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ABSTRACT

This paper aims at challenging a consolidated reading of the 1970s as an age of crisis *par excellence*, from the perspective of Britain and Italy. It focuses on both real economic facts and their interpretation by economists, “second hand dealers in economic ideas” and policy makers. We reflect on the actors who “proclaimed” the crisis in the 1970s and the recipes they suggested to overcome it. We argue that the rise of neoliberalism and the paradigm change in economic policies were also the product of a narrative construction, influenced by political and ideological reasons, which contrasted an extremely negative picture of the 1970s to a very positive, nearly caricatural, representation of the 1980s.

Keywords: 1970s crisis; narrative economics; Keynesianism; neoliberalism; monetarism.

1. Introduction

As all major crises, the Global Financial Crisis (GFC) of 2007–8 has triggered memories of past troubles seen both as yardstick against which measuring current predicaments and episodes from which lessons can be learned (Cassis and Schenk 2021; Cassis and Telesca 2026). If, initially, the memory had mainly focused on the Great Depression (GD), seen as the seismic event that risked jeopardising capitalism and triggered a profound rethinking of that model (Bordo and James 2009; James 2009;

* The conception of this paper, and its writing, were the result of the authors' common research. Nevertheless, sections 2 and 3 were written by Giuseppe Telesca, sections 4 and 5 were written by Manfredi Alberti. Introduction and conclusions were written together.

Eichengreen 2015), the recent return of inflation, combined with dangers of economic stagnation – something similar to stagflation – has provided the opportunity to retrieving sombre memories of the 1970s.¹

But was the nature of the 1970s crisis similar to that of the GD? And if not, what kind of crisis was it? These are the thought-provoking questions at the origin of this paper. We are not claiming that the economic predicaments of the 1970s were not serious, global (Ferguson, Sargent and Manela 2010) and unprecedented (Thompson 2017). We think, however, that the sheer severity of the GFC should allow for a different reading of the crisis of the 1970s. We argue that this latter can be interpreted less as a classic interruption of capitalist accumulation and more as the sign of exhaustion of a model born in the aftermath of the Second World War in many European countries, the so-called “mixed economy” influenced by Keynesian ideas, as well as the planning practices experienced in the Soviet Union (Tinbergen 1961; Judt 2005). Moreover, we contest the commonly held belief – which only recently has started to be debunked – that the 1980s were an age of “economic renaissance”. Particularly in the case of Italy, the economic performance of the 1980s was not impressive when compared to the 1970s (see Tables 1 and 2).

Building on the work of historians and political economists who have started challenging the idea of the 1970s as an age of crisis *par excellence*, we argue that the way in which the difficulties of that decade were narrated contributed to shape the responses to that crisis, hence determining the way in which it unfolded. The move away from Keynesianism was triggered not only by economic factors, but was also the

¹ Think of the World Bank (2022) warning about a regression to the 1970s, or to historian Niall Ferguson, who argued that “the 2020s could actually be worse than the 1970s” (CNBS, 2022).

consequence of a “rhetorical” construction of the crisis, motivated by political and ideological objectives.

We are aware of the complexity of this theme and under no illusion that it can be dealt with in the space of a single paper. The aim of this work is not to provide ultimate answers, then, but to open a space for reflection on the 1970s, starting with the problematisation of the category of “crisis”, widely used both by contemporaries and in the following debate to describe the 1970s. We look at “crisis” both as a notion of objective predicament and subjective critique (Koselleck and Richter 2006). We trace the existence of a “rhetorical” dimension of the economic crisis of the 1970s, and start shedding a light on the actors – politicians, technocrats, economists, opinion leaders – who “proclaimed” the crisis in the 1970s and on the recipes they put forward to overcome it and, in some cases, promote neoliberal ideas.

As an ideological and a political tool, neoliberalism is a doctrine that, beyond its commitment in favour of a strong state tasked to relaunch and uphold the market economy, presents a variety of approaches and priorities – hence the traditional, and non-exhaustive, distinction between the German *ordo-liberals*, the Austrian School associated with Friedrich Hayek and the Chicago School associated with Milton Friedman (Mirowski and Plehwe 2009; Jones 2012). Because of its multifarious dimension, neoliberalism’s recipes – deregulation, containment of the public expenditures, privatisation, liberalisation and weakening of the unions – were implemented following a different timing and degrees of intensity depending on the country. The first steps of neoliberal ideas in Britain and Italy during the 1970s – much more explicit in the former than in the latter – provide an example of the manifold nature of this doctrine.

A good historical comparison works if the objects analysed present both similarities and differences. Britain and Italy in the 1970s were adversely affected by the instability which followed the end of Bretton Woods, an instability magnified by their currencies' weakness and high inflation, which exposed them to the interference of external actors, in particular the International Monetary Fund (IMF). Both Britain and Italy tried to implement reflationary policies, or at least resisted restrictive policies until the mid-1970s. They also tried to implement some form of incomes policy. Last but not least, both countries elaborated a dark account of the 1970s, which has persisted in both societies' collective memory despite historians' effort – in Britain (Thomas 2007; Beckett 2009; Black 2012; Saunders 2012; Black, Pemberton and Thane 2013) and in Italy (*Italia repubblicana* 2003; Balestracci and Papa 2019) – to reassess that decade in more nuanced terms. This negative legacy depends also on the memory of the social conflict that affected the two countries, and, particularly in the case of Italy, on widespread forms of organised political violence.

The two countries displayed also crucial differences. In terms of political context, fragmentation was, at least nominally, less evident in Britain by virtue of the first-past-the-post system. In reality, the Liberal party, which since the 1920s had become in its various denominations the third force of British politics, played a crucial role in keeping the Labour governments alive between 1974 and 1979. The political equilibrium in Italy was conditioned by the existence of the strongest western European Communist Party, Partito Comunista Italiano (PCI), which was *de facto* excluded from the government of the country. The Christian Democrats, Democrazia Cristiana (DC), remained the pivotal and most voted political party of the country during and after the end of the 1970s. Short-lived proved to be the 1976–9 attempt to forge a parliamentary convergence between DC and PCI: first with the so-called “government of the abstentions”

(externally supported by PCI) and then with the “government of national solidarity” in which PCI was an integral part of the parliamentary majority.

It is important to underline that none of the major Italian political actors elaborated an explicit rejection of Keynesian policies during the period under scrutiny. In Britain, by contrast, the advent of Margaret Thatcher as new leader of the Tories, introduced an element of rupture from the mid-1970s onwards. After her appointment as Conservative leader (1975), and, even more so, after her arrival to power (1979), Thatcher attacked vehemently the Keynesian consensus,² making use of the neoliberal discourse whose seeds, as we will see, had been planted in the previous decades. In Italy, an eminent role in the shift of the economic policy paradigm, which happened in less explicit terms, was played by technocrats operating within the Bank of Italy between the late 1970s and the early 1980s, in a moment when the central banks in the Western world were progressively abandoning Keynesianism (Singleton 2011).

