ITALIAN BUSINESS ASSOCIATIONS, THE INTERNATIONAL MONETARY REGIME, AND THE COLLAPSE OF BRETTON WOODS

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1. ONE HYPOTHESIS, ONE UNEXPLORED QUESTION

Business associations represent a category of economic actors placed right at the core of a country's economy. It is therefore surprising to find out that the positions of the main Italian business associations towards international monetary policy, as well as the degree of sympathy with which they were looking at the European Economic Community since its inception, have not been dealt with in specific by the existing literature. Should one jump to the conclusion that the monetary regime was not relevant to business associations? Or that, conversely, business associations did not have a say in the choice of such regime? While the latter view would be very hard to believe - due to the mentioned central position of the actors involved - at least the former seems to have been implicitly accepted by the literature, in that, for instance, Confindustria very seldom appears in the narratives on European integration, and it is even less contemplated by those authors who, in one form or another, attempted at writing a monetary history of the post-war period. The first claim this paper is going to make is that Italian business associations did not neglect this issue, and that on the contrary, they actually developed views on the monetary regime. The fact that typically entrepreneurs do not take the streets, hence not making newspapers headlines, and that the period dealt with saw the rise of another type of pressure group, the trade unions, whose influence on policy-making was much more visible through the media, may have convinced historians that, after all, business associations might have had other interests to deal with, and did not get particularly involved in the debate on the monetary regime.

The next section is going to explain, in both theoretical and practical terms, why this is not the case, and will unveil the actual complexity of the issue. This will bring the discussion towards the question which, apparently, remains to be answered: what was the rationale behind the support to either Bretton Woods or the European "snake" by the different Italian business associations? In particular, is it possible to identify a pattern according to which they started to realize that, Bretton Woods being weaker and weaker while the 1960s went on, the choice between the two regimes was "either/or" as opposed to "either/and"?

Among the reasons that may be quoted for the development of the support to European integration, perhaps the most intriguing is the one offered by Roy Willis who, speaking of Confindustria's views in the decade after the Rome Treaty, presented the employers' association's attitude as that of an "escape into Europe" so as to hopefully avoid the market distortions brought about by governmental intervention through state-owned enterprises[1]. Of course, due to the differences between business associations - one of which, as said, represented public enterprises themselves - this explanation may not hold as a general one. It may, however, be taken as an example of two tendencies of the Italian business during the 1960s: looking at the international stage as a projection of the domestic troubles of the economy; and the widespread and substantially correct idea that the economic boom was somewhat coming to an end and therefore Italy badly needed to find a way out of the forthcoming slump, an enlargement of the export market being a possible solution to such gloomy perspective.

The case is made here that the question presented above is to be answered in the light of such "escape into Europe", and that in the case of monetary integration, this implied a support for the European-based solutions even before the worldwide Bretton Woods system were made to collapse. Business associations started to realize this was going to be the case as of the mid-1960s, and each of them adopted a position on Europe in the light of this fear. The event which completed the picture - by aligning the remaining "dissidents" with the European-centred view - was the collapse of Bretton Woods, that

[1] F. Roy Willis, *Italy Chooses Europe*, Oxford: Oxford University Press, 1971, p.213.

took place through a staged process started on 15 August 1971, when the United States broke the convertibility link between its own currency and gold.

2. WHY BUSINESS ASSOCIATIONS?

The subjects of the analysis will be the five Italian business confederations which, during the 1960s, were able to exert the most influential role on the country's political life. These associations were the two confederations of industrial producers, Confindustria for the private sector and Intersind representing State-controlled enterprises; the smaller confederation of commerce, Confcommercio, which to some extent ended up being a projection of Confindustria since offering membership to the association of large-scale retail distributors in the 1950s; and the two confederations of agricultural producers, respectively Confagricoltura for large-scale production, and Coldiretti for the small business.

What was the actual role of these associations in the Italian policy-making context, and how strong were their ties with the government? In order to address this question, one should consider some of the peculiar features of post-war Italy. First of all, the country was being rebuilt after World War II, and went through an industrial boom which, although possibly turning into a slump by the early 1960s, had unambiguously had the merit of transforming the country into one of the world's leading economies; hence the importance, and influence, of industrialists in the country's political life. Confindustria, a business association among industrial employers, predated the war, and represented the main port of call for the Italian private industry, grouping enterprises from all sectors and of every size. On the one hand, the business association was seen by the more moderate policy-makers sometimes as an ally against the excessive demands brought forward by trade unionists, in an escalation reaching its apogee in the "hot autumn" and the subsequent years[2]; some other times as a potential threat due to its ability to find common grounds with CGIL, CISL and UIL on certain themes on which

[2] Alberto Martinelli, "Organised Business and Italian Politics: Confindustria and the Christian Democrats in the Postwar Period", in Peter Lange & Sidney Tarrow (eds.), *Italy in Transition: Conflict and Consensus*, London: Frank Cass, 1980, p. 81.

common pressures were then exercised towards the government[3]. On the other hand, policy-makers more oriented towards the left had an opposite view of the same patterns of political pressure.

To this picture, one must add that Italian capitalism was not a pluralistic community; the economic boom had changed the efficiency of the economy but not the business culture, which remained linked to a structure of "barons" and family-owned business. Besides impeding the evolution of concepts such as meritocracy and institutions such as financial markets, this feature favoured the proliferation, especially since the advent of Aldo Moro's centre-left governments in the 1960s, of state-controlled enterprises, that is, of those enterprises the majority of whose capital was controlled by the State[4], and that were led by people strictly connected to the leading parties - the so-called "State bourgeoisie" - and gathered in a business association of their own, Intersind. The latter's history began in 1956, when the DC cabinet led by Antonio Segni proposed a law for the creation of a Ministry of State Participations in order to take care of the management of State investment in the capital of those companies which, their product being recognized as a public utility, were seen as a projection of the role of the State in ensuring the development of the country[5]. A law was finally approved in December 1956, with the inclusion of an amendment stating that such companies would also be required to withdraw from any business association they might belong to.[6] Such withdrawal took place in 1958, and was accompanied by a bitter criticism from Confindustria[7]. The creation of Intersind took place two years later, on 24 May 1960, as an association between a group of enterprises controlled by the Istituto per la Ricostruzione Industriale (IRI), the public holding in charge of the management of most State-controlled enterprises.

