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PREFACE

The importance that the development of small firms has had for the Italian economy in the last ten years is widely recognized. This development can be seen as one of the most significant aspects of the process of adjustment to the economic and social tensions of the 1970s. The term "adjustment" emphasizes that this process was largely unplanned, though it was influenced by political decisions or, more frequently, non-decisions. In the absence of effective long-term economic interventions at the central level, the growth of small firms has, in fact, been based on certain economic, social and political resources which were widely available in some local areas. These allowed smaller productive units to avail of the opportunities for development which were opened up by changes in technology, in the organisation of work and in market structures. Furthermore, the strengthening of the unions in large firms, which occurred in the early 1970s, contributed, especially in the initial stages, to the growth of small firms. The study of the political economy of small firms and of its relationship with the overall political economy seems, therefore, particularly interesting in the Italian context.

The regions in which small firms predominate, Emilia, Tuscany, Umbria, the Marches, Veneto, Trentino and Friuli, are located principally in the centre and north-east of the country.
though the phenomenon is also to be found in the north-west, where, however, the large firms undergoing restructuring and the large metropolitan areas are, for the most part, concentrated, and in the south, where the major problems remain those associated with underdevelopment. The regions of the "Third Italy" are, therefore, characterized, from the economic point of view, by the marked predominance of small and medium-sized firms: about 80% of those employed in industry is concentrated in productive units of less than 200 employees, the average size is less than 10 employees per unit and this average decreased during the 1970s. Indicators such as the rate of growth of value-added, investment, productivity and employment show the marked dynamism of industry in these areas. The "traditional" sectors of industry - textiles, clothing, shoes and furniture - predominate but there is also a significant development of "modern" sectors, particularly the machine tool industry. Small firms tend to be found clustered together in "industrial districts", that is they form integrated territorial systems with strong sectorial specialization. These districts usually coincide with small urban areas and consist of one or more communes.

Numerous economic studies of the small-firm economy have been carried out. These clearly indicate that there is a relationship between this form of development and the social context in which occurs. Less attention has been devoted, however, to the role of the local political context. Yet, the regions which are most typical of small firm development (as well
as similar areas in Piedmont and Lombardy) are usually characterized by the existence of specific subcultures. In these areas, one often finds the predominance of a particular political tradition, whose origins generally go back to the beginnings of the century and a complex of institutions (parties, interest groups and cultural and welfare structures) which derive from the same politico-ideological matrix. The central regions, which were originally socialist in orientation, are now Communist strongholds while there is a deeply-rooted Catholic subculture in the regions of the north-east (Fig.1).

The purpose of this article is to draw attention to the political context of "diffuse industrialization", particularly to those aspects that concern interest representation and its effects on industrial relations and on the activity of local government. I shall try to show that these aspects have played an important, though varying, role in the forms of regulation of the small-firm economy, especially in the context of strong political subcultures. The role of the local political system is rendered even more important by the process of modernization at present underway. The following observations are not intended, however, to provide a comprehensive interpretation of the development of small firms and of the links between this development and the institutional context. The aim is, rather,
to contribute to the analysis of the political economy of small-firm areas by focusing on certain factors which have been, generally, overlooked. For these purposes, the concept of "neo-localism" is put forward and the role of this type of regulation in the "success" of the small firm economy as well as the constraints that it seems to impose on the process of development are discussed.

Despite the importance of the local level for its development, diffuse industrialization affects not only the "periphery". It also influences and is conditioned by the central political economy. The final part of the article is devoted, therefore, to a discussion of some hypotheses on the relationship between neo-localism on the one hand and central "concertation" involving government and interest groups on the other. These two phenomena, which have attracted increasing attention in recent years, are usually considered separately. We shall, however, try to elucidate the consequences of their "contradictory co-existence".

Some preliminary warnings are necessary. The concept of neo-localism is used in an ideal-typical sense in the following analysis. It cannot be applied directly to describe the mechanisms of regulation that prevail in individual small-firm areas nor is it intended to reduce adjustments that vary considerably from area to area to a single model. Its purpose is, rather, to identify some general features that can be found,
to a greater or lesser extent, in the various concrete situations. The observations on this theme are based on the results of a research project on the social and political characteristics of small-firm areas. The project consisted of case-studies of two typical areas with differing political subcultures, Bassano in Veneto and Valdelsa in Tuscany, as well as an analysis of some current trends in the central and northeastern regions. In Veneto and Tuscany, a study on interest representation at a regional level was also carried out. Given the aims of the present article, however, reference to the research data is limited and is used mainly to illustrate the hypotheses presented. Moreover, only those aspects which are directly related to the themes considered are touched upon (1).

**Dualism or neo-localism?**

It is not necessary to provide a detailed account of the problematique of research on small firms in any detail here. For our purposes, it is sufficient to recall some essential points. The interpretations of the origins and characteristics of this form of development have been progressively refined over time. In the early stages, in the wake of the debate on the differentiation of the labour market and decentralization of production, the emphasis was on the idea that the development of small firms was induced and brought about, principally, by the attempt of larger firms to circumvent the restrictions imposed on
them by the unions by devolving parts of the productive process to smaller firms. Their aim was to reduce labour costs and to re-establish the flexibility of the work-force (2).

This initial conception was later complicated by various developments. Economic research showed that, in some areas, the relationships between firms could not be wholly explained by the phenomenon of decentralization introduced for the purposes of cutting labour costs. These relationships often entailed increased specialization and division of labour among firms. These were rooted in economies, external to the single units of production, but internal to the industrial district in which they were located (3). The same studies stressed that changes in technology and the growth of demand for non-standarized goods enhanced the chances of autonomy and innovation for small firms.

At the same time, another line of research, this one sociologically oriented, contributed to the clarification of certain essential points. It was pointed out that small firms are concentrated, mainly, in the central and north-eastern regions (Bagnasco, 1977). In these areas a trend of autonomous development emerged. This was not primarily brought about by the decentralization of existing production, though it was combined with the latter in various ways according to the sectorial specialization of industrial districts. The role of traditional institutions and identities is considered, by this approach, to be an important variable in the development of small firms and in
the acceptance of this development by the local communities. In particular, some studies have examined the characteristics of the family and its relationship with the small firm economy from this perspective (Ardigo, Donati, 1976; Paci, ed., 1980).

Our research can also be located within this approach. The specific objective, however was not only to explore the original institutional context but also to indicate the influence that the changes occurring in this context can have for economic development. The results of this research indicate that diffuse industrialization is supported by a complex institutional structure which consists, not only of social components like the family or the local community, but also of a specific form of interest representation which influences industrial relations and the activity of local government. Of course, caution must be exercised in any attempt to generalize from individual local or regional cases. The equilibrium which is established between the market and social and political structures in the regulation of the small-firm economy, in fact, vary considerably, from area to area. It seems, nevertheless, possible to hypothesize that a strong subculture provides resources which are favourable to particular forms of political regulation of diffuse industrialization. Obviously, as we shall see, the different subcultural matrices, the period in which economic development occurs and the sectorial specificity of the various areas all influence this process.
Even with these limitations, there is sufficient evidence to question a widespread conception (which is influenced by the early discussions on the decentralization of production) which underestimates the importance of interest representation of workers involved in the small-firm economy. Using a concept recently proposed by John Goldthorpe to analyze current tendencies in some Western countries, including Italy, we could define this approach in terms of dualism. The concept is not used in the accepted definitive meaning of the term in economic literature but refers exclusively to interest representation. It is used with reference to forms of political economy which involve the development of productive and occupational situations in which the representation of workers' interests by trade unions is excluded or strongly discouraged. The use of a migrant workforce, the prevalence of precarious and illegal work relations and the development of productive decentralization and of small firms are considered as indicators of this type of political economy. From this perspective, therefore, a small firm economy is seen as one pole of a dualism which, unlike the large firm and unionized sectors, is regulated, primarily, by market mechanisms.

In reality, however, things appear to be more complicated, at least as far as Italy is concerned. Dualism, in the sense indicated above, is certainly present and it should not be overlooked. Nevertheless, the development of small firms demands a more articulated interpretative model. In this regard it is
necessary to draw attention to two aspects in particular. First, the data acquired so far show that the phenomenon cannot be reduced to a process of fragmentation of production motivated by a search for low labour costs and greater flexibility of the workforce. In the more autonomous and advanced parts of the small-firm economy union representation is, usually, present. Secondly, the various components of the productive structure are generally embedded in a particular institutional context which interacts with the market and conditions the effects of the latter on the life chances of the people involved. There exists, in short, a process of "social construction of the market" (Bagnasco, 1985) which dualist-type models tend to overlook.

