

Common sense and ‘national emergency’: Italian labour and the crisis

Davide Bradanini, independent scholar, Rome, Italy

ABSTRACT

This paper has a twofold objective. First, it analyses recent developments in Italian industrial relations as an attempt by capital to destructure the collective bargaining system. Then, it seeks to explain the reasons for the relative acquiescence of organised labour to capital’s offensive. By adopting Bruff’s concept of ‘common sense’, it is argued that labour and the left have internalised an assumption of economic vulnerability and the idea that in order to adjust Italy to economic change, real wages need to be kept sufficiently low. This particular intertwining between ‘the national’ and ‘the international’ is argued to be at the basis of labour’s acceptance of punitive measures in times of ‘economic emergency’.

KEYWORDS

Collective bargaining, common sense, industrial relations, Italy.

‘For years you’ve been walking along a razor’s edge, and the unions could have given you the fatal push. They didn’t do so. Perhaps you don’t realise it, but the unions are the jewel in your crown.’ Paul Samuelson (1996)¹

The aim of this paper is twofold.² First, I analyse transformations in the Italian system of collective bargaining and briefly review the measures taken since the outbreak of the 2008 financial crisis, looking in particular at capital’s attempt to destructure the industrial relations system. I then seek to explain the reasons for organised labour’s relative acquiescence by adopting Gramsci’s notion of ‘common sense’ as conceptualised by Bruff (2008; 2010; 2011). It will be argued that Italy’s insertion into ‘the international’ has historically been marked by a particular weakness, generating an assumption of economic vulnerability and in turn the idea that in order to adjust to the international economy and attain ‘stability’, real wages need to be kept sufficiently low. Wage restraint and ‘sacrifices’ on the part of labour emerged as *commonsensical* solutions in times of economic crisis, when calls for national unity emphasised collective and shared solutions to the crisis. The paper is divided as follows. Before analysing developments in Italian industrial relations since 2008, I briefly present the notion of common sense. Using empirical material from a series of semi-structured qualitative interviews I show how common sense assumptions on the political economy can explain both *how* and *why* Italian labour tends to adopt relatively accommodating positions vis-à-vis punitive measures in times of crisis. Interviews have been conducted with representatives from the main centre-left party PD (Partito

Democratico), the trade unions (CGIL, CISL, UIL) and the employers' association (Confindustria), as well as with former Prime Minister Romano Prodi and three renowned scholars that have focused on the Italian political economy (Cesaratto, Paggi, della Sala).

I followed the epistemology and methodology on interviews proposed by Kvale and Brinkmann (2009). Thus, no fixed hypotheses were generated. However, the interviews were analysed according to what can be termed 'theoretical expectations', based on the literature on the political and economic history of Italy. The semi-structured interviews followed a few broad guidelines, and were conducted with the same agenda and often asking the same type of questions. These questions concerned less what happened and more an exploration of the significance of the event.

The Notion of 'Common Sense'

The concept of common sense in Critical Political Economy (IPE) has been introduced by Bruff (2008; 2010; 2011). *Contra* institutionalist theories that separate the state from the society they are a part of, the author argues that consensus formation within capitalist political economies can be understood adequately only by incorporating a focus on culture, conceptualised as 'common sense'. The thrust of Bruff's framework for analysing the trajectory of national political economies can be summed up in three main points.

Firstly, the author defines common sense – based on Gramsci – as 'the basis for how humans make sense of the situation they find themselves in' (Bruff, 2008: 47). These conceptions of the world are embodied in all human social practice (*Ibidem*: 2), and they have significance for a study of political economy only if they are *intersubjective* and thus embodied in 'persistent collective patterns of human activity and thought' (*Ibidem*: 7). One should view common sense as a set of 'often contradictory and uncritical yet solid beliefs' (Bruff 2010: 10). Moreover, it is argued that it is not possible to fix 'a' common sense to a single actor, but rather that it is more appropriate 'to state that it is possible to identify certain asymmetries, tendencies and repetitions within any one version of common sense' (*Ibidem*).

As forms of thought represent an aspect of our social relations of production (and reproduction), what is argued is that common sense (or 'culture'), as an irreducible aspect of all human existence, *must* contain references to the realm of production, to the need to produce and its realisation – the mode of production (Bruff, 2008: 9). In a way akin to Marx's concept of the fetishism of the commodity, the realm of ideas not as a sphere of *illusions*. On the contrary, 'organic' ideas are part of the constitution of the materiality of social relations.

There is an asymmetry in our common sense ideas towards the necessities of meeting our 'material basis for existence' as our thoughts about the world can never escape the need to produce, for our need for means of subsistence is a universal aspect of human existence. The economic *shapes* our forms of thought; it creates constraints, *limits of the possible*, without however *determining* ideas. Thus, if hegemony is attained, the containment of dissent is just as important as the creation of consent (Bruff, 2010: 11). Hegemony does not necessarily entail a positive acceptance of common sense assumptions: what matters is also that no feasible alternative is devised and that the present state of affairs is considered unmodifiable, incorporated into depoliticised assumptions about simple 'facts of life'.

Bruff, in a recent article (2011), added that our thoughts about the world are skewed toward capital's rather than labour's dependence on the market. Within a capitalist mode of production, characterised by the separation between the labourers and the means of production, both capital and labour are dependent on the market (in order to satisfy their need for means of subsistence and for profit, respectively) (*Ibidem*: 9). As Bruff argued, 'if the material conditions of

life are accessed through the capitalist market, then it is perhaps unsurprising that the efficient functioning of this system of production will generally take a higher priority than transforming it into a more equitable set of arrangements' (*Ibidem*).

The second element is the *nationally* specific character of common sense. As Bruff argues, 'if all humans hold thoughts about the world – which for each individual is their version of common sense – and all thoughts are embodied in everyday activity, then this is the case for humans within institutions as well as those in more informal settings' (Bruff, 2010: 8). Thus, national state institutions incorporate specifically *national* forms of common sense, so that it becomes possible to observe different *capitalist* common sense assumptions in different times and places depending on the historical sedimentation of common sense assumptions (see Bruff, 2008: 61-64; Bruff, 2011: 10-12).