The positions of the association of commercial activities, Confcommercio, were mostly aligned with Confindustria's views in every field of policy. This was due to historical reasons: while the confederation had been born as an autonomous body and it remained, in fact, autonomous from the other business associations until the 1950s, during this decade, as a consequence of accepting the membership of the association of

[3] Ibidem, p. 85.
[4] Ministero delle Partecipazioni Statali, Circolare Applicativa, 15 November 1957.
[5] Ada Collidà, "L'Intersind", in Ada Collidà, Lucio De Carlini, Gianfranco Mossetto and Renzo Stefanelli, *La politica del padronato italiano: Dalla ricostruzione all'"autunno caldo"* (Bari, 1972), p. 91.
[6] Art. 3, law no. XX of 20 December 1956.
[7] Giulio Sapelli, *Impresa e sindacato: Storia dell'Intersind*, Bologna: Mulino, 1996, p.227.

large retail distributors - which was controlled by some of the main companies that formed Confindustria - it was in practice taken over by Confindustria itself[8].

Finally, Confagricoltura was the business association for the agricultural business; it was an all-encompassing confederation until 1944, at which time the Christian Democrat Paolo Bonomi organized a secession of the smaller-scale producers and created Coldiretti. Agriculture remained a powerful interest in Italy, due to the relative importance of this activity - which remained high even after the industrial boom - as well as to the overwhelming weight agricultural subsidies would gain in the EEC's budget after the introduction of the Common Agricultural Policy in the late 1960s.

The way the business associations described here influenced policy-makers is complex and, of course, absolutely not structured: acting as interest groups, each of them did all that was in its powers in order to lobby the relevant people in the government, either through collective bargaining, the placement of people in strategically relevant places - in governmental positions, in the parliament, even in local councils[9] - and, finally, personal relationships. In an old study - which is still useful here as it was written during the years dealt with - Joseph LaPalombara described most of the methods of pressure typical of the Italian political arena[10]. Apart from the traditional method - that is, representation and official dialogue - in the case of Italian politics a paramount role was played by two informal methods of pressure, the *parentela* and the *clientela*. The former operated through family ties, while the latter was a relationship of economic or political interest which looked very much like the one existing, among the ancient Romans, between *patrizi* and certain prominent *plebei* (such as merchants): a sort of informal preference accorded by the noble *patrizio* to selected *plebei* when it came to making investments or selecting trade partners; or, in the modern version of *clientela*, when it came to choosing a policy pattern, or placing people in prominent public positions.

Despite the complexity of the policy-making pattern resulting from this informal way of doing business, undeniably the final outcome of policy was facilitated for those instances in which a certain number of different pressure groups ended up lobbying for

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[8] F. Roy Willis, *Italy Chooses Europe*, Oxford: Oxford University Press, 1971, p. 214.

[9] Joseph LaPalombara and Gloria Pirzio Ammassari, "L'intervento elettorale della Confindustria, in Mattei Dogan & Orazio Maria Petracca (eds.), *Partiti politici e strutture sociali in Italia*, Milano: Edizioni di Comunità, 1968, pp. 249-272.

[10] Joseph LaPalombara, *Interest Groups in Italian Politics* (Princeton, 1964).

similar objectives; it is in these cases that one might affirm that pressure groups as a whole contributed to influence the direction of Italian policy-making.

In order to tackle the issue of the monetary regime choice, it is useful to introduce an analytical framework composed of the four most relevant variables which had an impact on the monetary policy positions of all actors involved: inflation, interest rates, exchange rate stability and foreign trade patterns.

As to inflation, the overall picture was that of a bitter criticism of the inflationary trends of the 1960s, with a wide opposition front formed by the three industrial associations, Confindustria, Intersind and Confcommercio. While Confagricoltura and Coldiretti did not look at inflation in a necessarily bad light in theoretical terms, their position was never openly different from the other associations' in this respect. In this sense, the argument that inflation was being imported from the United States through the gold exchange standard had a certain appeal insofar as this became part of a more general, mercantilist reasoning which opposed the U.S. policy regarding trade with abroad, mainly in the agricultural sector[11].

Interest rates were an issue with which only industrial producers seemed to be concerned: indeed, they represented the most capital intensive sector, and the one which might have been most damaged when capital availability was jeopardized by outflows. The fact that industrial producers were responsible for a majority share of the country's economic growth made policy-makers be very sensitive to this position, and interest rates stability was guaranteed for the majority of the 1960s[12]. Moreover, it must be added that the large and small scale agricultural producers could not but benefit from the positions expressed by the industrial producers in this area[13].

While no association showed to have a theoretical or ideological reason to support the stability of exchange rates, all of them ended up supporting it in some way. Confindustria and Confcommercio were attached to the idea that a European monetary

[11] [cfr. Mondo Agricolo]
[12] [insert statistical data]
[13] [cfr. Mondo Agricolo]

system would have served their own interest better than the existing Bretton Woods[14]; Intersind was on the opposite stance but still defended exchange rates stability[15]. The agricultural business associations did not have a particular view on stable exchange rates.

What agricultural producers had developed, in turn, was a position favourable to any change that would have threatened the existing trade patterns with overseas, due to the lower production costs faced by U.S. agricultural producers[16]. A shift towards European-based monetary solutions was seen as the possibility of forming a common front for the protection of domestic agricultural production, a common front that was being formed with the birth of the Common Agricultural Policy within the EEC[17]. On the issue of trade patterns, Confindustria (followed by Confcommercio) and Intersind had views contrary to each other: the former supported a liberalization of European trade in a general context of no change in trade patterns; the latter had problems with such liberalization, fearing that this would have started a process of integration leading to an erosion of state power[18], although remaining in general positive towards Europe, for reasons more connected to the general internationalist stance of the government of these years than to an economic advantage specific to the public enterprise[19].

3. HOW BUSINESS ASSOCIATIONS CAME TO REALIZE EUROPE WAS AN ALTERNATIVE, NOT A COMPLEMENT, TO BRETTON WOODS

Of the four issues considered, the positions emerging from the views on inflation and trade patterns pointed towards a general shift of attention towards the regional project of European integration than to the "one world" solution offered by the supporters of the existing Bretton Woods system[20]. On exchange rates, instead, there seemed to be a debate as to who should have been the provider of stable exchange rates, with the three

[14] F. Roy Willis, *Italy Chooses Europe*, Oxford: Oxford University Press, 1971, p. 215.
[15] Joseph LaPalombara, *Interest Groups in Italian Politics*, Princeton: Princeton University Press, 1964.
[16] [cfr. Mondo Agricolo]
[17] [cfr. Mondo Agricolo]
[18] Giulio Sapelli, *Impresa e sindacato: Storia dell'Intersind*, Bologna: Mulino, 1996.
[19] Sergio Romano, *Guida alla politica estera italiana*, Milano: Rizzoli, 1993. Giulio Andreotti, *Governare con la crisi*, Milano: Rizzoli, 1991.
[20] [note]

industrial associations on opposite positions as to the role of the U.S. in this sense[21]. Finally, as to the issue of interest rates, the general support for stability, mainly promoted by Confindustria and Intersind, left the question open as to what international monetary arrangement would have helped the national government in maintaining such stability.

