

# CONVERGENCE AND MEDITERRANEAN CAPITALISM: SOME EMPIRICAL EVIDENCES ON THE LIBERALIZATION OF THE ITALIAN ECONOMIC SYSTEM

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## Abstract

In the years of the recent economic crisis, liberalization policies has taken on a new prominence in the public debate, especially in Southern European countries. However, The liberalization policies are confronted with very different institutional environments in which the action of European convergence does not cause the same effects in all countries, because it graft with structure, rules and heterogeneous cultures that determine "multiple equilibria" affected by processes of path dependence. The belonging to the Mediterranean model of Capitalism helps to explain the slowness and limits of a top down liberalization process that is not coherent with country's corporate and familist culture. Therefore, the social costs of liberalization policies are higher than the expected benefits where the processes of institutional reform are not accompanied by a high level of coordination and legitimation among the actors involved. The analysis of the Italian case highlights the failure of the process of convergence in a Mediterranean country, where the role of informal ties and the low level of institutional cooperation, generate imbalances in the regulatory structure of the economic system, rather than generating a virtuous circle in terms of efficiency and customer satisfaction. Empowering consumer's action through transparency policies would be an effective contrast to the action of pressure exercised by some corporate business groups that has heavily influenced the history of the Italian liberalization.

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**Keywords:** Liberalization, institutions, consumer protection, privatization, models of capitalism

## Introduction

In the years of the recent economic crisis, liberalization policies has taken on a new prominence in the public debate, especially in Southern European countries. Liberalization became a mantra in the querelle between criticisms and proposals on regulatory frameworks suggested for the exit from the crisis. The two dominant paradigms, the Neo-liberal and Neo-Keynesian one, face each other in the liberalization arena, raising the relevance of finding a new balance between state and market. The new coordination strategy Europe 2020 aims to stress a social market economy model that try to bring together innovation and growth, competitiveness and inclusiveness, possible only through a process of harmonization of regulatory frameworks and the creation of a true internal market in Europe. Therefore, this European goal passes symbolically and concretely through the attempt to construct an Internal Market for Services, promoted with great energy with EU Directive 2006/123/EC. Such ambitious goal requires that Member States, and in particular those of the Mediterranean area, such as Spain, Portugal, Greece and Italy, put in practice a substantial program of structural reforms, according to the equation + market= + growth. Some econometric analyzes confirm this axiom (Nickell 1996; Griffith et al. 2007; Barone and Cingano 2008; Poscke 2010). That is also endorsed by the analysis of national and international economic organizations (World Bank 2013; Bank of Italy 2012; IMF 2010; OECD 2009). The sovereign debt crisis in the

countries of South -Europe underlined the need to redefine the policies of deficit spending to promote the efficiency through a massive revival of liberalization and privatization policies. However, any process of innovation of the regulatory framework is relational (Rogers 2003) and it passes through the mediation and the acceptance of actors involved. According to Vannucci and Cebeddu (2009), in fact, the institutional context and the interactions between the actors are fundamental in the evaluation of the effectiveness of a process of liberalization. An institutional environment may be unfavorable to the processes of change, inhibiting "productive innovation" and encouraging forms of "parasitic innovation", those processes accumulation of knowledge and research aimed at the maintenance of economic rent. According to this analysis, variables such as the weakness of rights, low levels of institutional trust, poor quality of information on markets, together with the presence of barriers to competition, would help to explain the enduring condition of economic stagnation and competitive decline in many European countries , although the liberalization in Europe. This is linked to the fact that the process of liberalization is not to be understood as a simple economic or regulatory process in strictu sensu, but more as a social process. Moreover, the regulation is "the different ways in which a given set of activities and relationships between actors are coordinated, resources are allocated and related conflicts, actual or potential, are structured" (Lange and Regini 1987, p.13). The liberalization policy is confronted with very different institutional environments in which the action of European convergence does not cause the same effects in all countries, because it graft with structure, rules and heterogeneous cultures that determine "multiple equilibria" affected by processes of path dependence (Trigilia 2002). This is even more true for Italy, a country that does not properly belong neither to the tradition of liberal capitalist systems, such as the Anglo-Saxon countries, nor to capitalist systems so-called "coordinated market economies", such as Germany, where the minor role of the market is offset by strategic and cooperative interactions between the major stakeholders (Hall and Soskice, 2001; Crouch, 2005; Hancke, 2009). Italy symbolically embodies a Mediterranean model of capitalism (Amable, 2003; Trigilia and Burroni, 2009), a mixed economy system characterized by a long tradition of a State Manager, with a significant role of the informal economy and a lower level of cooperation between different institutional actors. The Mediterranean model, also known as an anomaly in the continental model (Della Sala 2004; Andreotti et al. 2001), helps to explain the slowness and limits of a top down liberalization process that is not reflected in the country's corporate and familist culture. Therefore, the social costs of liberalization policies are higher than the expected benefits where the processes of institutional reform are not accompanied by a high level of coordination and legitimation among the actors involved.

