politics, focusing primarily on the struggle for the necessary reform of Western democracies. Starting from the diffusion of authority in the global system, we face a crisis of liberalism in its different understandings: it is a crisis (1) of a rights-based democratic theory because its necessary international organisation seems to undermine the consensus in the existing democracies; (2) of representation because major authorities cannot be controlled and because the domestic elite have rendered themselves transnational and less domestically responsive; and (3) of the welfare state consensus due to the fiscal crisis, its

<sup>4</sup> Dieter Senghaas, “Weltinnenpolitik — Ansätze für ein Konzept,” *Europa-Archiv*, vol. 47, no. 22 (25 November 1992), pp. 643-52.

<sup>5</sup> Ekkehart Krippendorff (1963) “Ist Außenpolitik Außenpolitik? Ein Beitrag zur Theorie und der Versuch, eine unhaltbare Unterscheidung aufzuheben,” in Ekkehart Krippendorff (ed.) *Internationale Beziehungen* (Köln: Kiepenheuer & Witsch, 1972), p. 197.

possibly excessive intrusion into the private sphere, and inversely the prominent influence of the economic sphere on the political system.

This approach presupposes that a democratic system that manages to reform itself will breed a better management of domestic conflicts and project possible solutions to a disoriented Central and Eastern Europe.<sup>6</sup> Both can be seen as conditions for a more peaceful system. Furthermore, many of the democratic problems cannot be resolved in any other way, than trans- and plurinationally. This will be the litmus test for approaching a pluralist security community.

### A study in comparative political economy

The diffusion of authority in the present global political economy implies also a methodological shift. The present study takes up some of the ideas that international theory had been advancing but which have not become predominant. It proposes a way to join a recently invigorated attempt to build "societal" theories of international relations.

Since the late 1960s, not only Western democracies, but also the discipline of International Relations (IR) has shown signs of a major crisis. The emergence of new sectors of international politics brought forward a research programme most succinctly summed up as the synthesis of "traditional international politics, the bureaucratic politics approach and transnational actors."<sup>7</sup> Yet, the potential integration of the state-society link into IR remained limited to the political or decision-making system. During the 1970s, the initial impulse to explore the mismatch between the new transnational political economy and domestic dynamics has been increasingly forgotten.<sup>8</sup>

Expectedly, the threads were taken up in other places, in a new

<sup>6</sup> Dieter Senghaas and Michael Zürn call this "positive Ausstrahlungseffekte" (positive effects of attraction) in a catalogue of questions that peace research should address, in "Kernfragen für die Friedensforschung der neunziger Jahre," *Politische Vierteljahresschrift*, vol. 33, no. 3 (1992), p. 460.

<sup>7</sup> Robert O. Keohane and Joseph Nye, Jr., *Transnational Relations and World Politics* (Cambridge, Mass.: Cambridge University Press, 1972), p. 380.

<sup>8</sup> After all, the transnational research programme started off from the effects of transnationalisation on (national) democratic control, i.e. on the mismatch between transnational politics based on national constituencies. See Karl Kaiser, "Transnationale Politik. Zu einer Theorie der multinationalen Politik," in Ernst-Otto Czempiel (ed.), *Die anachronistische Souveränität* (Opladen: Westdeutscher Verlag, 1969), pp. 80-109.

discipline, International Political Economy (IPE). Until now, the result has been an even bigger picture of the world which increase the endogenous variables of the analysis. Too many variables means, however, that research renders many of them exogenous in order to come up with some basic causal links. Thus, the opening up of sociology had the unfortunate result that whereas IR starts to reconceptualise the impact of borders, a more international historical sociology reinforces statism.<sup>9</sup> Similar reductions also apply to structural theories which. They tend to objectify the international realm either in IR as anarchical system of self-help or in IPE as post-fordist regime of accumulation. Thereby, they tend to reify states as mere particular examples of a wider logic.

The present chapter is an attempt to avoid both these reductions. A more integrated interdisciplinary research is heralded by the development of dependency theory away from a strong outside-in emphasis,<sup>10</sup> as much as by the internationalisation of democratic theory,<sup>11</sup> and the international political economy of welfare states.<sup>12</sup> This chapter is based on the following methodological strategy:

(1) The "international" is broken down into several networks that today often have a transnational or international (via the government) dynamic of their own. The problem is then to construct an analysis founded on the articulation of these subsystems;<sup>13</sup>

(2) In order to identify the significant subsystems, the following discussion will draw on approaches of comparative politics or socio-

<sup>9</sup> For sociological statism, see Anthony Giddens, *The Nation-State and Violence* (Cambridge: Polity Press, 1985).

<sup>10</sup> For the dependency school that makes the external-internal articulation its focus point, see e.g. Fernando Henrique Cardoso, "Associated Dependent Development: Theoretical and Practical Implications," in Alfred Stepan (ed.) *Authoritarian Brazil. Origins, Policies and Futures* (New Haven: Yale University Press, 1973), pp. 142-176; Peter Evans, *Dependent Development. The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton: Princeton University Press, 1979).

<sup>11</sup> David Held, "Democracy, the nation-state and the global system," *Economy and Society*, vol. 20, no. 2 (May 1991), pp. 138-72.

<sup>12</sup> See for instance John Gerard Ruggie (ed.) *The Antinomies of Interdependence. National Welfare and the International Division of Welfare* (New York: Columbia University Press, 1983), and Peter Katzenstein, *Small States in World Markets. Industrial Policy in Europe* (Ithaca and London: Cornell University Press, 1985).

<sup>13</sup> This is, of course, close to the initial transnationalist research programme. For a view of the world as interlocking networks, see Ernst-Otto Czempiel, *Internationale Politik. Ein Konfliktmodell* (Paderborn et al.: Schöningh, 1981).

logy. The capacity to construct comparable stories for Italy and other countries should be interpreted as an indicator of dynamics shared plurinationally. Although the empirical analysis is limited here to a single state-society nexus, the significance of the case is grasped via comparison, and the research aims at developing analytical frameworks applicable to multiple cases. It is thus not based on a variable-centred comparative approach, but is case-centred<sup>14</sup> which must be necessarily transnationally analyzed.

The result is certainly a hybrid; a research note on the road to a more comprehensive and interdisciplinary approach. Although more interpretivist, it shares many of the features of what Ronen Palan has labelled "second structuralist theories" such as, for instance, the tendency to build explanation from the bottom up and to be sceptical about purely global frameworks; to allow for a relative autonomy (for analytical purposes) both of international/transnational processes, and state-society processes, but require both to be discussed concomitantly; the refusal of structural determinism and a greater scope for historical contingencies.<sup>15</sup>

After these methodological and conceptual preliminaries, we can turn to the discussion of the explanations of recent changes in Italy.

## 2. The "long night of the First Republic"

With the beginning of the 1990s and in an astounding acceleration of events, we find the familiar post-war Italian political landscape in ruins. The established *party system* is wrecked. The Communist Party (PCI) split into the "Democratic Party of the Left" (PDS) and "Communist Refoundation" (RC). Two new movements have split from the Christian Democratic Party (DC) in 1992, namely the left-wing *La Rete* headed by the former mayor of Palermo, Leoluca Orlando and Mario Segni's

<sup>14</sup> For this distinction, see Charles C. Ragin, *The Comparative Method. Moving beyond qualitative and quantitative strategies* (Berkeley: University of California Press, 1987).

<sup>15</sup> Ronen Palan, "The Second Structuralist Theories of International Relations: A Research Note," *International Studies Notes*, vol. 17, no. 3 (Fall 1992), pp. 22-29. For an attempt to rescue a societal theory of *Liberalism*, see Andrew Moravcsik, "Liberalism and International Relations Theory" (Cambridge, Mass.: Harvard University. The Center for International Affairs, Working Paper No. 92-6, rev. April 1993).

*Involvement*

centrist *Patto per l'Italia*. After the last electoral defeat in June and the partial municipal elections in December 1993, where it rated as only the fourth national party, the DC split once again in January 1994 with the main party refounded as *Partito Popolare Italiano*, and a small fraction (CCD) which allied with the *Forza Italia*. The Liberal Party (PLI) dissolved itself into a loose network. The Social Democratic Party (PSDI) has gone bankrupt. The Socialists (PSI) split and were reduced to (electoral) insignificance in the general elections of March 1994.<sup>16</sup>

*lost control*

Large sections of the *economic and political elite* have been arrested. Political and economic leaders, at the top until 1992, are under investigation, both in (as several former ministers and company managers) and out of jail (as in the case of Craxi and Andreotti). In addition, the *bureaucratic organisation* has been restructured (1) at the top where through the use of referenda, ministries have been abolished (the Ministries of Agriculture and of Tourism);<sup>17</sup> and (2) at the bottom, where lifetime contracts of public officials have been abolished. Finally, violence between organised crime and representatives of the State escalated with the killing of the two main anti-Mafia prosecutors and the capture of the presumed top mafia boss who had escaped arrest while residing in Italy for decades. As the electoral law has been revised on the local and national level to abolish the pure proportional system, commentators discuss the transition to a "Second Republic" in Italy. Why did the unexpected happen; and why so suddenly?

### Italian changes as response to a lifted bipolar "overlay"

The concomitance of domestic change in Italy and the end of the Cold War provoked hypotheses that draw direct correlations between these events. With the end of the superpower "overlay" in Europe, the lid constraining foreign policy options and behaviour of states was lifted.<sup>18</sup> This originally Neorealist research programme has been extended

<sup>16</sup> For a comprehensive account of the organizational transformation of individual Italian parties and the entire system, see Luciano Bardi and Leonardo Morlino, "Italian Parties. The Great Transformation?" (Paper presented at the Annual Meeting of the American Political Science Association, Washington D.C., 2-5 September 1993).

<sup>17</sup> In blatant contradiction to the referendum, the Ministry of Agriculture has been re-installed under another name.

<sup>18</sup> Barry Buzan, Morten Kelstrup, Pierre Lemaitre, Elzbieta Tromer, and Ole Wæver, *The European Security Order Recast. Scenarios for the Post-Cold War Era*

to include the freeing of domestic dynamics. There exist two versions of this top-down argument.

The first is a remake of the "Back to the Future" argument which attributes recent Italian changes to the same factors which gave rise to nationalism in central Europe: the resurrection of suppressed conflicts. In its strongest version, domestic conflicts had come to a halt when they were overlaid by the superpower competition. Once the overlay was withdrawn, domestic history picks up where it left off. This approach is static on the domestic and international levels. Both realms repeat continuously their inherently conflictual character. This view presupposes that domestic and international dynamics can be viewed on their own, their "interaction" being limited to the cases where one dynamic impedes the other to develop. This rather crude version has not been used for Italy.<sup>19</sup>

The second "top-down" reading would interpret overlay not just as a suppression, but as an international (re)shaping of domestic conflicts. In the physicist analogies so honoured by Realists, the metaphor is that of magnetic attraction or electrolytic polarisation. This has been applied to Italy. Let us follow this explanation step by step.

The reason for this strong parallel between the international and domestic change lies in the reproduction of the East-West conflict in domestic politics. After World War II, while Germany was territorially divided, Italy became a politically divided country. The legitimization of both poles was inextricably linked with external dynamics. The PCI's closeness to the Eastern bloc was perceived as a threat to Western defence, and consequently its access to power had to be prevented.<sup>20</sup>

(London: Pinter Publications, 1990), in particular pp. 41-44.

<sup>19</sup> A non-Neorealist approach to the "Back to the Future" argument would analyse how in the ideological void after the demise of communism, the (often idealised) pre-communist era reappears as a reference point. "Back to the Future" here is not a historical dynamic starting anew, but a construction by present actors and discourses. I am indebted to Anna Leander for this point.

<sup>20</sup> For a punctual and self-legitimizing reminder of Western pressure at the G7 meeting in Puerto Rico in 1976, where Helmut Schmidt declared on behalf of the group that a government with the PCI would constitute a break with NATO, see the interview with Giulio Andreotti, "Dunkle Schatten über Italien," *Der Spiegel*, vol. 47, no. 31 (2-8 August 1993), p. 112. Western policy was not only verbal. The CIA sponsored groups called "Stay Behind". These groups, using means of the secret services, had the task of preventing those domestic groups considered "anti-Western" from

Interestingly, some commentators consider the *international* options of the PCI as a democratic litmus test. In 1977, the PCI officially declared its distance from the Soviet Union ("lo strappo", the rift) and supported Italy's membership of both the EEC and NATO. At the same time, the DC did its best both to invoke anticommunism, *and* to avoid the emergence of any party outside the PCI that might threaten the communist's monopoly of opposition.<sup>21</sup> Through this strategy it effectively managed to maintain a permanent deadlock in the political system. The PCI was never allowed to assume the role of alternant and became increasingly coopted into the policy-making of DC-run governments.