Thirdly, common sense is constituted also by an understanding of the intertwining of 'the national' and 'the international', precisely because the realm of ideas is skewed towards meeting humans' conditions of existence (Bruff, 2010). The international context is – since the very genesis of any state – constitutive of social relations in that state: as Van der Pijl points out 'capital remains a force that by preference seeks to occupy the interconnections between separate political jurisdictions' (Van der Pijl, 2006: 15). Bruff argues that 'our conception of 'the international' is rooted in how 'the international' appears to us', so that 'articulations between the national and the international are constitutive of our material basis for existence and thus the thoughts we hold about this basis' (Bruff, 2010: 3). Thus, common sense embodies the conceptions humans hold in a particular society about the nation-state's insertion into 'the international' and about what the 'necessities' of the national economy are and how to achieve them.

Italian Industrial Relations and Labour Responses in the Crisis

The realm of industrial relations has been a major site of restructuring of the Italian political economy in the last three years, in a European context marked by a politics of competitive disinflation (Brancaccio and Passarella, 2012; Pianta, 2012) and in a country already characterised by the third lowest wages in the OECD (*Ibidem*: 49). In Italy, there are three major confederations of trade unions, historically divided along political lines. CISL (*Confederazione Italiana Sindacato Lavoratori*) is the catholic confederation, traditionally linked with the DC (Democrazia Cristiana). CGIL (*Confederazione Generale Italiana del Lavoro*) was the communist-oriented confederation, with a more class-based tradition and ideology. UIL (*Unione Italiana del Lavoro*) is a smaller confederation that is linked with the social-democratic and republican tradition. Confindustria is the national employers' association, by far the largest representative body of Italian capital, representing all sectors of industry and services. PD is the main centre-left political party, the result of a 2007 merger between the DS (Democratici di Sinistra) - the heir of the PCI (Partito Comunista Italiano) - and smaller centrist parties.

Italy has traditionally followed a voluntaristic approach in industrial relations, with high autonomy of collective bargaining from the law, apart from the 1970 *Workers' Statute* that guarantees a set of basic labour rights. In 1993 a tripartite agreement introduced, for the first time, an institutional framework for industrial relations including an incomes policy and rules for collective bargaining, as well as institutionalised negotiations with the social partners on labour market reform and the welfare state (Carrieri, 1997). In the 2000s, however, the centre-right governments have weakened this framework, substituting it with a 'social dialogue' approach in which the government can ultimately act unilaterally, generating a split among organised labour, with the left-wing CGIL increasingly marginalised in opposition. Since 2008, there have been

quite far-reaching changes: greater decentralisation of collective bargaining, quite extensive possibilities for opt-out and 'hardship' clauses and attempts to destructure the industrial relations system. I would highlight four central issues:

The first element is the January 2009 deal between the government, Confindustria, CISL and UIL on the reform of the 1993 system of collective bargaining. Crucially, CGIL refused to sign this deal. The European Harmonised Indices of Consumer Prices was introduced as the new reference inflation rate for industry-level contracts, 'purified' from imported inflation due to energy costs (EIRO, 2009a). The autonomy of collective bargaining was reduced, as the only possible pay rises at sectoral level would be those automatically linked to the inflation reference, discarding the possibility of bargaining on sectoral-level productivity – as was previously allowed – and thus ruling out *real* wage increases at sectoral level. This, coupled with the longer duration of wage contracts (3 years instead of 2), and considering that only a minority of Italian firms have company-level bargaining (CNEL, 2008) – that are supposed to focus on performance-related pay – exerts strong pressures on maintaining wage moderation, keeping real wages below the inflation rate (Roccella, 2011: 425). A central element is the possibility of introducing 'hardship' clauses at company level to foster economic growth and employment on both the economic and normative parts of sectoral agreements. Considering that in Italy – unlike in Germany, for instance – the national sectoral agreement is a 'minimum standard', a possible derogation from it has potentially dire consequences for working conditions.

Notwithstanding the rift between the unions provoked by this deal, sectoral unions affiliated to the three confederations continued signing unitary sectoral contracts (albeit with the new three-year duration), with the important exception of the metalworking sector (see below). They have however maintained a certain ambiguity with regards to which interconfederal agreement was in force (the 1993 or the 2009 protocol) (Lassandari, 2011: 321). This fact signals that CGIL, while opposing a deal that would potentially weaken the extension of nation-wide bargaining – also by organising a nation-wide general strike (EIRO, 2009b) – was willing to maintain union unity at the local level thus avoiding a disruption of the bargaining system (EIRO, 2011a). In general, the renewal of contracts has confirmed the tendency towards wage moderation and increase in annual working time ceilings (EIRO, 2011b).

The second element worth mentioning, because of the sheer weight of the firm, its symbolic importance and the imitative practices it is generating, concerns development at FIAT automobile company. In 2009 and 2010 two company-wide deals were struck at the *Pomigliano* factory and one at the historic *Mirafiori* plant in Turin. The exchange was between harsher work conditions and an informal commitment to investment. The deals were approved by separate referenda among the workers, with FIAT making clear that in case of a negative outcome, it would be 'forced' to decentralise production in other countries. These deals explicitly depart from the industry-wide metalworking contract in pejorative terms, with FIOM (*Federazione Italiana Operai Metallurgici*) – CGIL's metalworking union – refusing to sign. The accords significantly enhance work rhythms and surveillance, increase compulsory working time and decrease pauses (CRS, 2010; Leonardi, 2010).