### **Objectives and Methodology**

The paper analyzes the peculiarities of the Italian case and in particular the development and the effects of liberalization policies started with the process of European integration through a typical approach of comparative political economy and with a neo-institutionalist perspective. The Italian case is a sort of paradigm for the Euro-Mediterranean area, because it represents the strongest economy in the Southern Europe, so much so that the failure of these reforms is seen today as a threat to the entire euro-zone.

In the analysis of the Italian case, the paper takes into account:

- Official data of the major international and national organizations (OECD, World Bank, Bank of Italy, etc. . );
- Reports and documents of the Authority in areas covered by liberalization policies;
- The national legislative measures undertaken between 1990 and 2013;

Through these data we reconstruct the historical stages of these policies in the last twenty years, trying to assess the path of liberalizations in the country and how it affect the efficiency of services and benefits for consumers.

The analysis is divided into three sections: the first section is a comparative analysis at the European level through the examination of some official statistics on liberalization and privatization in the continent; a specific analysis on the Italian case. Retracing the path of liberalization Italian, with particular attention to social and political dynamics have led to precise regulatory choices; in conclusion, we try to evaluate the impact of these policies on consumers in Italy. The paper will conclude trying to estimate a final account of this period of reform, also trying to propose some policy initiatives.

### **The Market freedom in Europe and in Italy**

According to the Economic Freedom Index<sup>26</sup>, calculated by the World Heritage Foundation, Europe seems to be divided into two main areas: a significant number of countries "Quite Free" (with a score between 70-79), concentrated mostly in the north continental area (including UK , Norway, Germany), and a part of countries belonging to the category of "Moderately Free" (pt. 60-69), mostly concentrated in the Mediterranean and Eastern Europe, including Italy, France and Spain. Only Greece, Moldova and Bosnia belong to the category of "Little Free" (50-59). If in the world ranking of economic freedom, Italy (with a score of 60.6) would occupy the 83rd place, close to countries such as Guatemala, Paraguay and Saudi Arabia, in Europe it occupies the 36th place, preceded by almost all the other countries of the continent. However, our country has in the last year the biggest increase in value of the index compared to 2012 (+1.8%), surpassed only by Estonia (+2.1 %), which has enabled it to abandon the category of countries "Little Free", which took up to a year ago. Similar considerations are also confirmed by data provided from the Product Market Regulation Index (PMR)<sup>27</sup> developed by OECD. The index highlights how Italy seems to have brought the efficiency of its regulations on the levels of major European partners over the last decade: from 2.52 to 1.32, compared to the current 1.26 Germany or 1.27 of Sweden, doing better than France (1.39) and Portugal (1.35). However, the values are far from those registered in more liberal countries like United Kingdom (0.78) and Ireland (0.86), or even the closer Spain (0.96).

The low degree of values of the indices shown above would be, according to the Bank of Italy (2012) the continuation of a cumbersome bureaucracy. However, in recent years it has proceeded to a reduction in the normative stock and regulatory disclosure and accessibility standards , with a decrease in the number of primary acts (from about 50,000 to the current 10,000), also through the creation of codes. According to some observers (Vanucci and Cabeddu 2009; Confartigianato 2012) there wasn't an incisive reform in this sense, caused by an institutional environment characterized by high conflict at the regional levels interested in maintain a low levels of transparency in administrative processes. So it maintained unchanged the Italian gap with the rest of Europe. In fact, in Italy, not only are many procedures for

<sup>26</sup> The index, on a scale of 1 to 100, measures the degree of economic freedom in countries around the world considering four different aspects: the legal system (property rights, level of corruption, etc.), the government's role in economy (level of fiscal control entity of public spending), the regulatory efficiency (freedom in the construction business, flexibility and deregulation of the labor market, etc.), the opening of the market (degree of freedom of investment and trade).

<sup>27</sup> The index ranges between 0 and 6, and it reflects the degree to which the regulation of economic processes at the national level tends to inhibit market competition, considering some key indicators: the level of public control over business activities (percentage of public ownership of enterprises and in particular in network services, forms of price control, etc.), presence of administrative and legal barriers to entrepreneurship, both for starting new businesses in both the operational asset management, barriers to international trade and investment and presence of regulatory tariff is or procedures that can discriminate competitors or foreign investors.