Differences between Britain and Italy concerned their economic structures and dynamics as well. The international context in which both economies were operating contributes to explain the diverging macroeconomic performances of the two countries. From the 1950s onwards, the Italian industrial system had enjoyed the progressive opening of the European common market. In the meantime, British manufacture had been coping with the shrinking of the Imperial privilege. Moreover, while Italy dealt

² The idea of post-war consensus was first advanced by Andrew Gamble (1974) and Paul Addison (1975). According to them, the unique experience of the second world war created the conditions for an agreement around crucial policy tenants – from full employment to nationalisation, from welfare state to the role of trade unions – that both Labour and the Conservative accepted. This idea would be contested in the following decades, starting with Ben Pimlott (1988), who argued that “consensus” was an invention connected to Thatcher’s advent. What is certain is that Thatcher characterised her leadership, at least from a narrative point of view, as one of rupture of the post-war consensus. About post-war economic policies in Europe, in wider terms, see Judt (2005).

with the constraints, but enjoyed as well the privileges of having a marginal currency, Britain had to deal with the pressures deriving from the central position occupied, within Bretton Woods, by the pound. This explains the reluctance to weakening sterling that several British governments, even pursuing different political agendas, showed after 1945 – a reluctance that has been ascribed to the attempt to maintain the prestige of a previous top currency (Strange 1971), the effort of many global actors to keep sterling as an international currency (Schenk 2010), or the influence of the powerful City-Bank of England-Treasury nexus (Pollard 1982; Ingham 1984).

Last but not least, as table 1 makes clear, the macroeconomic data for the 1960s in Britain, when compared with the Italian ones, look disappointing – a circumstance which explains some peculiar features of the economic debate in Britain, also before the 1970s.

2. The crisis of the 1970s and the reframing of the theme of “decline”

The end of Bretton Woods and the outbreak of the first oil crisis, combined with the floating of the pound, the expansionary policies and the first moves of Edward Heath’s Conservative government towards financial deregulation, created the conditions for a deterioration of Britain’s economic growth, employment, price stability and balance of payments. Yet, as table 1 clearly demonstrates, the disappointing performance of the British economy was not confined to the 1970s. Different interpretations have been deployed regarding the poor performance of the British economy since the 1950s, but all analyses tend to agree that Britain experienced a relative economic decline, which was particularly evident in manufacturing. Disagreement exists when it comes to explain the causes of the decline and whether the 1980s marked a reversal of the malaise.

On the one hand, there are those who argue that the sunset of the industrial sector in Britain was more dramatic than elsewhere because investment in manufacturing was comparatively low and resulted in slower output growth and decreasing levels of employment (Kitson and Michie 1996). At the origins of underinvestment in manufacture during the 1960s and the 1970s were government's policies too concerned with the defence of sterling's external value. In this reading, things got worse after 1979, when Thatcher's policies of privatisation, deregulation, containment of public expenditure, downsizing of industrial policy and weakening of trade unions, combined with her early 1980s monetarist experiment, accelerated deindustrialisation. The partial recovery of the 1980s – which can be observed in Table 1 when it comes to investments and Gross Domestic Product (GDP) growth, inflation containment and productivity increase – was a “mirage” more than a “miracle”. It came at the cost of dramatic unemployment, which more than doubled compared to the 1970s, and a further collapse of the manufacturing sector (Kitson and Michie 2014).

On the opposite side of the spectrum, economic decline was mainly linked to institutional factors and policy choices: the lack of competitiveness; the presence of nationalised industries that made an inefficient use of resources; unbalanced industrial relations that gave large powers to the unions; governments' determination to “pick the winners” (Crafts 1996). Mrs Thatcher supply-side reforms reversed the relative decline and increased productivity – even though this brought about negative consequences in terms of unemployment, income distribution and wellbeing. As for the deindustrialisation, the buoyant financial sector performance from the 1980s onwards demonstrated that manufacture was not anymore crucial for the viability of the British economy (Crafts 2002, 84-99).

Beyond the historiographical debate, popular accounts denouncing British decline in various guises became a successful cottage industry since the late 1950s, also because of the collapse of the Empire, epitomised by the 1956 Suez humiliation (Shonfield 1958, Shank 1961, Koestler 1963, Einzig 1969). Declinism became a political tool as well and contributed to the return of the Labour party to power in 1964. In *Signposts for the Sixties* (1961), a document enthusiastically endorsed by the then Labour leader Harold Wilson, Britain's disappointing performance was compared to the ones of other European countries and was attributed to the Tories, who had allowed the growth of privilege and the concentration of economic power in a few hands during their "wasted years" (1951–64). A few months before the return of Labour to power, Wilson promised a government that would modernise Britain "in the white heat" of a scientific revolution (Labour Party 1963). In this process the state – through the newly established Department of Economic Affairs (DEA) – was called to play a crucial role. The DEA was smothered in the cradle by the difficulties of the pound, which imposed the adoption of restrictive measures (Walker 1987, 186-215; Cairncross 1996). But in the mid-1960s there seemed to be a consensus that the only way out from decline was to be found in, and entrusted to, the state (Tomlinson 2001, 30-47).

The New Right component of the Conservative party embraced declinism from a different perspective. The starting point of its analysis was to be ironically found in the work of two Marxist scholars who had reflected on Socialism's shortcomings and explained them with the unique timing of the Industrial Revolution in Britain, which arrived too early and gave the landed aristocracy the possibility to tame the bourgeois revolution through the absorption of the middle and upper-middle classes (Nairn 1964, 19-25; Anderson 1964, 26-51).

Moving from these premises, American historian Martin Wiener reframed and extended Anderson's and Nairn's thesis in a book that had the ambition to explain both Britain's current "stalemate" and the (allegedly) anti-modern culture that had pervaded its middle and upper-middle classes during the previous century (Wiener 2004[1981], XV). These latter, Wiener argued, had reacted to the disruptive force of the Industrial Revolution by joining forces with the landed aristocracy and producing a "cultural domestication" of the British industrial spirit. Wiener's work was neither supported by strong empirical evidence, nor particularly original, but it fitted New Right's idea of reviving the lost entrepreneurial virtues of Victorian England. For this reason, it became influential for the Thatcherite right ("Empty shelves" 2010). Unlike Labour's response to declinism of the previous decade, in the New Right's reaction to declinism there was no space for the state. On the contrary, to save the country from decline, it was necessary to "rolling back the state" and let entrepreneurial values resurface (Tomlinson 2001, 58-61).