Within the "industrial district", not only the small firms, but also market mechanisms and social institutions such as the family, the kinship network and the local community are closely interwoven. Social structures provide cultural and material resources for the development of entrepreneurship and of flexible productive structures. They also mitigate the effects of the market, arising from discontinuity of employment, on social relations and enable the costs of the reproduction of labour to be lowered and incomes to be supplemented and brought up to acceptable levels. Furthermore, the persistence of community values which cut across social classes, the low degree of polarization of the class structure and high social mobility play an integrative role that should not be underestimated.
These social aspects of the regulation of the small firm economy are already well-known and have been examined by various studies. The studies carried out in Veneto and Tuscany also show that they are of great importance. Nevertheless, the insistence on the traditional localism-market duality runs the risk of being misleading, especially when it is applied to those areas where industrialization is more consolidated and where there is a well-established political subculture. In these situations, the role played by interest representation through industrial relations and the activity of local government must also be taken into consideration. On a more general level, it is also necessary to bear in mind that, in the small-firm areas, the thrust of economic development and of the cultural opening-up of the local society brings about a shift in the boundaries between the market and traditional social and political structures. An increase in the importance of the latter tends to occur, principally, at the expense of traditional localism.

The concept of "neo-localism" can be used to illustrate the more complex interdependence between the various mechanisms of regulation at local level and to draw attention to the role that is played by interest representation. The concept is used here to identify the particular division of labour between market, social structures and, to an increasing extent, political structure. This mechanism made the local economy highly flexible and adaptable to rapid market changes in sectors with wide fluctuations in demand. At the same time, it facilitated a
redistribution, within the local society, of both the social costs of and the benefits accruing from economic development. We shall now examine the role played by interest representation in this context.

**Union representation**

In looking at the role of interest representation in small-firm areas, one must first of all point out that this representation has a long history which is closely connected to the origins and development of the local Socialist and Catholic subcultures. It is not possible to examine this history in any depth here (4), but one should emphasize the fact that, in the central and north-eastern regions, the Socialist and Catholic movements were very active from the end of the 19th century onwards. Their roots in the local society are not only deeper and stronger than in other parts of the country but the traditions themselves have assumed a particular character in that they have produced territorially-based political subcultures. Neither the social influence nor the political representation of these subcultures was confined to specific groups: they tended, rather, to cut across class boundaries and to assume wider community dimensions.

It is possible to identify some of the historical conditions that favoured this phenomenon, for example: the non-polarized...
class structure of the central and north-eastern parts of the country which was based on agricultural work of a predominantly autonomous variety (sharecropping, peasant and tenant farming); a thick network of small artisan and commercial centres which had enough resources to establish a clear identity and to organize themselves; and a secular (republican, radical or anarchist) tradition in the central areas and a predominantly Catholic tradition in the north-east. The interaction between these factors, following the development of capitalism and the creation of the nation state, i.e. between the end of the 19th and the beginning of the 20th centuries, favoured the establishment of socialism in some areas and of the Catholic movement in others.

It is important to emphasize that the differing territorial subcultures that arose from the consolidation of these movements had a particular feature in common: both tried, albeit in different ways, to defend the local society from the changes brought about by the market and by the state and tried to halt the process of social disintegration and to contain that of proletarianization by experimenting with localized forms of organisation. In the red areas, this process developed through a complex series of relationships, involving unions, labour organisations, friendly societies, cooperatives and communes, which characterized the lively "municipal socialism" of the beginning of the century. In the white areas, organisations of a specifically union-type were less developed but there was a network of rural savings banks, banks, agricultural
organizations, cooperatives, friendly societies and charities, all of which were linked, in one way or another, to the local Church. In both the red and white areas, the defence of the local society involved some form of relationship with the "centre", i.e. with the national state. This relationship had both conflictual and contractual elements and the former were often used to improve the terms of political bargains. A typical example of this is the activity of the parliamentary socialists in favour of cooperatives and communes. This type of relationship between centre and periphery is related to the fact that both socialists and Catholics were excluded, in varying ways and for varying reasons, from the central political power. This exclusion drove them into organizing and strengthening their position at a local level where conditions were more favourable.

There are, of course, differences in the strength of the subcultures and in the periods in which they emerged and were established. As far as the areas under socialist control are concerned, for example, the phenomenon is certainly more widespread and consolidated in Emilia Romagna and in certain areas of Tuscany than it is in Umbria and the Marches where socialist penetration of the countryside seems to have occurred, principally, after World War I and where the social network of associations appears to have remained relatively underdeveloped even after that date. In the same way, the Catholic subculture was stronger in some areas of east Lombardy, such as Bergamo and Brescia, and in the inland areas of Veneto, such as Vicenza and
Padua than in other parts of the north-east. Our interest lies, however, in emphasizing the emergence of a model of representation which had strongly localist connotations and through which, in the face of the weakness of the central state and of the vertical structures of representation - parties, unions and interest groups - a decentralized political economy was established. The subculture fostered the emergence of particular local political systems.

It is impossible to examine the historical evolution of this phenomenon, which involves the establishment, after Fascism and the war, of the PCI and the DC in those areas which had originally been under socialist and Catholic influence, here (5).

The context in which these territorial subcultures emerged did, however, have certain consequences for the political economy of small firm areas. We should like to draw attention to two aspects in particular: the existence of a reservoir of resources for the organization of interests; and the influence of this on a model of representation which was conditioned, to a significant extent, by local and political constraints. We shall try to give an outline description of how these elements combined by examining industrial relations and the activity of local government.

Insert Figures 2 and 3 here
As we have already noted, the idea that areas of small-firm development are characterised by weakness of trade unions and by poorly institutionalized industrial relations is widely held. If we consider the data on unionization (Fig.2), however, the picture appears to be somewhat less simple and straightforward. In 1961, when the process of small-firm growth was just beginning, or had not yet started, the rate of unionization in the industrial (CGIL+CISL) was highest in the red regions of the centre. In the white regions of the north-east, the rate was a little lower than in the "industrial triangle", where the large enterprises were fully developed. There was a marked increase in unionization in the following years, particularly in the 1970s. In 1977, the highest rates of industrial (and, indeed, overall) unionization were to be found in the small-firm regions. This leading position was consolidated in the early 1980s when these regions suffered less than the north-west from the fall in unionization that occurred at the time (6).

The differences that exist among the various regions (Fig.3) suggest caution in the interpretation of data on unionization. The time at which economic development occurred and sectorial specialization, which influences the characteristics of the workforce (7), must be kept in mind. It would, nevertheless, be difficult to explain the dynamism of the phenomenon in regions like Veneto, Emilia or Tuscany without reference to the resources provided by the local political subculture, particularly since a
very fragmented productive structure, such as is found in small-firm areas, hinders the development of unionization, especially from an organisational point of view.] It should also be pointed out that the CGIL (the Communist-Socialist union) predominates in the red and the CISL (the Catholic union) in the white areas (Fig.4), even though an "area of union monopoly" exists, really, only in the first case (Rossi, 1980). In the regions of the north-east, the CISL is stronger than in other parts of the country but the CGIL is also represented to a significant extent.

Insert Figure 4 about here

The influence of the local context is also confirmed by the studies carried out in the white area of Veneto (Bassano) and the red area of Tuscany (Valdelsa). In the first case, the existence of a long-established Catholic associational network and, especially, the position of influence held by the ACLI (Associazione Cattolica Lavoratori Italiani) favoured the consolidation of the CISL. In 1982, the rate of unionization of workers in small firms in this area was 48% but it fell to 17% for those employed in artisan enterprises with less than 10 employees. In Valdelsa, a gradual shift in union representation from the agricultural sector to that of small firms was facilitated by the existence of a very strong share-croppers' organization in the 1950s as well as by the considerable organization and strength of the Communist party in the area. Unionization of workers in small firms reached a level of 80%,
though the rate was considerably lower in the artisan sector in this area too.

The two case studies are, of course, very typical but they highlight some processes that seem to acquire a more general significance in the light of the data previously analysed (8). We can maintain that the political subculture provided institutional and identity resources which favoured the organization of workers in small-firm districts, particularly in industrial enterprises with more than 50 employees. This process was more marked in areas with a red subculture, especially in those with a stronger associational traditional.