Eventually, the description of the Italian business associations' scene as a plurality of subjects divided by, mainly, sectoral interests is not probably the best way to conceive the general picture of this aspect of the country's political and economic life. In fact, if there was indeed a cleavage in Italian business, this cleavage was represented by large versus small firms rather than industry versus agriculture[22]. Even the difference between State-controlled and private business itself, which has been so much stressed by most historiography[23], is definitely less determinant than the divide between the limited number of very large firms which dominated every aspect of the country's political life and the huge constellation of small businesses which mostly were doomed to follow the political choices of the large industry.

At any rate, even if the existence of such a cleavage determined a differentiation of positions on many issues - think of State subsidies to small-scale agriculture, incentives to the creation of new firms, and so forth - it was not so paramount in the case of the positions on the monetary choices dealt with here.

Although secondary in relation to the previously mentioned cleavage, the rift existing between State-controlled and private industry carried a few more consequences in terms of monetary positions. As has been noted, State-controlled firms were afraid of the consequences of European integration on their own market power positions. While the whole business associations bloc was favourable to a liberalized Europe with a preferential exchange rate system, the containment of inflation and a truly continental capital market, with stable rates, which would have enhanced the availability of capital for investment, Intersind had reserves on some points, and was clearly less interested on

[21] F. Roy Willis, *Italy Chooses Europe*, Oxford: Oxford University Press, 1971, p. 215. Joseph LaPalombara, *Interest Groups in Italian Politics*, Princeton: Princeton University Press, 1964.
[22] Alberto Martinelli, "Organised Business and Italian Politics: Confindustria and the Christian Democrats in the Postwar Period", in Peter Lange & Sidney Tarrow (eds.), *Italy in Transition: Conflict and Consensus*, London: Frank Cass, 1980.
[23] Joseph LaPalombara, *Interest Groups in Italian Politics*, Princeton: Princeton University Press, 1964. F. Roy Willis, *Italy Chooses Europe*, Oxford: Oxford University Press, 1971.

some other issues. In terms of the liberalization of exchanges with Europe, while even the largest private companies such as Fiat smoothened their own positions towards foreign trade as the years went on[24] - and their own competitiveness relative to foreign markets increased[25] - in the case of the State-controlled business the problem was structural: competitiveness in free markets would never have been achieved by companies whose business was inherently based on monopoly. Hence, either liberalization of trade and the creation of a monetary area in Europe was not so welcomed by the State-controlled business represented by Intersind. On inflation and capital availability, it must be pointed out that these firms never really tackled them as if they were a problem, as they enjoyed many instruments of protection against the odds of monetary variables: market power enabled them to transfer the costs of inflation on customers, and the issue of capital availability was always addressed through public collection of long-term capital.

Adding up to this, a theoretical question is worth being tackled: is there an economic rationale, related to the nature of its own members, according to which a business association may develop a preference regarding the international monetary arrangements joined by the monetary area it belongs to?

The easy answer is the following: as producers have an interest in free trade, business associations would support, at any point in time, all the possible arrangements that would make trade easier, including the monetary arrangements that are the subject of this paper; a shift from Bretton Woods to Europe was made when the latter came to be seen as more convenient than the former in providing exchange rate stability; and finally, such shift took place mechanically, as soon as Bretton Woods was declared dead, and it did not involve a shift of positions, as business associations were already in favour of a European-centred system even as a sub-system within Bretton Woods.

However, there is a reciprocity issue that complicates the picture of what a producer should think as regards the monetary system that best favours his own interest. Indeed, a worldwide fixed exchange rates system does not only mean that he will be able to reach foreign customers; depending on the competitiveness of the industry he deals with, it

[24] Giovanni Agnelli, *L'impresa e le sue responsabilità*, mimeo, Ischia 1969.
[25] Giovanni Agnelli, "Gli operatori privati di fronte alla programmazione economica e alla integrazione europea", in Movimento Europeo, *Programmazioni regionali e nazionali e programmazione europea*, mimeo, Torino 1968.

also means that he might be stolen shares of his own domestic market by foreign producers. Did all the policy-makers mentioned above quit the trade theory course just after the class on the Ricardian model?[26]

Not quite. Rather, the mainstream economic thinking looked at international trade in its being *overall* a positive-sum game, that is, one in which - even though losses from trade in less competitive industries were contemplated - the benefits from trade outweighed the competition problem outlined above. Whatever the economic and historical judgment on the latter view, it was certainly assumed to hold for the overall economy, not for any subgroup of actors; hence, it is possible to expect that the easy answer presented above might not hold for all associations.

The existence of a, so to say, post-Ricardian exception presented above may now be used in order to understand the position of Italian business associations on the issue.

To start with, all Italian business associations, with different degrees of enthusiasm, endorsed the post-war Bretton Woods monetary system and looked at fixed exchange rates as the key to international monetary stability, and this was unanimously the case until the post-war economic boom, and the idea of an export-led growth, dominated the scene. International trade was looked at from an exporter's point of view, and the problem of foreign competition dumping domestic markets was not therefore at the centre of the picture. Likewise, all these associations also paid a special attention to the projects for European integration carried about since the early 1950s; France and Germany being Italy's main trade partners, integration with continental Europe was seen as a way to sell more products and buy raw materials at a cheaper price. The problem of the two systems becoming alternative as opposed to complementary did not seem to exist at this stage, which lasted until at least the early 1960s. As of the late 1960s, however, the existing Bretton Woods gold exchange standard looked more and more likely to collapse, and it eventually broke down after US President Nixon's decision to suspend the gold convertibility of the dollar in August 1971; at around the same time, European countries acknowledged monetary integration as being a

[26] The Ricardian model defended free international trade by concluding that there would be gains from trade for all countries involved, through the mechanism of trade specialization; the distributional effects of free trade, however, were not contemplated. Subsequent models, such as the one developed by Heckscher and Ohlin, would point out that while Ricardo might have been right in stating the *overall* result of free trade as a positive-sum game for all countries involved, yet important differences existed between domestic industries, depending on the competitiveness (or lack thereof) enjoyed by each of them.

fundamental part of the common market project, and started to conceive the possibility of proceeding towards an ever closer coordination of monetary policy. Between the late 1960s and the early 1970s, when it became clear that the two issues were doomed to become the two sides of the same medal, most Italian business associations chose to support the European project for regional integration as opposed to the rescue of the worldwide exchange rates system.

