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## Racism and economic policy: recent trends in Italy

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## **Racism and economic policy: recent trends in Italy \***

**Paolo Ramazzotti \*\***

### **Abstract**

The aim of the paper is to discuss the economic features of Italy's neo-racism. It contends that neo-racism is a mass phenomenon that emerged over the past twenty years as a result of the degraded quality of life determined by neoliberalism. Neo-racism results from in-group/outgroup dynamics whereby people seek scapegoats that may account for their dismal economic and social conditions. Contrary to extant economic theories, the paper tries to explain the insurgence of discrimination rather than assuming that racism existed from the very beginning. The paper is structured as follows. Section 2 describes neo-racism in Italy and distinguishes it from past racism. The third section discusses existing theoretical outlooks and explains why their assumptions do not fit with the evidence about Italy. The fourth section discusses Italy's shift to neoliberalism by describing both the change in the balance of power between business and unions and the policies that reinforced this change. The fifth section discusses how these institutional changes affected people's categorical and relational identities. It stresses that neoliberalism reduces the opportunities both for individual and collective action, thereby increasing the scope for categorical identities at the expense of relational identities. The sixth section provides a few concluding remarks.

**Keywords:** neo-racism, immigration, neoliberalism, identity

### **Abstract**

L'obiettivo del paper è delineare le caratteristiche del neo-razzismo italiano. Si intende sostenere che il neo-razzismo sia un fenomeno di massa, nato nel corso degli ultimi vent'anni come risultato di una qualità della vita degradata, causata dal neoliberalismo. Il neo-razzismo nasce da dinamiche interne ed esterne al gruppo nel quale le persone cercano il capro espiatorio che potrebbe dare spiegazione alle loro peggiorate condizioni economiche e sociali. In alternativa alle attuali teorie economiche, il paper cerca di spiegare l'insorgere

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della discriminazione piuttosto che assumere il razzismo come un dato pre-esistente. L'articolo è composto come segue. La sezione 2 descrive il neo-razzismo in Italia e lo differenzia dal razzismo del passato. La terza sezione tratta le odierne prospettive teoriche e spiega perché i loro risultati non coincidano con il caso dell'Italia. La quarta sezione discute del cambiamento dell'Italia in direzione del neoliberalismo, descrivendo sia il mutato rapporto di potere tra le imprese e i sindacati, sia le politiche che sancirono questo mutamento. La quinta sezione descrive come questi cambiamenti istituzionali abbiano influito sulle identità di categoria e relazionali delle persone. Viene sottolineato che il neoliberalismo riduce le opportunità sia per l'azione individuale che collettiva, aumentando così la portata delle identità delle categorie sociali, a discapito delle identità relazionali. La sesta sezione riporta alcune osservazioni finali.

**Parole Chiave:** Neo-razzismo; Immigrazione; Neoliberalismo; Identità

## **Introduction**

The aim of the paper is to discuss the economic features of today's racism in Italy. It acknowledges that racism is a complex and multifaceted phenomenon and that no social science can provide a satisfactory account of it independently of other sciences. There are some specific economic features of present racism, however, that deserve to be highlighted and may complete the outlook of other disciplines.

The paper contends that present racism – also called neo-racism – is different from previous racisms in Italy. It emerged over time but it has become a matter of concern over the past twenty years. It is a mass phenomenon, not the beliefs or conduct of restricted minorities. It is associated to a degradation in the quality of life of a great many people in Italy.

This degradation depends on the effects of the neoliberal turn in economic policy, which had a twofold effect. First, it determined negative consequences on strictly economic variables such as employment, wealth and income distribution, an access to welfare services. Second, it favored a balance of power and an institutional setup that prevented any action to change the status quo.

Neo-racism is a reaction, in terms of in-group versus out-group dynamics, to the dismal quality of life that many people face. The structural and ideological dominance of neoliberalism makes people seek explanations that are independent of it. Immigrants are among the most common scapegoats, although xenophobia is only one aspect of a more general intolerance that appears, at the very least, in the form of hate speech.

Extant economic theories are at a loss in providing an adequate account for its origin and its main features. The reason is that they all consider the existence of racism as their starting point. In some instances, they claim that

it depends on exogenous circumstances, such as taste. In other instances, although they focus on how discrimination reinforces racism, they nonetheless assume that discrimination existed from the very beginning.

The paper is structured as follows. The second section provides information on present racism in order to put the discussion in context. It briefly recalls the characteristics of past racism and points out the distinctive features of today's racism in Italy. The third section discusses the basic tenets of existing theoretical outlooks. It lays special emphasis on a relatively novel approach – stratification economics – which stresses that racism is not reducible to individuals but results from distributional social conflict. It also explains why the assumptions underlying these accounts do not fit with the evidence about Italy. The fourth section discusses Italy's shift to neoliberalism by describing both the change in the balance of power between business and unions and the policies that reinforced this change. It stresses the pervasiveness of neoliberalism in the sense that it is not just a liberal strand in standard economic policy. It is a policy that aims to establish the institutional conditions for a special type of market-centered coordination of the economy. The fifth section discusses how these institutional changes affect people's categorical and relational identities. It stresses that neoliberalism reduces the opportunities for action both at the individual level and at the collective level, thereby determining situations where the scope for categorical identities rises while that of relational identities declines. The sixth section provides a few concluding remarks.

### **1. Italy: from racism to neo-racism**

Italy is not immune from racism<sup>1</sup>. Over time, its victims included Romanis, Jews, the Africans of the colonial period and the people (often immigrants) from Southern Italy. Depending on its victims, it had a different nature. Romanis were generally identified as poor nomads devoted to theft. In most instances they are still referred to as “Nomads”, despite the fact that only a small minority actually is nomadic (Camera dei Deputati 2017, 90). Jews were known as the deicide people. During the 1500s, they were subject to severe restrictions, including the establishment of ghettos where they were obliged to live (Rome's ghetto, the largest in Italy, was abolished only in 1870). One of the few economic activities they could carry out was to lend money. This obviously caused

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<sup>1</sup> I will refer to racism in terms of ethnic discrimination. Doctrines or beliefs of racial superiority are considered a special case of this broader notion. Ethnic, in turn, is defined as: “of or relating to large groups of people classed according to common racial, national, tribal, religious, linguistic, or cultural origin or background” (<https://www.merriam-webster.com/dictionary/ethnic>; accessed 28 February 2020).

tensions especially when the debtors were people in power. Thus, the original, non-economic, racism eventually acquired economic features.

During the final years of the Fascist regime, a new type of anti-Semitism emerged. While the previous one had a basically religious background, the racism that led to the restrictive laws, and to the subsequent deportations to the Nazi concentration and death camps, was centered on the more traditional notion of racial superiority. The laws, enacted in 1938, were clearly referred to as “in defense of the race”<sup>2</sup>. A “Manifesto of Race”, preceded the laws by a few months and provided them with ideological support<sup>3</sup>. Its major effect was to discriminate against the Jewish part of the population. Italy, however, was also a colonial power. That same material justified the brutal repression of the revolts in its colonies – especially Libya and Ethiopia – including the disrespect of the Geneva Convention on the use of chemical weapons<sup>4</sup>.

