

Antonio Fazio: Amintore Fanfani

Address by Mr Antonio Fazio, Governor of the Bank of Italy, at the inaugural meeting of the Amintore Fanfani Foundation, Rome, 9 March 2005.

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1. Amintore Fanfani was a protagonist of Italian institutional and political life; possessed of a strong will, he always acted in the light of an elevated and internally consistent view of society and domestic and international reality that was rich in historical references and ideals. This breadth of vision was apparent when one had the opportunity to talk with him on economic and social issues. His action was directed to achieving concrete results, with the definition of objectives and instruments able to impinge on reality. His declared aim, sometimes enounced amidst polemics and disagreements as to the means, was always that of serving the common good.

His *cursus honorum* shows him to have emerged first as a scholar and teacher of economic history; subsequently, as a political leader, member of the Constituent Assembly, government minister and holder of high positions in State institutions. He was an architect of projects of social reform and promoter of international peace initiatives.

I have personal memories of Fanfani, as well, since he was one of my professors at Rome University. His historiographical work traced the thinking that over the centuries investigated the evolution of the economy and contains reconstructions covering long periods. He showed great ability in setting the relationships linking the economy, institutions and society within a unitary framework.

His background, the debate on reconstruction, after the enormous material, civil and moral damage inflicted by the Second World War, and his vision of how the economy should operate, necessarily in man's interest, led him, especially as a government minister, to foster reforms that influenced the organization of the State and left their mark on Italy's history.

2. In the Constituent Assembly Fanfani contributed to the search for agreement among the reforming forces – Catholic, leftist and liberal democratic – on a formula that is a synthesis of the fundamental features of the new State and the centrality of democracy.

The first article of the Constitution states that the Republic is founded on labour, expression of the dignity of citizens, guarantee of everyone's full participation in organized civil life, the means for all to exercise popular sovereignty, to the benefit of all.

We have perhaps not yet reflected enough on the right to work; the political sphere and the economy must contribute to its realization; the former must preside over the latter's autonomous operation.

The right to work in many cases still has to be realized.

The conditions for achieving a satisfactory level of employment vary with the changes in the economic context, the state of technology, the organization of society, and the relations between economies and States. The right to employment is realized in the first place through growth and development.

In the 3rd Subcommittee of the Constituent Assembly, Fanfani was the rapporteur for matters concerning the social control of economic activity. The text, approved after a series of amendments, affirms the freedom of private initiative, but draws attention to its social function. While recognizing economic freedom, a proviso is introduced allowing the public authorities to set limits in order to protect the general interest.

In recent years this principle has been widely debated; some have seen it as conflicting, in a changing economic reality, with the principle of competition, which in the meantime has become widely established in the legal order. But it needs to be reaffirmed that, even in the present context, the relationship between freedom of enterprise and public regulation and control remains valid, albeit to differing degrees.

In the period of postwar reconstruction Fanfani, coming from the experience of the Great Depression, operated in a political and economic system characterized by an extensive presence of the State in the economy. It was certainly not a question of a planned economy; it was a conception of economic life that, based on social guidelines, lay somewhere between liberalism and statism.

3. After the catastrophe of the Second World War, state intervention in the economy played an essential role, mobilizing the nation's best intellects and with the inefficiency that would later cripple it still far off.

In the 1930s the public sector accounted for about 15 per cent of the economy in the industrial nations. The Depression that swept the private sector had a devastating impact, with major political repercussions, in the absence of the stabilizing effect of a substantial sector not subject to cyclical swings. In the 1950s the State's share of the economy in all the economically advanced countries was near 30 per cent. By the 1980s it had reached and in several countries exceeded 50 per cent. Problems of efficiency and rigidity became increasingly evident.

In the 1950s Amintore Fanfani fought to put the principles of the Constitution into practice and guarantee economic and social rights and freedoms: the right to work, to housing, to a more equitable distribution of wealth.

On various fronts he furthered projects to improve the condition of Italy's economy and increase the use of manpower: reforestation programmes, public works and energy policy.

