In Search of European Capitalism

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1. From Business History to History of Capitalism

There is a growing movement in the business history community that believes that the traditional unit of analysis - the firm - can no longer stand alone.[1]

The major responsibility might be in the Chandlerian approach – while it gives a glimpse of a wide scenario around it (evolving markets, regulation, cultures) in the end it becomes apparent that its real interest focuses on the tension between organizational design and economic performance.

All this has added invaluable knowledge about the inside mechanisms of the company but, because of its qualitative orientation, it appears too weak for the firm analysis that economists and management scholars like to offer and, at the same time, too limited for historians who feel that one of their main tasks is to contextualize, to place the firm (the primary actor of their tales) in a deep and wide historical perspective.

But context, if we take it seriously, is a very complicated matter, made by the desire to shape a national or even an international economy, a struggle for power between different social groups, the appearance of different forms of leadership, a plot that binds together State and market, and many other ingredients of this kind of complexity.

Is it the reality of our everyday economic life? And don't we call it capitalism? Actually, after enthusiasm for the grand ideological designs peters out, capitalism is indeed the economy of our days - well captured by the definition of Jürgen Kocka who proposes that capitalism is decentralization, commodization, and accumulation.[2]

My aim is to analyze European capitalism, emphasizing its common characteristics. My approach is diagonally opposed to the "varieties" approach but I see it as an effort to offer a different perspective.

2. Basic Propositions

In this essay, Europe means basically Western Europe. I will take into consideration two peripheral countries: affluent Sweden in the north and rushing-to-catch-up Spain. There are also three central countries: the United Kingdom, Germany, and France. Finally, Italy is positioned as intermediate, the last of the affluent nations and the first of the latecomers.

So let me immediately play my cards and give you my hypothesis. European capitalism has four pillars:

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1 Louis Galambos, "Is this a Decisive Moment for the History of Business, Economic History, and the History of Capitalism?", keynote address, 38th Annual Economic and Business History Society Conference, Baltimore, *Essays in Economic and Business History*, no. 5 (2014).

2 Jürgen Kocka, Capitalism. *Capitalism: A Short History*, Princeton University Press, Princeton, 2016.

First, contractual cooperation between firms to control the market;[3]

Second, firms of limited size, hence the hegemony of family business;[4]

Third, the very active presence of the State in the economy making it possible to catch up with the front runner (the United States), especially after World War I;[5]

Fourth, a workers' movement that - even if via different means - never gives up on the idea of using power to change society.[6]

These four pillars-- the original characteristics of European capitalism-- are submerged in the second half of the 20th century by three (huge) waves: Americanization, following the Marshall Plan[7]; the constitution of the European Union based on "American" rules (for instance, antitrust and limits to state intervention)[8]; and - the biggest of all - globalization which seems to sweep away every peculiarity of our civilization.[9]

The deep crisis of 2008 pushed the clock back a bit and the original characteristics re-emerged, showing that they are not ephemeral.[10]

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3 Jeffrey Fear, "Cartel", in *The Oxford Handbook of Big Business*, eds. Geoffrey Jones and Jonathan Zeitlin, (Oxford, 2008); Harm G. Schröter, "Cartelization and Decartelization in Europe, 1870-1995: Rise and Decline of an Economic Institution", *Journal of European Economic History*, 25, no. 1 (1996).

4 Andrea Colli, *The History of Family Business 1850-2000*, Cambridge, 2003; *The Endurance of Large Family Business around the World*, eds. Paloma Fernandez Perez and Andrea Colli, (Cambridge, 2013); Harold James, *Family Capitalism*, (Cambridge, MA., 2006).

5 *The Rise and Fall of State-Owned Enterprise in the Western World*, ed. Pier Angelo Toninelli, (Cambridge, 2000); Matthias Kipping, "Business-Government Relations: Beyond Performance Issues", in *Business History around the World*, eds. Franco Amatori and Geoffrey Jones, (Cambridge, 2003): 372-393.

6 Werner Sombart, *Why Is There No Socialism in the United States?*, ([1906], English trans., New York, 1976); Colin Crouch, *Industrial Relations and European State Traditions*, (Oxford, 1993); Donald Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, (London, 2010).

7 *Americanization and Its Limits: Reworking US Technology and Management in Post-war Europe and Japan*, eds. Jonathan Zeitlin and Gary Herrigel (Oxford, 2004); Victoria De Grazia, *Irresistible Empire: America's Advance through Twentieth-Century Europe,* (Cambridge, MA., 2005); *American Firms in Europe, 1880-1980: Strategy, Identity, Perception and Performance*, eds. Hubert Bonin and Ferry de Goey (Geneva, 2009); Veronica Binda, *The Dynamics of Big Business: Structure, Strategy, and Impact in Italy and Spain*, (New York, 2013); Harm G. Schröter, *Americanization of the European Economy: A compact survey of American economic influence in Europe since the 1800s*, (Dordrecht, 2005); David W. Ellwood, *Rebuilding Europe: Western Europe, America and Postwar Reconstruction*, (London, 1992).

8 Francesca Carnevali, *Europe's Advantage: Banks and Small Firms in Britain, France, Germany, and Italy since 1918*, (Oxford, 2005); Hubert Buch-Hansen and Angela Wigger, *The Politics of European Competition Regulation: A Critical Political Economy Perspective*, (London, 2011); Geir Lundestad, *'Empire' by Integration: The United States and European Integration, 1945–1997*, (Oxford, 1998).

9 Jeffry A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century*, (New York, 2006); Colin Hay and Ben Rosamond, "Globalization, European integration and the discursive construction of economic imperatives", *Journal of European Public Policy*, 9, no. 2 (2002): 147-167.

10 *The World Economy after the Global Crisis. A New Economic Order for the 21st Century*, eds. Barry Eichengreen and Bokyeong Park, (Singapore, 2012); Gregory Jackson and Richard Deeg, "The Long-term Trajectories of Institutional Change in European Capitalism", *Journal of European Public Policy*, 19, no. 8 (2012): 1109-1125.

3. Contractual Cooperation

Both Europe and the United States were affected by the Great Depression that went on for slightly more than two decades starting in the early 1870s. The economic crisis meant a general fall in prices brought about by the application of new mass production technologies typical of the Second Industrial Revolution.

On each side of the Atlantic the first reaction of companies was the same: get together to control markets via agreements on prices. There was a variety of agreements, ranging from informal cartels to the formation of holdings in which firms exchanged shares. The reaction was the same but this similarity lasted only a few years. In the United States, large corporations decided to pursue the way of "administrative efficiency" while "contractual cooperation" prevailed in Europe. Administrative efficiency refers to the corporation as a multi-unit entity (a plurality of factories, warehouses, labs, buildings for administration) governed along functional lines (production, marketing, finance, logistics, etc.) by a headquarters.

This is true both in the case of a single growing corporation as well as that of a merger. The outcome was a very cohesive ensemble ready to compete less on price and more on performance and improvements in the various corporate functions-- for example, by breaking into new markets and retreating from saturated ones. The outcome was to lower costs per unit and increase market share.[11]

All this meant concentration. Why does the American story have this feature? Basically, for two reasons; the first was related to an extraordinary growth of the domestic market. Between the Civil War and World War One, the population increased threefold. Miraculously, in the same period GNP per capita grew 250%. The second important reason is something that can be defined as the American paradox. From 1890 onward in America there was strong and effective antitrust legislation so as to protect the country from "monsters" like Standard Oil, American Tobacco, and US Steel. In fact, the values and interests of American society were seriously threatened. But, in the end, antitrust favors concentration because a company that cannot agree with the others on prices will likely try to seize its rivals by a functional and strategic competition. The final result was good quality and reasonable prices so that even the harshest opponents of concentration had to recognize that there is both bad trust as well as a good version.