The downturn and defeat of Fascism and Nazism changed the cultural climate in Italy. Although anti-Semitism never disappeared completely, it was not significant for some decades. Fascism was banned and the memory of the Holocaust prevented any resurgence of racial superiority ideologies.

The post-WWII period was characterized by a more “local” phenomenon: racism against people from Southern Italy<sup>5</sup>. “Terrone” was the typical slur for southerner. It comes from the word “terra”, which means land, and refers to the peasant origin of most of the people that emigrated from the South after the war, seeking a job in the industries of the North. The migration flows right after the war were impressive, unplanned and unexpected. They inevitably caused housing and congestion in the cities of destination, which aggravated the problems associated to cultural and dialectal differences.

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2 The laws forbade interracial marriage, excluded Jews from the civil service and from a range of intellectual professions, forced Jews to attend Jewish schools and forbade Jews from hiring “Arian” domestics.

3 The “Manifesto”, written by ten scientists, claimed that, on strictly biological grounds, there existed a pure Italian race. Its purity depended on the absence of major population movements in Italy for over a thousand years after the Lombard invasion. It also stressed that the Italian race was distinct of “Orientals”, “Africans” and “Jews”. The Italian text is [here](#) (accessed on January 18, 2021).

4 It is worthwhile to point out that racism in Africa was centered on the claimed racial inferiority of Africans (see Labanca 1994; Palumbo 2003) whereas Fascist antisemitism stressed that Jews were also political enemies of the regime: “World Judaism [...] inspired antifascism in all fields. [...] All antifascist forces are headed by Jewish people; world Judaism sides, in Spain, with Barcelona’s Bolsheviks.” “Declaration on race” approved by the Gran Consiglio del Fascismo, October 26, 1938; [http://www.instoria.it/home/dichiarazione\\_razza.htm](http://www.instoria.it/home/dichiarazione_razza.htm); accessed January 23, 2021 (All translations from Italian are mine).

5 This was not an entirely new phenomenon. In the late nineteenth and early twentieth centuries several scholars accounted for the South’s lower degree of development by arguing that southerners belonged to an inferior race. See Salvadori (1960) for a detailed discussion.

The racisms here outlined still exist in one way or another but they were never a dramatic mass phenomenon in the post-WWII period. Until the turn of the century, specific incidents were associated to the action of restricted minorities.

Over the recent decades, a new wave of discriminations has emerged. It is obviously difficult to identify a specific beginning. As of today, there is no coordinated, systematic and transparent nationwide provision of official statistical data on racist discrimination and violence (Lunaria 2000)<sup>6</sup>. The August 24<sup>th</sup> 1989 murder of Jerry Essan Masslo, a South African refugee, is nevertheless symbolically considered the starting point for an antiracist movement in Italy as well as the motivation for the first Italian law (39/1990) that dealt with immigration (Rivera 2020; Ferrero, Perocco 2011).

The victims of discrimination sometimes are the same as before but the intensity and extensiveness is different<sup>7</sup>. “Hate speech” and “hate crime” have become common terms. A recent report by a committee of the Italian Chamber of Deputies<sup>8</sup> focused on a variety of types of hate: xenophobia, sexism, anti-Semitism, Islamophobia, anti-Ziganism, bullying. In particular, it recalled that 56.4% of Italians believe that immigrants cause urban decay in the neighborhoods where they live and 52.6% believes that immigrants involve an increase in terrorism and criminality (Camera dei Deputati 2017, 102).

Independently of actual hate, reactions to the 2017-2019 “security laws” that contrasted immigration and immigrants were mild. More generally, despite occasional tragic events, there seems to be little awareness of the dramatic circumstances that characterize present migration flows.

Discrimination against immigrants is fairly clear on economic grounds. Foreign workers are over-qualified: it is more difficult for them, relative to Italians, to find a job that meets their qualifications (Figure 1). Their monthly wages are lower even when they have a full time job (Figure 2) and their poverty rate is much higher than for Italians (Figure 3).

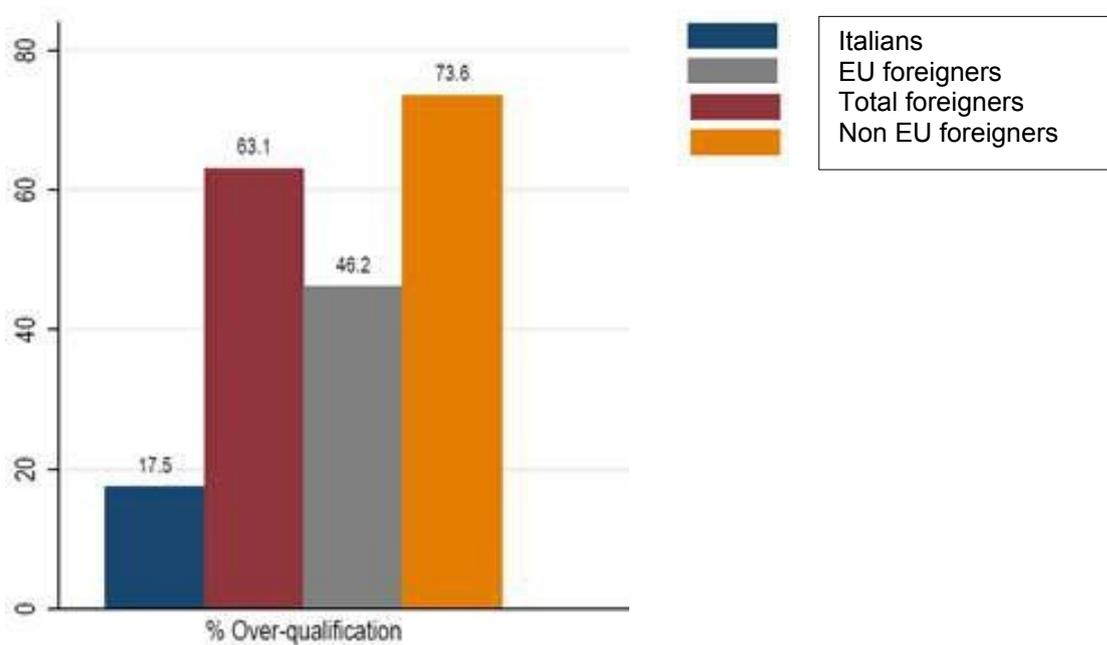
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<sup>6</sup> The first report on racism in Italy, based on unofficial data, was published in 2009 (Nalletto, Andrisani and Lunaria 2009) The most recent one is Lunaria (2020).

<sup>7</sup> Alessandro Dal Lago (1999: 101) stresses, in this respect, that “yesterday’s racism suggested that there was a hyperbolic severance between white and inferior races, today’s racism has a more plural outlook, not necessarily associated to racial mythology.”

