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# Three Concurrent Modernities. The Italian (De)Stabilisation of the 1970s

(doi: 10.1412/104428)

Ricerche di storia politica (ISSN 1120-9526)

Fascicolo speciale, luglio 2022

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# Three Concurrent Modernities. The Italian (De)Stabilisation of the 1970s

## Abstract

*This paper aims to investigate the Seventies as a time-span in which Italy underwent multiple concurrent modernisations; that entails shifting the accent from the over-worked category of «crisis» to a less clear-cut category of change. In particular, no less than three forms of modernity overlapped in Italy during the Seventies: the exhaustion of agrarian civilization, which triggered a long-term anthropological change; the controversial Fordist nationalization process, which Fascism had failed to accomplish; the short-term Euro-Americanisation cultural turn, namely the completion of Americanisation in Western European style. All these strands contribute to placing Italy in a fully global perspective; the supposed «anomaly» of the Italian case is explored in terms of what forms of «(de)stabilisation» and modernity emerged from the Seventies. To this end, the paper concludes that during 1974-76 every attempt to govern the transition to a fully secularized and Northern European standard of living failed. Stagflation called in question the long-held belief in progress, while the expectation of a breakdown of Western capitalism prevented any «socialdemocratic» compromise.*

Keywords: *Italy, Concurrent Modernisations, Globalisation, Euro-Americanisation, (De)Stabilisation.*

## Introduction

Looking at the Italian Seventies in a global perspective means departing from the main thrust of historical research which focuses on the adequacy of cabinets, political parties and social movements at coping with external challenges, whether international or domestic, including the tragedies of terrorism and the Aldo Moro murder<sup>1</sup>. Rather than searching for the evil of the decade, our question becomes one of deciding which historical processes were under way in

<sup>1</sup> The literature on terrorism and violence is too extensive to be mentioned here: see G. Formigoni, *Aldo Moro. Lo statista e il suo dramma*, Bologna, Il Mulino, 2016; D. Della Porta, *Social Movements, Political Violence and the State. A comparative analysis of Italy and Germany*, Cambridge, Cambridge University Press, 1995, together with other studies by the same author, for a theoretical framework for the resorting of social movements to violence; for recent historical contextualisation, see S. Neri Serneri (ed.), *Verso la lotta armata. La politica della violenza nella sinistra radicale degli anni Settanta*, Bologna, Il Mulino, 2012; C. Cornelissen, B. Mantelli, P. Terhoeven (eds.), *Il decennio rosso. Contestazione sociale e conflitto politico in Germania e in Italia negli anni Sessanta e Settanta*, «Quaderni dell'Istituto storico italo-germanico in Trento», Bologna, Il Mulino, 2012.

Italy *during* the Seventies. Was Italy an anomaly or was it part of a process common to all Western countries? Was the 1978-79 stabilisation, as terrorism lost favour with youth and the strongest Communist Party of the Western world began its last phase of life, a reason for the rapid collapse of mass parties in the late 1980s?

A shift of *object* is experienced through the increased distance from a period which is still too close to the life and experience of historians, including this writer, to be treated comprehensively. If we undertake such an attempt, in spite of the inevitable limitations of scale and size of an article, it is because we can rest upon mature scholarly consensus that the Seventies did witness the start to so-called globalisation<sup>2</sup>. Interplay between the «shock of the global», the transformation of Italian democracy and the rise of a quite new popular culture has already been identified, though any search for monocausal explanations must limit our chances of making sense of a process of deep transformation.

Our proposal is to look at the Seventies as a time span in which Italy underwent *no less than three concurrent modernisations, resting on* – to say it with François Hartog – *three different regimes of historicity*. The first one was the exhaustion of agrarian civilisation which triggered a long-term anthropological change; the second was a medium-term controversial Fordist nationalization, that Fascism had failed to accomplish; the third was a short-term cultural *Euro-Americanisation*, namely the completion of Americanisation in a Western European way. All three strands were internally conflictual and need specific study; in their interplay lies room for historical interpretation. Aware of the modesty of our undertaking we will just sketch how they intertwined and what kind of «(de)stabilization» emerged.

## 1. Crisis or Change?

Viewing the Seventies as a period marked by multiple concurrent forms of modernity means shifting the accent from an overworked category of «crisis» to a less clear-cut category of change<sup>3</sup>. This is not to deny that a crisis was there but rather to suggest that looking exclusively for *the* agent of a single «relevant» crisis may result in a deterministic reading.

We have at least three hypotheses on the Seventies «crisis» and periodisation: the political-economic account of Nixon's suspension of convertibility in August 1971 bringing the «golden age» to an end; so-called realist scholarship focusing on a shaken Italian position in Southern Europe as of about 1974; and those social and political historians who see the period 1968-77 as a peculiarly long and tense national protest cycle<sup>4</sup>. Though disagreeing whether the

<sup>2</sup> N. Ferguson, C.S. Maier, E. Manela, D.J. Sargent (eds.), *The Shock of the Global. The 1970s in Perspective*, Cambridge, Harvard University Press, 2010; D. Sargent, *From Internationalism to Globalism: the United States and the Transformation of International Politics in the 1970s*, Ph.D. diss., Harvard University, 2008. Major contributions setting the decade within globalisation are by G. Arrighi, I. Wallerstein, and J. Osterhammel.

<sup>3</sup> This path was explored by L. Baldissara (ed.), *Le radici della crisi. L'Italia tra gli anni Sessanta e Settanta*, Roma, Carocci, 2001.

<sup>4</sup> The search for a lack of modernity unites very different Italian studies on the political «crisis», e.g. many contributors to a Conference held in Rome in October-November 2001, *L'Italia repubblicana nella crisi degli anni Settanta*, Soveria Mannelli, Rubbettino, 2003, 4 vols.; G. Moro, *Anni Settanta*,

social movements were «modern» or not, most consider them spent by 1978. Simona Colarizi has recently relativized the turning-point of 1978, reassessing a dynamic and positive period of social change, gender equality, individual freedom and democratic participation whose legacy went into the modernising reforms of the 1980s and down till the 1991 crisis<sup>5</sup>.

Crisis implies *backwardness* as an unspoken category, a culprit, for many historians agree on Italian backwardness but disagree on its cause: the political system (whether the DC or the Communist Party, or both), Italian capitalism, or a backward culture<sup>6</sup>?

The dichotomy between modernity and backwardness results from an implicit and quite superficial comparison with Northern European countries, such as West Germany, where a widely accepted modernisation theory sees the Seventies as the end of the «Hochmoderne», (the period of highest trust in modernity and technology, spanning from about 1945 to 1979), a period of «structural break» which had revolutionary outcomes in the ego-society rather than in politics, for they posit continuity just at the juncture where most Italian historians see a break<sup>7</sup>.

One intriguing proposal comes from comparative studies that embrace the whole continent and point to asynchrony between the cultural, social and economic development of the Seventies. Göran Therborn has suggested that four different phenomena coalesced in the Seventies all over Europe, including Central and Eastern Europe: 1) «the end of the unprecedented post-war boom», 2) «the end of industrial society», 3) «the rebellion of 1968» accompanied by «changes of sex, gender and family relations» and the end of «centuries of patriarchy»; and 4) a tendency towards socialisation of capital: «the need for coordination of, and for more resourceful investments in, the forces of production did generate a general tendency of capitalist development towards increasing public regulation, municipalisation and nationalization». Geoff Eley is even clearer when, following Tony Judt, he distinguishes two different periods, the first one 1967-74, representing a continuation and the end of postwar reconstruction, and the second one,

Torino, Einaudi, 2007, an excellent synthesis of Italy's social conflicts, which sees a tragic unsolved conflict between citizenship rights and an anticommunist political system conditioned by its Western allegiance; G. Crainz, *Il paese mancato. Dal miracolo economico agli anni ottanta*, Roma, Donzelli, 2005, revisited in Id., *Storia della repubblica. L'Italia dal 1945 a oggi*, Roma, Donzelli, 2016, who provides the widest available analysis of Italian society and culture of the Sixties and Seventies, together with P. Ginsborg, *Storia d'Italia dal dopoguerra a oggi*, Torino, Einaudi, 2006, and P. Craveri, *L'arte del non governo. L'inarrestabile declino della Repubblica italiana*, Venezia, Marsilio 2017. These see the lack of civic culture of the political class, if not the whole society, as an element of continuity in republican Italy, and make this lack an explanation for Italy's crisis. The absence of a robust secularised liberal reformist force becomes the historical reason for the weakness of the political system.