Up to now we have described an important, though often underemphasized aspect of interest representation in areas of small-firm development. The existence of various levels of worker organization, though crucial, cannot, however, in itself provide an adequate explanation of the nature of that representation. In this regard, it is necessary to establish the direction taken by union activity and the consequences of this. If we consider the data on conflictuality in the period between the late 1960s and the early 1980s, we see that the severity of strikes (hours of work lost per striker) was markedly lower in small firm regions than in a typical large-firm region like Piedmont. Though the results are similar in all small-firm areas, these are due to varying factors in the different regions. The regions with the strongest Communist subculture, Emilia and Tuscany, have a very
high rate of participation (strikers per strike) but a low rate of severity while the "white" regions, Trentino, Veneto and Friuli, have an appreciably lower participation rate and a relatively higher level of severity, although the latter is still less than that found in Piedmont. The Marches and Umbria have both low participation and low severity rates (9).

Unionization and conflictuality would seem, therefore, to have a particular, though differentiated pattern in small firm areas. A substantial level of unionization is accompanied by a low level of conflictuality. It would, however, be mistaken to conclude that unionization is to be considered as a consequence of the particular political subculture and that it has a negligible effect on industrial relations in small-firm areas. This view has often been put forward, particularly to explain the situation in the red areas.

There is no doubt that the local subculture did impose constraints on union activity in the initial stages of economic development. It is not difficult to find evidence of this in both the red and the white areas (10). In the former, the strategies adopted by the PCI certainly did encourage policies which were favourable to small firms, while the growth of the CISL in the white areas, in the initial stage of development, was also largely dependent on the support of the Church, the DC and the
entrepreneurs and this reduces the autonomy of the unions. Nevertheless, there are indications that this situation has changed.

The labour costs of industrial enterprises increased in the 70s and, in almost all the small-firm areas they came close to the national average and to that of Piedmont (Bagnasco, Pini, 1981). The available data and studies that have already been carried out lead us to hold that this tendency was influenced by a considerable amount of negotiation on a firm level. For example, a regional study on Veneto in the period 1979-1980 found that 42% of industrial enterprises with more than 20 employees were involved in negotiations at firm level (Giubilato, 1982). This percentage was considerably higher for firms with more than 50 employees. The vast majority of firms above this threshold of size in Emilia and Tuscany also seem to have been involved in firm-level negotiations (Brusco, 1980; Ires-CGIL Emilia Romagna 1983a; 1983b). In the studies on Bassano and Valdelsa, the rates found for industrial enterprises were 45% and 60%, respectively.

Agreements at firm level were concerned, for the most part, with factors like wages and differentials (ratings). More innovative aspects relating to the processes of restructuring, mobility and decentralization of production (such as, for example, the "right to information" and the negotiation of employment levels) are dealt with hardly at all or in a ritual way with limited practical implications. The question of the
organization of work, which had, in the past, played an important role in firm negotiations in large factories, appears not to have been an issue at all (11).

Caution should, obviously, be exercised in generalizing from these tendencies and the differences between the areas in terms of wage benefits and differentials should not be underestimated. In Valdelsa, for example, we found that the wages negotiated at firm or area level were higher than in Bassano and in the furniture sector exceeded the wage determined at the national level by 20%. Differences also emerged in the average level of ratings. The degree of local coordination and formalization of negotiations is also higher in the red areas. Issues such as working hours and overtime are more frequently the subject of negotiations than in Bassano (in 83% of the cases compared to 40% in Bassano). The fact remains, however, that despite these differences, negotiations at firm level are carried out in an atmosphere of low conflictuality (in both areas about 70% of the entrepreneurs declare themselves to be satisfied with industrial relations, while the opinion of entrepreneurs on this subject on a national level is clearly negative). Negotiations at firm level bring particularly economic benefits to industrial workers, especially those in firms with more than 50 employees and they do not impose rigid constraints on labour mobility and flexibility which are fairly high in both areas. Workers often move from one firm to another (about 60% of the workers changed firm more than once). In addition, substantial proportions of workers - from a
third to a quarter - said that they worked more than eight hours a day "in busy periods" and that they worked on Saturdays and holidays. Interruptions of working activity because of a fall in production are widespread.

In the light of these data, it does not seem possible to explain the relationship between high unionization and low conflictuality in terms of the hypothesis that stresses the subcultural character of unionization and sees it as having little effect on industrial relations. The quantitative data on conflictuality, to which we have already referred, can be interpreted in another way. These data do not necessarily indicate union weakness or, in the case of the "red" areas (Emilia and Tuscany), a predominantly political type of conflictuality which is expressed through high participation and short duration of strikes. They are also consistent with a negotiational and localist model of representation. This is quite different from the conflictual trade unionism of the large factories in the 1970s which has dominated the scientific and political debate on the subject.

Further and more detailed research, as well as a thorough examination of the variations in industrial relations, are necessary before any satisfactory generalizations can be made. A provisional synthesis can be proposed, however, in the following terms on the basis of the data to which we have already referred: the existence, in many areas, of deeply rooted, territorial
political subcultures favoured the growth of unionization but, at the same time, it contributed to directing union activity so that it neither hinders the process of economic development nor weakens the local subculture itself. These original constraints have not prevented trade unions from growing in strength and from increasing their own margin of autonomy over time. This seems to have been achieved (though with specific differences that should not be underestimated) by means of a process of adjustment which involved using available resources to bring advantages to union members either in economic terms through single firm or single area negotiations or by means of providing services (consultation, assistance, patronage etc.)

On the other hand, this tendency has been influenced by the characteristics of the working class in small-firm areas (12), such as, for example, the low proletarization of this social group which derives from the predominant forms of the organization of work, from its deep-rooted ties with the traditional institutional and cultural context (family and local community) and from the opportunities for individual-family mobility offered by diffuse industrialization. These factors, which were particularly important in the first stage of development, were certainly not very favourable to the militant unionism that prevailed in the large firms and industrial cities at the time, though it is important to remember that the latter model did, from time to time, influence union activity even in
small-firm areas and that it produced new forms of conflict as well as internal changes within the political subcultures (13).

On the whole, however, structural constraints and the characteristics of the working class directed the unions towards a negotiational and localist type of representation. This can be seen in negotiations at firm and area level. Though these were more or less formalized, they, nevertheless, reflected the compatibility of local political and economic systems. There are, of course, likely to be even substantial differences in the extent and effects of various negotiations. In general, however, union agreements and activity did not impose rigid constraints on the mobility and flexibility of the workforce. In exchange, the unions obtained benefits of a prevalently economic type and a high level of recognition on the part of the entrepreneurs. In this regard, it is necessary to bear in mind that the rate of membership of business associations is probably higher that it is usually thought to be in small-firm areas. Comparable regional data are not available but in both Valdelsa and Bassano, more than two thirds of the artisan and industrial enterprises supported organizations of their category. The majority of the entrepreneurs, moreover, said that they were in favour of "stable relationships with union organizations" and 60% in Veneto and 45% in Bassano reported that they had "frequent contacts" with the union in the firm.
It is within this general context that the role of internal dualism in the industrial relations of the individual areas is to be considered. This role is always present but its importance varies according to the local economic and political context. Workers organizations are less likely to be found in smaller and, particularly, artisan firms where there are also some legal limitations on union activity. These firms are often tied to larger enterprises through the decentralization of production which is rarely an issue in union activity or negotiations. This dualism allows firms in the industrial sector to cushion the costs of union representation to a certain extent. On the other hand, family and community ties help to moderate the effects of discontinuity in employment and of lower pay for workers involved in the sectors not protected by unions. For example, the wives and children of unionized workers in industrial firms are often employed in these sectors.

The factors discussed up to now show that there is a complex inter-relationship, on a local level, between market, traditional social structures and interest representation. A consideration of local government activity should further add to our understanding of the small firm economy and, indeed, the influence of the subcultural background can also be established in this context.
The role of local government

We have already referred to the role played in the "defence of the local society" by the Socialist and Catholic subcultures at the beginning of the century. With the development of small firms, one could say that this role has been revived, though obviously in different forms and contexts, within the processes of interest mediation in the individual areas.

In the climate of marked ideological conflict that characterized the 1950s, the activity of the Communist and Catholic institutional networks was directed, principally, at defending, reproducing and reinforcing their respective subcultures. The Communist party and the Catholic Church assumed a primary role in this phase and they controlled and coordinated local institutions (14). The communes were among these institutions and, though these did undertake concrete interventions in the social field, they were also used, to a significant extent, to consolidate local political identity. This trend was typical of the red areas in particular. Given the exclusion of the PCI from the central power, the activity of the local governments controlled by the party was directed, largely, at supporting local political mobilization and at channelling demands and pressures towards the central institutions. The choice of a balanced budget in the communes, which was abandoned in the 1960s, is significant from this point of view. This choice certainly arose from the need to avoid central control and
often, as far as left-wing administrations were concerned, discrimination, but it also reflected a more general orientation of the Communist subculture which was directed, above all, at defending and consolidating the local political identity (15). As far as the white administrations were concerned, the choice of a restrictive budgetary policy arose from a tradition of minimal direct intervention on the part of the communes, a policy that was maintained in the following period. In this phase, however, one can note that the degree of autonomy of the DC and the communal administrations from the local Church was very limited.

