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# From social protection to ‘progressive neoliberalism’: writing the Left into the rise and resilience of neoliberal policies (1968–2019)

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## ABSTRACT



This article asks the following question: what role did the political Left and labour organisations play in the development and furthering of neoliberal policies in Italy? In particular, I explore the relationship between the moderation of the Italian Left’s economic proposals begun towards the end of the 1970s and the affirmation of neoliberal policy-making. The shift in leftist economic ideas rested on three main grounds: i) the acceptance that Italy had to solve its long-term economic deficiencies, ii) the opposition to clientelistic spending (associated first with the centrist governments of the 1980s and later with Silvio Berlusconi) and iii) the need to guarantee Italian anchoring to European integration. Focussing on a long-term historical perspective, the article contributes to a growing but still underdeveloped literature that has emphasised the role played by the Left in neoliberalism’s development and resilience. In addition, it cautions against placing undue emphasis on the role of European integration as an ‘external constraint’.

## KEYWORDS

Neoliberalism; Left; political economy; austerity; European integration; Italy

## Introduction

This article asks the following question: what role did the political Left and labour organisations play in the development and resilience of neoliberal policies in Italy? Critical accounts of the introduction and continuation of neoliberal policies internationally (e.g. labour market flexibilisation, fiscal austerity) have often placed the emphasis on the role of impositions of government elites upon civil society – particularly at the expense of labour (Bruff & Tansel, 2019; Cozzolino, 2019; Cozzolino & Giannone, 2019; Gill, 1995; Harvey, 2005; for critical engagements with this literature, see Dean, 2009; Humphrys & Cahill, 2017). Part of this narrative relies on the idea that neoliberalism was first established as an elite reaction to

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the post-war Keynesian compromise (the so-called ‘roll-back’ phase), and that only later did it become widely accepted by most political and social forces (including social democratic parties). Somewhat contradicting this assessment, a vast literature has detected the progressive moderation of the economic proposals of organised labour and left-wing political groups worldwide starting in the last quarter of the twentieth century (Boltanski & Chiapello, 2011; Clift, 2003, Ferragina & Arrighi, 2021, p. 7; Favretto, 2003; Mudge, 2018; Ryner, 2010). Yet, little theoretical and empirical work has been done to integrate this aspect into scholars’ understanding of changes and continuity in policy-making.

Notable exceptions have shown that the agency of labour organisations, and more broadly the Left, can be fruitfully ‘written into’ our understanding of neoliberalism’s development (Humphrys & Cahill, 2017, p. 670; see also Dean, 2009, pp. 15-6; Humphrys, 2018). These studies have called for an effort to understand how the left-wing groups’ contribution to the development of neoliberal ideas facilitated the resilience of neoliberal policies in key moments. The present article attempts to contribute to this still underdeveloped literature by analysing the introduction of neoliberal measures in Italy. Reference to the specific policies implemented will aid in the understanding of economic ideas as incarnated in specific political actions and proposals, rather than seeing them as simple corollaries of established patterns. In doing this, the paper examines the role played by the Italian Left<sup>1</sup> in facilitating the introduction (in the late 1970s) as well as the continuation and furthering (up until the post-Eurozone crisis) of neoliberal paradigms. It argues that the Left adapted pragmatically in a period in which it perceived no viable alternative and, as a result, provided qualified agreement to both the anti-inflationary policies of the 1980s and fiscal austerity since the 1990s. It would be unfair to argue that left-wing groups in Italy were fully integrated into the neoliberal consensus. I rather suggest that, together with an increasing appeal to the core ideological basis of neoliberalism, a form of pragmatic adaptation to the Italian situation also played a role (for an account of pragmatic and non-doctrinaire approaches to political economy, see Clift, 2019). While up until the mid-1970s the Italian Left focused its increasing popularity on the effort to protect salaries and contracts, it progressively shifted towards more economically ‘responsible’ positions aimed at controlling inflation and public debt.

I employ the notion of ‘progressive neoliberalism’ introduced by Nancy Fraser (2016) to understand the admixture and self-reinforcing dynamics between progressive ideals and the appeal to free-market thinking. Differently from Fraser, however, I do not contend that left-wing elites betrayed progressive ideals by strategically turning them in pro-market stances. Rather, I suggest that the reasons that brought about left-wing acceptance of neoliberal policies were somewhat distinct from traditional right-wing justifications of neoliberalism, which are usually associated with the nationalist goal of building stronger countries, ‘more assertive internationally [...] and more competitive domestically’ (Gallo, 2021, p. 7). As a matter of fact, Italian left-wing groups saw the appeal to neoliberalism as way to oppose their political counterparts (e.g. Berlusconi in the post-1990 period). Whereas the concept of ‘progressive neoliberalism’ is meant to provide a framework that is valid in different national contexts (e.g. Fraser, 2016), in this article, I will apply the concept to the Italian case, also emphasising its specificities. I shall argue that leftist consensus towards neoliberalism rested on three main grounds: i) the refusal of

more radical ideas of protection and the subsequent acceptance that Italy had to solve its long-term economic deficiencies (particularly inflationary tendencies and excessive spending), ii) the opposition to clientelistic spending and iii) the need to guarantee Italian anchoring to European integration. These ideas were intended to benefit working class people and left-wing constituencies more in general. Only as a consequence, did they lead to the increasing acceptance of neoliberal policies.

The article is structured as follows. First, I will engage with the IPE literature on the causes that facilitate the development and resilience of neoliberalism. I shall argue that by placing undue emphasis on the role of strong institutions and elites, existing studies on neoliberalism's resilience often underestimate the extent to which these processes receive the support of left-wing groups. The second section will fill this gap by investigating the Italian case. Whilst there is broad agreement on the fact that left-wing forces played a crucial role in the development of a system of social protection during the 1970s, no attempt has been made to integrate their position into the narrative concerning neoliberal development (during the 1980s) and resilience (during the 1990s and after the Eurozone crisis of 2010). To fill this gap, I retrace Italian neoliberalisation, arguing that it was facilitated by increasing moderation of the proposals of the Left.