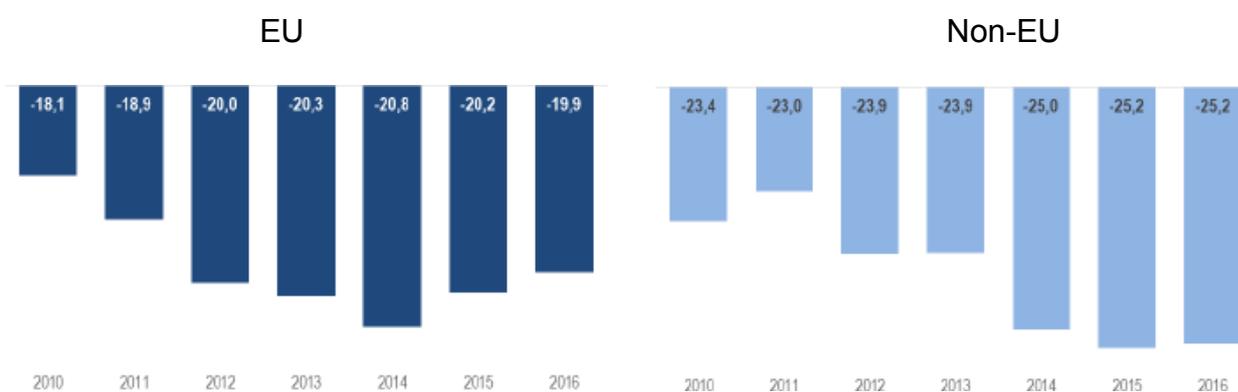
<sup>8</sup> The official name was “Jo Cox Committee on intolerance, xenophobia, racism and phenomena associated to hate” (Camera dei Deputati 2017). The name of the committee honors Helen Joanne “Jo” Cox, a British Member of Parliament who was murdered because of her action against ethnic hatred.

**Figure 1:** Over-qualification: university graduates with low- or medium-skilled jobs



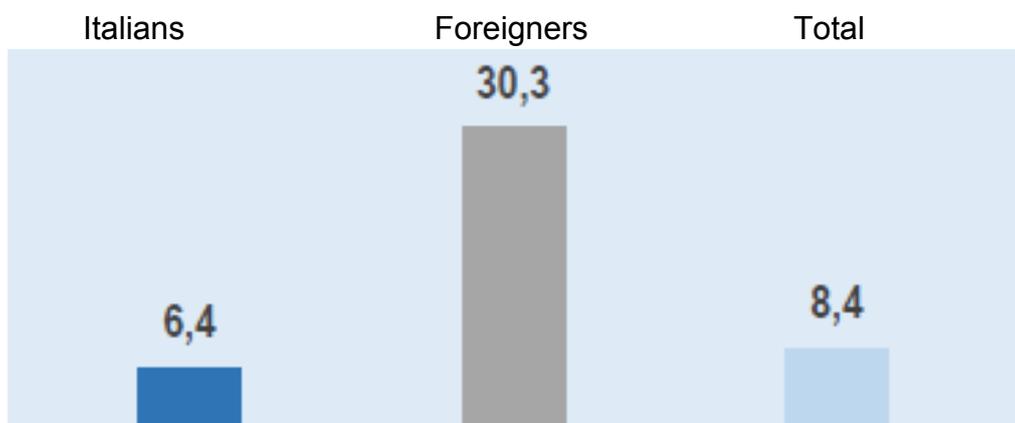
Source: Ministero del Lavoro e delle Politiche Sociali (2019, 47).

**Figure 2:** Monthly wage gap between full time Italian workers and EU and Non- EU workers (2010-2016)



Source: Ministero del Lavoro e delle Politiche Sociali (2019, 47).

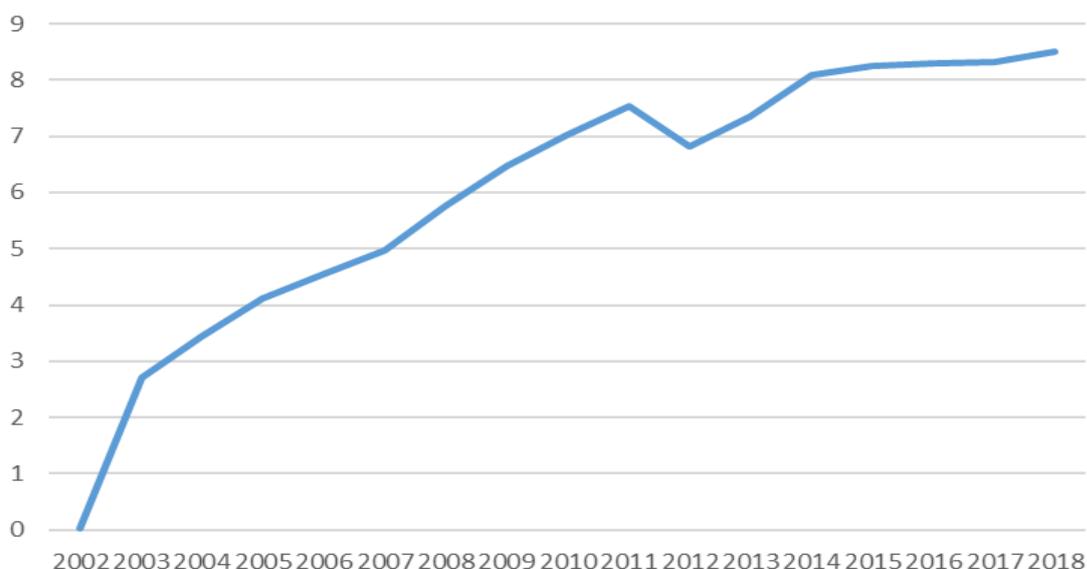
**Figure 3:** Incidence of poor individuals by nationality (2018)



Source: Ministero del Lavoro e delle Politiche Sociali (2019, 43).

This economic subordination reflects both explicit and concealed xenophobia. A possible account for it may be the significant increase of foreign residents during a fairly short time interval (Figure 4). This account nevertheless begs the question whether this racism is independent of, or somehow related to, the other features of hate listed above. I will get back to this issue further on. We first need to address another issue, namely, whether immigration flows provide an exhaustive account for how swiftly neo-racism emerged. As we shall see, the existing literature on economics and racism does not provide a satisfactory answer.

**Figure 4:** Share (%) of resident foreigners in the population (2002-2018)



Source: <http://demo.istat.it/>; (accessed 4 June 2020).

## **2. Theoretical outlooks: from exogenous to endogenous racism**

A major concern in economics is that (racist) discrimination may cause persistent inequality. Gunnar Myrdal's (1962) study of the American situation pointed out that, since black people were deemed less capable than others were, they were paid less and, in general, had a differential access to resources. This affected their productivity, determined a differential economic performance and eventually reinforced the prejudice about the ability gap. Subsequent research pointed out that the access to resources may not be reduced to income or schooling. It may also involve network relations, for instance, knowing the right people (Arrow 1998, Royter 2003. See Moran 2005 for a more extensive survey).