Bretton Woods came to be seen almost unanimously as an obstacle because of two reasons: on the side of industrial producers, the American deficit with the subsequent export of inflation which enforced Italian monetary policy-makers to use monetary policy in order to correct such imbalance as opposed to managing the domestic economy and promoting its prosperity; while agricultural producers, on their side, were against the worldwide exchange rates system as its breakdown would have made trade even more difficult from those regions of the world whose lower production costs made the Italian agricultural production less competitive in the domestic market.

The post-Ricardian exception explains why not all associations chose to act along the lines of European enthusiasm: indeed, some businesses felt they were endangered by the growth of the EEC's importance. This is the case, in particular, of state-controlled enterprises, whose association was Intersind. But also other associations, representing the interests of smaller actors, such as Confcommercio and Coldiretti, might have had theoretical grounds to fear an integration that would have brought foreign competition into their own local markets. However, in the case of the former, support for Europe was always plainly visible, the rational for that being that most Italian small business felt its competitiveness would have made products trade well in an enlarged continental market. In the case of the latter, the problem was slightly different: Italian agriculture had more than one good reason to fear competition from its neighbours, at least as much as it already feared competition from the transatlantic ally. The association of larger producers, Confagricoltura, did not share the same fear as its analysis had been that the benefits brought by European integration through the Common Agricultural Policy would have outsized the potential risk of domestic market dumping.

State-owned business and small agricultural producers were therefore doomed to remain the black spots in a general pro-Europe picture.

The positions introduced here are better explained if one looks at the issues that triggered them. So far, it has been pointed out that Italian business associations in the 1960s had several reasons to support European integration as well as to criticize the existing Bretton Woods monetary system. What remains to be unveiled is how these reasons fitted into the historical narrative, and whether such narrative positioned each of them so as to create the picture of a shift of monetary views from support for, or at least acceptance of, Bretton Woods, and the introduction of the European-centred monetary system that was to start from Werner's "monetary snake" of 1972.

3.1. Inflation

In terms of inflation, the association of industrial producers had a position somewhat similar to that of trade unions[27]: when the general level of prices rose, industry was put under pressure on the production side; raw materials became more expensive, and wages were put under upward pressure. When inflation came, the typical industrial strategy until the early 1960s had been to try to load the loss of gain toward consumers, through higher prices, and toward employees through resistance against upward wage adjustments[28]. In this way, the distribution of profit remained favourable to producers; Bretton Woods ensured no exchange rate swings and until 1958 international private capital flights were virtually impossible, and this had the effect of keeping the economy relatively stable, favouring the post-war economic recovery and maintaining the overall inflation at a negligible level. When the 1960s moved on, however, the trade union movement started to behave more and more actively in promoting the interests of the working class, especially in terms of social reforms and wage claims[29]. At the same time, inflation started to rise, and while there was certainly a number of different reasons for this, many of which not dependent on the domestic performance of the Italian economy, nonetheless industrial producers - backed by some relevant politicians - loaded trade unionists with the main responsibility for this phenomenon: in January 1966, in an editorial of *L'Organizzazione Industriale*, the weekly magazine of Confindustria, one could read

[27] [note]
[28] [note]
[29] [note]

> "In the present situation it is neither thinkable nor desirable to have a type of economic development based on salary dynamics, as this is the premise to the uncontrolled rise of prices, hence, to a policy of inflation, and to the growth of the already notorious difficulties of the productive sectors with the subsequent danger to enlarge the number of factories shutting down, with the relative contraction of employment."[30]

The negative effects of inflation would not only come from its being induced by distributional pressures operating through the unions' wage claims. In a televised debate of 1967, Confindustria's president Angelo Costa specified that, although "[...] noone intends to file accusations against one rather than against the other [meaning producers or workers], yet inflation was induced by the fact that production costs did not fall adequately, due to artificial wage rises, and "if wages were made to rise at the same pace as productivity, they would not create inflation." [31]

As was predictable, then, the industrial producers' position on inflation was that its occurrence was a bad sign - for their own activity as well as for the whole economy - insofar as it was outpaced by the growth of the other production factors, mainly the cost of labour, due to an overshooting effect caused by social pressures. Such phenomenon took place regardless of the causes of inflation, be they domestic or international. When the decade came to a close, indeed, Confindustria started to be afraid of foreign induced inflation too, calling for a role of domestic monetary policy in finding solution to contain this problem[32].

Such solution slowly translated into a more or less open disapproval of the economic policy pursued by United States: when the Deutschemark was allowed to float in May 1971, the comment by Confindustria was that

> "as to the process of monetary unification that should have started on 12 June with the reduction of the fluctuation range of the exchange rates (from 0.75 per cent to 0.60 per cent) around the official parity, it will certainly experience a temporary halt, [...]. In the long term, the perspectives are rather complex, especially as the situation requires difficult decisions that neither Europe nor the United States are ready to take. [...] One point is clear: the origin of the crisis is not in Europe, but in the United States, that is, in the dollar. But to

[30] *L'Organizzazione Industriale*, 27 January 1966, p. 1.
[31] RAI-TV, *Tribuna Politica*, debate between Confindustria and trade unions, 6 March 1967.
[32] [note]

> acknowledge this is not enough. One needs also to acknowledge that if the dollar is Europe's illness, Europe, on its side, cannot do without the dollar, at least in the conditions in which it still finds itself nowadays."[33]

As is easy to observe, even the analysis of the potential negative effects of inflation coming from abroad as a consequence of the choice of some European countries was read through the lenses of an evaluation of the responsibilities of the United States in ultimately creating the international monetary problems or, in the peculiar lexicon adopted by *L'Organizzazione Industriale*, "Europe's illness", which after all was in line with the recent declaration by the U.S. Treasury Secretary, John Connally, according to whom "Dollar is our currency, but it's your problem"[34].

Most times, Intersind aligned its own positions with the interests of the large companies that dominated Confindustria[35], at least in the second part of the 1960s when the higher level of social tension required industrial producers to keep more compact positions in order to cope with the larger requests and the better organization of the trade union movement[36], and the ownership and management of the State-controlled companies was in most cases mixed with that of the private industry[37].
Coming to the issues impacting on monetary policy choices, indeed, on inflation and interest rates, the State-controlled industry's position was all the more in line with the anti-inflationary stance of Confindustria.

Moving on to the commercial sector, a general observation should be made: Confcommercio would in principle have been able to defend positions slightly different on each of the policy issues analyzed. First and foremost, commercial activities enjoyed a comparative advantage on all other economic actors in the eventuality of inflation: while workers struggled with their sticky wages, and producers struggled with higher costs of all factors of production, the owners of commercial activities simply had to adjust prices upwards depending on the cost of living[38].