Things changed in the following period. It is possible to discern a shift towards a more concrete and relevant role of local governments and unions in the mediation of local interests. This came about within the context of changes on a national political level which opened up greater opportunities for the activity of local agencies, particularly in the 1970s. The development of small firms was, nevertheless, an endogenous and essential condition for this process. The existence of deep-rooted traditional social structures and identities did, as we have emphasized, facilitate the transformation of the economy and the latter, in its turn, led to a smooth, non-traumatic redefinition of these resources. Thus, a specific space was opened up for local government activity which began to supplement the role of traditional institutions in the regulation of economic development.
In order to clarify the nature and consequences of this process further, a series of factors must be considered. The parties which controlled local governments, the DC and PCI, enjoyed a high level of ideological consensus. The support was, in fact, an expression of overall cultural identity which, especially in the smaller centres, cut across the class structure and assumed a community character. This generalized support freed the administrators from the necessity of satisfying very specific and sectorial demands (16). Moreover, even though the DC and the PCI were often part of coalition councils, they enjoyed a dominant role because of their strength in the local subcultures. This factor may have contributed to increasing the stability and decision-making capacity of local governments (17).

There are, of course, differences in the ways in which the parties held and exercised power and influence. In particular, one can hypothesize that the DC had a more marked inter-class orientation than the PCI. Nevertheless, it is interesting to note that, because of their original characteristics, the social bases of both subcultures included various classes to a greater extent than in other areas. The development of small firms modified this situation over time and the differences between the subcultures were, as we shall see, accentuated. But this came about in a gradual and non-traumatic way so that the local governments were, for a long time, able to enjoy a reservoir of consensus that freed them from satisfying particular demands. Another element which increased the chances of success of
communal policies in regions of small-firm development compared to large-firm or underdeveloped areas. Diffuse industrialization, particularly in its initial stage, limited the problems that local governments had to face. The fact that the traditional family and the community background were not changed, that there was no great inflow of immigrants and that employment and consumption were sustained not only facilitated the task of the communal administrations but these factors also allowed the traditional institutions and local interest groups to be used in the regulation of the industrial districts.

In summary, the policies adopted by the communes were aimed at maximizing the resources available (and these included applying pressure at a regional and central level) in order to favour agreements among the various interests involved in the development of small firms. The activity of local government included both direct policies in support of economic development and, especially, policies in the social field which were directed at mediating the effects of the market as a regulator of the economy and of employment. The creation of industrial estates for small firms, the provision of professional training and of infrastructure and support for the formation of consortia among the firms for the purposes of marketing or export facilities are examples of the first type of policy. Communes also became increasingly involved in attempts to find solutions to crises in those firms which were particularly important to the economy and to employment in the area (18). This often involved putting
pressure on regional and national governments to grant redundancy payments to the workers and, even, intervening with local banks on questions of credit. It also involved mediating between local unions and entrepreneurs.

The communes, however, have limited powers in the economic field. They were able to contribute to the creation of additional advantages for the firms but, basically, they fostered a process of economic growth which was not politically determined. Their social policies did, however, have a much greater impact. The provision of services in the fields of transport, public housing, schools, day-care centres and health care often contributed to improving the living conditions of the workers and, in effect they created a kind of local social wage. These policies also supplemented the resources provided by the traditional institutional fabric, particularly the family, in so far as they promoted a growth in female employment and general flexibility in employment.

There are, however, important differences in the various local policies. Despite the lack of research in this field, we do have some indications, with particular reference to the last ten years. The red administrations tend, on the whole, to be more interventionist than the white councils of the north-east (Ferraresi, Kemeny, 1977; Visco Comandini, Volpe, 1982). This tendency is particularly noticeable in the areas of land-use and social policy, while the differences are less marked in the area
of direct economic intervention. Left-wing administrations are, in general, more inclined to adopt urbanistic measures by which they try to control land-use in the area and to promote forms of public or co-operative housing. In the area of social services, their tendency towards a higher degree of interventionism can be seen in their attempts to increase the number of services available and to assume direct responsibility for their operation, as, for example, in the transport sector, day care and health care. The white administrations, by contrast, tend to intervene less and to delegate the provision of services, for the most part, to the Catholic organizations which, however, receive some support from public funds. Data that confirm this picture can be found in various studies on commune expenditure. These show that expenditure and, consequently, the levels of budget deficit and debt, tend to be higher in communes controlled by the left (19). Expenditure is lower in communes controlled by the DC in the white areas though this is not true for DC communes in the south (Brosio, Santagata, 1978; Aiken, Marinotti, 1980, 1982). It would, however, be mistaken to conclude, from these data, that the white communes operate on a purely laissez-faire basis. It can, in fact, be shown that they do intervene to maintain the equilibrium between the dynamics of the market and the traditional local institutions (Cacciari, 1977). There are two principal aspects to be considered in this respect. Land-use and urban policies have aimed at promoting the interpenetration of factory and residence, even though this involves considerable costs, in order to minimize community uprooting and to make use
of the integrative role of the family. Moreover, these policies are, in general, accompanied by support, including financial support, for the Catholic network of assistance. In this way, a series of services with important cultural and material effects is provided, albeit indirectly.

In conclusion, apart from differences which arise from the political context, communes have contributed to the localist mediation of interests. This has occurred by means of political resources which, directly or indirectly, have facilitated the integration of and agreement between the various actors involved in the development of small firms. One should emphasize, here, that this model of activity does not imply direct intervention in negotiations between unions and entrepreneurs and their associations but it does promote the chances of agreement among these actors. On the other hand, the development of concertation between local government and interest groups like unions and business associations is discouraged by the restricted powers of the communes in the economic field and by the limited autonomy of interest organizations. The characteristics of this form of representation are, therefore, different from those of "local corporatism" (20). Unions and entrepreneurs operate, rather, along the lines of traditional pressure politics directed at the parties with a view to obtaining particular advantages. In evaluating this phenomenon, we must, obviously, bear in mind the fact that the "local political market" is influenced by the specific sub-cultural context which determines differences in the
presence and influence of the various interest groups. In both respects, the organizations which are closest to the local subculture are in a privileged position.

Another characteristic of this model of relations between interest groups and local government is that the former may forego the use of vertical organizational structures, for example of the unions or the business associations, for the transmission of political demands towards the outside. The horizontal representation which is provided by the dominant party-local government circuit is, in fact, often preferred. Examples of this can be found in the recourse of the unions to the communes in the already mentioned case of crises in the local firms or in the attempts of the entrepreneurs to influence the way in which benefits, which are decided at a regional level, are distributed. Territorial representation is considered, in these cases, to be more effective than the functional representation provided by the various interest organizations at regional or central level because the latter could entail a greater loss of control over the outcome of the issues involved and can be less satisfactory from the point of view of local interests (21).

On the whole, representation plays an important role in neo-localist regulation of the small-firm economy. Representation operates through a network of functional structures (unions, business associations and other interest groups), which interact among themselves and with the local government in the individual
areas, and through structures of territorial representation (parties, communes) which promote localist regulation by means of their interventions and their activity at regional and central level. The entire process is influenced by the local subculture which provides for the organization of interests but which also conditions the forms of interaction among the various actors in the local political system.

In the small-firm areas, a social compromise is thus established, which is based, on the one hand, on the high flexibility of the economy and on its capacity to adapt to changes in the market and, on the other, on control of the costs and redistribution of the benefits of development. It is appropriate to emphasize the local dimension of this flexibility and adaptation: not only is the individual area the primary unit of reference but the economic, political and social resources that facilitate adjustment are, predominantly, endogenous. This consideration allows us to have a better understanding of the problems of modernization that affect small-firms regions. These can, in fact, be summarized in terms of the growing inadequacy of local resources to deal with emerging problems.

Problems of modernization and constraints of scale

It is a generalization to maintain that neo-localism is an institutional framework which is becoming too restrictive for the
development of small firms. But neo-localism is an ideal-type, an abstraction derived from concrete cases. In applying the model, therefore, it is necessary to emphasize that a variety of tensions and transformations can be found in the concrete cases and that these can be specified in differing forms and at different times in the various contexts. Moreover, the characteristics of the model itself preclude the possibility of seeing the development of small firms in terms of discrete and distinct stages. It is, therefore, difficult and, in part, artificial to isolate and distinguish various phases. Albeit with this necessary warning, it is, however, possible to outline some basic tendencies. We shall refer to these in summary and simplified terms in our attempt to delineate an overall picture of current changes.