## Understanding neoliberalism's development and resilience

Peck and Tickell (2002, p. 388) describe the 1970s as the passage from 'proto-' to 'roll-back' neoliberalism as involving a translation of the primordial ideological elaboration of Friedrich von Hayek and Milton Friedman into the political programmes of Margaret Thatcher and Ronald Reagan (see also Bourdieu, 1998; Ferrera, 2014; Palley, 2005). The stagflation crisis of the 1970s provided the perfect background to identify the main problems with 'Keynesian financial regulation, unions, corporatist planning, state ownership, and "overregulated" labor markets' (Peck & Tickell, 2002, p. 388). It is argued that part of what made the transition from the post-war Keynesian compromise to an increasingly neoliberal approach possible was the changed power relations both within the market as well as in the political realm 'to the detriment of labour or the Left in general' (Regini, 2007, p. 4). In fact, neoliberalism is said to have a clear class character, favouring the financial fraction of the ruling class at the expense of working people (Duménil & Lévy, 2001).

Only in a second phase, characterised by a recognition of the limits of Thatcher and Reagan's project and the appeal to a milder form of neoliberalism championed by the Third Way governments of Tony Blair and Bill Clinton, were the terms of a broad neoliberal consensus established (Crouch 1997, p. 352; Ferrera, 2014; Gamble, 2006; Peck & Tickell, 2002, p. 388). This second phase has been defined as 'roll-out' neoliberalism and is characterised by increasing resort to new technologies of government that help in 'extending and bolstering market logics, socializing individualized subjects, and disciplining the noncompliant' (Peck & Tickell, 2002, pp. 389-90). This literature has pointed to the increasing use of governmental practices that accompanied neoliberal development. These included the continuous reference to economic necessity and the prioritisation of constitution-like rules over democratic participation (Matthijs, 2016; Ryner, 2015). Neoliberal practices are understood as developed and reinforced by a transnational historic bloc

‘comprising elements of [...] state apparatuses and transnational capital’ which subject the majority of the population to market forces, whilst preserving protections for the few (Gill, 1995, pp. 400-1). Particularly appreciated is the idea that state mechanisms are employed in a strategic manner in order ‘to marginalize, discipline and control dissenting social groups and oppositional politics’ (Bruff & Tansel, 2019, p. 234).

This research has contributed to our understanding of a free-market as being always politically mediated and has favoured the development of studies on a variety of institutional aspects that characterise contemporary societies. It has helped in accentuating the basic principle that the organisation of economic life, no matter how skewed towards market logics, always retains an important role for non-market forces (Regini, 2007, p. 2), and that state institutions constitute an integral part of economic development (Ryner, 2012, p. 671). Fruitful departures from neoclassical equilibrium theories have also been developed, which are better suited to explain economic crises and post-crisis restructurings (Ryner, 2012). Yet, in virtue of their very focus on the ‘top-down institutional arrangements securing domination within the state apparatus’ (Wigger, 2018, p. 34), scholars interested in neoliberalism’s development and resilience tend to underestimate the role played by increasing consensus on the specific policies at hand. The establishment of neoliberal practices is seen as something that could have been accomplished only through ‘dismantling entrenched systems of welfare and developmental capitalism characterized by powerful labour unions and welfare coalitions’ (Robinson, 2006, p. 4).

The literature on European ‘external constraint’ can be seen as a variant of this approach. European integration has been studied to make sense of the increasing isolation of executives from societal wants (Armingeon & Baccaro, 2011; Dyson & Featherstone, 1996; Featherstone, 2001; Guiso, 2020; Schmidt, 2020), as the EU was used strategically by government officials to facilitate the domestic push for market freedom (Bonefeld, 2010) and to overcome resistance to reform (Schmidt, 2020, p. 95). These approaches have provided a fruitful integration of economic and political ideas in the study of Europeanisation processes (Quaglia, 2004). Yet, the emphasis is often placed on ideas developed by government officials and central bankers, leaving unexplored the broader level of consensus surrounding European integration and associated policies.

The present article attempts to fill this gap by analysing the role played by the Italian Left in the development and resilience of neoliberal policies. Italy represents a ‘most likely’ case for the study of European and national elites’ influence on policy-making (Stolfi, 2008), given the fact that in recent history the country was continuously pressured to tackle its macroeconomic deficiencies (Ginsborg, 2001). Italy’s dependence on external constraints and situations of emergency to implement structural reforms has been recurrently emphasised (Dyson & Featherstone, 1996; Ferrera & Gualmini, 2000). Viewing these developments through the lens of the post-Eurozone crisis, some scholars have observed a tendency towards increasing technocratisation of policy-making and the use of European external constraint, along with associated restrictions of democratic practices, as the basis upon which neoliberal policy-making was introduced and sustained (Cozzolino, 2019; Culpepper, 2014). On the other hand, as argued by Francesco Stolfi (2008, p. 551), ‘this approach fails to give full consideration to other, domestic-level causal factors’.

This article focusses on one of these factors – namely, the progressive acceptance of free-market ideas by left-wing forces, considering them reliable proxies for potential anti-neoliberal opposition.<sup>2</sup> I suggest that convergence towards European integration and neoliberal policy-making reflected an increasing consensus surrounding anti-inflationary policies, fiscal austerity and flexibilisation of the labour market. This consensus was not strategically developed by elite groups to circumvent oppositions, but rather found support within socio-political groups that were previously opposed to the aforementioned policies. The next section will thus show how the neoliberalisation process in Italy went hand-in-hand with the progressive moderation of left-wing forces.

### From social protection to ‘progressive neoliberalism’: writing the Left into the picture

Studies concerned with the relationship between the introduction and development of neoliberal practices and institutional dynamics have had the great merit of emphasising the political processes that underpinned the increasing affirmation of market-logics. Yet, in virtue of their focus on government elites, this literature tends to underestimate the level of consensus within broader societal forces. Following Humphrys and Cahill (2017, p. 674), I contend that ‘when alternative stories of the development of neoliberalism are examined, a different set of neoliberal dynamics is illuminated. One such dynamic [...] is the active and consensual role of labour in the production of neoliberalism in the period of the late 1970s and 1980s’. Through the concept of ‘progressive neoliberalism’, I highlight that the reasons that brought about left-wing acceptance of neoliberal policies were somehow distinct from traditional right-wing justifications of neoliberalism.