This system locked at the top undermined its legitimacy at the bottom. People went on voting, knowing in advance that nothing would change. When the East-West conflict eased, the legitimation of the two major political parties was shattered. The defeat of communism and the change of the international system meant that containment at the Italian front was not needed any longer, and broke up the remaining electoral discipline. Italian voters "now know that they can choose among all existing forces without endangering democracy in Italy."<sup>22</sup> Since then, the leading parties have been in free fall.

In the wake of the 1992 elections little is clear other than that the first Italian republic is all but dead. Contrary to the views of eminent academics, anticommunism was the only reason why the Italian people tolerated it. As soon as they were able to junk the system safely, they set about the task with gusto.<sup>23</sup>

This change has been eased, so this analysis runs, by the emergence of a new anti-system party, the *Lega Nord*. Even before its recent electoral triumph at the municipal elections in June 1993 (including Milan), the *Lega Nord*, by undermining the ruling DC, made alternance possible in

gaining influence. The Italian subgroup is known under the name *Gladio*, the gladiator's sword. See Franco Ferraresi, "A secret structure codenamed Gladio," in Stephen Hellman and Gianfranco Pasquino (eds), *Italian Politics: A Review. Volume 7* (London: Pinter Publishers, 1992), pp. 29-48.

<sup>21</sup> Giuseppe Sacco, "Italien im Umbruch," *Europa Archiv*, vol. 47, no. 12 (25 June 1992) p. 338.

<sup>22</sup> Giuseppe Sacco, "Italian im Umbruch", p. 342 (my translation), implying apparently also the "democratic" MSI.

<sup>23</sup> Angelo Codevilla, "A Second Italian Republic?," *Foreign Affairs*, vol. 71, no.3 (Summer 1992), p. 164.



Italian politics.<sup>24</sup>

Let us summarise the main thrust of the argument. The Italian political system mirrors the Cold War bipolarity. The post-wall system undermines the mainly ideological legitimacy on which the system was built. Thereby, the government is confronted with the emergence of several previously repressed actors, as for instance new parties and an independent judiciary. The triggers, namely the withdrawal of electoral, industrial, and indeed criminal support for the parties rang the death knell of the Italian First Republic.

### The implosion of a consociational-clientelistic system

The following account attempts to show that the preceding explanation, although not lacking in insight, falls to give a coherent and complete account of what is happening in Italy. It tries to make plausible the thesis that the changes in Italy could have happened in any international context short of heightened East-West conflict or war. It is the implosion of a clientelistic-consociational system. The increasingly economic or distributive legitimacy has been undermined by dynamics within clientelistic networks and compounded by the acute fiscal and financial crisis of embedded liberalism. This section will provide a short introduction first to the consociational and then to the clientelistic system in Italy.<sup>25</sup>

The post-Cold War reading of present changes within Italy stresses domestic polarisation and the inhibited likelihood of alternation in government because the main opposition party was excluded for international reasons. In fact, the system was from early on characterised by a covert collusion of interests within a wide-spread spoils system. Therefore, Italy has sometimes been compared to what is called a “consociational democracy” (Lijphart)<sup>26</sup> or *Konkordanzdemokratie/Pro-*

<sup>24</sup> At times, however, alternance is still conceived as excluding the left. See Giuseppe Sacco, “Italie. Les trois vies des ligues régionales”, *Politique Étrangère*, vol. 58, no. 1 (Spring 1993), pp. 161-62. He also argues that the *Lega Nord* is becoming a “new” DC, “hopefully” able to establish a new public ethic on which to compete with other new movements.

<sup>25</sup> For a differently focused, but compatible analysis of Italy in the 1990s, see Mario Caciagli, “Italie 1993. Vers la Seconde République,” *Revue Française de Science Politique*, vol. 43, no. 2 (Avril 1993), pp. 229-56.

<sup>26</sup> See Adriano Pappalardo, “La politica consociativa nella democrazia italiana,”

*porzdemokratie*, such as Austria. The conditions for the development of such systems include:<sup>27</sup>

- segmented or “pillared” (*verzuild/versäult*) societies based on ethnic, political or religious divisions;
- little contact between the pillars, but regular exchange between their elites;
- a combination of intense verbal antagonism (to uphold the cohesion) and cooperative behaviour at the top;
- the possibility of foreign threats to exploit internal cleavages;
- a learning process where elites found a *modus vivendi* to uphold national unity, often prompted by common experiences such as war.

The Italian system never corresponded to the ideal type of consociational democracy, because there was no alternation, nor an embracing ideology of social partnership, nor what has been called *Allgemeinkoalition**fähigkeit*, literally “the general capacity to join a coalition”. This does not mean, however, that many of the individual features that are linked to consociationalism were not present in Italy.

The system was established from the 1950s. Although overtly engaged in ideological battles, the leading parties co-arranged the parliamentary committees, which were controlled by party leaders. The fact that ninety per cent of the laws emanating from the Italian Parliament were voted *unanimously* indicates the accommodation of oppositional wishes in the pre-parliamentary stage. Overt ideological conflict did not imply exclusion.<sup>28</sup> Indeed, the particular articulation of overt and covert politics can be seen as the basic characteristic for understanding the Italian system.<sup>29</sup> Consociationalism reigned in the covert field. Conciliation took place whenever politics were decided beyond the public spotlights, as in the local councils. Increasingly, the dominating DC had to offer the spoils system to other parties and

*Rivista Italiana di Scienza Politica*, vol. X, no. 1 (April 1980), pp. 73-123.

<sup>27</sup> For the following, see Gerhard Lehbruch, “Konkordanzdemokratien im internationalen System. Ein Paradigma für die Analyse von internen und externen Bedingungen politischer Systeme,” in Ernst-Otto Czempel (ed.) *Die anachronistische Souveränität* (Opladen: Westdeutscher Verlag, 1969), pp. 139-63.

<sup>28</sup> Dwayne Woods, “The Centre No Longer Holds: The Rise of Regional Leagues in Italian Politics,” *West European Politics*, vol. 15, no. 2 (April 1992), p. 64.

<sup>29</sup> See especially Alessandro Pizzorno, “Categorie per una crisi,” *MicroMega*, no. 3 (June-August 1993), pp. 84-85.

eventually also to the left opposition. First, to the PSI at the end of the 1960s and with the “historical compromise” to the PCI in the 1970s. Thus, heads of public companies, the public TV channels, and other posts became part of a proportional spoils system. The more participants in the game, the more posts were created to accommodate them. These posts turned into “customs offices” to tax the economic and financial flows within Italian society.

But the Italian system could only very roughly be described by mere consociationalism. The political stalemate in Rome (no government without the DC, no opposition without the PCI, no rule without both together), had to be consistently protected and stabilised. Whereas some countries resorted to corporatist answers, Italy developed a dualistic clientelistic system. In an implicit contract, an externally-oriented economic sector (in the North), and a domestically-oriented economic sector, increasingly public and service-oriented (mainly in the South) were accommodated. Clientelism managed domestic consent in a segmented society and buffered the effects of the necessary opening to the European and wider international system. In this respect, Italy shares some features of “small states in world markets”: “Avoiding policies of protection and of structural transformation equally, they combine international liberalisation with domestic compensation.”<sup>30</sup> Yet, clientelism being more heterogeneous than corporatist regimes, domestic consent became disproportionately dependent on finance.

The key to the post-war settlement (initially DC rule) is the use of state resources to finance consensus. Since the farmers were dependent upon and well controlled via the *Coldiretto*, the farmers’ agency, the regime needed to accommodate especially the emerging middle classes. In the South, this meant the creation of a network of public companies and para-state associations like those for public housing and constructions (for the urban employed), the *Cassa per il Mezzogiorno* (for companies). In the 1950s, when the DC tried to become a mass party, the southern local elites were replaced with, or recycled as, party officials at all levels of public and economic life to allow for the functioning of this patronage-based system of distribution.<sup>31</sup> Later,

<sup>30</sup> Peter J. Katzenstein, *Small States in World Markets. Industrial Policy in Europe* (Ithaca and London: Cornell University Press, 1985), p. 39.

<sup>31</sup> Percy Allum, “Cronaca di una morte annunciata: la prima repubblica italiana,”

other parties created their “assistential networks”. In the north, the regime tacitly consented to widespread tax evasion, which benefitted small and medium-sized business.<sup>32</sup>

Similarly to other European countries, the structural changes of urbanisation, industrialisation, mass education and communication, made the recourse to ideological and religious allegiances progressively less effective. The resulting escalation both of a widening consociational cooption at the peak of the regime and the extension of patronage and clientelistic links at its base was feasible as long as the party revenues kept pace with demand. Yet between 1965 and 1975, the budget started to run up serious deficits. Although fiscal pressure was increased (reaching 44% of the GNP in 1991), the debt got out of hand. If Italy did not have a very high domestic saving rate (partly linked to tax evasion), which allowed a predominantly internal financing of the debt, there would have been the risk of the “debt trap”, the subjugation of national policies to international control for the rescheduling of the debt. External independence was, however, traded for relatively high interest rates on Treasury Bonds, which, in turn, aggravated the debt. In the 1980s, the accumulated public debt became bigger than the entire annual GNP. In 1991, 95% of fiscal income had to be spent just to cover interest.<sup>33</sup>

Party finances are not entirely dependent on state expenditure, but in the recent recession, there has been a “private” cash crash. When the clientelistic system started to crumble, the cooption of the middle classes (North and South) had trouble surviving. With a political system unable to mobilise wider groups under a collective goal, the middle classes split. The de-solidarisation has different origins and effects throughout the Italian system, as we will analyse in more detail below. Yet, as Massimo Paci points out, the recent success of the *Lega Nord* can be seen as an inner struggle of the middle class, the northern middle class, modern, upwardly mobile, and private sector breaking their implicit contract with the southern and relatively more public sector middle class.<sup>34</sup>

*Teoria Politica*, vol. IX, no. 1 (1993), pp. 43-44. This is also the intermediate period when the mafia submitted to DC rule. See below Table 2a, 2b.

<sup>32</sup> Dwayne Woods, “The Rise of the Italian Regional Leagues,” p. 63.

<sup>33</sup> Percy Allum, “Cronaca di una morte annunciata,” pp. 46-47.

<sup>34</sup> Massimo Paci, “Classi sociali e società post-industriale in Italia,” *Stato e Mercato*, no. 32 (August 1991), p. 216.

Had the legitimacy crisis been mainly ideological, as the post-Cold War hypothesis suggests, the return to “normality” would have displaced the traditional bipolar divide in Italian political discourse. Yet, it has simply been reproduced, as seen in its successful mobilisation during the recent electoral campaigns. The post-wall argument plays an important role for the left, which wants its dream to come true that after the Cold War, it will gain the long overdue access to power.<sup>35</sup> On the right, it serves as the repeated proof against “neo-communism”.

In brief, the recent Italian changes must be seen in the context of a political economy at the beginning of the 1990s that has seen the exacerbation of three financial crises: (1) of the Italian clientelistic Welfare State; (2) of the cartelised party-system; and (3) of the industrial structure in the recent globalisation of production.<sup>36</sup> The particular articulation of covert and overt politics collapsed.

The following account also shows that those who see the main trigger in the implosion of the *partitocrazia* underplay the extent to which the so-called civil society is linked to the entire system. Civil society, far from being subjugated by an all-embracing political class, has been successfully coopted into a system of *common* interests which has turned most Italians, whether consciously or not, into accomplices of the system.<sup>37</sup> Second, with the interlocking of the networks, where mediation is carried out by actors in parties, companies, organized criminal groups, or administrations, where rule is less vertical than *trasversale*, the concept of *partitocrazia* can only touch one aspect of the system.<sup>38</sup>

### 3. The self-sustaining networks of the covert/overt articulation of politics

The following section will analyse in more detail four specific networks that have been the main articulations of the overt/covert Italian system.

<sup>35</sup> Giampaolo Pansa has rightly ridiculed the left's tendency to see the reason for its defeat not in itself, but in the *Fodria* (le Forze Oscure della Reazione in Agguato, “the obscure reactionary forces lying in wait”) in “Manualetto per non fare il Cretino di Sinistra”, *L'Espresso*, vol. XXXIX, no. 49 (6-12 December 1993), p. 50.

<sup>36</sup> For this last argument, see also Enzo Mingione, “Italy: resurgence of regionalism,” *International Affairs* (London), vol. 69, no. 2 (April 1993), pp. 310-18.

<sup>37</sup> Alfio Mastropaolo, “Democrazia postpolitica e caso Italiano,” *Teoria Politica*, vol. VIII, no. 3 (1992), p. 27.

<sup>38</sup> For this argument, see Alessandro Pizzorno, “Categorie per una crisi,” pp. 95f.