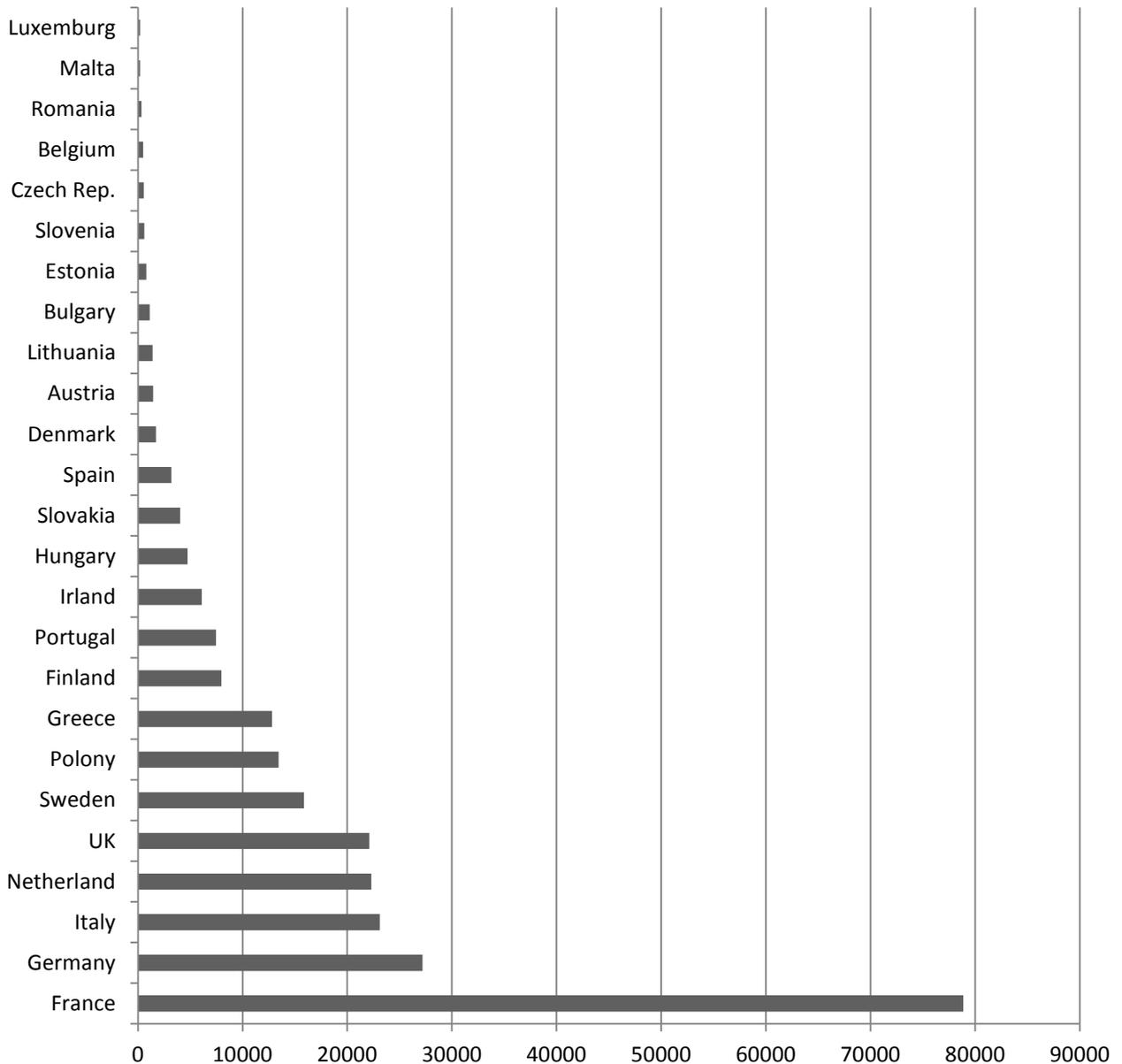
starting and managing a firm, but also the costs of these are the highest too, with the exception of Slovenia: it takes about 10 days average to obtain a public authorization, 257 to obtain a license, almost 1210 days for civil proceedings for breach of contract, the triple than what happened in Germany (394), France (390) and UK (399), and in a bankruptcy case in Italy you can go on for an average of 2567 days. Italian companies to fulfill only the payment of taxes takes about 36 days per year, the 53.2 % more than the average for all OECD countries. A hypertrophic regulatory framework, where every year 10% of the legislation is changed through the so-called “omnibus decree”, can be confusing, strengthening a “State escape strategy” (Vannucci and Cabeddu 2009, p. 54), or evasive behavior with a misuse of the social capital that can spill over into corruption or encourage practices of “capture” of the regulator. No wonder, in fact, that Italy, regarding the incidence of the shadow economy in Europe (Visa, 2013; ILO, 2011), retains the third place in the continent (21.6% of GDP), after Turkey (27%) and Greece (24%), far from the most virtuous France and United Kingdom (almost 10%) or Germany (13%).