I identify three main grounds for the increasing leftist consensus towards neoliberal policies (Figure 1). Firstly, the need to ensure, maintain, and then protect Italian anchoring to European integration. Secondly, the criticism towards part of the Italian political class (associated in different periods with the *Democrazia*

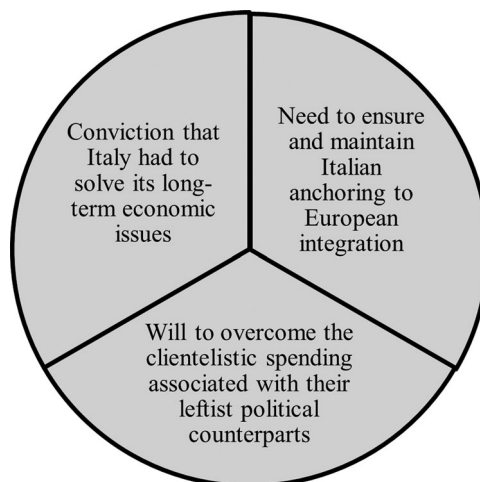


Figure 1. Increasing left-wing acceptance and support of neoliberal measures.

**Table 1.** Development of left-wing ideas in support of neoliberal measures (1980–2011).

Years	Solve Italy's long-term economic issues	Overcome clientelistic spending	Need to ensure and maintain Italian anchoring to European integration
1980s	Abandonment of idea of wages as independent variables, with contextual acceptance of wage-policy and progressive reduction of wage indexation.	Opposition to the clientelistic practices of the DC and PSI governments.	Support for European integration, abandoning previous critical attitudes towards the EEC.
1990s	Focus on debt reduction and austerity.	Criticism of Berlusconi's clientelism and his unwillingness to ensure the respect of Maastricht criteria.	Urge to meet Maastricht convergence criteria in order to enter the EMU.
2010s	Focus on spending reduction and overcoming of dualism in the labour market and pension system.	Criticism of populism and the associated policies (e.g. citizenship income and Quote 100).	Need to defend European integration <i>vis-à-vis</i> populist's threat.

*Cristiana*, Berlusconi and M5S-League coalition), which heavily relied on clientelism in order to increase consensus. Thirdly, the conviction that Italy had to solve its long-term macroeconomic issues (e.g. high debt, labour market dualism). It is to be noticed that these aspects are deeply interrelated as, for example, the support of European integration made clientelistic practices as well as the continuous resort to deficit spending increasingly less viable. Conversely, the association of strong state intervention with clientelism, misuse of funds and unresponsive public administration *de facto* put neoliberal ideas in a position of strength *vis-à-vis* their alternatives (Thatcher & Schmidt, 2013, p. 412). Table 1 synthetically illustrates the ways in which these general ideas evolved over time, providing a stable yet adaptive framework for left-wing forces.

This section will first provide a brief overview of the passage from a period of Keynesian compromise (up until the 1970s), characterised by various attempts to strengthen social protection, to a period of increasing appeal to neoliberal policy-making that resisted (and was reinforced by) recurrent crises. Later, I will link these developments to the increasing consensus that left-wing groups developed *vis-à-vis* neoliberal policies, which go under-reported in existing accounts of the rise of neoliberalism in Europe. Table 2 provides a summary of the main reforms and decisions implemented between the 1960s and the post-Eurozone crisis, emphasising the role of left-wing positions in their development.

### ***From the 'hot autumn' to the workers' statute: the Left and social protection***

The growth model based on low wages that characterised the first two decades of the post-war period suffered a sudden backlash – first, with the student movement of 1968 and, more importantly, with the so-called 'hot autumn' of factory struggles in 1969, having its epicentre at Fiat in Turin (Baccaro & Locke, 1998, p. 286). The three main union confederations – the Communist *Confederazione Generale del Lavoro* (CGIL), the Socialist *Unione Italiana del Lavoro* (UIL) and the Catholic *Confederazione Italiana Sindacati Lavoratori* (CISL) – strengthened their collaboration and ultimately reunified in 1972 (in the so-called *Federazione Unitaria*)



**Table 2.** Phases in Leftism and main reforms implemented (1968-2019).

Phases in left-wing economic preferences	Main events in Left-wing politics	Reforms and Pacts	Government (Main party/parties or coalition orientation)	Description of the Reform and the position of left-wing forces
Struggle for social protection	A. 'Hot Autumn'(1968)	1. Law 153/1969	Rumor II (DC)	Calculation of pensions adjusted to the cost of living and 'social pension' for people over 65. It granted workers' protection at various levels. In particular, Article 18 introduced the right of reinstatement for unlawful dismissal in firms with more than 15 employees.
		2. Workers' Statute (1970)	Rumor III (DC)	
The Left against high inflation	B. Creation of the Unions' Federation (1972).	3. Scala Mobile (1975)	Moro IV (DC)	Salaries were indexed by 100 percent against inflation. Increases were not calculated on the basis of individual wages, but rather were equal for all employees.
		4. Accordo interconfederale (1977)	Andreotti III (DC)	Trade unions agreed to cooperate with employers to increase productivity while putting a halt on company-level pay increases and seniority bonuses.
	C. The PCI and the DC enter the so-called 'historic compromise' (1977).	5. Decision to enter the EMS (1979)	Andreotti V (DC-PSI)	The PCI and trade unions voted against the 'immediate participation' in the EMS (the PSI abstained) but did not question the need to further Italian participation in the process of European integration.
		6. Divorce between the Bank of Italy and the Treasury (1981).	Forlani (DC-PSI)	This decision granted the independence of the central bank.
	D. CGIL, CISL and UIL launch the EUR-strategy, accepting wage restraints to fight inflation (1979).	7. Scotti Agreement (1983)	Craxi I (PSI and DC)	Trade unions, organised capital and the government agreed to subject their proposals to an increment in consumer prices of a maximum of 13 percent.
		8. San Valentine decree (1984)	Craxi I (PSI and DC)	A 3 percent cut to the indexation provided by the 'scala mobile'. While the CISL and the UIL accepted the decision, the CGIL rejected it, leading to a break up in the Unions' Federation.
	E. Berlinguer launches the theme of the 'moral question' (1981)			
	F. At the referendum (1985) proposed by the Communists, the decision to repeal the 'scala mobile' prevails.			

*(continued)*

Table 2. Continued.