In Europe, including the UK, the situation was virtually the opposite. The market was hardly as dynamic as in the United States and, in general, there was strong opposition to antitrust policy. The conviction that wealth is a given and that the company which grows too fast does so at the expense of others was diffuse. Economic competition was a zero sum game, especially in times of economic crises when the best solution was to pursue a policy of contractual cooperation[12].

As we have seen, heavy concentration was the final result of this process in America where a significant role was played by headquarters (the principal actor that made the group a real and consistent entity). In Europe, where "contractual cooperation" predominated, the headquarters was not as important. Particularly telling is the British case. For example, in the United States it was common to find an architectural monument signaling the importance of the headquarters (like New York City's skyscrapers). In Britain, instead, a small office could be sufficient to host the leaders of a federation of firms. Here the leaders of the companies

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11 Alfred Chandler, "The M-form: Industrial Groups American Style", *European Economic Review*, 19 (1982): 3-23.

12 David S. Landes, *Unbound Prometheus, Technological Change and Industrial Development in Western Europe from 1750 to Present*, (Cambridge, 1969): 132-133.

involved in an agreement would meet two or three times per year. On those occasions, they shared headquarters for marketing and advertising while a secretary transcribed the meeting minutes and all was done.

Why are federations or holdings made up of companies that exchange shares dominant in Britain? We should keep in mind that in the United Kingdom collusive behavior can neither be protected by law (we are talking about the nation that gave us Adam Smith) nor can it be punished. In Britain we see a "live and let live" attitude prevail[13]. At the turn of the century, the market was hardly dynamic and there were no promoters of antitrust legislation.

If the situation in France was similar to that of the United Kingdom, in Germany cartels were actually protected by law. A famous sentence of the German Supreme Court in 1897 declared that cartels were in the interest of the State power; they were to be recognized by law and violators would be punished. In fact, after the sentence cartels proliferated in Germany. In the German version it was possible to realize a good side of cartels. First of all, in the most important of them (as, for instance, the Rhenisch-Westphalian Coal Syndicate), there's a visible entrepreneurial capacity to govern an entity that manages about 1400 different prices for different coal qualities and can count on over 500 people as employees. This kind of cartel provided firms with the prospect of a long-term horizon for investments in research and development. They were also precious units for the profusion and exchange of new technologies. Of course, they were not in favor of concentration and this is a limit, given the Second Industrial Revolution's imperatives which called for large dimensions.

Cartels were quite common in the peripheral nations of Europe as well. An investigation into the dynamics of the Spanish iron and steel industry cartelization process between the end of the 1890s and the Civil War, for instance, has shown that the main companies in this sector cooperated very actively and that the strategies adopted by the Spanish steelmakers in this sense were no different than those of their French and German counterparts.[14] In the Swedish version of "organized capitalism" which emerged in the early twentieth century, German cartels were the model for the Nordic country and contractual arrangements between firms could be found in many sectors (quite common in breweries, distilleries and sugar mills). Commercial banks strategically coordinated these cartels in the Swedish "collaborative business system" in the following decades.[15]

Contractual cooperation in these cases was quite similar to the behavior of the largest companies in other big countries of the Continent.

After WWI, the nature, number, and aims of cartels shifted dramatically. Based in part on the experience of managing war economies, governments increasingly found cartels useful instruments of public policy. European cartels boomed in the 1920s and peaked in the 1930s.[16]

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13 Chandler, *Scale and Scope*: 292.

14 Miguel Ángel Sáez García, "Hacia un cártel perfecto. Los acuerdos colusivos en el sector siderúrgico español (1871-1907)", *Investigaciones de Historia Económica*, no. 1 (2005): 131-161.

15 Hans Sjögren, "Welfare Capitalism: the Swedish Economy, 1850-2005", in *Creating Nordic Capitalism: The Business History of a Competitive Periphery*, eds. Susanna Fellman, Martin Jes Iversen, Hans Sjögren and Lars Thue, (Basingstoke, Hampshire, 2008): 39; *Regulating Competition: Cartel Registers in the Twentieth-century World*, eds. Susanna Fellman and Martin Shanahan, (Oxford, 2016).

16 Harm G. Schröter, "Cartelisation and decartelisation in Europe, 1870-1995: Rise and Decline of an Economic Institution", *The Journal of Economic History*, no. 25 (1996).

During the depression, most European countries followed suit with their own cartel enforcement laws. Germany, which had entertained few state-sponsored cartels (potash, certain coal agreements), forced outsiders into existing cartels as a means of extending direct control over prices and production. In both the UK (coal mining) and France (coal and silk), laws were passed to prevent the entry of newcomers into more sensitive markets by requiring state approval which could be withheld for a variety of reasons. There was an impressive expansion of British and French based firms after 1920; many received governmental encouragement.[17]. In Fascist Italy, cartels were encouraged in many sectors and officially included in the State's corporatist economic structures. Spain required cartelization of coal, lead mines, paper, resin, sugar, rice, and the wine industry as a form of industry promotion.[18]

The big three major European industrial powers – France, Germany and the UK - formed also the core of the international cartel movement.[19] As stressed by Matthias Kipping, the International Steel Cartel and the International Potash Syndicate represented the seeds of Franco-German cooperation, while the signatories of the International Steel Cartel formed the core of the future European Coal and Steel Community.[20] Another well-known example of a cartel that emerged during the interwar period and extended across all the leading European nations is the Incandescent Electric Lamp Cartel (Phoebus). Its origins lay in an agreement comprising only German manufacturers before it was transformed in 1924 into a full-blown international arrangement that included partners from France, Italy, Hungary, the Netherlands and the UK. From the mid-1920s to the Second World War, together with General Electric the cartel controlled about three-quarters of the world's output in electric lamps.[21]

4. Family Business

Cartels and contractual cooperation are components of a capitalist culture emphasizing continuity, long-term perspective, and collusive behavior. The persistence of this culture is clearly crucial also for the long-lasting success of family business in Europe. A number of scholars have stressed that in the United States the firm is viewed as a commodity that can be bought or sold, whereas in Europe it's associated with family and community.[22] Mary Rose showed that differing histories and values led to sharp contrasts in the behavior of family firms in the British and American cotton industries in the 19th and 20th centuries. For example, the British desire to found a family dynasty contrasted with the position in the United States.

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17 Harm G. Schröter, "Small European Nations: Cooperative Capitalism in Twentieth Century", in *Big Business and the Wealth of Nations,* eds. Alfred Chandler, Franco Amatori, and Takashi Hikino, (Cambridge, MA., 1997): 189-196; Tony Freyer, *Regulating Big Business: Antitrust in Great Britain and America 1880–1990*, (Cambridge, 1992).