Prejudice may initiate this process, and a lack of adequate information may reinforce it. For instance, choosing whom to employ according to the color of their skin is a shorthand means to select according to presumed qualifications. This discrimination is bound to provide better jobs to white people and to maintain the racial performance differential, especially in markets with strategic complementarity (Basu 2017). More generally, if people believe that the color of their skin singles out different behaviors, habits and culture, they are likely to feel more at ease with those who have the same colored skin. This is likely to determine a division not only in working environments but also in residential and social ones (Schelling 1978, Chapter 4)<sup>9</sup>.

The focus of the present discussion, however, is less on the consequences than on the causes of racism so it will not assess the theoretical consistency of these different views. Quite to the contrary, it wishes to point out a commonality. What all the above approaches share is the theoretical question they ask: given racist discrimination, what are its economic consequences? They are not concerned with providing an account for the very existence of that prejudice. Gary Becker (1957) underscores this by explicitly claiming that racism is just a matter of taste, thereby turning it into an exogenous variable and assuming away the issue. As a result, these approaches do not provide any insight on the abrupt emergence of neo-racism in Italy.

Another feature of the above approaches is that racism and discrimination are individual attitudes. Truly, cumulative processes reinforce the way people think but those people keep on thinking as individuals, independently of their ethnic features. Indeed, Myrdal's cumulative process might lead even a black person to acknowledge that "black productivity" is lower than "white productivity" and to believe that black people actually are inferior. This feature reflects the methodological individualism that underlies conventional economic theory. It may be

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<sup>9</sup> Not all economists share the above concern that prejudice and discrimination have a self-reinforcing effect. In some cases they suggest that the consequences of racism are temporary because, for instance, non-racist employers eventually outcompete racist ones (Becker 1957).

accounted for by claiming that, over a span of 400 years, many people in the USA internalized racist beliefs so that they are taken for granted at the individual level. Italian neo-racism, however, begs for a different account. It appears to be a mass phenomenon whose relatively abrupt emergence can hardly be explained with a time-demanding cumulative process such as the one that occurred in the USA.

A relatively new strand of research, stratification economics, rejects both the exogenous and the individualistic premises of the above theories and provides an altogether different approach to discrimination. It views racism as “the social transformation of phenotypic characteristics and distinctive cultural practices into productive property or capital” (Darity *et al.* 1998, 1). According to this approach, therefore, racism is not an exogenous determinant of economic conduct. It is a goal, which accounts for the persistent stratification of the economy, that is, a racially distinguishable hierarchy in the distribution of income and wealth, as well as job opportunities and access to health, education, housing and social security.

In order to explain how this situation occurs, Darity *et al.* (2006) consider an evolutionary game theoretic model where “European” and “African” individuals choose whether to be “individualist” or “racialist” in their pursuit of an economic payoff. A racialist self-identifies with a specific group and thereafter contributes to an in-group versus out-group dynamic, while an individualist is indifferent with regard to racial groups. According to the authors, these individual choices depend on “macrolevel social processes [that] define the choice set and constrain the social and economic implications of individual identity choices.” (*ibid*, 289).

Darity (2005) argues that, in the USA, these processes initially involved slavery, that is, people stripped of whatever resources they might have had. Following the ban on slavery, discrimination continued by means of explicit policies, such as the introduction of Jim Crow Laws, coupled with tolerance of illegal behavior such as that which deprived blacks of their land. These circumstances were not accidental events that merely prevented blacks from improving their economic conditions. “In the historically specific context of the USA, Americans of European descent have used their political economic dominance to construct barriers to entry into and barriers of exit from ‘Whiteness.’ Conversely, in this social context, ‘Blackness’ is the ultimate non-White social construct; it is an antithetical residual category for those persons with the least access to the presumptive privileges of the property rights inherent in Whiteness.” (Darity *et al.* 2006, 290).

The outlook stratification economics provides is a long-term self-reinforcing process<sup>10</sup> of racial distributive subordination and racial self-

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10 “Our model of racial identification formation-wealth inequality is really a ‘secular’

identification that is specific to black people. In fact, Darity (2005) contends that other minorities were able to avoid this economic subordination. The reason for this different opportunity lies in “lateral mobility”<sup>11</sup>. These minorities could successfully upgrade their social status because they were endowed with appropriate resources. They either had access to money capital or were skilled, or both. Blacks, on the contrary, did not have money capital or skills to begin with because of their slave origin. Subsequently, the above-mentioned discriminating policies precluded them from acquiring these resources, thereby determining a racial trap.

Given the depth of stratification economics relative to other approaches to racism, an assessment of its relevance for Italy raises a range of issues. It is first of all worth stressing a commonality. Immigrants were definitely subject to a stratification process.

As immigration flows became significant in terms of size, immigrants entered the labor market in a very specific way. In the Eighties they were employed in marginal jobs, especially in the gray economy. As they progressively upgraded their occupational status, Italian law became more restrictive with regard to their social status. It took advantage of the fact that immigrants were not citizens and, consequently, did not have the entitlements that all citizens have. Thus, in the 2000s “Italian migration policy returned to the *gastarbeiter* [guest worker] experience whereby it linked the duration of the residence permit to that of the job, it reduced the maximum duration of residence permits, it incentivized seasonal job permits and it penalized family reunification, thereby enhancing a mono-nuclear immigration made up of scarcely rooted individuals.” (Ferrero, Perocco 2011, 25). Immigrants could remain in the country as long as their employers did not dismiss them. They were, therefore, subject to a much greater precariousness than Italian workers.

The establishment of this dual (immigrant-national) labor market might well be associated to a never-ending racist animus, which presumably faded away in the Italian post-WWII period but reemerged as soon as circumstances made it possible. It is nevertheless noteworthy that, quite independently of racism, the above immigration policies are consistent with the more general neoliberal approach of the past decades, which aimed at breaking up worker unity. Before we discuss in greater detail the relation between neoliberal policies and racism in Italy, let us theory that explains the construction of racial identity, while discrimination models represent ‘cyclical’ or short run changes in racial inequality when racial identity is given.” (Darity et al. 1998, 32).

11 Drawing on Darity *et al.* (2001, pp. 439-440), Darity (2005, 147) defines the “lateral mobility hypothesis as the proposition that “the relative social standing of the majority of the members of an ethnic group in their country of origin...the highest social status attained by the adult generation that constitutes the bulk of the migrants’ will play a critical role in the social status achieved by their children and grandchildren in the receiving country.”

examine the differences there are between the USA and Italy with regard to stratification economics.

First, the model discussed above suggests that initial conditions determine the payoffs at the outset of the game. The initial conditions for the USA are determined by a history of slavery that dates back to 400 years ago. All the players are American. They cannot but play this self-identification game. Quite to the contrary, immigration to Italy is a relatively recent phenomenon. Immigrants to Italy are often considered a foreign body that can be averted by preventing them from entering the country and repatriating those who do. Thus, while from an American perspective stratification is the only reasonable strategy to maintain white supremacy in the distribution of income and wealth, from an Italian one it need not be either the only or the preferred one. Indeed, Italian anti-migrant hostility aims to prevent a game where the players are all Italian citizens, independently of their origin. Furthermore, concern is less for income and wealth distribution than for employment and welfare services<sup>12</sup>.

