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Varieties of the foundational: the case of Italy

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1. Introduction

All Western European countries, although with significant specificities, have basically shared a long period of transformation of economic systems, inscribed in the so-called "neo-liberal agenda". Of course, the national specificities of this neo-liberal transformation shouldn't be overlooked. The aim of this paper is indeed to deal with the Italian ones.

1) The first key specificity of the Italian case – it will be argued in what follows – is that a fundamental role in the transformation of the regulation of economy has been played by a class of technocrats, rather than by political parties and their leaders. This is probably due to the fact that Italian political parties are bound to christian-catholic and to socialist-communist cultural traditions: since no one of these traditions could be an appropriate basis for the spread of an explicit neo-liberal regulation, a privatisation and a liberalisation agenda could hardly be supported by any of these political forces. A body of technocrats has thus played an interstitial yet fundamental role.

2) Secondly, also as a consequence of what just mentioned, all the 'reforms' – though based on a shared set of assumptions – have been legitimised on the basis of partially different, country-specific justifications. This will be argued in what follows, in reference to Italy.

3) Third, the diffusion of short-termism and of financial strategies of accumulation has probably been the most relevant symptom of a deep transformation of economy. Even after the collapse of the financial markets, it has not been adequately confronted. The most recent phase of financialisation of the economy has a deep connection with the intertwining of economic elites and political elites (see Krippner 2011), and there is no reason to think that it can be hindered in a post-democratic regime, when the power of bureaucracy, technocrats, intergovernmental bodies, lobby and enterprises has outcompeted the representation of the working classes (see Crouch 2004).

On this background, the research programme on the 'foundational economy', (see Bentham et al., 2013), aims to propose some key ideas – resting on a sober set of theoretical premises and on a robust set of empirical evidences – for the analysis of capitalism.

The basic assumption of the research programme is that the neo-liberal reforms have broken the double integration of economic actors: their integration into time, that is the conception of the enterprise as an institution designed and managed over the long term; and their integration into space (not only in what we refer to as the environment, but also in the social space and in the space of relations between economic actors).

In other words, we define the foundational economy as the economic infrastructure of the social reproduction of citizenship:

We define [the foundational economy] as the economic zone that produces mostly mundane and sometimes taken-for-granted goods and services that have three inter- related characteristics: first, they are necessary to everyday life; second, they are consumed by all citizens regardless to income; and third, they are therefore distributed according to population through branches and networks. The list of such activities includes: the privatised pipe and cable utilities together with transport; some traditionally private activities such as retail banking, supermarket food retailing, and food processing; and some traditionally state-provided activities including health, education, and welfare or social care, which are now increasingly outsourced. (Bowman et al. 2014).

The research conducted in the CRESC covered only the British context (see Bowman et al. 2014). But the analysis is now being developed on a transnational scale, involving researchers from UK, Italy, Spain, the Netherlands, Austria.

Introducing this research agenda into a different context requires a series of intellectual moves: first, a reconstruction of the tendencies and drifts of the regulation of economy in the context observed, in the last three decades; secondly, a survey on the current condition as well as on the potential of the foundational economy (this requiring, in turn, an enquiry on the scale and scope of the foundational economy, and the research – or rather the experimentation – into suitable social and institutional devices for its governance). Of course, a comparison with other (and possibly complementary) country-specific theoretical approaches is also essential.

In section 2, this paper deals with the first of these tasks: it aims to provide an introductory account of the "thirty post-glorious years", or the neo-liberal age, in Italy. In sections 3 and 4, we'll show what are the consequences of the penetration of the short-termist conception of business, also in what we call the "foundational economy". Section 5 addresses some preliminary elements for an analysis of the foundational economy in Italy: how extensive is the space of foundational economy in the Italian peninsula? Moreover, the idea of *social license* as a device for the regulation of the foundational is sketched. Conclusively, section 6 highlights three emergent topics which can be considered consistent with the FE research program: (i) the governance of worth; (ii) the analysis of firm; (iii) the study of sharing economy. In the conclusion, we will see as the FE approach urges us to re-connect these topics with a broader analysis of capitalism (Boltanski and Chiapello 1999; Piketty 2015).

2. Nearly an experiment: the enduring neo-liberal drift in Italy

On an international scale, and particularly in Anglo-Saxon contexts, the neo-liberal turn can be considered an experiment. As David Harvey argued, «future historians may well look upon the years 1978-80 as a revolutionary turning-point in the world's social and economic history» (Harvey 2005: 1).

When referred to the Italian context, a description of the neo-liberal turn as an experiment is a reasonable hyperbole. In Italy neoliberalism was not – and currently it's not – an explicit and clearly defined political programme. Unlike the Anglo-Saxon countries, the diffusion of a neo-liberal ideology in Italy can not be seen as an experiment founded on an explicit neo- liberal manifesto. Whereas in the UK and the USA political leaders such as Margaret Thatcher and Ronald Reagan have clearly based their political and economical programmes on explicit neo-liberal assumptions, the penetration of neo-liberal ideas has been rather progressive in Italian political field. This is probably due to the enduring strenght of Italian Communist Party (PCI), which has outlived the communist regimes. Despite the historical defeat of labour movement in 1980, PCI for

the first time overcame the Christian Democrats (Democrazia Cristiana – DC) in the European Parliament elections of 1984.
However, as a matter of fact, since the half of 1980s', Italian politics has been progressively penetrated by a neo-liberal reformism (see Favilli 2009). The main aspect of the new course was the wide social legitimacy that it was able to obtain. A turning point was, in 1985, the abolition of the 'sliding scale' (the legally enforced adjustment of wages to inflation), approved by the Italian people in a referendum.
Since the early 80's a long-lasting and still enduring process of liberalisation of the economy started in Italy. From 1980 on, the country has been governed alternatively by center-left and center-right government. As summarized in the synopsis (exhibit 1, see appendix), despite the considerable differences in style, the common denominator of both center-right and center-left governments has been the adoption of neo-liberal policies in the regulation of employment, industrial relations and incomes; as well as in financial regulation, bringing Italian economy into the international financial system.
The depoliticisation of economic policies has been (and currently is) a main feature of Italian political life. Regulation of economic processes has been increasingly withdrawn from the control of the parliament and entrusted to 'technical experts' and policy makers legitimized by their academic credentials or their reputation in international business circles.
Especially since the early 90s, in Italian governments many ministers – particularly in economic and financial ministries – have been appointed on the basis of their technical expertise in the subjects assigned to the ministry (the so-called 'technical ministers'). It's impossible to compile here an exhaustive list of 'technicians' who have served as ministers of economy, budget, finance, infrastructure, development, industry and commerce. Such a list, however, would not contain many different names, since each of these personalities has been charged several times, with different governments and different positions, according to a 'revolving doors' logic. Most of them have previously chaired monetary control bodies and technical committees, both at national and at European level. But the list becomes longer when the Directors General of the Ministries are added.
In particularly unfavorable economic conjunctures, so-called 'technical government' were appointed, led by prime ministers endowed with a technical-economic expertise. The first 'technical government' was chaired in the years 1993-1994 by Carlo Azeglio Ciampi, former governor of the Bank of Italy. Subsequently, other technical governments were chaired by Lamberto Dini (1995-1996), former general director of the Bank of Italy; Mario Monti (2011- 2013), President of Bocconi University, former European Commissioner for the Internal Market (1995-1999) and European Commissioner for Competition (1999-2004).
The pression towards European integration has played a very important role in this process. It should be considered that the 'European enthusiasm' of the Italian electorate has often been based on distrust of the Italian political class. Although confidence in the European institutions has drastically declined after the crisis of 2008, the Eurobarometer survey released in October 2001 shows that, among the then 15 member countries of the European Union, Italy was the one with the lowest rate of confidence in national institutions (25% as against average 35% in the EU), but the fourth country as for support to European Union membership (57% as against the average 48%). The transfer of sovereignty over fundamental economic choices from the national parliament and government to the European Commission has usually been perceived as an opportunity