The most significant elements that highlight FIAT's attempt to destructure the industrial relations system concern strikes and disciplinary measures. If a union or an individual worker (even if *not* a member of the signatory unions) does not respect the rules or the 'spirit' of the pact, sanctions can be applied to the signatory unions and to the single workers, potentially leading to firing (Leonardi, 2010: 329). Industrial peace thus becomes an obligation of *result* and not of *means* (*Ibidem*: 361). Strikes are not allowed during the whole duration of the contract. Harsh measures against absenteeism are also introduced: if there is an 'anomalous' level of absenteeism in a certain period (according to parameters set by the firm), the firm will not pay the first three

days of sick leave to absent workers. This might seem like a minor issue, but its relevance is in the introduction of the principle of ‘collective responsibility’ of the firm’s working population as a whole, as with the strike clause mentioned above. It is clear that what we are dealing with here is an extreme example of *concession bargaining*, that has precedents elsewhere in Europe (Siemens, Nokia: see Marginson and Meardi, 2012): the guarantee of employment maintenance in exchange for a significant worsening of working conditions, in the name of productivity.

The metalworking employers’ association has attempted to legitimise FIAT’s stance by signing two separate deals in 2009 and 2010 with unions affiliated to CISL and UIL – with FIOM-CGIL refusing to sign – once again including the possibility of ‘hardship’ clauses that derogate the sectoral agreements (EIRO, 2011c; Lassandari, 2010: 324-236) and thus providing a framework that is conducive to making pejorative adjustments at company level (EIRO, 2011d). However, this was not enough for FIAT: In 2010, because of FIOM’s unwillingness to sign company agreements, FIAT created new *de jure* local companies in the *Mirafiori* and *Pomigliano* plants that are not members of the employers’ federation Confindustria. This makes it possible for FIAT to exclude FIOM from the companies altogether and sign separate deals without respecting national labour contracts. Federmeccanica – the employers’ metalworking association – in January 2011 proposed making it possible for companies to replace sectoral agreements with company agreements. This was refused by all unions, arguing that the two-level structure, with its provision of ‘hardship’ clauses, already provided the necessary flexibility (EIRO, 2011d). This signals that the unions, while available for company deals that could derogate sectoral agreements, did not want to see the whole collective bargaining system crumble.

In fall 2011, FIAT CEO Marchionne announced that starting from January 2012, the whole FIAT group will leave Confindustria altogether, developing its own *sui generis* alternative and unilateral company-centred bargaining structure. This attempt to build a company-based ‘American’ model is a radical break with the past. As could be expected, other major firms (Finmeccanica, IBM) have shown interest in imitating FIAT’s unilateral moves.³ Having in recent years decentralised production to locations in Serbia and elsewhere, FIAT thus effectively pits national working classes against each other and in this sense represents one of capital’s most advanced offensives in the Italian political economy.

Thirdly, in the summer of 2011, after more than two years of uncertainty in industrial relations (regarding the effectiveness of the 2009 deal, with CGIL claiming that it signed industry-level contracts according to the 1993 deal and CISL and UIL claiming that the 2009 deal was fully in force), the union front re-united signing a further interconfederal agreement with Confindustria and the government. CGIL thus returned to a consensual approach with this groundbreaking deal. The reform confirmed the dual system of 1993 but introduced innovative elements such as the certification of representativeness for participation in sectoral bargaining. The possibility for opening clauses in company-level contracts is introduced, even if within the limits established by sectoral agreements (EIRO, 2012a). However, even in the absence of explicit possibilities for derogations in the sectoral agreement, the deal envisages the possibility of pejorative changes in specific situations (crisis or investments for development or employment). Company-level deals can thus immediately modify the norms of the industry-wide contract in matters concerning work performance, times and work organisation (ISFOL, 2011: 33).

As soon as the ink dried on the deal, in August 2011 financial turbulence exacerbated the ‘credibility’ problems of the Berlusconi government and interest rates peaked. The government approved an emergency financial ‘package’ of cuts and tax rises without discussion with the social partners. Hidden in this legislative decree, approved by parliament in September, was a clause that can potentially de-structure the whole industrial relations system and radically modify the labour law framework of the country: article 8 of the decree allows company-level agreements to

modify practically all elements of the national collective contract *as well as* national labour law (see Peruzzi and Speziale, 2011; EIRO, 2011f). The new 'proximity bargaining' system allows local deals to modify *any* matter concerning work organisation and production, privacy, working hours, contracts and dismissals (ISFOL, 2011: 33) including the 1970 *Workers' Statute* and its article 18, that protects workers from firings without a 'just cause' by forcing companies to re-admit the dismissed worker. One can easily see a potential for the dismantling of current labour law. Moreover, what can be called the 'FIAT comma' was included: it extended retroactively the effect of the law in order to legalise FIAT's separate deals and their *erga omnes* applicability.

Such an intervention on the part of the law on the autonomy of collective bargaining is unprecedented in Italian history: the clause, by actually allowing any (even pejorative) departure from the national contract *and* from the law at the local level, gives local union representations and firms the power to dismantle the system of industrial relations with its *universalising* and *equalising* functions. So far there has been very little use of such a clause, but the destabilising blackmail potential on the part of capital exists and exerts its effects in taming the unions.

In the spring of 2012 the reform of the labour market was placed on the political agenda. After the supply-side measures enacted by the Berlusconi government in 2011, the Monti government's focus from the beginning of the discussion of the reform of the labour market has been on the dismantling of article 18 of the *Workers' Statute*⁴, presented as a break on employment creation and foreign investment in the country, as well as a chance to overcome the 'monotony of lifelong contracts', as Monti argued (*La Repubblica*, 2012).