At an economic level, the ability to confront international competition and, particularly, the challenge posed by countries with lower labour costs in traditional areas of production depends on technological innovation, the promotion of entrepreneurial skills and the availability of a suitably trained workforce. What is required, therefore, is the development of resources and services which are not always to be found, on an adequate scale, at local level. The economic literature on small firms deals extensively with these questions and shows that it is not easy for smaller units of production to internalize functions, such as professional and managerial training, marketing and export activities, which become increasingly
important in the context of these new conditions. At the same time, the process of industrialization involves the consumption of local resources and produces growing costs, in terms of land-use, energy supplies, pollution, waste disposal and traffic congestion, that cannot be dealt with adequately at local level and with local resources.

In the context of the small-firm economy, therefore, economic innovation poses a territorial problem of scale. This raises, in turn, the question of the relationship between small-firm areas and the cities as centres of service-provision and, on a more general level, the issue of the regional dimension of development. But constraints of scale also imply that the economy becomes more dependent on the efficient performance of the local political system. The need to experiment with forms of cooperation and organization among firms, to ensure that the necessary credit facilities are available and to stimulate relationships conducive to innovation, among industrial district, town and region makes the role of the political system more important than it was in the past.

At the same time, a process of erosion of traditional identity and institutions is taking place. It is difficult to assess this phenomenon by means of quantitative data but some indications of its extent can be found in the reduction of family size and in increased participation in the educational system. Some more significant indications can be found in the case
studies carried out in Tuscany and Veneto. These studies reveal a slow but significant change in the traditional social fabric. This trend appears to be fostered by two factors in particular: the process of class structuration (22) and that of the secularization of the political subcultures.

The first involves a tendency, towards a greater "closure" of the social classes which followed the marked individual-family mobility of the early stage of development. This however has not been accompanied by the emergence of the type of clear-cut social cleavages which were characteristic of the classic phase of mass industrialization. There is a redefinition of the original community identity in a direction more influenced by the diverse class positions. Community and class, however, continue to coexist and jointly influence local culture. The process of secularization proceeds in the same direction, albeit in different ways. The latter process is conditioned by economic development and by class structuration but it does have its own autonomous dynamic which is related to the increase in education and the diffusion of mass media, that is, to an opening-up of the local society.

In the white areas, there is a growing detachment from the original religious matrix, while in the red areas, a substantial fall in traditional political participation is taking place. The centrality of the communist party as a normative reference point is decreasing. In both cases, therefore, we see a loosening of
the original relationship between cultural identity and political orientation. The process of class structuration and that of secularization both contribute to the erosion of the original political allegiances. The consensus tends to converge around more politically specified issues, i.e. to the satisfaction of identifiable interests which are defined, for the most part, in terms of the class position of the people involved.

The emergence of this phenomenon is reflected in voting behaviour. It is possible to formulate the hypothesis that there is a movement away from the original interclass orientation of the subcultures, particularly in the smaller centres. The change occurs, however, in the context of a fall in support for the DC in the white areas and of increased support for the PCI in the red areas. This leads to a convergence in the levels of support for the dominant parties in the various areas. In the case of the white area of Bassano, for example, there is an overall fall in support for the DC. This is due, to a significant extent, to a shift in allegiance among workers (and also among entrepreneurs) in small firms and it is particularly marked if compared with the political allegiances of the previous generation. In the red area of Valdelsa, there has not been a quantitative fall in support for the PCI. This indeed has increased over the past ten years, as it has in the central regions in general. Nevertheless, the survey on the political behaviour of the various social groups suggests that the growth of the PCI was fostered, to a considerable extent, by the
increase in the number of workers in the electorate, which, in its turn, was due to diffuse industrialization. Vice versa, there is a certain detachment from the original subcultural matrix among the entrepreneurs, the artisans and the white-collar groups of the public and private sectors. In this case, also there is a marked difference between the political allegiances of the interviewees and the attitudes that they attribute to their fathers (23).

Generally speaking, the thrust of economic and social transformation in the small-firm areas, has created new problems for the local political systems while the traditional consensus that these enjoyed in the past is declining. That is to say, the conditions that underlay the previous role of industrial relations and local government in neo-localist regulation, are being modified. The stability and negotiational character of industrial relations are challenged by two different factors. On the one hand, market conditions make it difficult for small firms to deal effectively with problems of innovation and to guarantee the levels of income and employment that have already been achieved. On the other hand, the erosion of the traditional social fabric, in its turn, influences worker demands. In the same way, the traditional consensus, which contained and aggregated demands, contributed to the non-problematic nature of local politics as did the fact that economic development was largely independent from direct political intervention and did not create serious functional difficulties. The communes could,
thus, confine themselves to providing resources that facilitated localist regulation of the various interests. With the reduction of the regulatory capacity of the market and of the traditional institutions, the process of development and the negotiations between union and entrepreneurs becomes more dependent on political intervention but the resources of the local governments are insufficient to deal with this new situation. The need arises, therefore, for instruments of mediation and political regulation which can tackle more complex situations that those encompassed by a neo-localist model.

The limits of regionalization

In the Italian situation, the regional level could provide a solution for the problems of scale of the small-firm economy. The regions, which were introduced at the beginning of the 1970s, have no direct powers in the industrial sector but they can intervene in the fields of the artisan sector, land-use policy, infrastructure, energy, the labour market and professional training. It is true that the transfer of functions to the regions was confused and fragmented and that this limits the possibility of regional intervention in the economic field. But the instruments available could also allow the development of "supply policies" directed at providing services to the firms in the areas of technological and organizational innovation, labour mobility and professional training (24). Furthermore, regional
legislation, generally, provides for wide participation of interest groups in the formulation of policies.

The opportunities which are available, have not, however, been effectively exploited, at least up to now. From the survey carried out in two small-firms regions with different political subcultures, Veneto (Christian Democrat) and Tuscany (Communist), it emerges that regional intervention in the economic sphere has been fragmented and limited. In particular, supply policies for small firms have been impeded by the difficulties that the regions have experienced in coordinating intersectorial activity.

In evaluating this situation, the emphasis is usually placed on the limited powers of the regions and on the institutional and organizational constraints on their interventions. Less attention has been paid to the shortcomings of a regional system of representation. Yet, the existence of adequate structures of interest representation at regional level seem to be a necessary condition for the reduction of these constraints and, particularly, for the promotion of effective forms of negotiation among unions, business associations and regional government. The participation of strong and representative interest groups in the formulation and implementation of policies could guarantee the consensus and the information which are necessary in the case of intervention in a strongly differentiated and fragmented
productive structure, such as that of the small-firm economy (26).

Why is the passage from localist regulation of interests to representation and concertation on a regional level so difficult? First of all, steps in the direction of regionalization are hindered by the behaviour of the parties which does not help reduce the institutional constraints on regional intervention. In Veneto, a crucial factor in this regard is the weakness of the DC as a party and the extent to which it can be penetrated by heterogeneous interests which have a local base. The difficulties involved in mediating among various localisms push the party into distributive and fragmented regional policies. These, in turn, discourage any strategic and organizational investment by unions and business associations at a regional level. The PCI in Tuscany has a stronger identity and is better organized but it is wary of delegating power to interest groups and tends to try to increase direct interventions of the public sector. The party, therefore, has not favoured the effective involvement of unions and the business associations in the formulation and organization of policies in the economic field (27).

The result of this weakness of regional political infrastructures, capable of defining and aggregating demands, is that, in both regions, the administrators often have to face demands which force them into a kind of "pluralist mediation"
among various interests with strong local orientations. Their interventions tend, consequently, to be fragmented and to contradict the formal objectives of planning. Often decisions are not taken and these "non-decisions" result in the underutilization of those resources which are available.

The behaviour of the parties does not encourage the regionalization of the political system nor does it promote the substitution of localist regulation. But how do the unions and business associations react to this tendency? The former see activity on a regional level as a means of strengthening their position in that it could provide political resources to reinforce their negotiational position on the economic front. This attitude, however, conflicts with that of the parties and, as we shall see, with that of the business associations. The unions could, of course, modify this situation, at least in part, concentrating their contractual power more at regional level. This, however, is hindered by two series of factors. First of all, the behaviour of the parties and the business associations make the result of strategic investment at regional level very uncertain while, at the same time, the risks of intra-organizational tensions are increased. Secondly, a redistribution of power between the various levels can obviously not be brought about without the endorsement of the organizations at the centre. But these, in an attempt to improve their own contractual position vis-à-vis the government and business associations, have actually tended to contain the power
of the peripheral levels. On the whole, the unions have, so far, made only a limited contribution to the regionalization of the political system.