18 Paul Thomas Fischer and Horst Wagenführ, *Kartelle in Europa (ohne Deutschland)*, (Nürnberg, 1929): 217-230.

19 *International Cartels in Business History*, eds. Akira Kudo and Hara Terushi, International Conference of Business History 18, Proceedings of the Fuji Conference, (Tokyo, 1992).

20 Matthias Kipping, *Zwischen Kartellen und Konkurrenz: Der Schuman Plan und die Ursprünge der Europäischen Einigung 1944–1952*, (Berlin, 1996).

21 Leonard S. Reich, "General Electric and the World Cartelization of Electric Lamps", in *International Cartels in Business History*: 213–231.

22 Michel Albert, *Capitalisme contre capitalisme*, (Paris, 1991); Michel Hau, "Traditions comportamentales et capitalisme dynastique: Le cas des «grandes familles»", *Entreprise et Histoire*, no. 9 (1995): 43-59.

There, high geographical and social mobility are thought to have weakened family ties and certainly ties to specific localities.[23]

Nor are the long-term ties between family and enterprise confined to Britain; they are typically European. Family-owned and family-managed large firms have been an enduring presence in the countries of continental Europe, from France to Italy, and even in small highly internationalized economies like the Dutch, Belgian or Swiss from the first industrial revolution until the present.[24] The classic Mittelstand model that characterized the German SMEs until the 1970s was based on identity of ownership and management, strong emotional investment by owners and staff, and an emphasis on continuity, paternalism, and independence.[25] Family enterprises were protagonists in the European peripheries as well. For instance, businesses controlled by families have dominated the history of Spain even though the large family groups seldom entered into the restricted club of the "national champions" which usually stayed in the hands of the State and the major financial institutions. More often, with few but significant exceptions-- such as the diversified Comillas-Güell and Ybarra-Zubiría groups, just to take some examples from the first decades of the 20th century-- family firms prevailed among the small and medium sized enterprises.[26]

True "national champions" could be found in the Nordic periphery, in cases like the two long-lasting family business groups in Sweden-- those of the Wallenberg and the Bonnier families. Here, family-owned big business showed elements of both strong traditional values and "pragmatic entrepreneurship".[27]

Historians such as Jeffrey Fear and Harold James argue that family businesses often put more into research and development than other businesses differently directed.[28] They suggest that the managers of family owned businesses tend to have very long tenures and are thus concerned not so much with quarterly earnings but in the long run continuity of the enterprise. The dark side is a type of "familialism", where the allocation of power, resources, and responsibilities is strictly on kinship basis.[29] Even when their relatively large size has required some degree of separation between ownership and control, compelling the owner family to float a majority of stock capital, many "proprietors" have maintained a de facto control over the enterprise. This is so especially where this arrangement has been accompanied by other

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23 Mary Rose, Firms, *Networks and Business Values: The British and American Cotton Industries since 1750*, (Cambridge, 2000).

24 Emmanuel Chadeau, "The Large Family Firm in Twentieth Century France", *Business History*, 35, no. 4 (1993): 184-205; Whittington and Mayer, *The European Corporation*: 87 ff.

25 Hartmut Berghoff, "The End of Family Business? The Mittelstand and German Capitalism in Transition, 1949-2000", *Business History Review*, 80, no. 2 (2006): 263-295.

26 Paloma Fernández Pérez and Pablo Díaz Morlán, "Entre el poder y el mercado. Aproximación a la evolución histórica de los grandes grupos empresariales familiares en la España del siglo XX", in *Familias empresarias y grande impresas familiares en la América Latina y España. Una visión de largo plazo*, eds. Paloma Fernández Pérez and Andrea Lluch, (Bilbao, 2015): 347-380.

27 Hans Sjögren, "Families Breaking the Business Logic: The Entrepreneurial Spirit in the Evolution of Swedish Family Dynasties", in *The Endurance of Family Businesses*: 111-132.

28 Jeffrey Fear, *Organizing Control: August Thyssen and the Construction of German Corporate Management*, (Cambridge, MA., 2005); James, *Family Capitalism*.

29 Andrea Colli, *The History of Family Business 1850-2000*, (Cambridge, 2003).

instruments for "multiplying" voting power (for instance, the issuance of shares with reduced voting rights) or for granting stability to board members (shareholders' agreements). This is very common in some European countries where financial holding and groups are largely dominant – thanks usually to favorable legislative frameworks. In Italy, for instance, but also in France and Sweden, historically the major privately owned corporations have been able to raise capital on the stock market while leaving – thanks to financial holdings, family trusts, pyramidal financial groups – the power of control in the hands of individuals or families. [30]

The endurance of family business in Europe resulted in a slower and often incomplete transition to the model of managerial capitalism.[31] Certainly the technological and managerial conditions of the Second Industrial Revolution called for firms with salaried managers in the top ranks. For sure we know that several companies were mismanaged by their founders who were reluctant to share with management the many tasks of running a firm. This happened to entrepreneurs like Lord Leverhulme who, after several mistakes, had to coopt a chartered accountant like D'Arcy Cooper into the management of his company, Lever Brothers. The story of Herbert Austin, the engineer and inventor who created Austin Motors in 1905 was similar. In 1921 his company fell into receivership and into the hands of the receiver. At the end of the 1920s another brilliant engineer, André Citroën, held in his hands the largest motor company in Europe; still, he wasn't able to avoid bankruptcy brought about by a dangerous decision to expand productive capacity during the Depression.

On the other hand, there were also founder entrepreneurs who were good organizers, people like August Thyssen or Louis Renault. They could count on the involvement of family members who didn't take on a visible role but who worked behind the scenes, exercising a fundamental role. Peugeot is an example of cooperation among cousins. Siemens, instead, is the case of a family which, in order to compete, agreed to share power with management.[32]

However, professionalization of management in European family businesses didn't involve as much the separation of ownership and management as it meant encouraging family members to acquire professional know-how while, at the same time, salaried managers from outside the firm were appointed.[33]

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30 On Italy, see Marcello Bianchi, Magda Bianco and Luca Enriques, "Pyramidal Groups and the Separation Between Ownership and Control in Italy" in *The Control of Corporate Europe*, eds. Fabrizio Barca and Marco Becht, (Oxford, 2001): 154-186; on France, Emmanuel Chadeau, "The Large Family Firm in Twentieth Century France", *Business History*, 35, no. 4 (1993): 184-205; on Germany, Jürgen Kocka, *Industrial Culture and Bourgeois Society: Business, Labor, Bureaucracy in Modern Germany*, (London, 1999); on Italy and Sweden, Andrea Colli and Mats Larsson, "Family Business and Business History: An Example of Comparative Research", *Business History*, 56, no. 1 (2014): 37-53.

31 As Leslie Hannah emphasized in 1982: "Family majority shareholdings (and quite small minority interests, which, in a corporation with otherwise widely-depressed shareholdings, may be sufficient for voting control) have been found to survive more widely than some early investigators suggested. In Europe (…) while there is an unmistakable degree of managerial control, the power of owners remains strong. It is evident that the "Managerial Revolution" is a misnomer – at the very least the process is one of evolutionary change, and it proceeds at a relatively slow pace." See *Engineers, Managers and Politicians: Electricity Supply Industry in Britain from 1948 to the Present*, (London, 1982): 2.