Following the *flexsecurity* mantra of the European Union, the government's promise was to decrease the rights of 'insiders' in order to increase those of 'outsiders'. However, there were only very marginal concessions in the direction of the 'security' part: no reduction in the wide gamut of fixed-term precarious contracts that employers can choose from (46) and a very limited extension of the unemployment protection benefits (Pratelli, 2012). On the other hand, the workers' right to be re-integrated in the firm in the case of an unjust dismissal is being substituted by a choice on the part of the judge between reinstatement (which can occur only in the case of 'manifest unreasonableness' of the 'economic reasons' alleged by the firm) or a *una tantum* economic compensation to the worker, thus effectively producing a *pejorative* overcoming of what the government terms the 'apartheid' of the labour market. In May 2012 an agreement between the social partners (including CGIL) extended the reform curtailing workers' rights under article 18 of the *Statute* to public sector employment, opening the door to possible future mass redundancies. The uncertainty with regards to the reinstatement of the worker into his job position in the case of unjust firing further weakens the worker, as it dissuades him from industrial action or protest at the workplace, thus making working rights and entitlements effectively more difficult to enforce - particularly in a country in which the informal sector is very significant: up to 20% of the workforce is in the shadow economy (OECD, 2013). Brancaccio has shown that there is a correlation between labour market deregulation and a decrease of wages (2008: 13-16). Considering the European Central Bank (ECB) and European Commission pressures on containing both public spending and devaluing wages as *the* adjustment mechanism, the rationale of a dismantling of this clause can be easily understood.

The last element to be reviewed is the unions' defensive reactions to restructuring. CISL and UIL have been generally supporting the government (as Confindustria), while CGIL has adopted a more ambiguous position, often highlighting its dissent, yet recently signing the 2011 interconfederal agreement on the reform of collective bargaining. The reactions to austerity policies in 2009-2011 have been mixed. While CGIL has protested, CISL and UIL leaders have argued that the measures were necessary. Generally, the latter supported the government's measures, attempting to minimise the damage on their members. CISL and UIL never

proclaimed a general strike except for a symbolic 4-hour strike following the approval of the 2011 pension reform. CGIL, on the other hand, has organised several general strikes (EIRO, 2010), that often saw the participation also of CISL and UIL workers, such as the one after the approval of the August 2011 financial measures.

It can be argued that CGIL's more critical stance stems also from its tradition of *political* opposition to the centre-right governments and its attempt to regain a place in discussions on the reform of collective bargaining. Thus, with the change of government in November 2011 – Monti's government is supported also by PD in Parliament – CGIL's position has changed: it has engaged in negotiations with the government on labour market reform, accepting a curtailment of article 18 of the *Workers' Statute*. Overall, it can be argued that also CGIL manifested a certain ambiguity, resisting calls to carrying out more radical mobilisations against austerity. As the European Trade Union Institute (ETUI) has remarked, trade unions in Italy – unlike all other European countries except Austria and Slovakia – have generally *not* expressed significant political opposition to austerity measures (Theodoropoulos, 2011: 31).

To sum up the developments in industrial relations, I would argue that we have witnessed a gradual change in the *social purpose* of the state that was in the making in the previous years. While sectors of Italian capital continued relying upon the 1993 framework, the centre-right has expressed the interests of the more radical anti-union sectors of capital in the Italian economy (interestingly, both SMEs that cannot compete in the context of the European Monetary Union (EMU) straightjacket and sectors of large capital such as FIAT, that effectively use concession bargaining to pit workers against each other). It has done so by weakening the practice of including the social partners in the decision-making process inaugurated with the 1993 deal and by undermining the reach of the industry-level contract, the cornerstone of the Italian industrial relations system since 1993.

Common Sense in the Italian Political Economy

Analysing the political responses to the crisis, a feeling of *déjà-vu* emerges. This is not the first time that both political representatives of the left and organised labour identify the need for 'sacrifices' as the necessary solution for economic recovery in order to 'save the country'. In fact, in two other crucial turning points in recent Italian history, the main party of the left *and* the trade unions together accepted (and approved) tough policies of wage restraint and fiscal rigour in the name of 'national unity' and in the face of 'economic emergency'. The first episode was at the end of the 1970s, when in the face of mushrooming inflation, economic crisis and terrorism, the PCI entered into the governing orbit (the governments of 'national emergency', albeit without ministerial positions for the PCI). The literature underlines that, with heavy concessions on the part of organised labour in the form of wage restraint and guarantee of social peace, the 'political exchange' was heavily skewed in favour of capital (Paggi and d'Angelillo, 1986: 149-157 Golden 1988 ch.3).⁵

The second episode was at the beginning of the 1990s when, amidst a deep recession and a speculative attack against the *Lira*, the social partners signed a tripartite deal institutionalising for the first time a system of collective bargaining, incomes policy and the inclusion of the trade unions in a system of shared decision-making (Carrieri, 1997). Also in this instance, the compensations offered to labour were disproportionate and there was little 'political exchange' (Regalia and Regini, 2004): social peace was guaranteed (see ISTAT, 2003 for data on the significant decrease of strikes) and wage restraint was locked-in, producing the largest wage slump in Italian post-war history, with labour losing 7.5% of its quota of national GDP from 1992 to 1998 (Brancaccio and Passarella, 2012: 48; a compression, and even *decrease* of real wages has

been confirmed by Tronti, 2005). In the following years, the technocratic governments, followed by the centre-left coalition governments, implemented welfare retrenchment reforms and austerity with the consent of the social partners in order to be able to enter the Eurozone with the first group of countries in 1998 (Dyson and Featherstone, 1996; Amyot, 2004 Ch.8-9). These two very different moments share two common elements with the current situation: organised labour's readiness to accept punitive measures (or unbalanced compromises) in the name of 'national emergency' in a moment of economic and political crisis and the invoking of a tight 'external constraint'.⁶

My argument will be developed in two steps. First, I will argue that the assumption of economic vulnerability and the need to maintain wage restraint have been internalised by organised labour and the Left. I will then show that situations of crisis trigger this assumption and thus explain *how* and *why* trade unions have accepted and continue to accept punitive solutions in moments of 'economic emergency'.