Another sensitive intervention at European level are privatization, which have experienced a great revival in the countries of South-Europe, with the European Bank approval, that sees them as a fundamental lever for the reduction of the heavy public deficit in these areas. According to data provided by the Privatization Barometer (2011) of ENI Foundation, the revenues from the privatization increased in Europe, especially in the years 2009 and 2010, in which it reached the value of \$ 225 billion. From 1985 until today, the Italian state has made more than \$ 160 billion from privatization and holds the record among the European countries (excluding the UK) in terms of earnings. If we consider the second wave of liberalization, that began between 2005-2006, Italy remains the third in Europe, after Germany and France (see graf.1). However, the substantial revenues do not seem to have had a significant impact on the reduction of sovereign debt, leaving unchanged the levels of solvency of the state, while the alleged efficiency gains are not such as to achieve a lowering of the debt levels. In terms of efficiency and quality of services, assessments of privatization are even more complex. The cases of large Italian public corporations whose privatization produced disastrous outcomes are many: in the case of Alitalia, for example, the privatization is completed in 2008 with the transition to CAI, which acquired the former national airline at a lower price than that offered by Air France, and Italian State took on most of the debts merged in the bad company “Alitalia Service”. The privatization of Alitalia did not solve the financial problem of the company or its market performance, so it is still in serious debts. Now a days, this seem to be the main obstacle to the acquisition by a foreign company, Etihad. Telecom Italia case may represent another example of unsuccessful privatization: since 1997, Telecom has been on sale for five times, until the current acquisition of the majority share from Spain's Telefonica. Every time an outcry raised in alleged defense of the strategic value of that enterprise, without looking instead to the lack of transparency of the acquisition rules and the absence of a public oversight of these sales that benefited especially brokers and speculators, leading the company to a debt exposure of about 28 billion euro.

The limits of Italian privatization can be traced to political choices that characterized their history after the Memorandum signed in 1993 by the Foreign Minister, Beniamino Andreatta , and Mr. Karel Van Miert , European Competition Commissioner (La Spina and Majone , 2000): a model of privatization “autogestista”, where the same public managers of the public firms decided “what” and “how” sell, the presence of regressive paths where some enterprises were privatized immediately after re-nationalized (the case Enimont/ENI ), or paradoxical case of sale by a public actor to another (such as the takeover of the Cassa Depositi e Prestiti in part of the property of Poste Italiane), the start of privatization, without prior or simultaneous effective liberalization of the economic sector in which they were operating, and without a real concern to the logic of efficiency or protection of diffuse

interests, but rather motivated only by cash needs, with “ex post” regulator attempts that remaining ambiguous and impairing "(p. 283). One paradoxical effect, according to the Bank of Italy (2012 , p.24 ), is that privatization of public enterprises increased the weight of the public sector in the Italian stock market, as the prevailing mode of privatization of state-owned enterprises was formed from the sale of shares on the stock market that led to the flotation of companies of a significant size, however, controlled by public entities, including the listing of the former municipal enterprises. Between 1990 and 2009, the weight in terms of capitalization of public companies is therefore increased from 16.5 to 35.7 % ( compared to a decrease in the proportion of the number of companies from 12.4 to 8.6%).

Graf. 1 – Total Revenues of Privatization in Europe- 2005-2011 (EUR Million)



Fonte: ns elaborazione dati Privatization Barometer

“Penelope’s Canvas”: the Italian troubled transition from public management to public regulation between inertia and resistance

The value of "free market" was a principle hotly debated in Italy already in the Constituent Assembly in 1946, when it was proposed unsuccessfully to insert it into the

nascent constitution (Magliulo 1999). If in the American culture free competition principles have been considered a fundamental presupposition of individual freedom for the pursuit of the common good, guaranteed by the Constitution and a strong anti-trust regulation, in Italy this reference was replaced by the idea that the role of a “free market” is relevant but it is still subject to the superiority of the State, as the main guarantor of the general interest and a persecutor of well-being for all citizens. The issue of liberalization in the country remains under long-track, at least until the 80s, when the processes of deregulation, even in Europe, marked a new direction for the state economic policy against the backdrop of the failure of the Socialist experience of Mitterrand in France and Callaghan of the British Labour Party. The path to greater liberalization of the Italian economic system changed from a few basic steps: the process of denationalization of IRI, began in 1985, following the privatization of the main public firms, made necessary after the Maastricht agreement; the establishment of the first Authorities, such as the Competition Authority (AGCM), the Electricity and Gas Authority (AEEG) and the Communications Authority (AGCOM). Another important element of the policies implemented in our country was the Constitutional Act of 2001, which finally redefined the role of the regions. The reform of Italian Constitution assumed particular importance on this issue because, on one hand "constitutionalizes" the principle free competition in the market (Article 117 co.2 letter . E) and on the other hand it raises new doubts about the possible overlaps in economic regulation of certain areas which still fall within the competence of local/regional authorities, such as trade, transport, water services, etc.. The new constitutional settlement raises the need for a joint and co-operative effort between different levels of government (EU, State, regions) but the experience of Prodi's government in 2006 and Monti's government in 2012, founds instead the antagonism and obstruction of Regions. . But, this cooperation has been very complex in practice, also leading to an extension of reforms timing. One example is exactly the so-called Services Directive (2006/123/EC), through which the Union has worked with more power and precision to overcome the resistance and legislative barriers erected by states to hinder the liberalization of the service sector. Despite the three-year planned for 2009, this will be fully implemented in Italy in 2012. These bodies, legitimized by the constitutional reform, are still more resistant to liberalization policies because they seem even more vulnerable to political pressure from different groups or economic interests.