32 Geoffrey Jones, *Renewing Unilever: Transformation and Tradition*, (Oxford, 2005); Chandler, *Scale and Scope*: 345-346; Fear, *Organizing Control*; Jean-Louis Loubet, *Citroën, Peugeot, Renault et les autres. Soixante ans de stratégies*, (Paris 1995); *Dictionnaire historique des patrons français*, eds. Hervé Joly, Jean-Claude Daumas, Alain Chatriot, Danièle Fraboulet, Patrick Fridenson, (Paris, 2010); Patrick Fridenson, *Histoire des usines Renault, 1, Naissance de la grande entreprise 1898-1939*, (Paris, 1972).

33 Susanna Fellman, "Managing Professionalization in Family Business: Transforming Strategies for Managerial Succession and Recruitment in Family Firms in the Twentieth Century", in *The Endurance of Family Businesses*: 248-281.

5. The Interventionist State

At the beginning of the 20th century it was clear that Europe had lost its hegemony and – because the Continent intended to remain in the world's "playing field" – it needed a Gerschenkronian substitutive factor, the State. In this respect, WWI marked an important watershed as even in the most "liberal" nation – the United Kingdom – authoritative voices spoke in favor of State intervention.

Dudley Docker, leader of the British association of industrialists, was particularly active in this respect, saying that State intervention was absolutely indispensable to bridge the gap with the US and Germany. He saw the moment as offering one last opportunity. De facto, in Great Britain the State became the largest shareholder of an important oil company in financial distress, Anglo-Persian (later renamed British Petroleum), turning over leadership of the concern to a very good entrepreneur-manager, Charles Greenway. He had "the right set of hands" and managed the company as if it was a private one.[34]

Again on impulse of the government, in 1926 a merger (a real one) of four organic chemical firms was implemented, giving birth to Imperial Chemical Industries (ICI) thanks to which the UK was once again involved in such a crucial sector.

The general philosophy was that State-owned companies should be placed into the "right set of hands"-- of entrepreneurs, managers, and civil servants. Inevitably they had to keep in mind goals beyond the company. In the long run this led to the end of the State as Entrepreneur--- but we know quite well that the economic role of the State was to persist, assuming different (perhaps more permanent) characteristics as related to other areas.[35]

In Germany we had a very important example of an interventionist State during the Weimar Republic, both at the level of the Reich (centralized State) and at the level of the Länder (regional states). These activities were usually undertaken in the form of corporations like Viag (aluminum and electro-mechanics) and the Prussian Veba (coal mines). In these initiatives you could see the positions of rationalization and socialization sustained by Walther Rathenau.[36] In the rest of Europe, the experiences of State-owned enterprises, even if some of them were hardly negligible (as seen with Great Britain) were more isolated. The crisis of the Thirties, with all the doubts brought along by the efficacy of the market mechanism, caused acceleration. In the United Kingdom the State intervened in sectors like transportation and communications; in France, the Front Populaire government nationalized the railways, the armament sector and, partially, the Bank of France; in Germany, the State was compelled to become a shareholder of the Grossbanken and with Nazi autarchy it ended up being the real controller of the entire national economic apparatus.[37]

As we know, the great season of State owned enterprises in the market economy happened after the Second World War. If Germany had to manage in some ways the heavy legacy of the Third Reich (Hermann Göring Steel Works, Volkswagen, Montan, a real war

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34 Ronald W. Ferrier, *The History of the British Petroleum Company, I, The Developing Years, 1901-1932*, Cambridge, 1982; Richard Davenport-Hines, *Dudley Docker: The Life and Times of a Trade Warrior*, Cambridge, 2010.

35 *The Rise and Fall of State-Owned Enterprise.*

36 Ulrich Wengenroth, "The Rise and Fall of State-Owned Enterprise in Germany", in *The Rise and Fall of State-Owned Enterprise*: 103-127.

37 Robert Millward, "State Enterprise in Britain in the Twentieth Century", and Emmanuel Chadeau, "The Rise and Decline of State-Owned Industry in Twentieth Century France", in *The Rise and Fall of State-Owned Enterprise*: 157-184, 185-207.

conglomerate), it was in the UK of the Beveridge Report and in the France of Jean Monnet's Plan de Modernisation where we see a full fruition of a systematic philosophy for State intervention. The goal was to remove sectoral imbalance, support development brought about by full employment, and contrast monopolies and rent positions. Shortly after the war, Prime Minister Clement Attlee's Great Britain embarked on a wide program of nationalizations: the Bank of England, railways, domestic navigation, gas, but also coal and steel.[38] In France, under the government alliance between De Gaulle's followers and parties on the left, the nation undertook a nationalization plan that included banks, insurance companies, air transportation as well as 20% of the national industry that involved Renault and the important mechanical firm, Gnome et Rhône, both charged with collaborationism. In the UK, nationalization wasn't challenged until Margaret Thatcher's victory, while in France it experienced a revival (though short-lived) during the first government of François Mitterrand in the 1980s.[39]

As can be seen, the motivations at the origin of State-owned enterprises in these countries were varied. Sometimes they were guided by political and ideological reasons. At other times, social reasons (primarily the search for full employment) provided the impetus. Then there were economical ones brought about by market failure or motivations regarding the promotion of economic development. Sometimes State-owned enterprises were intended to counterbalance a negative cyclical turn or to bailout companies. Not always were the strategies apparent and based on the long term; only the Swedish model showed a widespread "consensus among economists and politicians about the long-term benefits of State intervention". From the formative phase of the years 1935-50 to the Seventies, the social and economic policies sustained by an active coordination of the State and by large public investments (in favored sectors, mainly housing and infrastructures) made the Swedish mixed economy a sort of "democratic capitalism", which involved a strong relationship between entrepreneurs, the government and the unions.[40]

In any case, though the impact and the spectrum of covered activities was significant, it was possible to state that, in the strong core of the European capitalism, market values, bureaucratic efficiency, and detachment from the political routine represented a bottom line element. A good example was Volkswagen that remained State-owned in the post WW2 period because no one thought it capable of experiencing a takeoff. But when the firm demonstrated the contrary, the State privatized it with glamour.[41]

The situation was different in the Mediterranean countries where the State held a more active role. In 1937, when the state-owned holding IRI was declared a permanent entity, the Italian State held one of the largest portfolios of industrial properties in Europe after the Soviet Union. IRI had been created four years earlier with the goal of taking over the industrial properties held by Italy's major banks. It was completely owned by the State. It wasn't the first time that the State had to intervene to rescue a major industrial company; it had already happened three times previously. In 1887 one strategic company deemed essential for the country's defense was bailed out: Terni Steel Works. Then, in 1911, an entire sector (steel) was rescued. In 1922 the same privilege was enjoyed by the industrial activities of two major banks:

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38 *Reappraising State-Owned Enterprise: A Comparison of the UK and Italy*, eds. Franco Amatori, Robert Millward and Pier Angelo Toninelli, (London, 2011).

39 Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Economy*, (New York, 2002).

40 Hans Sjögren, Welfare Capitalism: the Swedish economy, 1850-2005, in *Creating Nordic Capitalism*: 43-46.

41 Wengenroth, "The Rise and Fall of State-Owned Enterprise".

Banca Italiana di Sconto (inside which there was the most important Italian industrial enterprise, Ansaldo, that employed 110,000 people) and Banco di Roma.[42]

The rescue mechanism was always the same; in order to accomplish this task, the Bank of Italy printed currency. While during the earlier episodes (1887, 1911, 1922) the State allowed for the rescued companies to revert to private business, in 1933 the State wanted to assume all its responsibilities as an owner. The idea of privatization wasn't excluded but it could only be done at the right price.