<sup>5</sup> S. Colarizi, *Un paese in movimento, L'Italia degli anni Sessanta e Settanta*, Roma-Bari, Laterza, 2019; G.M. Ceci, S. Colarizi, A. Guiso (eds.), *The Italian Seventies. Tracing the Origins of Italian Modernity*, «Journal of Modern Italian Studies», 1 (2020), pp. 1-2.

<sup>6</sup> P. Ginsborg sees circular Italian «familism» and backwardness as the reason for a peculiar resistance to modernisation («familism caused backwardness but was itself caused by elements of backwardness»), Id., *Italy and Its Discontents. Family, Civil Society, State*, London, Springer, 2003, p. 89. An economic variation on that thesis occurs in F. Silva, who sees a clash between «the old» and «the new», Id. (ed.), *Un profilo d'insieme*, in *Storia dell'IRI*, vol. 3, *I difficili anni '70 e i tentativi di rilancio degli anni '80*, Roma-Bari, Laterza, 2017.

<sup>7</sup> A. Doering-Manteuffel, L. Raphael, *Nach dem Boom. Perspektiven auf die Zeitgeschichte seit 1970*, Göttingen, Vandenhoeck & Ruprecht, 2010; U. Herbert, *Europe in High Modernity. Reflections on a Theory of the 20th Century*, «Journal of Modern European History», 5 (2007), pp. 5-21.

1975-onwards, which «called each aspect of the post-war consensus into question». In the latter period, he sees four main processes running parallel, 1) «the post-1973 recession brought drastic changes in the capitalist economies and their social structures»; 2) «the distinctive organisational world of the socialist tradition also dissolved», opening a process completed in the 1980s; 3) gender role changes that started in the Sixties could no longer be stopped: «changing gender relations and changing sexualities lastingly redrew the terrain on which politics had perforce to be conducted»; 4) «the passage into the 1970s also saw the violent denouement of European decolonization», recasting the place of Europe in the world<sup>8</sup>. Therborn and Eley thus identify not one but at least four different crises around 1974-1975. If the decade represented a «key watershed in European history» (Eley), it is because a cumulative process of change produced a break in the idea of modernity<sup>9</sup>.

In the Italian experience, the four trends identified by Therborn and Eley were all present. Rather than following this line of analysis closely, we will focus on the specific case of Italy, examining at least three major historical processes which suddenly coalesced.

## 2. Accelerated Modernity

Our starting point is the exhaustion of the peasant civilisation, a century-long process of global relevance that Northern Europe accomplished early in the XX C. while Italy, much like India or some Eastern European countries, experienced only much later and from a peculiar location on the periphery of core Western capitalism. The historical dawn of rural culture has been abundantly studied by Italian anthropologists starting from Ernesto De Martino, yet its cultural and political consequences for the Seventies are only scantily considered in the study of social movements or taken for granted under the dominant category of «backwardness»<sup>10</sup>. Those who resolve Italy's peculiar development under such a label losing sight of the great opening-up that accelerating modernity brought in its train. There is a dearth of studies on how local elites adjusted to the sudden jump from a peasant culture to a secularised mass urban culture, producing a mixture of social conservatism, political engagement and revolution that had very different outcomes according to the social position, territory, education and religious belief.

What Pasolini called «la scomparsa delle lucciole» was a deep anthropological change that broke with local cultures and their tradition of putting up with scarcity. Wild urbanisation altered the nature-culture relationship and affected the shape of the Italian landscape as land became a source of easy profit for a building sector which identified house ownership with modernity. The country passed from 9 mill. persons working in agriculture in 1950 to about 4 mill. in 1970; the figure sank still further to 2.9 mill. by 1979, thereby making the peasants a subsidized minority within a protected European Common Market. Industrial employment in 1970-79

<sup>8</sup> M. Foucault, *Nascita della biopolitica. Corso al Collège de France (1978-79)*, Milano, Feltrinelli, 2005; S. Müller, *Der Anbruch des Neoliberalismus: Westdeutschlands wirtschaftspolitischer Wandel in den 1970er-Jahren*, Wien, Promedia, 2016.

<sup>9</sup> G. Therborn, G. Eley, H. Kaelble, P. Chaissagne, *The 1970s and 1980s as a Turning Point in European History?*, «Journal of Modern European History», 1 (2011), pp. 8-26.

<sup>10</sup> F. Dei, *Cultura popolare in Italia. Da Gramsci all'Unesco*, Bologna, Il Mulino, 2018.

grew only from 7.4 to 8 mill., not enough to absorb the former peasants who often passed directly to the service sector that rose from 8.3 mill. to more than 10 mill.; the unabsorbed workers fed a precarious job market ready for social mobilisation<sup>11</sup>.

The most radical transition had occurred in the Fifties and Sixties when the countryside – especially in the South – provided the industry and the building sector with a large reserve of low-cost unqualified workers who kept wages relatively low. Yet the psychological and social consequences of that shift became really visible from the late Sixties on, as the children of the recently urbanised working class claimed a right to the same aspirations as the middle-class children they knew at school. Although precarious jobs and undeclared «moonlighting» never disappeared, by the late Sixties the position of the workers on the labour market was stronger than ever before<sup>12</sup>. Since industrial development promoted by the State through several channels, such as State-owned firms, the *Cassa per il Mezzogiorno*, public works, as well as EEC funding, had affected areas previously excluded from manufacturing, the labourers no longer needed to move to the North and the ending of that unlimited labour supply gave workers in the industrialized North greater confidence to claim higher wages and more political say.

After autumn 1969 an extraordinary mobilisation of the working class redefined the position of the workers and unleashed an unprecedented wave of social conflict. Italian society suddenly emerged into secular modernity. The process had surely started much earlier but blossomed between 1968 and 1973, when job market, democracy, and generational issues converged and called for political leadership of that extraordinary phenomenon.

The first wave was met with law 300 of 20 May 1970, promoted by the socialdemocrat Minister of Labour Giacomo Brodolini and by his DC partner Carlo Donat Cattin. The *Statuto dei lavoratori*, though restricted to firms with more than 15 workers on the pay roll, put Italy at the forefront of worker rights in Europe. Not fully supported by the Italian Communist Party (PCI), which abstained in Parliament because of the restricted threshold, and disliked by an extreme left that hoped for revolution, it provided workers with juridical protection that surpassed French and German standards in some respects such as union rights and stability of contract, not without contradictory outcomes among the workers themselves. After the 1974-76 shocks, the threshold issue would split the job market between protected and the unprotected workers, big and small firms. By 1977-78 that division brought the idea of expanding universalist worker rights to a halt and contributed to dissolving the socialist ideals and general trust in a progressive democracy – a trust that, in 1969-74, had prompted charismatic reformers such as Franco Basaglia to rethink the

<sup>11</sup> Banca d'Italia, *Statistiche storiche, Lavoro e capitale in Italia 1861-2011*, <https://www.bancaditalia.it/statistiche/tematiche/stat-storiche/stat-storiche-economia/index.html>; C. Giordano, F. Zollino, *A Historical Reconstruction of Capital and Labour in Italy. 1861-2013*, «Quaderni di storia economica», Working papers, 37 (2016), pp. 1-68, <https://www.bancaditalia.it/pubblicazioni/quaderni-storia/2016-0037/QSE-37.pdf>.

<sup>12</sup> M. Paci, *Mercato del lavoro e classi sociali in Italia. Ricerche sulla composizione del proletariato*, Bologna, Il Mulino, 1973, pp. 328-337; P. Sylos Labini, *Saggio sulle classi sociali in Italia*, Roma-Bari, Laterza, 1974; D. Guzzo (ed.), *Da non garantiti a precari. Il movimento del '77 e la crisi del lavoro nell'Italia postfordista*, Milano, Franco Angeli, 2019, in particular S. Neri Seneri, *Il movimento del 1977 e la crisi italiana degli anni Settanta*, *ibidem*, pp. 38-51; E. Betti, *Precari e precarie: una storia dell'Italia repubblicana*, Roma, Carocci, 2019.

psychiatric hospital, school pedagogists to reform teaching in primary schools, the socialist Loris Fortuna and the liberal Antonio Baslini to promote gender equality and a divorce law, and led DC Minister Tina Anselmi to reform the family statute in 1975<sup>13</sup>.

Italy was changing faster than the rest of Europe. Almost half of the Italian population had shifted from rural to urban culture in two decades and many entered the Seventies with a sudden break with their religious, territorial and class traditions. The Catholic church's special relationship with the DC party suffered and sparked controversy with the secularized left<sup>14</sup>. By calling the 1974 referendum against divorce the hardline Catholic wing of the DC mobilised by Amintore Fanfani underwent a heavy defeat that showed that the Italian women, in particular, no longer accepted the ethical guidance of the Catholic Church in daily life and sexual behaviour. The Catholic front probably perceived clearer than the liberal progressives that the divorce law campaign was fuelling not just women's independence, but what Pasolini called a hedonistic ideology of consumption<sup>15</sup>.

