

Social relations in critical times. Comparative study of industrialisation in Malta and the Italian North-East following the crises of the 1970s

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1. Comparative analysis

During the latter decades of the twentieth century, Malta and Italy's northeast (NE) experienced industrial manufacturing growth based on exports; in the former it was propped by foreign multinationals and in the NE it was mainly the work of local industrial districts (IDs). A comparative analysis of social reproduction processes related to such development in the two territories indicates that in spite of shared economic goals, and commonalities including their peripheral status and late development, the trajectory of industrialisation and the concrete realities that emerged from these industrial processes were different. In order to explain this, the comparison will be based on economic, political and cultural social relations linked to export-manufacturing industry with a focus on social classes and sectors, and the role of the state. This, it is argued, not only promises to shed light on the comparison of the two territories but also on the individual territory.

2. Methodology

In order to structure the comparative exercise concerning the two exporting territories, the principal conceptual framework is that of the mode of production.

To think the concept of production is to think the concept of the unity of its conditions: the mode of production. To think the mode of production is to think not only the material conditions but also the social conditions of production.¹

The mode of production with its focus on structural features still requires the articulation of autonomous superstructures consisting of political and legal, ideological and cultural social relations. Methodologically, the mode 'respects complexity' and implies a 'method of articulation is appropriate'.² In other words, as themes are raised for discussion and social relations underlined, the latter are recognised as complex entities that require articulation both in their association (e.g., superstructures with economic base), and in expression (e.g., politics representing forms of economic development). Articulation implies social relations within the two industrial realities are inter-related without summing up to a simple total. At the same time, it is recognised that the mode,

¹ Louis Althusser and Etienne Balibar, *Reading Capital* [Trans. B. Brewster], London, Verso, 2006, 180.

² Bob Jessop, *State power: A strategic-relational approach*, Cambridge, UK, Polity, 2008, 231.

analytically useful, is accompanied by a controversial theoretical debate problematizing its structural rigidity and causality especially the base determining social relations. Thinking about the essential conditions guaranteeing continuity in time of a mode of production, the structural rigidity of the economic base is ‘softened’ by means of the attention granted to social reproduction processes. As for the gains in using the mode, these are pointed out by Gramsci: the relations between structure and superstructures ‘must be accurately posed and resolved if the forces active in the history of a particular period are to be correctly analysed, and the relation between them determined’.³

3. 1970s crisis. Malta and the Italian Northeast’s export growth

In the 1970s, following the energy and monetary crises, the road ahead was clear for Aglietta: ‘In my view, it is impossible to account for the achievements and subsequent difficulties of any European country without studying the bumpy road of European integration’.⁴ Institutionally, this included the Single European Act (SEA, in force on July 1, 1987); the Economic Monetary Union and the Single (not merely common) Market established by Article 8A of SEA as ‘an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured’; and to top this phase, the Maastricht Treaty (in force on November 1, 1993) which established the European Union (EU). These milestones were however preceded by economic development that determined the institutional priorities in this integration process. Thus, since the 1970s, foreign direct investment (FDI) had already become the principal thrust of increased integration with multinational enterprises (MNEs) on the frontline in sustaining the ‘free movement’ of capital.

The growth of export-based industrial manufacturing in Malta, on the periphery of the advanced Western European economies, assisted the small nation-state to achieve a competitive edge on world markets. Immediate antecedents included the post-colonial challenge of substituting an economy based on military services to one that competed in attracting foreign capital. This was, in turn, linked to the restructuring in advanced mass production industry due to a technological impasse in the 1970s in factories built along the same lines as immediate post-war US ones,⁵ a slowdown in productivity, and social conflict following the end of the post-war growth period. FDI answered Malta’s post-colonial woes. From social concern, the sacking forced by decolonisation of skilled wage-earners was turned to profit. These, along with an economically passive, female reserve army enticed to join the industrial labour force, supplied the necessary labour-power for foreign capital. Eventually, this manufacturing faced a competitiveness-induced crisis, as growth slackened and factories began to close and head to other peripheries where conditions of profit – productivity, labour cost, etc. – were more favourable. This continued when the Central and Eastern European member-states joining the EU in 2004 (paradoxically along with Malta) were major competitors as they attracted manufacturing capital and orders away from the

³ Antonio Gramsci, *Quaderni del carcere Vol 3*, chapter 17 [Ed. V. Gerratana], Turin, Einaudi, 1975, 1578-79.

⁴ Michel Aglietta, ‘Into a new growth regime’, *New Left Review*, vol. 54, November-December, 2008, 61-74, 67.

⁵ Barry Eichengreen, *The European economy since 1945: Coordinated capitalism and beyond*, Princeton University Press, 2007, 48.

island-state. ‘Most of the new [EU] Member States almost doubled their world market shares between 1999 and 2007’, reported the European Commission (2009) as it referred to the export performance of the new member-states.⁶ ‘By contrast, Malta lost market share over the period under review’,⁷ and its dependence on the continental market increased. Also decisive were the extension and/or upgrading of the EU’s network of preferential agreements with its European and North African neighbours.