Until 1945, IRI operated in two major ways. First, it supported the autarchic and fascist war efforts. Then it secured the full property of the major banks and, by imposing the end of the German style "universal bank", it characterized itself as a savior of national savings. But after the war, IRI (to which we can add ENI-- Ente Nazionale Idrocarburi—a newly formed State-owned enterprise) became one of the main characters of the Italian economic miracle. The SOE built up, practically from scratch, basic sectors as steel and oil, and modernized the infrastructure for transportation (as, for instance, the Milan-Naples toll road known as the Autostrada del Sole), as well as telecommunications.[43]

The concept of IRI was replicated in Francoist Spain where a holding known as INI (Istituto National de Industria) was created in 1941. If the Spanish State had played a relatively marginal role between the 1880s and the beginning of the Civil War-- with the notable exception of the public works program implemented during the second half of the 1920s-- things changed starting in the 1940s, when the aim to give a strong impulse to the industrialization process in an autarkic context push the State to become heavily involved as an entrepreneur in the national economy. INI was particularly dynamic in the years between 1945 and 1951 under its then-President, J.A. Suanzes Fernández, a close friend of the dictator. As occurred with IRI, INI's fields of action were robust sectors like oil, electricity, steel, heavy machinery, shipbuilding, and the chemical industry. This huge experiment, however, turned into a failure because of its autarchic orientation that made it impossible for the state-owned companies to grow.[44]

But IRI's imitators were not limited to the latecomers. In the 1960s in a UK governed by Labourists who were disappointed in a nationalization process led by honest and competent civil servants who, unfortunately, were hardly dynamic and innovative, IRI was seen as an excellent example of the competitive public enterprise. It seemed a good means to counterbalance the growing power of American multinationals and stop a constant decline. Based on the IRI model, two holdings were founded: the National Enterprise Board (NEB) and the Industrial Reorganisation Corporation (IRC)[45]. Alas, both were unsuccessful, demonstrating that a substitutive Gerschenkronian factor might work to foster development but it wasn't useful to stop decline. In any case, even with different motivations and different

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42 *Storia dell'IRI, 1, Dalle origini al dopoguerra. 1933-1948*, ed. Valerio Castronovo, (Rome-Bari, 2012).

43 *Storia dell'IRI, 2, Il "miracolo" economico e il ruolo dell'IRI. 1949-1972*, ed. Franco Amatori (Rome-Bari, 2012).

44 Francisco Comín Comín and Pablo Martín Aceña, *Historia de la empresa pública en España*, (Madrid, 1991); Albert Carreras, Xavier Tafunell and Eugenio Torres, "The Rise and Decline of Spanish State-Owned Firms", in *The Rise and Fall of State-Owned Enterprise*: 208-236.

45 Jim Tomlinson, "A failed experiment? Public Ownership and the Narratives of Post-War Britain", *Labour History Review*, 73, no. 2 (2008): 228-243; Carlo Morelli, Jim Tomlinson, and Valerie Wright, "The Managing of Competition: Government and Industry Relationships in the Jute Industry 1957-63", *Business History*, 54, no. 5 (2012): 765-782.

tools, a State that is active in the economy is a common feature that Europeans have grown accustomed to since the 17th century.

6. The Influence of the Workers' Movement

It was Werner Sombart's 1906 book that first theorized the existence of "American exceptionalism"[46]. This was the belief that class struggles between labor and capital plagued Europe but did not, and could not, because of exceptional circumstances, exist in the United States. Sombart answered his query by identifying a series of structural conditions that made the birth of socialism more difficult in America than in other countries like his native Germany: the lack of a feudal tradition, the prevailing two-party system, relatively high wages paid to workers, and greater opportunities for geographical and social mobility. A few decades later the economist and labor historian Selig Perlman add to this picture the role played by the strength and hostility of employers who deprived the working class of effective organization. He argued that American workers' behavior was quite rational, given their experience with very bitter, protracted battles for rights: experience with American politics had taught them to be apolitical, while their experience with batons had patterned their bargaining behavior. Even for Perlman, however, the key factor was the excellent economic opportunities that workers experienced in America, endearing them to the system[47].

In the US, in a certain sense, workers were "bribed". Think of the $5 per day and the 40 hours per week that Henry Ford gave his workers. This made it possible for a blue-collar worker to purchase a Model T with 25% of his annual salary. American unions sought to obtain higher salaries and better working conditions. When the Democratic Party nominated George McGovern as its candidate for the 1972 presidential race, he was seen as the most leftist candidate since the end of World War II. McGovern hoped to secure the votes of the unions so he went to the leader of the AFL-CIO, George Meany, who answered back "we are sorry, Senator, but 80% of the time you voted against the interests of our unions".[48] This would have been inconceivable in Sweden, in the UK, and in Italy because, for the European workers' movement, what was crucial was the dimension of "power" inside the factory and in society. The movement in Europe always had a political orientation that could assume the "reformist" format of the German Mitbestimmung or the more conflictual attitude found in France and Italy.

In Germany, the Work Council Act of 1920 provided workers with some form of representation in economic decisions, requiring employers to consult with workers' councils concerning hours of work, time and form of payment, and terms of notice to quit. In 1922, workers were granted the right to elect one third of the members of the supervisory boards of their firms. Originally, the Social Democratic Party was opposed to workers councils because it saw them as collusion with-- and therefore a legitimation of-- capitalism. By the First World War, although the formal policy of the trade unions and the party was still anti-capitalist, the

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46 Sombart, *Why is there No Socialism.*

47 Selig Perlman, *A Theory of the Labor Movement*, (New York, 1928): 159-162. Other labor historians argued that less repressive environments in nations like France and Great Britain helped to nurture their historically stronger labor traditions. For example, see Gerald Friedman, "The State and the Making of the Working Class: France and the US, 1880-1914", *Theory and Society*, 17 (1988): 403-430; Victoria C. Hattam, "Institutions and Political Change: Working-Class Formation in England and the United States, 1820-1896", *Politics and Society*, 20 (1992): 133-166.

48 Former US Secretary of Labor, John T. Dunlop, referred to this episode during a seminar at Harvard Business School in February 1979.

movement had come to accept worker participation as one step on the road to democratic socialism.

The works councils and the trade unions were destroyed after the Nazis came to power in 1933. Following World War II, however, when the unions and the Social Democratic Party were re-constituted, they immediately began to call for the legal re-establishment of works councils and worker participation on supervisory board. Under the 1952 Works Constitution Act, several issues, such as work hours, the principles of remuneration, the fixing of piece rates, the operation of welfare services, the leave schedule were subject to co-determination with worker councils. For the next two decades, the unions and the Social Democratic Party would continually work for the expansion of works council rights and for the general extension of co-determination. In 1972, the Works Constitution Act was revised and the councils were granted substantially increased powers, especially in the field of personnel and manpower policies. Finally, in 1976, the Co-Determination Act introduced a 50% representation on the supervisory board for firms with more than 2000 employees.