Secularisation was at the same time a process of politicisation. Under the pressure of the 1968 movements, the clash between the older «metalmezzadri» (peasants turned industrial workers) and their children hinged on conflicting expectations and ultimately paved the way for radical clashes. The younger low-qualified workers no longer accepted the self-restraint of the older generation and objected to the previous work ethics that legitimated a pecking order between specialised and unqualified workers within the worker movement. The burgeoning aspirations of the individual were not much different from other Western countries but more traumatic<sup>16</sup>. All this challenged not only the style of unionism and class belonging, but also gender relations, family hierarchies and the leadership of Christian Democracy which had been the anticommunist bulwark since 1947.

The Italian student movement held a very special position in Western Europe because it combined the wish for expanding social mobility through access to high-school and university with hope for a working-class seizure of power. The students', women's and workers' anti-institutionalism aimed at complete politicization of State and society, what has been called a «politica ridefinita», a sort of permanent revolution of the public sphere, breaking the barriers

<sup>13</sup> J. Foot, *The Man who Closed the Asylums: Franco Basaglia and the Revolution in Mental Health Care*, London, Verso, 2015; F. Lussana, *L'Italia del divorzio. La battaglia fra Stato, Chiesa e gente comune*, Roma, Carocci, 2014.

<sup>14</sup> Many socially engaged Catholics swung left in the aftermath of Vatican II and the theology of liberation from Latin America. Some of the left-wing leaders who turned to terrorism came from very traditional Catholic areas. G. Panvini, *Cattolici e violenza politica. L'altro album di famiglia del terrorismo italiano*, Venezia, Marsilio, 2014; see also Id., *Ordine nero, guerriglia rossa. La violenza politica nell'Italia degli anni Sessanta e Settanta (1966-1975)*, Torino, Einaudi, 2009.

<sup>15</sup> P.P. Pasolini, *Gli italiani non sono più quelli*, in «Corriere della Sera», 10 June 1974, now in Id., *Scritti corsari*, Milano, Garzanti, 1975, pp. 47-48.

<sup>16</sup> The break with the past was often experienced as a liberation from want, yet under the impact of stagflation it took the form of a disenchanted consumerism. See P. Capuzzo, *Crisi e trasformazione della società dei consumi negli anni Settanta*, in F. Balestracci, C. Papa (eds.), *L'Italia degli anni Settanta. Narrazioni e interpretazioni a confronto*, Soveria Mannelli, Rubbettino, 2019, pp. 189-203; Id. (ed.), *Genere, generazione e consumi. L'Italia degli anni Sessanta*, Roma, Carocci, 2003.

between private and public<sup>17</sup>. This peculiar mixture of politicization and anti-politics mirrored an unresolved conflict between social and individual rights. As explained by Luigi Cavallaro, since the Sixties creative jurisprudence had filled a vacuum left by politics through expanding collective and social rights, such as for property rental, land reclaim and land expropriation, labour protection and gender equality. The expanding role of the courts generated contradictory outcomes, such as a conservative reaction that bolstered private property against social rights, a politicization of the courts and a culture of subjective rights that contributed to a «society of desire»<sup>18</sup>. Creative Italian jurisprudence introduced subjective rights, potentially in conflict with social rights, through the concept of «human capital», imported from northern European countries. Even though aiming at protecting weak subjects, the «paradigm of rational individuality» paved the way from an affluent economy to an «economy of pleasure» (*economia del godimento*)<sup>19</sup>.

The claim to individual freedom was much the same throughout the Western area, yet in Italy individual and social rights came together to maturity and never became friends. Women's rights remained unsettled even within the leftist movements which preached sexual freedom and gender parity but practised more traditional gender hierarchies<sup>20</sup>. How the media and consumer sex filled the void left by peasant cultures from the late Seventies on lies beyond our present scope.

### 3. Industrialization at All Costs

A second anachronism was taking place, which had international implications. Italy in the Seventies was accomplishing industrial modernization along Taylorist, rather than Fordist, lines and was reluctant to stop what was, after all, a success story. Taylorism meant substituting extensive expansion of the pre-war industrial bias by intensive development of a mature industry in low technology consumer goods: «In the years of the economic miracle, Italian industry appeared essentially concentrated in durable consumer goods [...]. In recent years, by contrast, Italian industry has made considerable efforts to increase exports in plant, machinery, and instrumental goods in general»<sup>21</sup>. Though shifting to new sectors, Italian industry still occupied a low technological position in a production chain that saw increasing competition from emerging countries together with new opportunities for integration with Germany and Japan which were now shifting to the top of industrial innovation in competition with the US. Major Italian industrial groups defended their expansion in durable consumer goods by price tactics rather than

<sup>17</sup> C. Donolo, *La politica ridefinita. Note sul movimento studentesco*, «Quaderni piacentini», 7 (1968), pp. 93-127.

<sup>18</sup> L. Cavallaro, *Giurisprudenza. Politiche del desiderio ed economia del godimento nell'Italia contemporanea*, Macerata, Quodlibet, 2015, see in particular chapter 2.

<sup>19</sup> *Ibidem*, pp. 110, 123.

<sup>20</sup> T. Bertilotti, A. Scattigno (eds.), *Il femminismo degli anni Settanta*, Roma, Viella, 2005; A. Bravo, *Noi e la violenza. Trent'anni per pensarci*, in A. Bravo, G. Fiume (eds.), *Anni Settanta*, «Genesis», 1 (2004), pp. 1-25.

<sup>21</sup> A. Graziani, *Aspetti strutturali dell'economia italiana nell'ultimo decennio*, in Id. (ed.), *Crisi e ristrutturazione dell'economia italiana*, Torino, Bollati Boringhieri, 1975, pp. 5-73; Id., *Lo sviluppo economico italiano dalla ricostruzione alla moneta europea*, Torino, Bollati Boringhieri, 1998, pp. 121-219.



technological innovation, and this meant either lowering wages or increasing the scale of production to keep low unit costs. Italian industry never resolved the dilemma between Fordist high wages, supported by the State holdings IRI and ENI in the Confindesa, and low wages, typical of the Taylorist model pursued by most of the private firms. Both to avoid squeezing wages and to expand industry territorially, State incentives promoted the increasing size and relocating plant to the South which was undertaken at the beginning of the Seventies by some major private firms such as Fiat but mainly by the State holdings IRI, ENI and EFIM.

That expansionary strategy was struck a severe blow by oil prices and monetary instability following 1973, and the centre-left coalition split over the therapy to adopt after the Bank of Italy imposed a tough deflationary solution in 1974 as in 1963. Not only was the gap between North and South being reduced, not only did the national income and GDP increase at an unprecedented speed, but the growing expectations of citizens towards higher professional qualification, education and liberalising university access also ran counter to deflation. Italy was catching up with Western Europe not only in comparative terms of production and demographic rates, but in seeking to build a mature and more equal democracy under the assumption of stable growth.

Politicization reached its zenith at the time, due to the openness of society to change. Framed in Cold War terms, it appeared like a clash between State socialism and liberal capitalism but there was more than ideology behind it. Political participation was fed by the hope for a different world, by the wish to integrate the workers into full citizenship, to follow the emancipation models of the US and Northern Europe, or on the opposite side by the attempt to save the roots of Catholicism, social solidarity and family customs that had increased savings and growth over the last two decades.

The main dilemmas for the centre-left alliance have been explained by Franco De Felice, who has performed a Gramscian revisitation of the nationalisation project of the Italian Republic within interdependency. To him the demands of students and workers challenged the «acquisitive model» of citizenship that had been introduced by the centre-left coalition in the early Sixties. By an acquisitive model he meant the attempt to integrate working classes into democracy through industrial expansion, consumption and social services without altering the oligarchic structure of Italian society: «To use a happy formula, the new model of nationalisation is founded on growing expectations»<sup>22</sup>. Under the setbacks of 1969 mobilisation and the 1971-1973 crises, a reactionary attempt was made to get back to the tight «militarized» model that had allowed the centrist majority to keep control over the working classes in the Fifties. The militarised model of nationalisation – which saw two ideological blocks confronting each other even by force – had never been completely abandoned, as the legal tools of repression remained intact. The heated social conflict that ensued across the country took extremely violent form after the bomb massacre at the Bank of Agriculture in Piazza Fontana, Milan, in December 1969<sup>23</sup>.