Second, in the USA, racist ideology is not just an outcome of but a premise for the model outlined by Darity *et al.* (2006). Racism underlies the very nature of the choice that “Europeans” and “Africans” have to make. In Italy, after WWII, outright racism was associated to Fascist and Nazi policies and was contrasted by a dominant anti-Fascist culture. Italian racism, therefore, is seldom straightforward. It is more likely to be based on the claim “I am not racist, but ...” (Camera dei Deputati 2017, 77). Thus, the race-centered coalitions depicted by stratification theorists were less likely to occur in Italy, until recently.

Furthermore, in the USA, racial prejudice preceded and allowed for the inflow of black people to America. In Italy, racial prejudice followed migration flows. Obviously, this distinction is not a sharp one because, as mentioned above, prejudices of some kind always existed in Italy. It was only after the collapse of the Berlin Wall, however, that Italians faced inflows from countries like Albania and Romania, the two countries that account for the highest proportions of immigrants in Italy and for the greatest ethnic hostility<sup>13</sup>.

Third, the peculiar discrimination against one minority in the USA, relative to other minorities, did not occur in Italy. A priori, there is no reason for a racial trap to emerge.

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<sup>12</sup> 35% of people interviewed believes that immigrants take jobs away from Italians (Camera dei Deputati 2017, 46). Over 50% believes that Italians should have privileged access to public housing (*ibid*, 77).

<sup>13</sup> In 2018, these two countries accounted for 23% (Romania) and 8% (Albania) of the immigrant population in Italy (<http://demo.istat.it/>; accessed 4 June 2020). According to the data in Camera dei Deputati (2017, 45), the proportion of Italians that does not want them as neighbors is 25.6% for Romanians and 24.8% for Albanians.

These issues suggest that, while stratification economics is insightful in its attempt to discuss both the causes and the effects of racism in social – as opposed to individual – terms, its assumptions are too restrictive to explain the resurgence of racism in Italy. Despite its past racist record, Italy is experiencing a new phenomenon. It is not possible to understand it other than in terms of a discontinuity, which contrasts with the long-term process envisaged by stratification economics. A different perspective is called for. It requires that we recall a few features of Italy's recent history. They are discussed in the following section.

### **3. Italy and the upsurge of neoliberalism**

The last forty years are generally associated with the neoliberal era. Neoliberalism is here defined as a range of policies that aim to establish a coordination of economic activity centered on markets<sup>14</sup>. The market rationale implies that both labor (power) and social welfare services must be treated as commodities. According to the individualistic ideology that supports it, once the appropriate institutions prevent all interference with market forces, economic success and failure are the exclusive outcome of individual action. Indeed, once unions and direct public action are precluded or restrained, the only way to pursue economic emancipation actually turns out to be individual action.

Margaret Thatcher, one of the symbols of neoliberalism, became UK Prime Minister in 1979, while Ronald Reagan, another symbol, became the President of the USA in 1981. Another significant appointment, in 1979, was Paul Volcker's as Chairman of the Federal Reserve. His name is associated to the most remarkable signal that a historical discontinuity was taking place. The "Volcker shock" determined a dramatic change in US monetary policy, which soon spread out to other countries. The shock determined a major constraint on expansionary macroeconomic policies worldwide, as Francois Mitterrand's reflationary experiment in France showed<sup>15</sup>.

Italy's governments and the Bank of Italy did not view this restrictive stance as a constraint but as a solution to the country's high rate of inflation, which had external causes<sup>16</sup> but ultimately depended on the distributive conflict that had characterized Italy during the late sixties and

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14 "Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade." (Harvey 2005, 2).

15 In 1981, Mitterrand decided to enact an expansionary program right after his election as president of France. The policy consisted of a 10% rise in the minimum wage, a shorter working week and an increase in welfare spending. This resulted in two devaluations of the French currency and the subsequent return to a more restrictive policy.

16 The "Second Oil Shock" had occurred in 1979.

the seventies<sup>17</sup>. The Bank of Italy believed that high interest rates would force firms to restructure their productive capability and improve their competitiveness. In practice, it led to an increase in unemployment that shifted bargaining power in favor of business.

Monetary policy, however, was not the only determinant of income redistribution. As inflation became two-digit, what originally was the plain effect of a distributional conflict – unions forced firms to raise wages but firms subsequently increased their prices - eventually determined a mechanism of uncontrolled redistribution of purchasing power among fixed- and flexible-income earners. A further consequence of inflation was that the wage adjustment mechanism – the so-called *scala mobile* - provided the same nominal wage increases to all workers, independently of qualifications and original differences in pay, so that it leveled out the distribution of wages. This was not the outcome of a purposive strategy in favor of equity; it was an unexpected and unwarranted effect of high inflation rates, which made higher ranks of industrial workers feel they were losing their skill-specific rewards. These circumstances eventually undermined the unions' social consensus.

Another circumstance weakened the unions. Their strength was correlated to the size of factories. Firms eventually realized that scale economies did not make up for the costs of distributive conflict, as well as for the variability of demand that was typical of the seventies. Consequently, they outsourced their activities and reduced the size of their plants.

A few dates represent historical benchmarks of what turned out to be a historical defeat of the unions. First, on the 14<sup>th</sup> of October, 1980, after a 35 day strike to prevent Fiat - Italy's major industrial firm - from laying off about 24000 workers<sup>18</sup>, a rally of higher rank workers against the strike signaled that the unions were isolated and doomed to yield to the company's will<sup>19</sup>. Second, in 1984, the so-called "Valentine's Day Law" reduced the effectiveness of the *scala mobile*. What was important about the government's decision to introduce this law was not only that it would contrast inflation at the expense of workers but that it involved a breach in the union front. Third, the approval of the Maastricht Treaty, on February 7, 1992, led to a constraint on public finance that had a twofold

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17An extensive historical reconstruction of the period under discussion is in Ginsborg (1990).

18 Technically, they were going to be under the *Cassa Integrazione Guadagni* regime: they were not formally laid off and they would receive their monthly wage by the public pension agency. The regime was set up to allow firms to overcome temporary crises but firms often resorted to it as a prelude to subsequent dismissals. In fact, little after the announcement about the 24000 workers, Fiat informed that it was actually going to dismiss 14000 workers.

19 This is generally called the "March of the 40000". The actual number probably was much smaller but the figure testifies to its political relevance.

effect<sup>20</sup>. At the aggregate level, it reduced the potential for expansionary public expenditure, that is, for a coordination of effective demand independent of relative prices. At the distributional level, it led to cuts in welfare expenditure, which meant that what had been hitherto conceived of as rights-based (public) goods – education, health and decent living conditions – were subject to market compatibilities. On the one hand, the very constraints of the Treaty were associated with financial markets.