Similar to the Maltese case, mass production restructuring in large industry in the Italian NorthWest (NW) was a driving force for the export oriented industrial development in the NE. Pirelli, Falck, Fiat and others founded at the end of the nineteenth century were able to exploit post-war market openings within an international economy that had, or at least was expected, to shift from war to peace. Eventually, faced with crisis starting at the end of the 1960s, productive units were delocalised and work was subcontracted outside the metropolitan centres and this concerned the Alpine foothill territory reaching the Veneto in the Italian NE. There, the geographically-delimited IDs consisting of clusters of small and medium enterprises (SMEs) employed in production networks were highly active. Vicenza was an important goldsmithery pole worldwide, Belluno received widespread attention for its spectacles, Montebelluna managed 65% of the world's production of ski boots and 80% of motorcycling boots, and Arzignano produced half of all Italian tanning output and became the main European pole in this industry. If Italian post-war industry had emulated Fordist mass production established by the hegemonic US, in the case of ID clustering, provincial Italy turned out to be one of the front-runners. It boasted a reduction of low-skilled repetitive work and a widening of the range for highly skilled work such as in product design. Entrepreneurs and/or skilled craftsmen and foremen with a solid technical training became protagonists. Eventually, even the IDs suffered a slowdown; from within, medium-sized multinationals accumulated capital, increased leadership, and extended the geographic limits of the traditional ID core, complementing but not substituting their traditional exports. Firms became less tied to the community. Becattini conceded this was ‘the end of the self-contained cluster model’ as geographic agglomerations became ‘multi-centric’.⁸

The direction taken by production capital distinguished the two contexts. Faced with the British rundown of the military base, Malta anticipated the Italian NE in coming to terms with FDI. However, whilst Malta attracted passive FDI from mass production companies, and continued to do so since the Maltese industrial bourgeoisie did not set up a significant export-oriented manufacturing platform of its own, it was different in the Italian NE. There, the same dependence on relocalised production from outside (the neighbouring NW), commissioned by the mother companies, did not stop endogenous entrepreneurial capital from developing its own autonomous

⁶ European Commission, *Five years of an enlarged EU: Economic achievements and challenges*, Brussels, European Commission, 2009.

⁷ Ibid., 63.

⁸ Giacomo Becattini in George-Marian Isbasoiu, *Industrial clusters and regional development. The case of Timisoara and Montebelluna* (2006). Munich Personal RePEc Archive Paper No. 5037, posted September 26, 2007. Retrieved November 19, 2009 from <http://mpra.ub.uni-muenchen.de/5037/>

production networks. In social class terms (see following section), Malta's bourgeoisie preferred to continue to invest in merchant and productive capital oriented toward the local market. At the same time, the national political agenda was steadfastly oriented towards the attraction of passive FDI to set up export manufacturing. State assistance included material infrastructure, institutional bodies to incentivise and sustain mobile capital and training of productive forces, amongst others. Conversely, in the Italian NE, the goal of local ID firms was to build on territorial resources consisting of small, family-owned firms, the self-employed and freelancers. This productive petty bourgeois sector contributed to the growth phase but were set back when, as hinted above, local leader firms turned to active FDI. Observation of the trajectories of these two fast-growing, export-based economies thus suggests same goals but different paths. Foreign 'neo-colonial' capital monopolised investments in exporting industry establishing a wage-profit divide in Malta whilst in the Italian NE endogenous productive forces that had given rise to the ID suffered as capital accumulation led local, medium-sized MNEs abroad.

4. Class structure: Economic social relations

The comparison in the previous section of a common experience of export-based industrialisation is qualified by distinct social class dynamics. Two facets of economic social relations emerge and orient the discussion, pre-eminently inter-firm in the relatively more entrepreneurial IDs of the Italian NE and focused more on labour-capital relations in the foreign affiliates active in Malta. In the latter, FDI created an industrial proletariat labouring in a different working regime from that of workers in local industry or at the Dockyard. The regime was enforced by local managerial, supervisory, and technical staff (another sector employed by FDI). Brincat referred to a 1980 MDC survey which declared, the 'original impetus behind most foreign investment decisions', was 'the need to secure a cost competitive production source, and nothing more'.⁹ Low costs of labour were central to attract FDI to Malta. In 1996, the Rambóll Report confirmed: 'The main reason for foreign direct investment in Malta has been to reduce overall production cost'.¹⁰ Interviewees of Brincat, almost unanimously, declared that 'labour costs (and sometimes also the 'work ethic' or labour discipline)' were determining factors in the original decision to invest in Malta. This persisted across time. 'Malta's relative success', the Ministry for Economic Services declared in 2003, 'over these last four decades, in building an industrial base has been primarily due to a well-defined competitive factor – the availability of an abundant labour force at relatively cheaper wages'.¹¹

Firm relations were principally subcontracting links with the mother company abroad. In Malta, before 1971, Malta Rubber Ltd and Bluebell Ltd were subsidiaries owned and controlled by MNEs (Dowty Group and Blue Bell respectively). Eventually, power structures already hierarchic became even more dominant when the neo-Fordist affiliates outsourced production to local

⁹ Mario Brincat, 'Export-led industrialization and development in Malta 1955-2000', Unpublished doctoral dissertation, London School of Economics and Political Science, University of London, 2009a, 164.

¹⁰ Quoted in *ibid.*, 175.

¹¹ Ministry of Economic Services, *National Industrial Policy*, Malta, 2003, 129.

affiliates. Evidence of inter-firm, foreign-local capital relations in Malta, indicated weak linkages. Playmobil's subcontractors were former 'key employees' presented with the idea, assisted to find business premises and produce financial forecasts necessary to approach banks and the Malta Development Corporation, the national agency promoting and supporting FDI at the time. Furthermore, subcontracting turnover, compared with that of exports, was insignificant. Relations were market-based and unilaterally imposed. As the general manager of Dold Industrial Automation Ltd (Malta) explained: 'no synergies in Malta, and that communication was discouraged by the fact that many firms were foreign-owned, with most of the decisions being taken outside the country'.¹²

There was another economy at work on the island-state and this was focused on the local market. A service and commercial elite controlled, through inter-family marriages and other connections, the largest financial and commercial enterprises in the private sector and even state-appointed boards. Other bourgeois sectors included lawyers, accountants, architects, doctors, top civil servants and administrators, and complementing the ranks, the 'emergent national bourgeoisie' comprising a small industrialist class.¹³ These combined economic, political and ideological power. The more heterogeneous petty bourgeoisie, according to Vella (*ibid.*), consisted of two subclasses – a group of traditional, small-scale production and ownership, artisans, traders, and the small-holding farmer, and a new petty bourgeoisie of wage-earners including office workers, engineers, accountants and researchers. Besides sectors working in foreign affiliates, the industrial working class included labour employed by local industrialists and those employed at the Dockyard.