“Italy” is here seen as a particular case in a more general adaptation and legitimation crisis common to many European countries in the new IPE of globalised production, communication and finance. To start a section devoted to explain Italian changes with a title on “covert action” might seem just another example of a well-known Italian illness, namely the resort to conspiracy theories, so-called *dietrologia* or *dietrismo* (literally “behindism”). This is the idea, that there is always a hidden cause behind the apparently inexplicable. Yet, the four networks are quite visible, institutionalised and often analyzed. They are “covert” because their main organising principles and exchanges are often illegal or immoral. The following explanation is primarily institutional, rather than conspiratorial.

The choice of four particular networks is linked to the triggers of the changes in Italy. They are the cartel-party network, the associational network in the welfare state, organised crime, and the network of family business. The section follows a double strategy. First, I want to show how the financial crisis blocked the system of material legitimacy on which the Italian consensus was built. The stress on the internal dynamics of the networks is seen as a countermove to the “Cold War argument”. Second, the stress on the institutionalised forms of covert networks prepares the ground to apprehend possibilities for peaceful change as they are developed in the concluding section. Therefore, the internal functioning of the networks, the emergence of new actors, and the underlying exchanges are presented at some length before being linked with the triggers of the present clientelistic-consociational implosion in Italy.

### **The Italian road to the “cartel-party” and to the “business politician”**

The recent crisis of representation in developed democracies can be exemplified by the development of two types of new agents, the *cartel party* and the *politico d'affari* (business politician). As will be shown, it was not the end of the Cold War overlay which undermined the Italian party system, but the intrinsic legitimacy crisis of the *Parteienstaat*.

With economic development and social differentiation, the Italian mass parties became both weaker and stronger with regard to their main functions. On the one hand, the major Italian parties were no longer

able to aggregate and pursue general demands of the groups that identified with them, both because identification receded and (less for Italy) because they had to compete with the increasing number of associations that lobby for particular requests. On the other hand, parties still keep and profit from the monopoly in their function of delegation, that is, the recruitment of the political personnel for occupying decision making posts.<sup>39</sup> The extension of the government's prerogatives provokes a plethora of new posts in public and semi-public organisations.

It is this mismatch between the declining capacity to transmit demands and the rising public delegation capacity of the major parties that partly explains an increasing isolation of the political class from its sources of legitimation and its subsequent legitimacy crisis. Since they lost the capacity for group demand transmission, the increasingly fragmented parties built their success on pushing for very particular demands. To permit these particularistic and localistic links, party factions (*correnti*), in turn, organised the colonisation of civil society.<sup>40</sup> This was facilitated by the lacking alternation of governments which gave the DC and its allies the luxury of fragmenting and organising the systematic spoils system.

One can see this as just another expression of the change from the ideal type of a mass-party, identifying groups in a common ideology, to catch-all parties in a continuous quest for mobile voters. Yet, the party-political class has lost most of its capacity to mediate between civil society and the state and has ended up "becoming a separated body from civil society"<sup>41</sup> altogether. Indeed, it became part of the state itself. From being brokers of different interests, parties turned into actors that created the institutional and normative environment most conducive to their own reproduction, including the massive use of public financing (either directly or via systematic spoils and patronage appointments which include opposition parties).<sup>42</sup> This evolution which

<sup>39</sup> For this and the following point, see Alessandro Pizzorno (1969) "Per un'analisi teorica dei partiti politici in Italia," in *I soggetti del pluralismo. Classi, partiti e sindacati* (Bologna: il Mulino, 1980), pp. 39-42.

<sup>40</sup> Alessandro Pizzorno (1971) "I due poteri dei partiti," in *I soggetti del pluralismo. Classi, partiti e sindacati*, pp. 53-54.

<sup>41</sup> Gianfranco Pasquino, "Partiti, società civile, istituzioni e il caso italiano," *Stato e Mercato*, no. 8 (August 1983), pp. 192-93 (my translation).

<sup>42</sup> These structural changes from a democracy to an "oligarchy of parties" were

has been observed for decades in some Western democracies, has recently been called the emergence of “cartel parties”, a system of “inter-party collusion in which the need for collective organisational survival appears to assume priority over individual partisan gains or losses (...) It is through the state that parties have been able to create their cartel”<sup>43</sup> (see Table 1).

The organisational change of parties went hand in hand with a change in personnel. A new type of actor, the “business politician”, has emerged. A part of the political class has become specialised in a particular trade. They organise the hidden exchanges and become the privileged intermediaries of democratic systems that are *structurally* vulnerable to corruption. Alessandro Pizzorno derives this vulnerability of democracies from the simple fact that mediation is done not by state officials, but by private persons.<sup>44</sup> Although some countries allow for public financing (of parties), the financing is mainly private. One of the consequences is that the same agent who takes up the task of political mediation also organises its financing, hence the inherent risk of corruption.

Pizzorno’s point is that once a system has been penetrated by practices of corruption, the motivation and faculties necessary to be efficient, change. Different personnel will be attracted to become the mediators. In the ideal type democracy, mediation is about identifying and interpreting societal demands that will be defended via the acquisition of public positions. In a corrupted system, political success depends on other abilities. Some politicians will be chosen for their *competenza d’illegalità*: the gathering of information through which illegal advantages can be drawn from administrative actions, and through the establishment of a network of interested administrators, politicians and private persons willing to run and/or to cover the risk of the illegal transaction.

deplored for Germany already on the eve of the Great Coalition. Karl Jaspers, *Wohin treibt die Bundesrepublik? Tatsachen, Gefahren, Chancen* (Munich: Piper, 1966), in particular pp. 127-140.

<sup>43</sup> Richard S. Katz and Peter Mair, “Changing Models of Party Organization: The Emergence of the Cartel Party” (Paper presented at the ECPR Joint Sessions, University of Limerick, 30 March-4 April 1992), p. 20. Of course, features of different parties co-exist.

<sup>44</sup> For the following, see Alessandro Pizzorno, “Lo scambio occulto.”



Characteristics	Elite Party	Mass Party	Catch-All Party	Cartel Party
time-period:	19th century	1880-1960	1945-	1970-
Degrees of social-political inclusion:	restricted suffrage	enfranchisement and mass suffrage	mass suffrage	mass suffrage
Level of distribution of politically-relevant resources	highly restricted	relatively concentrated	less concentrated	relatively diffused
principal goals of politics:	distribution of privileges	social reformation (or opposition to it)	social amelioration	politics as profession
basis of party competition:	ascribed status	representative capacity	policy effectiveness	managerial skills, efficiency
pattern of electoral competition:	managed	mobilisation	competitive	contained
nature of party work and party campaigning:	irrelevant	labour-intensive	(mixed)	capital-intensive
principal source of party's resources:	personal contacts	members' fees and contributions	contributions from a wide variety of sources	state subsidies
centrality of party membership:	irrelevant	highly relevant	marginalised	largely irrelevant
size of party membership:	no membership	large homogeneous membership, actively recruited and encapsulated	membership maintained but not cultivated or homogeneous	party indifferent to size of membership
party channels of communication:	Inter-personal networks	party provides its own channels of communication	party competes for access to non-party channels of communication	party gains privileged access to state-regulated channels of communication
position of party between civil society and state:	unclear boundary between state and politically-relevant civil society	party belongs to civil society, initially as representative of the newly relevant segment of civil society	parties as competing brokers between civil society and state	party becomes part of state
representative style:	trustee	delegate	entrepreneur	agent of state

**Table 1.** The Models of Party and Their Characteristics (Source: Richard Katz & Peter Mair, "Changing Models of Party Organization", p. 36). Reprinted with permission by the authors.

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 Apart from the lower level broker or middleman, this leads to a highly qualified figure of modern democratic politics: the “business politician”, who links private business, traditional political mediation with a trustworthy and personal network of persons willing to act illegally. Through two mechanisms, this class will potentially crowd out the publicly working politician. First, this new fraction of the “political” class will reinvest their social (network) and financial capital to accumulate even more political “purchasing power” which increases their ability to offer advantages. Second, this political class tends to install what Pizzorno calls a “vicious circle of arrogance”: the appearance of possessing the power to act arbitrarily induces people to ask for personal favours. This, in turn, enhances the “representativity” of politicians and their chance to prevail in the public sphere. This higher political authority will feed back into enhanced arrogance.<sup>45</sup>

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 These business politicians organise the “corrupt” sections in the above-mentioned cartel-party system. First, they display a tendency to enlarge the illegal transaction by coopting those not directly involved whose silence must be assured — and compensated. In the Italian version of consociationalism, integrating the opposition very often meant exactly this: silence for political alliances or for a part of the bribes, or the division of positional and financial spoils. *Tangentopoli* or “bribesville” is the symbol not just of a generalised habit of corruption. It is a system: whenever major public works were contracted, entrepreneurs automatically had to pay preestablished percentages of the total project’s volume. The bribe was split up among the parties following preestablished quotas. Public works/subsidies become part and parcel of an underground exchange to ease the parties’ and other budgets.<sup>46</sup>

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 Second, the political class has an interest in reducing the impact of the electoral contest on personnel change. This can be done in two ways: horizontal cooptation and vertical selective admission. One the

<sup>45</sup> The expression “arrogance” is the one that the interviewed people actually used. It refers to the self-assured appearance that makes us presuppose absolutely unscrupulous behaviour. See for this point also Donatella della Porta, “Corruzione e carriere politiche: immagini dei ‘politici d’affari’”, *Stato e Mercato*, no. 34 (April 1992), pp. 47ff.

<sup>46</sup> It is difficult to give exact figures for the volume of bribes and kickbacks. Roughly 10% of a contract’s value had to be paid. One estimate talks about \$US 4 bn/year. See “The purging of Italy Inc”, *The Economist* (20-26 March 1993), p. 67.

one hand, one can assure that the responsible positions will be held by “trustworthy” people. On the other hand, the parties, i.e. the monopoly providers of public spoils, will control newcomers among their own ranks. Here again, the Italian lack of renewal has been legendary. Senator (for life) Giulio Andreotti is the obvious case in point: he has been a senior member of the Italian political administration since 1947, seven times head of government and thirty-three times a minister. If these two closures work, the system has become “society-proof” and politicians have indeed turned state administration into their fiefdom.<sup>47</sup>

Having established the functioning of the Italian party system, we can now turn to the question of what triggered its sudden demise. It can be argued that this form of party system develops two main internal contradictions: the general loss of legitimacy, and the rise of anti-system parties.

Firstly, two indicators show that the party system has lost legitimacy. On the one hand, the recent stress on referenda is typical for political systems whose party-fragmentation and cartel bargaining make parties difficult to use as transmission belts; referenda become the direct link to the political system where representation is blocked. On the other hand, starting with Pertini, the Italian Presidency has changed from a merely representative function to become an increasingly popular reference point over and above the parties; even more explicitly than in the case of von Weizsäcker in Germany. Thus, in the debate on the election date, President Scalfaro dissolved parliament once the electoral law was passed.<sup>48</sup> Criticised by his own party for not respecting the democratically elected parliament, he answered that he has also to respect the sovereign’s (people) will for change as expressed in the latest referenda.

Secondly, since elections only have a limited impact in this pre-arranged system, the cartel-parties’ attempt to both limit societal demands and to exclude newcomers from the cartel might provoke a more ferocious anti-system critique once the party-system loses legitimacy. In this respect, the *Lega Nord* has become the Italian equivalent of other right-

<sup>47</sup> The most “economic” working of such a system will try to make the lower level brokers compete and to cartelize or oligopolize the higher echelons.

<sup>48</sup> When the Senate refused to lift parliamentary immunity from the former Minister of Health De Lorenzo, Scalfaro declared in October 1993 that if the electoral law had been passed, he would have immediately dissolved the discredited Chambers.

libertarian anti-system movements. The *Lega* is located between the moderate right of the German *Statt-Partei* and the radical populist right, such as the *Front National*, the *Republikaner*, or Haider's *FPÖ*. Both share a neo-liberal (anti-statist and anti-tax) economic programme which is combined with changing (and in Italy declining) emphasis on traditional extreme right-wing topics (law and order, xenophobia and a new isolationism within Fortress Europe). Their electoral success is linked to their ability to forge an alliance between both the losers of recent structural changes, captured by populist xenophobic and anti-establishment slogans, and some of the winners (in the private sector) attracted by the neo-liberal programme.<sup>49</sup> In contrast to the left-libertarian response of the green movements, they appeal to the "new ego-centrism which prevails throughout the advanced western world."<sup>50</sup>

In summary, a blocked and isolated party rule is one factor in the disruption of the Italian system. This blockage is the most extreme form of a tendency, also visible in Germany, to turn democracies into a *Parteienstaat*.<sup>51</sup> The resulting structural crisis of representation and the emergence of a new actor, the business politician, have built up with no proved link to the international bipolar overlay. The recent electoral crisis of the established parties can therefore not be reduced to its end.