Phases in left-wing economic preferences	Main events in Left-wing politics	Reforms and Pacts	Government (Main party/parties or coalition orientation)	Description of the Reform and the position of left-wing forces
The Left against high public debt	G. 'Svolta della Bolognina' (1991): it leads to the dissolution of the PCI and to the creation of the PDS.			
	H. Tangentopoli scandal (1992)	9. Decree Law 333/1992	Amato (PSI and DC)	It turned state-owned enterprises (IRI, ENI, ENEL and INA) into joint-stock companies.
		10. Abrogation of the Scala Mobile (1992)	Amato (PSI and DC)	Abolition of the 'punto di convergenza', following the referendum of 1985.
		11. Giugni Agreement (1993)	Ciampi (technocratic)	The tripartite social pact recognised the common goals of: i) tackling inflation, ii) reducing public debt and iii) flexibilisation of temporary work.
		12. Dini Reform (1995)	Dini (Centre-left and League)	For workers with at least 18 years of contributions, pensions were calculated completely on the basis of the 'remuneration' method. For those that did not fulfil this criteria, the pension was calculated via the 'contributory' method.
		13. Accordo per il Lavoro (1996)	Prodi I (Centre-left)	Agreement between unions, enterprises and government that reaffirmed the need to comply with Maastricht convergence criteria. CGIL, CISL and UIL also agreed on the need to increase labour market flexibility.
		14. Pacchetto Treu (1997)	Prodi I (Centre-left)	It liberalised temporary work and set the stage for a comprehensive reform of the training system. The reform fostered the diffusion of the <i>contratti di collaborazione coordinate e continuativa</i> (co.co.co), aimed at facilitating the collaboration of a single worker in multiple firms.
	I. Dissolution of the PDS and creation of the DS.	15. Patto per l'Italia (2002)	Berlusconi II (Centre-right)	Recognition that a policy of wage-reduction is key in giving 'stability and strength to economic growth'. CISL and UIL signed the agreement, while the CGIL did not.

(continued)

Table 2. Continued.

Phases in left-wing economic preferences	Main events in Left-wing politics	Reforms and Pacts	Government (Main party/parties or coalition orientation)	Description of the Reform and the position of left-wing forces
		16. Biagi Law (2003)	Berlusconi II (Centre-right)	Created new project contracts, which substituted the collaboration contracts introduced by the Pacchetto Treu. An impressive CGIL demonstration in 2002 led to the abandonment of the government's efforts to repeal article 18 of the Workers' Statute.
	L. Creation of the PD (2007)	17. Fornero Pensions Reform (2011)	Monti (technocratic)	It abolished seniority pensions, extended the contribution-based system to all pensions and raised retirement age.
		18. Fornero Labour-market Reform (2012)	Monti (technocratic)	The law facilitated the use of temporary and apprenticeship contracts and occasional work. The measure was substantially watered down as a result of the political struggles brought about by unions and the PD.
	M. The non-PD Left coalesces into the party Liberi e Uguali.	19. Jobs Act (2015)	Renzi (centre-left)	It introduced an open-ended contract and abolished the real security ( <i>tutela reale</i> ) of the working place established with Article 18.
	N. Creation of the radical left-wing party Potere al Popolo (2017).	20. Dignity Decree (2018)	Conte I (M5S and League)	It decreased the number of months before which temporary contracts needed to be converted into permanent ones, increased the cost of temporary contracts and raised indemnification in the case of illegitimate dismissal.
		21. Citizenship income (2019)	Conte I (M5S and League)	It granted an integration of income for people in financial need. The citizenship income was also coupled with active policies that were meant to provide each beneficiary with up to three job-offers.
		22. Quote 100 (2019)	Conte I (M5S and League)	It was explicitly designed to move beyond the Fornero Pensions Reform, allowing retirement to 62 years old people with at least 38 years of contributions for the following three years.

Source: author's adaptation from Ferragina & Arrigoni 2021.

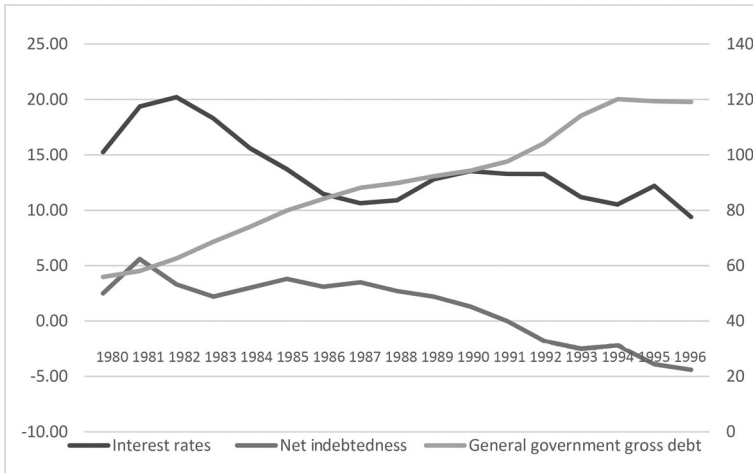
(Locke, 1995, p. 72; Table 2, Event A and B). In the spirit of a new egalitarianism, the ‘hot autumn’ brought about innovations in collective bargaining: the equalisation of blue- and white-collar jobs, the repeal of the regional wage differences, wage increases regardless of workers’ skill and the enhancement of health and safety protocols in the work place (Baccaro & Locke, 1998, p. 286). The *Partito Comunista Italiano* (PCI) played an important role in inspiring, channelling and reinforcing claims coming from both trade unions and independent movements.

The party maintained a contradictory position *vis-à-vis* the students’ and workers’ movements, supporting the first wave of struggles in the 1960s, while becoming increasingly opposed to radical contestations by the 1970s (Edwards, 2009, p. 29). However, what is more relevant for the assessment at hand is that in the early 1970s the PCI was willing and able to canalise the dissent expressed by emerging social movements and to convert this dissent into increasing social protection (Höbel, 2017). As a result of the ‘hot autumn’, the government adopted many of PCI’s and CGIL’s proposals through Act 153/1969 (Table 2, Reform 1), including a generous pension system adjusted to the cost of living (Ferrera et al., 2012, p. 245; Höbel, 2017, p. 259). In May 1970, the Parliament passed the Workers’ Statute – a law that took inspiration from previous proposals of the CGIL and the PCI – establishing new norms regarding workers’ political and syndicalist representation while also aiming to grant ‘dignity to labour’ (Gotor, 2019, p. 247; Table 2, Reform 2). In a period of harsh industrial conflict (see the comparison with other European countries in Crouch, 1994, p. 255), in 1975 labour organisations and employers’ unions approved the so-called ‘*scala mobile*’, which indexed salaries against inflation and guaranteed 80 per cent of the workers’ wages in case of layoffs (Locke, 1995, p. 78; Table 2, Reform 3).

It can be argued that the PCI and the CGIL functioned as ‘prods’ towards the government, stimulating action on a variety of issues such as pension and social insurance (Ferrera et al., 2012, p. 218; see also Höbel, 2017, p. 255). Conversely, as I will show in what follows, the passage from social protection to neoliberal policies benefited from a moderation of left-wing economic requests. Before incorporating the position of left-wing groups into the picture, a brief account of the neoliberalisation process in Italy is in order.