Sylos Labini in his *Saggio sulle classi sociali* (Essay on social classes) defined the ranks of the *borghesia* (bourgeoisie) in northern Italy as consisting of industrial entrepreneurs, professional categories, upper echelons of the private and public sectors and other administrative and managerial leadership roles. As for the *piccola borghesia indipendente*, i.e., the self-employed petty bourgeoisie of artisans and other self-employed sectors including agriculturalists and retailers, when compared with the NW (and, in our case, with Malta), the NE had a larger sector of artisans and self-employed and freelance producers. These were resilient throughout the mass production phase and became relatively important in the growth phase of the ID. The price to be paid was that artisans had to adapt to mechanisation and a more explicit industrialisation of their workshops. The wage-earners consisted of new middle class *impiegati* (office employees) and the *proletariato* of industrial, agricultural and tertiary workers.

Inter-firm relations in the early traditional district hosting its founders was characterised by horizontal economic relations or so it was described by district heralds who boasted about personal entrepreneurship; artisans' ability to find openings in production phases; and, imitation of success.

¹² In *ibid.*, 166.

¹³ Mario Vella, "That favourite dream of the colonies": Industrialization, dependence and the limits of development discourse in Malta', *Maltese society: A sociological inquiry*, Ronald G. Sultana and Godfrey Baldacchino (eds.), Malta, Mireva, 1994, 55-77.

Work was distributed in the same district or territory; investment was in commercial credit and small factories; intellectual (or knowledge) and relational (or networking) capital was free; and, the initiative of the entrepreneur on one side and relations with clients, competitors and suppliers on the other, were enough.¹⁴ For Sabel, Italian small craft firms represented ‘Marx’s idea of labour as joyful self-creative association’,¹⁵ but as Ross argued,

Just because artisans are not factory workers does not make them free, or any more capable of controlling their time and labour value. Yes, an artisan can be a skilled, apprenticed craftsman ... functionally flexible in application of skills. But also off-the-books homeworker who accepts job enlargement (as opposed to job enrichment) as a matter of familial sacrifice or selfexploitation.¹⁶

By the end of the century, production in the Veneto was controlled by medium/large firms transformed into cluster leaders in Belluno, Montebelluna, Arzignano, Schio-Thiene and Valpolicella, acquiring other firms inside and outside the local industrial cluster. From intra-territorial, relations became increasingly inter-territorial, spanning across northern Italy and especially focused on Milan. Dunford’s TCI, the textile and clothing industries, re-confirmed old power relations between NW and NE as, he claimed, districts ended up ‘just one part of an interdependent division of labour and an interdependent territorial system’, adding, this formed ‘part of a “magic circle” centred on the service capital of Milan’.¹⁷ In turn, this formed part of ‘an inter-regional and international division of labour in the sector’.¹⁸ In concrete terms, the ID concept was becoming more nebulous.

The presence of the self-employed but especially freelancers distinguished the export-based IDs in the Italian NE from the bulk of industrial labour-power in Malta, mostly wage-earning neo-fordist factory-workers. Self-employment remained one of the ‘attractions’ in the literature on the ID-related flexible specialisation defined as the ‘manufacture of a wide and changing array of customized products using flexible, general-purpose machinery and skilled, adaptable workers’.¹⁹ However, at the turn of the century, social mobility based on job mobility was no longer empirically sustainable. What IDs provided was work opportunities. De Blasio & Di Addario investigated the Italian IDs’ labour market using the Bank of Italy’s 1998 Survey of Household

¹⁴ Enzo Rullani, *La piccola impresa nella societa` della conoscenza: Una riflessione strategica sul ruolo di CNA nel nuovo scenario della rappresentanza* (2007). Retrieved May 12, 2013 from www.cnaemiliaromagna.it/NewsVedi.php?id=4745

¹⁵ In Costis Hadjimichalis, ‘The end of Third Italy as we knew it?’, *Antipode*, 38/1, January, 82–106. Retrieved February 2, 2007 from <http://www.blackwell-synergy.com/doi/pdf> (2006), 102.

¹⁶ In *ibid.*

¹⁷ Michael Dunford, ‘Industrial districts, magic circles, and the restructuring of the Italian textiles and clothing chain’, *Economic geography*, 82, 2006, 2.

Retrieved October 2, 2009 from www.lse.ac.uk/collections/.../whosWho/.../a.c.../mdeg03.pdf.

¹⁸ *Ibid.*

¹⁹ Paul Hirst and Jonathan Zeitlin, ‘Flexible specialization: Theory and evidence in the analysis of industrial change’, *Contemporary capitalism: The embeddedness of capitalist institutions*, R. Boyer and J. Rogers Hollingsworth (eds.), Cambridge University Press, 1997 [1st digital printing edition of 2005], 220–239, 221.

Income and Wealth based on ninety-nine ‘superdistricts’, i.e., where the large presence of specialised manufacturing employment in SMEs was evident.²⁰ They found no statistical evidence of higher district worker mobility between jobs and no evidence of higher self-employment presence in districts compared to other sites although they found significant transition data from wage and salary work to freelance employment. Furthermore, wages distinguished core polyvalent workers from peripheral unskilled ones. Overtime was not imposed, it was expected. Berta described how in the 1980s, the sons and daughters of the first generation ID working class, like their parents, started to work early mostly in precarious work conditions.²¹ Work changed regularly and consisted of simple tasks to carry out. The self-employed and freelancers in the Veneto shared a common feature with the wage-earners; according to Aglietta they became the ‘means of producing goods autonomously’ but bore the ‘constraint of the privation of property’.²² Mother companies hired out machinery to them, adding pre-ordained work commissions. Similarly, local affiliates in Malta shared this experience. This promised to raise productivity in general, and in those services not integrated in the larger firm.