Other opponents to the liberalization reforms are corporate and professional association. During the last Prodi's government in 2006, with the Minister for Economic Development, Peirluigi Bersani, started a strong liberalization plan that will be renamed "lenzuolate". This experience of reform showed the obstinacy of lobbyists and corporate interests in Italy, from the smallest (eg taxi drivers) to the largest one (eg. banks and professional), that work together to delegitimize and protest against the initiatives of the Minister, configuring a sort of "siege" to the government (Lirosi and Cincotti 2009). These forces were supported by the opposing political party (Forza Italia) and by the local administrators belonging also to the same political majority(eg: the deployment of Veltroni, Mayor of Rome, alongside the Roman taxi drivers). The result of liberalizing reform of Bersani was for this reason very poor, due to the fact that some measures are lost in the meshes of a difficult mediation (eg disappears the norm for the automatic refund of citizen in case of delay in mail delivery, the liberalization of cinemas, but also incisive proposals on the liberalization of local public services), and still others were lost in the maze of the legislative process, even overwhelmed by the early fall of the Prodi's government (eg: the free sale of some prescription drugs). The resistance of some industry associations made not implemented many measures or simply disempowered them: the rule about the possibility of change bank during the payment of mortgage had been rejected for many years due to a strong obstruction by several financial institution; similar resistance concerned the extension of the “Bonus

malus” class to a family member, that was heavily opposed and boycotted by Italian Association of Insurance Companies (ANIA); or the attempts by the Telephone Companies to compensate the elimination of the “recharge” cost on mobile phone increasing the conversation charges; or Federfarma, the Italian Association of Drugstores, that threatened not to allow the supply of the shops that, after Bersani’s reform, could sell OTC medicines, and that was avoided only with the intervention of Anti-Trust Authority and the Minister of Health, Livia Turco. Berlusconi, strong of the displeasure animated by the protest against Prodi, returned easily to be Prime Minister, trying not to disappoint the expectations of its constituency. For this reason he supported a series of political initiatives for dismantling some of the liberalization pursued by Bersani, for example on liberalization of tariffs for lawyers or the liberalization of driving schools. Berlusconi’s government was not particularly solicitous even in implementing the European Services Directive, while the introduction of a National Law on Competition, voted in 2009, has never been implemented. Meanwhile, the emergence of the economic crisis in 2008 caused a lively debate on deregulation policies. In the new climate of confrontation between different recipes for exit from the crisis, it raises the hypothesis that the only way to restart liberalization in Italy would be to carry out a constitutional reform to art. 41. The hypothesis in question is promoted from the Financial Minister, Giulio Tremonti, but the issue of compatibility of free market principles with constitutional provisions was already solved by the "new economic constitution" and the constitutional reform of 2001, supporting the suspicion that the proposal was a merely a delaying tactic. Once again EU put some pressure on Italy to get out from its traditional immobility. These were the days of a letter sent on 5 August 2011 by Trichet, the former governor of the ECB, and Mario Draghi, the previous governor of the Bank of Italy and actual governor of the European Central Bank. The contents of the letter was very explicit and Italy was put on trial for his lethargy and his weak reformism. This communication produced the obvious political effect to accelerate the end of the last Berlusconi’s government and the rise of Mario Monti as Italian Prime Minister. The line built by Monti is typically European, but once again the contents of his reforms remain largely unrealized and the effectiveness of measures emptied by the permanent obstinacy of the same lobbies and the hostility of regional bodies. For example, the separation of ownership from ENI of a share of capital held in SNAM (the portion exceeding 20 percent) that was supposed to ensure more equitable access to infrastructure as well as to promote competition in the retail markets of electricity and gas, is carried out through the choice to take over the Cassa Depositi e Prestiti in the property, not solving the latent conflict of interest between the State-Shareholder and the State-Regulator. In the transport sector, the government's decision to create an Authority represented a step forward in order to overcome the fragmentation that characterizes the regulatory framework in this industry, but this decision has not been implemented. Moreover, the fact that in the decrees Monti did not find any indication on the ownership and separation between infrastructure operators and managers of transport services, or about a new allocation of airport slots was a clear sign to postpone once again important political decisions. Some provisions of Monti certainly represented an acceleration of the reform process in the liberal sense, but the final account of his reforms is very unsatisfying, considering the high expectations about a prime minister well-known for his expertise on the subject.