As for the business associations, the development of political activity and the growth of their autonomy from their members are usually a sort of second-best option, an adjustment to new conditions imposed by the unions or by public intervention (Martinelli, Schmitter, Streeck, 1981). It is unlikely that these associations will adopt a political role in the absence of pressure from these sources. It is more likely that they will try, as, indeed, they do in Tuscany and Veneto, to strengthen their own position by means of economic activity (e.g. by providing services to the firms). This is, in fact, an easier strategy to pursue since it does not pose problems of political aggregation of business interests and does not go against the small entrepreneurs decided preference for the advantages offered by localist regulation. On the other hand, the central leadership of business organizations, like that of the unions, has, up to now, given very limited support to the regionalization of representation (28).

Because of the situation described above, the structures of interest representation are not well developed at regional level. They have less organizational resources (personnel, funds) at their disposal than at provincial levels and have limited contractual autonomy (29). Most of their relations with the
regional government take the form of consultation. There is little evidence of concertation as an instrument for improving the efficacy of regional interventions and for confronting the new problems of scale.

What are the consequences of the tendencies that we have just examined? It is difficult to give a precise answer. The preceding remarks certainly do not support the hypothesis that the development of small firms is entering into a crisis. There is insufficient evidence for an evaluation of this kind and, indeed, the spontaneous adjustments that market stimuli can bring about in the various areas should not be undervalued. On the basis of the tendencies we have discussed, however, we can reasonably hypothesize that localist regulation tends to become inadequate as problems associated with modernization emerge, while it is difficult to establish effective regulation on a regional level. In the future, political constraints will have a growing influence on the possibilities of economic innovation and will increase the risks of higher social costs of adjustment. If this hypothesis is well-founded, one can also hold that the advantages of neo-localism for the national political economy will tend to decrease. We will deal, in conclusion, with this aspect.
Since the second half of the 1970s, the regulation of the economy at a central level has been characterized by attempts at concertation among government, unions and business associations. The agreements that these reached have, however, turned out to be very unstable. The institutionalization of concertation has remained limited and the results uncertain. This has contributed to the fostering of tensions inside union organizations and also to divisions among the various confederations. It is not easy to reconstruct the way these developments occurred. This task would require that various factors of an economic, political and institutional nature be considered and this cannot be undertaken here. In the light of the preceding analysis, however, we are interested in raising a particular question. What role has the development of small firms played in this process? Diffuse industrialization at the periphery and concertation at the centre are, usually, considered separately. But it is useful, at least on an exploratory level, to formulate hypotheses on the extent and type of their interdependence.

In this context, some suggestions can be found in the recent article by John Goldthorpe, to which we have already referred. Goldthorpe identifies two types of response to the economic and social tensions that have affected advanced industrial societies in recent years: dualism and corporatism. The first involves the development of forms of central concertation which include trade
union organizations. Dualism, as we have seen, is based on the attempt to limit, rather than to recognize, the power of trade unions and involves the growth of productive and occupational areas which are excluded from union representation and which, are regulated, primarily, by market mechanisms. The two tendencies are seen as being basically incompatible for reasons which we can summarize as follows: dualism weakens union organization because it involves an expansion of the productive and occupational sectors which are not controlled by them. The result is that unions focus more on the defence of the sectorial interests of their own members while the interest of the business and government in the concertation of economic and social policies is reduced. Even though concertation and dualism can co-exist for a certain period, the strengthening of the latter creates, over time, the cultural and institutional premises for neo-liberal policies with decreased public intervention in the economic field and a decrease in the dimensions and scope of the welfare state.

In evaluating this hypothesis, it is necessary, of course, to bear in mind that it is formulated within a general analytical framework which attempts to explain transformations in advanced industrial societies. Any attempt to apply it to Italy, however, raises problems, particularly since the co-existence of neo-localist concertation and dualism has been considered as a typical characteristic of the Italian situation (Regini, 1984). Dualism, though it is widespread, is not a predominant tendency in Italy and it has not prevented the development of
concertation, though the latter is less consolidated here than in other countries.

It is difficult to deny that central concertation and peripheral dualism do co-exist in the Italian context. The question remains, however, of the specific relationship between the two phenomena. It is necessary to establish whether these developed in largely autonomous forms, or a reciprocal relationship existed and, if so, of what type. We should like to dwell on this point and try to show, in hypothetical terms, that the co-existence of the two tendencies involves contradictions which, on the one hand, condition the stability and efficacy of concertation and, on the other, have a negative influence on the process of modernization of the diffuse economy. As a first step in this direction, it is necessary to look at the development of small firms in other than strictly dualist terms. The localist perspective can contribute to an explanation in terms of the "contradictory co-existence", rather than the basic incompatibility of concertation and diffuse industrialization.

Dualism, as we have seen, is an important component in the small firm economy. If, however, it is considered within the wider context of localist regulation, it is possible to identify a series of factors which show that the growth of small productive units and the existence of concertation at a central level are not necessarily incompatible. First of all the growth of small firms does not lead to a weakening of union
organization. In fact, in the 1970s, unionization grew appreciably and reached very high levels in the areas which were most affected by small firm development. What we have in these areas, therefore, is not the absence of representation but, rather, a form of interest organization and coordination which is oriented in a negotiational and localist direction. This means that neither the unions nor the business associations in small-firm areas are necessarily opposed to centralized agreements. On the contrary, both these actors may at times find in these agreements opportunities to improve their own positions without wasting resources at a local level.

Thus, for example, the unions have an interest in any possible benefits, in the areas of social policy and taxation, that can be gained from national agreements, as long as these do not lead to limitations on firm-based negotiations. This is particularly true in cases which negotiations on firm level are particularly favourable to workers. The entrepreneurs, in their turn, seem to prefer more decentralized industrial relations as long as they are protected from union demands, as happens in the smaller and artisan firms. But where local unions are stronger, the entrepreneurs tend to see more centralized wage agreements as a sort of defence against local demands. Indeed, this attitude emerged very clearly from our own case studies (30).

On the whole, contrary to what a dualist perspective might lead one to expect, diffuse industrialization does not
necessarily involve the absence of trade union representation. Nor does it imply an explicit and generalized resistance to central agreements on the part of union and business interests. Indeed, the opposite can even occur in that social bases which are more favourable to central agreements can be found in the small-firm economy. It is, however, possible to identify one factor which, in spite of the preferences of the actors involved, causes the development of the small-firm economy to actually hinder the stability and effectiveness of central concertation.

In this regard it is necessary to bear in mind that concertation is usually considered by the actors involved as a second-best solution. This arrangement is accepted by the principal protagonists, particularly the government and employers as a means of avoiding or preventing the disruptive effects of union demands on the economic and political systems (31). It is possible to hypothesize that, in the Italian situation, diffuse industrialization has helped to reduce the vulnerability of the economic and political system to union activity, which had increased substantially in the early 70s. Indicators of these tendencies are not to be found directly in the process of unionization, which increased throughout the 70s and was particularly marked in small industrial firms, but, rather, in the consequences that diffuse industrialization has had for the control of economic and social tensions. Diffuse industrialization, in fact, compensated for the serious difficulties of the large firms which were more exposed to union
demands, and, thus, disruptive effects on employment, on income and, therefore, on the political consensus were avoided.

Considering the rate of employment in industry, for example, one can see that the overall increase between the two censuses of 1971 and 1981 (+12%) was due, entirely, to the increase in the number of workers in firms with less than 50 employees while there was a decrease in the number employed in firms with more than 500 employees. In regions like Piedmont and Lombardy, there were decreases of more than 25% in firms with more than 1,000 employees. There was an overall decrease in the rate of industrial employment in Piedmont and Liguria. The rate remained stable in Lombardy where there was a greater growth in small firms than in other regions of the north-west. The central and north-eastern regions, however, show an overall increase in industrial employment with an average of about 25%. This was due to a growth in the number of workers in smaller units. The dynamism of the areas of diffuse industrialization can also be seen in the data on exportation. In the 1970s, both the traditional and modern sectors which were based on small firms made an increasing contribution to overall exports. What is more, the percentage contribution of the centre and north-east increased by ten points in the period 1968-1978 (from 28 to 38%) and this balanced a parallel fall in the north-west (from 65 to 55%) (32).
One can, therefore, hypothesize that, as a consequence of these tendencies, the growth of small firms contributed, significantly, towards making the consensus of the unions less indispensible for the formulation of policies aimed at controlling the economic crisis. In particular, the government and employers were not faced with a clear-cut alternative between a costly political agreement on the one hand and the loss of control over economic and social tensions on the other.