<sup>22</sup> F. De Felice, *L'Italia repubblicana. Nazione e sviluppo. Nazione e crisi*, ed. by L. Masella, Torino, Einaudi, 2003, pp. 76, 80-83.

<sup>23</sup> M. Dondi, *L'eco del boato. Storia della strategia della tensione 1965-1974*, Roma-Bari, Laterza, 2015.

Yet fully reintroducing the militarised anti-Communist and conservative ideology proved almost impossible and contradictory with the pursuit of European integration. On the one hand a return to the past required severe policies of expectation containment, on the other hand keeping promises of growth could favour the Communist Party, whose culture was deeply imbued with industry and State expansion<sup>24</sup>. Since the early Seventies the PCI appeared to many middle-class and even bourgeois voters as the best interpreter of Euro-Italian modernisation and polled an increasing number of votes. The dilemma between Eurocommunist reformism and a reactionary destiny became visible and split all political parties.

We cannot here deal with the political experiments of the early Seventies to escape that dilemma, such as the birth of the Regions that raised great hopes of administrative rationalization and local democracy, school reforms, urban planning, progressive taxation as introduced by Minister Visentini in 1973-74, generous pension schemes, setting up of a national health system, etc. Regional reform soon went astray for several reasons, among them being the dependency of local political parties on Rome, the lack of any vision of territorially differentiated development, and reliance on State assistance rather than innovation and investment. The outcome of that failure was an outburst of localised corporatist demands, a growth of State debt without corresponding fiscal coverage, and the loss of national vision as identified by Crainz. Torn between rising demands for welfare and wages, the mass parties and their affiliated trade unions expanded their organizations and entered the institutions in defence of their local power, while overlooking the need for new investment as well as the heavy toll of industry on the environment and urban life. With few exceptions, the trade union confederations did not grasp that post-Fordism was under way and were quite surprised by human relations and by Toyotism when the latter came out in factories towards the end of the Seventies.

According to Augusto Graziani and other scholars, the decision of the Bank of Italy in February 1973 to enact a policy of flexible and repeated devaluation together with monetary expansion sought to escape the dilemma between conservative deflationary stabilization and a progressive Keynesian policy allowing firms to be more competitive on export prices while mopping up the purchasing power of wages through inflation.

Notwithstanding the attempts of the central bank to moderate consumers' and workers' expectations, the unprecedented strength of labour prompted a redistribution of national income towards wages which penalised profits but sustained demand. From 1968 to 1976 many of the biggest 795 firms included in the Mediobanca annual review operated at a loss. According to an expert from the US Federal Reserve, one reason was the increase in wages and fringe-benefits that outstripped the growth of productivity, such that the labour cost per unit of production increased steeply: 1970, 14.2%; 1971, 10.1%; 1972, 5.5%; 1973, 13.3%; 1974, 19.9%; 1975, 34.1%; 1976, 11.5%<sup>25</sup>.

<sup>24</sup> Due to the DC's profligacy with State resources, the Communist party was the only subject which could credibly provide legitimacy for an austerity policy; hence it was PCI secretary Enrico Berlinguer who proposed an austerity model of consumption in 1973-74.

<sup>25</sup> R. Lubitz, *The Italian Economic Crisis of the 1970's*, Board of Governors of the Federal Reserve System (U.S.), «International Finance Discussion Papers», 120 (1978), p. 6, <http://www.federalreserve.gov/pubs/ifdp/1978/120/ifdp120.pdf>. Other reasons for Italy's payment imbalance that Lubitz did not

Under the pressure of social mobilisation, at the end of 1974 the centre-left coalition split over the issue of how to address a burgeoning payments deficit<sup>26</sup>. The resignation of Governor Carli in August 1975, which still lacks any detailed explanation, occurred after a clash within the Cabinet. It is likely that Carli wanted to stop the wage-prices spiral through deflation, whereas the left of the DC and the PSI wanted to increase investments and productivity<sup>27</sup>. The new Governor of the central bank, Paolo Baffi, appointed in December 1975, was supported by the reformist and Keynesian wings of the bourgeoisie represented by the small PRI which agreed with Moro about dialogue with the trade unions, though not with the PCI. Baffi was close to Keynesianism and inclined towards supporting reformist policies; however, under his leadership the central bank was faced with an emergency situation and did not have much leverage on investments<sup>28</sup>. The Bank of Italy was faced with a series of difficult tasks because, as a growing number of studies show, the Italian economy split between a block of highly capitalised sectors depending on finance and State protection (chemicals, metallurgy and part of the building sector) and the more traditional block of Italian manufacturing industry (cars, textiles, building, tyres and cables) that was readier to a dialogue with the unions<sup>29</sup>. This economic difference among employers should not be overemphasised but it became a source of major *political* division under the circumstances of 1974-76.

An attentive scholar of the Italian political system like Craveri reckons that in the DC two main strategies emerged<sup>30</sup>. The first was a conservative and clearly anti-Communist strategy led by Andreotti, which favoured financial support to firms and a restraint on wages,

consider were low investments in technology and the odd coincidence of exportation of goods and capital: see A. Graziani, *Crisi e ristrutturazione dell'economia italiana*, *ibidem*.

<sup>26</sup> In December 1974 Italy obtained from the EEC a \$ 1.4 billion loan accompanied by a letter insisting the balance of payments be restored by the end of 1975. The cabinet was divided between the bourgeois PRI and the socialist party PSI which wanted to run the deficit for a while in order to support investment, as against the right wings of the DC and the liberal party which wanted immediate cuts.

<sup>27</sup> Giorgio La Malfa recalled: «La crisi di governo fu innescata dal fatto che il governatore Carli aveva portato a Roma, dopo averla negoziata con il Fondo monetario, il testo di una lettera di intenti per ottenere una linea di credito stand-by pari a un miliardo di diritti speciali di prelievo. Ma in Consiglio dei ministri il socialista Antonio Giolitti, ministro del Bilancio, disse che le condizioni poste dal Fondo e inserite nella lettera erano da considerarsi inaccettabili» [...] Giolitti chiese a Carli di ritornare a Washington e rinegoziare una lettera su basi meno penalizzanti ma a quel punto mio padre spiegò che si sarebbe trattato di un atto di sfiducia nei confronti del governatore e soprattutto del ministro del Tesoro che aveva dettato quelle scelte, quindi si dimise». *Quando nel '74 si chiese aiuto al Fondo*, Interview by Gerardo Pelosi with Giorgio La Malfa, «Il Sole 24 Ore», 7 November 2011, <http://www.fulm.org/articoli/economia/74-chiese-aiuto-fondo>, G. Carli, *Cinquant'anni di vita italiana*, ed. by P. Peluffo, Roma-Bari, Laterza, 1993; Id., *Pensieri di un ex governatore*, Pordenone, Ed. Studio Tesi, 1988 (II ed. 1995), pp. 46-48.

<sup>28</sup> P. Ciocca, *Ricchi per sempre? Una storia economica d'Italia (1796-2005)*, Torino, Bollati Boringhieri, 2007, pp. 290-298, shows the difficult position of a Bank of Italy left alone to manage the crisis.

<sup>29</sup> Much of the new State financial support for private and public investment in the South between the late Sixties and the early Seventies went to capital intensive sectors – such as the doubling of steel capacity in Taranto, the huge outlay in Gioia Tauro for a port (and for a giant steel and electric power plant which were never built), the petrolchemical pole in Porto Torres, and to a lesser extent the car industry in Pomigliano – which increased political mediation at the local level and were highly suspected of bringing corruption: F. De Felice, *op. cit.*, pp. 170-172; A. Di Michele, *Storia dell'Italia repubblicana (1948-2008)*, Milano, Garzanti, 2008, pp. 193-197.

<sup>30</sup> P. Craveri, *op. cit.*, pp. 251-350.

and the second was the extremely sophisticated strategy suggested by Moro who thought that temporary cooperation with the Communist party could help the DC to renew itself and provide a change of leadership from within. In the long run, such temporary cooperation could have enabled at least a part of the Communist party to shift towards socialdemocracy and allowed an alternative to the DC itself. That compromise, however, rested on mere bolstering of manufacturing, increasing exports in the Mediterranean countries and wage moderation in key traditional sectors, rather than in any bold industrial policy in modern sectors as suggested by the left of the Socialist Party and to a lesser extent by the PRI secretary Ugo La Malfa and some of the most enlightened industrialists. Moro's tactics of opening to the left while emptying the adversary of its most radical traits, which had worked with the Socialist party fifteen years earlier, raised greater objections this time in Italy and elsewhere. Ideologically, the Communists' atheism was anathema to the Holy See that did not trust Berlinguer's opening towards dialogue with the socially engaged heirs of Vatican Council II; politically a Communist influence on capital might endanger the accumulation of savings.