One useful example of the power of labor in Germany has been supplied by the 1997 surprise hostile attempt by Krupp, the German steel and engineering group, to take over its larger rival, Thyssen. The latter's unions organized demonstrations that, at one point, brought as many as thirty thousand workers out in protest. Ultimately, the hostile bid was abandoned and political leaders in Germany brokered a long-term consolidation and merger between the two firms completed in 1999. Critical to this compromise was the reduction of threatened job losses[49].

In the Swedish model, active labor market policies guaranteed a cooperative climate after the Great Depression: interventionist social measures and agreements between employers and workers (like the Saltsjobadsavtalen, 1938-48) became important welfare targets with the active support of the unions. In 1948, the same consensus obtained a wage policy embodied in the Swedish Labour Market Authority AMV and the Swedish Labour Market Board AMS, a new public authority and board which launched reforms in the 1950s and 1960s in the framework of the welfare system (full employment, smooth industrial relations, social reforms, cyclical stability, low inflation, productivity growth). After decades of welfare programs, the crisis of the mid-Seventies resulted in a very poor performance of the Swedish economy, above all in the productivity record of the large public sector, which exposed eventually the disadvantages of the model in the competitive global environment of the 1990s.[50]

The distinctive characteristics of the Italian workers' movement reached their highest peak both after World War 1 and then from the late Sixties through the Seventies. The Italian movement after WWI was heavily influenced by the Soviet experience. In 1920, many major Italian factories (including Turin car manufacturer, Fiat) were occupied. Under the guidance of the Communist leader, Antonio Gramsci, workers at Fiat organized in factory councils and proclaimed that their technical capabilities were so good that they believed they were able to manage the company better than the owner, Giovanni Agnelli, who, in some sense, seemed to think that their position was not completely unfounded. In fact, at the peak of the battle, he offered to sell the company to a cooperative formed by the organized councils.

Often the reaction of Italian industrialists was very different as they replied via Mussolini's fascist bands. Nevertheless, owner disorientation was real and showed the power of the

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49 Jeffrey N. Gordon, "Deutsche Telekom, German Corporate Governance, and the Transition Costs of Capitalism", *Columbia Business Law Review*, (1998): 185-200.

50 Hans Sjögren, "Welfare Capitalism: the Swedish economy, 1850-2005", in *Creating Nordic Capitalism*: 46-52.

workers' movement[51]. This was even more pronounced in the Seventies when the "commissione interna" (internal commission) that even in the biggest factories was composed of a limited number of union representatives, was taken over by thousands of delegates who imposed a much more demanding kind of bargaining on a company. They had three main goals in their fight: a) health with the slogan "health cannot be sold"; b) a new organization of labor designed to make factory work more meaningful; and c) an equal increase in salary because "under the nose (of) each of us (there's) a mouth". Unions took advantage of the councils (which had arisen spontaneously) to ensure that their own structures stayed as powerful as ever[52].

What was lacking in the Italy of the Seventies was an adequate political leadership capable of making this hegemonic position of the working class consistent and stable. In Germany, on the other hand, even if there were frequent harsh battles between the SPD and the DGB (union confederations), the workers obtained the very important law on co-determination. It did not resolve the problem of worker participation but, for sure, made the union leadership able to understand the possibilities and the constraints of a capitalistic system[53].

To sum up, contractual cooperation, family leadership, State intervention, and the centrality of power for workers, appear to be deep components of European capitalism.

7. Three Big Waves

These characteristics didn't remain uncontaminated. Over time they were submerged by three big waves: a) the Americanization of the postwar years, b) European integration itself, and c) globalization.

(a) Various meanings of Americanization have been employed in the literature. They have frequently changed over time, reflecting the necessities of research and the questions asked. The more comprehensive definition is probably that of Harm Schroeter: "an adapted transfer of values, behavior, institutions, technologies, patterns of organization, symbol and norms from the USA to the economic life of other states"[54]. In this view, post-war Americanization involved not only the transfer of "the American model" of mass production – the high-volume manufacture of standardized goods using special-purpose machinery and predominantly unskilled labor – together with the host of "systematic" management techniques, organizational structures, and research and marketing services developed for its efficient administration and effective exploitation. It also included a partial transformation of economic structures, institutions, and sociocultural practices. American policy makers and business leaders actively sought to recast European patterns of corporate organization and competitive order through assertive support for antitrust, de-cartelization, and de-concentration policies, together with international market integration and trade liberalization[55]. For instance, let's think about the case of the Anglo-American Council on Productivity - a joint US/UK initiative to "promote economic well-being by a free exchange of knowledge in the realm of industrial

51 Giuseppe Berta, *Conflitto industriale e struttura di impresa alla Fiat (1919-1979)*, (Bologna, 1998).

52 Franco Amatori, "Il lungo autunno", in Franco Amatori and Andrea Colli, *Impresa e industria in Italia dall'Unità a oggi*, (Venice, 1999): 305-313.

53 Adele Maiello, "Il caso tedesco", in *Per una storia del sindacato in Europa*, ed. Maurizio Antonioli (Milan, 2012).

54 Harm G. Schröter, *Americanization of the European Economy*:

55 *Americanization and Its Limits*; John Killick, *The United States and European Reconstruction, 1945-1960*, (Edinburgh, 1997); Ellwood, *Rebuilding Europe: Western Europe*.

organization method and technique, and thereby to assist British industry to raise the level of its productivity". Formed in the postwar years, the council helped to introduce in the UK a range of legal changes that reduced the position of large family firms in Britain, including the 1948 Companies Act that made financial information disclosure compulsory and set up a springboard for takeovers (especially hostile ones) in the 1950s and 1960s.

However, as Marie-Laure Djelic has shown in her comparative study[56], Americanization "was not accepted nor adopted to the same extent in all Western economies. National peculiarities remained and (…) had an impact not only on transfer mechanisms and their efficiency but also on the nature and degree of resistance and opposition that was to emerge, nationally, to the cross-national transfer process".

The result of all this was a sort of hybridization where the old European way of business did not disappear but resulted in new attitudes and values being activated. The idea (much more American than European) that wealth was not a given, that the cake could grow in size, and that economies of scale and scope could be fully exploited, was established. In the meantime, cartels did not disappear, family business prevailed over managerial capitalism, the State was more active than ever, and workers did not accept company unions but continued to pursue political power, being influenced also by the presence of a strong Soviet bloc.

(b) the second wave was provoked by European integration itself. Even with quite a bit of resistance (especially by industrialists), Europe was created to be a unified wide market with common rules and an economy based on competition. These were the deep values that Americans wanted to instill in Europe after World War 2 and they were seen as the only means to roll back Communism. While the United States was encouraging or imposing the adoption by individual nations of their antitrust tradition, it was also pressing for initiatives with a cross-national dimension[57]. In Western Europe, the French led the way in May 1950, proposing a plan for pooling European coal and steel industries. Jean Monnet and the French Planning Council were behind the proposal. To alleviate American fears that this project might lead to the emergence of a European wide cartel, Monnet insisted that the goal was to create a competitive space to stimulate an increase in production and productivity. And, in fact, a group of American experts were at work in the background, preparing antitrust provisions for the future European Coal and Steel Community (ECSC). The key figure was Harvard Law School professor and antitrust specialist Robert Bowie, the author of the provisions that would become articles 60 and 61 of the ECSC treaty. Article 60 dealt with cartels and loose agreements, prohibiting them in principle. Article 61 of the ECSC treaty dealt with abuses of market power due to concentration. In line with American antitrust tradition, only "unreasonable" concentrations were prohibited. Concentrations and mergers that could be shown to lead to increased efficiency and productivity without representing a threat to competition could be authorized[58].