As Minister of Labour, Fanfani undertook the first public residential construction programme, the INA-Casa Plan, financed by worker and employer contributions supplemented by State resources and the intervention of the banking system. In a situation of high unemployment, this programme helped to create jobs. As Minister of Agriculture, he completed the land reform initiated by Antonio Segni, a reform of fundamental importance because it significantly affected not only economic but also political and social relations.

During the 1950s and 1960s the Italian economy grew at remarkably rapid rates. Employment and labour productivity increased. There was substantial private investment alongside public investment. A whole set of institutional, financial and foreign policy instruments were created that enabled Italy to advance by leaps and bounds. The opening of the economy, investment in public works, the extraordinary programmes for Southern development, incentives for economic activity and the creation of new categories of banks were all factors that reinforced industry and enhanced competitiveness, creating a virtuous circle of unbroken expansion.

These were also the years of postwar reorganization in banking, with the creation of new special credit institutions and the introduction of subsidized credit. Donato Menichella, who headed the Bank of Italy from 1948 to 1960, ensured monetary and financial stability, thereby creating conditions conducive to the long period of growth and Italy's integration into the world economy. In this context he successfully combined a rigorous credit and monetary policy with the funding of rapidly expanding investment. He contributed decisively to the creation of the Southern Italy Development Fund, which was conceived to lay the institutional and structural foundations for economic growth.

The Cabinets headed by Fanfani during those years helped to shape new patterns in the relations between business and labour. The convertibility of the lira was achieved in December 1958. The electricity industry was nationalized. Lower secondary schooling was made compulsory and standardized. Projects for the creation of regional governments were launched.

It was above all in his fourth Cabinet, in office in 1962 and 1963, that Fanfani promoted a new policy which revived reform and initiated an as yet hesitant experimentation with non-mandatory medium-term economic planning.

Thanks to rapid growth, by the end of the 1960s Italy was approaching full employment and had become one of the world's leading industrial countries.

The oil crisis of 1974 and the wage explosion of the following years slowed down economic growth worldwide and in Italy. Rapid inflation required drastic credit restriction.

The balance-of-payments deficit, the devaluation of the lira, and the price-wage spiral, fueled in part by the wage escalator, further curbed growth and distorted the allocation of income.

In the early 1980s, with Fanfani's fifth Government, the wage escalator agreement was terminated and then revised as part of a process of disinflation in the framework of a policy of concertation with the social partners, based on the theoretical contribution of Ezio Tarantelli. This was the premise for a new approach to economic policy.

His last term as prime minister saw the beginnings of foreign exchange liberalization in connection with Italy's endorsement of the Single European Act.

Serving three times as President of the Senate, from 1968 to 1973, 1976 to 1982 and 1985 to 1987, Fanfani stood out for his dedication, rigour and the absolute impartiality with which he fulfilled this mandate.

In his career as a politician, Fanfani also fought some lost battles, as he himself readily acknowledged. It is still early for serene reflection on these defeats, on the core issues involved, without the distraction of the polemics and conflict by which they were marked. What can be underscored is his forthright advocacy of the independence of political action, which led him to inquire into the relationship between modernization, ethical principles and the essence of truth.

4. The bond between Fanfani and Giorgio La Pira, strengthened by their common vision of the values of man and their trust in dialogue, by their religious faith and their reference to Thomism and Maritain, led both to support courageous foreign policy initiatives for détente and peace.

In 1975 La Pira telegraphed this message to Fanfani: "So many memories come to my heart and mind concerning your legislative and political interventions for a policy of reforms and renewal. But allow me to recall especially your role as a motor force of world politics for the liberation and social, political and economic development of the Third World countries and for peaceful coexistence, disarmament and peace in Europe, in Asia, in every continent."

The international stature Fanfani enjoyed in the different positions in which he represented Italy was due to his uncommon abilities, to his activity inspired by the ideals of peaceful coexistence, open to the creation of new opportunities for foreign policy, aimed at constructing relations of cooperation and solidarity among peoples.

In his travels abroad and in international meetings he worked for the beginning of talks to halt the arms race, to establish more advanced relations with the Soviet Union, to promote a "thaw" between the opposing blocs, to develop fruitful relations with the countries of the Mediterranean area.