5. Political social relations: Capital, labour and the political state

Jessop conceptualised the state as neither a thing (‘neutral instrument’) nor a subject (‘a unified subject’) that does this and that.²³ The state was a terrain hosting a complex ensemble of institutions with their own specific forms. Social classes struggled to impress their claims upon this terrain and its institutions. That struggle established the state’s role. Since economic development *per se* was neither self-stabilising nor self-healing, it required regulatory modes. These included adjustment mechanisms and processes intended to smoothen the functioning of the system by diffusing contradictions and conflicts – an ‘institutional ensemble’ of laws and agreements, state policy, political practice, governance philosophies, rules of negotiation and bargaining.²⁴ Jessop explained how these institutions embedded economic activity. There was also the contribution of cultural factors.

In Italy’s post-war economy, mass production in privately-owned large businesses, supported by major financiers, banks and state agencies, characterised development and modernisation. Defined as the ‘manufacture of standardized products in high volumes using special-purpose machinery and predominantly unskilled labor’,²⁵ by the 1960s it imposed a national market in Italy

²⁰ Guido De Blasio and Sabrina Di Addario. *Labor market pooling: Evidence from Italian industrial districts*. Bank of Italy (October 2002).

Retrieved October 15, 2009 from http://www.bancaditalia.it/pubblicazioni/econo/temidi/td02/td453_02/

²¹ Giuseppe Berta, ‘Il nord Italia: Una trasformazione in atto’, in *La questione settentrionale: Economia e societa` in trasformazione*, G. Berta (ed.), Milan, Feltrinelli, 2008, ix-xxix.

²² Michel Aglietta, ‘Capitalism at the turn of the century: Régulation theory and the challenge of social change’, *New Left Review*, I/232, November-December, 41-90 (1998), 48.

²³ Jessop (2008), 31.

²⁴ Bob Jessop and Ngai-Ling Sum, *The Regulation Approach and beyond: Putting capitalist economies in their place* Cheltenham, Edward Elgar, 2006, 97. Also, Bob Jessop, *The State: Past, present, future*, Cambridge, UK, Polity, 2016, 66-70.

²⁵ Hirst and Zeitlin (1997), 221.

and eventually an increasing homogenisation of lifestyles, especially in sectors such as clothing, footwear, food and furniture, typical of the so-called Made in Italy products. The central state theory developed by Arrighetti & Seravalli meaningfully explains the prevalent set of relations between mass industry in the Italian NW and state institutions.²⁶ It explains how state-controlled banks – Banca Commerciale, Credito Italiano, and Mediobanca – and state-owned companies including ENI (National Hydrocarbons Agency), and ENEL (National Agency for Electric Energy) contributed heavily to the post-war reconstruction. They also contributed to keep prices for Italian private industry competitively low. Meanwhile, as these institutions underwent critical change – the banks were eventually all privatised – capital accumulation processes by large industrial groups did not stop. The number of companies controlled through scission, acquisition and start-ups increased however the industrial upper bourgeoisie was forced to turn to market capital share making their control more articulate: entrepreneurs took over from *rentier* families, and were joined by banks (in a different guise from that of the immediate post-war) and insurance companies. At the top of industrial capital in Italy, the capital base had more finance and less production than in the immediate post-war period.

A ‘disjointed’, piecemeal, post-war approach to capital-labour negotiation led to instability and forced the hands of government to produce the Workers’ Statute, *Statuto dei lavoratori* entitled, *Norme sulla tutela della libertà e dignità dei lavoratori, della libertà sindacale e dell’attività sindacale nei luoghi di lavoro e norme sul collocamento* (Law 300 of May 1970).²⁷ New limits to the practice of easy hire and fire on a national scale, and mass production cycles began to leave the metropolitan zones. Skilled workers pushed out by union-backed semi-skilled workers were attracted by the promise of higher income in small firms which like those in the IDs and artisan workshops, were not regulated by the *Statuto*. Freed from national collective labour agreements, these SMEs still gained state support. Arrighetti & Seravalli’s intermediate state theory explains how the formal state assisted at the territorial scale.²⁸ Part of it was passive tolerance. Thus, in the Veneto, politicians and bank authorities permitted easier access to credit than the bank regulations or procedures granted. Small sweatshop firms could apply as artisan firms. Thus, they claimed separate contractual agreements; exemption from the *Statuto*; and, non-payment of employers’ social contributions for apprentices even when these outnumbered full-time specialised and skilled employees in the firm (they could still dip from INPS, the Italian Social Security). They exploited a more trouble-free procedure for the sacking of apprentices than that of full-time workers; enjoyed more favourable conditions in the assignment of family cheques than others; and had simpler bookkeeping accounts.

²⁶ Alessandro Arrighetti and Gilberto Seravalli, ‘Istituzioni e dualismo dimensionale dell’industria italiana’, *Storia del capitalismo italiano*, F. Barca (ed.), Rome, Donzelli, 1997, 335-388.

²⁷ Michael J. Piore and Charles F. Sabel, *The second industrial divide: Possibilities for prosperity*, New York, Basic Books, 1984.

²⁸ Arrighetti and Seravalli (1997).