Back to February 1974, it was in the difficult context of the miners strikes and the three-day week for all industries to save power that the Labour party came back to office, with a minority government, which became a majority (of three) in the election of October – a majority that faded quickly, following parliamentary defections and by-elections (Whitehead 1987). To keep the growing inflation in check, the newly elected government launched the idea of a social contract: the removal of legal restrictions on the unions introduced by the Heath government and the adoption of measures such as food subsidies and price controls, aimed at increasing the so-called social wage, in exchange for trade unions' voluntary wage restraint. Worsening economic conditions imposed a series of strategic policy changes between 1975 and 1976, when the government introduced cash limits to policy programmes and voluntary income

policies, before publicly announcing, in July 1976, a target for the money supply (Tomlinson 2017, 63-67).

These measures provoked a fall in inflation (which had reached 26% in 1975), monetary growth and public spending, but did not arrest the decline of sterling, which had started with its 1972 flotation, and accelerated from March 1976 onwards. Consequently, the government was forced to seek financial support from the IMF in the autumn 1976. It was a process that triggered “a crisis of ideology and priority” (Burk and Cairncross 1992, XI) and ended up with a £ 3.9 billion loan (Roberts 2017). Late interpretations have seen the IMF loan as the pivotal moment in which public spending was put under control. In reality, the loan simply represented IMF’s seal of approval of policies that the Labour government had already started implementing in 1975 (Clift and Tomlinson 2008).

The negotiations that preceded the December IMF’s loan concentrated on issues such as the correct level of sterling, monetary targets, and the appropriate amount of Public Sector Borrowing Requirements (PSBR), which at the end of 1975 had risen to £ 11.8 billion, 11% of the GDP, and were considered out of control. In the meantime, an interesting academic debate was taking place on the letters page of *The Times*. In an editorial published on 20 September (“Programme” 1976), the British paper called for a £ 5 billion cut in public expenditure, declining money supply targets and the increase of indirect taxation. The draconian recipe that, according to *The Times*, would have put Britain on a path of economic stability, triggered a lively controversy among academic economists which went beyond the cuts suggested by *The Times*, and focused on the merits of protection versus devaluation and the benefit of sketching an industrial policy rather than promoting supply side reforms. It saw Cambridge economists, and former Treasury advisers Wynne Godley and Nicholas Kaldor defending Keynes’ legacy, while

monetarists such as Brian Griffiths of the LSE and Geoffrey Wood of City University, soon backed by Oxford economists John Flemming and Maurice Scott, and former IMF economist John Williamson, argued that protection would divert resources to unproductive sectors of the economy and raise the exchange rate (Needham 2015). Beyond the outcome of the controversy, which also saw the intervention of a group of economists, led by Wilfred Beckerman (Oxford), who tried to find a mid-way between protectionists and deflationists, this debate confirmed that monetarist ideas were making some progress into British academia (Middleton, 1998, 299-302). One should add that these progresses were marginal, as five years later the Manifesto of 364 academic economists against Thatcher's 1981 budget, which represented the pinnacle of her monetarist experiment, will show. The reason for this slow advance was due, according to one of the most authoritative British defenders of Keynes' legacy, to the fact that Friedmanite monetarism was dogmatic and deprived of intellectual coherence (Kaldor 1982, XI). Yet, Kaldor and the Keynesians understood the magnitude of the challenge coming from a "new doctrine [...] assiduously propagated from across the Atlantic by a growing band of enthusiasts, combining the fervour of early Christians with the suavity and selling power of a Madison Avenue executive" (Kaldor 1970, 1). For this reason, the Cambridge economist took monetarism seriously since the beginning, and did not hesitate to cross swords with Friedman.³

³ Already in 1958 Kaldor gave evidence to the Radcliffe Committee on the working of the monetary system, reaffirming the Keynesian principles of economic management and insisting on monetary policy's subordinate role in guiding the economy. In 1970, he gave a lecture to King's College, later published in the *Lloyd Bank Review* (Kaldor 1970a), from which followed a sharp exchange with Friedman that was hosted in the same review (Friedman 1970; Kaldor 1970b). Eventually, in 1981, he gave evidence to the House of Commons Select Committee's inquiry on monetary policy. The 1958 and the 1981 documents are published in Kaldor (1982).

After a marked improvement of the economic fundamentals between 1975 and 1978 – with inflation falling below 10% and a decrease in public spending comparable to that of post-war – towards the end of 1978 the question of industrial relations and wage inflation came back to the fore after Labour’s attempt to cooperate with the trade unions in different forms: from the already mentioned Social Contract to fixing ceilings to wage increases. At the end of 1978, when it became clear that the fight against inflation had to be entirely shouldered by the public sector, whose real wages had decreased more sharply than in the private sector since 1975, a series of strikes among railways and local government workers, school porters, ancillary workers in the National Health Service (NHS), combined with an ongoing road haulage dispute, which was dragging on through one of the worst winters in decades, consolidated the narrative of a British government held to ransom by the unions (Hay 2009, 545-52).

3. The emergence of New Right’s discourse in Britain

The crisis of the 1970s, culminating in 1978–9 “winter of discontent”, penalised the Labour party in three respects. First of all, it highlighted the unresolved tension between the Labour’s original role as a political tool of the trade unions and its ambition to represent a wider section of British society (Marquand 1991). Secondly, it exacerbated the division between the left of the party, which suggested a leftward way out of Keynesianism, through the adoption of the Alternative Economic Strategy (Tufekci 2020), and the moderate component of the party, which abandoned Keynesianism from the right, accepting that full employment had to take a back seat in the battle to contain

inflation.⁴ Thirdly, it put the social democratic section of the party in a difficult position. Since Tony Crosland's *The Future of Socialism* (1956), social democrats had claimed that public spending, rather than public ownership, was critical to foster equality and advance socialism. The cut accepted in the wake of the IMF negotiations represented a dramatic defeat for many on the so-called soft-left and contributed to its weakening (Tomlinson 2017, 68-69).

To the difficulties of the Labour party corresponded the success of the New Right, which managed to sketch a clear "narrative construction" of the 1970s crisis. To put it with the words of Colin Hay (2009):

The achievement of the Conservatives and the new right more broadly in 1979 was to define, frame and narrate the crisis, reading and reinterpreting each and every episode, event and policy failings of the winter of 1978-1979 as a symptom of a more general crisis that required a decisive and systemic response (551-552).