to bypass the Italian economy patronage and inefficiency. Italian technocrats have always considered European integration to be the most accessible form of restructuring. Whilst the lack of democracy of the European institutions has usually been clear, the (unfounded) belief prevailed that European integration would brought a more effective economic regulation. In 1991, while the Maastricht Treaty was being prepared, the then Treasury Minister Guido Carli (himself a technocrat, former director of large companies, president of Confindustria and director general of the Bank of Italy) stated that only the "big reform of power" initiated in Maastricht could save Italy from an institutional and economical bankruptcy: only a liberal and technocratic revolution could liberate Italy from the inability of its ruling class, even at the cost of a decline in democracy and welfare (Carli 1993 cit. in Berta 2014, chap. IV).

The goal of European integration and the obligation to comply with the European monetary constraints, from then on, became the standard justification for every deregulating 'reform'.

On the promise of an inspired European integration – supposedly bringing to overcome the traditional deficiencies of Italian political field – the processes of neo-liberal restructuring, begun in the previous decade, were completed. The de-politicisation of economic regulation was a paramount aspect of this transformation. It must be understood in at least two respects: first, the boundary between the political and economic field has become more and more fleeting. In national government, the presence aroused of technical and economic experts, empowered by their academic position and, above all, by their reputation – or even membership – in most influential business circles. Moreover, since the premiership of Silvio Berlusconi, in Italian governments the presence has become common of entrepreneurs clearly suspectable of bearing private interests. Secondly, this elite of technocrats has greatly contributed to the spread of the belief that the budget constraints and the demands made by financial operators are the natural horizon of all economic policies. The conformity of policy choices to the expectations of economic and financial actors is intrinsically guaranteed – or rather certified – by the credentials of these political actors, whose legitimacy equals the discredit of Italian political parties.

The neo-liberal adjustment, in Italy, was undoubtedly progressive. Above all, no political force has never expressed a programme explicitly based on sharp neoliberal cornerstones. Rather, every step towards a renovation of the economic regulation was presented as an act of 'reform' and 'modernisation.' Although it has never been 'trumpeted' – or perhaps because of that – the neo-liberal approach that has dominated Italian politics for the last 35 years has produced very profound changes.

We can summarise three fundamental aspects of Italian neoliberal transformation.

A) The first is the privatisation of large firms formerly owned by the state, which has profoundly changed the very structure of key sectors of the Italian economy. Whereas in the UK privatisation was held since the mid- 90s as an official programme, explicitly developed by the government, in Italy its neo-liberal vocation has never been clearly spelled out, and the privatisation process has been designed and managed by technocratic elites devoid of a democratic legitimacy. Of course, the privatisation of state-owned companies was a widely debated topic, at that time, in the Italian political arena. However – though this was one of the objectives declared in the Green Paper on State Holdings prepared in 1992 by the Ministry of Treasury (Ministero del Tesoro 1992) – few or none have openly argued that privatisation was designed to strengthen the financial structure of Italian capitalism. Its supporters, rather, publicly justified the privatisation of

companies as a necessary measure to overcome the inefficiency of the state management and the waste of public resources, providing the state with the necessary cash to pay a portion of the public debt. Indeed, the privatisation was justified as a necessary step for Italy to complain with the iron budgetary discipline and the constraints for membership of the European Monetary Union. Thus, privatisation was brought forward during the '90s by a series of coalition governments with the involvement of public officials and experts.

According to the report of the Court of Auditors, which uses data from the Privatisation Barometer, the process of privatisation in Italy can be divided into five steps: (i) the preliminary stage, which embraces the 80s until 1991; (ii) the stage of launch, 1992-1995; (iii) the acceleration phase, from 1996 to 2000; (iv) the stage of consolidation, which began after the global crisis of 2001 and continued until 2005, (v) the present stage of decline and uncertainty, in which the only major privatisation was the sale, in 2008, of Alitalia.

The privatisation has been a source of cash for state coffers: according to a research commissioned by the Italian Court of Auditors (Corte dei Conti 2010), privatisation has made it possible to save 38 billion euros in interest on the state debt. More uncertain is whether this has been a long-term benefit and whether privatisation has brought efficiency gains to businesses.

At the end of the process of privatisation, Italy appears to have privatized more than any other European country. Both the legal structure and the ownership of large companies in strategic sectors changed. The privatisation (successfully) pursued the task of increasing the amount of capital in the Italian stock market. And this was probably the fundamental aim of its promoters. On the first point, it should be considered that the extent of privatisation of Italian state enterprises is awesome. It's worth noticing that Italy had a long tradition of state intervention in the economy. At the end of the 80s, the state holdings encompassed all branches of economic activity, particularly in infrastructure, utilities, oil and gas, steel, manufacturing, as well as in the banking and insurance sector. In 1991, 12 out of 20 of the largest companies and a third of the top 50 Italian companies were owned by the state. Italian state holdings proved to be the first in Europe as for contribution to the value added, employment and investment (Corte dei Conti 2010, fig. 1, p. 15). The system of public banks played a major role, accounting for about 70% of the total value of deposits and bank loans in Italy.