Political parties supported the IDs. From the bipartisan agreement between the Christian Democrats and Italian Communists for central state support to trickle down to intermediate administrative levels, to the rise of the Lega Nord, different ruling coalitions insisted on support.²⁹ Consensus across the political divide led to a legislative definition of IDs (for the purpose of incentive schemes) which was broad but not foggy. Law 317/1991 entitled *Aid for Innovation and the Development of Small Firms* set an external environment that favoured competitiveness and innovation-based growth. This indicated change as the local MNEs were dictating the terms of legislation. The point was to assist the internationalisation of SMEs. As Becattini counter-posed, ID firms needed support but this was not to be overdone (*si tratterà di fare ma non di strafare*) and the productive context of the district was to remain rather flexible and competitive (*molto sciolto e competitivo*) otherwise, state support would be counterproductive.³⁰ His criticism of industrial policy (wrongly) targeting individual, potentially leader, small firms rather than aggregating them in the district was correct but confirmed new capital relations.

In Malta, the formal state contributed towards industrialisation by means of foreign investment incentives. Grants, loans, tax-free holidays, customs duties exemption for plant, equipment, raw materials and parts substantiated the support. A series of Development Plans set the government's agenda, as it assisted in the development of the ELIFFIT – Export Led Industrialisation Fuelled by Foreign Investment and Technology – model.³¹ In this way, foreign capital investment could maximise profits. However, the political state did more than produce incentive packages for capital. Amongst others, it regulated capital-labour relations. If unions were cautious in ID territory, where they were collaborators with management in the competitive challenges facing individual firms, they were equally careful in Malta in their relations with export-based foreign capital. Unlike those negotiating on nation-wide collective packages, the actions of unions in Malta and the Italian NE explain their complicity with capital. The General Workers' Union in Malta had to accept wages subordinated to international competitiveness. Wages became costs weighing down on international competitiveness. Rapid growth had conceded a respite but maintaining competitiveness was a source of class tension. With GWU leaders invited to cabinet meetings, these union representatives appeared part of the forces dictating terms. This paradox was not solved even if one considered the bulk of GWU membership was loyal to the Malta Labour Party (MLP). Imposing a wage freeze, the MLP government indicated which class was to bear the brunt. If on one side, an MLP government introduced statutory working days and annual bonus, children's allowance, an old age pension and national minimum wage; on the other, it discouraged sick-leave and absenteeism, and reduced industrial action stoppages. The adoption during the

²⁹ Enrico Letta, 'Industria e distretti: Un paradigma di perdurante competitività italiana', in *Industria e distretti: Un paradigma di perdurante competitività italiana*, Marco Fortis and Alberto Quadrio Curzio (eds) Bologna, Il Mulino, 2006, 15-19; Giulio Tremonti, 'Distretti industriali: L'unione delle imprese fa la forza', *Premessa*, in *ibid.*, 11-13.

³⁰ Giacomo Becattini, *Distretti industriali e Made in Italy: Le basi socioculturali del nostro sviluppo economico*, Turin, Bollati Berlinghieri, 2000 [Reprint of 1998 edition].

³¹ Mario Brincat, 'The birth of the "Maltese model" of development, 1945-1959', *Journal of Maltese history*, 1/2, 2009b, 34-52.

1970s of workfare policies in Malta was *concurrent* with that on the continent.³² Workfare survived under Nationalist Party (PN) governments. The National Industrial Policy (NIP) report for Malta in 2003 discussed costs and benefits of the ‘willingness’ to labour. Whilst unemployment assistance was ‘an indispensable tool for social cohesion’, the report pointed out that ‘a high ratio of such benefits to the average remuneration from employment reduces the incentive to search and prepare for new employment’.³³

If Malta adopted workfare policies concurrent with the state of affairs on the continental scale, compared with the same continental experience of advanced economies and their welfare state, Malta was a *late* set-up of welfare measures. This brought stability in the social formation by redistributing the spoils between labour and capital, and decreasing differences amongst the wage-earners.³⁴ The workfare backlash on wages was thus, partly, obviated by social integration policies in state welfare. This helps understand how, against theory that depicts the state as neutral and intent on balancing divergent interests in civil society, inserting social classes helps in spelling out what that intent meant in terms of the forces active at the time and relations between them. It establishes and opts for an ‘objective’ rendering of economic events. It also offers the opportunity to challenge fossilised social structure theory by inserting social classes and provide for active agency in structural theory, always in line with specific historical conjunctures. This depends on the social formation as the ‘effective locus of the existence and reproduction of modes of production’.³⁵ The economic goals might be the same – and, one adds, the economy remains the determinant – but the social relations as building blocks of the social formation can work out in different ways based on different combinations. Concrete forms of the capitalist state, once theoretically outlined, are observable in capitalist social formations because, in the end, there is always a need to provide a reproductive space (where the formal state and political society relate with the economic instance). This guarantees the capitalist state’s relative autonomy, i.e., the economic is still separate from the political. At the same time, autonomy notwithstanding, in the long run, the state (national or its subnational scale) defends and promotes capitalism. In the case of the two territories, one has to keep in mind that these follow a typology of a state in competitive capitalism and therefore resources are mostly diverted to that end.

6. Ideological relations: Reproduction of social relations in the Italian NE and Malta

The DC and the PCI, as stated above, supported the SMEs in provincial territory. More specifically, the DC supported the white Veneto and the PCI provided assistance to the red Emilia. These two dynamic industrial regions enjoyed intermediate state support, and furthermore, the political institutions adopted a governance style that allowed space for local politics. After the fall of the DC in the Veneto, the Lega Nord inherited most of its political support and the claim to

³² See workfare in Jessop and Sum (2006).

³³ Ministry of Economic Services (2003), 10.

³⁴ Brincat, 2009a, 148.