All that said, the conventional account of the rise of neoliberalism in Britain incurs in two oversimplistic and inaccurate caricatures. On the one hand, Thatcher's ascent to power is seen as the political embodiment of the neoliberal revolution, with 1979 becoming the "year zero" of a new era (Prasad 2006). A reading of 1979 as the beginning of an era that transformed Britain into the poster child of neoliberalism would

⁴ In 1976 the Labour Home Secretary Roy Jenkins, mimicking a Milton Friedman's line, declared that public expenditure at 60% of GDP represented the frontier of social democracy, the limit beyond which it would have been difficult to "maintain a plural society with adequate freedom of choice" (Wood 1976).

be as defective as the idea that the 1970s were an unqualified disaster on all fronts, but the theme would go beyond the period scrutinised in this work.⁵

More relevant for this paper is the other caricature: say that, until 1979, only a very narrow group of individuals – mainly heterodox economists connected to the Institute of Economic Affairs (IEA), a British think tank linked to the American Mont Pelerin Society (MPS), founded in 1947 by Friedrich Hayek and popularised by Friedman⁶ – had preached neoliberalism in the wilderness (Cockett 1994). The notion of neoliberalism as the enterprise of a small coterie of British economists who, under the aegis of the IEA and inspired by Nobel Prize winners Hayek (1974) and Friedman (1976), had been able to “swim against the mainstream of conventional wisdom of Cambridge, National Institute (NIESR), Treasury and Bank of England establishment” (Walters 1996, 103), has recently been debunked by a body of literature that has shown how think tanks such as the IEA could not only count on the financial support of the British business world (Jackson 2012), but also on the presence of their members in core positions within the British business community (Rollings 2013). The economists we are referring to were neither “eminent”, nor at times even academic economists (as we have seen in the previous section, monetarism remained quite marginal in British academia during the 1970s). They were part of a growing number of economics graduates who, after the second world war, had been employed – beyond academia – in journalism, business, government, or the City of London (Coats 1978 and 1981). These economists, more permeable and sympathetic to the neoliberal ideas than their academic colleagues, would play a crucial role in the popularisation of concepts discussed within

⁵ A brilliant and encompassing overview on this theme is in Davies, Jackson and Sutcliffe-Braitwaite 2021.

⁶ On the MPS there is a wealth of literature. For an overview see Mirowski and Plehwe (2009).

the discipline of economics, which was moving towards mathematisation and modelisation. What is more, these economists had been attacking the Keynesian consensus well before the 1970s, in some cases while holding relevant positions in the business community.⁷ The events of the 1970s, starting from inflation, provided these “second dealers in economic ideas” (Hayek 1949) with the ideal conditions to harvest what had been disseminated long before.

Fight against inflation became a real obsession by the late 1960s, early 1970s, when the fast growth of prices became associated with the risk of political turmoil. The 1973 *putsch* of Augusto Pinochet in Chile renewed memories of inflationary crises that, in the past, had triggered the collapse of democratic institutions. The New Right made use of this narrative, and in some cases even interpreted the assassination of Salvador Allende as the price to be paid for defeating inflation (“The end of Allende” 1973; “The failure of a Marxist” 1973; “Repression in Chile” 1973). In the account of the New Right, while “middle Britain” was the big loser from high inflation, trade unions were the ultimate winners, and the main responsible, for this phenomenon. Their responsibility derived from the notorious wage-price spiral mechanism; their win came from the fact that inflation empowered them through income policies. Not only income policies were considered useless, they were also seen as damaging because ended up reinforcing the political role of unions as “partners in the state” (Tomlinson 2012, 70).

In the context of the 1970s people like Arthur Shenfield, a quintessential “second hand dealer of economic ideas”, found eventually an attentive audience for what they had been arguing, against the Keynesian consensus, since the 1950s. Apart from being

⁷ Neil Rollings (2017) depicts the trajectories of John Jewkes, Barry Bracewell-Milnes and Arthur Shenfield, “three advocates of neoliberalism” operating within the Confederation of Business Industries (CBI), the pick-level representative body of business in Britain.

active within the MPS and the IEA, Shenfield was economic director of the Federation of Business Industries (rebaptised CBI in 1965) in the 1950s-1960s, except for a brief interruption, in 1963, when he was appointed visiting professor of business economics at the Graduated School of Business, Chicago, directed by George Stigler (Rollings 2017, 104–108). Shenfield was elected president of the MPS, from 1972 to 1974, succeeding Friedman, and his Brussels presidential address at the twentieth MPS general meeting put together inflation and trade-unions to warn against the risks of a Chilean scenario in Britain. Also in this case, Allende was blamed for his tragic fate:

While [Allende] sat in his presidential palace, claiming to seek revolutionary change by constitutional means, bands of his supporters roamed the country violently suppressing other people's rights and taking other people's property. Sometimes, like the British coalminers in 1972, they did so in furtherance of wage claims [...] Is there any reason to believe that this process will somehow spend itself, so that the Chilean nemesis will never overtake [Britain]? (Shenfield 1974).

As previously recalled, by 1976 inflation seemed to be on a downward spiral: an element that should have introduced elements of caution in the New Right's claim that income policy was not working. Even more problematically, Milton Friedman's famous statement that inflation was *always* a monetary phenomenon, related to the pretended fall of the Phillips curve (see section 4 for further details), ended up to logically undermining the assertion that trade unions caused inflation. This did not stop the New Right's attacks against trade unions, considered the epitome of the "British disease" and blamed for their "self-destructive unruliness", "excessive wage demands", "resistance to the advance of productivity", and "indifference to the interests of the community" (Shenfield 1974).

The fight against inflation would obtain mixed results: 18% at the beginning of the 1980s, a significant decrease during the decade and then a new spike, at 9.5%, by the end of the 1980s, following the so-called Lawson Boom (Tomlinson 2012, 75). Yet, New Right's obsession with inflation paid in political terms, in that it turned upside down the idea of governments using macroeconomic policy (i.e. fiscal and monetary) to promote growth and microeconomic policy (i.e. income policy) to suppress inflation. In the words of Thatcher's most iconic Chancellor, Nigel Lawson, the new approach became instead to use "microeconomic (or supply-side) policy, such as tax and labour market reforms, to provide the conditions favourable to improved performances in terms of growth and employment" (quoted in Middleton 2000, 96).

It is interesting to notice that also in the Italian case the relationship between inflation and trade unions took central stage in the political debate of the 1970s. As we will see in section 4, however, in Italy this dispute was less a matter of "second dealers in economic ideas" – even though their contribution needs to be better assessed – and more a theoretical "controversy" involving eminent (academic) economists and top civil servants.