In 1973-76, while Italy was deeply engaged in completing its Fordist development notwithstanding its balance of payments deficit, both domestic and international thinking objected to cooperation with Communists or left-wing trade unions which might alter power relations in the country. Whether there was a likelihood of true revolution is questionable, even though part of the student and worker movements that turned to terrorism believed it. The PCI was faithful to a constitution that it had contributed to writing and believed in the incremental parliamentarianism established by Togliatti. The matter was how far reforms could reshape class and property relations. While the right wing of the PCI thought that it could push Italian modernization forward, in support of a productive bourgeoisie, making the party a fully socialdemocratic force, most of the working class and Marxist-Leninist tradition aimed at overthrowing capitalism: the PCI avoided clarifying this issue and could not move beyond pragmatic cooperation in Parliament over welfare reforms. For opposite reasons, the DC and the PCI did not seriously push investments towards higher productivity sectors even in 1976-77 when a law for industrial recovery was finally approved by a largely united parliament<sup>31</sup>. The dream of becoming modern like Northern Europe without being petty socialdemocrats ended in a reality of protected sectors and bureaucratic expansion of the mass parties at a local level. Criticism of the USSR became a scapegoat for the unresolved issue of what to do with capitalism<sup>32</sup>. As phrased by Paggi, the PCI's assumption that «mass participation necessarily drives democracy towards socialism» forestalled any answer to a «process of stratification of interests and an extremely complex structure of needs»<sup>33</sup>.

It is likely that high inflation, which burst out after 1973 (yearly average consumption price index in 1971: 4.8%; 1972: 5.7%; 1973: 10.8%; 1974: 19.0%; 1975: 17.2%; 1976: 16.3%; 1977: 17.2%; 1978: 12.1%) allowed the two strategies to coexist as long as capital move-

<sup>31</sup> Laws 164/1977 and 675/1977 assisted firms to regain growth but aimed only «at consolidating the existing situation»: see F. Silva, *Un profilo d'insieme*, cit., p. 29, and L. Conte, G. Piluso, *Il finanziamento dell'Iri. «Oneri impropri» e fondo di dotazione, 1970-1992*, in *Storia dell'IRI*, cit., pp. 465-522.

<sup>32</sup> L. Paggi, M. D'Angelillo, *I comunisti italiani e il riformismo*, Torino, Einaudi, 1986.

<sup>33</sup> L. Paggi, *La strategia liberale della seconda repubblica. Dalla crisi del PCI alla formazione di una destra di governo*, in *L'Italia repubblicana nella crisi degli anni Settanta*, vol. 3, cit., p. 66.

ments were under control by the central bank, for inflation eroded the purchasing power of wages, even though an automatic sliding scale mechanism compensated workers to the extent of being suspected by orthodox liberal as being itself the source of inflation. Instead, Lubitz's report to the US Federal Reserve saw over-generous monetary expansion by the Bank of Italy as the main reason for inflation<sup>34</sup>. Inflation allowed a temporary compromise between capital and labour in the manufacturing sector, while generous State expenditure kept fiscal pressure low and provided allowances for unemployment, pensions, health and education that contributed to income redistribution (and further inflation). Such expenditure could not compensate for the instability of employment or the steady increase in consumer prices which fuelled a spiral of rising demands<sup>35</sup>.

Skipping for the moment the debate about the ultimate responsibilities for high inflation, let us focus on the political impact of a circuit that eroded profits, prevented the traditional option of cutting wages and induced firms to ask the State to allow higher prices in order to match rising production costs. The government of the time had to face an uncomfortable choice between inflationary sustaining of demand and prices, as wished by companies and unions, and a deflationary policy by drastic reduction of production and hence massive layoffs that would prompt requests by companies for financial support<sup>36</sup>.

Strongly oriented toward utopianism and radical change, left-wing students together with young workers disapproved of Berlinguer's strategy when the «historical compromise» led the PCI to support Andreotti's cabinet in 1976, because that choice was perceived as relinquishing any serious change in business and elsewhere.

The social movements of 1976-77 broke with the mass parties and went in for protest in the streets and high-schools, experiments with music, radio broadcasting and non-political forms of socialisation, or terrorist action that delegitimized union attempts at neocorporatism. The last hopes of the working class to stay united and keep wages high were symbolically defeated by the so-called «march of the forty thousand» in October 1980 when white collar workers from Fiat in Turin broke away from the strikers. Massive worker layoffs, outsourcing and the rise of a company ideology followed suit.

To summarize our argument, Italy stuck to its Fordist-Taylorist industrialization while in North America and Northern Europe the capitalism of knowledge was under way<sup>37</sup>. All in all, the Italian industrial dream still rested on the idea of State and national modernity which imbued PCI and, to some extent, DC culture. The short 1974-78 interim led to a sad awakening

<sup>34</sup> In 1975 the trade union confederations and Confindustria agreed on a different weighting of the sliding scale, which favoured lower wages and bore on inflation in an attempt to reduce conflict in the larger factories. See F. Silva, *Un profilo d'insieme*, in Id. (ed.), *Storia dell'Iri*, vol. 3, *I difficili anni '70 e i tentativi di rilancio negli anni '80*, Roma-Bari, Laterza, 2013, pp. 25-27.

<sup>35</sup> A synthesis in P. Battilani, F. Fauri, *L'economia italiana dal 1945 a oggi*, Bologna, Il Mulino, 2014, chap. 4; a comparative assessment in *Calmer les prix. L'inflation en Europe dans les années 1970*, Paris, Sciences Po, 2016.

<sup>36</sup> R. Lubitz, *op. cit.*, p. 7.

<sup>37</sup> In 1970 Italian gross investments stood beyond 21% of GDP; by 1977 they had fallen to 17% because of a steep decline in manufacturing whereas they remained quite high in the tertiary sector. They reflected a country still needing fixed and infrastructural investments. Banca d'Italia, *Relazione annuale. Considerazioni finali 1977*, Roma, 1978, p. 18.

from the Fordist dream and an emancipation of society from party politics. Mitterand's electoral programme for 1974 inspired a new vision by liberal leftist intellectuals in the pages of the PSI journal «Mondoperaio», whereby mass parties and the PCI in particular were the main obstacle to post-materialist modernity. Their arguments revived an age-old Paretian critique of the mass party as such, severed liberal democracy from antifascism and contributed to a revision of collective memories regarding fascism and World War II<sup>38</sup>.

## 4. Europeanism and Americanism

The pursuit of industrial modernity and full democratization was at the same time a controversial attempt at Western European cultural integration. If Americanism arose back in the Fifties, the mass democratic culture of the Seventies looked rather to Europe for any prospect of overcoming «negative integration» of the working class. The Vietnam war and Watergate exposed US «imperialism», the Soviet Union had lost all appeal, thus Europe became a realm of possibilities filling the gulf between revolution and reform with Europeanism and détente.

Yet squaring positive integration of the working class in Italy with political integration within Western Europe proved impossible in the short term; capitalist stabilisation was reached at the expense of political integration.

After the ousting of Willy Brandt in 1973 and Giscard d'Estaing's presidential victory, it became increasingly difficult to reconcile the moderate Keynesian policy advocated by the Italian reformist front with the neoliberal revival of anti-inflationary policies. Italian claims to keep inflation high and increase national productivity in spite of the crisis were difficult to match within the EEC. Steel is perhaps the best-known case: the State holding Finsider aimed at reducing costs through increasing scale of production, following Sinigaglia's strategy devised decades earlier, and insisted on expansionary targets, such as doubling the plant at Taranto, even when the Davignon Plan in 1978 asked all ECSC countries to reduce their production capacity<sup>39</sup>.

Keeping faith with Fordist nationalization and democratization after 1973 soon came into conflict with the duties of belonging to the Western bloc. As floating exchange rates, capital outflow and price instability threatened the European Common Market, any incomes policy negotiated with the unions required agreement with the PCI. In the Western European framework, the presence of a strong and growing Communist Party made Italy a *sui generis* case, holding international implications for the two blocs.

Between 1974 and 1978, with the end of dictatorship in Portugal, Greece and Spain, the possibility of a leftist bloc in Southern Europe under an Italian lead ran counter to

<sup>38</sup> See the lucid analysis by N. Gallerano, *Critica e crisi del paradigma antifascista*, in *Fascismo e antifascismo negli anni della Repubblica*, «Problemi del socialismo», 7 (1986), pp. 106-133; criticism of the PCI also came from R. De Felice, *Intervista sul fascismo*, ed. by M. Ledeen, Roma-Bari, Laterza 1975, and the interview with Luciano Cafagna in J. Jacobelli (ed.) *Il fascismo e gli storici oggi*, Roma-Bari, Laterza, 1988, p. 21.

