



Società Italiana di Economia  
Premio SIE Dottorato di ricerca 2021

# Three essays on the Italian economic decline: a Kaleckian-Kaldorian theoretical perspective

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# Information

Thesis developed at:

- University of Salento (Italy)
- University of Cambridge (United Kingdom)

Supervisor: Prof. Guglielmo Forges Davanzati

Discussion: 11<sup>th</sup> June 2020

# General overview

- Focus on the Italian economic decline
- Intense debate started with Luciano Gallino's work (2003)
- No consensus on variables and causes

# Research goals

- Provide an heterodox interpretation to the Italian economic decline
- Focus on the dynamics of labour and education markets

# Theoretical framework

## **Post-Keynesian framework**

Combining elements from:

- Michał Kalecki
- Nicholas Kaldor

Refer to the economic thought of:

- Federico Caffè
- Augusto Graziani

# Methodology

- Long-term historical pattern reconstruction *à la* Graziani (1970-2013)
- Economic policies driven by “*economic alarmisms*” (Caffè, 1972)
- Analysis of the gap between expected outcomes and actual results
- No econometric exercises, Thesis is based on official data (mainly ISTAT and OECD)
- Academic research, including papers on economic blogs
- Structure: three chapters

# 1<sup>st</sup> chapter

## Social conflict, union density and struggle against inflation

- **Period:** 1970-90s
- **Alarmism:** inflation
- **Expected outcome:** reduce inflation
- **Policy:** elimination of automatic indexation wage mechanism and set new industrial relations
- **Actual outcome:** drop of domestic demand

# 2<sup>nd</sup> chapter

## Labour market flexibilisation and decentralised bargaining system

- **Period:** 1990-2000s
- **Alarmism:** rigidity of labour market
- **Expected outcome:** increase employment rate
- **Policy:** flexibilisation of labour relations and decentralised bargaining system
- **Actual outcome:** increase precariousness and unemployment

# 3<sup>rd</sup> chapter

## The University's reforms

- **Period:** 1999-2010s
- **Alarmism:** education mismatch
- **Expected outcome:** increase graduates and employability
- **Policy:** adapt the University to the labour demand
- **Actual outcome:** deskilling the labour supply and high-educated emigration

# Focus on the 1<sup>st</sup> Chapter

## '70s-'90s

### 1969-80:

- Hot Autumn – March of 40.000
- Industrial triangle -> Third Italy
- Wage  $\uparrow$  > Labour productivity  $\rightarrow$  Profit  $\downarrow$

### 1980-'90s:

- March of 40.000 – Amato and Ciampi Protocols
- Capitalist offensive (decentralisation of production, labour market deregulation)
- Wage moderation  $\rightarrow$  Export (profit by cost cut, no innovation)
- Inflation struggle  $\rightarrow$  Conflicts: (1) workers vs capitalists, (2) among countries
- Union defeat: bargaining power  $\downarrow$   $\rightarrow$  union density  $\downarrow$

# Focus on the 1<sup>st</sup> Chapter

Analysis of:

- non-worked hours due to conflict (1969)
- labour disputes (1971)
- workers participating disputes (1975)
- union density (1976)

## Reversal of causation:

Expected benefits, current cost e individual choice

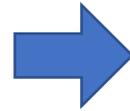
VS

Collective memory of past successful experiences

(Conflict<sub>(t-1)</sub> ↑  $\rightsquigarrow$  Unionisation<sub>(t)</sub> ↑)

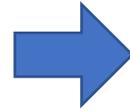
# Focus on the 1<sup>st</sup> Chapter

- European Monetary System (1979)
- Divorce Treasury/Bank of Italy (1981)
- Saint Valentine decree (1984)



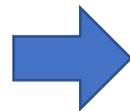
- Containing public debt  $\rightarrow$  Interest<sub>(debt)</sub>  $\uparrow$
- Containing wage  $\rightarrow$  W/GDP  $\downarrow$

- Asian Tigers ('80s)
- Enlargement EEC (1981 and 1986)
- German reunification (1990)



- + direct competitors
- - strategic country
- International loans  $\downarrow$

- 1992:
- Maastricht Treaty
  - "Mani Pulite" investigation
  - General Election
  - Mafia bombing



- Pressure on economic/political system
- Technocratic Govs

# Focus on the 1st Chapter

Alarmism: inflation → Target: wages

Policy: elimination of “*scala mobile*” and introduction of decentralised bargaining system

- Attacked by Confindustria (1982)
- Reduced by Scotti Protocol (1983)
- Saint Valentine Decree (1984)
- Andreotti Protocol (1991)
- Amato Protocol (1992)
- Ciampi Protocol (1993)

# Main achievements

- Re-reading of Italian political and economic history
- Contribute to the debate with an analysis and a proposal



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Thank you for your attention!

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15<sup>th</sup> July, 2021