### **What are the benefits for customers?**

According to the Coase theory, if actors are free to negotiate, they will achieve an optimal result if the transaction costs are zero and there is a perfect availability of informations. Obviously, these two conditions seem unlikely to be encountered in real life. In this sense, the regulatory frameworks serve as a guarantee system for the protection of consumers’ interests, enhancing the power of exit and voice. The policies of liberalization

would act in the interest of consumers where they produce significant effects on the diversity of supply, price and quality of services, within a transparent and a reduced propensity to moral hazard. The U.S. experience, as well as other traditionally liberal countries, is a demonstration of this delicate balance for which the benefits of free market can't be guaranteed without a strong anti-trust regulation and an effective protection of consumers' interests. The two dimensions, deregulation and strengthening consumer protection systems, mutually reinforcing and they could not exist without each other. The European experience, and even more in the Italian case, the purposes of reduction of costs and complexity seems to prevail on the strength of the legal frameworks and quality systems of consumer protection. Liberalizations represent a sort of "rational myth" (Meyer and Rowan 1977) which justify the processes of coercive isomorphism (Di Maggio and Powell 1991) with a limited effectiveness for customers.

Let's start from network industries. They represent the main objective of EU policies in recent years. According to the data of the Italian Antitrust Authority network industries remains a problematic issue despite liberalization policies started in the nineties. Services related to transport, energy, telecommunications, postal services are the most sorrowful note in the activity of the regulator because the incumbents continue to play a strong role in the Italian market. Between 2008 and 2012, the HHI and C3<sup>28</sup> indices, calculated on authorities' data, show a lowering of the levels of concentration in key sectors but it is very modest (see tab. 1).

If we look specifically to the energy sector, the gap between the expectations of the liberalization process and the benefits for consumers is more evident. In this industry, Italy liberalize more quickly than the other European partners, as France and Germany. With regard to the production stage there is a growing role of new entrants, but in the domestic "maximum protection", where it still holds almost all customer<sup>29</sup>, remains a strong dominance of Enel. In the energy sector, we can talk about a real failure of the free market, because prices are still more expensive and remain higher than the protected market, almost +12.8 % more for electricity, and +2% for gas. Considering a domestic consumer type, a family with central heating and annual consumption of 1,400 m<sup>3</sup>, it can be seen from the third quarter of 2009 to the second quarter 2013, the total rate is increased by 30,2 %, from 68.32 to € 88.93 cent/m<sup>3</sup>. Finally, according to data from the Energy Authority, after liberalization customer complaints are passed by only 1,162 to 16,496 between 2006 and 2011.

Tab. 1 –HHI and C3 Indices in the major network industries in Italy<sup>30</sup>

Service Industry	HHI		C3	
	2008-2009	2011-2012	2008-2009	2011-2012
Energy-Free Market	1018	653	45,4	34,3
Energy-Maximum Protection Market	7099	7163	92,5	93,2
Gas-Production	7009	6935	97,2	97,2
Gas-Import	2939	2546	72,3	76,7
Gas-Distribution	779	968	39,1	46,5
Gas –Retail	1397	1090	54,5	47,8
Postal Services	-	1449	-	56

<sup>28</sup> The index C3 is obtained from the sum of the market shares of the top three firms in the market. The HHI is the sum of the squares of the market shares of the firms in the sector vary between 0 and, in the case of totally fragmented market (in which each firm has a market share close to 0), and 10,000 in the case of monopoly. For values less than 1,500 the market is considered low concentrated, for values between 1,500 and 2,500 the market is set up as moderately concentrated. Finally, values greater than 2.500 characterize situations of high concentration.

<sup>29</sup> Energy "maximum protection" market is reserved for clients of the incumbent who have been given the opportunity to use energy service with the same regulated price prior to liberalization of the sector.

<sup>30</sup> Transport services, water distribution and waste disposal services are excluded because there are differentiated market conditions at the regional and local level.

Telephone-Landline	6524	4522	94,5	87,8
Telephone-Mobile	3162	2731	93,1	87,4
Telephone-Broadband Connection	3864	3355	84,4	81,4