<sup>39</sup> M. Balconi, *La siderurgia italiana (1945-1990). Tra controllo pubblico e incentivi del mercato*, Bologna, Il Mulino, 1991; G.L. Osti, *L'industria di Stato dall'ascesa al degrado. Trent'anni di Finsider. Conversazioni con Ruggero Ranieri*, Bologna, Il Mulino, 1993; R. Romeo, *L'acciaio in fumo. L'Ilva di Taranto dal 1945 a oggi*, Roma, Donzelli, 2019.

consolidation of a Western alliance and to some extent interfered with the capitalist stabilization of Western Europe. After the divorce referendum, the DC was no longer able to build an anti-Communist bloc and there arose the possibility of the PCI rise to the government.

Guido Formigoni has extensively analysed the interplay between domestic political dynamics and international relations in this period.<sup>40</sup> In many respects he follows Franco De Felice's suggestion that the Cold War imposed a «twofold allegiance» by the ruling parties, to the Western alliance and to the nation-State. The difficult fine-tuning between the two allegiances broke down in the early Seventies because of tensions emerging between the centres and peripheries of the two blocs. Whereas the satellites of the Soviet Union increasingly sought to escape the grip of their master, on a different scale something similar occurred in Italy. Both the DC and the PCI took a distance from their respective international loyalties while trying to keep their commitment to social rights and constitutional democracy.

The DC had trouble complying with a secularised form of Americanisation as well as with the implication of US floating exchange rates that reduced savings and prompted the flight of private capital. Rallying to the rescue of the Fordist model of nationalisation through State intervention (particularly in South Italy), the left wings of the DC began exploring a domestic alliance with the PCI and trade union confederations with a view to coping with the emergency and developing the social rights foreseen in the Constitutional pact.

As early as 1969-70 Moro had sought to persuade his party to build a European third way by furthering European political cooperation so as to escape the bipolar logic of capitalism vs. socialism; he obtained considerable success in contributing to the third basket of the Helsinki Conference and dialogue with the Socialist countries at the CSCE.<sup>41</sup> In fact Moro was continuing the *Ostpolitik* of Brandt and Palme from a Catholic perspective and even seeking to expand it to the Mediterranean after the Yom Kippur War in autumn 1973. Yet the ousting of Brandt and the 1973-76 turmoil thwarted his strategy and shifted the balance within the Eec towards a clear-cut neoliberal capitalist solution. The European Political Cooperation that started in 1974 was an instrument of European neoliberal forces under the leadership of Giscard d'Estaing, with the GFR Foreign Minister D. Genscher and the right wing of the DC coordinated by Emilio Colombo following suit, rather than the forward-looking project of European autonomy from bipolarism desired by Moro with some support from the Vatican State Secretary. Within the Italian DC a silent rift opened up, between the conservative wing of Colombo, Andreotti and Taviani who were convinced anti-Communists and atlanticists, and a socially engaged left wing with Donat Cattin, Marcora, Gulloni, Martinazzoli and others<sup>42</sup>.

<sup>40</sup> G. Formigoni, *Storia d'Italia nella guerra fredda, 1943-1978*, Bologna, Il Mulino, 2016.

<sup>41</sup> M. C. Morgan, *The Final Act: The Helsinki Accords and the Transformation of the Cold War*, Princeton, Princeton University Press, 2018; D.C. Thomas, *The Helsinki Effect: International Norms, Human Rights, and the Demise of Communism*, Princeton University Press, 2001. N. Badalassi, S. Snyder (eds.), *The CSCE and the End of the Cold War. Diplomacy, Societies and Human Rights, 1972-1990*, New York-Oxford, Berghahn Books, 2019.

<sup>42</sup> L. Mechi, D. Pasquinucci (eds.), *Integrazione europea e trasformazioni socio-economiche: Dagli anni Settanta a oggi*, Milano, Franco Angeli, 2017.

Moro found doors closing at several places. In November 1975 at Rambouillet the major Western industrial countries rejected the May 1974 UN Assembly proposal of a “new economic order”, beloved of solidaristic left-wing DC culture, and relaunched their leadership by backing the finance markets. «The industrial countries thought that these markets would keep their own model, some of the developing countries hoped that the availability of capital would stop the limitations to their industrialization»<sup>43</sup>. It took about two years to shape the details of the new settlement which by the end of 1978 stabilised Western monetary exchange rates, bolstered the US current deficit, freed capital markets and introduced flexibility of exchange rates and fiscal discipline in export countries<sup>44</sup>.

Probably the clash reached its peak by June 1976, when the US adopted flexible exchange rates at the Conference of Puerto Rico. If its architects hoped to protect domestic markets from monetary turbulence, they «did not forecast the effects of the international revolution in financial markets that ensued»<sup>45</sup>. Capital flows, then already beyond twenty-five times the value of international trade, became decisive in establishing exchange rates. This forced Italy to abandon its expansionary domestic policy.

In Puerto Rico Moro and Rumor were humiliated when the big powers excluded them from a talk on Italy during which the Western foreign ministers vetoed communist participation in government, while asking for deflation. To the DC the question became: how to cut down on wages and State expenditure without support from the PCI and the trade unions?<sup>46</sup>.

After three years of troubles, the DC no longer had any unconditional support. Apart from a balance of payments deficit of 3.5% of GNP in 1973 and of 6.5% of GNP in 1974, a slump of about 3.7% in GNP occurred in 1975. After tough negotiations, Italy received a stand-by loan of 1 billion Special Drawing Rights from the IMF in March 1974 and a \$ 2 billion loan from the Bundesbank in 1974<sup>47</sup>. She obtained another loan of about \$ 1 billion from the EEC in March

<sup>43</sup> H. James, *Rambouillet, 15 novembre 1975. La globalizzazione dell'economia*, Bologna, Il Mulino, 1999 (orig. ed. 1997), p. 165. G. Garavini, *Dopo gli Imperi. L'integrazione europea nello scontro Nord-Sud*, Firenze, Le Monnier, 2009, and Q. Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism*, Cambridge, Mass., Harvard University Press, 2018, help explain why many developing countries shared neoliberal arguments for the freedom of trade and capital.

<sup>44</sup> R. Parboni, *La frammentazione dell'economia mondiale*, «Quaderni piacentini», 2 (1981), pp. 19-42, was quick to observe that the US could no longer return to gold convertibility due to its payments deficit that had left enormous amounts of gold to Japan and Western Europe. Italian gold reserves in 1980, at an exchange rate of \$500 per ounce, would have amounted to \$45 billion.

<sup>45</sup> R. Gilpin, *Welfare nazionale e norme economiche internazionali*, in M. Ferrera (ed.), *Il Welfare state sopravviverà alla globalizzazione dell'economia?*, Torino, Fondazione Einaudi, 1993, pp. 34-35.

<sup>46</sup> A. Varsori, *Puerto Rico (1976): le potenze occidentali e il problema comunista in Italia*, «Ventunesimo secolo», 2 (2008), pp. 106; U. Gentiloni Silveri, *Gli anni Settanta nel giudizio degli Stati Uniti*, and M. Del Pero, *Distensione, bipolarismo e violenza: la politica estera italiana nel Mediterraneo durante gli anni Settanta. Il caso portoghese e le sue implicazioni per l'Italia*, in A. Giovagnoli, S. Pons (eds.), *Tra guerra fredda e distensione*, in *L'Italia repubblicana nella crisi degli anni Settanta*, cit., vol. 3, respectively pp. 89-122 and 123-144; R. Gualtieri, *L'Italia dal 1943 al 1992. DC e PCI nella storia della repubblica*, Roma, Carocci, 2008, pp. 183-188; D. Basosi, G. Bernardini, *The Puerto Rico Summit of 1976 and the End of Eurocommunism* in L. Nuti (ed.), *The Crisis of Détente in Europe. From Helsinki to Gorbachev 1975-85*, London, Routledge, 2008, pp. 256-267.

<sup>47</sup> I. Cipolletta, *Gli anni Settanta: una frattura nel processo di crescita*, in *Storia dell'Iri*, vol. 3, cit., pp. 88-91. The negotiation of loans was extremely difficult, as it required freedom of capital movements and of exchange rates, relinquishing the multiple exchange rates that had sheltered industrial



1976 but just before Puerto Rico, in May 1976 the exchange rate of the lira to the dollar fell to 916 lire, and the payments deficit to 4.7% of GNP. By mid-1976 Moro was asking for a stand-by credit from the IMF; in August the Bundesbank gave a \$ 2 billion loan in exchange for a gold guarantee and a commitment to strict financial stabilisation.