On the other, private provision at market prices was to make up for the restrictions on welfare expenditure.

These circumstances are not isolated. The benign neglect of policymakers with regard to the way business was restructuring production; the subsequent compliance with the restrictive monetary policy enacted by the Federal Reserve and with its priority on abating inflation; and finally, the persuasion that the country's public debt was a problem itself, independently of its distributive implications; these are all aspects of the new dominant, neoliberal paradigm in economic policy.

The emergence of neoliberal dominance reflected and reinforced a shift in Italy's social and political balance of power. Union struggles had focused on not only wages but also the quality of life in general, including the safeguard of basic social rights and the provision of welfare services. They involved all workers, not only unions members<sup>21</sup>. They had united all blue collars, independently of their regional origin. In fact, relative to the craft workers that originally prevailed in the post-WWII factories of Northern Italy, it was the less qualified, mostly southern, assembly-line immigrants who provided the unifying thrust that led to the "Hot Autumn" in 1969 and to the approval, in 1970, of an important law that set out important workers' rights<sup>22</sup>.

Neoliberal policies appeared to solve problems that the hitherto dominant approaches in economics – basically the neoclassical synthesis - were unable to solve. In this sense, neoliberalism reflected a cultural change in the economics discipline. Coupled with these specifically economic issues, a political one dramatically emerged. As progressive movements pushed for a change that constrained business and possibly precluded accumulation, political parties that supported them had to deal with whether it was possible to achieve advanced social goals within the

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20 This should not be considered as an undesired external constraint. Indeed, it complemented the so-called 'divorce' between the Treasury Ministry and the Bank of Italy. According to this 1981 arrangement, the Bank of Italy was independent in its decisions to finance the government. This implied that the government could finance public deficits only by selling bonds, that is, by increasing the public debt.

21 An important institutional feature of Italy is that whatever unions achieve is to the benefit of all workers, independently of whether they are members of the union or not.

22 The official title of the law, usually known as the "*Statuto dei Lavoratori*" is significant: "Rules on the protection of the freedom and dignity of workers, on trade union freedom and trade union activity in the workplace, and placement rules".

constraints of a capitalist market economy. This issue emerges clearly from the membership of the largest party that supported the workers' movement, the Italian Communist Party. It rose by 21% from 1968 to 1976 (1.814.262), that is, during the years of intense social struggle. As the struggle declined, it dropped. From 1976 to 1989, when the party ceased to exist, the reduction was 22% ([here](#), accessed 12 March 2020).

What is particularly relevant from the perspective of this discussion, however, is that neoliberalism did not just reflect a cultural change; it caused one itself. It forced a great many people to acknowledge that a better society, one not dominated by markets, was not going to be achieved. This change, which was more widespread than the one that originated neoliberalism, is a crucial step in our understanding of racism. The best way to appreciate it is to view it from an identity perspective, which is what I shall do in the next section.

#### **4. Neoliberalism and identity**

Drawing on social psychology, John Davis (2011, 2015) groups the diverse identities individuals have into two types. "Categorical" identities correspond to characteristics individuals happen to share with others, independently of any choice. Examples are the color of one's skin, national or regional features, and cultural traits. "Relational" identities have to do with how individuals relate to each other and determine their social roles, albeit subject to social constraints. They include one's job, being a member of a club or a political activist.

The characteristics individuals share, and the categorical identities they involve, are not given once and for all. Identities have a social component that, in so far as social systems change slowly, tends to persist over time<sup>23</sup>. Change may not be slow, however. Consider how the September 11, 2001 attacks affected the perceived meaning of the term "Muslim"<sup>24</sup>: The same categorical label changed its focus from religion to potential terrorism. Similarly, "black" meant different things before and after apartheid was abolished in South Africa. I will argue that the characteristics of economic actor, citizen and member of society changed because of neoliberalism.

The commonality of characteristics is also a matter of personal choice. An individual may decide whether she really wants to self-identify as an

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23 "Social identity is generally understood as the type of identity people have when they identify with others, where this can be either an identification with particular people with whom one interacts typically directly in certain social role settings or an identification with people as members of social groups with which one identifies, commonly without knowing most group members." (Davis, 2015, 1219).

24 "Slow" or "fast" relates to the time it takes people to change their perception of a characteristic. In this sense, the abruptness of the attacks is an extreme case.

Albanian or a Jewish. Similarly, individuals may choose to self-identify primarily with their fellow-workers or, alternatively, with their fellow-citizens.

Relational features are also difficult to define once and for all. Workers avail themselves of their agency in order to relate to one another but when their tasks are standardized, maybe because they are assigned to an assembly line, the commonality of the different tasks prevails over interaction. What appears to be a relational identity becomes a categorical one.

These different aspects of identities are related to the capabilities of individuals, that is, their degree of freedom to choose how to conduct their lives (Sen 1995). Choosing to self-identify as black is different from being labeled as black, and doing one's job in a participated way is different from being obliged to comply with externally imposed requirements. This degree of freedom depends on at least three sets of circumstances<sup>25</sup>.

First, as mentioned above, individuals must decide how they wish to self-identify. Some of their identities coexist without any mutual interference, such as being a parent and a member of a religious community. Others may overlap and may even be mutually inconsistent. As far as the inconsistency does not emerge – for instance, when being a military in a period of peace does not clash with the religious command not to kill one's brethren – the identities may coexist. When inconsistency does emerge, a reassessment is called for. In the easiest of cases, the individual must make a choice of salience, that is, which identity prevails<sup>26</sup>. Consider, in this regard, an individual in a socially subaltern position. She may seek an individual emancipation by working hard to overcome the social subordination she is situated in. Alternatively, although this clashes with her desire to improve her social status, she may choose to accept it as it is and to privilege other aspects of her life, such as being a mother who spends a lot of time with her children. Finally, she may choose to join forces with other people like her and try to overcome not just her individual position but social subordination as such.

These choices depend on her freedom to choose what to pursue – motherhood, career or social change – and how to pursue it, whether by herself or interacting with others. In turn, this freedom depends on the two other circumstances. The second circumstance is the balance of power within society, relative to each identity. It is easier to self-identify as a gay

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25 Davis (2015, 1224) points out that "What [...] determines personal identity in society is partly the choices of individuals, partly the nature of social structure in institutions and organisations as they affect social roles and partly prevailing practices of prejudice and stigmatisation employed by dominant social groups." My concern is with how *changes* in institutions and organizations affect social roles.

26 "Salience implies something is at the top of the mind and refers to how important a social category is perceived to be in a certain situation" (Trepte and Loy 2017, 4).

in a society where there is a stigma on gender discrimination rather than on gender differences. The balance of power, however, is not given once and for all. It depends, at least to some extent, on whether individuals choose to adapt to the status quo or to change it. Rosa Parks and the people who followed her provide an example of an individual choice, first, and a collective one, subsequently, that aimed to shift the balance of power of black US citizens in order to overcome social (racial) subordination. The individual choice had to do with their salient identities. The collective choice was to act together in order to achieve a common goal.