Italy's insertion into 'the international' is considered by economic historians to be weak and particularly vulnerable (Graziani 1998: Vianello, 1979). The country is totally dependent on the outside for raw materials (such as energy provision) and lacks a technologically advanced industry. Since the early post-war years, the country has extensively liberalised trade – more deeply and rapidly than other European countries – and political and monetary authorities have neglected Keynesian demand-management, pointing instead at maintaining monetary stability (Paggi and d'Angelillo, 1986: 134). The objective was to enhance exports in order to pay for much-needed imports of raw materials and technology (Vianello, 1979: 21-22). As Paggi and d'Angelillo argue referring to the plan of extensive liberalisation proposed by the Italian authorities to the OEEC (Organization for European Economic Cooperation) in 1948:

this is a quite clear formulation of the Einaudi-De Gasperi line (...) that presents again, in a decisive turning point for the national economy, the structural weakness of the foreign balance of payments that has accompanied Italian capitalism since the beginning. (...) This economic 'weakness' reveals itself to be an important political instrument since the consolidation of union power (Paggi and d'Angelillo, 1986: 122).

The 'economic miracle' of the 1950s and 1960s was the result of a model of growth based on low salaries, a slow growth of internal demand, a high propensity to save (partly because of a limited 'decommodifying' welfare state) and therefore a dependence on the growth of external demand. The *anti-Fordist* bias of the Italian state, the absence of a neo-corporatist settlement and the underdeveloped and particularistic nature of its welfare state have been crucial in maintaining low wages (Amyot, 2004: ch.2). Consider these two citations from Graziani:

The road of progressive liberalisation represented in some way a *forced road*. Italy was characterised by a *traditional scarcity of raw materials*... For the Italian economy, industrial development thus means the development of imports, as industry necessarily needed foreign raw materials and mineral resources. In turn, the development of imports requires a parallel development of exports and so a growing trade openness. *The alternative facing the country, therefore, was not between development as a closed economy and development as an open economy, but rather that between industrial development as an open economy on one side and renouncing, at least initially, to industrial development* (Graziani, 1998: 25-26; my italics).

Graziani also highlights that price competitiveness was the key element that allowed Italian exports to impose themselves on global markets. This entailed avoiding increases in wage levels in line with rising productivity in the export industries, a central feature of post-war Italian economic development (Graziani, 1998: 9). This peculiar arrangement has also been analysed as the consequence of a strategy of *trasformismo* on the part of the ruling class (Paggi and d'Angelillo, 1986): the DC developed an *interclassist* strategy of incorporation of elements from practically all social groups into the party and into the state's distributional and clientelistic network (Tarrow, 1990; Amyot, 2004: 96-105). This reflected also the economic goal we have highlighted above: prevent 'excessive' wage increases by marginalising the communist workers' movement (CGIL) and the PCI politically. The objective was thus on the one hand the prevention of social conflict, and on the other avoiding the constitution of a successful counter-hegemonic political project in the workers' movement that could create links with other social groups.⁷ This marginalisation, according to Vianello, explains many features of Italian capitalist development: the unequal distribution of income, the skewed composition of consumption and the great increase of exports based on low wages (Vianello, 1979: 27).

My argument is that the shared element in the various versions of common sense is represented by the assumption of economic vulnerability of the country that gave Italy a particular insertion into 'the international'. The latter expressed itself in the idea that in order to compete in the world economy, real wages need to be kept sufficiently low, lest the country face disequilibria in the balance of payments. The idea – internalised by the left and by labour – was that there was thus little choice in how to adapt: economic weakness and the need to maintain low wages were perceived as 'real facts' that must be faced collectively. Cesaratto, in his interview with the author, gives perhaps the clearest enunciation of Italy's perceived vulnerability:

we are a country that depends on the outside for oil imports, for technology, for energy...*the unions internalised the idea that higher real wages are incompatible with the Italian economy...There is no doubt that Italy has an external constraint* (i.e. on wage increases)... That is, an increase in real salaries turns into an increase of consumption and thus of aggregate demand and then Italy has to face the fact that imports increase.

Capitalist development in Italy was thus *materially* dependent on the outside, a feature that has left marks in national forms of consciousness and common sense on the political economy, including the alternatives (or lack thereof) perceived by the actors.⁸ It is human beings' dependence on the means of subsistence, and the fact that in a capitalist mode of production, these are accessed exclusively through the market, that has generated these powerful assumptions about what the 'hard facts' of 'reality' are from the perspective of Italian actors. This is no general rule, but I argue that it was a common sense assumption that tended to repeat itself.

This point goes to the heart of the argument. The common sense view of economic vulnerability and the idea that Italy can compete in the European and global economy and can adapt to economic transformation only by maintaining low wages is the dominant version of common sense that is shared by virtually all actors (interviews with UIL#1; PD#1; PD#2; Confindustria#1). Two quotes from the interview with UIL#1 are revealing:

Europe, for its own virtues, and the Euro, for the cage that it built around our clothes (*i.e., a straight-jacket*), are the reasons why we did not end up like Argentina. *It has forced us to adopt virtuous attitudes like for instance contain our instinct to conflict, chaos and chaotic spending and wage claims, and finally realise that we need to accept certain things*

about how national economies work, in which we all accept that we have to sometimes contain our demands in order to compete, and then maybe redistribute on other levels.⁹

When asked what is the room of manoeuvre of unions in Italy in the current economic conjuncture, the same interviewee argued that:

'unions can do very little, we cannot exaggerate with the wage push. The only thing that is allowed to the unions in this phase of globalisation is to verify the levels of employment, the amount of production that remains in Italy'.

PD#1 also explicitly blames the trade unions' wage push for the country's current economic problems:

in Germany (...) the unions and the employers sat on the same table and decided that wages would not grow anymore, that they would grow less than productivity. (...) In exchange for this, the firms would not fire. And the German economic boom began. Being a very strong economy, and moreover with this advantage of the incomes policy and the further decisive advantage of the Euro, that obviously had a much lower value than the German mark, they have flooded the world with exports, mostly the Eurozone (...) while, here in Italy, even before the Euro, we have always had quite eccentric attitudes, we have had two, three, four contracts of the public sector employment. (...) And our competitiveness got worse, our balance of payments. So, there was no logical reason to increase wages.