According to the Privatisation Barometer (http://www.privatisationbarometer.net), the number of privatisation operations carried out until 2007 was 114, with a total revenue of 152 billion Euros. This proved to be the most extensive process of financialisation in the world, after the Japanese. As to the second point – namely the strenghtening of the financial assets of Italian capitalism – it must be pointed out that this process has brought a huge mass of capital into the financial market. In late 2006, 41 out of 290 listed companies (accounting for approximately 60% of stock market capitalisation) were privatized concerns (Barucci, Pierobon 2007, p. 607). In addition, the ratio of market capitalisation to GDP shifted, between 1990 and 2006, from 0.138 to 0.528 (Borsa Italiana 2008, p. 3), with growth rates "double the European average" (De Luca 2002, p. 66).

B) The second consequence is the deregulation of labour and the labour market. The basic idea promoted is that a reduction of the 'rigidity' of the labour market allows greater prosperity to businesses and to the employees themselves: the companies become able to

meet 'just in time' the increasingly fickle demands of consumers; workers would enjoy more opportunities, a wider choice: in another word they would gain autonomy.
The overcoming of the Fordist compromise – and the abandonment of a job protection based on a logic of status (Streeck 1988) – has actually been a sharp loss of bargaining power for workers and the unions. This process has been carried out on two different levels: the rearrangement of industrial relations, and a major restructuring of the legal regulation of employment.
C) The third fact is the liberalisation of financial markets and the integration of Italy in the international financial market. Between 1980 and 2000, a number of wide-ranging reforms of capital markets and corporate law were undertaken in Italy (Ciocca 2000; Costi 2010). Initially viewed as a way of increasing the technical efficiency of the financial system, by the late 1990s these measures were being touted as nothing less than the democratisation of capital markets, triggering the regeneration of share ownership among large enterprises in Italy and thereby empowering the traditionally subservient minority shareholders. The fundamental steps in this process came after the anti-corruption campaign known as 'Tangentopoli' during Romano Prodi's first government. In 1998, the Italian Stock Exchange was privatized, merging with the futures market created in 1991 (MIF). The 'Draghi' Reform (Consolidation Act n° 58 of 1998) constituted the regulatory pillar of the new season: it summarized and completed a cycle of regulative transformations, inspired by European institutions, marked by a private conception of markets and their support structures and anchored in the principles of "entrepreneurship, competition, international openness, efficiency, stability, transparency" (Ciocca 2000, p. 119 ff.).

3. Point-value, financialisation, shareholder value: the disconnection of economy

We argue that thirty or thirty-five years of neoliberal economic policies have radically transformed the Italian economy and society. The behavior of economic actors has profoundly changed in a neo-liberal regulatory environment. The major Italian companies, since the second half of the 70s, started to pursue financial accumulation, taking advantage of the high rates of return on capital on an international scale. Since the 90s, even in Italy the maximisation of shareholder value has become the main concern of large companies. This change has been driven both by the great regulatory changes I mentioned above, and by a profound change in management culture and in academic business economics.
In the second half of the 1990s, in Italy and elsewhere, accounting was restructured in accordance with finance-oriented models, aiming to maximize the value of shareholder equity. Recognizing the primacy of shareholder expectations, the evaluation system now "assesses the overall performance of the enterprise not as a function of the maximisation of income [...], but rather as a function of the ability to offer stock returns in line with those provided by the financial market for comparable investments" (Agliati 1999, p. 51). Even in Italy – an area where the penetration of institutional investors is relatively weak – the stock market has thus become the regulatory principle for all players, ensuring compliance of individual action with the rules of the context. A brief review of indicators shows that since the early 1970s, blockholders of large Italian companies have systematically and increasingly pursued financial accumulation; since the mid 1990s, this tendency has become even more acute, and the canon of shareholder value maximisation has taken root in Italy as well. Both these two waves of financialisation have been marked

by a steep reduction in labour costs and employment. Compared to the first stage, the second is not just quantitatively, but also qualitatively different, since it is supported by the privatisation of public enterprises, reconfiguration of the banking and financial system, increasing deregulation of the labour market, and a decisive opening up of Italian corporate culture towards Anglo-Saxon canons of management and accounting.

Aggregate data gathered by Mediobanca's Research Department clearly illustrate the trend towards financial accumulation: between 1974 and 1985, the total financial income (dividends, coupons and interest) of 980 companies surveyed in the time series 1968-2002 went from EUR 2.6 billion to EUR 10.6 billion (constant prices base 2000). Hailed in the mid-1980s as a necessary "financial restructuring" of Italian companies, this process soon proved to be a long-term trend: the transformation of accumulation strategies. The risks of this process began to be perceived in the late 1980s: the addiction of major economic players to financial accumulation and short-term dynamics. The new relationship between firms and the financial market – argued Fulvio Coltorti (1988, p. 629) – "can be sustained only if it is based on the preservation of capital gains, which in turn legitimize expectations of satisfactory yields. This tends to be pursued through increasing attention to short-term results, obtained with financial assets rather than industrial ones". The quest for financial accumulation was also supported by recurring cycles of corporate restructuring from the 1970s onwards. In the same sample of 980 companies, the ratio of labour costs to gross sales fell between 1971 and 1985 from 0.26 to 0.15.

After a brief slowdown in the late 1980s, financial accumulation resumed at full pace in the 1990s, accelerating in the second half of the decade. In the same sample of companies just mentioned, between 1990 and 2002, financial income increased from 7.7 billion to over 10.6 billion euro. In parallel, the resources allocated to labour continued to decline: in the same period (and in the same sample), the proportion of gross turnover accounted for by labour costs fell further to 11%.

More recent data referring to the entire "Mediobanca sample" (2,032 companies) provide further evidence of the progress of financialisation during the last twenty years: The ratio of financial investments to capital expenditure, amounting to about 0.3 in 1992, reached 0.6 in 1999 and leapt to 1.8 in 2000, declining again thereafter to about 0.6 in 2006 and rising to 1.38 in 2007 (coinciding with a period of massive acquisitions) before declining with the onset of the banking crisis.

Since the mid-1990s Italian large companies have been involved in the spread of an Anglo-Saxon conception of control, geared to the maximisation of shareholder value. The growing attention paid by non-financial companies to the market value of securities is clearly shown by some indicators, such as the increase of dividends distribution, the volume and the diffusion of share buyback, the growth of top management compensation (see, for details, Salento and Masino 2013).