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[33] *L'Organizzazione Industriale*, 28 May 1971, p. 1.
[34] John Connally, May 1971.
[35] [note]
[36] [note]
[37] [note]
[38] [note]

This reasoning notwithstanding, however, problems emerged when certain components of the price index grew more than others, in a way unfavourable to commercial activities. Confcommercio's president Casaltoli, in mid-1966, commenting on the economic data of the previous semester, pointed out that inflation might soon have become a problem for the commercial sector too:

> "If one considers that the price index for services recorded, in [the first semester of 1966], a rather notable rise, that the cost of dependent labour continued to rise and that, relative to 1965, even the rates of income and capital tax, as well as indirect taxation, have recorded sensible rises, the evident stabilization of retail prices that took place despite the presence of tendencies to rise in all the components that contribute to form the distribution cost shows that the commercial sector, despite some latent symptoms of hardship, continued to absorb inflationary pressures, which it would obviously be able to do much better in periods in which the economic cycle be not in a phase of involution."[39]

Slightly less pronounced was the interest of agricultural producers on the problem of inflation. Indeed, as a business which stands by definition at the top of the production chain, agriculture had to fear less than other sectors from the bad effects of inflation: a rise in the general price index would have simply been offset by an equal rise in the price of agricultural products. On the one hand, therefore, it is clear that agricultural producers did not have in theory a particular reason to be unfavourable to the existence of inflation.

However, this element was softened by the fact that the prices concurring to the formation of the price index did not grow together, and in particular, they tended to put agricultural commodities at a comparative disadvantage. Hence the claims, often repeated throughout the 1960s, that agriculture required a particular attention as the producers in this sector were "the new poor of Italian society". Confagricoltura president Alfonso Gaetani effectively summarized the problem during an edition of the TV show *Tribuna Politica* of April 1967 dealing with the problem:

> "[...] per capita income in agriculture went down from 50 per cent [of the average] (the agricultural producer used to be defined 'the half-income citizen') to 47 per cent. There is a melancholic definition of the situation in our own sector. It has been brought forward by an

[39] *Il Giornale del Commercio*, 25 July 1966, p. 1.

economist. He defined us as the 'new poor' of Italian society. Well, we can even say that the new poor are becoming poorer and poorer."[40]

Moreover, on the other hand, it must be added that agriculture in all European countries was, in the post-war period, no longer a profitable business; in order to defend it, the EEC, through its Common Agricultural Policy, made a pledge to buy any excess production[41]. The maintenance of a minimum price guarantee was, at the same time, perceived as an issue of paramount importance by producers and a very highly sensitive issue in the trade union and leftist circles[42]. Consequently, since the second half of the 1960s the defence of a guaranteed price often led agricultural employers and employees to rally together, as in the case of the discussions about the Mansholt Plan for the modernization of agriculture in early 1971[43].

Given this picture, clearly a variation in the price index would have remained unimportant to agriculture only in pure theory. In practice, the rise of the price index would have only been offset by higher product prices insofar as such prices could be adjusted within the context of the EEC guaranteed price, which implied tough bargaining. Hence, despite all theoretical differences, inflation ended up having the same negative impact on agriculture than it had on the remainder of the productive sector[44].

3.2. Interest rates

The cost of labour - sensitive to asymmetrical inflation - was not the only production factor which risked to become more expensive to producers. The other was, naturally, the cost of capital. This could take place mainly due to a rise in interest rates policies which might cause capital to flow out of the country[45] or the failure to implement the correct discount rate policy in case international factors made foreign capital markets more attractive[46].

[40] RAI-TV, *Tribuna Politica*, 13 April 1967.
[41] [note]
[42] [note]
[43] [note]
[44] [note]
[45] [note]
[46] [note]

The central bank's interest rates policy during the 1960s was that of a strenuous defence of interest rate steadiness, to the point that when in 1965 the official discount rate was raised by half a percentage point to reach 4%, it had not been modified for eleven years[47]; on the one hand, this was positively welcomed by industrial producers, who would have suffered from interest rates instability, that is, by possible changes in the conditions of availability of finance in the domestic economy. It must be pointed out that most of the Italian industry was either self-financed (and in this case interest rates did not really play a role) or financed through bank lending. A rise in interest rates would therefore have diminished investment due to the higher cost of capital for those firms using this type of finance:

> "Savers, as a whole, are not entrepreneurs and do not have therefore the possibility to invest their savings on their own. Over the years, those who have invested in private and State bonds have been threatened by the devaluation of the currency and, recently, also by a substantial lowering of rates. [...] In such a situation, it is not possible to avoid a capital flight towards abroad, something all of us must condemn; but above all we must condemn the policy which led to it."[48]

On the other hand, however, sticky interest rates sometimes played against domestic production itself. Indeed, it is a matter of fact that lower rates would stimulate the availability of the capital that would move out of investments in State bonds, for which at the time a huge market had developed[49], due to the Italian State-controlled enterprise having been tentatively financed through this channel[50].

The private industry's aversion to state enterprise certainly had the meaning of an opposition to a course of action which ended up in a severe limitation to the free operation of markets. In criticizing the expansion of capital usage by the State-controlled industry, Torello Giunti drew a trade-off between capital available to public and private enterprises[51]. Such trade-off would only work if the total capital available were simply a function of exogenous elements such as the capital flights due to

[47] [note]
[48] Angelo Costa, speech pronounced at the assembly of delegates of the member associations of Confindustria, Rome, 16 April 1970. Giorgio Fiocca (ed.), *Quaranta anni di Confindustria: Economia e società nei discorsi dei presidenti*, vol. 1 (Milan, 1989), p. 343.
[49] [note]
[50] [note]
[51] [note on Torello Giunti from *L'Organizzazione Industriale*]

monetary policy. Despite this being a total heresy in terms of financial theory[52], it must be pointed out that it was actually very rational to reason in these terms as of 1967. Indeed, Italian private enterprises, apart from very few exceptions, could not raise capital in the financial markets[53], the domestic financial market having a risible size[54].

This situation determined that capital flight was seen as a real curse to the prosperity of domestic industry, as there was almost no way to create it through the private sector, apart from the banking circuit. Hence, interest rate stability was defended by the Bank of Italy until the point at which, in the late 1960s, this was no longer possible, as a consequence of the devaluations of several key foreign currencies[55].

Interest rates did not concern commerce as much as they concerned the rest of industry; moreover, while the cyclical restriction due to a rise in rates would affect the economy as a whole - including commercial activities - the capital outflow consequential to a reduction in rates would not concern commerce, especially if one considers that most of Confommercio's members were self-financed small retailers, with no problems about the availability of external sources of finance[56].

In this light, the only issue impacting on the availability of capital that would encounter Confcommercio's attention would be fiscal pressure, which was fought through the promotion of the reform of indirect taxation[57].