### **Fighting inflation and debt: Italy’s path towards economic redemption**

Towards the end of the 1970s, the combination of lower growth rates and high inflation began shifting the attention of policy-makers away from social protection towards the restructuring of economic competitiveness (e.g. De Freitas, 2017). The global consensus over policies protective of wages started fading towards the end of the 70s, when US president Jimmy Carter nominated Paul Volker as the head of the Federal Reserve, with the explicit goal of tackling inflation (Duménil & Lévy, 2004, p. 11; Harvey, 2005). The elections of Margaret Thatcher in the UK and Ronald Reagan in the US later reinforced the idea that western countries were going to consider the moderation of price-increases as the main goal of economic policy together with a more general reduction of state intervention in the economy (Gotor, 2019, p. 397). The European Community responded to this new consensus with the creation of the European Monetary System (EMS), which guaranteed stability in exchange rates between member states and, when needed, forced realignments in order to prevent competitive devaluations (Halevi, 2019; Stolfi, 2008, p.



**Figure 2.** Debt, interest rates and net indebtedness (1980-1996).

Notes: Interest rates and net indebtedness on left axis, general government gross debt on right axis.

Sources: IMF (for interest rates), Bank of Italy (for net indebtedness and general government debt).

557). In this context, the Italian governments took three key steps for reducing inflation. Firstly, the participation in the EMS. Secondly, the decision to launch a policy of wage-moderation, reducing the preventive adjustment of wages to inflation. Thirdly, the decision to render the Bank of Italy independent from the Treasury (the so-called ‘divorce’), with the goal of reducing indebtedness and avoiding the temptation of an inflationary monetary policy (Bastasin & Toniolo, 2020; Table 2, Reforms 5 and 6).

Ironically, Italy started to accumulate high deficits as a consequence of the institution of central bank independence in 1981, as the Treasury could no longer rely on the intervention of the central bank, causing debt service to escalate (Figure 2; Notermans & Piattoni, 2019, p. 1021). This also explains why, while public debate in the 1980s was focussed on taming inflation, during the 1990s this shifted towards increasing attention to the reduction of public debt through privatisations and austerity. With the goal of entering the Eurozone, Italy had to work its way towards meeting the convergence criteria established by the Maastricht Treaty (member states should not exceed 3% of GDP in deficit and 60% in debt). At the same time, the process of monetary integration called Italy to increase its competitiveness – a process that translated mainly into the reduction of rigidities in the labour market and required significant adaptation of the welfare state at all levels (Talani, 2017).

The processes of fiscal adjustment and labour-market modernisation, that had halted during the first year of Italian participation in the euro, returned as necessities in the post-Eurozone crisis period. Italy first resorted to a technocratic government led by Mario Monti, which provided a thorough reform of the pension system. Later, during the PD-led governments, Italy finally repealed the protection granted by Article 18 of the Workers’ Statute. The result of this further adjustment affected the popularity of mainstream parties and favoured the surge of outsider political formations such as the League and the *Movimento 5 Stelle*, which eventually ended up forming a government coalition with the goal of overcoming the

previous legislation in the pension system and labour market (Ferragina et al., 2022; Notermans & Piattoni, 2019).

Whilst there is broad agreement on the fact that left-wing forces in Italy played a critical role in fostering the increase in social protection at the end of the 1960s (Ferrera et al., 2012; Höbel, 2017), the position of leftist groups in the Italian neoliberalisation process is yet to be placed at the centre of academic inquiry. The remainder of this article will fill this gap by arguing that the increasing moderation of leftist economic proposals facilitated the development and resilience of neoliberal policies. Such an aim requires us to re-explore recent Italian history in order to write the Italian Left into neoliberalism's development.

### ***The Left during the late 1970s and the 1980s: a process of increasing moderation***

The stagnant economy of the 1970s and the continuous electoral success of the centrist Catholic party *Democrazia Cristiana* (DC) pushed the PCI away from the radical requests of the 'hot autumn'. Contextually, the party had become one of the leaders of the Eurocommunist movement (together with the French and Spanish communist parties), openly distancing itself from the Soviet Union (Favretto, 2003, p. 107). This strategic repositioning culminated with the PCI's acceptance of what has been called the 'historic compromise' with the DC, which 'entailed an explicit shift from a revolutionary to a reformist programme,[...] involving the marginalization or exclusion of both its "traditional" and its "new" left elements' (Hyman, 2001, p. 150; Table 2, Event C).<sup>3</sup> The 'historic compromise' signals how the moderation of the Communists' economic proposals went hand in hand with the movement of the PCI towards the centre of the political spectrum (see, for example, Amyot, 1981). Establishing which of these two processes led to the other is beyond the scope of this article. What is remarkable is that, until the 1960s, economic crises were interpreted as opportunities to revitalise the revolutionary stances against capitalism. On the other hand, the stagflation crisis of the late 1970s seen through the new lens adopted by the PCI and trade unions led to the acceptance of the need for bargaining restraint while seeking compensation through influence on government fiscal and social policy (Hyman, 2001, p. 150).

One of the reasons for the leftist acceptance of neoliberal policies has revolved around the will to secure Italian anchoring to European integration, in contrast to stances and proposals that could potentially jeopardise the country's relationships with European partners. European integration was also increasingly seen as a means through which the clientelistic governance that characterised Italian political economy in the 1970s and 80s could have been overcome (Webb, 1984). In 1981, Berlinguer (1981) famously introduced the theme of the 'moral question' (Table 2, Event E), which came to symbolise an ethical clash 'between a "public" synonymous with malfeasance and unproductivity and a "private" symbolic of efficiency and dynamism' (Guiso, 2020, p. 79; see also Sassoon, 2013, p. 254). In the same period, the PCI became more convinced of the need to encourage austerity and rigour than many social-democratic equivalents in Sweden, the Federal Republic of Germany and Austria who were more concerned with the development of a modern welfare state (Lussana, 2004, pp. 472-3).