The Summer 1976 crisis was then met by the Bank of Italy and Andreotti's government with draconian measures to block capital outflow and inflation such as banking credit restriction, increasing the banking interest rate, limitation on capital movements, quantitative limits to hard currency purchase and eventually heavy fiscal levies in autumn<sup>48</sup>. Their impact on Italian society requires further research, yet some clues as to an emerging austerity policy at odds with a compromise between capital and labour are provided by the papers of the Committee of Governors of EEC countries that have been released online by the ECB. For reasons of space, we can only refer briefly to two of them, the first one on 11 November 1975, when the main differences of opinion on the financing of public debt were openly discussed and a first serious attempt to limit it was undertaken, as the Committee adopted the Dutch and Belgian notion of a «normative deficit»<sup>49</sup>. The second one comes on 12 June 1977, when the Governor of the Bank of Italy Paolo Baffi announced stabilisation of the lira and a balance of payments equilibrium, thanks to some private loans obtained from commercial banks on foreign markets but also thanks to devaluation, a reduction in imports and a steady increase in exports. Baffi announced that Italy no longer needed assistance from the Western central banks. By the end of 1977, due to revaluation of the yen and the D-Mark and a careful exchange rate policy, Italy had reached a quite large surplus of 2.3 billion lire in current trade and had accumulated large monetary and gold reserves<sup>50</sup>. Stabilisation had thus been substantially achieved, though the inflation forecasts for 1978 were still double the European average (13% as against 6.8%). Governor Baffi bleakly reported:

Se si valutano sotto questo aspetto i risultati dello scorso anno, il giudizio che se ne trae è di preoccupata insoddisfazione. Infatti, non si è riusciti, né si è sulla via di riuscire, ad attuare quella sostituzione di investimenti a consumi nella composizione della domanda interna, che è condizione necessaria per dare avvio al circolo virtuoso che accresca la produttività, migliori stabilmente le correnti di scambio con l'estero, consenta una più ampia e regolare espansione della domanda interna. [...] Nel complesso, il rapporto

competitiveness. Italy agreed to invest in low technology sectors abandoned by the advanced EEC countries and sought to expand in Mediterranean areas and in marginal countries avoiding competition with the other EEC members. In 1976-78 the core of political economy hinged upon what interpretation to give to that mandate. G. Formigoni, *L'Italia nel sistema internazionale degli anni Settanta: spunti per riconsiderare la crisi*, in A. Giovagnoli, S. Pons (eds.), *Tra guerra fredda e distensione*, cit., pp. 289-291.

<sup>48</sup> «Secondo l'espressione usata nelle Considerazioni Finali del 1976, la gestione monetaria in quegli anni era assimilabile a una "economia dello stato d'assedio"», M. Draghi, *La politica monetaria del governatore Baffi*, Milano, Università Bocconi, *Testimonianze di politica economica e finanziaria*, 15 March 2007, p. 14, [https://www.bancaditalia.it/pubblicazioni/interventi-governatore/integov2007/draghi\\_15\\_03\\_07.pdf](https://www.bancaditalia.it/pubblicazioni/interventi-governatore/integov2007/draghi_15_03_07.pdf).

<sup>49</sup> *Procès-Verbal de la Quatre-vingt-seizième Séance du Comité des Gouverneurs des Banques centrales des États membres de la Communauté Économique Européenne, tenue à Bale, le Mardi 11 Novembre 1975 à 10 Heures*, <https://www.ecb.europa.eu/ecb/history/archive/agendas/html/index.it.html#y1974>.

<sup>50</sup> Banca d'Italia, *Considerazioni finali 1977*, Roma, 31 May 1978, pp. 10-12.

fra investimenti fissi lordi e prodotto lordo interno è ulteriormente disceso al 17,0 per cento, rispetto al 21,3 del 1970<sup>51</sup>.

The direction and size of investments remained unsettled. As is well known, the new Secretary of the PCI, Berlinguer, as early as 1973 saw bipolar détente as an opportunity to pave the way for socialism though cooperating with the DC. He vocally declared his fear of an Argentinian-like destiny for Italy and accepted the Atlantic Pact and European institutions while seeking to shift the balance in the EEC leftwards<sup>52</sup>. On 29 and 30 June 1976, at the Berlin Conference of the European communist parties, the Italian, French and Spanish communists expressed their search for a new path outside the Leninist tradition. And on 2-3 March 1977 in Madrid Enrico Berlinguer, Santiago Carrillo and George Marchais made official a eurocommunist pact which lacked any idea as to how to reorient capitalist investment but reflected their ambition to alter capitalist relations through parliamentary agreements. At the administrative and at the political elections of 1975 and 1976 the PCI received about a third of Italians' votes<sup>53</sup>.

For the leadership of the two blocs, cooperation of the PCI with the DC posed ideological and strategic issues. The allegiance of the PCI to the Socialist field could not be overlooked by Kissinger who in 1975 set up an informal directorate with the UK, France and Western Germany to keep Italy under surveillance. Kissinger realised that the PCI was at odds with the USSR but deemed any Communist participation in government dangerous to NATO and to the bipolar balance of power. Symmetrically, the Soviet leadership condemned eurocommunism and saw it as a vehicle of trouble in Eastern Europe<sup>54</sup>.

Governmental cooperation with the PCI might precipitate a domino effect in the Mediterranean area, in particular Portugal, Greece, France and their former colonies. On Sept. 5, 1975 in New York, during one such meeting with US, UK, French and FRG foreign affairs ministers, J. Callaghan, acting as Sec. of State for Foreign and Commonwealth Affairs, observed: «The Southern flank is in the worst case scenario and many countries could go Communist by the end of the 70's - Spain, Portugal, Italy and conceivably Greece and Turkey»<sup>55</sup>. Callaghan worried about an anomalous Italian "prosperity Communism" which appeared difficult to treat. Shortly afterwards in Brussels on December 12, 1975, the four met again and Kissinger stated «It is almost incon-

<sup>51</sup> *Ibidem*, pp. 15-16.

<sup>52</sup> Leftist terrorism started in Italy back in 1971, earlier than in other Western European countries, yet only after the 1974 stagflation, in the expectation of the «ultimate crisis» of capitalism, did several left groups turn to arms in clear conflict with Berlinguer's moderate strategy.

<sup>53</sup> The PCI received 32.1% of the votes at the regional elections in 1974 and 34.4% at the national elections on 20 June 1976; the DC respectively 35.8% and 38.7%, the PSI 11.7% and 9.6%. This was the high point of the left-wing vote, in 1979 the tide began to turn with the DC at 38.3%, PCI at 30.4%, PSI at 9.8%.

<sup>54</sup> S. Pons, *L'Italia e il Pci nella politica estera dell'Urss di Breznev*, and M. Del Pero, *Distensione, bipolarismo e violenza: la politica estera americana nel Mediterraneo durante gli anni Settanta. Il caso portoghese e le sue implicazioni per l'Italia*, both in A. Giovagnoli, S. Pons (eds.), *Tra guerra fredda e distensione*, cit., respectively pp. 63-87, and 123-144. See also U. Gentiloni Silveri, *L'Italia sospesa. La crisi degli anni Settanta vista da Washington*, Torino, Einaudi, 2009.

<sup>55</sup> Memo of Conversation, Sept. 5, 1975, New York, participants US, UK, French, FRG representatives, in *Foreign Relations of the United States (FRUS)*, Western Europe 1973-1976, Vol. E-15, part 2, Washington DC, US Govt. Printing Office, 2014, doc. 73, p. 286.

ceivable that in power they won't seek to bring about such political change that they couldn't be voted out»<sup>56</sup>. De Laboulaye, Political Director of the French Minister of Foreign Affairs, added: «The Soviet Union themselves know that a Communist Party in government isn't compatible with détente». And Genscher, the Western German Foreign Minister:

There is not one single Western Communist Party that has given up its final objective. They still want the dictatorship of the proletariat. That is the decisive point. The danger is they become more attractive to the voters. It is easier for us to accept orthodox parties than parties that give the appearance of being independent. They become more popular the more independent they become. The Italian Communist Party has one objective, to become independent» [...] Callaghan: [...] «My point is we should recognize they are still the true enemy and not let them increase their appeal». Sonnenfeldt: «No matter how much they are trouble for Moscow, their rise in our countries will affect the whole discussion of security issues and domestic priorities, and this will affect the balance of power over the long run». [...] Van Well: «The question is whether to cultivate them or to expose them and challenge their pretensions. They might be pushed even more to prove their independence». Callaghan: «We've got to recognize that they are the real enemy, even if they are more independent. Secondly, presentationally, we should try to make them appear as not independent, to make them try harder to prove their independence». Kissinger: «The problem is, if we stress their independence, we create the impression that that's the only obstacle. I agree with your first point: they're the real enemy, partly for Sonnenfeldt's reason and partly because it would weaken support for the Alliance in America.