4. Crisis and social conflict in Italy through a multifaceted economic debate

The political and economic debate in Italy during the 1970s was largely influenced by the idea of "crisis", as testified by many of the works published at the time (Salvati 1972; Andreatta 1973; D'Antonio 1973; Graziani 1975). Formulas such as "crisis of capitalism", "industrial crisis", "fiscal crisis" became common currency in the economic and sociological parlance of the decade.⁸ The idea of declining or stagnating economic

⁸ James O' Connor's *Fiscal crisis of the State* (1973) had a limited influence over this debate, at least until the end of the decade. Looking at the tendency of government expenditures to outpace revenues in

growth was generally accepted despite different causes were indicated for these predicaments. In the light of what we know today, it is worth wondering whether this representation of the Italian economy was more of an “optical illusion”.

The Italian economy went through peculiar changes, albeit in a framework similar to that of Britain and other western countries. As the overview data collected in Table 1 show, the overall performance of the Italian economy in the 1970s was quite positive, in particular when compared with that of the following decade. To some extent, the macroeconomic indicators of the early 1970s may have appeared disappointing at the time because they were compared to the stability and extraordinary growth of the 1960s. On the whole, statistical data relative to the years between 1971 and 1980 describe an economy that enjoyed, on average, annual rates of GDP growth higher than 3% (despite the reduced pace of investments), a significant exports growth, rising real wages (even faster than productivity growth, with ambivalent consequences) and relatively low levels of unemployment. Despite a slower (and often irregular) rate of growth of the national income, a serious recession (1975) which was related to a collapse of investments and the external imbalances of the mid-1970s (Table 2), the 1970s can be regarded as a quite dynamic decade (Alberti 2019).

The picture becomes more nuanced if we focus on particular moments, highlight specific aspects, or reflect on the economic gap between the North and the South of the country, which began to worsen again starting from the 1970s (Felice 2015, 284). So, despite an overall satisfactory economic performance of the decade, some “structural”

the U.S. between the late 1960s and early 1970s, the Marxist sociologist and economist argued that the fiscal crisis of the capitalist state was the inevitable consequence of this structural gap. The book was translated in Italian only in 1977 by the publisher Einaudi, with a preface by Federico Caffè added two years later.

problems emerged in the 1970s, which would persist and influence negatively the following decades.

The Italian economy, as the British one, was affected by the oil shock, which contributed to provoke a recession in 1975 (minus 2% in real terms) – the first since the post-war period. This recession was also the consequence of the temporary contraction of the public deficit, combined with a severe credit crunch. These measures became necessary as a response to the inflation and the deterioration of negative external account balances, which had emerged since the late 1960s as a result of both rising international interest rates and the exposure to international competitors (Germany in particular). To overcome the foreign accounts deficit, Italy, as we have seen in the case of Britain, relied in 1974 on a loan from both the IMF (1.2 billion dollars) and the Bundesbank. IMF conditionalities accepted by the Italian government in February 1974 included a double target: the containment of the “non-oil” current account deficit and a reduction of the internal credit.⁹ Further restrictive monetary and credit measures were implemented, both during the currency crisis of 1976 and after the second oil shock in 1979, under the guidance of the Bank of Italy. In a context of high inflation, these interventions – including a severe currency legislation – did not prevent the persistence of negative real interest rates, at least until mid-1981 (Rossi 2020; Ciocca 2007, 285-307).

As the pound, the *lira* started floating after Bretton Woods collapse and depreciated many times – a factor that benefitted exports endangered, on the other hand, by the rising domestic prices and the inflation differential among the countries of the then

⁹ The topic was discussed in a variety of journal articles and contributions by economists, including Giacomo Vaciago (1975), Livio Magnani (1974, 1977) and Fabrizio Saccomanni (1975).

European Community. Consumer price inflation averaged 13.9% in the decade – a performance nearly identical to that of Britain (13.8%) (Graziani 2000, 120-127).

A process of restructuring in the manufacturing sector began in the early 1970s, a structural change that affected many European countries at the time. This process was characterised by an increasing dismissal of workers occupied in big industrial firms to the advantage of the small manufacture and the tertiary sector. Small and medium-sized enterprises' performance in terms of productivity, investments, production and profit margins seemed to be significantly better when compared with that of large companies (Bellandi 1999; Amatori and Colli 1999, 305-324; Crafts and Magnani 2013, 122).

If we consider the large presence of state-owned enterprises (particularly when it came to large-scale industry) and the state control of the banking system, the disappointing performance of the big industry in Italy – not only in the South – could be partly ascribed to the deterioration of the quality of State intervention, due to instances of inefficient subsidisations of State owned enterprises, misuse of public funds and a harmful forms of political interference (Silva 2013; Amatori 2017). Also the expansion of the welfare systems happened in unbalanced ways, favouring overwhelmingly the pensions at the expense of others social security instruments (Ferrera, Fargion, Jessoula, 2012; Giorgi and Pavan, 2021). Compared to the past, large companies (both state-owned and private) and credit institutions (mostly state-owned) proved to be less efficient in allocating resources in a context of growing economic uncertainty and, often, indulged in public expenditure misuse (Ciocca 2007, 292-296; D'Antone and Alberti 2017; Lepore 2013; Scoppola Iacopini 2018). The planning experience of the centre-left governments – the Italian version of the Keynesian managed economy – brought about mixed results, also as a consequence of the growing hostility of

industrialists and trade unions and the difficulty of implementing an institutional architecture capable of coordinated interventions (Lavista 2010).

The transformation of the Italian economy at the end of the 1960s and the raise of social conflict, particularly after 1968, stimulated a multifaceted debate among economists (Nardozzi 1980), which touched upon stagflation as well as the destiny of capitalism and the validity of mainstream economic theory. Some Marxist intellectuals, in Italy and elsewhere, argued that the economic recession occurred after 1974 was a typical example of the cyclical crises of capitalism, mainly due to overproduction (Graziani 1975). Contextual elements, such as the oil shock, the emergence of developing countries, the conflictual behaviour of trade unions, the wage-price spiral, were often regarded as simple exogenous factors (Mandel 1982; Bàculo 1976). The most intense cycle of workers' struggles – which lasted roughly from the so-called “hot autumn” of 1969 to the end of the 1970s and granted to the workforce many advantages in terms of wages, reduction of working hours and social reforms (Ciocca 2007, 261-284; Graziani 2000, 120-127; Musso 2011, 229-244) – was explained looking at the role played by a new generation of workers born after the Second World War (Tarantelli 1980).