<sup>49</sup> The cartel party system has provoked different protest votes attracting voters from the entire political spectrum. Today, this does apply so much to some Green movements, as to the *Lega Nord*. Despite their electoral "catch-all" appeal, the latter's grammatical identity mixes two different, but definitely right-wing traditions of the conservative and neo-liberal kind. It is therefore misleading to present it as "centrist", as do David Hine and Vincent della Sala, "The Italian General Election of 1992," *Electoral Studies*, vol. 11, no. 4 (December 1992), p. 365.

<sup>50</sup> For a succinct analysis of the origins of these movements, see Hans-Georg Betz, "The New Politics of Resentment. Radical Right-Wing Populist Parties in Western Europe," *Comparative Politics*, vol. 25, no. 4 (July 1993). The quotation is from p. 424. The "neo-materialist" programme of the *Lega* has developed in a direction to go to power in Rome in order to protect the North in a "sort of autoprotectionist neoliberalism". For this argument, see Ilvo Diamanti, *La Lega. Geografia, storia e sociologia di un nuovo soggetto politico* (Roma: Donzelli, 1993), p. 13, 95, which is an excellent analysis of the social and electoral origins and evolution of the multiple Leagues.

<sup>51</sup> Klaus von Beyme, *Die politische Klasse im Parteienstaat* (Frankfurt/M.: Suhrkamp, 1993).

### **Welfare State *all'Italiana***

The welfare state regime represents another self-reproducing subsystem, whose assistential-clientelistic functioning underpins the system of Italian legitimation. Following the general approach of this chapter, this section explores the internal dynamics of this subsystem and examines then possible impact of the crisis of the welfare state on recent changes in Italy. I argue that the welfare state system has proved relatively enduring, albeit only by “successfully” postponing adaptation. The present financial crisis increases the pressure on the solidarity links within the system. In the present distributional battle, the North-South welfare transfer seems to be the most feeble link.

Following the distinction by Titmuss,<sup>52</sup> three types of Welfare States can be distinguished: (1) the *residual welfare model of social policy* which is a system of unconditional emergency assistance, designed to be temporary. The US comes close to this system; (2) the *industrial achievement-performance model of social policy* which is a partial corrective to the market. It is meritocratic and “particularistic” in so far as it is organised on the basis of an insurance system which links welfare provisions to contributions. This is the ideal type of the continental European system; and (3) the *institutional redistributive model of social policy* which operates external to the market logic and presupposes poverty to be a permanent condition of industrial societies if not counteracted by decommodified social institutions. This Anglo-Scandinavian system is based on the provision of universal entitlements to achieve redistributive effects.

The Italian system essentially falls into the continental category. A recent Titmuss-inspired typology stresses the impact of the welfare state on social stratification. Here corporatism — and Italy is once again the paradigmatic case — is built around “occupational groupings seeking to uphold traditionally recognised status distinctions and us[ing] these as the organisational nexus for society and economy.”<sup>53</sup> A specific characteristic is, however, the subordination of the welfare intervention to a political, and increasingly party-political, logic. The result is a

<sup>52</sup> Richard M. Titmuss, *Essays on the Welfare State* (London: Allen and Unwin, 1958).

<sup>53</sup> Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990), p. 60.

system of much higher unequal and arbitrary treatment, a system of “particularistic clientelism”.<sup>54</sup>

As in Bismarck’s Germany, the Italian welfare system emerged in the last century to appease the rising labour movement. In the inter war period, it attempted to integrate the rural working class and later, during fascism, the middle class. Yet, it was not matched by a strong associational voluntaristic network as in Germany. In particular during the fascist period, the split between the centralised *control* over welfare organisation and its particularistic, that is, corporate-dependent *management*, were exacerbated.<sup>55</sup> The organisation of welfare around insurance systems and its management via a selectively privileging system of a multitude of public bodies (*enti*) was to be taken up and further institutionalised by the political system after World War II. This administration can be exemplified by the extreme case of the Italian pension system.

Italy has thirteen major pension schemes organised according to occupational categories. That is much more than other continental welfare regimes, such as, for instance, the Netherlands and Switzerland with their unified systems. Whereas those systems practice inter-occupational transfers, in Italy, this only applies to some (poorer) occupational categories. Lawyers, doctors, managing directors, journalists, artists, to mention some, have autonomous pension funds. This means that although compulsory public insurance covers nearly all cases leaving very little space to private insurance, the systems is sufficiently varied to allow very pluralist treatment — not to take care of different needs, but just for the clientelistic legislation and application of law.<sup>56</sup> The tendency is to allow an independent scheme for any category (electorally or otherwise) strong enough to claim one. This is done by the typical *leggine* (little laws), which is the attempt to exempt or “correct” general laws in favour of particular needs.

<sup>54</sup> This characterisation is used by Gøsta Esping-Andersen. See also Ugo Ascoli, “Il sistema italiano di welfare,” in Ugo Ascoli (ed.) *Welfare State All’Italiana* (Bari: Laterza, 1984), p. 17.

<sup>55</sup> Massimo Paci, “Il sistema di Welfare italiana tra tradizione clientelare e prospettive di riforma,” in Ugo Ascoli (ed.) *Welfare State All’Italiana* (Bari: Laterza, 1984), pp. 314f.

<sup>56</sup> Chiara Saraceno, “Alla ricerca di una difficile legittimazione: il welfare italiano,” *Stato e Mercato*, no. 37 (April 1993), p. 186.

Clientelism, however, means more than attempts to appease different social groups: the welfare system has increasingly become part of the party-feudal spoils and finance system. On the party level, this means that the heads of these bodies will be divided among parties and party factions in order to finance the party elite. By offering services, they can build up local clientele to support their political careers. An indicator of welfare state type of clientelism is the (mis)use of public money in a *political-assistential market*, as exemplified by the allocation of civil invalidity pensions and rural unemployment funds.<sup>57</sup>

Contrary to occupational invalidity, there is a system of civil invalidity pensions where allocation depends not only on standard criteria, but on a negotiation between the person applying for it and the responsible *ente*. The law requires the *ente* to take into account the "social-economic conditions of the area of residence". During the 1970s, this became a hidden system of financing unemployment and socialising the costs of redundancy. Since the request has to be made by a representative body of the occupational category (e.g., trade-unions) or the equivalent, a patronage as it were, this patronage could offer special treatment if the request for welfare were to be exchanged for votes for a particular party or faction. Today, 1.145 million people are registered as civil invalids.<sup>58</sup>

A further example is the assistance geared to rural areas. Whereas during the 1950s and 1960s, the control of these benefits required parties (and increasingly also trade-unions that exchange these favours for support) to penetrate the responsible bureaucracies, from the 1970s onwards, the task of assigning these benefits shifted to parties themselves. This can also be done as a "block" exchange, that is, a favour granted to an entire category. In 1962, when the government decided to rationalise the registration procedures for rural benefits, the decision met with

<sup>57</sup> For the following, see Maurizio Ferrera, *Il Welfare State in Italia. Sviluppo e crisi in prospettiva comparata* (Bologna: Il Mulino, 1984), pp. 202ff.

<sup>58</sup> The major parties "consociationally" indulged in using this clientelistic system: the regions with the highest percentage of civil invalids are *Umbria* (PCI or followers) and *Abruzzo* (DC). Designed to deter the circa 2 million (!) new requests, a recent law stipulates tighter checks and requires pensions received illegally to be reimbursed to the state. Although justified and overdue, this does not solve the social problem which generated this misuse of welfare measures, nor does it touch those disposing of patronage who made the system work. See Miriam Mafai, "Italia, Belpaese d'invalidi," *La Repubblica*, 11 November 1993, p. 8.

a wave of resistance in southern Italy. The registrations were frozen. Hence, obsolete lists including emigrants, the deceased, and the wives of wealthy men, determined entitlement to benefits.

In other words, welfare provision was transformed into a policy of income maintenance, where the attribution of benefits is not only guaranteed by standard provisions, but by the capacity to use political intermediaries.<sup>59</sup> Since assistance is given *not* in the form of services, but in the form of money, the transactions of the clientelistic exchange are made easier. It is an "assistential market" in which public institutions are successfully circumvented.<sup>60</sup>

In order to judge the present crisis of this particular welfare-state regime, it is therefore important to weigh up both the corporatist logic and the specific clientelistic features. Welfare regimes have to answer the current demands for improved services so as not to alienate the middle-class on which it relies for its funding and which has expanded and differentiated due to the changes in productive and financial structures.<sup>61</sup> The question is, how strong will Italy's "welfare backlash" be when the middle-class revolt against its perceived sacrifice and ask for an "balancing-out" between contributions made and services received?<sup>62</sup>

Within the corporatist regime, a retreat by the welfare state is difficult to implement as it is linked to the very logic of the regime. Since it aims to preserve the existing pattern of social stratification, a change implies the overturning of social hierarchies and an attack on particular institutional defences and privileges. According to Ferrera, Italy is characterised by many of those procedures that comparative studies show that make fiscal opposition rather unlikely. These are the

<sup>59</sup> Gloria Regonini, "Il sistema pensionistico: risorse e vincoli," in Ugo Ascoli (ed.) *Welfare State All'Italiana* (Bari: Laterza, 1984) p. 107, notes that the pension system allows employers to evade their part in the contributions, too. This happens through exempt "in times of economic strain" or via tacit acceptance of large welfare fiscal evasion.

<sup>60</sup> Maurizio Ferrera, *Il Welfare State in Italia*, p. 211.

<sup>61</sup> Massimo Paci, "Classi sociali e società post-industriale in Italia," pp. 208-11.

<sup>62</sup> For the self-perpetuating features of the welfare state, not a general demise of the welfare state, but the possible downgrading of more universalist or more corporatist tendencies toward a residual type is at stake. For this argument and empirical evidence of *de facto* continuing support for welfare state measures, see: Christopher Pierson, *Beyond the Welfare State?* (Cambridge: Polity Press, 1991), pp. 169, 183-84.



use of relatively hidden forms of financing (such as the predominance of indirect over direct taxation) and the distribution of welfare benefits, the meritocratic system built on insurance schemes that seem relatively fair to contributors, and the existence of a strong pro-welfare lobby (usually strong labour movements). But he notes two specific Italian characteristics: the continuous extension of benefits financed via the public debt and the tacit, or even systematic, creation of loopholes that ease fiscal evasion. This double procedure of leaving many parts of the population highly dependent on supplementary income, and of allowing the cost to be evaded or hidden, has coopted large parts of the population into the system making them eager defenders of the *status quo ante*. This includes — and that makes the system even more inert — both the poor clientele (or at least those recognised as such) and the relatively wealthy independent professionals who could: (1) evade the fiscal pressure and are secured via regular amnesties for past evasions; and (2) use the welfare system for socialising some of their costs.

Hence, the welfare backlash has remained limited. The clientelistic-particularist regime makes a neo-liberal “reform” of the welfare regime’s financial (budget deficit) and fiscal (tax collection and tacitly accepted fraud) crisis improbable or inefficient. The present deadlock results where the middle classes need special treatment at a time when the state must both improve its budget and its services. Typical of Italy, one proposed solution splits the welfare regime along the North-South divide, rendering the middle class in the North less responsible for development in the South (regional tax autonomy) in order to uphold or improve the system’s performances in the North.<sup>63</sup> The corporatist logic remains untouched, the fiscal and financial crisis temporarily resolved - in the North. In this respect, the *Lega Nord*’s programme represents a case of typical Italian *trasformismo*: the first Republic has to change, in order to allow the basic structure (in the North) to remain intact.

<sup>63</sup> With regard to the health sector, the 1992 Finance Bill (Law 412/1991) stipulates, that (1) budget overruns in the health sector will no longer be financed *ex post* by central government, but by the regions, and (2) the regions obtain money in such a way as to allow an equal level of assistance. Since the regions in the North with the best health services are also spending much more, they would be restricted in their spending and public funds channelled from the North and Centre to the South. Such a system *de facto* asks for a fiscal autonomy to uphold the level of assistance in the North. See OECD, *Economic Surveys 1992-93: Italy* (Paris: OECD, 1992), pp. 93-94.

### Managing illegal markets: organised crime and party clientele

As in the case with the political system, organised crime (Sicily's *Mafia*, Calabria's *N'drangheta*, Campania's *Camorra*, Puglia's *Sacra Corona Unita*) has shown increasing signs of an authority-crisis. On 7 December 1990, 27 businessmen in Capo d'Orlando (Sicily) decided not to pay the racket any longer and created the first "association of anti-racket entrepreneurs." In 1991, special laws were passed to protect the *pentiti*, i.e. former mafiosi who collaborate with the police. An Italian FBI ("Direzione investigativa antimafia") and an integrated anti-Mafia prosecution, called the "superprocura" ("Direzione nazionale antimafia") were established.<sup>64</sup> On 17 January 1992, the former mayor of Palermo, Vito Ciancimino, was convicted of mafia association and condemned to ten years of prison. The discovery of financial flows allow valid links to be made between the whole of the Italian clientelistic system: *Tangentopoli* "meets", so to say, the mafia via the business politicians. The mafia reacted with escalated violence which started just before the elections with the assassination of an important political mediator, Salvo Lima (former mayor of Palermo and member of Andreotti's *corrente*) on 13 March 1992. Two major mafia prosecutors, Giovanni Falcone (23 May) and Paolo Borsellino (19 July), died with several members of their escorts. Finally, another mediator, Ignazio Salvo, suspected to be Andreotti's link to the mafia, was killed.