Berlinguer himself argued that, since the late 1970s, the PCI had been the only Italian party to ‘remark the necessity to fight spending waste, increase savings, reduce superfluous private consumption, slow down the distorted dynamic of public spending, forge new resources, new instruments and new sources of labour’ (Berlinguer, 1981). Austerity had to be considered as a ‘liberating act for the great masses’ in contraposition to the wastes and the ‘established interests, a great part of which is at the base of the maintenance of the system of power of the DC’ (Berlinguer, 2013, pp. 14-5). In addition, the containment of inflation had become the central concern for the Communist leader, who argued that:

We take the flag of the fight against inflation [...] in such a way that it contributes to mitigate the abysmal inequalities existing today between incomes and between the different social conditions that still so widely characterize the situation in our country. If we frame the struggle in these terms, the working class can, as a whole, take charge with full conviction against inflation, and indeed be a vanguard force in this battle (L’Unità, 1976).

In line with the framework of progressive neoliberalism, it is clear how in this formulation we see an attempt to frame neoliberal policies in ways that appeal to progressive stances.<sup>4</sup> This ideational shift can be seen as a pragmatic adaptation to a macroeconomic context in which Italy was experiencing an average annual level of inflation of over 17 percent. For the sake of the argument developed here, however, it is also relevant that the Italian crisis was increasingly interpreted as pointing towards a ‘falsification of Keynesian ideas’ (Ryner, 2004, p. 109).

Many of the reforms implemented in this period also highly benefited from the participation and consensus of trade unions. With the *Accordo interconfederale* of 1977, unions demonstrated their willingness to cooperate with employers to reduce the cost of labour and increase flexibility (Golden, 2019, p. 72; Table 2, Pact 4). In 1979, the Union Federation adopted the so-called ‘EUR strategy’, recognising the need to contain its wage requirements and move beyond the idea of considering wages as an ‘independent variable’ (Ferragina et al., 2022, p. 12; Table 2, Event D). Luciano Lama, Secretary General of the CGIL argued that ‘if we want to be coherent with the goal of reducing unemployment, it is clear that the improvement of employed workers’ conditions must be pushed aside’ (Lama, 1978). On the other hand, politicians and intellectuals associated with the *Partito Socialista Italiano* (PSI) increasingly welcomed ‘the struggle against inflation’ as a ‘prerequisite for a recovery of development with a primary goal of granting employment to everyone, particularly to young people that are now approaching the working world’ (L’Avanti, 1984b). In 1984, its leader Bettino Craxi, after breaking the party’s relationship with the PCI (Ferragina et al., 2022, p. 13), became prime minister. It was Craxi who emphasised, more than any other Italian political leader, the need to reduce labour costs and workers’ protection (Favretto, 2003, p. 101).

The new attitude adopted by trade unions resulted in increasing cooperation with the government and organised capital. The Scotti Agreement was the first example of a trilateral deal between unions, government and entrepreneurs concerning wage policies (Betti, 2019, p. 134; Table 2, Pact 7) and had the goal of tackling the increase in consumer prices for the following two years (La Repubblica, 1989). In terms of wage-policies, the deal proposed a cut of 15 percent in the convergence point of the *scala mobile*. Such a decision was supported by the CISL and the UIL, who considered the Scotti Agreement an anti-inflationary pact that would have favoured an increase in employment (L’Avanti, 1984a). The CGIL and the

PCI, on the other hand, opposed the deal. Strikes were held throughout the country and culminated in a referendum proposed by the Communists (Sassoon, 2013, p. 141). The referendum represented a major blow for the PCI and the CGIL, as 54.3 percent of the Italian voters supported the repeal of the automatic indexation of wages (Gotor, 2019, p. 422). This outcome was a clear sign that indexation of salaries was seen as one of the issues of Italian economy and that '[t]he electorate had embraced the promises of growth which monetarist stabilisation seemed to reveal' (Petrini, 2018, p. 154).

### ***Berlusconi, populism and the leftist project to keep Italy anchored to European integration***

In 1991, the PCI was dissolved and a new organisation emerged, the *Partito Democratico della Sinistra* (PDS, later renamed DS). The passage from the PCI to the PDS crystallised the new political economy of the majoritarian fraction of the Italian Left, based on the idea that the State should not have directly managed companies, but rather should have limited itself to provide regulation and guidelines (Pasquino, 1993, p. 168). The abandoning of the 'communist' label also reflected a consolidated shift in the party's electorate. Young women and people with university degrees now constituted the PCI's average voter, and civil rights were considered a far more pressing issue than working class struggles, whilst themes such as the desirability of a classless society and the public ownership of the means of production were regarded as pure fantasies by the vast majority of voters (Sassoon, 2013, p. 252).<sup>5</sup> Born as an advocate for revolutionary politics, the PCI had thus become 'the champion of the very "bourgeois" democracy it had vowed to destroy' (Ginsborg, 2001, p. 161). Ultimately, the new party 'had completely reoriented its attitudes towards the EU' (Quaglia, 2004, p. 1103) – a position that further consolidated the leftist acceptance of neoliberal measures.

The newly constituted government led by PSI member Giuliano Amato and supported by both Catholics and Socialists before their final dissolution (due to the Tagentopoli corruption scandal), launched an exceptional measure worth 6 percent of Italian GDP. Decree Law 333/1992 converted the main Italian state-owned enterprises (IRI, ENI, ENEL and INA) into joint-stock companies (Guiso, 2020, p. 89; Table 2, Reform 9). Notwithstanding their initial resistance, between 1992 and 1993, trade unions first accepted the abolition of the *scala mobile* and later with the Giugni Agreement recognised that income-policy had to be made a constant in industrial relations (Hyman, 2001, p. 160; Table 2, Pact 11).

The early 1990s were also characterised by the political ascendance of media tycoon Silvio Berlusconi, who won the elections of 1994 as the head of the centre-right coalition. His government lasted less than a year due to divergence within the majority. The technocratic government that substituted it, led by economist and manager Lamberto Dini and supported by all the major left-wing parties in alliance with the Northern League, passed a 'revolutionary' reform of the Italian social insurance system (Table 2, Reform 12), which distinguished between workers who by 1995 had accumulated at least 18 years of work and those that had yet to sign their first employment contract (see Ferrera & Gualmini, 2000, p. 192). For the former the pension was based on the 'remuneration' method (linking pension to earnings); for the latter it was based on the 'contributory' method (establishing a tight



link between the benefits received and the contributions paid). It is interesting to notice that previous attempts led by Amato in 1992 and Berlusconi in 1994 had failed thanks to the opposition of trade unions, while the Dini Reform – both because it kept a pay-as-you-go system for senior workers and because left-wing forces in parliament supported it – encountered much less resistance (see Chilosi, 2010, p. 112).