An effective policy, coordinated at central level would, in fact, have required the business associations to be highly representative and to be able to ensure that individual firms would not exercise any prerogatives, in terms of productive restructuring, negotiations etc., unilaterally. Any such development was, however, hindered by the marked structural and territorial heterogeneity of business interests. The government, in its turn, would have had to modify its social and fiscal policies considerably and this would have triggered negative reactions in certain interest groups, particularly the self-employed who had been privileged and protected in the past (33). It would also have been necessary to re-organize the administrative structures so as to increase their effectiveness and efficiency and to reduce "colonization" on the part of particular interests (34).

It is difficult to establish the extent to which these conditions could have been fulfilled without a more general
change in the relative strength of political forces and in the composition of the government itself. At any rate, the preceding remarks suggest that the development of small firms has acted as a sort of "safety-valve" for employers and government. This has enabled difficult and costly choices to be avoided but it has also contributed, indirectly, to reducing the necessity for and, therefore, the productivity of concertation. Pressure from particularist interests, which would have been adversely affected by efficacious agreements with the unions, was not adequately contained. This pressure was often successful in the implementation of agreements and this brought about a reduction in the advantages that the unions expected to receive - for example in the areas of industrial, occupational, social and fiscal policies - in exchange for moderation in economic and wage demands. This, in its turn, produced rising tensions within the unions.

This is, of course, a very simplified picture and it does not take account of the development of concertation which occurred in the late 1970s and early 1980s (35). This period saw, among other things, a more general change in the national political equilibrium. The PCI returned to opposition after the phase of "national solidarity". Apart from these changes, however, the fact remains that the last ten years have been characterized by a low productivity of concertation in the area of social and economic policy. The most obvious indications of this can be seen in the high rate of inflation, which was almost
double that of other industrialized countries, and in the marked growth in public deficit which was due to a significant increase in expenditure coupled with a lower rate of increase in tax returns.

These tendencies are certainly different from those found in countries which have more stable forms of central concertation. But neither are they what a dualist perspective would lead one to expect. The development of small firms has not, in fact, brought about a significant re-orientation of central policies in a neo-liberal direction, at least up to now. What has happened, rather, is that this development has helped to compensate, to a significant extent, for the effects of weak and largely ineffective central regulation. This phenomenon has not yet been thoroughly analyzed and it cannot be treated adequately here. But there are indications that it involves a decline in preexisting forms of interest mediation, based on the exclusion of worker representation. The development of concertation, however, has not led to full inclusion of the labour movement.

Trends in inflation and in public expenditure show that there is tendency to satisfy new demands without a consistent redefinition of the interests which were previously protected (36). The development of small firms, particularly in so far as this improved exports, employment and incomes, financed this uncertain "political exchange". This made the adoption of more radical and, therefore, more costly policies less necessary. On the other hand, the consequent continual devaluation (37) and a
permissive fiscal policy have, in their turn, contributed to the success of the diffuse economy.

But there is another side to the coin which is often neglected by those who contrast the vitality of small firms and of localism to the weakness of the centre (38). The prevailing tendencies and the uncertainty of concertation at the centre do have some long-term consequences for the diffuse economy: they condition its possibilities for modernization. In this regard, we have already noted, albeit with due cautions about the dangers of generalization, that the small-firm economy is, increasingly, facing problems of scale and is becoming more dependent on the efficient performance of the political system. In this situation, localist regulation turns out to be inadequate while the regional dimension is not all well developed.

The particular differentiation of the productive and occupational structures demands that regulatory instruments be highly flexible and well articulated. It also requires an ability to pursue objectives from the point of view of supply as well as of demand. The utilization of the regional level and the participation of interests in decentralized regulation become particularly important in this context. It is not difficult to see, however, how this process has been hindered by the tendencies which predominate at central level. First of all, from an institutional point of view, the government, under pressure from particularist interest groups, has not promoted a
clear division of resources and powers and adequate coordination between central level and regional and local government. This has given rise to serious limitations for regional activity in the economic field, even in sectors where intervention at this level would be most appropriate. As a consequence, the development of concertation has become more difficult because unions and business associations have no incentive to invest in the regional level. On the other hand, this tendency has not been encouraged by the leaders of the respective interests at central level. These have, rather, tried to increase their influence on political choices and have neglected the role of more decentralized forms of regulation.

The overall result is a "contradictory coexistence" between neo-localism and concertation. The first reduced the problems of "governability" in the short term but it contributed, indirectly, towards making central concertation and regulatory interventions more difficult in the long term. On the other hand, the weakness of the centre and the fragmented character of its policies has limited and will continue to limit the chances of modernization of the small-firm economy.

Our analysis, therefore, leads us to emphasize the ambivalent character of the relationship between neo-localism and central concertation. From this perspective, the Italian situation does not fit into models of institutionalized central concertation nor into strongly decentralized dualist models.
This ambivalence also raises the question of the validity of certain policies which are proposed in the context of the current debate and in which centre and periphery usually appear as poles of a "zero-sum" game. These policies, in fact, look either to a model of strongly centralized neo-corporatist concertation, which is now facing increasing difficulties even in areas where it was well established, or to a radically decentralized solution. Without entering into this discussion here, we should like to emphasize that the preceding analysis suggests a different approach. The reduction of the negative effects of the present interaction between central and local regulation calls for a different kind of equilibrium between centre and periphery. This equilibrium, on the one hand, should not exclude the possibility of using political resources to influence basic economic choices and the territorial and social distribution of inequality; on the other, it should stimulate the capacity for political and economic innovation which, particularly in Italy, could be found on regional level.
1) For a comprehensive picture of the research project, which was coordinated by Arnaldo Bagnasco and Carlo Trigilia, see the contributions that have already been published: Bagnasco, Pini (1981); Trigilia (1981); Bagnasco, Trigilia (eds., 1984a; 1984b). See also the article by Bagnasco in Stato e Mercato (1985) which deals, in particular, with the social aspects of the small-firm economy.

2) For an analysis of the initial debate on the labour market, see Paci (1973); for the following debate on the decentralization of production and small firms, see Bagnasco (1977).


4) For a more thorough discussion of this aspect which also refers to the vast historical literature, see Trigilia (1981). From the point of view of political sociology, the work of Sivini (1971) and Farneti (1971) is particularly relevant. On the concept of political subculture, see also Pizzorno (1966).
5) For an analysis of these developments from an electoral point of view, which leads to the identification of two homogeneous areas - the "red" and the "white" - see Galli (1968).

6) On the dynamic of unionization up to 1977, reference must be made to the research coordinated by Romagnoli (1980). See Romagnoli (1985) for a review of more recent tendencies.

7) In particular, factors like these should be taken into consideration in explaining the case of the Marches. Diffuse industrialization occurred more recently here and the Communist subculture was less deeply rooted from the outset. Indeed, in this regard, the Marches appear to be divided into the north, which is more influenced by the Socialist and Communist tradition and the south, which is more Catholic and Christian Democratic. In the case of Umbria, although the period and forms of development are similar to those of the Marches, unionization reached higher levels. One could hypothesize that this phenomenon is influenced by the greater strength of the Communist tradition though the institutional rooting of the subculture is weaker than in Tuscany and Emilia. In any case, apart from the levels of unionization, active union representation in the small firms appears to be less developed in both Umbria and the Marches. For the Marches, see the research coordinated out by Paci (1980) and for Umbria that carried out by Fedele (ed., 1983) and Crespi (ed., 1983).
8) A study promoted by the CESEC in 1982 on blue and white collar workers in small firms (with between 20 and 200 employees), in the north of Italy, found an overall rate of unionization of 69%. This rate fell to 50.4% in firms with 20-49 employees and rose to over 70% in those with 100-200 employees. (unpublished data, kindly provided by Paolo Ceri).

9) It is important to note that the frequency of conflicts in small firm regions tended to be higher than in Piedmont and than the national average. This was probably due more to the fragmentation of the productive structure than to the diffusion of firm-level negotiations (Bordogna, 1980). On the development of conflictuality, in terms of strikes, see Bordogna, Provasi (1979) and for a review of more recent tendencies see Bordogna (1985).

10) For the former, see Hellman's discussion of the PCI "politica delle alleanze" (alliance policy) at local level. On the relationships between unions and the "white" subculture, see Fasol (1980).