When the two leading mafia bosses, Giuseppe Madonia (10 September 1992), and Totò Riina (15 January 1993) were captured, the fall of the wall, was again cited as a cause for the crumbling mafia system

The mafia is also a victim of the end of the Cold War, of the old bipolar system ... The mafia has always been a force that brought water to the mills of anticommunism. Now, since the East-West bipolarity has come to an end, it somehow serves less than before: sustaining it has become more difficult, the political alibis have been dropped.<sup>65</sup>

<sup>64</sup> For details, see Pino Arlacchi and Gianni di Gennaro (director of the DIA), "Le tecniche antimafia di una polizia speciale", *MicroMega*, no. 3 (June-August 1993), pp. 69-79.

<sup>65</sup> Luciano Violante (PDS), at the time President of the anti-mafia commission of the Parliament, quoted in Stefano Brusadelli and Massimo Franco, "Uninomiale sulla cosca," *Panorama* (24-30 January 1993), special survey "Mafia: ultimo atto?", p. XXVI (my translation).

Yet, the mafia's crisis started well before the end of the Cold War, as most visibly shown by the "maxi-processo" at the beginning 1980s when several hundred mafiosi were convicted. There are two main reasons for this: (1) the creation of a judiciary organisation in small pools and attacking the mafia's weak spot, namely its dependence on hot money bankers for laundering dirty money has certainly helped to undermine mafia authority; (2) the reorganisation of the mafia via the highly decentralized and not territorially fixable drug business, contradicts the traditional rules of inter-clan relations based on fixed spheres of influence. This had two consequences. On the one hand, it provoked an attempt at trans-clan centralisation and of increased violence. On the other hand, it diffused knowledge about the system. Both together stand for the difficult management of structural and cultural changes of organised crime that have very probably triggered widespread desolidarisation expressed in the form of the *pentitismo*.

The mafia organisation has become a transnational enterprise of a particular kind whose global reach links illegal and legal (especially financial) markets with a territorial power base in which the mafia takes on public functions. This change can only be understood in the context of the recent expansion of international drug and hot-money markets. There would have been no successful mafia reorganisation without "Casino Capitalism."<sup>66</sup>

The success of the recent transformation to a "mafia-enterprise" and its capacity to become a privileged partner or even to crowd out both entrepreneurs on the domestic and international level, as well as the party-clientelistic system is based on a series of "productive" competitive advantages:<sup>67</sup>

- (1) the deterrence of competitors to remain in/enter markets by violent means;
- (2) the capacity for wage-compression both by the evasion of contributions/insurance or the non-payment of extra-hours, and by the suppression of trade-unions;
- (3) the easy access to liquid capital, be it narcolire or other illegally

<sup>66</sup> See also Letizia Paoli, "Criminalità organizzata e finanza d'avventura," *Rassegna Italiana di Sociologia*, vol. 34, no. 3 (July-September 1993), pp. 391-423. The label refers to Susan Strange's *Casino Capitalism* (Oxford: Basil Blackwell, 1986).

<sup>67</sup> The following draws extensively on Pino Arlacchi, *La mafia imprenditrice*.

earned money, credits by banks owned or incorporated into the clientelistic system, and by the diversion of public funds.

Mafia enterprises are therefore highly competitive in acquiring and defending market shares and have considerable “comparative advantages” in building up monopolies — whose profits will, in turn, be used to crowd out other suppliers. By attacking the party-clientelistic market from the supply-side, blocking other suppliers, it can interrupt, or use for its own ends, the public contract money on which the party-clientelistic system was built. The mafia-enterprise can also become a privileged partner for joint-ventures or subcontracting, because its lower production costs and higher “social peace” in production are attractive for foreign investors. Finally, the mafia-enterprise can play on the advantages of the (cartelised) domestic market and the fraudulent impact of the illegal international division of labour. In Italy, the mafia has used public funds to build up a financial machine strong enough to manage take-overs (also in close collaboration with party-affiliated financial institutions), and investments in the international drug and arms market. The profits of these markets have, in turn, been reinvested to bolster their domestic position and to crowd out the relatively limited favours the party-clientelistic system was able to offer. Nobody outside the mafia system has the same capacity to control local job creation and thus to legitimate its business (See Table 2a/2b for the historical development of the types of mafia organisation).

Given this emergence of a new kind of actor, we can now apprehend the network of the mafia system. Generally speaking, the strengths of organised crime derive from its ability to control a particular intersection between: (1) the transnationalisation of business firms operating in illegal markets, be it for the illegal final product (drugs), for the illegal transfer (arms), or for an illegal input (clandestine slave labour in particular in the textile, leather and construction industries); and (2) from the increasing needs of the clientelistic system to distribute and guarantee favours, the so-called “inflationary-clientelistic process”. Here, organised crime enjoys an advantage with its internal control and sanction (at times, murder) apparatus.

The mafia overcomes the trust-problem of illegal markets, by guaranteeing exchanges that would not otherwise occur. Once again, it is the networking-capacity of the business politicians which is crucial. They derive a double rent, one based on the gathering of information

that makes an illicit deal possible, and another based on guaranteeing the deal by linking up actors who might not otherwise come into contact with each other.

Yet single exchanges are often unstable. The tendency not to cooperate is high. In order to back the guarantor's cause, there will be a tendency to form networks which recruit particularly reliable persons, whose loyalty can be trusted for reasons of socialisation in relatively homogeneous groups, such as ethnic or religious communities or the *cosca* of the mafia.<sup>68</sup> The other option is violence. Here, business politicians usually lack an instrument of coercion. It is precisely at this point that (parts of the secret services and) organised crime enters the picture. Either the *mafioso* is a business politician himself and therefore has a competitive advantage in such transactions. Or, a business politician relies on organised crime for eventual sanctions or violent actions. Andreotti, for instance, is under investigation for having organised the murder of a journalist—via the mafia.

Yet, this entails several inherent weaknesses, namely: (1) the domestic challenge to the mafia through the judiciary system; and (2) internal contradictions in the mafia rule of the transnational entrepreneurial kind.

One of the most important power resources and potential weaknesses is the capacity to network with business politicians to mediate for protection on a national and international level.<sup>69</sup> The secret masonic lodge "P(ropaganda) 2" was such a vitally important link in the network because it combined contact with the secret services and public officials both in Latin America and Italy.<sup>70</sup> In this context, violence is used when the mafia's reliance on business politicians to mediate for protection against police and judicial prosecution is jeopardised. Mafia bosses, when caught, were systematically released, often for purely formal reasons, at the Appeal Court under the presidency of a judge nicknamed *l'amazza-sentenze* ("the verdict-killer"). In the appeal following the *maxi-processo*, when some bosses were not released, the political

<sup>68</sup> Alessandro Pizzorno, "Lo scambio occulto," p. 17.

<sup>69</sup> The capacity to target jurisdictional prosecution — via established networks — on competing clans is a major asset in the competition.

<sup>70</sup> Pino Arlacchi, "Saggio sui mercati illegali," respectively p. 415 and p. 417. See also R.T. Naylor, *Hot Money and the Politics of Debt* (New York: The Linden Press/Simon and Schuster, 1987), chapter 9.

	1860-1940	1940-1970	1970-	
General background	<p>Three basic functions of the mafia:</p> <p>(1) protection of property (stabilising the status quo of wealth distribution)</p> <p>(2) repression of deviant behaviour</p> <p>(3) mediation of conflicts within civil society and between society and the state.</p>	<p>(1) Enormous exit-capacity of Southerners (emigration to North and abroad) reduces mafia power.</p> <p>(2) Cultural revolution undermines codes of honour: increasing identification of honour with wealth.</p> <p>(3) Public money flows constitute a new economic resource, whose control adds a new factor to local power-structure.</p> <p>(4) Decreasing conflictuality in the civil society and the emergence of mass parties reduce the importance of the mafia for its basic function: mediation</p> <p>(5) Regain of state monopoly of violence</p>	<p>(1) Decreasing state monopoly of violence: high rates of murder committed by terrorists, illegal lobbies, and mafiosi. Thus, increase of importance of traditional mafia functions.</p> <p>(2) Insertion of family-business into "international illegal division of labour" which provides a new economic power base to upset the local power structure.</p> <p>(3) Decreasing capacity of party-clientelistic system to meet demands ("inflationary-clientelistic process")</p>	<p>(1) Decreasing state monopoly of violence: high rates of murder committed by terrorists, illegal lobbies, and mafiosi. Thus, increase of importance of traditional mafia functions.</p> <p>(2) Insertion of family-business into "international illegal division of labour" which provides a new economic power base to upset the local power structure.</p> <p>(3) Decreasing capacity of party-clientelistic system to meet demands ("inflationary-clientelistic process")</p>
Identity of the mafioso	<p>Competition for honour.</p> <p>"Omertà" (being a man) defined as the capacity to defend the family's honour.</p> <p>Imperfect conversion of honour into wealth.</p> <p><i>Image:</i> modest "everyman", servicing threatened collective interests</p> <p><i>Social background:</i> modest origins, belonging to the middle class, but staying apart.</p>	<p>Competition for honour and wealth for immediate consumption. The debasing of the traditional value system provokes an identity and legitimacy crisis. Legitimacy increasingly built upon force, not cultural norms.</p> <p><i>Image:</i> common criminal, <i>mafioso-gangster</i></p> <p><i>Social background:</i> urban</p>	<p>Competition for accumulation. The mafioso turns entrepreneur. Marginalised group that wants to regain respectability and ultimately power, via wealth. The quest for power follows a capitalist logic: it is not territorially bound, but potentially unlimited.</p> <p><i>Image:</i> Showing off attributes of wealth (as indicators of authority).</p> <p><i>Self-image:</i> Southerner, "unjustly persecuted by the state which represents Northern (industrial) interests".</p> <p><i>Social background:</i> varied, significant increase in level of education</p>	<p>Competition for accumulation. The mafioso turns entrepreneur. Marginalised group that wants to regain respectability and ultimately power, via wealth. The quest for power follows a capitalist logic: it is not territorially bound, but potentially unlimited.</p> <p><i>Image:</i> Showing off attributes of wealth (as indicators of authority).</p> <p><i>Self-image:</i> Southerner, "unjustly persecuted by the state which represents Northern (industrial) interests".</p> <p><i>Social background:</i> varied, significant increase in level of education</p>

**Table 2a.** The evolution of the mafia (synopsis of Arlacchi's *La mafia imprenditrice*).

<p>Basic Organisation</p>	<p>“La cosca”, a group of 12-15 relatives and friends around a family-core. Authority relations not generational, but competitive.</p>	<p>Unchanged</p>	<p>Attempt to control internal mobility and disruptive competition via intermarriages, increasingly joint economic businesses, common management of property. The size of the cosche rise to 80 around a core of multiple brother-families.</p>
<p>Inter-mafia relations</p>	<p>Archipelago of authorities (no centre), loosely connected with divided territories. Hobbesian state of war, violence as ultimate base of power</p>	<p>Fundamentally unchanged. Yet, the shift to economic gains via racketeering reduces the inter-cosche conflicts: dramatic decrease of murdering linked to the mafia.</p>	<p>The size of the core-families, or better: the “male-units” becomes the condition sine qua non for mafia leadership. The potentially unlimited quest for power (economically understood) dramatically increases the level of violence</p>
<p>External relations</p>	<p>to public authorities: contractual alliance, no fusion. Clientelistic exchanges. Complementarity of public and mafia authority: (1) delegation of executive power to mafia via its recruitment into public positions (2) guarantee of execution and provision of votes for political class.</p>	<p>to public authorities: submission. The large public funds at the disposal of regional authorities allow the ruling DC party to install a new system of authority (“broker capitalist”): (1) systematic, not punctual clientelistic power based on control of real estate and credit market, public recruitment and general markets in Palermo. (2) internalisation and cooptation of private forces into clientelistic system. No delegation. to civil society: competition with mass parties for mediation. Competition with political-business lobbies for control of finance and construction.</p>	<p>to public authorities: independent coalition and competition for clientele (1) emergence of a party-mafia lobby with an increasingly unified financial system (2) crowding-out of party-based clientelism by electoral access to public offices (and money flows) and use of illegal means and capitals (Narcotire). (3) struggle with the judiciary to big (outside) enterprises: alliance. Lobby for public contracts. FDI - Subcontracting. to small and local enterprises: racket, eviction and substitution. to foreign (il)legal markers: Subsidies used to build up international illegal businesses taking the European drug link from France to Sicily.</p>

Table 2b. The evolution of the mafia (synopsis of Arlacchi’s *La mafia imprenditrice*).

mediator, so the story goes, had to pay: Salvo Lima, former mayor of Palermo was assassinated. This was largely perceived as a sign of change, because the mafia was normally able to make clients comply with their threats or bribes. To kill such a highly placed mediator meant that organised crime had lost some of its grip on the political system.