In the context of a growing social conflict, an innovative approach against the marginalist mainstream arose from the work of Piero Sraffa and his followers. The new social and political atmosphere encouraged a new generation of economists to challenge the marginalist theory, following Sraffa's approach outlined in *Production of commodities by means of commodities* (Sraffa 1960). A focal point of this debate was the neoclassical theory of marginal productivity, according to which only a single optimal income distribution is possible, due to the existence of a functional relation between wages and labour productivity. According to the Sraffian school, by contrast, this relation does not exist, and income distribution is only the result of the class

struggle and social conflicts. Economist Luigi Spaventa was at the time among the supporters of this view, since he argued that no endogenous equilibrating mechanisms of distributive variables existed (Bini 2013). In the same vein, other important Marxist-oriented economists, like Pierangelo Garegnani (1981), made an effort to combine the Marxian approach with the Sraffian theory and the Keynesian principle of the effective demand.

A turning point for both industrial relations and economic debate was the 1975 Agreement – reached by trade unions and the organisation of the industrialists, Confindustria – that introduced full indexation of wages to inflation for all categories of workers. This Agreement made it possible that wage increases exceeded labour productivity, hence triggering the wage-price spiral and the loss of competitiveness (Levrero and Stirati 2004). Not surprisingly, inflation and wages became crucial themes of discussion among economists, in a context in which all Western countries were facing a mix of economic stagnation, high unemployment and inflation. The Phillips curve model, based on the observation of an inverse relationship between unemployment and inflation, was no longer adequate to capture the complexity of the dynamics of the 1970s, and economists attempted to offer new explanations for the paradoxical coexistence of high wages and high unemployment (Garonna 1981). Looking at the Italian case, Franco Modigliani and Ezio Tarantelli (1976) underlined the existence of different segments of the labour market not communicating with each other, a factor which prevented real competition between employed and unemployed workers.¹⁰ Again Modigliani, together with Tommaso Padoa-Schioppa, advanced a reading of the unemployment problem influenced by the new classical macroeconomics, explaining it through the spread of wage indexation tools (Modigliani and Padoa-

¹⁰ See also Tarantelli 1986, 1988.

Schioppa 1977, Modigliani 2018). Modigliani took openly aim at the already mentioned 1975 Agreement, and his intervention brought about the so-called “Modigliani controversy”, which played out in newspapers as well as academic journals. Some economists of the Centre for Economic Policy Studies (CESPE) – a think tank close to PCI – seemed to recognise that in the context of the worsening terms of trade of the Italian economy compared to oil-producing countries, it was necessary to proceed with a containment of consumption, or at least a limitation of its growth, in order to encourage investments and productivity growth.¹¹ Claudio Napoleoni (1976) was among the supporters of this view, contributing to a vibrant debate within PCI, in a moment when, as we have already remarked in section 1, a parliamentary convergence between DC and PCI seemed possible. Communists, however, were asking for a particular type of austerity, quite different from the neoliberal one. In January 1977 the secretary of PCI Enrico Berlinguer (2022, 105–6) underlined that austerity should have been something different from a short-term solution to overcome the crisis. He called instead for a strategy aimed at reducing inequality and build a new democratic society:

Austerity today is not merely an economic policy tool to be used in order to overcome a temporary difficulty, to enable recovery and the restoration of the old economic and social mechanisms. This is the way austerity is conceived and presented by the dominant groups and conservative political forces. But it is not so for us. For us, austerity is the means to counter the basis and overcome a system that has entered a structural and fundamental crisis, not a cyclical one, whose distinguishing features are waste and squandering, the exaltation of an unbridled particularism and individualism, of the most senseless consumerism. Austerity means rigour, efficiency, seriousness, and it means justice; in other words, the

¹¹ In 1976 Modigliani wrote a confidential report for the US Department of State about the Italian economic crisis, in which he argued that the PCI was a responsible political actor, favourable to the necessary reduction of unit labour costs. The report is published in Asso (2007), 105-111.

opposite of all that we have known and paid for up to now, and which has led us to the very serious crisis whose faults have been accumulating for years and which is now manifesting itself in Italy in all its dramatic magnitude.¹²

Despite the original position of PCI and Berlinguer's opposition to a "bourgeois" interpretation of austerity, heterodox Keynesian economists such as Augusto Graziani and Federico Caffè criticised both neoclassical economists and CESPE scholars. At the end of this dispute, Modigliani's idea that real wages had to fall in order to overcome the current crisis began to be accepted even by sections of the trade unions and the left – in a process that reminds of what we have seen was happening in Britain (Cattabriga 2012; Barba and Pivetti 2016). Modigliani's influence and impact was furtherly increased by his important contribution to the public debate during the 1970s (and later), when he contributed to leading newspapers such as *Corriere della Sera* or *Repubblica*, and cooperated with the Bank of Italy, research institutions and think tanks. Moreover, many young economists, influenced by Modigliani since the 1960s, would play a crucial role during the following years in both academia and government: think of Giorgio La Malfa, Antonio Fazio, Ezio Tarantelli, Mario Draghi, Tommaso Padoa-Schioppa, Francesco Giavazzi (Asso 2007, Asso and Nerozzi 2020, 17-24).

5. The Italian road to normalisation. A "monetarist stabilisation" led by technocrats

The confrontation between Italian economists and think tankers shows that the problems affecting the Italian economy were not a matter of "general crisis" of capitalism, but were instead related to the issue of how to manage industrial conflict and State

¹² Translation from Italian by M.A. and G.T.

intervention in a moment of severe difficulty for the Keynesian managed economy model, following the collapse of Bretton Woods.

Also in relation to the above mentioned economic debate, the late 1970s represented a significant turning point for Italian economic policy. The dramatic kidnapping and assassination of Aldo Moro, perpetrated by the leftwing terrorist organisation *Brigate rosse* (Red Brigades), terminated *de facto* the experience of “national solidarity”. The death of Aldo Moro, who had been the Christian Democrat leader who more consistently had worked to a convergence between DC and PCI, was followed by a sharp turn in economic policies, mainly promoted by technocrats close to the Bank of Italy, in the direction of a progressive sterilisation of the political parties’ capacity to influence the process of economic development and promote the redistribution of wealth (De Felice 1996).¹³

This process can also be described as a crisis of political parties and the resurgence of the until then marginalised point of view of technocrats, whose category was symbolised by Guido Carli, Governor of the Bank of Italy from 1960 to 1975, who worked to (re)instil faith in the market mechanism also among the left and trade unions. Carli’s interpretation of the Italian economic history – as formulated later in his memoirs (1993) – would acquire a growing success after the 1970s, with some significant exceptions.¹⁴ In Carli’s narrative the Italian economy had been, since the 1960s, negatively affected by the planning aspirations of the political class, which had resulted in “laces and ties” (*lacci e laccioli*) going from the control of the industrial

¹³ Aldo Moro (2019), in his writings from the Red Brigades “people’s prison” in which was held captive before his assassination, put the accent on the risks arising from such a “technocratic drift” – a point which is certainly worth further investigation.