The coal and steel community prepared the way for the creation of a wider common market and the European Economic Community formalized in 1957. In that year the Treaty of Rome extended to most sectors of Western European economies those principles initially

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56 Marie-Laure Djelic, *Exporting the American model*, (Oxford, 1998): 2-3.

57 Brigitte Leucht and Mel Marquis, "American Influences on EEC Competition Law Two Paths, How Much Dependence?", in *The Historical Foundations of EU Competition Law*, eds. Kiran Klaus Patel and Heike Schweitzer (Oxford, 2013).

58 Marie-Laure Djelic, "Does Europe Mean Americanization? The Case of Competition", *Competition & Change*, 6, no. 3 (2002): 233-250.

defined for coal and steel by the ECSC treaty. Articles 60 and 61 of that early treaty became articles 85 and 86 in the Rome treaty and subsequently the same articles were transformed into numbers 81 and 82 of the "Single European Act" (1986). The Single European Act also contains articles 87 through 89 that prohibit State support that might distort competition, favoring some companies over others.

Competition law has fundamentally shaped the path of European integration: it has helped to open up national markets and, during the Eighties and Nineties, to liberalize large sectors of the economy. However, as Schröter states: "It took 60 years and two generations to thoroughly cartelize Europe up to the 1930s, and another 60 years for a complete change in policy in favor of intense decartelization."[59]

If Germany prohibited most cartels starting in 1957, France, instead, had legislation that outlawed abuse and price-fixing, but not necessarily cartels, until the mid-1980s; the state registered cartels and monitored prices to prevent abuse. Most of Europe tended to follow the French example in varying degrees and speeds.

Furthermore, we cannot think that the influence of national States on European markets' functioning suddenly disappeared (also because, behind the State, there is a well-defined social and political establishment). It's enough to remember that when, in 1990, Pirelli wanted to take over Continental, the national establishment in Germany (politicians, banks, unions, and suppliers) strongly reacted against the foreign "invaders". The market is, for sure, more open but national vetoes make us understand that hybridization also in this case is effective.

(c) of the three, the third has revealed itself to be a real "tsunami", deeply challenging all the actors and the equilibriums of the old continent. It is the globalization of the past 25 years that has as its symbol the fall of the Wall and the rise of internet.

All the actors of the European scene were affected. Contractual cooperation became impossible in the face of Chinese prices and, for the same reason, workers sometimes were forced to abandon certainties and protections (welfare, decent salaries, and working conditions). All this seemed impossible to combat if they were limited to the traditional ways of fighting back. But this is an era where everything has become more fluid and flexible. The state cannot govern anymore when an individual with a computer can move billions of dollars. In addition to that, across Europe the state has shown itself to be a bad owner, charging its companies with extra-economic goals so much so as to make necessary a substantial "downsizing" (i.e., privatizations). According to the so-called Washington consensus, in the end politics is shrinking while the economy, the market economy, is enlarging.[60]

However, the most important effect of globalization has been the transformation of a continental European model of corporate governance, resulting from a series of cumulative changes. In the past, this European model was characterized by three features. First, corporations had a high debt-equity ratio, i.e. bank loans were more important than stock issues as a source of outside financing. Second, the ownership structure of joint-stock companies was highly concentrated with families, banks and the State as major shareholders. Third, the market for corporate control was restricted. In particular, hostile takeovers were a rarity. Starting in the 1990s this European model crumbled under the impact of several factors. First, continental financial systems underwent a massive process of deregulation: the use of credit ceilings as a means to control inflation was replaced with the discipline of central bank independence, capital controls have been removed and financial markets have been

59 Schröter, "Cartelisation and decartelisation in Europe": 153.

60 Dani Rodrik, *The globalization paradox: democracy and the future of the world economy*, (New York, 2011): 184-206.

deregulated. A second key factor has been the increasing importance of Anglo-Saxon institutional investors as shareholders of European companies. The increase in foreign ownership and the dissolution of ownership concentration of some large European companies rendered them vulnerable to the demands of their new owners. Anglo-Saxon institutional investors have expressed clear preferences for the adoption of shareholder value practices that maximize return on equity and have pressed continental European companies to undertake substantial modification of their corporate governance institutions. The challenge posed by the rise of institutional investors as major shareholders is even more visible on the question of the corporate strategy of the firm. The use of the conglomerate form, the internal organization of the firm based on a multidivisional structure, and diversification into many related and unrelated business activities characterized large companies in France and Germany until the 1990s.[61] Anglo-Saxon institutional investors have prompted a process of refocusing on core businesses very similar to what occurred in the United States in the Eighties.

It is not possible to conclude that we are witnessing a complete harmonization of the European corporate governance model along the lines of the American system. The labor-related aspects of traditional European corporate governance represent one of the major constraints against this trend. The shareholder value approach to corporate governance as well as the increased importance of financial markets put significant pressure on long-standing relationships with workers. However, it is interesting to note that several aspects of corporate governance promoted by European Union policymakers represented a consolidation of the rights of employees to participate in the affairs of the company. One of the most important examples is the Directive 2001/86 that established provisions on information/consultation and on board level participation with regard to the Statute for a European Company (Societas Europea).

8. And now?

This was the scenario-- at least up to the crisis of 2008 when we realized that certain values of the European model were still very much alive. We do not want to evoke the rhetoric of European capitalism as being the version with a human face. Certainly its genetic traits seem to be very much alive. Take, for instance, the role of the State, considered an obstacle to economic growth and once again deemed strategic after the crisis. Governments everywhere bailed out banks and auto companies, stimulated aggregate demand, and pondered new forms for regulating financial markets and executive compensation. Nicolas Sarkozy, president of France between 2007 and 2012, issued a series of ringing denunciations of free-market capitalism, calling for a "new balance between state and market"[62]. In this spirit, his government not only bailed out the banking and auto industries, but also proffered a stimulus package centered on pro-business measures, established a sovereign wealth fund to support French companies, and created an "investments in the future" program to bolster France's position in advanced technologies. More a friend of big business than of free markets, Sarkozy was anything but a neoliberal ideologue. As Minister of the Economy in 2004–2005, Sarkozy orchestrated the bailout of the high-speed train manufacturer, Alstom. He also helped arrange a merger between two French pharmaceutical companies, Sanofi and Aventis intended to prevent a takeover of the latter by Switzerland's Novartis. Both of these moves prioritized the defense of French companies and national control over principles of free competition. Many European countries responded to the 2008 crisis with even greater vigor and financial

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61 Whittington and Mayer, *The European Corporation*.

62 Johan D. Levy, "The Return of the State? France's Response to the Financial and Economic Crisis", *Comparative European Politics*, first published online 1 February 2016, (DOI: 10.1057/cep.2015.36).

commitment than France. Even in the post-Thatcherian neoliberal UK, the government took measures to support the banking system and to restore confidence in this sector: injecting capital, promoting nationalizations, guaranteeing state debt, isolating or buying bad assets, and increasing deposit assurance[63].