The strong pressure towards financial accumulation has certainly been one of the most important aspects of the transformation of large companies. The increasingly close relationship between business and the financial markets has led to the spread of a process of "marketisation of the company". The idea of value chain, proposed in 1985 by Michael Porter, is probably the one that best sums up the transformation of the conception of the companies. No longer conceived as a whole, but as an "asset portfolio", the company can be "torn to pieces". The fate of each segment is determined only on the basis of what suits in the perspective of capital enhancement. Adopting the perspective of the value chain, thus, allowed also large Italian companies to fragment. This has resulted in at least two

major consequences:

- It has undermined the fundamental premise of the strength of trade unions, namely the coalition of workers in large manufacturing plants.
- It has weakened the link between big business and the areas they settled. Until the 80s, the settlement of large companies in certain areas of national and regional balance created a bond between the company and the territory, between business and population. It was a two-way link: the firm could exploit a wealth of skills, habitus, and relationships (or social capital) that the territory was offering; the company, in turn, offered the territory not only a stream of income, but also knowledge, services and welfare. The best example of virtuous relationship between business and local populations, in the Italian history of the twentieth century, it is certainly the history of Olivetti. Anyway, during the 'Trente Glorieuses', even less labour-oriented companies, like Fiat, have built a 'corporate welfare', providing social, recreational, and even religious services and initiatives for blue-collar as well as for white-collar workers.

At the end of the last century, large companies have become general contractors, based on the Anglo-Saxon conception of the firm as a 'nexus of contracts' (according to the lexicon of Agency Theory [Jensen and Meckling 1976, Fama 1980]). The 'organic relationship' built during the twentieth century with workers and the territories fell apart, large companies focused on a new 'one best' mission: maximizing the return on investment.

Ultimately, the key feature of large companies, at the end of 1900s, has become disconnection:

a) The steps of manifacturing process have been disconnected from each other, splitting into a myriad of point-activities, whose logistic coordination is provided by remote ERP systems.

b) The organic connection between the workers and the company has been broken, and – due to the contractualisation of labour law – labour relations have been individualized, and workers have increasingly been considered mere 'human resources'.

c) The link between firms and territories have weakened, and the idea that companies have a responsibility towards the environments that host them has been abandoned.

What has changed is not merely the behavior of economic actors: the ideas themself of the company and its mission have been fully rethought.

This profound shift can be clearly identified also in business studies. In Italy as in all countries of continental Europe, an 'institutional' conception of the company (also known as 'Rhenish' conception) has always been accepted. As the jurist Alberto Asquini wrote, "the company is a typical example of an institution, and it matches all the characteristic features of an institution: a shared goal, namely the achievement of a socially useful production (which transcends the individual interests of the entrepreneur and the workers); the coordination between them; the ensuing formation of a set of rules within the enterprise, which gives the employment relationship an institutional dimension, besides its contractual and financial aspects". Gino Zappa, founder of Italian business economics, taught that the company is an economic institution "established and managed for the satisfaction of human needs" (Zappa 1927). Even in republican constitutions of continental Europe countries it is ordained that companies have a constructive relationship with society. In the twentieth century, the legitimacy of private entrepreneurship rested on the assumption that, like every other area of private property, the enterprise can not be managed regardless of 'social utility' (as stated by art. 41, 2 second paragraph, of Italian *Costituzione*), but must "at the same time serve the good of

society" (as stated in art. 14, paragraph 2 of German *Grundgesetz*).
Under this conception of the company, the value that the company needs to produce is not merely the profit of investors: value is the set of tangible and intangible resources which enable the company to live long, growing and offering benefits not only to owners or shareholders, but also to workers national, regional and local communities.
From the eighties onwards, this idea has had countless denials. The orientation to financial accumulation and its short-termism has favoured the spread of a different idea of value. The idea of shareholder value has been gradually imported into Italy by large consulting firms, who coached Italian managers to use finance-oriented accounting tools (f.i. the so-called McKinsey Pentagon, namely the five-step recipe for the restructuring of the company in view of shareholder value: see Copeland, Koller, Murrin, 1994). But also academic culture has given an important contribution, consecrating the theory of shareholder value within the Italian academic milieu (see, fi, Guatri and Massari 1992).

The systematic confrontation of companies with capital markets has produced a profound shift in their idea of the value of investments, and consequently with their choice of investments (and divestments). This choice is now structured on the basis of a calculation that projects in the present the expectations of future performance. Bowman et al. (2014: 124) dates the invention of this method of calculating value to John Burr Williams and his Theory of Investment Value (Burr Williams 1938), according to which "The investment value of a stock is the present value of all future dividends. If we can fairly estimate these and select a suitable discount rate, the calculation of present value becomes merely a problem in higher algebra" (Graham, 1939, cit. in Bowman et al. 2014: 124). Williams' idea, later perfected by Myron J. Gordon (1959), is the fundament of accounting tools such as NPV (Net Present Value), the IRR (Internal Rate of Return) DCF (Discounted Cash Flow), the DDM (Dividend Discount Model), EVA (Economic Value Added). In Italian accounting practice, models referring to cash flow (f.i., FCFE, Free Cash Flow to Equity) are still more popular than models referring to dividends. The aim of these tools is to transform a prospective stream of wealth into a value set in a fixed moment. This is what Bowman et al. (2014) call *point-value*.
When an enterprise defines its own mission (and therefore the way its actions should be assessed) according to a point-value logic, it produces a double break: it disconnects from time as well from the spatial and organisational dimension:
A) It disconnects from time, because the idea of a flow or a stream (the idea of value as a process) is "condensed and extracted at a point here and now". If management choices are based on the interest of the stockholders 'here and now', ie as if the stockholders were to sell 'here and now' their stocks, future (and time itself) become irrelevant. It is precisely the technique of calculating the point-value to favour a short-term perspective. As Bowman et al. (2014) point out, "the standard procedure is to discount future receipts at a given rate which is compounded year by year so that distant receipts are subject to multiple deductions and worth much less than receipts which are a year or two away. This depreciation of future earnings in a discounting calculation then works in reverse just like appreciation of current savings in a deposit account. A modest sum saved will be large after many years; so substantial earnings in the distant future will be worth little today. The algebra is impeccable, and the issue is about the universalisation of the calculative frame" (Bowman et al. 2014: 145, n. 5).
B) It disconnects from the organisational space (and from the territory), because value is calculated as it is perceived at the point where the transaction would occur. What is

assessed is not all that happens to suppliers and other companies involved in the production process, but only the advantage (or disadvantage) that a choice can provide to the general contractor. The fate of suppliers becomes irrelevant. The short-term advantage of the general contractor may indeed increase as more as the interests of other contractual parties are sacrificed. For example, reducing the cost of a supply certainly boosts point-value, but it's likely to impair the supplier, its employees, the quality of products. Overall, the social interest for a sustainable and high-quality production is sacrificed.

4. The foundational economy in the neo-liberal drift

Our research programme aims to answer a fundamental question: is it possible a new connection between economy and the social contexts? Which instruments and practices are suitable for such a political and economic programme?

Such a research cannot be a purely academic work: it entails the consideration of the contemporary practices of social innovation, of their subjects, their representation, their limits and difficulties.

