

Varieties of capitalism: Was the State ownership a tool for democratizing economy? The case of Italy

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From the end of the nineteenth century, according to Roe (1994), American populism—an ideological movement against all forms of economic power—has affected the US economy through two main institutional channels: rules to fight the power of one or more firms in market (e.g. Sherman Act (1899) and Clayton Act (1914)) and rules to fight the power of one or more corporate actors in governance of a public company (e.g., the Security and Exchange Act (1934) and the Glass-Steagall Act (1933)). Such a fight to private, economic power denotes a process of democratization of American economy (e.g., Berle 1963) and in particular of corporate governance of the US public company that were characterized by absentee ownership (Veblen 1914), namely by the absentee (of the power) of controlling shareholders.

In a quite similar fashion, in continental Europe, the so-called social democracy ideology has pressured to give *voice* to claims of workers (Roe 2003) and other stakeholders. Typically, this is the case with German codetermination. This “democratic” tool for workers, however, stimulated—as a reaction—a concentration of capital in order to protect their rents from workers’ and unions’ influence (Roe 2003, cf. also Roe and Vatiero 2018). As a result, in Germany the process of democratization of large firm has led to corporate governance structures characterized by two (potentially juxtaposed) powers: the power of controlling shareholder and power of unions and workers.

However, there is a further channel—largely neglected in the literature—for limiting economic power and, therefore, democratizing an economy: the State ownership. In a democratic state, if the state owns large firms, then such firms are potentially responsible to and controllable by citizens. In addition, these state-owned large firms compete with (or fight against) private dominant firms. In other words, if/when large companies are controlled by politics and, via democratic tools, by public opinion, median voter, etc., then state-owned large firms represent a variety of channels for democratizing the economy (cf. also Rathenau, 1919).

Italy experienced after the Second World War this democratization of the economy based on State ownership (cf. also, Barca and Trento). This paper investigates virtues and vices of Italian way of democratizing economy.

References

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