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 CENSIS

43rd

ITALY

TODAY

FRANCOANGELI

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I. GENERAL CONSIDERATIONS

1. When conducting an annual reflection, there is always the insidious temptation to repeat already tried-and-tested cultural models, even when events appear to present extraordinary phenomena and problems, which, as such, justify abandoning the reasoning used as a basis of interpretation in the past.

But repetition is necessary and almost obligatory when considering Italian society, a society which stubbornly repeats itself.

This was confirmed in the last twelve months, marked by a crisis described as epochal, which first shook international finance and then the world's major countries' economies and labor markets. This meltdown was expected to create a tumult of problems for Italy's "fragile", not very competitive economy. As time has passed, during which fears have been realized or avoided, the idea that dominated the collective psyche last year, namely "we will never be the same as we were", seems to have changed into a feeling that "we are still the same". This prostrates us to the whim of circumstances, but does not discourage us.

What has happened is that the model on which Italian society is founded has worked yet again, repeating itself. In fact, we have withstood the crisis because we have not exaggerated the pre-eminence of finance over the real economy; because the banking sector has maintained strong links with the territory; because the economy is characterized by an extremely widespread and crucial presence of small companies; because we have a work market that is both very flexible (here we are referring to the underground economy, which has, as it happens, also seen further expansion) and yet very protected (i.e. the burden of "permanent" staff positions and social security cushions); because business and work have always been highly protected by familial patrimony (savings and home ownership); and because people have daily routines that are integrated within the territory, linked to its social cohesion and the responsibility of its administration.

If we have survived 2009 without too much damage it is certainly thanks to the daily intertwining of these socioeconomic factors. All observers agree on this, even those who had considered these elements as retrogressive to the country's modernization. This was not an accidental or improvised approach; rather it was a recurring conditioned reflex. So we used the adaptive-reactive behavior that has worked for some time, already seen during the dramatic crisis of 2001 and subsequently used to overcome the exasperation caused by decline and impoverishment. But closer examination shows this phenomenon can actually be traced back to the end of the 1970s, with the explosion of small businesses, the black market, economic sectionalism, the rise of the so-called "family Ltd" and other similar factors.

The fact that this model of repetition has passed the reliability test over the last twelve months proves the persistent effectiveness of its components. But this does not mean it is exempt from the danger that the compulsion to repeat – especially if the repetition is rewarded with success – can hide a social reality lacking the inner and external stimuli needed to explore new directions and visions.

2. In our reflection of the past year, we have noted signs of the conditions for a purely adaptational exit strategy (*dimora parva sed apta nobis*, "small but right for us"), with what could almost be a second metamorphosis on the horizon.

One year on, it seems right to say that the crisis has slowed down this process of metamorphosis. This is because society's desire to withstand the crisis and the acrobatic ability to combine all the different behaviors needed to resist, pulled too much weight. Another reason is that state intervention was directed more towards encouraging adaptation (defending the banks, pressurizing them to address the needs of business and families; the strong defense of employment, purchasing power and consumption etc.) rather than inventing an *exit from adaptation*.

So the final analysis of the most recent social-economic trends shows the comeback, the "here we go again" of big old Italy that still exists and functions. But in a country that repeats itself like Italy, the future is never an eternal return to being the same. There is the ever-present hidden, sometimes unconscious collective propensity to surmount the danger of being trapped in the present, even though this is achieved by taking the easy option of adaptation.

This is why there are always two kinds of collective undercurrents at play. On the one hand is the defensive approach, aimed at tapping into and then

challenging external phenomena and dangers gradually, as they arise. Whereas the second is to introduce a hidden dose of additional development, with a cross-sector innovative boost.