³⁵ Nikos Poulantzas, ‘The capitalist state: A reply to Miliband and Laclau’, *New Left Review*, I/95, January–February, 1976, 1–21.

autonomy. The numerous small towns and strong localistic trends explained in part why the Lega was a grassroots movement in the Veneto provincial territory. The new jargon of anti-statism, fiscal revolt and social intolerance, were all associated with northeastern petty bourgeois political sentiments that sought representation. However, from 1987 to 1994, the Lega formed part of the national government, sharing political rule with Forza Italia and Alleanza Nazionale. Still, the *pedemontana*, the so-called *profondo nord* (deep north) of the Alpine foothills remained its limits.³⁶

Giorgio Lago, for twelve years director of one of the most popular newspapers in the Veneto, *Il Gazzettino*, provided the territory of the NE with its associative interpellation when he coined *Nordest* in 1987. Supported by the political, economic and cultural leadership (*dirigenti*), the interpellation served economic purposes; it did not serve for political aggregation. Thus, it proposed ‘catching up’ intended to recover lost ground and head toward specific points of reference. This was part of a broader narrative in an ever-increasing geographic order: the Italian NW for the NE, the European West for the Italian NW, and the US for the European West. Furthermore, not class-restricted, it was essentially populist in its appeal: ‘classes cannot assert their hegemony without articulating the people in their discourse; and the specific form of this articulation in the case of a class which seeks to confront the power bloc as a whole, in order to assert its hegemony, will be populism’.³⁷ In Laclau’s words, interpellations were ‘of merely emotional value and that mere appeal to them has only a rhetorical significance’.³⁸ The local masses were tugged along in unity to support their territory against others especially the central State and hegemonic NW industry; at the same time, internally, the industrial bourgeoisie conserved regional leadership setting itself apart from the rest. The Nordest was eventually integrated within the *questione settentrionale*, at which point, Diamanti argued, the NE was in political decline.³⁹ The national agenda was no longer written by it, as in the 1990s when the crisis of the mass parties, the NE’s challenge to the central state, the small firms, federalism, and Europeanisation had been the dominant themes on the battleground for ideas. In the new century

³⁶ Ilvo Diamanti, *Il male del Nord: Lega, localismo, secessione*, Rome, Donzelli, 1996, 18. Territoriality remained a test even when it became the only Western ‘regionalist’ party to turn to ‘nationalism’ when Matteo Salvini was elected leader in 2013. See Daniele Albertazzi, Arianna Giovannini and Antonella Seddone ‘No Regionalism Please, We are Leghisti !’ The Transformation of the Italian Lega Nord Under the Leadership of Matteo Salvini’, *Regional and Federal Studies*, 28:5, 2018, 645-671.

³⁷ Ernesto Laclau, *Politics and ideology in Marxist theory: Capitalism – fascism – populism*, London, NLB, 1977, 196. Laclau would insist, less class, more people. Investigating populism as the expression of separate social classes, Laclau concluded there were commonalities in separate social class bases. Consequently, the distinctive social class path was disqualified in theorising the distinctive content (ideology) since this consisted of shared inter-class stances such as mistrust of traditional politicians, appeal to the people, anti-intellectualism, etc. His discontinuity with the Marxist tradition signified rejection of its fundamental principle – the class struggle; it was ‘necessary to go beyond’ what is ‘the struggle of classes that are not classes’. See Laclau, *On populist reason*, London, Verso, 2018, 248.

³⁸ Laclau (1977), 166.

³⁹ Diamanti (1996), 5-16. Also, Ilvo Diamanti, *Bianco, rosso, verde ... e azzurro: Mappe e colori dell’Italia politica*, Bologna, Il Mulino, 2003, 56-60.

it was overcome as the political forces that propounded it – the northern political alliance – suffered a series of corruption scandals and loss of support.

In the peripheral economy of Malta, the agenda of both political parties suggested foreign investment was mandatory for trade balance, employment and wealth generation. FDI was the motor of development. Concepts of development had a role to perform in Malta, substantiating dreams of the periphery and associated expectations.⁴⁰ There was an element of desirability internal to such development projects. They produced and followed pre-defined criteria serving as measures of success. They also produced contradictions – those accompanying progress, perceived or otherwise. Transformations brought about by FDI eventually led to contradictions as the myth and shortcomings of foreign investment were exposed. These consisted of internal contradictions between developed social forces and restrictive production relations accompanying such economic and social transformations; unless solutions were found, the contradiction was exposed. Grounding this in history, the MLP came up with, amongst others, the solutions of welfare measures. These provided a major, even if costly, solution.

The MLP continued to promote the Labourite (*laburist/a*) interpellation in the 1970s, along with a host of other terms such as ‘socialist’ and ‘working class’, analytically different, but used interchangeably. When articulated within a larger social design or hegemonic discourse, they indicated a different sort of meaning – one attached to power over followers. The hegemonic process worked toward the collective identification of MLP supporters as it kept a delicate political balance in which they were tugged along at the inter-party scale, but carefully kept back at the intra-party one. In other words, its articulation worked through a contradiction employed on two levels, external – MLP and PN; and internal – party leadership and followers. The former coalesced party membership against that of the other party; the latter empowered the leadership in relation to the party’s rank-and-file. This empowerment was observed in the methodology adopted, arguably, a consequence of learning from the Church. The party adopted the patronising teacher-pupil relation typical of the relationship between parish priest and parish faithful, and of traditional village notables (the village lawyer and public notary, the local pharmacist) towards their clients.

If the interpellations Labourite, socialist or working class contributed to gain support, eventually the same were identified as weaknesses paradoxically for the same purpose. Market and efficiency, freedom of choice, modernity and citizenship became the new catch-phrases. The ‘skills’ argument was what the new government of the PN in 1987 presented as a radical discontinuity in Malta’s ‘human capital’ agenda. In 2003, policy tools declared that Malta was no longer ‘a low-cost industrial location’ but had gained a ‘comparative advantage ... based more on the quality of human resources that generates high value added’.⁴¹ This was the case in electronics, plastics, pharmaceuticals, rubber and engineering. More than a discontinuity from the past, however, the 2003 Industrial Policy continued to recognise the crucial contribution of foreign

⁴⁰ Vella (1994).