¹⁴ See, for instance, the successful pamphlet written by journalists Eugenio Scalfari and Giuseppe Turani (1974), or the dialogue between the same Scalfari and Carli (1977).

sector to the management of credit flows. This interpretation, destined to become widely held from the 1980s onwards, epitomised the profound hostility of the business and financial world towards the expanded role of the state in the economy and what they considered the “excessive” power of trade unions, both factors seen as detrimental to the private initiative (De Felice 1995, 862).

Unlike Britain, however, in Italy there was not an explicit refutation of the Keynesian approach by the government and political actors. Between the end of the 1970s and the beginning of 1980s the Italian economic policy turned towards a more market-oriented vision, partly inspired to the ideas of the new classical macroeconomics and monetarism. Italy's voluntary adhesion to the European Monetary System (EMS) in 1979 – a move refused by then British Prime Minister Callaghan – represented a crucial move towards the introduction of the so-called “external constraint” (*vincolo esterno*) as a limit for state action (Petrini 2017), and a first step towards a “monetarist stabilisation” (Gualtieri 2004). According to Giandomenico Piluso (2022), the Bank of Italy assumed a deputising role *vis-à-vis* the government in outlining such a new economic policy approach. Despite some doubts expressed by the then governor of the central bank Paolo Baffi, the general director Carlo Azeglio Ciampi and his collaborators, particularly Tommaso Padoa-Schioppa and Rainer Masera, played a crucial role in supporting Italy's entry in the EMS, conceived as a “semi-legal” external constraint.

The EMS was aimed at introducing a stable nominal exchange rate system, stimulating – in contrast to the guidelines of Bretton Woods – a single financial market with free movement of capital. PCI, which opposed the measure and decided in that occasion to stop supporting the Andreotti's government, pointed out that under the EMS it would

become impossible to pursue expansive monetary policies for full employment without generating financial imbalances.¹⁵

Another significant step in the process of radical revision of economic policy instruments was the so-called “divorce” between the Treasury and the Bank of Italy decided, in 1981, by the then Treasury minister Nino Andreatta and the then Governor of the Bank of Italy Ciampi. Following this decision, the central bank was no longer required to meet the government's financing needs, forcing the Treasury to resort to the financial markets for the placement of public bonds (Andreatta 2011). This decision could be regarded as one of the possible outcomes of the inflationary crisis, and should be interpreted as a way to overcome the ambiguities among the Italian political parties so far as anti-inflationary policies are concerned (Ventresca 2023).

As for labour, monetary and welfare issues, Friedman's monetarist ideas began to spread in Italy as well, even if only a few economists declared openly their allegiance to his radical ideas – Antonio Martino, for instance, and a few others (Bini 2013, 85).

According to Friedman, when wages do not fall even in the presence of unemployment, the latter should be interpreted as a voluntary choice of the workers, who do not accept a particular job or the offered wage. As a consequence, according to Friedman, an uncompressible and therefore “natural” rate of unemployment will ever exist. Any monetary or fiscal policy aimed at reducing unemployment would in this perspective have inflationary effects. In Friedman's view, only deregulation of the labour market and the dismantling of welfare systems could incentivise workers to put themselves on the market, thereby promoting employment growth (Friedman 1968).

¹⁵ Luigi Spaventa, who pronounced the parliamentary speech on behalf of the PCI, will change his mind regarding the ESM 10 years later, in a further proof of the economic paradigm shift which occurred in the 1980-90s (Paesani 2020). For an overview of the Italian economic debate on the EMS see Masini (2004).

Unlike the British case, no systemic study has been conducted on the role played by the think tanks in Italy during the 1970s and later, and their role in shaping the economic paradigm shift discussed in this section. We have already mentioned the left-leaning CESPE, which gradually abandoned the conflict paradigm. Another important Italian think tank, the liberal-democratic inspired Economic Policy Study Centre (CEEP),¹⁶ gradually, if partially, shifted from the Keynesian to the monetarist paradigm between the 1970s and the 1980s (Bini 2017a).¹⁷

Federico Caffè was one of the most coherent opponents to the spread of monetarist ideas, which he considered functional to the business reaction against growing rights and safeguards obtained by workers. During the 1970s and until his mysterious disappearance in 1987, Caffè popularised his ideas in newspapers and journals, pleading for a coherent policy for full employment, capable of acting both on the side of demand expansion and on training and education of workers. In this endeavour, he noticed how weak an approach to economic policy inspired by the Keynesian lesson had always been in Italy, and denounced the risk that the penetration of monetarism could jeopardise the economic and social conquests obtained by the workers' movement (Caffè 1990, 225-232; 2008; 2014).

Quite similarly to the British case, the Italian ruling classes suggested to escape the 1970s crisis through the elaboration of a new idea of “reformism” (Favilli 2009), no longer oriented towards the pursuit of full employment, the expansion of workers' protection and the re-qualification of public intervention, but rather towards the restoration of free market principles, albeit in the Italian case there was an attempt to

¹⁶ CEEP – Centro Studi di Politica Economica – was constituted in Turin in December 1973 on the initiative of Giorgio La Malfa and some other economists (Bini 2017b).

¹⁷ More detailed work is needed about the role of the Centre of Study of Confindustria (CSC), the representative body of business in Italy, founded by Guido Carli in 1976.

contain the more serious social effects of unemployment. Already in 1978, the programmatic document named Pandolfi Plan, conceived largely by an economist at the Bank of Italy, Tommaso Padoa-Schioppa, announced the new lines of the Italian government intervention. It envisaged a three-year wages freeze, the restoration of labour mobility, an increase in productive efficiency, a reduction in social spending and an increase in transfers to enterprises, in order to strengthen the project of monetary coordination within the EMS (Graziani 2000, 128-153; Piluso 2020, 2022).¹⁸ Some of the objectives of the Pandolfi Plan would only be achieved in the following years, under the leadership of the leader of the Socialist Party, Partito Socialista Italiano (PSI), Bettino Craxi (Prime minister from 1983 to 1987).

At the same time, at the beginning of the 1980s Italian industry was starting to show some signs of weakening, due also to competition from Asian countries whose production specialisation was similar to Italy, but whose labour costs were infinitely lower. In presence of the new system of fixed exchange rates, companies were induced to accelerate the restructuring processes that had already begun in previous years. Although small and medium-sized enterprises showed a better performance as compared to the traditional big firms, robotisation favoured the expulsion of many workers from the factories, resulting in part in an increase of the unemployed, in part in the growth of the tertiary sector and in the enlargement of the public bureaucracy (Viesti 2017). As summarised in table 1, far from being a “second economic boom” (Gervasoni 2010), the economic performance of the 1980s was in Italy more disappointing as compared to the previous decade.