Most importantly, the national and international legal and policy instruments have recently started to be adapted to the transnational illegal markets. On the domestic level, new legal means have been introduced: the extension of covert enquiry; the exclusion of mafia bosses from any reduction of penalties; protection for collaborators; confiscation of property presumably acquired with illegal money. In particular, the last means is not only relatively spectacular, but is also symbolically important because it destroys the image of the invincible and powerful mafia in which wealth had become a sign of honour/power. On the international level, a collaboration for the establishment of a financial intelligence network has been started with spectacular results in three subsequent "blitz" as the parallel capturing of organised crime rings in different countries are called. Since selling on the market is difficult to control, the police has decided to follow the illegal financial flows themselves. It uses the dependence of the mafia on bankers of the "hot finance" for laundering capital. Finally, the judiciary has used new means to solicit collaboration: the *pentiti*, by now around 200 former mafiosi have been turned into, or have constituted themselves, as witnesses.

The other major weakness derives from the adaptation problem of a decentralised drug business and a diffused authority with the territorial division of traditional mafioso rule.<sup>71</sup> This problem causes both a spiral of violence in order to retain control and the emergence of the previously unthinkable *pentiti*. Totò Riina and his cosca of the *Corleonesi*, heading the *Cosa Nostra* in the Palermo area with around 90 families, tried to reorganise the 500 family-businesses of the entire mafia. The mafia introduced several centralising features. On the one hand, it organised a top-level coordination to defend itself against the national and international judiciary and to plan offensives against it.<sup>72</sup>

<sup>71</sup> For this point, I am indebted to Alessandro Pizzorno.

<sup>72</sup> For an argument of the vertical concentration of the mafia under the *Corleonesi*, see Luciano Violante, *I corleonesi. Mafia e sistema eversivo*. Interviewed by Giuseppe



Furthermore, the *Corleonesi* sent so-called “ambassadors”, that is, cosca members, to join other families and to streamline from within, also by force. Whereas the first provoked a reaction from the state, this latter double move of integration and violence prompted the resistance of the other mafia families. The imperative to control the drug business contradicts the basic principle of the mafia system, namely that of territorial “sovereignty” which can not be attacked too much, without provoking a general state of war.<sup>73</sup> The modern mafia appears to be caught in a dilemma: on the one hand, its economic competitiveness depends on internal normative constraints that overcome the trust problem of illegal markets; on the other hand, the transnationalisation seems to require a centralisation that undermines these very norms.

### Family-business under siege

For many, the dawn of the First Republic’s long night started on 17 February 1992. Mario Chiesa (PSI), a public administrator in Milan, was caught in a trap when he received a bribe of \$US 4500. After some investigation, the initial 4500 became \$US 10 million. In a way reminiscent of a cathartic collective rite, investigated businessmen started to fill up thousands of pages and thus allowed the reconstruction of a vast network of *Tangentopoli*. A month after his arrest, Mario Chiesa started to speak. Now, two former mayors of Milan are under arrest, and major businessmen have publicly admitted to have paid into the system (and to have profited from it).<sup>74</sup> The sums generally quoted are around \$US 10 million for De Benedetti (Olivetti) and around \$US 40 million for Agnelli/Romiti (FIAT). But the record is held by the Enimont deal, where the private partner in a private/public joint venture is said to have been paid around \$US 100 million too much for splitting up. In July 1993, the general ENI-manager Cagliari and then the former Montedison (Ferruzzi) manager Gardini, committed suicide. Again, the end of the Cold War and this jurisdictional campaign have been repeatedly

Caldarola (supplementary book to *L’Unità*, 11 September 1993), p. 83.

<sup>73</sup> “Adesso si può vincere” (interview with Pino Arlacchi conducted by Daniele Martini), *Panorama* (24-30 January 1993), special survey “Mafia: ultimo atto?,” p. XVII.

<sup>74</sup> Since this money came from undeclared private accounts abroad, political corruption implies crimes of fiscal fraud and secret accounting on the business level.

linked. Yet, both corruption and trials of a systematic and major scale started at the beginning of the 1980s.<sup>75</sup>

One of the features of the *Parteienstaat* is its ability to colonise other social subsystems. Subsystems that managed to remain autonomous can use the party-state for their own purpose. Von Beyme calls this "inverse colonisation": "Where decision power and patronage of parties are mounting, those social interests not colonised by the parties are increasingly tempted to use these instruments of power via the corruption of parties."<sup>76</sup> With regard to the Italian case, this presupposes a relatively autonomous social sphere and once corruption is installed, there is a collusion of interests which makes patronage work.

This relatively autonomous social sphere is not Italian business *tout court*. The Italian productive system is characterised by a double antagonism. The first juxtaposes the largest public sector in the EC/EU and private business. Both IRI (Istituto per la Ricostruzione Industriale), a state-controlled public company, and FIAT, have a turnover equal to 4-5% of Italian GDP in 1989. FIAT alone controls directly or indirectly 60% of the domestic car market, 25% of the entire Italian stock exchange capitalisation (around \$US 25 billion worth of quoted companies), and the two major center-right newspapers.<sup>77</sup> The second, and for our analysis of the triggers of the recent implosion, more important dichotomy, is between a few very big enterprises and a lot of small firms. Both groups have developed very specific relationships with the political system, one on the national, the other on the regional level.

This subsection examines how that the disaffection of business from the old system can be understood as an adaptation crisis of the business-political mediation systems in times of budget constraints and increasing economic competitive pressures. Common to the politico-economic bargain of both big and small business with public authorities, was the implicit contract which traded a certain international openness with state intervention to improve infrastructure, to socialise costs and other items of industrial policy. On the one hand, the financial crisis of

<sup>75</sup> Maurizio de Luca and Franco Giustolisi, "Gli anni ottanta fra giudici e insabbiatori", *MicroMega*, no. 2 (April-May 1993), pp. 101-117.

<sup>76</sup> Klaus von Beyme, *Die politische Klasse im Parteienstaat*, p. 91 (my translation).

<sup>77</sup> OECD, *Economic Surveys: Italy* (Paris: OECD, 1991), p. 61; Alan Friedman, *Agnelli and the Network of Italian Power* (London: Harrap, 1988), p. 13.

the state put a strain on the bargain between the central state and big business. Big business, on the other hand, became increasingly concerned by the privatisation programme that the Italian government wanted to realise partly in order to balance its budget deficit. The explicit governmental attempt thereby to decentralise economic power in Italy would have upset the traditionally exclusivist oligarchic control of big finance and industry in Italy. On the other hand, the most disaffecting parts of small business were initially to be found in particular regions of the so-called "Third Italy" whose economic and political success is now eroding the cultural and social bases upon which these particular systems of localistic mediation rested.

Let us start with the club of Italian big business. In a certain way, the oligarchic family structure of (northern) Italian business is a relic of the first phase of industrialisation with its two main characteristics: the preeminence of merchant banks as intermediaries for rare capital and the constitution of industrial groups.<sup>78</sup> These groups have one characteristic which distinguishes them from their anglo-american counterparts: expansion is not achieved through economic concentration and juridical mergers, but in the form of a conglomerate of firms which are barely reorganised and which keep their identity. The reasons for such an undertaking have been hypothesised as an attempt to use the capital of the integrated firms, but more importantly for avoiding take-overs and for organising a network of alliance. The ultimate aim is to limit control to a small number of businessmen who are allowed to join the club built mainly by Agnelli, Pirelli, the newcomer De Benedetti and (until recently) Gardini. By limiting the power and number of shareholders and by cross-linking the properties in a net of holdings, an alliance is forged which can mobilise and channel risk capital to anyone in need, but where the rules of the game exclude the possibility of a single agent taking over the whole. The underlying idea of the club is to orchestrate a net of direct and indirect minority voting rights allowing the members of the club to maintain control with very small visible stakes. Thereby, the levantine construction of holdings completely separates property

<sup>78</sup> For the following, see Luciano Cafagna, "Gruppi industriali e economie ritardatarie. Riflessioni sul caso italiano," *Stato e Mercato*, no. 34 (April 1992), pp. 153-59.

from control.<sup>79</sup> To enforce the rules and to coordinate the net, the Italian family business has placed the (until recently exclusive) merchant bank, *Mediobanca*, at the centre of the net.

Since its creation nearly 50 years ago, *Mediobanca*, a public bank, has been controlled by Enrico Cuccia, “the architect of the Italian network of private power.”<sup>80</sup> Being the virtual monopoly supplier of capital for many years, Cuccia’s initial aim might have been to use the public bank to ease the cash problems of Italian industry. But becoming the owner of key minority voting rights in companies, he built up, with the consent of the club, a spider’s web of firms’ alliances which he connects with insurance and banks. Whenever cash is needed, the club turns to Cuccia. Paradigmatic of the working of the club (with the exception of its publicity), is the FIAT-Libya case which was resolved in such a way as to allow members of the club to increase their stake in FIAT (Agnelli himself), by swapping money within the system with little concern for outside companies or the minority shareholders of the club’s companies.<sup>81</sup>

The relations between the club and either government or small business is not without friction. Small and medium enterprises have always felt curtailed by the club’s restrictive rules and have turned to the DC (and now increasingly to the *Lega Nord* and to *Forza Italia*) for the protection of their interests. Since the 1950s when the ruling DC extended its own clientelistic net over Italy, it has, for its part, become a competitor for funds, capital, profits, and personal rents. Aiming at financial independence from private business, the DC used public companies, among other things, as a rent mechanism for party purposes. The relationship between the DC and the club was, and is, of a purely utilitarian nature.

Now, due partially to the internationalisation of finance and production, the family business has recently shown signs of crises. The first is linked to the question of succession. Gianni Agnelli has been forced to overrule his own declared aim to step down at the age of seventy-five. Since 1988, a “Deng Hsiao Ping-solution”, allows Cuccia, born in

<sup>79</sup> For a critique of the company structure in Italy, see Guido Plutino, “Una lezione dal baratro,” *Mondo Economico*, vol. XLVIII, no. 30 (24-30 July 1993), pp. 60-62.

<sup>80</sup> Alan Friedman, *Agnelli and the Network of Italian Power*, p. 89. For a detailed account of the links (as for 1988), see p. 88.

<sup>81</sup> Alan Friedman, *Agnelli and the Networks of Italian Power*, chapter 12.

1907, to keep on governing *Mediobanca* as an “honourary president”. The question of succession is highly sensitive, because the covert exchanges need very trustworthy mediators, a form of human capital which is not easily inherited or delegated.

More important problems are linked, however, to the oligopolisation in the OECD. The growing Italian market of the *miracolo* allowed an expansion and concentration that was nationally protected and internationally relatively competitive. In several sectors, this is no longer the case. Olivetti, Pirelli or FIAT have to compete in markets where increasingly multinational mergers, joint-ventures, or at least strategic alliances take place. Yet, Italy’s big family businesses have traditionally been unable to organise such deals.<sup>82</sup> Judging from the underlying logic of the network, two hypotheses can be advanced for this peculiar inability. The first is that Italian business is still led by the *condottieri* (the Italian “captains of industry”): in this, the notion of absolute control is very important, and the idea of power-sharing difficult even to conceive. If the first reason is therefore linked to the particular managerial culture widely shared in big and small enterprises,<sup>83</sup> the second is due to the logic of the closed club: it would upset the entire system were joint ventures or share exchanges to allow outsiders to enter.

The protection of the club in an internationalised context has become a permanent headache for the Old Guard. When Ford was ready to buy Alfa Romeo in the 1980s, FIAT duly financed by *Mediobanca*, stepped in to keep it out. Yet, by the end of the 1980s, some members of the club showed signs of strain: Olivetti is heavily in debt, Ferruzzi is bankrupt. In December 1991, Pirelli shares collapsed after the unsuccessful merger with Continental (the firm has since consolidated). Agnelli, for his part, is still growing: adding further acquisitions by diversifying into the food industry (*Galbani* in July 1989); an agreement between FIAT and Ford in August 1990, with which FIAT becomes the world’s second largest producer of tractors and earth-moving equipment; on 28 September 1993, Fiat announced the biggest recapitalisation in Italian history of £4250 billion (\$US 2.6 bn) with a rearrange-

<sup>82</sup> Giandomenico Majone has drawn my attention to this subject.