Nevertheless, the theoretical work can help develop every question in a rigorous and coherent way. Our research is based on the idea of *foundational economy* (FE hereinafter). (Bowman et al. 2014). This word designate the large set of economic activities, often underestimated or taken for granted, providing the economic infrastructure of social reproduction: production and distribution of food, distribution of water, energy and gas, education, health care, transports, waste management and so on.

There are several good reasons to pay attention to this sectors of the economy. First, apart from the foundational sectors, the domination of financial capitalism seems too strong to be realistically confronted. Large multinational companies have successfully built a transnational space in which, through the freedom of movent of capitals and the fluidity of supply chains, they can act free from national and international constraints. In spite of the sermons of falsely repentant gurus (ie Porter, Kramer 2006), a sustainable relationship between economy and society cannot rise from large transnational corporations. Much more realistically, a sustainable compromise between economic life and the exigences of social reproduction can emerge in the FE, as the foundational sectors – as we'll argue later – are intrinsically bounded, at least in their branches, to national and local contexts.

A second and more relevant reason is that the strategies of value extraction are penetrated also in the foundational sectors. Following a well known approach of economic history and economic sociology, in its "normal" configuration, the modern economic life is a complex mosaic. This is Braudel's idea: there are different levels or "layers" of economic life, namely capitalism, the market, and the material economy (Braudel 1979). As a consequence, the conception of value as *point-value* is adopted even in the foundational sectors. The priorities of organized money (pension funds, high net worth individuals, private equity, hedge funds) have an ever greater influence over the investment, sourcing and employment decisions of public companies. In many cases, such processes are activated by "liberalisation" and privatisation (or also outsourcing) of public services.

The researches thus far done in the FE research network show that, although with relevant national differences, the logic of short-term economy and of value extraction has been established in all sectors of the FE. In what follows, some examples are briefly presented.

I. In the sector of food distribution, researches developed in the UK (Bowman et al. 2012; Bowman et al. 2014, sect. 3) show that the business model of the supermarket retailers is a point value success and a supply chain disaster because the big chains use their power

to pass risk and cost along the chain and take margins off processors and producers in dairy. Farmers protest noisily and with some justification about low prices on milk, but the more serious problems are faced by processore whose share of the retail price has been squeezed to the point where processors cannot earn the profits that the stock market requires and it is hard to justify investment. If the test is market share, the big four chains with 80% of the grocery market, have successfully served consumers. But they do so through confusion marketing with 'special offers' usuallypaid for by suppliers so that retailer margins are maintained; and the weekly shop with big value packs of perishables results in overbuying and a displacement of waste into consumer fridges, which together mean supermarket prices are effectively much higher than they appear to be at the check-out. None of the sector's problems about power relations and supply chain waste are registered by British policy makers who see only the need to enforce competition without recognising that it is the embedded forms of competition which are the problem in this sector.

In the Italian context, where food traditions and the distribution system are considerably different from the British ones, the transformation have anyway been clear. The research developed by Davide Arcidiacono (2014) shows that the most recent expansion of large retail system in the Italian food market is associated to several socio economic narratives, "charming promises" for national customers and producers: large retail would improve the efficiency of the supply chain, ensuring a good profitability for food producers and more benefits for consumers in terms of variety, healthiness and price. Despite these promises, the increasing degree of concentration doesn't entails a transfer of benefits for customers, but rather indicates an appropriation of "value" by distributors. The increasing concentration is not reflected in the price dynamic in the food sector, also for the high "fluidity" of the alliances in the "purchasing centrals". Nor a better effect can be observed as for the safety and quality of food. Since the case of "metanole wine" in 1986, passing through the risk "the Chinese mushrooms", and the last case of the "blue" mozzarella, food frauds have become an habit in the country and a signal of a "low quality" competition strategy in the food mass market. According to a recent analysis of Coldiretti (2014) in the last five years food frauds, recorded from 2007 to 2013, have increase by 248% . This encourage the distrust of consumers about supermarkets: 41% of Italians think that bad quality or poorly preserved food is distributed (Censis 2013).

The most critical aspect of the supply chain is the growing power of buyers. As it is widely recognized (Lariviere and Padmanhabhan 1997; Sullivan 1997; Sackuvich 1998), through the practice of the accessing/slotting fees or trade spending contributions the power of supermarkets doesn't entail benefits for consumers or producers, particularly in a long term period. Rather than increasing the efficiency of the supply chain, it leads to a deterioration of relationships with manufacturers and suppliers. Suppliers may be forced to increase prices for other buyers, to cushion the reduction of their margins with the supermarkets chains (*waterbed effect*); larger producers can make smaller producers bear the costs, reducing their competitive pressure. Italian Anti-trust Agency launched in 2012 a survey on a representative sample of 471 food firms. The results of the survey showed that distributors ask producers to change the economic conditions defined in earlier negotiations in 67% of cases, often (almost 40%) retroactively. In cases of refusal, 74% of respondants claimed to have suffered some consequence such as delisting from the suppliers' list or a deterioration in the conditions of the next supply. Moreover, the supplier is required to pay contributions to the distributor for services that often are not clearly accountable. Such unfair practices are strongly demanding for smaller suppliers,

with revenues less than 10 million euros, serving a limited number of chains (between 1 and 3). And such are the most widespread suppliers in Italian food distribution.
Whereas in the UK the expansion of large retail system has damaged especially the processing industry, "squeezed in the middle", the Italian case shows an increasing disadvantage of farmers. According to the 2014 Report of the Italian Institute for Agricultural Market, the most vulnerable actors in the supply chain are agricultural producers: for every € 100 spent by households, only 22.50 euro remain as added value to farmers (net of contributions and taxes), while as many as 36 euro are to cover the value-added sectors of the wholesale and retail trade. The 22.50 euro value added for the agricultural sector are primarily used to cover depreciation and salaries. 1.80 euro is the average remuneration of the farm, whilst traders will get a net income of over 15 euros. The situation worsens for processed foods: only 2,30 euro remain to food industry as net operating income and 40 cents is to farms. It is clear that the growing power of the big players in the agro-food distribution, combined with the strong market tensions that have led to sharp fluctuations in the prices of agricultural commodities, have ended by crushing profitability of agricultural producers to the benefit of traders or providers of banking and insurance services.