The third circumstance is the more general institutional context, which is a reification of the extant balance of power but also determines the conditions for any further balance of power to emerge. The classification of black people in the USA as “different but equal” reflected their subordination. The social and political balance of power could change it, however, as was the case with the US Civil Rights Movement.

It is important to note that the balance of power and the institutional context do not merely determine the degree to which a person can actuate their choices: they are not mere bounds. They also affect the categories underlying those choices – for instance, whether “citizenship” allows for collective deliberation and action or just voting right – and the perceived scope for interaction among people, that is, whether people conceive of themselves as isolated individuals or not.

Let us go back to the Italian vicissitudes. The sixties and early seventies were years of great cultural change. Workers who had emigrated to the North from the nation’s less industrialized regions overcame their collective inferiority complex. The Taylorist organization of labor wore out the differences from (mostly) northern craft workers and enhanced their unity. This determined a shift not only in their collective bargaining power relative to business but also in their culture. Doubtless, they claimed a higher share in income but they also refused to be a mere commodity. From an identity perspective, this means that they repudiated their categorical identity – carriers of labor force or, more commonly, labor – and asserted their relational identity as producers who interacted in order to achieve a more humane organization of production. Their claims were not restricted to industrial relations. They involved the assertion that social services were entitlements, not commodities, that is, that people were not reducible to the category of anonymous market agents but were citizens with specific human, civil and social rights.

Industrial workers were not isolated. During those years, a lively student movement challenged the educational system and the transmission of dominant culture, while an active feminist movement questioned gender roles and, more generally, the traditional family structure. On the one hand, these movements reflected the datedness of traditional institutions.

University education had become a mass phenomenon, it was no more restricted to the future ruling elite. Women in the labor market claimed that they were on the same standing as men, contrary to their conventional subordination as wives and mothers. On the other hand, there was more to these movements. The issue was not to update old institutions but to change them altogether. It involved a questioning of the extant class and power structure. In the feminist movement it involved a twofold issue, the equality with men and the diversity of women.

Whatever their specific goals were, these sections of society were rejecting pre-determined social roles (categories) and collectively seeking new ways to conceive of society. Thus, a great many individuals chose to act collectively. They self-identified with a broad, possibly not well-defined, group of people who believed that, together with the unions, other associations and progressive political parties, they could actively pursue a better world. This resulted in a change of the overall institutional context<sup>27</sup>. In 1969, the liberalization of access to university, independently of the high school of origin, breached the classist structure of Italian education. In 1970, the above-mentioned law on workers' rights was enacted. Italian Parliament legalized divorce that same year and abortion in 1978. Finally, the National Health System was established in 1978.

The shift from this social and political climate to the neoliberal one determined a cognitive dissonance for two types of (sometimes overlapping) people. The first group consists of those who had struggled collectively for a different society but now had to make sense of their failure to change and to understand an economy and a society that precluded such an outcome and that undermined their identity as citizens. The second group, which is probably larger, consisted of those who had to live, and make a living, in this new institutional context, where economic failure – lower income, job precariousness, no social mobility, possibly no pension – was most likely. The issue, for these people, was making sense of this failure in itself. Neoliberal ideology attributes it to an individual's inability to achieve their economic goals, thus to a personal failure. Its policies undermined people's identities as economic actors who are able to upgrade their social and economic status.

Normally, people acquire their identities as they grow up and become mature individuals. They "are involved in the construction of their own personal identities in concrete relational settings out of the socially constructed categories others create for them." (Davis 2015, 1221). As they construct their identities, they acquire a perspective on the world they live in that allows them to make sense of it. In other terms, they

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<sup>27</sup> "A feature shared with parallel European movements is the awareness of the power issue, the utopian project to strain the pace of history. These contradictions, these generational antagonisms, and these generous, unsolved, class options (...) had a strong impact on customs, ideas, ways of life and also on the course of society and school, which ended up greatly changed." (Santarelli 1996: 151).

acquire a viewpoint that allows them to have a view. As life goes on, as they evolve together with their social environment, their identities and their interpretative perspectives change and adapt to the new circumstances.

The neoliberal institutional context did not allow this adaptive process to occur. It led to a change in the balance of power of industrial relations, both at the general level of unions and at the shop floor level. It reinstated the category of “labor” as opposed to worker. It reduced the scope for economic policy, since it imposed market centrality and European rules such as those of the Maastricht Treaty. It ultimately reinstated the category of *homo economicus* as opposed to citizen (Ramazzotti 2019).

The neoliberal institutional context also questioned the scope for political activism, considering that when a society is just a sum of individuals, the claim that “there is no such thing as society” tends to approximate reality. Under these circumstances, people had to face changed “socially constructed categories” as well as dismantled “concrete relational settings”. Those in the group who had taken part in the social movements were forced to realize that their protagonism was not possible any more. Those in the group of people who simply tried to make a living had to realize that market conditions were undermining their self- respect<sup>28</sup>.

If one considers these circumstances from the perspective of isolated individuals, the only outcome seems to be that they are forced to acknowledge their inability to achieve economic or societal<sup>29</sup> goals. Rather than feeling the strain for their failure, they are likely to assign greater importance to identities that are not affected by this cognitive dissonance. Thus, rather than trying to change either the world or, simply, one’s economic position in it, they may focus on family relations, sport, and so on.

Individuals may behave differently, however. They may try to make sense of what is happening by self-identifying with people who, like them, feel overwhelmed by external – economic and societal – circumstances. They realize, however, that they cannot overcome their condition by acting on the economy and society. This is either because they acknowledge that the changes neoliberalism introduced preclude this type of action or simply because they internalized neoliberal ideology.

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28 Drawing on Davis (2009), these arguments suggest that, since neoliberalism changed the categories underlying social identities, it undermined both personal and individual identities.

29 The term societal refers to situations that have to do with how society is organized. In this perspective, a societal identity of an individual has to do with how they wish to situate themselves relative to society. Examples include being, or not being, a member of a political party, a civil rights activist and so on.

Consistently with this ideology, they need to identify the cause of the situation they are in by finding someone who does not comply with the rules of a properly functioning economy. Here lie the premises for a specific type of in-group versus out-group dynamics (Tajfel 1981).

The search for a cause leads to two distinct types of antagonists: those who are in power and the underdogs. According to the resulting narrative, the first group distorts the proper use of resources – and prevents “us” from accessing them – because it pursues its self-interest. It consists of politicians<sup>30</sup> but it may also include bankers and financial firms. The second group appropriates resources that would otherwise be available for “us”, those that are still provided by the welfare state.

During the eighties, when the inflow of immigrants was not significant, the second group consisted of people from the South. During this period, regionalist parties came to the fore<sup>31</sup>. Subsequently, when immigration became more relevant, immigrants substituted southern Italians and became the almost exclusive component of the second group. Significantly, the *Lega Nord* (Northern League) progressively laid emphasis on foreigners, claiming that the issue was for all Italians – both from the North and from the South – to contrast immigration. To this end, this party now avoids the northern qualification and simply calls itself “*Lega*”.