Other pillars of the European capitalism are also showing a renewed vitality in recent years. The number of antitrust cases brought to prosecution has increased dramatically since 1996 when the EU Commission implemented its first "Leniency Program": an amnesty policy, offering automatic exoneration from fines and jail terms to the first cartel member to come forward voluntarily and prior to the commencement of an antitrust investigation[64]. In the 2001-2015 period, there were 87 decisions in which the European Commission imposed fines for cartel infringements, while in the 1986-2000 period there were only 27[65].

Several studies at the beginning of this century found that family firms perform better than non-family firms. In the EU, family-controlled firms (where there's a minimum 50% family stake) outperformed the Morgan Stanley Capital International Europe index by 16% annually in return on equity from 2001 to 2006. Family-controlled firms (minimum 10% family stake and $1 billion in market capitalization) outperformed the pan-European Dow Jones STOXX 600 Index by 8% a year from the end of 1996 to the end of 2006[66].

Besides financial outperformance, family firms seem also to be a significant factor in the evolution of European capitalism. Let's think, for instance, about the innovative "Fourth capitalism"[67] that has spread in Italy since the 1990s and includes many of the companies currently considered strong performers in the nation. They are medium-sized and strongly internationalized firms, present both in traditional and modern sectors, and many are family-owned and family-run.

Finally, in the wake of financial crisis of 2008, we can observe a resurgence of workers' movements in Europe. It is interesting to note that in many cases workers in precarious forms of employment, often not unionized, have been at the heart of the early resistance movement to the austerity measures undertaken by European governments. Indeed, confronted with the crisis, the traditional labor movements often initially appear confused and partly paralyzed. Mass unemployment has also weakened their power and influence at the negotiating table. Extensive restructuring of industries, privatization of public services, and increased use of temporary workers have all contributed to unions losing power. Nevertheless, in the last years there have been signs that European trade unions are capable of recreating themselves politically and organizationally, the most important of which has been the movement against labor market deregulation that has taken shape in France. In February 2016, when the

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63 For an overview, see House of Commons Treasury Committee, Banking Crisis: Dealing with the Failure of the UK Banks, (2009).

64 European Commission, Directorate-General for Competition. *32nd Report on Competition Policy*, (Luxembourg, 2003).

65 Wouter P. J. Wils, "The Use of Leniency in EU Cartel Enforcement: An Assessment after Twenty Year", *World Competition: Law and Economics Review*, 39, no. 3 (2016).

66 Ernesto J. Poza, *Family Business*, (Mason, Ohio, 2013): 3.

67 Following a first capitalism, that characterized Italy at the beginning of its process of industrialization and primarily involved big private companies, there was then a second capitalism characterized by the "State Entrepreneur" from 1930s onward. More recently there has been a third capitalism involving small companies and industrial districts during the 1960s and the 1970s; see Andrea Colli, *Il quarto capitalismo. Un profilo italiano*, (Venice, 2002).

government of François Hollande announced a proposed reform of the French labor code (Code du travail), a wave of protests swept across the country. Unions called for major strikes at oil refineries, railroads and nuclear power plants. A broad front of student unions, young workers groups, activist organizations and left-wing youth groups engaged in mass demonstrations. In early March 2016, a half million people participated in a national day of action; later that same month, an additional 1.2 million joined trade union demonstrations. [68]

There are also signs of a kind of Europeanization of the social struggle. In 2011, the Deputy General Secretary of the European Public Services Unions, Willem Goudriaan, stated that the Euro Plus Pact – an attempt to incentivize the implementation of structural reforms by EU member states - represented "an interference in collective bargaining which we have never before seen in the EU." The Secretary of the European Trade Union Confederation, John Monks, who in 2009 had predicted that all had "become social democrats or socialists now," changed his tune shortly before his retirement in 2011 and characterized the Euro Plus Pact in this way: "(the) EU is on a collision course with Social Europe. […] This is not a pact for competitiveness. It is a perverse pact for lower living standards, more inequality and more precarious work".[69]

CONCLUDING REMARKS

At this point I'd like to return to the basics of a proposal that I've been working on in recent years. Looking back I now realize two initial mistakes; the use of the expressions "identity" and "European corporation". "Identity" has revealed itself to be too controversial. Everyone – historians, sociologists, anthropologists, psychoanalysts – writes about identity; some perceive it as negative, associating it with closure towards other cultures. In addition, as a term it's too general, making you subjective to objections.

As to the "European corporation", instead, I've come to the understanding that it's hopeless to look for it-- especially if the phrase is intended to refer to an entity built with awareness. In fact, I think that very few-- possibly no one-- would have declared himself European in the first half of the 20th century.

A few words on the corporation: my focus is not so much on the corporation as it is on capitalism. In my argument I deal with economic systems, where firms are crucial actors, but are not alone.

This is my base: I am looking for common behaviors, real things. They may be just common denominators, but I do not use this term as a reductive feature. On the contrary, they are terribly important, because they are idiosyncratically European.

Where else do you find such a systematic, diffused, long-lasting contractual cooperation?

And about family firms, of course they are all over, but in Japan, in Korea, in India, with the Chinese diaspora, big business is tied up with political power. In Europe, on the other hand, private big business is confronting itself with the market. Let's leave out the American case as it's difficult to deny that it has turned precociously into a managerial capitalism.

Going on with common European attitudes, one is for sure a proactive state, that at least since WWI has brought about a system of state-owned enterprises which compete on the

68 Sylvain Cypel, "Why French Workers Are So Mad", *New York Times*, (June 8, 2016).

69 Asbjørn Wahl, "European Labor. Political and Ideological Crisis in an Increasingly More Authoritarian European Union", *Monthly Review*, 65, no. 8 (2014), (DOI: http://dx.doi.org/10.14452/MR-065-08-2014-01_3).

market. In the USA there were agencies like the TVA; in Latin America, an area brilliantly studied by Aldo Musacchio, the SOE is strictly linked with the political-military power.

Finally, where else can we find a workers' movement deeply influenced by Marxism, whose goal is power in either its reformist version or in the more radical one? Power to change social relationships, to build up a welfare apparatus, power for the fear that somebody would rise up and shout "let's do like in Russia", somebody who considers Stalin the world leader of the workers' movement.

In a debate a few years ago, our distinguished colleague, Federico Romero, forgot all this. His argument was reduced to the right of citizenship as this was, in his opinion, the common goal of American and European workers. I disagree. In America-- with few exceptions and for just a few years-- workers were "bribed" with good salaries. In Asia-- where the political action of workers was for sure very important-- its real goal was national independence.

We can discuss for a long stretch of time the waves mentioned earlier in this essay. I am open to consider others, but these three can't be forgotten. What is the real message I want to offer the reader? It is, si parva licet componere magnis, similar to that of the esteemed social scientist, Karl Polanyi, who believed that society wants to control an economy, wants to protect itself from the Darwinian forces of competition. In the final analysis, this is the gist of European capitalism, considered of course in an historical dynamic sense.

These are features that may damage the European economy in the turbulent years we are now living, but our policymakers must be aware that contractual cooperation, family business, proactive state, a workers' movement concerned with power are factors planted in European soil. They cannot easily be eradicated; on the contrary they play a key role in the political game. It's my duty as a scholar and a good citizen to underline these ideas.