II. The transformation of the railway sector has been extensively analised by CRESC scholars, referring to the UK (Bowman et al. 2013). Rail privatisation was promoted in the early 1990s with promises of a better, cheaper service for rail users requiring less subsidy by tax payers. Private rail companies would bring in capital and their business expertise which would transform the sector's performance. Twenty years later, the privatised rail system requires billions more in tax payer subsidy each year and has failed to bring in adequate private investment in track or trains, so that average age of rolling stock has actually increased. Rail privatisation created a situation whereby risk and investment averse private companies positioned themselves as value extractors, thanks to high public subsidies. Government effectively took the operating risk, covering operating deficits and supplying investment funds. Train Operating Company (TOC) franchises are a low-cost option on upside profits with downside risks passed to the state. The tax payer loses in a 'heads they win and tails we lose' situation so that Virgin and Stagecoach have since 1997 taken £500 million out of the West Coast main line. TOCs can make profits only because since 2002 the quasi-public Network Rail runs the infrastructure with a public subsidy of around £4 billion each year. Less direct subsidy for the TOCs is balanced by more public subsidy and debt guarantees for Network Rail and in this way the Treasury keeps many of the costs of rail off the public balance sheet and creates the illusion of profitability among TOCs.
Although some significant differences (mainly due to the fact that the monopolist rail company is still completely owned by the Treasury), the experience of Italian railways presents many similarities. The research developed by Angelo Salento and Giuseppe Pesare (2015) summarizes, on the basis of bilance sheets and official statistics, the transformation of train business since the end of last century. Before the end of 2015 a relevant share of Ferrovie dello Stato Italiane's equity will be privatised. The prospective semi-private company is a stunnigly lucrative one, whose profitability (EBITDA margin) exceeds 25% (for a comparison, consider that Deutsche Bahn's margin is about 12%, SNCF margin is about 8%).
In order to understand under which circumstances Italian railways have become such an attractive business, three aspects should be considered.

First, particularly since the appointment of Enrico Moretti (FSI's CEO from 2006 to 2014, now CEO of Finmeccanica), the dimensions of the firm and of the services have been drastically reduced. The workforce has been shortened from 120 to 70 thousand workers between 1998 and 2013; and so the rolling stock (from 80 to 30 thousand between 2001 and 2013); the volume of services (from 46 to 36 billion passenger-km, and from 60 to 28 million train-km in freight transport between 2006 and 2013); the network in use (1,187 km suppressed between 2006 and 2014).
The second key for profitability is the revolution in the relationship between the company and the public finances, namely the approach of the firm to taxpayers' resources. As for the subsidisation of transport services, the total amount of the contracts of services has shifted from 1.7 to 2.2 billion euro per year between 2006 and 2013; the amount payed by the Regions for regional transport have grown by 50% in the same period (from 6 to 9 eurocent per passenger-km). It should be added that also the maintenance costs are held by public finance (5.2 billion euros in the Contract of Programme for Service), as well as the investments (the total amount of the project portfolio is almost 99 billion euros in the Contract of Programme for Investments 2012-2016).
The third move has been shifting the business towards the most profitable activities. Paradoxically, despite the considerable leverage on public resources, the universal service (namely the alternative to the expensive "Frecce") has become almost impracticable for travelers, due to the reduction in quality and quantity of trains. Between 2006 and 2013, the subsidised long-haul services have been reduced from 38 million to 24 million train-kms, whilst the so called "market" services have grown from 46 to 55 million train-kms. This complex turnaround has allowed the outstanding increase of company's revenues. From 2000 to 2012 the total revenues from passenger transport have increased by 32% (67% if measured in passenger-kms). In short, it cannot be said that the rail business has become economically sustainable, even because it continues to drain public resources. It rather can be argued that it has been reinvented, transforming a public utility company (with all its undeniable inefficiencies) into a factory of profits, inclined to sacrifice the mobility of citizens in view of its profitability.

III. Another section of the research programme provides analyses of care services. On this topic, Ewald Engelen's work (2015) explores the story of the financialization of a relatively recent addition to the Dutch welfare state, childcare. Following a comparative approach, it analyses the political framing surrounding the construction of a Dutch market for childcare services which the 2005 Childcare Act was suppose to establish and presents data on the results of this Act in terms of costs, number of children being served, number of childcare places, locations and firms. The financialisation of childcare sector shows some similarities with what happened to other privatised state functions in the Netherlands, such as waste management, elderly care and telecom services: albeit mundane and not glamorous, these activities have been increasingly oriented towards a short-term profitability, with negative impacts on the quality and quantity of services for citizens.
In parallel, a research conducted by Busso and Dagnes (2015) explores the dynamics of transformation of care services in Italy, focusing in particular on the case of Piedmont. First, they reconstruct the dynamics underlying the restructuring of the Italian welfare, with the process of marketization of social policies and the construction of a quasi-market in the last thirty years. Within this general trend, non-profit and for-profit organizations became more and more relevant both as service providers and political actors, and attracted a growing amount of public resources.

In this regime, services can be positioned on a continuum from totally public to totally private according to the ownership, the resources and management. Along this continuum, services vary consistently on three dimensions. While moving toward totally private services, the standards of labour conditions and service quality as well as the access criteria become less severe and, most of all, unclearly defined. Strategies of value extraction, therefore, become easier.
Secondly, they reconstruct the strategies through which the market Organisations react to the reduction of resources and uncertainty after the 2008 crisis. The first consequence of market instability is the flexibilization of the labour force, that can be seen as an unavoidable effect of the discontinuity of the flow or resources, but also as a voluntary strategy pursued by employer. The precariousness of non-profit workers plays a central role in the competitiveness of organizations and in the sustainability of the whole sector. The second, wide strategy adopted for coping with uncertainty is the building of networks of formal and informal relationships by the non-profit organizations. The existence of highly diversified funding sources and the variability of the requirements for access – both in terms of area of expertise and organizational structure – can in fact foster two main strategies. First, the realization of forms of more or less stable collaboration between independent organizations can occur, e.g. consortia, business associations, and so on. Through these alliances, organizations can reach the requirements established on an ad-hoc basis by the various calls for competitive bids, while maintaining their autonomy. A second strategy can instead lead to an instrumental fragmentation of unitary organizations into a plurality of specialized sub-units, formally independent but substantially resulted from single non-profit players and managed as such. By setting up this modular organizational structure, organizations gain the flexibility they need in order to deal with the uncertainty dominating the social services' market, but at the same time, they are not forced to collaborate with other unrelated actors, retaining the possibility to act independently. Obviously, these strategies are not mutually exclusive. In fact, both of them may be implemented within the same field, either by different actors or by the same actors simultaneously.

Other researches in the programme include the transformation of adult care (Earle, Hyde, Johal 2015); retail banking services (de la Cuesta and Fernandez-Olit 2015); water supply (Quarta and Sinagra Brisca 2015), waste management (Froud, Leaver, Moran 2015; Minervini 2015); cultural heritage (Bevilacqua and Spina 2015).