Note that this in-group versus out-group dynamics differs from the normal process whereby people define their identities and, along with them, an interpretative perspective. Here, people first seek some “cause” for their problem and subsequently self-identify in relation to it. Their interpretative perspective comes only as a consequence of their decision concerning who the “others” are. Rather than having a viewpoint that provides a view, they decide what the view is and subsequently provide a viewpoint. In other terms, they do not construct their identities; they simply adopt identities that are most consistent with a society that restricts possible relational identities and extends categorical ones<sup>32</sup>. The result is a lower degree of freedom in terms of the possibility to choose how to conduct one’s life.

Neo-racism is the outcome of this situation. It is not a unique phenomenon. I already pointed out that individuals have a variety of identities and that the in- group versus out-group dynamics depicted above need not focus on a specific group. They may involve gender, religion or specific minorities. The features of hate that characterize these years are consistent with this framework. They all seem to reflect

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30 An Italian best-selling book that reflects this view of politicians is Rizzo and Sella (2007). The title – *The Caste. How Italian Politicians Became Untouchable* – speaks for itself.

31 The first ones, dating back to the early 1980s, had a specifically regional focus. The *Lega Nord*, which eventually absorbed them, was established in 1989.

32 “Migrants are an ideal public enemy for any claim to national, local or sectoral ‘identity’. It is almost needless to add that they are symbolic (they meet the most diverse hostility needs) and structural enemies, necessary to form an identity, an ‘us’ demanded both from the right and from the left.” (Dal Lago 1999: 11).

the attempt to deal with a cognitive dissonance that definitely has an economic background but may well involve other identity dimensions<sup>33</sup>.

### Concluding remarks

Today's racism in Italy is a new, mass, phenomenon. It does not depend on mere taste or ideology because these elements neither arise nor involve people all of a sudden. It is, therefore, necessary to understand its causes. Traditional theories are at a loss because they assume discrimination to exist from the very beginning: it is an exogenous cause. Italy's case, neo-racism, is not a mere legacy of the past. Identifying its cause is the main issue.

The paper explains neo-racism as a consequence of the abrupt change that neoliberalism determined in Italy's social structure. People suffer the social costs of neoliberal policies but feel that little can be done to contrast this situation, because either they internalized neoliberal values or because they feel they cannot contrast its institutional and ideological dominance. These people face cognitive dissonance. They cannot make sense of a social structure that undermines their views and their identities. The reaction to this state of affairs is a desperate and blind search for a cause, which turns out to be a mere scapegoat. They find it through in-group versus out-group dynamics. The specific type of self-identification that the dynamics involve – who the “us” and, consequently, the “others” are – is less important than self-identification itself. The substantial irrelevance of who the scapegoat is emerges clearly from the parties that reflected and took advantage of these dynamics. Their focus originally was regionalist and anti-southern but subsequently turned into nationalistic and anti-immigrant. As Alberto Burgio (2001, 57; emphasis in the original) points out, “Far from being the basic element that the racist discourse elaborates on, ‘races’ are, *on the contrary, produced (invented) by the racist discourse*”.

The discussion in this paper did not directly focus on how to overcome neo-racism. Some considerations are nevertheless in order, while keeping in mind that racism is not just an economic phenomenon and even its strictly economic features are deeply rooted in history.

Policies that contrast discrimination through education are important, along with those that contrast inequality. These types of action tend to prevent the cumulative process of discrimination and inequality that various theoretical approaches point out. Given the nature of neo-racism,

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33 For instance, in Italy, the proportion of female murders by male partners – former, married or not married – rose from 38,5% in 2002 to 54,9% in 2018 ([www.ISTAT.it](http://www.ISTAT.it); accessed 4 June 2020).

however, policy cannot rely exclusively on enhancing human solidarity or on rational discourse. The former may be an emotional alternative but it does not question the objective causes of distress that underlie racism. Paradoxically, it may even complement racism in its dehumanization of people (Kaika 2017). As for rational discourse, it may identify the causes – neoliberal institutional change throughout the economy and society – but it is not sufficient to remove them. As the previous section argued, racism is an *ex post* rationalization of a state of mind. The in-group versus out-group dynamics that neoliberalism determines imply that the interpretative frameworks – the viewpoints – of the people involved follow, rather than underlie, the identification of views and causes.

Equality, an alternative to the unequal redistribution that neoliberalism favors, is important. It involves a completely different public action, relative to the neoliberal one. The problem is how to achieve it, considering that neoliberal consensus feeds back on itself: voters have been supporting its policymakers for some time, now. This apparently paradoxical behavior is strictly related to the frailty of rational discourse as a means to convince people that neoliberalism is bad for them<sup>34</sup>.

The main point about this paper is that resurgent racism is a reaction to the reduced degree of freedom – the reduction of capabilities (Sen 1995) – that people suffer because of dominant neoliberalism. Neoliberalism's reassertion of market centrality does not only cause strictly economic problems. It contrasts the need for people not be constrained by the categories imposed upon them by an ungraspable social structure. It prevents them from choosing how to expand their relations and, consequently, how to conduct their lives. It ultimately prejudices collective deliberation and action.

It is difficult to conceive of an effective alternative to neo-racism that does not overcome this restriction of freedom. A necessary condition for this is that intermediate collective agents – unions, gender-related groups, ethnic associations – promote goals and strategies that point to the actual, as opposed to fictitious, cause of people's uneasiness. They must reassert their crucial role for a democratic regime, so that people may self-identify with a deliberative project that, independently of its actual achievements, is in itself an extension of capabilities.

This line of action needs to deal not only with the dominant ideology, with the prevailing power balance and with the market-centered institutions that neoliberalism established so far. It must also deal with the possible social dispersion that the discussion of identities points out. Since an individual may self-identify in a variety of ways, different collective agents

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34 The failure of neoliberalism to ensure stability, and, more generally, to meet its promises raised the issue about its unwarranted persistence (Crouch 2011; Waller 2015; Piketty 2018). A discussion of this issue that is in line with the approach followed here and that is more focused on the implications for an alternative social and economic policy is in Ramazzotti (2020).

and different people may react to the situation outlined so far in mutually inconsistent ways (Davis 2019). Rather than focus on a unifying strategy, they may act in favor of specific sections of society. An example of the latter case would be women that focus on the way men discriminate them, gay people who stress their gender-specific discriminations, workers who care for wage hikes and unemployed people who struggle for more jobs. Thus, while identity may be the means to contrast the present situation, it may also account for social dispersion and the persistence of the status quo.

These final remarks may appear to be a discomfoting conclusion in that they do not provide clear policy tools. It is nevertheless important to acknowledge that the complexity of the neo-racist phenomenon requires a strategy that is in no way linear and that the pursuit of an alternative to it needs an understanding of its economic dimension but cannot rely on exclusively economic issues.

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