The centre-left coalition managed to win the following elections in 1996 and ended up governing the rest of the years leading up to Italian entrance into the euro. During this time, the PDS reinstated its unambiguous acceptance of the market economy and redefined its profile along the lines of a pragmatic ‘Third Way’ party (Hopkin & Ignazi, 2008). The new Prime Minister Romano Prodi openly linked his programme to the experience of the Amato government, which ‘had shown that we could have not gone forward with the inconsiderate spending of the previous years’ (Prodi, 2015, p. 71). On the other hand, Berlusconi was criticised because he ‘rejected the realism of Amato and Ciampi’ (Prodi, 2015, p. 76; Occhetto, 1994, p. 135) and because he had long lamented the straitjacket imposed by European institutions upon Italy’s ability to resort to deficit spending (Chilosi, 2010, p. 117; Quaglia, 2004). The centre-left thus interpreted Berlusconi’s idea of ‘national interest’ as detrimental to ‘the process of European integration’ (D’Alema, 2002, p. 35).

As Prodi himself argued, ‘[n]obody would have hidden his or her shame and frustration if our country had been excluded from the euro zone’ (cited in Schmidt, 2020, p. 95). In the ‘herculean efforts to join’ the monetary union (Schmidt, 2020, p. 89), between 1995 and 2001, centre-left governments passed spending cuts amounting to 5 percent of Italian GDP (Amable et al., 2011, pp. 25–6; see also Chilosi, 2010). With the *Pacchetto Treu* of 1997 (Table 2, Reform 14), the government liberalised temporary work and set the ground for a comprehensive reform of the training system. Prodi (2015, p. 93) himself argued that ‘my government took liberalisation initiatives like no other’. It must be noted that with the *Pacchetto Treu*, which initiated the labour market flexibilization process, the stances of the CGIL and those of the main leftist party began to diverge, as the former refused to endorse the reform (Ceron & Negri, 2017, p. 500). The CGIL became an increasingly vocal opponent of flexibilization reforms as these started affecting labour market insiders (particularly with the Jobs Act, Table 2, Reform 19).

The centre-left reasserted the need to move beyond the politics of the 1970s and 80s – when it was believed ‘that inflation was a miraculous cure and that public deficit could run to the infinite’ (Prodi, 2015, p. 8) – something that made all the more sense in light of the contraposition with Berlusconi’s critical approach towards EU-championed policies (Quaglia, 2004, p. 283). This dimension would progressively lead to a realignment of political preferences around the pro- and anti-EU cleavage (Giannetti et al., 2017). Following two decades of bipartisan support towards European integration (Lucarelli, 2015, p. 43), during the late 1990s and early 2000s the majoritarian portion of the Italian Left (first the DS and later the PD) took on the role of defending pro-European stances against increasing criticisms, mainly voiced from the Right of the political spectrum. On the other hand, the main political party of the radical Left, *Rifondazione Comunista*, even after achieving a pivotal role in the Prodi II government (2006–8), failed to be a pro-active force in policy-making and ended up disowning most of its electoral

pledges (Albertazzi et al., 2011).<sup>6</sup> As a consequence, radical leftist positions took an additional blow, and the Parliament coming out of the 2008 elections was the first one in the history of the Italian Republic to have no party that identified itself with either communism or socialism (Hudson, 2012, p. 114).

Whilst the achievement of entering the euro-area had led to the loss of Italian policymakers' incentives to foster thorough reforms, after the Eurozone crisis of 2010, the main Italian left-wing formation, now represented by the *Partito Democratico* (PD), presented itself as the main defender of European austerity. The PD was at the forefront of the fiscal adjustment process, first by convincingly supporting the technocratic government led by Mario Monti and later by taking responsibility for a less emergency-driven adjustment in the period between 2013 and 2018. In opposition to Berlusconi's clientelism and reflecting the need to reverse the trend of increasing indebtedness, the centre-left posed itself as the advocate for the idea that 'the State must recede from the fields inappropriately occupied during these years' (Veltroni, 2013, p. 106). It is worth noticing how the reduction of protection for labour market insiders was completed only once the PD and part of the labour unions supported it and ultimately implemented it through the Jobs Act (Table 2, Reform 19); while previous attempts made by Berlusconi (with the so-called Biagi laws, Table 2, Reform 16) and Monti (with the Fornero reform of the labour market, Table 2, Reform 18) were watered down because of leftist opposition (Bulfone & Tassinari, 2021; Picot & Tassinari, 2017, p. 123). The PD's decision to attack the protection of insider workers also fostered the contrast with the CGIL and the emergence of left-wing political parties critical of the PD's turn towards neoliberal stances (such as *Liberi e Uguali* and *Potere al Popolo*; see Table 2, Event M and N).

Later, the PD presented itself as the main opposition to the measures implemented by the M5S-League coalition which, in order to restore social protection, was willing to present a frontal confrontation with European institutions (Table 2, Reforms 20, 21 and 22). Particularly interesting, in this regard, is the position of the PD in relation to the citizenship income – designed to tackle the issue of poverty and social exclusion by giving a monthly salary of €780 to unemployed people, granted that they would actively seek employment. The PD considered it a wasteful and populist measure; whilst the CGIL argued that it was not universal enough. This divergence appeared as the culmination of a long-term development in Italy's political economy. Since the 1990s, in fact, the defence of state intervention in the economy has been assumed mainly outside of traditional left-wing political forces (such as Berlusconi's *Forza Italia*, the M5S and the League). This process, in turn, forced wide portions of the Italian Left – which had now markedly changed their economic preferences, but could still not wedge a coherent battle in favour of fiscal austerity and labour market flexibility – to focus their rhetoric prevalently on the opposition to their electoral counterparts.<sup>7</sup> In fact, the centre-left has recurrently stigmatised these positions as incompatible with today's 'international market' (Prodi, 2015: 41). Trade unions, on the other hand, while themselves having gone through a process of ideological change in the 1980s, have remained significant opponents of certain neoliberal measures (particularly of those affecting labour market insiders).

## Conclusion

In this article, I have investigated the role played by the political Left and labour organisations in the development and furthering of neoliberal policies. I have provided an account of Italian policy-making between the end of the 1960s and the post-Eurozone crisis period. Italy started removing most of the social protection mechanisms implemented during the 1960s and 1970s in order to tackle increasing inflation and, later on, to reduce public debt in compliance with European integration. As I have argued, an important role was played by the moderation of the Italian Left, which progressively accepted the abandonment of wages' indexation and the need to reduce public spending. This process culminated at the end of the 1990s with the PDS embracing the role of the main proponent of the convergence with the Maastricht criteria, and continued with the creation of the PD – a party that portrayed itself as the main guardian of fiscal austerity in the post-Eurozone crisis period. A substantial straying from neoliberal paradigms was produced only by the M5S-League coalition and most notably through the introduction of the citizenship income (Table 2, Reform 21) – a measure, however, that the PD openly criticised.

