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David vs. Goliath. The bad habits of Italian capitalism and the resistance against US economic liberalization policies 1940's-1960's

Since the very first years after the end of second world war US administration tried to influence European countries about the process of modernization of economic structures as well as the economic culture. Programs for the European reconstruction included, since 1949, the adoption of policies to eliminate what US administration, and particularly the ECA staff, called restrictive business practices. The expression was in fact a sort of umbrella covering a list of attitudes, behaviors, mentalities, and not only concrete instruments, like cartels, which were usually considered the most important responsible of any policy against economic and trade liberalization.

According to US point of view, in fact, any form of restrictive business practice could be responsible for a weaker relief or even an obstacle to the complete recovery of European countries.

The ECA mission in Italy faced with an economic situation very difficult both because of the obsolete structure of the industrial apparatus, and of the legal and cultural structure of the economic frame. The long tradition of trade tariffs and protectionism, coupled with – and deeply increased by – the dominant mentality and practices of the previous fascist regime paved the way to a monopolistic and/or oligopolistic situation in almost all the economic and industrial sectors of the country. The industrial census of 1940 shown that more than 22 per cent of employees and 38 per cent of horse power installed were concentrated in 816 plants with more than 500 employees i.e. 0,37 per of the total. Between 60 and 70 per cent of industrial assets belonged to stock companies, and less than hundred among them, 0,21 per cent of the total, owned two third of the total.

Both private and state owned companies contributed to this situation according to the following table.

Table 1 – Level of industrial production concentration

	Nr. of groups	Production (%)	Of which by State owned companies (%)
Electricity	8	77	29
Gas	5	74	27
Car industry	2	68	7
Iron and steel	6	86	57
Cement	6	57	5
Rubber	4	82	-
Synthetic ammonia	2	86	9
Artificial textile	2	90	-
Typewriting Machines	4	75	-
Soda	1	100	-

Source: Ministero per la Costituente, *Rapporto della Commissione Economica*, II, Industria, I. relazione, vol. 2, Rome, Istituto Poligrafico di Stato, 1947, pp. 216-217

Ownership concentration was even more impressive: 462.123 persons were owners of shares; out of them 851, i.e. 0,18 per cent, owned 54 per cent of the total amount of those shares. The role of the State in the ownership structure, via many holdings (IRI, AGIP, Finsider, STET, Fincantieri, etc.) was very important, because according to an evaluation of that time, 15 per cent of industrial assets of the country were controlled by the State.

Monopolies and oligopolies excluded or discouraged competition, restricted production and trade, and were an obstacle to the complete post-war recovery of the country, acting sometimes also under the protection and the approval by the government.

According to US economic analysts in Rome, concentration process dominated the Italian economic structure, and was a deterrent for the productivity development in many industrial sectors, and for a more efficient economy based on high salaries, lower prices, and more production.

The US tried to favor the introduction of legal norms to enhance competition, using all the possible ways to influence the Italian political elites and the ruling classes. The US representatives in Rome pushed their pressures to the point of redacting many drafts of the laws to eliminate restrictive business practices, and particularly cartels, and to introduce the economic liberalization. Nevertheless they avoided to use any form of pressure linking the continuation of the Marshall Plan in Italy to the adoption of liberalization procedures. The strategic aim to contain communism acted as a sort of invisible barrier stopping the most radical critics against the allies. Even the 1951 Benton amendment, engaging US to push the development of competitive economies in Western Europe, despite linking the continuation of economic aids to concrete policies to discourage cartels and monopolistic commercial practices, was never effective.

The paper is challenging the conventional wisdom that, during the 1950's, European government, including the Italian one, were more conscious about the negative effects of the cartels in their economies, also thanks to the pressures of US administration and the influence of American pro-business and pro-liberalization culture. In fact most of the European anti-trust and anti-cartel legislation was not the reaction to the US pressures, but the way to elude a really concrete action against all actors responsible for restrictive business practices. In Europe, as well as in Italy, government, even when they got the effective power to intervene, used this

possibility with the most delicate circumspection, and only when the existence of a cartel was of public knowledge. In the end the American crusade against cartels and restrictive business practices was not a success, and it ran aground amid obstructionism and misunderstandings.

The attempt to enroll the non-communist trade unions in the battle against cartels was never successful in Italy, and the Italian Parliament postponed for year the discussion of the draft law for an antitrust legislation, finally prepared by the government after the first drafts channeled by the US mission in Rome. Much more rapid and efficient the Parliament was in 1952-53, when the government assigned to a new public owned company, ENI, the monopoly of oil and gas drillings in Italy, despite the efforts by the American oil companies and the US representatives in Rome to leave open the door also to private investments in this sector.

During the 1950's a small section of the public opinion, and an even more minuscule part of the political elites and the parties represented in the national Parliament, conducted a campaign for the adoption of an antitrust legislation in Italy. Conferences and some other initiatives characterized their campaign, but the absence of a real unity among the political and cultural opposition to cartels and monopolies did not lead to a concrete success. Nevertheless the increasing influence of this groups in the political arena, as well as the new political atmosphere with the birth of the first centre-left governments in the early 1960's, obtained a result. After the presentation to the Italian Chamber of Deputies of nine law projects against monopolies and trusts and to protect and favor competition (usually redacted by some small parties both of some centre-left wing parties and of the liberal party area) the Italian parliament was involved in a larger discussion. Between 1961 and 1963 a Parliament Commission examined the Italian economic structure, the level of competition, and the role of cartels and monopolies. The final results of that huge work was that the difficulties to put together numerous data , and to evaluate the operative conditions existing in the market, did not permit to conclude that Italian economy was under the control of trusts, oligopolies, and monopolies. This was only the confirmation of the force of the

guardians of the anticompetitive structures of Italian capitalism. The apparent David won another battle, and this time his victory was even easier, because he did not have to fight against Goliath.