5. The scale and scope of the foundational economy, and the prospect of social license

The FE research program focuses on the analysis of the basic infrastructure of daily life and its social and economic consequences. In the first place, the FE is a very substantial part of the total. As shown in Figures 1 and 2, in Italy the about 40% of the workforce is employed in the FE, and to these areas is addressed about 75% of household consumption. Secondly, the FE is, so to speak, the economy "of all". As shown in Figure 3, the share of household expenditure allocated to key sectors grows in less wealthy contexts and in disadvantaged classes, since this is largely incompressible consumption. Any intervention on the FE, therefore, contributes to tackling inequalities.
Another aspect putting the FE at the center of a program for the reconnection of the economy is its close relationship with the national and local contexts. As noted by Bowman et al. (2014), goods and services of the FE are produced on a national or local

level, or are otherwise distributed through networks and branch offices located in those contexts. In addition, foundational sectors are substantially dependent on public authorities, as they are subjected to a specific regulation and dedicated funding.

This close relationship between the FE and the (national and local) territory is the fundamental basis for arguing that the fundamental economic activities may be subject to a social license. The idea of social license – rooted in the tradition of liberal collectivism (Berle 1962) – refers to a more or less explicit "agreement", subjecting economic profit to the interests and needs of the community. During the twentieth century, this compromise has been managed by a sort of tripartite corporatism involving employers, organised labour and the state, in which they trade promises about macro variables like rates of wage increase and social expenditure. Nowadays, as a matter of fact, such a configuration is not replicable. Rather, we need to work on the specifics: on the different sectors, in different regional and local contexts, to analyze social licenses at work.

The notion of 'social license' is most familiar in the mining industry, particularly in the developing world. Here it takes the form of a formal or informal agreement between an investor seeking to extract natural resources, and the community affected by these activities. It may cover labour conditions, environmental standards, the sharing of economic benefits and other locally important concerns such as the protection of sacred sites. Our suggestion is that something comparable to the more formal version of mining social license might be applied to firms and sectors in the foundational economy. Here we are working by analogy. The extractive industries seek immobile natural resources, but so too do private sector operators in the foundational economy which tap the household spend and taxes of an immobile population. In mining, as in the foundational economy, a limited number of operators are granted the right to extract. The fundamental rationale is the thus the same. In the foundational economy, as in countries sitting on large mineral deposits, businesses need to earn the right to extract cash from a territory rather than expect sweeteners to operate locally.

How might social licensing work in the foundational economy? Our suggestions which are tentative and for discussion are as follows:

Licensing would be an explicit arrangement that gave contracting enterprises or sectors privileges and rights to trade whilst placing them under reciprocal obligations to offer social returns: a formal licensing system would make the right to trade dependant on providing a service that meets relevant criteria of community responsibility on issues such as sourcing, training or payment of living wages. As noted earlier, this is not just because being 'socially responsible' is a good in itself or burnishes corporate reputation, but also because these issues are important for promoting the sustainability of services – economic and social – of good quality and that are widely accessible over the longer term.

The scale and scope of licensing agreements would vary. They might be with whole sectors, including all the firms above a certain size threshold. In other cases, where firm size and market position varied greatly within a sector, it might be more appropriate to have separate firm agreements. Note, as a part of this, that the 'community' is not a natural domain but a variable political and economic unit, influenced for example by local and regional government forms and boundaries. Agreements, with rewards and sanctions such as variation in corporate tax rates, would clearly need to work round relevant national and EU legislation at the same time as putting the appropriateness of such rules into question. The argument is that in return for their sheltered existence they owe something to those communities or groups, and therefore should be brought within a new kind of regime. To reframe the foundational economy as a matter of social license is thus to insist that the

foundational is not simply about point-value economic transactions, but also about reciprocal social relations within local, regional and national spaces. The provision of mundane goods and services in the foundational economy is intertwined with the multiple identities of people as consumers, workers, and local residents so that prices, wages and quality of life would need to be triangulated across politically negotiated spaces. The aim would be a new world of social licensing where it was no longer so easy for councils to collude with payment of below minimum wages, or for supermarkets to ignore local concerns about sourcing.

As we noted earlier, the foundational economy is more or less state dependent and rests on implicit or explicit political license. The state is not a Leviathan which strikes fear into the hearts of managements with its competition commissions. Instead, and like the states described by Braudel, it gives foundational enterprises and sectors a sheltered life – most typically by managing market competition in a territorial area. Privatisation, outsourcing and public private partnership is the early modern sale of the monopolies reworked for our time with the difference that the state now grants profitable concessions and gets little in return. This state protection may be explicit and contractual, as with rail franchising or social care; or regulatory, as in the relation between supermarkets and planning permissions. Alternatively, the social license may involve not disturbing de facto territorial monopolies as with bank branches; or may even include state inducements to invest as with rural broadband rollout. It is not sensible to try and deal with these problems about the neglect of community interest through the present system of corporate governance, which is necessarily firm-centred and concerned with balancing the stakeholder interests of owners, managers and workers.

The proposal for social licensing is simultaneously mundane and quite far reaching. It is mundane because in large parts of the foundational economy this is already happening. The logic of social licensing of private providers from tax revenue is already in place In the para- state sector, where the state outsources its services (as with the railways and health and social care), though this is usually focused on service to the customer rather than broader issues like the payment of living wages. However, in other parts of the foundational economy where revenue comes from households (as with retail banking or the supermarkets) there is no social licensing. To be exact, there is very little social licensing when revenue is private, although a council may insist that a developer or supermarket builds a doctor's surgery or some roads in return for planning permission. To treat the branch of a supermarket chain as a social license would thus require new policy mechanisms and new political understandings of the character of economic activity.

Thus out-of-town supermarket branches are socially-licensed de facto because planning regulations limit direct competition between superstores and effectively give the successful applicant a license to take money from households in the surrounding area. A social licence approach then asks: if a supermarket chain benefits in this way, should it not be also required to think about the effect of its practices on its supply chains? Should not supermarkets selling milk and meat be required by licence to align with producers and processors? And should they not also be informally encouraged to develop vertically-integrated processing so that they also take responsibility for processing?

These are straightforward proposals, in the tradition of liberal collectivism. But then the question is: can they be implemented? And if so, then how? If we are stuck in a state that cannot learn to think outside its policy frameworks, then how might it be possible to move forward?

6. Foundational Economy and Emergent Research Topics

In this concluding section, we will highlight three emergent topics coherent with the FE research program: (i) the governance of worth; (ii) the analysis of firm; (iii) the study of sharing economy. As we will see, the foundational economy approach urges us to re-connect these topics with a broader analysis of capitalism (Boltanski and Chiappello 2015; Piketty 2015).