<sup>83</sup> This managerial culture is inscribed in the specific Italian form of capitalism, characterised by “industrial growth without the development of an industrial society.” See Giulio Sapelli, *Sul capitalismo italiano. Trasformazione o declino* (Milano: Fletrinelli, 1993), p. 30 and *passim*.

ment of the board, still controlled by an enlarged *Mediobanca*-Agnelli syndicate. The strategy is to avoid international mergers, and to imitate the German system where big industry relies on banks and insurance firms - thus buttressing the traditional Italian system of family control: on 11 November 1993, the fourth generation of Agnellis in the person of Gianni Agnelli jr. joined the board of FIAT.

Today's privatisation, together with the liberalisation of financial and insurance markets, will decide whether the future form of Italy's organised capitalism will be just another form of the club or not. The privatisation of *Mediobanca* between 1985 and 1987 was an attempt by the government to curb the club's tight control. "Privatisation" becomes a game between the government and the club where "Mediobanca plays its last cards to keep its central financial position in the national system of big capitalism".<sup>84</sup> Since the package of privatisations will require around £6000 billion (\$US 3.8 bn),<sup>85</sup> Cuccia's has been draining the liquidity of the stock market toward *Mediobanca* which can be used by the bank itself or channelled to the club. In September 1993, he raised *Mediobanca*'s capital by £1000 billion (\$US 0.65 bn.), which raised his liquid disposition to £6011 billion. At the same time, despite the government's decision to install a more decentralised control of Italian big industry and finance by a form of diffused shareownership ("public company") with a maximum of 3% shares per holder, the club's member have been able to gain control of the managing board, for the *Banca Commerciale Italiana* with just 29% of the shares. Of course, the capital of these banks can now be used to support the club's interests in the coming privatisation of other industries.

These tactics of draining and controlling Italian liquidities would of course be insufficient were the Italian corporate system not to also deter major foreign investors.<sup>86</sup> These investors would like to come if the Italian system changed in three respects: it must respect the minority

<sup>84</sup> Marcello Zacché, "Cuccia spara sulla Borsa una raffica da mille miliardi," *Mondo Economico*, vol. XLVIII, no. 38 (18-24 September), pp. 56-57 (my translation).

<sup>85</sup> Guido Plutino, "E il rischio indigestione spaventa Piazza Affari," *Mondo Economico*, vol. XLVIII, no. 38 (18-24 September 1993), pp. 57-58.

<sup>86</sup> The Italian share in the foreign portfolio of international pension funds is very low at around 1.6%. See Marcello Zacché, "Scommessa da un miliardo di dollari," *Mondo Economico*, vol. XLVIII, no. 28 (10-16 July 1993), pp. 58-61.

right of shareholders; it must be transparent in its information about the companies; it must give foreign investors the right to become board-members.<sup>87</sup> In short, the club should drastically change its rules. As long as the club can delay this reform, drain private liquidities, and use privatised bank money to buy up industries, it has a chance of “winning” the privatisation dispute for sheer lack of competitors.

To summarise the trigger of the big business indifference or antagonism to the central government, one can say that the club reacted to both the state’s (parties’) and international actors’ attempt to break into the club. The family business is pushed into a finance-intensive protection of its rules, and has seen a further concentration around Agnelli and *Mediobanca*. In this context of increased financial needs, two further hypothesis should be examined. First, the decline of national power made the political class less interesting as a bribing target, and it seems indeed that at least FIAT is now lobbying directly in Brussels. Second, domestic privatisations reduce the need to collaborate with the state and pose as a problem the diffusion of control to other private domestic and international actors. Here, a weaker state gives the club greater scope to preserve its integrity.<sup>88</sup>

The story is very different for small business. Whereas the club organises nationally, the most successful part of small business in the “Third Italy” (not the traditionally rich North-West and poor South, but newly rich Center-North-East) is based on the smooth functioning of a form of “localistic” rule. It is the reproduction crisis of these local subsystems that lie at the bottom of the Leagues’ electoral uprooting of traditional DC regions.<sup>89</sup>

<sup>87</sup> Marco Niada, “La City ci dà fiducia ma prende ancora tempo,” *Mondo Economico*, vol. XLVIII, no. 28 (10-16 July 1993), pp. 61-62.

<sup>88</sup> Normally the fear of being excluded from the Europe of Maastricht is mentioned as a reason. Although (at least initially) the foreign pressure on the Italian government to drastically reduce its deficit had an impact on Italian politics, it was not pushing industrialists to de-solidarize (Giuliano Amato calls it an “over-rationalization”). Industrialists were relatively happy when they saw the chance of returning to the old system: competitive devaluation and nationally protected markets that give them time to adapt and to control the reorganisation of Italian production and finance.

<sup>89</sup> For the following, see the remarkable study by Carlo Trigilia, *Grandi partiti e piccole imprese. Comunisti e democristiani nelle regioni di economia diffusa* (Bologna: Il Mulino, 1986).

The Third Italy is characterised by the rule of political subcultures, understood as a particular localistic political system based on a high social consensus and capacity to mediate between particularistic interests. They are the result of the institutionalisation of social movements whose access to central government has been blocked, namely political catholicism in the North-East and socialism/communism in the Centre-North. These "localistic" systems developed to a defensive response of local traditional social relations to economic and central state penetration since the beginning of this century and have been reinforced in the post-1945 period. Their capacity of aggregation and interest mediation is shown by the fact that their very flexible industrial organisation grew concomitantly with the highest rates of trade-unionisation and associationism in general.

The working of these subsystems has become more complicated. On the one hand, social mobility, urbanisation, and more generally the decreasing hold of the catholic and socialist value-systems tied the fate of the subcultures and small enterprises even closer together. The legitimacy consensus became more dependent on direct benefits that the political system can provide for the increasingly differentiated social interests. These local interests, in turn, must rely increasingly on political resources rather than traditional or cultural ones. On the other hand, the localistic rule shows difficulties of *scale* in the recent context of more global competition. On the business side, the expansion of the particular small family structure often seem to have reached their financial and managerial limits. On the level of territorial subcultures, by the mid-1980s, Trigilia pointed out that the diffused economy in the Third Italy would logically need a regional level on which to rebuild the same localistic political organisation of small and medium-sized enterprises. On this regional level, however, the political class is less bound by cultural loyalties and neither strong nor competent enough to substitute itself on a greater scale to the initial localistic rule.

In this context, with the rising neo-liberal ideologies and the economic crisis of the second half of the 1980s the Leagues made their electoral fortune whereas the "red belt" resisted much better (able to play on its oppositional nature to the central government). Regionalisation, federalisation, and so on can therefore be seen *also* as indicators of an adaptation crisis of a particular economic-political subculture in Italy whose demands were decreasingly answered by the



traditional political interlocutor, the DC.

Besides electoral opposition, the business class also desolidarised from the political class, as expressed by the sudden and extensive collaboration with the judiciary to unmask the underground financing of “bribesville.” For smaller industrialists, who had to “contribute” if they were not to be excluded from public contracts, the mere financial burden of the corruption became unbearable. The traditionally largely self-financed family business, which preferred bank credits to stock market financing, has become overexposed to short-term credits. Whereas German business credits are 70% long-term and 30% short-term, in Italy it is the opposite. The small family structure and managerial culture have been very successful in flexible production, but not always in financial management. Ever higher requests by the business politicians, and the exclusion from contracts despite paying have thus pushed businessmen to start collaboration in the legal enquiries. Once the judges knew some links of the chain, they could retrace more and more corruption. Since it became clear that businessmen could limit the disaster of corruption by collaborating, and since the political class were really hurt, the businessmen left the business politicians with whom they had worked before to swing in the wind.

## Conclusion

This chapter has served three purposes. First, it has contributed to the research programme of more society-based theories in IPE. Second, it has offered an explanation of the recent changes in Italy that would counter the usual post Cold-War account. Third, it wanted to add some items to the agenda of peaceful change in Europe. This conclusion will summarise the argument concerning Italy before putting it back into the context of peaceful change.

Provoked by this assumed importance of international events, the present chapter tried to see how the triggers of the recent outbreak of the crisis can be understood. The most important triggers are commonly seen in the electoral decline of the major parties, the appearance of new (anti-system) parties, the sudden explosion of corruption and illegal financing that became known and persecuted, the rash de-solidarisation of business from the political class (*pentitismo imprenditoriale*), the cracking of the codes of honour within the mafia (*pentitismo mafioso*), and the finally realised attempt at institutional reform.

climatic

The end of the the Cold War-account emphasises the variable of ideological legitimacy and concentrates therefore on the electoral decline of the old parties and the institutional reforms. Yet, it is peculiar that all commentators agree that the legitimacy of the system was largely clientelistic, but that for those close to the overlay-thesis, this clientelism is always seen in strictly party-political terms. Yet, delegitimation occurred long before in the system whose stabilising contract was based on a financial distribution throughout the clientelistic nets not only of the party-system, but also in business and organised crime. Rule was more often vertical than horizontal. Indeed, its strengths derived from a large cooption of very different social groups into the "contract"—and still does. (See Figure 1 for a simplified synthesis of the exchanges<sup>90</sup>).

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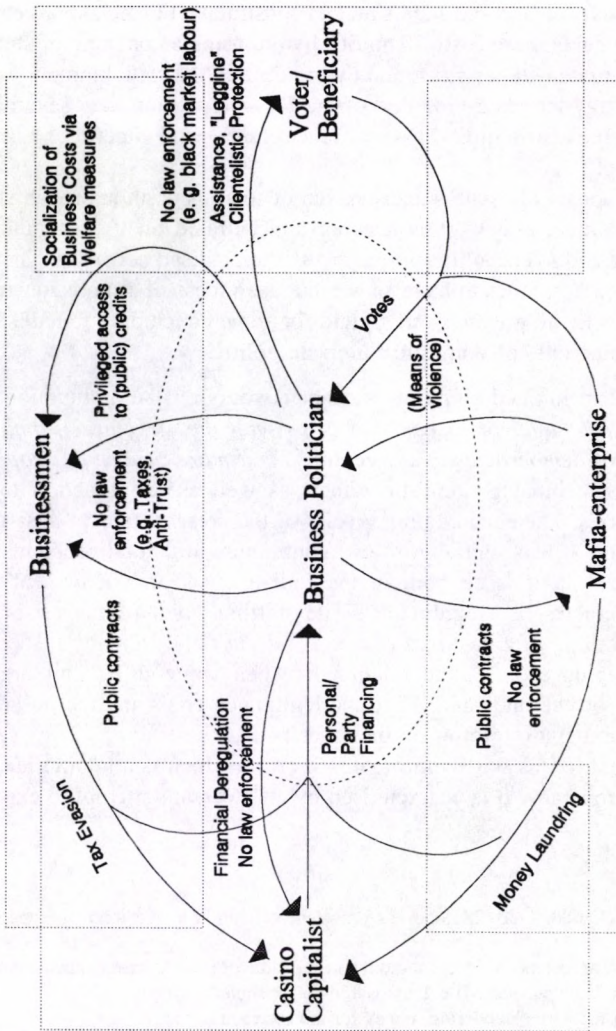
The exacerbation and diffusion of the system was increasingly difficult to contain. The trials for corruption have shown a significant increase since the beginning of the 1980s. Only now, when the fiscal and financial crisis has profoundly shattered the system, has the crisis broken out. It remains to be seen, whether this will only keep some of the clientelistic nets and privileges at the expense of weaker clienteles. The newly elected government has proposed tax-cuts in a country where 60% of the firms do not pay tax at all. The fiscal evasion is calculated between £150-200 billion, enough to make a budget surplus every year. The IMF and the OECD have never made any secret of their belief, that a reasonable structural adjustment in Italy would inevitably envisage the closure of this evasion as an obvious way of easing the budget (not through higher taxes, but through their enforcement).<sup>91</sup>

Alternative routes

Thus, the thesis of the end of the Cold War as a condition for the outbreak of the Italian crisis must be revised. International events played a role in recent changes in Italy. But instead of emphasising the power-and ideology-impact of the bipolar superpower overlay and its translation into bipolar party-politics, the present account stressed those factors that had an effect on the necessary financial means for the reproduction of the consociational-clientelistic system. The international

<sup>90</sup> They do, of course, capture only the covert part of Italian politics. The central mediators, the business politicians, can be simultaneously also mafiosi or businessmen.

<sup>91</sup> There is no doubt, however, that the byzantine tax system, filled with *leggine*, is in desperate need of reform.



**Figure 1.** Covert politics in Italy (The ellipse corresponds to the party-state, the rectangles to the networks of business, welfare, mafia and off-shore finance).

system exacerbated the scissor movement of the network's increasing financial demand and state's budget constraints. Financial markets made future debts more costly. The EC, by imposing an opening of state contracts to non-Italian firms and by prohibiting the state funding of public company debt as a violation of the EC competition law, severely curtailed the distribution capacity of the regime - and undermined financial loyalty.<sup>92</sup>

Whereas the state-society nexus of the outside-in approach stops at the political system, this account concentrated on the articulation of covert and overt politics in major institutionalised networks. Therefore, this chapter hopes to have shown the usefulness of a more societal IPE approach and prepares the ground for some concluding remarks on the "Italian front" of domestic European politics.