3. The first area to examine regards the dangers that cannot be withstood through pure adaptation. These months have certainly seen growing apprehension that the crisis may eventually worsen. The presumption that the worst has passed and it's now business as usual with nothing having changed, cannot hide certain specific observations:

- Italian finance, in its own small sphere, has not entirely rid itself of the toxic dimension that has often put it in difficulty in the last few months;
- the anxiety caused by the imminent closure of balance sheets (for the year 2009 and the first quarter of 2010) is leading too many operators to continue – or hope to continue – to “make money through money”, resulting in an overestimation of financial and speculative trends;
- even though the real economy has been considered as a bulwark during last year's crisis, it is actually going through a period of great uncertainty, especially in the areas more exposed to the turbulence of international markets;
- the coming year already appears difficult and problematic, given it will see many small businesses still laboriously limping along, combined with the uncertainties about credit linked to the rules in the Basel II Capital Framework, as well as doubts about the amount of state redundancy pay that will have to be extended or initiated from scratch;
- this is without taking into account the fact that the challenges to come in 2010 will probably not come purely from a national level, something which Italy has so far managed to resist and survive. The challenges will come from international dynamics (in technology and also in the evolution of consumption), a sphere where Italy does not have long-established grip;
- nevertheless, we must consider that the process of adaptation in the last few months has also represented a backward step in the dynamism and speed of national development (“in these cases one never returns to the starting point, but always to a slightly lower level”);
- this adaptation-leveling off has an important social impact, not only increasing the number of people facing hardship (just consider the recorded loss of 380,000 jobs), but also affecting collective behavior, with the spreading tendency to adopt indirect forms of welfare (individual and not company exploitation of redundancy funds; the large numbers of people becoming unemployed and the overcrowded access to benefits; the search for jobs in the state sector, even if they are temporary, etc.).

So the undercurrents at play in the near future do not therefore sit entirely comfortably with the optimistic pride in a model that has worked so far and could still usefully work again. For many months we have been holding our breath, basically resisting the pressure of events. If the world markets do not recover in the first few months of 2010, if some of the essential strands of Italian industry do not see some renewed vitality (the luxury sector and durables), if we are not able to go it alone without the contribution of the driving economies, which have often benefited us in the past, then the optimism could deteriorate and it will no longer be of any use to resort to adaptation. Repetition is often tiring. And, as we have already said, a certain degree of tiredness is starting to circulate.

4. However, even though it is right to be concerned about this, day-by-day the system continues to ponder over its extremely peculiar procedural and incremental development, which is clearly Italy's set pattern of escaping the current situation and avoiding adaptation.

Those analyzing what has been happening in these months have spotted three major processes of complex transformation in the system, which also hint at a tendency towards its metamorphosis. First is a tough, complicated restructuring of the service industry (the first in modern Italian history); second is that enterprise could potentially be given the leadership role for development; and the third aspect is the subtle shift in the management of self interests, from the supremacy of sociopolitical opinion to the direct, real time defense of these interests.

a) 2009 will be remembered as the time the service industry turned a corner and began its overall reorganization. Over the decades, Italy has periodically experienced intense and sometimes conflict-ridden industrial reorganization. But Italy has never undergone any attempts to reorganize the service sector in its economic history up until now. This is not to say it was not greatly needed, especially as it has uncontrollably expanded in terms of the formal figures, and has been the conduit for various economic and social pressures over time. The new ballooning in Public Administration hides the eternal social vocation for a permanent job, an aim to be pursued even if the price is long periods of temporary employment and the use of many unspeakably cunning contractual connivances. The business service sector hides a proliferation of activities are almost always overestimated when compared to real needs. The growth of the school system has tried to resolve the job situation affecting the over-dramatized "unemployment of intellectuals". While the so-called "high value added" service industries have been invaded

by new generations of pushy youngsters, who have often been able to invent new jobs and sell themselves as doing “any job just for the sake of having one”, and so on and so forth in the many subdivisions within the large and confusing service sector.

The progressive slowdown in development, consumption and spending power has reduced these exuberances. And it is not too rash to say that the crisis over the last year has highlighted the need for a total revision of past rules. This rethink cannot have the same levels of ruthlessness as those used in industrial restructuring (businesses’ budget constraints, the need for technological and organizational innovation, industry bosses using the same “tough guy” approach used by Fiat boss Cesare Romiti, the widespread use of early retirement or golden handshakes). They are clearly not practicable in the various sectors of Italy’s service industry.