Notice how the problem is considered to be the unions' excessive wage claims, that in turn caused Italy's competitiveness to deteriorate. This version of common sense was adhered to – perhaps more predictably – by the representative of Confindustria:

unions (...) need a cultural shift. We all need to realise that even if of course we cannot become China or India, wages are dependent on how well the whole economy is doing, and they – the unions – need to realise this, and then we can build a competitive economy in the world. And yes, I believe that the fall of the Berlin wall and of the myth of the welfare state,¹⁰ of the public economy, has been fundamental for the union inspired by Marxism, but this has included also the catholic union: once the alternative development model based on 'wages as an independent variable' has fallen, also the catholic union realised that there can be no solidarity if there is no cake to share.

The use of the verb *realise* is interesting, as it signals that what the unions had to do was simply to become aware of a simple economic 'fact': that wages are dependent on the competitiveness of the economy and that the unions cannot demand a certain level of wages 'independently' of economic constraints. So, what can be seen in these quotes is that keeping wages moderate is a goal that is legitimated by invoking the *commonsensical* constraints of the world economy. Starting from the late 1960s and all through the 1970s, the country experienced a rise in real wages under pressure from organised labour, itself pushed to take more radical positions by an upsurge of worker militancy and demands from below. This occurred as a result of labour's intransigence in a situation in which its role as partner in the devising of economic policy was denied – it was a sign of labour's *weakness* (and not of its strength, as is often assumed) (Paggi and d'Angelillo, 1986: 14-15).

Dyson and Featherstone (1996) point out that the 'external constraint' thesis has been used to transform the Italian political economy in a liberal direction starting from the 1970s. In fact, the *vincolo esterno* (external constraint) perspective stemmed, according to the two authors, 'from the reaction against economic indiscipline of the 1970s: it was part of the collective memory' (*Ibidem*: 274). Against the background of a political economy settlement that was endangering the country's insertion into 'the international' in the 1970s – generating economic crisis – the assumption of economic vulnerability was re-activated (and the 'national emergency' governments of the late 1970s can be seen in this light). In this context, the thesis of the necessity of accepting the 'external constraint' became part of common sense, or 'engendered policy beliefs' (*Ibidem*: 295), also reinforcing a positive view of European integration. The 'unreasonableness' of labour's claims, that forced the country to adopt a monetary policy of constant devaluation up to the 1980s, was underlined by practically all the interviewees (with the exception of CGIL#1). Consider, as an example, the following remark by PD#1:

what we have not been able to handle, what the Italian firms have not been able to handle, is the wage shock of the early 1970s, plus radicalisation and terrorism. Factories were places of incubation for terrorism, there was that phenomenon that has been described as 'worker opacity'. Workers were not terrorists but they were also not against. They knew that some of them were terrorists, but they protected them. 'Neither with the state nor with the Red Brigades'. (...) So, put yourself in the position of a manager or the owner of large industrial group with ten thousand poor guys inside the factory (...) the most obvious choice that they did in this context was that of closing down, decentralise, sell, move outside of the country, stop investing in the country. And so in Italy large industries have disappeared.

Notice how the pronoun 'we' refers to the nation, but implicitly to the firms. Moreover, one can see here that the problems of the country are blamed on the labour movement's claims, that are in a way even equated with terrorism. Class struggle in the conflictual decade of the 1970s is described in very stark terms, as if the problem was one of terrorism alone. Moreover, the labour movement's claims are perceived as subversive, and the *commonsensical* reaction – according to the interviewee – was, by definition, the one adopted by capital (in this case, decentralisation).

The understanding of the Italian economy as being characterised by a history of vulnerability has often been referred to in the interviews. Moreover, what was also often remarked was that this vulnerability has become more pronounced in the last decades and that the 'external constraint' is fundamental to reach 'stability' and necessitates sacrifices on the part of labour. Consider the following statement by PD#1:

*without any kind of external constraint we would have become like Lebanon. By ourselves we would have been unable to do anything. We are dependent on the outside and very disorganised. We would have ended up like Greece. (...) We are like that. So, I am completely in favour of a protectorate *de facto*.*

Asked about Italy's dependence on the outside and the nature of the external constraint, UIL#1 remarked that:

Without the external constraint we would have ended up like Argentina, in the best scenario. And without having the means of recovery that Argentina has, because we don't have any

natural resource except for cultural or archaeological goods, we have beaches, things like that. *It is true in every country, but I think especially for Italy, that our only wealth is labour. Labour-force.* Apart from that, we have nothing.

This must be coupled with the idea that the country's anchoring to 'Europe' can only be beneficial and that in its absence, 'chaos' (high wage claims, inflation, excessive public spending) would ensue, an opinion in itself linked to the assumption of economic vulnerability. Europe was interpreted by practically all the interviewees, albeit with different levels of intensity and enthusiasm, as *the* 'best practice' against which Italian 'modernisation' was to be judged (the only interviewee expressing some reservations was CGIL#1). The dominant idea that is shared by many interviewees is that 'virtuous' 'European' standards needed to be imported in order to modernise the country. In addition to the above quote from the interview with UIL#1 in which he praised 'Europe's' virtues, and PD#1's being in favour of a *de facto* protectorate, consider this statement by Romano Prodi (in his interview), in which he explicitly links the process of modernisation in Italy with the creation of more intensive links with 'Europe', assuming that by itself Italy were not 'modern', and constantly needs an external anchor that would guide it:

The process of modernisation in Italy is indispensable. (...) A devaluation would still give us room of manoeuvre in the short run, it would make us get out of emergency, but then it makes the country rot. (...) *In this sense I see the Euro, in a long-term vision, as an indispensable fact, in order to give discipline to a country that really lacks it. And to force us to enter modernity in the long run.*

PD#3 also has a highly positive view of Europe's impact on Italy:

'For us the foreign constraint has been a fundamental factor of modernisation, there is no doubt about it. 'Doing like in Europe' for us has always been the rallying cry that has coincided with a social, economic, cultural and civil progress and so, inevitably, the forces that are most conservative, that are afraid of change, have resisted.'