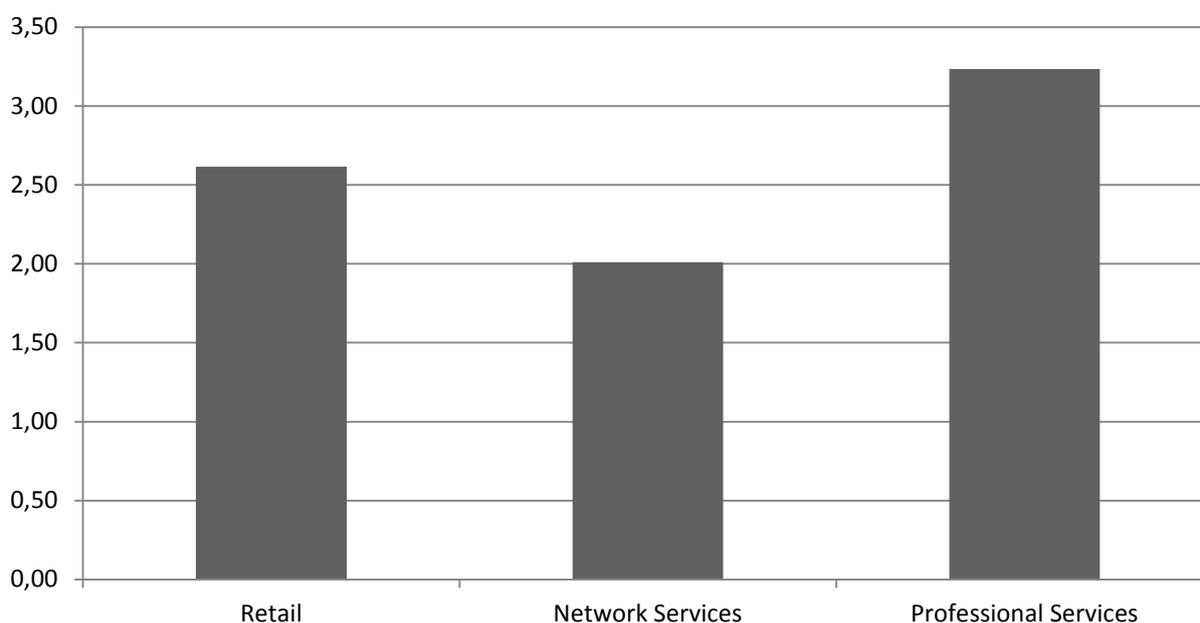
In the area of Postal services, the benefits for consumers are generated even more for the technological revolution that has increased the areas of profitability for businesses, rather than as a direct effect of liberalization policies. The massive spread of electronic communications has largely supplanted the traditional postal communication, with obvious savings for consumers, and at the same time opened to the need to expand the range of possible services to users. This element, however, has reduced the potential growth and the attractiveness of the sector, even in the face of liberalization policies initiated in the mid-90s but not finalized until 2011. This process slow and belated the impact that liberalization of the postal sector could produce, as happened for example in Britain or Scandinavia. The attempts to establish an independent authority in this industry shipwrecked in the field (the first attempt was in 1995), and it show the difficulties of achieving a truly competitive structure in this industry, as witnessed also by the infringement procedures launched by the EU (2009/2149 and 2011/0205). Moreover, on the price front, analyzing the performance of the index of consumer prices of postal services, it can be seen from January 2011 to July 2013 will be recorded in this case an increase of more than 5%.

Considering telecommunication sector, the broadband penetration in Italy is still limited and lower than the average of European countries and the OECD, partly because of poor infrastructural facilities. In addition, there are still significant problems in landline telephone market. The index of consumer prices for landline telephony services shows a progressive growth: in the period from January 2011 to March 2013, prices increase of 6.1%. Only mobile rates get low: the index of prices shows -10.8 %.

Several problems are not only in the service sector. If we look at the retail industry, liberalization is often taken for granted, even by careful analysts as the Istituto Bruno Leoni (2012), but some critical points still remain. The liberalization of OTC drugs produced, for example, the most significant benefits for consumers, with prices which showed average reductions of 15-20%, with peaks up to 30%, and 7,000 new jobs created (Casadei and Garattini, 2012). However, even in this case, OTC medicines represent only 9% of the pharmaceutical markets in Italy, while prescription drugs of “class C”, representing a market share almost double, but their liberalization was attempted in vain by Prodi and Monti because of the strong resistance of the Drugstores Association and therefore the “92.8% of profits remained in the pharmacy” (Casadei and Garattini 2012, p.19). Considering the retail of fuel distribution and Car Insurance Services, according to a recent report by the Ministry of Infrastructure and Transport (2013), since 1990 customers have spent +208% on fuel, and +216.7% for car insurance. Fuels costs in Italy are the highest in Europe (1.84 per liter average for petrol compared with about 1.30 of Poland), compared to a retail network much more widespread than in other countries (22,900 petrol stations against 8,921 of Britain, 9,926 in Spain, France and the 12,522 of 14,785 for Germany) (Petrol Union, 2011). More liberal regulations do not have produced significant results on the price level, also because more than 50% of cost per liter is determined by the tax component. According to the Antitrust Authority, in absolute terms is the GDO fuel stations who practice the lowest prices, from 9 to 13 cents less compared to other gas stations. But GDO fuel stations are not as common they are still distributed unevenly in the country, mainly in the north. The fundamental problem is upstream, which is a type of oligopoly setting of the supply chain of fuel, based on the role of large vertically integrated oil companies, which has remained virtually unchanged as a result of the timid measures to liberalize the sector. The possibility of distributors of choosing freely from whoever supplies may only relate to those who are owner of the station, only 2% of current distributors in Italy. A remedial action in this regard would be to separate the

management of the three phases (refining , logistics and management of the distribution network) that could lead to much more significant effect on the level of competitive dynamics and therefore prices.