Italy’s service sector will therefore have to accept a slower and more confused reorganization, which can already be seen in what is happening now:

- in the business services sector and the high value-added services sector there seems to be a silent affirmation of a selective reasoning, with a qualitative concentration in demand, sidelining a consistent part of the supply, which has always mistakenly thought it was easy to access the market;
- the professions, particularly the areas that have always been regulated, are seeing a concentration in operational structures;
- in Public Administration, and also in schools, the policy of controlling public spending is reducing a lot of space for expansion, while reforms should bring a commitment to modernization, both in terms of technology and working practices;
- in the area providing services direct to consumers, the past expansion in spontaneous initiatives and different kinds of employment is today contrasted by a three-tier community-minded approach: controlling spending and ensuring local entities use resources efficiently; collectively verifying if activities actually meet the real needs of society at large; and the transfer of public, very structured interventions into actions collectively shared by individuals and the community.

The microcosm of small and tiny businesses operating in business, tourism, handicrafts and artisan services remains largely unaffected by major restructuring. But obviously these sectors have almost hidden in-built mechanisms of selection and rationalization, with a substantial number of “victims” (everyone knows how many companies are in trouble today). Nevertheless, one can say that the “first reorganization of the service sector in Italy’s

economic history” is making slow, laborious progress in directions that are certainly not linear and systematic, since they are immersed in the minute complexity of everyday life. But the important thing is that the process has begun.

b) The industrial sector is showing more dynamism instead. It is not undergoing another traditional form of restructuring; rather it is seeing a more important change of role and direction:

- a further step is being taken to recognize and build trust in industry’s role as a driving force (the “vital minority” mentioned in our report three years ago), perhaps even providing a silent, all embracing leadership for the whole of Italian society;
- in the last few years this role has been conquered by the most dynamic Italian entrepreneurs, who have adopted a combination of different strategies in their presence on the world market (de-localization, concentration on the distribution cycle, mono-brand commercial chains, logistics, international investments, giving prerogative to the luxury and high quality goods markets, etc.);
- however, other decidedly innovative strategies of market presence are simultaneously maturing: the emphasis on empiricism and the idea of “doing without thinking too much”; the increasingly shorter time scales (we are becoming unbeatable in short term action); the ability to think “out of the box” by identifying unusual outlets and openings; the capacity to also operate using real exchanges, sometimes almost akin to bartering;
- these innovations in working practices, often combined with the strategic-commercial experiences of the last few years, coincide with a growth in opportunities for a few big players, who are actually very good at “thinking out of the box”. In addition, many medium-sized companies, and a certain proportion of small entrepreneurs are also growing alongside these big players, showing the same degree of innovation in working practices;
- of course, the crisis that has hit our richest markets in the last twelve months has certainly slowed the speed with which these strategies are being asserted. Many companies are waiting for the wind to change, sometimes they hobble along, but nevertheless they maintain a position in the market and do not always lose outlets and share;
- this is especially true for those small entrepreneurs (craftsmen, businesses and farmers) who have deep roots in their territory. They are starting to nurture aspirations and behaviors that show they no longer want to be excluded from the system and now want to play a more major role in its

general evolution. This means they also want to be represented in the decision making, which is currently under consideration. This is an important innovation in a system of representation that has for too long delegated this role to major employers and large trade unions who have the highest visibility in the sphere of public opinion.

c) Nevertheless, perhaps the most substantial and delicate process at the moment, even if it has been overshadowed by the recent crisis, is surely the silent yet intense activity heralding a renewed importance of self interests, and the tendency to push them and “manage them” directly, rather than subject them to the scrutiny of public opinion.

In an historic time when the world of representation has lost one of its fundamental tenets, namely the impetus created by the pressure to identify (by class, social group and politics), we are seeing the full-blown, unashamed return of the second tenet, that of self interest. And there is a rise in the desire to pursue these interests with direct action. This is not only affecting individual companies which look after their own interests, especially if they are big players. It is also being seen in the way the territories are pushing their interests (it is no coincidence that the Northern League political party has a culture as a “territorial trade union”); in the major industries (think of events in the energy and nuclear sectors); in the realm of interests connected to international agreements, often operating “out of the box” of traditional exchequer-linked mechanisms; and in the redrawing of power-sharing in the large groups (consider the now transparent dealings of foundations involved in some major financial groups). Not to mention the pressure of “private” interests, unfortunately often lacking in transparency, which fortify the dangerous mix between politics and business in sensitive public sectors, from infrastructure to healthcare.