There is further evidence of how the common sense assumption of the need to maintain low wages expressed itself in a critique of the trade unions' autonomous claims on the part of the main centre-left political party. Paggi and d'Angelillo (1986) argue that one of the ways in which the PCI and the CGIL reacted to the strategy of *trasformismo* aimed at their marginalisation was by a constant attempt to acquire full political legitimation by exchanging it with the acceptance of punitive measures against their own social base in the working class. This is at the origin, the two authors argue, of a slow internalisation of a *liberal* critique of the DC regime on the part of the Communist Party and trade union. The PCI thus internalised a vision of the *national* 'general interest' as always potentially in conflict with the interests of organised labour, in contrast to a social-democratic *conflictual* understanding of social relations (*Ibidem*: Ch.2 and 7). This stance can be seen as an aspect of the common sense assumption of economic vulnerability and the necessity for wage restraint. Consider the following quotes from PD#1:

There were many meetings with the unions, in those years (i.e., *in the early 1990s*); there have been exchanges with respect to welfare policies, not in infrastructure and investments, not with respect to a strategy for the country, for Italy's role in the world. *The problem was a distributive one. And this was the limit that I see also today in the attitudes of the unions.*

The same interviewee also argues that:

for instance, now (i.e. January 2012) the unions have managed the results of this financial package, and there were no protests, no strikes, but they have done so because they were forced, they have done it reluctantly, and now they ask for some symbolic compensation, that a useless symbol such as article 18 (i.e. of the Workers' Statute – see above) remains, just to say: we exist. And the left is then very much influenced by this, and so everyone thinks he deserves something.

The common sense view here is that of a labour movement that must not ask for compensations in exchange for wage moderation, as it should view this policy as the only rational line of action deriving from 'reality'. The following long quote by PD#1 sums up two elements of the dominant common sense view: wage push is a problem and incompatible with the country's economic success; organised labour should pre-emptively take it upon itself to 'adjust' to external pressures:

this is a country in which demagogy, protest as an end in itself reign...in the history of Italy you can find many episodes of inconclusive rebelliousness. In fact, we have never re-absorbed neither 1968 nor 1969, because then we have had 1977, terrorism. (...) In the labour movement there have always been radical positions of refusal. As a matter of fact this can be seen clearly because in other countries, social-democratic countries where there is a tradition of a reformist left, such as the Netherlands or the Nordic countries, there the reforms have been done by the socialist parties. (...) But there, there was a union that faced and accepted the economic constraints, and there was a political class that understood something about economics. Here, there is no comparison.

There is a significant distancing from the labour movement's position on the part of the interviewee. What is claimed is that the obstacle to 'reform' was the extremist tradition of the labour movement, with its 'positions of refusal', a stance that is contrasted with the 'realist' position of the unions in other countries, where they accepted 'economic constraints'. Other differences, such as the fact that in other countries the party of the labour movement was politically legitimated to govern, that neo-corporatist settlements were created and that more vigorous redistributive welfare policies were implemented, are neglected. A last point should be briefly mentioned. I maintain that in Italy it is 'economic emergency' that triggers most markedly the shared common sense assumption of economic vulnerability and wage restraint as the mechanism for the adjustment to economic change and to 'the international'.

A useful concept for analysing moments of crisis can be 'imported' from so-called 'ripeness theory' in the field of conflict resolution (Zartman, 2002). A moment that is 'ripe for resolution' is associated with a 'precipice': the perception that the situation is rapidly bound to get worse if an agreement is not reached. This moment of 'impending catastrophe' provides a 'deadline or a lesson that pain can be sharply increased if something is not done about it now' (Zartman, 2002: 228). The discursive creation of the impending catastrophe that (supposedly) awaits Italy if the necessary measures are not urgently adopted (thus temporarily suspending conflict) is a fundamental element that produces consensus, as the interview data reveals. Consider the following statement by UIL#1. When asked about the reasons for the absence of a neocorporatist system in Italy, the interviewee answered that:

it is a cultural issue. We are not predisposed to deciding serious things, the reforms that are valuable, that last and actually change society, in conditions of normality. When there is normality in management, we think about everything except doing the serious things. We are always urged and motivated to do something together by need or by emergency.

Referring to the reasons for union consensus to the austerity measures of the 1990s, the same interviewee argued that:

we needed to transform ourselves from a people made of savers, but also a messy, unorganised people, into a virtuous country that did not link the well being of the people, like with policies of assistencialism, to public spending. (...) *It was an emergency, which means that it is situations of deep crisis that have forced us...* Conditions of exceptionality produce choices, decisions, contrasts and consensus but this never happened in conditions of normality, always in exceptionality. Unfortunately it is like that, we are not made to reason effectively in the long period, we always reason in the short period, because Italian politics knows only short periods (...) which means that often we stumble upon emergencies' (UIL#1).

Notice the use of the verb 'forced' to describe the pressure of the situation of emergency on the trade unions. Asked about the reasons for the weakening of the method of concentration starting from the late 1990s, UIL#1 answered that 'the motivation of living in an emergency period ended, and when you don't live in an emergency, also the *external* push for finding a solution to many problems is weakened'. So, emergency seems to be the catalyst of consensus, as it activates what the interviewee referred to as 'external constraints' that motivate the actors (and what I would refer to as shared common sense assumptions). Although more critical towards the stance adopted by the unions, also CGIL#1 confirms that it is in times of crisis that consensus is more easily found:

In a tragic night (*he is referring to the day before the 1993 social pact*), in which the situation was: if you don't agree tomorrow, the economic situation will precipitate, so you have the responsibility on your shoulders, Trentin (i.e. *the secretary of CGIL*) – right or wrong – signed, without having a mandate. (...) The people that were responsible for this kind of blackmail vis-à-vis CGIL, the link between Del Turco, Amato, (i.e., *respectively, the leader of the socialist faction in CGIL and the Prime Minister in 1992-1993*) said: if you don't sign, the country will fall.