Graf. 2 OECD- Product Market Regulation for Economic Sector in Italy



Source: OECD, 2012

One of the areas that seem to have remained more “impervious” to the liberalization process is professional services. The lowest result in this areas in Italy are certified by OECD’s PMR Index for sector, shown in graph 2. However several attempts, professional association in Italy continue to claim a regulative autonomy, clearly opposing the reforms desired by Monti and Prodi. Once again, the thesis of professional associations is that the status quo better ensures customers, justifying the substantial disapplication of the law 138/2011 that obliged professional association to a self-reform within twelve months to ensure more meritocracy and competition, facilitating also the engagement of young professionals. The analysis on the crucial theme of the elimination of minimum rates for professional services highlight strength of the corporate action carried out by the professional association. The action in defense of the principle of minimum rates is exemplified in a series of explicit statements of professional associations (AGCM 2009, p.11): minimum rates are defined a general clause of “decorum”, for this reason, for example, The National Council of Lawyers gave a restrictive interpretation of the reform pointing out that if the minimum rates are no longer required by law, the lawyer behavior that requires a fee below the minimum rate can still be considered a violation of articles 5 and 43 in Section II of the Code of Conduct as "derisory compensation, inadequate, below the threshold considered minimal, affecting the dignity of the lawyer and deviates art. 36 of the Constitution". In addition, the rule about the possibility of legitimate advertising for professional services was refused by associations because it is considered “injurious of dignity”.

## Conclusion

In conclusion, the analysis of the Italian case highlights the failure of the process of convergence in a Mediterranean country, where the role of informal ties and the low level of institutional cooperation, generate imbalances in the regulatory structure of the economic

system, rather than generating a virtuous circle in terms of efficiency and customer satisfaction.

It could be said that consumers can develop an ambivalent attitude to the processes of liberalization: in part, some customers could fear that liberalization of a certain sector is motivated more by the need for cash and cutting spending of the public sector more than it has inspired the increase in benefits and welfare. It should also be noted that not always the interest of consumers may coincide with the only saving effects of choice and opportunity generated by the process of liberalization, as other interests, just as worthy of protection, may conflict with them. The case of energy and fuel is emblematic in this sense: it does not appear conceivable that a reduction in costs to the consumer is likely to cause a bounce effect, namely an increase in the consumption capacity for users, since such a result would produce negative effects on the environment, which in the long run, however strike consumers. To balance the trade-off between costs and benefits involved, changes in the regulatory structure must be accompanied by technological innovations. We have already seen how in the telecommunications, liberalization has had a positive impact on prices for consumers where new patterns of consumption, made possible by new technologies, have opened up new areas of profitability for businesses. The same could be said for alternative energy sources or alternative fuel, or for new services related to mobility, such as car sharing. In this sense it is necessary that the process of liberalization and its effects are really known and understood by the consumers to ensure the effectiveness of the reform of the regulatory structure. Information, transparency and consumer education, a dimension of classical action of the consumerist movement, represent a fundamental mechanism for an effective balance between the free market and the protection of customers. Liberalizations produce "widespread benefits" to "concentrated costs" (Di Benedetto 2013, p.47), because it is much easier for lobbyists and corporate interests mobilize to counter the process of change, rather than for consumers or the associations that represent them. Consumers are unlikely to be mobilized on the basis of selective incentives because they are more difficult to identify as a homogeneous category of interest, compared to "vertical" groups, such as trade unions or trade associations or professional bodies, which had a narrower constituency and a specific identity that favors a direct support (Arcidiacono 2013). The spirit of conservation, relatively more concentrated, homogeneous and well represented on the ends so outweigh the need for change and the potential benefits it could bring, as it is much more cross-cutting interests, unable to find adequate representation or a concerted strategy action (Pammolli et al. 2007). Even in this case, technology and regulation jointly can support the liberalization process making it more transparent. Considering again the American experience of 2009, the Italian government is also adopt to the practice of the Open Data and Open Gov to facilitate the control of citizens and promote their empowerment and activation. In particular, the Decree Law 179/2008 and the decree "Growth 2.0" are a good step in this path. The instrument of Open Data, combined with mechanisms for prognostic assessment of liberalization, achievable by the Regulatory Authority, can promote the role of control and mobilization of citizens and associations that represent them. Policy makers, with the collaboration of all the actors of the Italian consumerist movement, shall enable the Italian consumer to fully exercise his power of choice - the so-called "voting with wallet" (Becchetti 2012) - in order to be an agent of change but also a guardian of the market (Arcidiacono 2008).

Another guarantee for consumers would be to provide representatives of associations or committees of citizens within the boards of companies that have to be privatized. Empowering consumer action would be an effective contrast to the action of pressure exercised by some corporate business groups that has heavily influenced the history of the Italian liberalization, form the prohibition of selling freely prescription drugs of "category C", the impossible reform of professional services or the "not born" Authority for Transport.

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