3.3. Exchange rate stability

Another issue with which the organized business was concerned in a somewhat unambiguous direction was the problem of exchange rates. This was not really an issue during the early 1960s, while it started to be discussed towards the end of the decade, when the Bretton Woods fixed rates system started trembling[58].

In late 1967, when the Special Drawing Rights proposal started to be discussed within the International Monetary Fund[59], Confindustria showed to be in line with the Italian government's position, aimed at guaranteeing the larger freedom of action that

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[59] [note]

would be necessary to the government in order to restore equilibrium in the balance of payments:

> "According to Minister Colombo, a flexible system should be adopted, through the fixation of a ratio, between gold and reserves, comprised within an upper and a lower limit. This would create the conditions required in order to enlarge or diminish the volume of the fiduciary means of reserve, which may flow towards the international organizations to which the conduct of monetary policy in the Western world is demanded."[60]

The problem of monetary stability started to be especially perceived in the industrial world when the time came to discuss European monetary integration, the main driver of this interest being one of the natural consequences of such integration, that is, the convergence of economic policies within the "small Europe" of the six members of the EEC[61]. In April 1969, Confindustria's position on this issue was that economic policy coordination was required; however, *L'Organizzazione Industriale* pointed out, "it seems that the quickest way to implement monetary integration, that is to say, the unification of currencies, is precluded." Confindustria's official voice referred to the debate as to whether economic or monetary policy had to come first, and came to the conclusion that, in the area of monetary integration, there was "no alternative but to pursue this goal indirectly, and step by step. In this light, an important instrument is the harmonization of economic policies in both the short [...] and the medium term. Indeed, if a parallelism could be ensured in the evolutionary dynamics of the six economies, many difficulties would be overcome."[62]

While the article moved on by stressing that budgetary policies should be harmonized first, undeniably it took for granted that the concrete implementation of monetary integration, if not in the direction of monetary unification, should have implied the fixation of exchange rates between the six EEC members[63]. Commenting on the presentation of the different proposals for staged European monetary integration that were debated in the early months of 1970 within the EEC[64], Confindustria expressed a definitely positive view towards such possibility:

[60] *L'Organizzazione Industriale*, 9 March 1967, p. 3.
[61] [note]
[62] *L'Organizzazione Industriale*, 18 April 1969, p. 1.
[63] [note]
[64] [note]

> "In front of so much commitment by prominent personalities of the political world coming from different EEC countries, we may only hope that the good will may end up translating - quickly translating - into the prospected solutions: which is to say, that the European dynamism may not run aground into the seabed of problems pertaining the sphere of 'prestige', or be smashed against the obstacles of national sovereignties."[65]

This view must come as no surprise. Exchange rate stability was particularly dear to the industrial producers of a country like Italy which, as has been pointed out, on the one hand had based its post-war reconstruction on export-led growth. and on the other hand, had always been scarce in raw materials and therefore dependent on imports of such materials, especially from France and Germany. In such picture, trade was certainly seen as a positive-sum game, and this is why the "post-Ricardian exceptions" presented in the previous section were really not an issue within Confindustria. Of course, in theory in every industrial sector there were firms not concerned with exchange rates at all: that is, those firms whose production depended on domestically produced raw materials and whose market was domestic[66]. However, with due respect to the classical paradigm of economics which postulated the existence of fully rational actors[67], in reality small producers very often did not have enough knowledge in economics to be able to evaluate their own individual advantage when it came to complex issues[68], and if the large leading firms within Confindustria made strong cases for or against something, there was a certain tendency to follow suit[69]. Secondly, besides being complex, the impact of different exchange rate regimes on producers was ambiguous, and there was room to affirm that exchange rate stability would have benefited the small-scale business too. All in all, therefore, Confindustria's support for stable exchange rates ended up being quite fair to the whole sector it represented, including its smaller members.

Although social historians like Collidà and Giugni claim that in the late 1960s there is no room to affirm the existence of a political autonomy of Intersind's members from

[65] *L'Organizzazione Industriale*, 21 March 1970, p. 1.
[66] [note]
[67] [note]
[68] [note]
[69] [note]

the lines pursued by Confindustria[70], however, in the case of the other two issues dealt with in the analytical framework introduced, the peculiar features of the public enterprise determined certain remarkable differences.

Regarding the exchange rate regime, Intersind too was strongly opposed to exchange rate floating[71]. However, State-controlled enterprises had more than one reason to fear, if not monetary cooperation, certainly European integration as a whole, the latter being a broad, tidal process involving other issues such as market liberalization and competitiveness. In fact, these were allegedly the most influential enemies of the Italian State-controlled business, if Confindustria's president Angelo Costa expressed the following position in his annual speech of early 1968:

> "The State [...] has implemented a policy of capital destruction. [...] The State has kept passive firms alive in competition with healthy firms: in this case the damage which results in the passive firms' budget is minimal relative to the indirect damage, namely the destruction or missed creation of capital due to the competition exercised by firms which may lose indefinitely, distributing their own losses on the entire country."[72]

Regarding exchange rate stability and the rise and fall of certain patterns of international trade, it is possible to say that the focus of Confcommercio was constantly placed on the reduction of trade barriers[73]; as such, it certainly looked favourably towards the progress of the European common market, and it conceived the monetary union as a by-product of it[74].

The reflections of the devaluation of several European currencies in the late 1960s on Confcommercio's positions were well expressed by *Il Giornale del Commercio* which, describing the economic situation in late 1969, stressed that

> "The thesis of the revaluation of the Lira has lost grip as of late, after the balance of payments became negative as an effect of capital outflows and after the price indexes

[70] Collidà, Ada; De Carlini, Lucio; Mossetto, Gianfranco; and Stefanelli, Renzo, *La politica del padronato italiano: Dalla ricostruzione all'"autunno caldo"*, Bari: De Donato, 1972. Gino Giugni, *Il sindacato fra contratti e riforme 1969-1973* (Bari 1973).
[71] [note]
[72] Angelo Costa, speech pronounced at the assembly of delegates of the member associations of Confindustria, Rome, 5 March 1968. Giorgio Fiocca (ed.), *Quaranta anni di Confindustria: Economia e società nei disorsi dei presidenti*, vol.1 (Milan, 1989), p. 325.
[73] [note]
[74] [note]

started to rise again; instead, the debate concentrated again on the possibility of devaluation, not as a probable event, but as a danger that appeared on the horizon, which has to be avoided with appropriate and timely remedies. [...] However, any intervention which may lead to either the end or the effect of depressing the productive effort would be the worst of remedies, due to those peculiar features of our economy, which in many respects still make it substantially different from those of the other industrialized Western countries: it is enough to recall the lack of development still present in the Mezzogiorno, the not yet reached full employment, the insufficient professional skills in much of the manufacturing sector, the technological gap."[75]

3.4. Favourable foreign trade patterns

If it is true that not every Confindustria member was export-led or import-dependent, one must however acknowledge that, either from the production side or from the market side, the question of international trade involved most of them[76]. In this light, the choice of the international monetary regime might have a further impact on a country's foreign trade: different regimes, by creating different conditions for marketing products among groups of countries rather than among others, would end up affecting the existing patterns of trade[77]. In terms of direct influence, this had an impact on the international trade of those firms already doing business with abroad on either side of their production. Moreover, the question on trade patterns, the same way as in the previous point on exchange rate stability, ended up affecting other domestic markets due to indirect cross-contamination.