Italy is a country pervaded with interests, but now they are increasingly being pursued further and further away from the world of public opinion, with a direct approach being used instead. Italy is a society where power is currently pursued and acquired without considering that supremacy of opinion, which up until now had appeared to be the only universally applied method, forcing leaders of the large organizations of representation to express themselves more as people with opinions rather than those acting in self interest. When everything becomes opinion, nothing is stable and trustworthy anymore, which is what has basically happened in these recent months of crisis, where we have been held hostage to hopes and fears linked to announcements and opinions. Even when people are presented with real facts and figures, they have slipped into the temptation of introducing

opinions into facts and handling numbers as if they were elements of opinion. So the upswing in self interests and their direct presence in socioeconomic life is very welcome, while we wait and hope for the return of a renewed and strengthened collective representation and its organizations, based on the necessary re-clarification of roles and powers.

5. But the fact remains that when the supremacy of opinion (which often slides into so-called “opinionism”) is given free rein over issues and conflicting interests, it ends up producing negative effects in daily life, and in particular in its sociopolitical, party political, or journalistic spheres.

Even when these three spheres manage to resist the temptation to degenerate towards gossip, they are nevertheless trapped in the exasperation of a widespread antagonism (sometimes expressed very personally) that prevents them from breaking out from the confines of opinion, where they can merely express their frustration.

In particular, political players – whether minor or major – are losing the role of thought, research, proposal and interpretative synthesis that legitimizes leadership. In fact, blow by blow antagonism leads to a loss in the ability to think long term, to plan development on the basis of Italy’s history, to channel collective energy into the necessary objectives for the country. At the end of the day we live in an often choppy sea of opinions, but:

- we have no shared sense of authority;
- the few existing structures of authority are all more or less provocatively self-referential;
- the people appointed to serve in these structures oscillate between the self-gratifying exercise of their small-fry powers and their declining command of the interests involved;
- so even the highest and most traditional sphere of authority – namely the State – also lacks authority: there is a complete helplessness in its external dealings (think of the deficit in infrastructure and public works) while internally, a general sense of despondency is spreading. So much so that the many employees wandering around the corridors of bureaucracy are probably more victims of “not having anything to do” rather than being as “lazy” as they are proclaimed to be;
- isolated episodes of good government are not enough to restore authority and trust in the State. These cases may be sound in their particular, but they are irrelevant when considering the need for a country-wide approach and the huge requirements of the entire system, whether it be infrastructural or intellectual.

And so, almost paradoxically, while the collective rhetoric seems concerned about defending, saving and re-launching the importance of politics and the State, the corrosion caused by the supremacy of opinion has actually led to a major scarcity in systemic interpretation. There is a lack of overall vision about who we are and where we are going. There is a dearth in the ability and will to define a direction in which to channel the interests at play, the processes underway and the very desire to act.

6. When faced with this dramatic three-fold deficit, in recent months sociopolitical analysts have “rediscovered” the need for a suitable new cultural elite and/or a new class of leadership, presumably found in the “new bourgeoisie”. These two themes have always been popular with the Italian ruling class, but they risk being deflected by the repositioning now underway:

- if we examine the fact that there is no longer an elite class in Italy, we find it is not due to the death of or the failure to create a group of leaders able to “think big” for everyone. What more accurately emerges is that being inebriated on opinions, we are totally unable to systemically interpret the present and come up with credible forecasts and planning for the future;
- so, if we examine whether Italy has a bourgeoisie or not (whether new or traditional), what emerges is that today, no sector or association of self-interests (whether working class, business, ideological or professional) manages to give form to a collective way of thinking, what would have once been referred to as a “hegemony”, able to rise above the daily confines of continual “opinionism”.

The current make up of Italian society means there are no phenomenological bases – of a critical mass and collective behavior – that could lead one to imagine that the cultural work of the élite and a consolidation of a new responsible bourgeoisie, however embryonic, could succeed in generating profound sociopolitical change. When one looks closely at the issue, creating a united perspective actually involves three small élites and three different sections of the petty bourgeoisie, which do not reciprocally collaborate. Given that they take their references from three different cultures (the traditional *Risorgimento* spirit which led to Italian unification, the commitment to sociopolitical reform, and the defense of individual competition and the free market), they will never become one single élite, nor will they ever become a single, united bourgeoisie.

7. Moreover, this reduction in collective pressure and impetus is linked to a phenomenon that should now clearly stated: the three major cultures that