¹⁸ Federico Caffè strongly criticised both Italy’s adhesion to the EMS and the economic policy prescriptions of the Pandolfi Plan. A vehement attack against Caffè was expressed in a private letter written by Tommaso Padoa Schioppa in September 1978 (Baffigi 2016).

6. Conclusions

In this paper we took a first step towards a reassessment of the generally held view of the 1970s as a mere age of economic crisis. The results of this exercise are necessarily tentative, more needs to be done going beyond the British and Italian case and further exploring the role played by think tanks and “second dealers in economic ideas”.

Britain and Italy went through a different degree of economic and social turbulences during the 1970s, when their economies were fully invested by the exogenous shocks of that decade – from the collapse of Bretton Woods to the oil crises of 1973 and 1979.

While these shocks highlighted some of the shortcomings of the Keynesian managed economy, these limitations were magnified by a narrative construction of the crisis which fully restored the functioning of a free-market economy and hindered the progress achieved by the working movement after the second world war.

Whereas the consensus about Keynesianism was never unanimous both in Britain and Italy, the cracks in the Keynesian post-war economic policies emerged earlier in Britain, fostered by the relatively poor performance of the economy. A new perspective on British “decline” catalysed a counter revolution, stimulated by the New Right’s “think tank archipelago”, which had connections with sections of the press, the government, the business world and the City of London. A neoliberal account of the “British disease”, to use the title of Shenfield’s essay mentioned in section 3 and an image abused during the 1970s, was built around three bogeymen: inflation, trade unions and public debt. The idea of “disease” had been circulating for many years, before Thatcher’s political adoption and its irresistible success in making sense of the difficulties of the 1970s. It had been elaborated and popularised by “second hand dealers in economic ideas” more than academic economists – even though these latter

did not disdain to enter the public discussion as we have seen for the debate over the IMF crisis and the Kaldor-Friedman polemic exchanges.

Italian economic policy was also affected by the neoliberal influence coming from the United States and Britain, with particular regard to labour and social policies, as well as the system of industrial relations. In Italy, however, the attack to the Keynesian economic policies emerged with less emphasis in the political discourse between the end of the 1970s and the following decade. Nevertheless, the new system of monetary rules introduced in 1979 (the EMS) was the crucial trigger of a regime change in economic policy. Between 1978 and 1981, technocrats around the Bank of Italy, particularly Ciampi and his collaborators, played a prominent role in shaping new responses to one of the two “uncontrolled variables” of the 1970s, inflation (the second one being terrorism). Not the same happened to another of the 1970s “bogeymen”, namely public debt, which in Italy will almost double during the 1980s. Unlike Britain – where the role of the Bank of England in the great monetarist experiment of the late 1970s, early 1980s, was all in all marginal¹⁹ – Italian political actors left the responsibility of the change in economic policy to monetary authorities and technocrats, without drawing all the consequences that this shift implied in terms of fiscal policies and public spending restraint.

Both Britain and Italy, then, undertook the path of the “market constraints” restoration, but pursuing a different “rhetoric of the crisis” and following a different timing, as epitomised by the complete liberalisation of capital movements, which was introduced

¹⁹ In a 1976 speech Gordon Richardson, Governor of the Bank of England from 1973 to 1983, underlined that while the control of money supply was desirable, monetary, fiscal and income policy were legitimate tools against inflation as well. This confirms that Richardson was a “practical monetarist” and not than a “true believer” *à la* Thatcher (Singleton 2011, 190). On the monetary strategy of the Bank of England see James (2020, 53-77).

by the Thatcher government as early as 1979, while would only be implemented in Italy between 1988 and 1990.

Last but not least, it is worth noticing that during the 1970s income inequality in Britain as well as in Italy fell to the lowest point of the century (before rising again during the 1980s), while the welfare state reached its peak. New social movements, attentive to the rights of women, homosexuals, and ethnic minorities, emerged in Britain and contributed to the promotion of legal advantages towards gender and racial equality (Thane 2013; Thane 2018, 201-345). Something similar happened in Italy when it comes to the improvements in social rights and wellbeing conditions (Vecchi 2017).

These data, compared with those referred to the 1980s, suggest that an attentive reassessment of the 1970s, far from simply providing cautionary tales about stagflation, labour mutiny or urban decay, could offer some recipes out of today's social and economic predicaments.

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last accessed on 16 June 2025).

Table 1. Macroeconomic indicators for Italy and the UK, from 1961 to 1990 (ten years averages)

	1961-1970		1971-1980		1981-1990	
	IT	UK	IT	UK	IT	UK
GDP*	6.5%	3.1%	3.5%	2.2%	2.2%	2.9%
Gross fixed capital formation*	6.4%	5.5%	1.9%	1.2%	1.5%	4.3%
Exports*	11.8%	4.7%	5.8%	4.4%	4.1%	3.5%
Labour productivity*	6.9%	2.8%	2.7%	1.9%	1.7%	2.2%
Wages*	6.3%	2.6%	3%	2%	1.4%	2%
Rate of unemployment	4.9%	-	6.2%	4.9%	8.7%	10%
Annual rate of inflation	3.9%	4%	13.9%	13.8%	9.7%	6.2%

Source: our elaboration from Ameco dataset (European Commission).

*Note: Annual rate of growth, at constant prices.

Table 2. Balance of Payments. Italy and UK current account balance (total), % of GDP, from 1961 to 1990

	IT	UK
1961	1.24	0.24
1962	0.63	0.6
1963	-1.14	0.48
1964	1.24	-1.03
1965	3.50	-0.17
1966	3.11	0.31
1967	2.21	0.32
1968	3.17	0.33
1969	2.63	0.34
1970	0.74	1.3
1971	1.32	1.63
1972	1.43	0.04
1973	-1.61	-1.5
1974	-4.12	-3.76
1975	-0.10	-1.63
1976	-1.26	-0.86
1977	0.97	-0.33
1978	2.01	0.3
1979	1.53	-0.59
1980	-2.20	0.54
1981	-2.25	1.53
1982	-1.68	0.56
1983	0.21	0.22
1984	-0.73	-0.49
1985	-0.93	-0.28
1986	0.36	-0.96
1987	-0.26	-1.59
1988	-0.70	-3.54
1989	-1.19	-4.07
1990	-1.47	-3.08

Source: our elaboration from OECD dataset (for UK) and Bank of Italy dataset (for Italy).