Eventually, the problem for an all-encompassing agency like Confindustria was to isolate which trade patterns would have brought the most advantage to its own members; moreover, the fact that the exchange rate regime debate almost always came together with the more general debate on European integration - as another alternative to Bretton Woods was not envisaged at the time - made the issue more complicated than it already was. Indeed, European integration included plenty of other trade barriers, too: besides tariffs and quotas, the problem included the liberalization of domestic markets[78], the mobilization of the factors of production[79], the harmonization of regulation[80], and so

[75] *Il Giornale del Commercio*, 20 September 1969, p. 1.
[76] [note]
[77] [note]
[78] [note]
[79] [note]
[80] [note]

forth. Confindustria took a very positive attitude towards this, in the belief that harmonized markets would have led to free competition, and implicitly, to the erosion of state monopolies in certain public utilities and strategically relevant sectors: this explains why the industrial producers were still pushing for further progress on these aspects of integration as of early 1967:

> "Industry [...] has always affirmed, within the Common Market, that the spirit and the word of the Rome Treaty must not limit themselves, nor can they be limited to, a customs union or the creation of a free trade area. It is necessary to look beyond and let the economies of the Common Market countries reach such a harmonization as to enable the creation of a real common market: that is, to allow for the balancing of competitive positions."[81]

On top of all that stood other, even broader themes, even culminating into the realm of political philosophy: for instance, to what extent was it favourable to the Italian economy that the national government transferred part of its own sovereign power to European institutions[82]? Confindustria did not provide answers to this question, at a time in which, to be fair, no one else actually did[83]. The problem of trade patterns was, however, not going to threaten the general positive attitude of the association towards European-centred monetary cooperation[84].

On the problem of trade patterns, the international orientation of the State-controlled business came into play, but in the opposite direction than Confindustria's: indeed, the State-controlled enterprises' interests were much more compact[85]. Most of their international business, due to their nature - think of public utilities and heavy industry[86] - was already oriented in the direction of other EEC countries, most notably France and Germany[87]. In theory, a change in Italy's optimal trade patterns would not have met the general interests of internationalized industry. In practice, though, there was an exception: in the case of European monetary integration, being rather oriented towards the same foreign markets which would have benefited from the change, a shift in trade

[81] *L'Organizzazione Industriale*, 19 January 1967, p. 1.
[82] [note]
[83] [note]
[84] [note]
[85] [note]
[86] [note]
[87] [note]

patterns favourable to trade with these countries would have encountered the favour of Intersind[88].

However, the closer ties with government, which the State-controlled industry enjoyed by definition[89], played a negative role in the creation of support towards a change in the international monetary regime. Indeed, the only other visible option being European integration, the issue of sovereignty was perceived as a threat to the peculiar nature of Italy's public enterprise[90], especially in the markets for public utilities, most of which were eventually doomed to remain a State monopoly until the 1990s[91].

As is easy to imagine, Confcommercio had clearer positions on the evolution of trade patterns than on any of the other issues. One may find that capital outflows stood at the top of Confcommercio's list of elements playing against economic prosperity, as they "created a balance of payments deficit despite the brilliant performance of the trade balance". Indeed, it must be noted that Italy's trade balance was the real point of strength of the country's balance of payments[92]. And one needs not dwell into the very late years of the decade, when indeed this problem had become very prominent: already in early 1966, the National Council for the Economy and Labour (CNEL) had stressed that a strong commercial sector, coupled with a structural lack of demand, was going to become a weakening, rather than strengthening, factor of the economy "only in the case it were obtained through a waste of resources". At the same time, the CNEL stressed that there was no sign that this was the case for Italy. Hence, "[...] far from suggesting a Malthusian policy of export restriction, it is necessary to aim at promoting imports too. To this end, the main measure is still that of raising the investment level."[93]

This observation, well grounded in economic theory although rather contrary to the prescriptions stemming from the export-led growth ideas that were generally accepted in the post-war debate[94] - and that were particularly dear to commercial operators[95] - was considered by the CNEL, and by Confcommercio, as it contributed to exclude the trade balance from the responsibility of the economic slump the country's economy was

88 [note]
89 [note]
90 [note]
91 [note]
92 [note]
93 *Il Giornale del Commercio*, 5 February 1966, p. 1.
94 [note]
95 [note]

experiencing. Such slump, which already contained the elements of the *stagflation* that would be diagnosed much later[96], was attributed to causes other than the strength of the export sector, namely the low investment level, the sluggish situation in the building sector, and the technological progress which reduced labour demand. Confcommercio's position was therefore one of relentless promotion of international trade[97], which was also sustained against the accusations of being contrary to the national interest.

Agricultural producers had a slightly more complex position relative to the other business associations as regards the promotion of new trade patterns. The direction of the interest of Italian agricultural producers towards the monetary regime can be understood starting from the description of their typical pattern of trade. Due to the climate and geographical complexity of the country, with the exception of very few large plains in which extensive production was possible - and in which large-scale producers were accompanied by a proliferation of small-scale producers affiliated in consortia[98] - in the remainder of the country, agriculture was relatively intensive and often family-based: the land devoted to agriculture had to be created and maintained constantly against the odds of vegetation, mountains, lack of water, unfriendly weather, and so forth. This effort that had to be made in order to obtain domestic production of agricultural commodities caused, with the post-war economic boom, domestic production to be totally insufficient to cover domestic demand: a phenomenon common to Europe as a whole, as *Mondo Agricolo* often reported:

> "The food deficit, that is, animals and meats, eggs, dairy products, cereals, fruit [etc.], has reached in 1969 the amount of 3200 billion [liras] against the 2500 of 1968, with an 11% increase, thus much faster than the increase in imports (+9.9%) and exports (+5%) [...]. Strangely, the 'big hunger' of Europe developed at the same time as community integration, and with the development of the problem of excess production; indeed in ten years of life of the Common Market the food deficit, which initially equalled the sum of that of the two traditionally importing countries, Germany and Italy, has risen at a growing pace, reaching a present value which is 16% higher than at the beginning."[99]

[96] [note]
[97] [note]
[98] [note]
[99] *Mondo Agricolo*, 25 October 1970, p. 1.