Conclusion

In the first section, I have shown how capital's offensive, aiming at wage restraint (if not outright real wage fall) and at the deconstruction of the collective bargaining system, and the state's austerity policies, have seen organised labour on the defensive. CISL and UIL have substantively accepted the measures, while CGIL – and particularly FIOM – have manifested a more ambiguous position. However, the latter have failed to go beyond a position of mere resistance in order to launch alternative political projects. Thus, the EU institutions' solution of wage devaluation in the periphery seems to find few obstacles in the Italian political economy. It would be interesting to use 'common sense' analyses to delve into the reaction or the acquiescence to crisis management in other Southern European countries.

Today, large sectors of organised labour and of the main centre-left party acquiesce largely to capital's dominant version of common sense. As 'reality' is seen as dictating precise 'limits of the possible' in political and economic terms, alternative political projects are marginalised as 'unrealistic'. In this situation, it is indeed difficult that alternative routes are considered and that the uncompromising elements in the labour movement are able to move beyond a defensive position of 'resistance'. Significantly, in Italy organised labour is now left without a political counterpart that claims to represent its interests. The main centre-left party having abandoned any ideological commitment to social-democracy (let alone more radical alternatives), the prospects for the development of a counter-hegemonic *historic bloc* seem grim, also in comparison to other European countries.

One of the reasons - I would argue - that the Italian Left (and the labour movement) are in such a dire situation in comparison to other European countries (such as Greece or France) stems from the bizarre phenomenon by which Italian post-communism represented *the* most loyal anchor for the liberal project of the 1990s. The post-communists internalised an idea of civil society as an autonomous realm, the sphere of liberty vis-à-vis the world of formal politics. This stance, with all its anti-public and anti-party connotations (see forthcoming Bradanini, 2014), has profoundly influenced popular imagination and what remains on the left of the PD: the social movements' distrust of political institutions and the parties' enthusiasm for 'civil society' go ideologically - and paradoxically - hand in hand with the neoliberal project's hollowing out of political institutions.

NOTES

1. Interview (in Italian) in *La Repubblica*, 3 May 1996.
2. All the citations from Italian texts have been translated by the author.
3. Another point to highlight is that developments at FIAT also have a symbolic meaning for the country, both because of the sheer weight of one of Italy's largest companies and the country's only remaining carmaker, and because historically it was FIAT who often anticipated industrial relations and wider socio-economic developments that then extended to the country.
4. This article of the 1970 Workers Statute allows workers who are fired without justification to be re-integrated in the company.
5. A few quotations are revealing of the common sense assumptions of the PCI and CGIL in this crucial phase. In the course of the 1970s, Berlinguer – the secretary of the PCI – introduced into the lexicon of the left terms like rigour, tough effort, exceptional strain, and austerity. The current president of the Republic Napolitano was a convinced supporter of Berlinguer's line. The climax of this stance was reached in a famous speech given in 1977 entitled 'Austerity: a chance to transform Italy' (Berlinguer, 1977) in which Berlinguer presented austerity as a 'forced yet enduring choice, the condition for the 'salvation' for the people of the West and, in particular, for the Italian people'. He also proclaimed, in an almost messianic tone: 'we, thus, take on the flag of the fight against inflation!' (cited in Paggi and d'Angelillo, 1986: 20). Giorgio Amendola, leader of the 'social-democratic'

current of the PCI goes as far as to argue that ‘sacrifices are demanded by the state of affairs and are not negotiable. They are a state of necessity which transcends the interests of single social groups’ (Ibidem: 11). In 1980, Bruno Trentin, the secretary of CGIL, argued that the importance of the unilateral wage moderation of the late 1970s was that of bringing the union to ‘clearly detach itself from the previous substantially contractualist philosophy, which inspired the relations between the union and political power and which is still dominant in most countries in Europe’. The important fact about this stance – Trentin argues – is the overcoming of a logic by which ‘the unions, in order to become protagonists of a new economic policy, believes that sure compensations are to be asked from capital’ (Trentin, 1980: 182).

6. In the 1990s, Ferrera and Gualmini (2004: Ch.4) argue that it was the concept of ‘external constraint’ that helped build an ‘advocacy coalition’ for economic liberalisation. Interestingly, it has been noted that in Berlinguer’s notion of ‘external constraint’, Italy’s accession to the EMS in 1979 was considered inevitable and acceptable (Brancaccio and Passarella, 2012: 24).
7. ‘(...)The problem at the root of trasformismo is not that of governing in the absence of modernity, but of modernising against the labour movement, therefore avoiding that the main social partner in an advanced industrial society could reach full and definitive legitimacy, thus equal dignity, within the political system’ (Paggi and d’Angelillo, 1986: 67).
8. Alternatives obviously always materially exist. In his interview, Cesaratto (in his interview) argued that ‘there are clearly alternatives on how to face this constraint, (...) but internalising this constraint without having an adequate proposal to overcome it, this is what the unions did. (...)’
9. Significantly, in two occasions the interviewee referred to the Italian political economy using the expression *azienda Italia* (literally, ‘company Italy’). This equates the economic situation of a capitalist state with that of a capitalist firm. This is revealing of the extent to which capitalist social relations have become naturalised in sectors of the labour movement. The assumption is that Italy must work like a private company, and that in fact the role of the unions is to help make this possible.
10. Here, the expression that is used is not literally welfare state but *stato assistenziale*, that has a similar but more derogative meaning, highlighting the inherent inefficiency and waste of state spending.

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BIOGRAPHICAL NOTE

DAVIDE BRADANINI is an independent scholar and holds a PhD in Political Systems and Institutional Change at IMT (Institutions, Markets, Technologies) in Lucca (Italy). He defended his doctoral thesis on 'Common sense and 'national emergency': neoliberal hegemony in 1990s Italy' and has published in the field of International Political Economy and Political Theory. [email: bundebunde@gmail.com]