The soft parliamentary compromise between DC and PCI that Moro had anyway agreed with Berlinguer in 1976 was probably even more disliked by the great powers by late 1977, as Moro's policy of dialogue with the Arab countries gave reason to fear an influence of communist parties in the Mediterranean<sup>57</sup>. After many uncertainties on 1 October 1977 the Carter administration abandoned the détente policy in the Middle East and followed Brezinski's tough line, dismissing the agreement signed with Gromyko a few days earlier<sup>58</sup>. Italian mediation in the Mediterranean was no longer necessary and perhaps even disturbing after the Egyptian diplomatic opening towards Israel which led to the Camp David agreement on 17 September 1978<sup>59</sup>.

<sup>56</sup> Memo of Conversation, Dec. 12, 1975, in FRUS, 1969–1976, Vol. E–15, Part 2, *Documents on Western Europe, 1973–1976*, doc. 77, pp. 307–ss.

<sup>57</sup> M.E. Guasconi, *Ambizioni e limiti della politica mediterranea dell'Unione europea*, in E. Di Nolfo, M. Gerlini (eds.), *Il Mediterraneo attuale tra storia e politica*, Venezia, Marsilio, 2012, pp. 247–264; S. Labbate, *Illusioni mediterranee: il dialogo euro-arabo*, Firenze, Le Monnier-Mondadori, 2016. F. Imperato, R. Milano, L. Monzali (eds.), *Fra diplomazia e petrolio: Aldo Moro e la politica italiana in Medio Oriente: 1963–1978*, Bari, Cacucci, 2018; S. Labbate, *Il governo dell'energia*, cit., pp. 188 ff.; M. Pizzigallo, *Diplomazia parallela e politica petrolifera nell'Italia del secondo dopoguerra*, in M. De Leonardis (ed.), *Il Mediterraneo nella politica estera italiana del secondo dopoguerra*, Bologna, Il Mulino, 2003, pp. 141–155.

<sup>58</sup> R. D'Agata, *Il contesto europeo della distensione internazionale*, in A. Giovagnoli, S. Pons (eds.), *L'Italia repubblicana nella crisi degli anni Settanta*, cit., p. 329.

<sup>59</sup> In December 1976 the Libyan leader Gheddafi entered the Italian car firm Fiat with a 10% share, paying \$ 415 mill., as a sign of the tight links between the two countries. The Italian government

The Italian monetary stabilisation which had been reached in mid-1977 was completed at the sacrifice of DC cooperation with the PCI. In the Spring of 1978 at the conferences in Copenhagen, 7-8 April, and Bremen, 6-7 July, Helmut Schmidt and Giscard d'Estaing agreed upon abandoning any hypothesis of making Western Germany the locomotive of European demand, and preferred the orthodox policy of monetary stability and budget austerity which inspired the new European Monetary System, to which the Italian government reluctantly adhered in December 1978<sup>60</sup>. The Italian adhesion to the EMS saw the last great Italian parliamentary debate with clear-cut visions of the future confronting each other. Treasury Minister Andreatta strongly supported the EMS, whereas the PCI deputies voted reluctantly against it, after the Cabinet had rejected their request to soften the terms and timing of adhesion. As the monetary rigidity of stable exchange rates cut out the remnants of any competitive devaluation, the Governor of the Bank of Italy likewise regarded it critically and even Prime Minister Andreotti defined it in private as «un amaro calice»<sup>61</sup>. Through adhering to the EMS shortly after Moro's murder the DC definitely broke off cooperation with the PCI. The stable exchange rate regime disciplined collective bargaining in the sense that high wages would penalize exports and increase unemployment. However formally similar to a regional Bretton Woods, the EMS worked as a disciplinary mechanism of deflation. Since the McCracken Report of 1977 the OECD countries had reached a neoliberal monetary consensus between US liberalism and European orthodoxy which shifted the State towards regulatory functions and set aside full employment policies<sup>62</sup>. Between 1979 and 1981, the Italian (de)stabilisation was completed with the ousting of Governor Baffi and his Director M. Sarcinelli, a "divorce" between the State Treasury and the Central Bank, and consolidation of an aggregate of real estate and financial interests which marked ensuing economic developments in the Eighties and Nineties.

## Conclusion

The matter was not modernity as such, but what kind of modernity. The three processes here explored clashed in 1974-76, when the attempt to govern the transition to a fully secularized and Northern European standard of life failed. Stagflation called in question the established belief in progress, while the expectation of a breakdown of Western capitalism

sought a mediation with Arab countries and even with the PLO, though it is likely that divisions arose in the DC and among the military forces as to the extent of this autonomy. Two days before the Moro kidnapping, on 14 March 1978 Israel invaded Lebanon with intent to free the country from PLO bases and Palestinian insurgency.

<sup>60</sup> A. Varsori, in A. Giovagnoli, S. Pons (eds.), *L'Italia repubblicana nella crisi degli anni Settanta*, cit., p. 345; P. Ludlow, *The Making of the European Monetary System*, London, Butterworth, 1982.

<sup>61</sup> G. Andreotti, *Diari 1976-1979. Gli anni della solidarietà*, Milano, Rizzoli, 1981, p. 286, cited by Formigoni, *L'Italia nel sistema internazionale degli anni Settanta: spunti per riconsiderare la crisi*, in A. Giovagnoli, S. Pons (eds.), *L'Italia repubblicana nella crisi degli anni Settanta*, cit., pp. 295-296.

<sup>62</sup> R. Gilpin, *I mutamenti economici degli anni Settanta e le loro conseguenze*, in A. Giovagnoli, S. Pons (eds.), *Tra guerra fredda e distensione*, cit., pp. 169-171; the EEC policies' impact on Italy would require more study following the important analysis on France, the UK and the German Federal Republic by L. Warloutzet, *Governing Europe in a Globalizing World: Neoliberalism and Its Alternatives Following the 1973 Oil Crisis*, London-New York, Routledge, 2018.

prevented any «socialdemocratic» compromise. Furthermore, the deflationary shape of Western European monetary cooperation blocked the national integration of former peasants, workers and emerging middle classes *before* a universal Welfare State was in place. The break with stable growth and higher social standards left bitter memories and popular disenchantment with political parties which had abandoned any serious effort at shifting the country towards higher productivity and more modern sectors. When called on to cooperate with the DC in 1976, the PCI lacked a project for widening industrial modernisation in the South and had no other instruments than party affiliation to cope with the radical break with peasant culture entailed in consumerist modernity<sup>63</sup>. With the break from the Soviet Union, only radical claims of moral justice remained to the DC and PCI subcultures which turned to new forms of socialisation. After all we may agree with Kaelble, that those were the years of a sudden *turn of expectations*<sup>64</sup>. If a turn of expectations occurred in Italy between 1974 and 1978, it was out of disappointment with both socialism and Catholic solidarism. In the event, Europeanism substituted for socialist internationalism and for Catholic reformism as well, under the expectations of supranational integration raised by the 1978 introduction of direct suffrage to the European Parliament. Italy's postmodernity opened with a fragmented middle-class still holding on to a Fordist nationalisation which was waning. The old elitist tradition of anti-politics was resurrected shortly after<sup>65</sup>.

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<sup>63</sup> A similar judgement in G. Moro, *op. cit.*, pp. 76-78.

<sup>64</sup> H. Kaelble, *The 1970s in Europe: a period of disillusionment or promise?*, London, German Historical Institute, annual lecture, 2010.

<sup>65</sup> Of course, our argument needs refinement. The seeds were of neoliberal individualism but the plants would not grow before a second wave of individualism appeared, after the deflationary stabilisation of 1978-81. Following Nancy Fraser, *How Feminism Became Capitalism's Handmaiden – And How To Reclaim It*, «The Guardian», 14 October 2013, <https://www.theguardian.com/commentisfree/2013/oct/14/feminism-capitalist-handmaiden-neoliberal>, the thesis of an automatic transition of social movements to neoliberalism appears misleading. A change of meaning in their wording and philosophies took place within the decline of a State-led capitalism and the rise of a «second wave» with individual, meritocratic ideals replacing the horizon of a more egalitarian world.