Most international trade in agriculture was therefore oriented in a single direction, that of importing goods from abroad[100]. The problem with foreign production was that agricultural commodities imported from America and Africa were much cheaper than domestic production. A monetary system which potentially made trade with the United States relatively more difficult than trade with Europe could not, therefore, be other than welcome by Confagricoltura, which saw overseas countries as the worst possible threat to local production. When the EEC, in June 1971, offered a 50 per cent reduction of the custom tariff for the imports of oranges from the United States, as part of a cross-exchange of tariff reductions involving other sectors, Confagricoltura reacted with decision:

> "The choice made by the Commission - according to the agricultural world - has neither a logical explanation under a political point of view, nor does it make sense under an economic perspective, as the advantages the United States would enjoy would certainly be much smaller than the damages caused to our own production. [...] Confagricoltura cannot but underline the absurdity of a measure which, in order to sustain the economy of certain areas of Italy unjustly suffering from protectionist measures implemented by the USA, tend to load the burden on other areas of the South, which if on the one hand have a much weaker economic structure, on the other hand rely on the cultivation of citrus fruit as their most important and irreplaceable source of income."[101]

All in all, then, the agricultural producers saw European integration also as a way to enhance the trade patterns with those countries with which a common policy was being undertaken in the sense of a subsidization of agricultural production. Every action in this direction was therefore welcome, including a possible change in the monetary regime, which might have turned out to be useful in order to promote this new trade pattern as opposed to any trade relation with potentially dangerous competitors such as the United States.

Mainly along the same lines as Confagricoltura stood the Confederazione Nazionale Coltivatori Diretti (Coldiretti), the small-scale producers' association created in 1944 as a consequence of the mentioned secession. The two arguments described in the previous section, inflation and trade patterns, were obviously also dear to small-scale producers.

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[100] [note]
[101] *Mondo Agricolo*, 27 June 1971, p. 2.

If a difference is to be found, it may be that Coldiretti was much less oriented towards the problems coming from international trade in general, and paid much more attention to the developments regarding the EEC's Common Agricultural Policy[102]. Indeed, small-scale producers were also afraid of intra-European movements: while larger scale producers should not fear a larger European market with the presence of large scale producers of other European countries - which were pretty much in the same situation than Italy in terms of the cost of production - small-scale producers looked at the large French and German agricultural companies as potentially eroding quotas of the specific domestic markets within which each of them operated[103].

4. CONCLUSIONS

The first conclusion that is to be drawn from the analysis conducted is the verification of the hypothesis advanced at the beginning: business associations developed an active debate, especially as regards certain aspects of policy-making, and this must certainly have played a very relevant role in influencing the choices at governmental and parliamentary level, a role further strengthened by the convergence of many policy views between business associations and trade union movement, mainly on the problem of inflation, which was a novelty in the economic picture of post-war Italy.

As to the question that proceeded from the hypothesis, it has been outlined that the rationale for supporting Bretton Woods and European integration stemmed by considerations of a very different nature, depending on the type of business represented by each association, which resulted in different interests in terms of inflation, interest rate management, exchange rates, patterns of trade. Furthermore, government and parliament in post-war Italy were unambiguously dominated by the Christian Democrats' party, and both Atlanticism and Europeanism in all aspects of policy-making were present in the political debate as expressions of different groups internal to this party. In line with a sort of "party-State" model, almost all other political actors were attached to either of the two Christian Democrat views, despite often using different tones and stressing specific points rather than others. As has been seen, most

[102] [note]
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business associations sympathised with the European view, due to the majority of the country's external trade taking place with European partners; even the farmers' association, Confagricoltura, that was sceptical of the Common Agricultural Policy, took European integration almost for granted in all other aspects of policy-making.

The notable exception in the industry was the state-controlled business association, Intersind, that had a more moderate view on European integration due to the fear that Europe would push towards the erosion of the monopoly position upon which state-controlled industry based its prosperity. This view was closer to the right wing of the Christian Democratic party, that is, the traditional view of a part of the *dorotei*. Similarly but from a totally different perspective the main European sceptical view was expressed by PCI and its affiliated trade union, CGIL.

As to the timing at which the views on the monetary regime started to switch from an "either/and" to an "either/or" scenario, it has been pointed out that while the summer of 1971 approached, and with it the monetary events that started in early May with the flotation of the Deutschemark and the Dutch guilder, Confindustria - although certainly not anti-American as a pressure group - sustained that "the remedies for European countries have to be sought within Europe. Ultimately, it is Europe that must realize that, as was said, 'in order to live with an elephant, you must at least be an elephant yourself', meaning that only a European currency, sustained by an integrated economy comparable to that of the United States, would be able to escape the consequences of the American monetary events."[104]

Confindustria and the other associations of private business remained then favourable to European integration, especially once the collapse of Bretton Woods paved the way to the uncertain period of multiple devaluations, revaluations, floating, which was certainly not welcome by anyone with an interest in foreign trade. Confindustria's comment on the Smithsonian Agreement was that "the recent accords did not bring to the creation of the new international monetary system that everyone was invoking, nor to a new monetary arrangement promising stability", and therefore Europe should have taken decisions on its own, as these "difficult years [...] might be enlightened by the emergence of a true European economic union, with a currency of its

[104] *L'Organizzazione Industriale*, 28 May 1971, p. 1.

own"[105]. On its part, Confagricoltura was rageous against the American call for more open trade arrangements for American products to enter European countries - and therefore against the underlying principle that triggered the August measures - as this was clearly against its members' vested interests, with arguments along the lines of "the EEC imports ten times more butter than the United States, the latter applying at the same time a quota system"[106]; and the solution was seen as Europe-wide rather than national.

The only exception remained the organization of state-controlled companies, Intersind, whose stake was slightly different; although these companies behaved the same way as private entities when it came to trade with abroad, it must be mentioned that the market power they enjoyed was constantly at risk of being eroded by any transfer of powers towards the EEC, whose common market objective included the expansion of competition practices which might have limited the monopoly position of the state-controlled industry.

The breakdown of Bretton Woods, therefore, cemented the European-centred views of private businesses, as it made clear that the future of monetary stability was to be sought within a European framework. As to Intersind, the option of pursuing monetary stability through the transatlantic link was really no longer an option; and such stability was too important to the country's business - included that operated by state-controlled companies - to be publicly opposed because of the fear that at some stage, European integration might have put pressures on monopolies in order to limit market power within the EEC.

[105] *L'Organizzazione Industriale*, 11 January 1972, p. 3.
[106] *Mondo Agricolo*, 26 December 1971, p. 5.

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