As mentioned above, this chapter works on the assumption that a *successful attempt to come to grips with the structural problems of modern democracies is a condition for a more peaceful Europe*, both for its stabilising domestic effects as well as its attraction to other countries. The encouraging novelty of the present Italian "crisis" is the attempt, at least initially, to overcome these structural problems.

The major issue both in the Italian crisis and in present liberal democracies, is "legitimacy". The starting point of the crisis is the dismantling of a vast part of covert rule in Italy. In many respects, the underlying topic is the relation between white-collar and organised crime on the one hand,<sup>93</sup> and the legitimacy crisis and the possibilities for democratic reform, on the other hand.

First, let us start with organised crime which is a totalitarian attack on democracy. It is characterised by an incessant attempt to expand its

<sup>92</sup> Giandomenico Majone has drawn my attention to the indirect impact of the EC/EU.

<sup>93</sup> The relations of white-collar crime and organised crime have become increasingly enmeshed. The famous Italian example is Roberto Calvi whose *Banco Ambrosiano* was laundering money for the secret masonic lodge P2 and the *cosca* of the *Corleonesi*. Getting into speculative problems, he might not have honoured mafia money. Whereas "normal" evaders usually do not show up to reclaim it, the mafia does. In June 1982, Calvi was found hanging under a London bridge. See Letizia Paoli, "Criminalità organizzata e finanza d'avventura" and R.T. Naylor, *Hot Money and the Politics of Debt*, pp. 77-91, 113-14.

rule.<sup>94</sup> It literally kills pluralist associational life, “legal” private enterprise and competitive markets, or more generally, public space. It reproduces poverty and fear in order to reproduce a need for protection: thus, a whole people is effectively racketeered.<sup>95</sup>

To combat the Italian mafia, Minister of Interior Mancino went to Moscow on 11 September 1993.<sup>96</sup> Secret services had reported two meetings (Zürich, Prague) of representatives of the major US, Italian, Ukrainian and Russian mafia organisations presumably to form a cartel and to collaborate on money laundering and drug/arms deals. The obvious risk is double: emerging democracies are suffocated and even the most efficient struggle against organised crime in one country is useless, when the markets are flooded from “abroad”. Therefore, Eastern and Central European authorities are collaborating in a database on organised crime (“data-drag”), and the Italian authorities are allowed to pursue Italians in Russia.

One of the first results is the successful tumbling of a mafia £2000 billion (\$US 1.25 billion) deal to buy up one of the formerly state-owned major banks in St. Petersburg. The mafia(s) wanted to launder money through this bank (which was also to be used for buying up private property that the Russian government is expected to sell).<sup>97</sup> In order to stop the mafia’s totalitarian grip on established and emerging democratic societies, a much better system of bank control is needed. As long as organised crime does not print a convertible currency, it depends on banks for a “cash connection” (cfr. the 1984 interim report of the US presidential commission on organised crime).

Otherwise, once the mafias are in, good luck to democratisation! The Marshall Plans for the East can have only ameliorate the situation partially, as in the *Mezzogiorno*. Yet, European politics should not indulge in another double standard. EEC structural funds or Marshall Plans to the East can be rightly criticised for being milked by the covert system.

<sup>94</sup> Luciano Violante, *I corleonesi. Mafia e sistema eversivo*, p. 23.

<sup>95</sup> The mafia fits perfectly into the reproduction of the vicious circle of distrust that characterizes particularly Southern Italy and which stops “democracy working”. For this argument, see Robert D. Putnam (with Robert Leonardi and Raffaella Y. Nanetti) *Making Democracy Work. Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993).

<sup>96</sup> Television news report on TG2 (19.45 pm) on 11 September 1993.

<sup>97</sup> Television news report on TG2 (19.45 pm) on 7 November 1993.

But if the aim is to attack one major cause, namely organised crime, OECD governments have a long tradition of never controlling the banks<sup>98</sup> through which organised crime has built its financial power. Italians know that it is bad politics, but good publicity to appear (relatively) generous with money and to blame entrepreneurial incapacity or cultural backwardness for the lacking results.

Secondly, there is the tricky question of white-collar crime. The literature generally distinguishes two types, "occupational" and "organisational". The first capitalises on a specific position and is about personal gains, the second type is "supported, encouraged, and oftentimes even required by the operational norms of the organisation in which it occurs."<sup>99</sup> This is not restricted, as we have seen in the above analyzed networks, to party financing. The Italian crisis can hence be described as a reaction against a system of organisational white-collar crime.

The micro-dynamic of white-collar crime is to crowd out "legal" competitors (see above), and this "stabilised" the Italian system, but has become a factor of delegitimation. Delegitimation has occurred because this covert system is based on the breaking or non-enforcement of law: it creates a *systematic double standard* between those who can enter the networks of covert exchanges and those who cannot. Yet, legality in the modern democratic state must be rational and impersonal (at least in the Weberian sense). These formal conditions of justification replace the impossible metaphysical foundations for legitimacy. When the clientelistic systematic double standard makes legality the exception and not the rule, the system enters into

the vicious circle of reciprocal disaffection or mutual complicity: power today is ignored or immediately instrumentalised, from the top and from the bottom, as sources of privileges (and this complicity breaks down today with the limitation of resources to be distributed).<sup>100</sup>

<sup>98</sup> Marcello de Cecco, "Financial Relations: Between Internationalism and Transnationalism," in Roger Morgan, Jochen Lorentzen, Anna Leander, Stefano Guzzini (eds), *New Diplomacy in the Post-Cold War World. Essays for Susan Strange* (London: Macmillan, 1993), pp. 102-10.

<sup>99</sup> James W. Coleman, *The Criminal Elite. The Sociology of White Collar Crime* (New York: St. Martin's Press, 1985), p. 8.

<sup>100</sup> Carlo Galli, "Crisi di legalità, crisi di legittimità," *Il Mulino*, vol. XL, no. 338 (November-December 1991), p. 1029, my translation.

The more the post-1945 societal project of moral, economic and institutional reconstruction receded, the more the system relied upon a consociational-clientelistic logic to produce consent, the more it lost legitimacy, the more it needed to resort to covert exchanges, which in turn undermined legitimacy, and so on.<sup>101</sup> A *de facto* double standard system has a structural legitimacy problem.

Gianfranco Pasquino envisaged a possible implosion of the system as far back as the early 1980s. He saw three possible triggers: fractions of civil society pushing for change; that political sectors would become more responsive to public ethics; and that entrepreneurs become aware of European constraints. As already mentioned, the latter has proved to be a relatively weak trigger.<sup>102</sup> The strongest opposition came from where one should have logically, but not actually, expected it, from the police and judiciary. *Not* market constraints, or civil society at large, but a *state* agency has been the major antagonist of white-collar (political and economic) crime in the party-state.

Why has the judiciary campaign been effective, when for decades it never succeeded? Besides the inherent illegitimacy and thus potential weakness of a system of double standards, there is also an institutional reason for why an explosion took place in the 1990s and not before. The hidden financing was traditionally handled by very few mediators in the party headquarters. The laws for regionalisation decentralised and boosted the numbers of potential mediators. Secrecy is much more difficult to maintain in such a system.<sup>103</sup>

Yet, the judiciary's answers are insufficient. The individualist law system has no problems in pursuing "occupational" crime. Confronted with systematic "organisational" crime, however, the pools of magistrates have been asking for a "political" solution, first misunderstood as an appeal for a general amnesty. The real question is that of *how to*

<sup>101</sup> For a similar version of this vicious circle, see Jürgen Habermas, *Rekonstruktion des Historischen Materialismus* (Frankfurt/M.: Suhrkamp, 1976), p. 320. Here, the state's increasing incapacity to produce the resource *Sinn* is met with increasing material compensations. A legitimacy crisis occurs, when the system cannot find any satisfactory *Sinn*-substitutions or when the expected material gains outweigh the available resources.

<sup>102</sup> See also Donatella della Porta, "La logica della corruzione in Italia," *Il Mulino*, vol. XL, no. 337 (September-October 1991), p. 914.

<sup>103</sup> This is Giuliano Amato's suggestion (interview, 15 October 1993).

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*create a legitimate social contract based on a new relationship between open and covert politics.* This is more than a judiciary can do. The widely cherished debate about institutional reforms (electoral law, presidentialism, federalism, and so on) is important, but it is no substitute for structural reform. The crisis of the Italian system emphasizes the need for more transparency and responsiveness in domestic and transnational politics. Domestically, this implies the clear separation of the spheres of politics, economy, the law and the mass-media.<sup>104</sup> Transnationally, one of the biggest problems consists in the control of illegal markets and their mediators.<sup>105</sup>

On both "fronts", recent developments are not necessarily inducing optimism. Instead of joining in a common attempt to attack illegal markets, governments are playing a game of "competitive off-shorisation".<sup>106</sup> Domestically, with the crisis of the old system, a really pluralist associational life, outside the parties, has yet to emerge. It is not at all clear, which social force on the base of which leading utopia will help to bring the new social contract about, when in other European countries both the welfarist and neo-liberal contracts that have been attempted, have increased electoral disaffection or anti-system votes.<sup>107</sup> There is an increasing impression that the initial shame and mobilisation over the extent of the covert system has given way to sentiments of exteriorised revenge and a will to forget. The signs of the recent electoral campaign do not presage optimism, either: public debates were reduced to pre-established or re-cycled dichotomous schemes and politicians were increasingly seen as corrupters with no real link (and thus responsibility attached) to the wider population.

<sup>104</sup> It is therefore not fortuitous that Michael Walzer's *Spheres of Justice* (New York: Basic Books, 1983) is particularly well received among Italian liberals.

<sup>105</sup> This adds the (covert) Italian personnel to the emerging transnational class. See in particular Susan Strange, "The Name of the Game," in N. Rizopoulos (ed.), *Sea-Changes. American Foreign Policy in a World Transformed* (New York and London: Council on Foreign Relations, 1990), pp. 262-65.

<sup>106</sup> On the increased importance of off-shores, see also Ronen Palan, "Globalization and the World Economy" (Paper prepared for the International Organization Development Association 7th Annual World Conference, 29 November-3 December 1992, Coventry).

<sup>107</sup> We seem not much further than in Jürgen Habermas' succinct statement from the 1980s, "Die Krise des Wohlfahrtsstaates und die Erschöpfung utopischer Energien," in *Die Neue Unübersichtlichkeit* (Frankfurt/M.: Suhrkamp, 1985), pp. 141-63.



The elections might even have exacerbated the problems. If one of the problems of the Italian democracy is the lacking independence of the political and economic system *in both directions*, the vote for a media tycoon who was still managing his TV channels when he was launching himself, and still owns them, has not resolved the problem — it has, at best, only made it more visible.<sup>108</sup> But more importantly perhaps, the electorate seems to be tired of change. Mario Segni, the initiator of the referenda that helped to undermine the system was defeated in his constituency. Antonio Caponetto, a magistrate who was the founder of the pool system within which Falcone and Borsellino could organise their successes against the mafia, was defeated in Palermo. After the election, there were mafia-campaigns of intimidation against local left-wing administrators (houses burned, etc). Finally, there were (small) demonstrations *in favour* of supposed mafia-bosses in Messina (Sicily).

Indeed, maybe the nearly three years from the referendum in 1991 that abolished the multiple preferential vote, against the explicit wishes of major parts of the ruling parties, until the recent elections will not be seen as a new start, but just an *intermezzo* during which observers caught a short and unprecedented sight on the Italian covert/overt system. It still seems premature to talk about an Italian “Second Republic”.

Despite due caution about its outcome, the recent crisis has made Italy a laboratory for experiments which aim, or aimed, at finding a viable new social contract in a changed global political economy. This social contract can only come about plurinationally, i.e. through common efforts across societies. Indeed, it has become difficult to separate “national” social contracts. Thus, sustained efforts in Italy and abroad

<sup>108</sup> This does not mean that Berlusconi won because of his television channels. On the “electoral market” in Italy, the left never won more than 35-40%. When the DC was in crisis, a large share of the electorate was unsure about whom to vote, especially in the South where the *Lega Nord* was not such an appealing candidate. *Forza Italia* targeted precisely on this part of the electoral market and got more than 30% in Sicily. It is, however, impressive to see continuity of the Italian vote in the 20th century, including the repeated preference of the centre-right to ally rather with the extreme-right than with the left (with the exception of the “historical compromise”). For this argument, see also Norberto Bobbio, “La sinistra fa paura all’Italia”, *La Stampa* (30 March 1994), pp. 1, 7.

are needed to oppose the emerging tendency to create systematic double standards, to restore legitimacy and to provide a pole for democratic attraction. The successful management of this change would be a crucial contribution to a more peaceful order in Europe.

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