On assuming the presidency of the United Nations General Assembly in 1965, Fanfani declared that it was necessary to make every effort to achieve the objective of "general and complete disarmament", including a treaty that would commit all countries "to cooperate to halt nuclear weapons". In a statement that is striking today for its relevance, he stressed how important it was that the action of the United Nations in defence of peace and justice be made effective through concrete agreements, over and above generic declarations of good will: "Specific pacts and the resolve to realize constructive agreements will be necessary. Otherwise we will have to admit that we do not intend . . . to make our Organization something more than a simple international forum, that is to say the engine of peace, the keeper of law and the guarantor of security for us all."

In Fanfani's conception, social justice, democracy and protection of the environment were both a premise and an effect of the development of trade, of the spread of technologies, of the drive for growth.

At a time when we had yet to witness the acceleration of globalization, he foresaw the risks as well as the opportunities inherent in the nascent phenomenon.

Today, facing the transformations that globalization has brought, we are pondering the ways to govern it, to create a new international order and guarantee every nation a fair share in the potential benefits.

The free market, fundamental for the efficiency of the economy, needs to be regulated if it is to operate in the interest of society. It requires rules, controls, the reign of legality and security, the sharing of principles and values. Not a Manager State but a State that effectively regulates and at the same time is able to ensure the provision of essential public goods directly or indirectly. These are goods of collective interest, such as good administration, justice, basic infrastructure and, at global level, goods of primary interest for humanity: the climate and the preservation of the environment. That a good is a public good does not necessarily imply that it is supplied by a public entity; what is fundamental is the use to which it is put, the function it serves.

Very important work has been accomplished in recent years in numerous international fora and institutions to defend the essential interests of humanity, natural resources, the climate, international security. Its progress needs to be accelerated.

What makes Amintore Fanfani's work relevant today and prompts us to study its underlying thought is, above all, the perception of the close, organic links between all the factors of social, economic and political life at both national and international level.

5. In view of the complexity and originality of Fanfani's work, the fields to be ploughed in the Foundation's research range from economic policy to foreign policy, from technological innovation to the transformation of markets and the globalization of the economy. Of the heritage he handed down together with La Pira, we have to rediscover and make actual the concern for *The expectations of poor people*, the ability to translate lofty visions of the dignity of man and society into the realm of practical action.

In the years of Italy's great economic and social transformation a generation of thinkers, entrepreneurs, labour leaders and statesmen charted the country's course. The drive to come together and plan with a view to objectives of general interest was present in all the components of society and politics, even though they clashed fiercely on some basic decisions. The social partners likewise sensed the connection that the interests of a specific category must have with the general interest; a union plan for employment was drawn up.

The economic policy choices effectively accelerated the course of developments. Among the personalities who took part in elaborating those guidelines I should like once more to recall Donato Menichella, who enjoyed relations of mutual collaboration and respect with Fanfani, as did my other illustrious predecessors who followed him, Guido Carli, Paolo Baffi and Carlo Azeglio Ciampi.

In the climate of rebirth, the emphasis laid on the role of the "public sector" reflected the need to plan, to have an overview of the evolution of economic and social life in which to insert the action of private-sector actors in a long-term perspective. It was a question of foreseeing, but also of fostering expectations and aspirations, the will to advance, to risk, to invest in the future, of giving young people a different future from the experience of those who had been young in the early part of the century.

The eminent statesman's sense of service drew sustenance from the force of his personality. Fundamental among his qualities was his ability to act on the basis of an organic, far-sighted vision and rigorous study of the problems, to grasp the course of history.

The endowment of programmes and institutional instruments, the possibility of employing unutilized capacities, the start made at forging international links prepared, in the 1950s, the great burst of economic growth. Confidence, a desire to test oneself and to improve, and expectations of a different future were the major driving forces.

The times are different now, but the ability to plan ahead and an organic vision are fundamental components of our action, the basis of shared choices, a precondition for carrying out specific initiatives.

In these absolutely different conditions, we must rediscover the élan of those times.