I employed the notion of progressive neoliberalism to highlight how left-wing forces framed their support for the neoliberalisation process as a way of benefiting working class people and left-wing constituencies in general. I identified three main ideas linked to progressive neoliberalism: 1) the abandonment of more radical ideas of protection and the subsequent acceptance that Italy had to solve its long-term economic deficiencies, 2) the need to fight the clientelism of the Italian political class (associated at first with the DC and later with Berlusconi) and 3) the need to guarantee and protect Italian anchoring to European integration. All of these bear similarities to the development of left-wing groups in several other European countries (Crouch, 1997).

The analysis of the Italian case puts into question the view according to which neoliberalism was firstly a right-wing project and became only over time (and progressively so) part of the worldview of a Left-Right consensus (Hay, 2002; Ferragina & Arrigoni, 2021). More broadly, the increasing moderation of left-wing forces that began in the 1980s casts doubts on top-down explanations of neoliberal development and resilience in IPE (Bruff & Tansel, 2019; Gill, 1995; Harvey, 2005), and should lead us to reconsider the role of state apparatuses in ensuring policy-making continuity (Bonefeld, 2010). The role of European integration as an 'external constraint' also appears overstated when one considers the fact that the groups that in the 1960s and 70s represented alternatives to free-market thinking, by the 1990s had long moderated their proposals and had come to understand Europe 'as a superior standard of market civilization' (Cozzolino, 2021, p. 84). The framework of 'progressive neoliberalism' provides a new understanding of why fiscal austerity and labour market reforms proceeded at a smoother pace in the period in which the centre-left was in power (particularly at the end of the 1990s and between 2014 and 2018), while the centre-right governments led by Berlusconi had struggled to push them through (Stolfi, 2008, p. 552).

The analysis has also shown that, while on a macro-level one observes the increasing relevance of 'progressive neoliberal' stances, this process was still fraught with opposition, dissension and splits within left-wing movements and parties.<sup>8</sup> When it came to labour market policies, for example, particularly after the

Eurozone crisis of 2010, the relation between the PD and the CGIL deteriorated. This increasing divergence led to a situation in which, whilst the former acted as a key supporter of increasing flexibilization, the latter represented a vocal opposition. On the other hand, the rich literature on social movements has drawn attention towards the new forms of agency developed in ‘times of austerity’ (Della Porta, 2015; Della Porta et al., 2017). Three elements are important to notice in this regard. First, more radical economic views and proposals in the past decades have often been formulated in explicit opposition to the shift of the majoritarian portion of the Left towards the centre.<sup>9</sup> Secondly, it must be emphasised that radical leftist movements remain to this date extremely marginal (see, for example, Andretta, 2017; Cillo & Pradella, 2019, p. 465; Zamponi, 2012), meaning that their existence should not lead us to challenge the more general framework developed here. Thirdly, the most acute phases of anti-neoliberal struggle were produced during the last Berlusconi government; whilst, once the PD entered the coalition in support of the Monti government, opposition to austerity and labour market flexibilization weakened (Andretta, 2017, p. 233). Ultimately, whilst the generic concept of ‘the Left’ admittedly conceals the internal divergences between heterogeneous groups, I argue that it is still useful to describe the meso- and macro-political processes associated with the implementation and resilience of neoliberal policies.

Although this article provides a framework that can contribute to the study of neoliberalism in general, its scope is limited to only one specific country. Future research should extend the focus to different cases in order to write the position of labour organisations and parties into our understanding of the politics of neoliberalism. At a more theoretical level, the application of top-down frameworks to the study of neoliberal resilience should be put into question. Research on the social construction of Europe will also benefit from more emphasis being placed on left-wing groups and from a rethinking of the theory of ‘external constraints’.

## Notes

1. The ‘Left’ is admittedly a very general concept, which should not lead us to lose sight of the extremely variegated landscape of Italian left-wing forces. When appropriate, throughout the article, I refer to specific formations and their different positions *vis-à-vis* neoliberal policy-making.
2. The assumption is based on the historical evidence that left-wing forces (particularly parties and trade unions) were the formations that – being labour’s main referents – more clearly opposed free-market practices during the 1960s and 70s (see the next section).
3. These developments had equivalents across Europe, characterised in this period by a ‘strategic shift from class opposition to political exchange and “social partnership”’ (Hyman, 2001, p. 151).
4. Berlinguer in the late 1970s still cautioned against the idea that high inflation should have led to a repeal of the ‘*scala mobile*’, even though he delegated the final decision to trade unions on ‘how to graduate their requests’ (Berlinguer, 2013, p. 89). He later admitted that labour costs had to be contained in relation to productivity, but still placed the emphasis on the fact that this should have not been seen as a priority (Berlinguer, 1981).
5. As a result, not only has the traditional working class been in decline, but it has also been increasingly reluctant to vote for left-wing parties (Favretto, 2003, p. 156). In terms of organisation, access to government in the mid-1990s allowed the leadership of the party to further distance itself from its extra-parliamentary support (Hopkin &

Ignazi, 2008). For a systematic assessment of similar trends in Western democracies, see Gethin et al., 2021.

6. In particular, *Rifondazione Comunista* did not manage to have an impact on the policy-areas that the party considered key: '(1) the wars in Iraq and Afghanistan and international peace; (2) legislation granting cohabiting heterosexual and homosexual couples the same legal rights as married couples; (3) the labour-market regulation law' (Albertazzi et al., 2011, p. 481). In international politics, there was a complete U-turn as the party voted in favour of Italian military participation in Afghanistan and to send troops to Lebanon (Hudson, 2012, p. 99).
7. This rhetorical strategy is not a prerogative of Italian leftism. Similar examples can be found in French Left's opposition to Sarkozy, epitomised by the slogan 'Anything but Sarko' (Bantigny, 2012, p. 372).
8. I owe this formulation to one of the anonymous reviewers.
9. A clear, however small, example of this fracture within the Left is the 'Occupy PD' movement in 2013 (Della Porta & Chironi, 2015). On a larger scale, also the creation of *Potere al Popolo* and *Liberi e Uguali* can be read in this light (Table 2, Events M and N).

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