⁴¹ Ministry of Economic Services (2003), 56.

capital. Novelty in policy emanation was continuity with improvement, not even an intuition of paradigmatic change. For the Maltese policy-maker, the assumption was that capitalist development was the ‘only possible sort of development’, a commonsensical claim, the ‘only realistic perspective’ and, at the same time, concealed the ‘almost total absence of radical critiques’ of that same assumption.⁴²

The industrial culture in Malta’s exporting manufacturing sector especially focusing on the industrial workforce, was in part formed within the trade school (TS) programmes. TSs were meant to increase the workforce and provide training to increase productivity rates. Through increased supply, FDI would be attracted by lower labour costs. Girls’ trade schools (GTSs) formed part of the human resource agenda proposed by the MLP government in 1972 to tap the convenient source of abundant and trainable female workers who eventually ended up providing the predominant workforce in foreign-owned manufacturing industries.⁴³ Whilst in general, TSs were organised on factory lines, and this included school hours and holidays, in GTSs, training was distinctively linked to traditional female crafts such as sewing, lace making, knitting, embroidery, dressmaking and textiles. As Chircop observed, GTSs turned out to be conservative schooling for industrialisation.⁴⁴ Female industrial workers could look forward to marriage, home, and family as they looked backward to a well-established pattern in social tradition. At work in electronic and pharmaceutical neo-Fordist factories with their division of labour and technology, like earlier bloody Taylorised textile work regimes, they were involved in labour-intensive industries and were ‘broken into the necessary type of discipline’ that assisted, ‘their age-old exploitation in the service of profit’.⁴⁵ The work regime for these industrial workers consisted of routinisation and simplification of tasks made easy to imitate, for which, GTSs were sufficient. ‘Conceptually and historically’, reminded Brenner and Glick, this was ‘the culmination of manufacture per se’.⁴⁶ It consisted, they added, of ‘the breaking up of complex, skilled tasks into their simplified, deskilled component parts (detailed labour)’, in order to bring about cost savings by rendering learning-by-doing easier, making labour more continuous, reducing training expenditures, and using less skilled workers in the process. And if there was a commonality between the two territories, the exploitation of youth was one. The status of an apprentice in the clothing and textiles IDs of Vicenza and the footwear district of Macerata (in the Marche region), being a grey area of labour regulation, was exploited to the full by entrepreneurs.⁴⁷ Apprentices were not alone. Similarly, in

⁴² Vella (1994), 57, fn. 1.

⁴³ This was a common experience in the West. In the 1970s, along with immigrant labour, Western women ‘poured into the labour market’ as wage labour, or ‘wage-dependency’, transforming this into a liberation from ‘household drudgery’. See Wolfgang Streeck, *Buying time: The delayed crisis of democratic capitalism*, London, Verso, 2014, 17.

⁴⁴ Denise J. Chircop, ‘Absenteeism: Deviance, resistance and contestation’, *Maltese society: A sociological inquiry*, Ronald G. Sultana and Godfrey Baldacchino (eds.) Malta, Mireva, 1994, 383-408.

⁴⁵ Alain Lipietz, ‘How monetarism has choked Third World industrialization’, *New Left Review*, I/145, May-June 1984, 74.

⁴⁶ Robert Brenner and Mark Glick, ‘The régulation approach: Theory and history’, *New Left Review*, I/188, July-August 1991, 45-11.

⁴⁷ Hadjimichalis (2006).

the Maltese case, domestic employment including underage labour was used to guarantee surplus value, whilst transferring risks on these categories.

Conclusion

The critical times of the early 1970s for mass production systems in the metropolitan centres of advanced economies became an ‘opportunity’ for the two peripheries embarking on export-based, manufacturing industry. These peripheries had to offer better productivity and/or profitability margins from those that had supported ‘national capitalism’ of the immediate post-war growth period (see Italian NW above). Trajectories of the two peripheries, and their comparison always at a respectful distance, confirmed what Marx indicated when he made the point about the need to recognise how

events strikingly analogous but taking place in different surroundings led to totally different results. By studying each of these forms of evolution separately and then comparing them, one can easily find the clue to this phenomenon.⁴⁸

Thus, one notices how the contribution of endogenous industrial capital to growth-promoting industrialisation in these two territories significantly differed: in the Italian NE, self-employed petty bourgeois artisan, small firm owners and freelancers were central in the productive process whereas in Malta, by comparison, foreign capital sought the working class wage-earner. In Italy, the struggle to survive the post-war and 1970s crises, passing from one miracle to another, provided the opportunity for the development of a strong exporting sector in clusters of SMEs most of them working on one or two specific product ranges. Unlike the Maltese, where profits were raked in by foreign owners, the growth of the ID cluster was taken to be territorial with resources garnered from within the cluster’s geographic area. In this case, the capital accumulated served to propel local medium-sized firms to multinational status. Conversely, once the goal in Malta was to persevere in attracting foreign investment, the attention to human capital formation was ongoing. It was the political state that was actively involved in creating the social context for its success amongst others radically reforming the entire education system including setting up a vocational school system for labour-power training and the university for other managerial and technical roles.