11) On the development of collective bargaining and, in particular, on firm-level negotiations, see Cella and Treu (1982).
12) For a more thorough examination of this aspect, in addition to the case studies on Bassano and Valdelsa, see Bagnasco (1985).

13) These changes are probably more noticeable in the "white" areas where the process of union autonomization introduced greater tensions between it and the dominant party in the local political system (Carbognin, 1981). The existence of limited but more severe conflictuality in Veneto is indicated by the data on strikes which were previously examined.

14) For an ideal-typical construction of the characteristics of both subcultures in this phase, see Alberoni (1967).

15) Some interesting points on the evolution of the activity of the red communes can be found in Cammelli (1978) and Galli (1981).


17) Some empirical evidence of the greater stability of local governments in the subcultural areas can be found in a recent study by Parisi (1984).

18) A study which documented this process well was carried out in Veneto (Fondazione Corazzin, 1984).
19) Since 1977-78, institutional measures which limit the possibility of an increase in deficit expenditure have been enacted. On the policies of financial control of local agencies and on its effects, see Dente (1983).

20) This concept was used, with reference to the Norwegian case by Hernes and Selvik. See also Cawson's (1984) contribution to this topic.

21) Tarrow (1978) has pointed out the possibility of territorial representation being revived because of the difficulties being experienced by functional representation.

22) On the structuration of social classes, see Giddens (1975).

23) Empirical evidence of the limited penetration of the salaried middle classes by the PCI, despite the growth of the party in the 1970s, can be found in a survey on patterns of change in voting behaviour in Bologna which was carried out by the Istituto Cattaneo (Barbagli et al., 1979).


25) On the limits of industrial policies, see Lassini (1980, 1983). The evaluation outlined in the text refers, of course,
principally to the cases studied and relates to policies on
the development of small firms. For example, the possibility
of non-homogenous behaviour in the various red areas cannot
be excluded. At any rate, the regional studies suggest that
the differences between red and white areas can be seen most
clearly in the area of social policy. Differences in the
performance of the non-autonomous regions clearly emerge from
the indicators used by Putman, Leonardi, Nanetti and

26) It is necessary to remember that developments in this
direction, which are related to supply policies, do not
necessarily require an increase in expenditure and they can,
therefore, partly overcome the constraints that are imposed,
from this point of view, on the regional government. Some
interesting points on the idea that the use of private actors
as instruments of public policy can reduce the risks of
inefficiency in direct interventions of the state are
developed in Mayntz (1983) and Schmitter and Streeck (1985).

27) It is difficult to assess precisely how much this tendency
has been fostered by the weakness of the business
associations and by their diffidence towards the PCI. But it
has certainly been affected by the original identity of the
party. Maintaining that identity is still important in a
"strongly institutionalized" party (Panebianco, 1982) in so
far as it influences the distribution of "collective incentives" to militants. One can hypothesize that this factor makes the shift from a de facto localist agreement with the employers to explicit cooperation, by means of regional concertation, more difficult. See Bagnasco and Trigilia (1984b).

28) On regional representation of the business associations which are members of Confindustria, see SITEA (1981).

29) In both Tuscany and Veneto, the personnel and budgets of the principal parties and interest groups at a regional level are less than those available in the corresponding structures in a single province (the Tuscan province of Siena, where the greater part of Valdelsa is located and the Venetian province of Vicenza, of which the area of Bassano is a part).

30) 70% of the industrial employers in Valdelsa and 53% in Bassano said they were in favour of increasing the importance of union negotiations at central level and of limiting negotiations at firm level to non-wage issues. This attitude is positively correlated to firm size and level of unionization. The existence, in small firm areas, of social and political bases which are not unfavourable to central agreements is also supported by a study on reactions of unions on the periphery to policies of wage moderation decided in the EUR assembly (Golden, 1983).
31) The growth of interdependence among the various actors (government, employers and unions) can be considered as a necessary, if not sufficient, condition for the development of concertation. This presupposes, in its turn, a relative equilibrium in power resources which discourages unilateral decisions. For a more thorough discussion of this aspect, see Bordogna and Provasi (1984, Chap.IV) and Schmitter and Streeck (1985). Carrieri and Donolo (1983) have drawn attention to recent economic and political tendencies which, by weakening the unions, could make central concertation even more difficult. A more cautious opinion, put forward by Regini (1983, 1984), emphasizes that the current process, although it does involve a deterioration of the "terms of exchange" for the unions, might not necessarily lead to the end of centralized political negotiations.

32) For the contribution of the "peripheral" sectors to exports in the 1970s, see Del Monte and Potia (1980); for the territorial distribution of exports, see Benedetti (1983).

33) This aspect was central to the scientific and political debate of the 1970s. See, among others, Pizzorno (1974), Berger and Piore (1982) and Paci (ed., 1978).

34) As is well known, unlike the current Italian connotations of the term corporatism, neo-corporatist concertation implies
the autonomy and efficiency of state agencies (Schmitter, 1984).


36) For a more thorough exposition of this perspective, see Salvati (1978, 1984). A good example of this tendency is to be seen in the development of the Italian welfare state in the 1970s. See Ascoli (ed., 1984).

37) On the role of this factor in the growth of exports in small firms in the 1970s, see Rullani (1979).

38) The perspective adopted by the CENSIS (1982) is typical from this point of view.
Figure 1: Small firm regions and political subcultures 1971-1972.

The vertical axis shows the percentages of workers employed in manufacturing industries in local units with less than 250 employees in the 1971 census; the horizontal axis measures the level of industrialization by means of the ratio of workers employed in manufacturing industry to the resident population in 1971.

The political subcultures are identified by means of the ratio of DC and PCI votes obtained in the elections for the Chamber of Deputies in 1972 to the total DC and PCI vote in each region.

PCI dominance (where the ratio of DC votes to the combined DC-PCI votes in each region is 10 or more points lower than that ratio on a national level, which is 58.7%).

DC dominance (where the ratio of DC votes to the combined DC-PCI vote in each region is 10 or more points higher than the ratio on a national level).

Relative equilibrium between the DC and PC (where the ratio of DC votes to the combined DC-PCI vote in each region is equal to or higher or lower than the national ratio by less than 10 points).
Figure 2: Rate of unionization - CISL and CGIL - in industry by geographical area

Sources: For the period up to 1977, Romagnoli (ed., 1980); for 1983, CESOS (unpublished data). The method used to calculate the rate of unionization in 1983 is the same as that used by Romagnoli (1980, Vol. III).
Figure 3: Rate of unionization - CISL and CGIL - in industry by region

Source: See Fig. 2 (the data for the period up to 1977 were gathered during research coordinated by Romagnoli but they have not been published.)
Figure 4: Union affiliation (CISL-CIGL) of union members in industry and political subcultures in 1972.

The vertical axis shows CISL members in the industrial sector as a percentage of the total regional membership of the CISL and the CGIL in the same sector. The horizontal axis shows the relationship between the DC vote in the elections for the Chamber of Deputies in 1972 and the total DC and PCI vote in each region.
Table I: Indicators of conflictuality (average values)

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<td>Piemonte</td>
<td>1761</td>
<td>28.5</td>
<td>1481</td>
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<tr>
<td>Trentino A.A.</td>
<td>889</td>
<td>51.4</td>
<td>458</td>
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<tr>
<td>Friuli</td>
<td>1552</td>
<td>47.2</td>
<td>1169</td>
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<tr>
<td>Veneto</td>
<td>1272</td>
<td>43.8</td>
<td>903</td>
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<tr>
<td>Emilia</td>
<td>1890</td>
<td>37.1</td>
<td>1815</td>
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<tr>
<td>Toscana</td>
<td>1616</td>
<td>45.9</td>
<td>1337</td>
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<tr>
<td>Umbria</td>
<td>615</td>
<td>35.0</td>
<td>758</td>
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<tr>
<td>Marche</td>
<td>780</td>
<td>48.3</td>
<td>571</td>
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<td>ITALIA</td>
<td>1279</td>
<td>34.1</td>
<td>1224</td>
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Table I: Indicators of conflictuality (average values)

a) hours of strike per 100,000 employees (in thousands);
b) number of strikes per 100,000 employees;
c) number of strikers per strike;
d) number of work hours lost per striker.

1) In order to keep the data homogenous, strikes for "motives external to the work relations", that is, political strikes, on which ISTAT provides information from 1975 onwards, have not been included. However, these do not show sufficient differentiation to alter the regional profiles that can be seen from the Table.

Source: ISTAT, Annuario di statistiche di lavoro, various years.
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