Nevertheless, other ‘southern’ economies began to attract capital. The context of this development was captured by Gary Gereffi’s reference to the extended production systems of the globalised economy, where a

striking feature of contemporary globalization is that a very large and growing proportion of the workforce in many global value chains is now located in developing economies. In a phrase, the

⁴⁸ In Mario Vella (2012) ‘Forgetting industry: The scarce and selective visibility of Malta’s industrial experience in the field of vision of Maltese sociology’, in *Revisiting labour history*, John Chircop (ed.), 175-254, Malta, Horizons, 2012, 225, fn. 52.

centre of gravity of much of the world's industrial production has shifted from the North to the South of the global economy.⁴⁹

In the struggle amongst southern or peripheral economies, parabolas of growth appear and disappear. Competition continues to be sustained over productivity, education and training of labour. Besides the social class tension between producers and owners (or their petty bourgeois representatives), this also affects political social relations. It creates the non-alignment of political (national) and economic (global) spaces. 'Capitalism', reminds Samir Amin, 'is more than just an economic system; its economy is inconceivable without a social and political dimension, which implies a state'.⁵⁰ The political arm of the State, he argued, would have to match the integrative force of capital because 'the conflict between globalised economic space and the fragmentation of spaces for political and social management is unbearable'.⁵¹ In this globalised openness, the 'political' was nevertheless caught in a dilemma; as Marx argued, the welfare of its voters depended on capital, 'reverse is not always the case. Capital can relocate elsewhere; electorates cannot'.⁵² Peripheral states or territories such as Malta, dependent on foreign investment for their exports, and the Italian Northeast, relatively more dependent on local capital but whose local capital eventually relocated abroad, have shared one common experience – to learn to manage this tension that affects political and ideological social relations.

Finally, observing cultural social relations does assist in understanding more meaningfully the contribution of such relations to the economic development highlighted above without falling to the temptation of cultural reductionism. This was always a possibility in the case of the Italian NE and its IDs. The myth of the entrepreneur with a lifestyle firmly embedded in the social and cultural traditions of the territory, owner of a small family-run firm part of a cluster of similar firms vitally important for regional industrial development became self-consoling. Based on previous technical experience and a lived apprenticeship, firm founders set up business in activities in which they had working experience and technical know-how. This assisted their familiarisation with strengths and weaknesses in the workplace, an experience shared by family members who participated in the firm and especially those bound to inherit a leading role in the firm or other firm start-ups. This meant, in one sense, focus and continuity in the particular manufacturing niche, identifiable in the select product of the district to which the firm belonged. In addition, as organic intellectuals, entrepreneurial leaders became a political mouthpiece, representing the rest, bent on constructing

⁴⁹ In John Smith, 'The GDP illusion: Value added versus value capture', *The Monthly Review*, 64/3, July-August (2012). Retrieved March 19, 2020 from <https://monthlyreview.org/2012/07/01/the-gdp-illusion/>. In a more recent work, Smith wrote about the attraction of worker super-exploitation to global capitalism and its need for 'extreme rates of exploitation of workers in the low-wage countries where production of consumer goods and intermediate inputs has been relocated'. See, *Imperialism in the Twenty-First Century: Globalization, Super-Exploitation, and Capitalism's Final Crisis*, New York, Monthly Review Press, 2016, 10.

⁵⁰ Samir Amin, *Capitalism in the age of globalization: The management of contemporary society*, London, Zed Books, 1998, 32.

⁵¹ Ibid., 39.

⁵² In Donald Sassoon, *One hundred years of socialism: The West European Left in the twentieth century*, London, Fontana, 1996.

a broad consensus for their vision of the world. When entrepreneurs became mayors of small municipalities, they did not have the language and discipline of traditional intellectuals. They used the language and know-how of other entrepreneurs, one they could easily recognise as their own. Gramsci's broad concept of the organic intellectual assists in understanding such entrepreneurial representation in the NE. According to Ginsborg, the myth was so strong it survived the economic growth period: 'Far from the new wealth producing a pluralist and culturally richer society, the principal actors in the advanced sectors of the economy were giving vent to an increasingly tribal voice'.⁵³

The culture-rooted incubation of entrepreneurial forces was different from the formal training vocationalism in Malta. This provided a relatively more stable continuity set in formal educational institutions with their services in Malta. The vocationalist spur of the early 1970s, albeit with a temporary downturn in the late 1980s and 1990s following a change in government, continued as it eventually picked up again as part of the process of preparation and adaptation for EU membership. Significantly, in the NE, there was a rapprochement to the more representative Maltese social reproduction process. There was a change from out-of-school apprenticeship associated with the early rise and spread of the districts, to an increase in the percentage of attendance in state or other formal education service provision. Statistical evidence for the Veneto region incontrovertibly indicated a general increase in the percentage of those opting for formal education and training, and obtaining more and higher certificates – academic and vocational – in relation to similar statistics of the 1960s. As for social reproduction in Malta characterised by ideological practice and relations in the wider social formation, the author's comparison of the MLP in opposition during the 1960s to its time in office (1971–1987), suggested the party was strong in learning from its adversaries in the former period but less so in profiting from it in the latter.⁵⁴ Having ideologically managed to build a working class following, when in office it set about devising measures to raise productivity not least, to attract foreign investment. These were counter-productive to the MLP's relations with occupational sectors where the party claimed strong political and ideological support. Ideological relations were ambiguous also where female employment in foreign firms was concerned. It appeared an ideological strong point for a progressive labour policy freeing girls from the traditional domesticity of housework. However, traditional forms resisted and TSs, as mentioned above, were distinctively linked to traditional cultural roles as signs of progress and conservation moved hand in hand accompanying economic development. They represented the aspirations and promises – political and cultural – that propped the two development agendas presented above which, in turn, represented social reproduction processes that granted continuity. As premised above, they explained the relations between structure and superstructures to 'be accurately posed and resolved' so that active forces are defined,

⁵³ Paul Ginsborg, *Italy and its discontents: Family, civil society, state 1980-2001*, London, Penguin, 2003, 46.

⁵⁴ Joseph Gravina, 'So close and yet so far: The Malta Labour Party's cultural politics during the 1970s and 1980s', in *Revisiting labour history*, John Chircop (ed.), Malta, Horizons, 2012, 276-300.

and ‘the relation between them determined’.⁵⁵ These were the social classes and sectors within active in the development of the two territories.

⁵⁵ Gramsci (1975), 1578-79.