(i) The foundational economy and the governance of worth

Foundational economy requires – as every kind of exchange of goods or services – the governance of a complex combination of quality conventions (Boltanski and Thevenot 1991) or orders of worth (Stark 2009). Convention theory argues (Eymard-Duvernay 1989; but see also Sylvander 1995; Thevenot 1995) that *price* is the main management form of a particular market only if there is *no semantic* or *ontological uncertainty* about quality. If this is the case, differences in price directly express known differences in quality and market-like mechanisms may work effectively. This characterizes what convention theory calls "market" coordination. When price alone cannot evaluate quality, actors set up other conventions and "forms of co-ordination". Boltanski and Thevenot (2006) develop six "worlds" of "legitimate common welfare" (inspirational, domestic, opinion/fame, civic, market and industrial worlds) which reduce semantic and ontological uncertainty. In *domestic* coordination, uncertainty about quality is reduced through *trust* (i.e. long-term social ties between actors). In *industrial* coordination, uncertainty about quality is solved through the actions of an external party who determines common enforceable *standards*. *Civic* coordination works where there is *collective* commitment to *welfare*. In the world of *fame*, uncertainty about quality is managed through public celebrity and worth derives from the opinion of experts. Finally, in the *inspired* world what is worthy is what cannot be controlled, what is felt in inner experience, manifested by feelings and passions and what rejects habits, norms and principles.

As stated, while "simple"[1] markets exchange may be built just on prices, FE requires a combination of quality conventions along with prices/market. Quality conventions pair with distinct regulation patterns. The interplay between quality conventions and regulations has several empirical implications.

Consider, to begin with, public and media debates. A content analysis of daily newspaper articles would show several *justifications*/quality conventions at work in FE, along with prices. For instance, public good (or civic convention, as in railways, water and social services debates), tradition and prestige (or domestic and opinion convention, as in food production and distribution), technology (or industrial convention, as in retail banking) and so on. Conventions, in this line, are to be understood as correlates with regulatory and institutional arrangements (Barbera and Audifredi 2012), governance of value-chain (Ponte 200..) and worlds of production (Salais and Storper 1997). The political economy analysis of FE sectors and policies needs thus to be complemented with an in-depth explanation of the relationship between conventions and regulatory arrangements of FE

[1] To be more precise, only spot markets with a low level of uncertainty/ambiguity and low opportunism solve the coordination and cooperation problems of exchange relying just on prices.

in different domains. This focus will help to identify alternative combinations of conventions and regulation regimes.

In this line, conventions are agreements or judgments through which quality is evaluated and regulation is settled accordingly. Conventions are framework that provides an account of what matters in the world (semantic uncertainty) and how the world works (ontological uncertainty); so they also serve as a blueprint for *regulatory experiments*. For instance, Italian supermarkets support regulation support local concentration and local «agreement» against competition, the lack of control in the supply chain, the buyer power and the financialization of the cooperative movement (Arcidiacono 2015). The Italian cultural heritage is urged to be managed via financial capital and prices (Bevilacqua and Spina 2014), as in the case of railways (Salento and Pesare 2015). In social services, the consequences of evolution of third sector organizations' strategies requires to analyze how non-profit organizations react to market asymmetries and uncertainties by constituting formal and informal networks (Busso and Dagnes 2015).

In cases such as those, second point, social technology of judgment requires more than market-mimic mechanisms that simulated competition through regulatory devices like price caps or "more freedom of choice" as the cure for everything from transport, to utilities, to food, to welfare services. The social technology of judgment differs quite radically from the one of choice. This opposition develops along three lines: (i) the logic of action, (ii) the explanation of order and (iii) the concept of social change. In connection with the first dimension, choice relies on analytic rationality: the meaning of an action is defined by the intention of the agent and is reflected in the outcome (Pizzorno 2006). Contrariwise, judgement refers to the ways people "evaluate each other" and the meaning of an action is what those to whom the action is directed at understand it to be: "one undertakes to see the world as others do – not because the benefit of doing so outweights the cost, but because that is the way of being in the world with these people" (Loury 2002, 44, emphasis added). Choice thus relies on the rational capacity to act for a future state, while judgement depends on the way an action is received in a "circle of recognition" who judges it as being socially valid (Pizzorno 2006).

Secondly, in the choice model social order is likened to efficient sanctioning mechanisms in a contractual prospective (Coleman 1990), while in the judgement model society is created above all thanks to successful naming processes (Oberschall e Kim 1996, 64). For Hobbes and neo-contractual solutions (Taylor 1987) society is generated from a more or less (de)centralised ability to control each other through formal and informal sanctions (Hechter 1990), while in the judgement model it is when the human being is no longer solitary and enters some social relationship that social order begins (White 2008). Finally, the model of choice looks at social change as the result of human efforts to control their environment (North 2005, chap. 1). The key to understand change is the motivation of agents, their capacity to understand problems and the beliefs which guide their actions. In contrast theories of judgement look at the exogenous contextual changes. When the sources of naming change, semantic and ontological uncertainty occur (Lane e Maxfield 2005) and agents face a sort of "symbolic tsunami" (Pizzorno 2006, 392). Here the threat derives from the lack of meaning and of ontological stability that can be attributed to a course of action and its potential outcomes. For example, the social change created by the French revolution had its founding moment in the "Taking of the Bastille", 14th July 1789 (Sewell 1996). But what everyone now defines as the "Taking of the Bastille'" was actually the result of a complex interaction, which evolved from declarations, debates and symbolic behaviour. The change of the definition is accompanied by changes both in the

behaviour of individuals and in the stand of the various groups and parties involved (Pizzorno 2006).
Even when "freedom of choice" is shyly invoked – as in School system and welfare services – what matters is always a market-like mechanism that mimic the power of consumers. The role of judgment is thus over-looked and squeezed on the one of consumers/choice, as in waste sorted collection (Minervini 2015). The consumer's primacy obscures the inquiry and public process on *what counts*, hindering a constructive and decentralized learning on the working of FE, as in the case of the over-centralised British state, which: "is also fundamentally a non- learning state because, while its political and managerial operators are able to recognise disappointments, they are unable or unwilling to attribute them to the imaginary, so that the same experiment gets repeated again and again despite the accumulation of perverse consequences" (Moran et alii, 2014).
A third distinct but overlapping topic would be the analysis of the managerial practices, career patterns, social networks and cultural worldviews of the *techno-polis* élite (public and private) would show the un-learning mechanisms at work. Consider – for instance – echo-chamber effects, careers incentives and paying schemas, invisible colleges and other plausible mechanisms explaining myopia, un-accountability, private use of public resources, rent-seeking behavior, labor-hostile and capital-friendly policies and all those traits that appear to characterize FE in different models of capitalism. The British case started the neo-liberal experiment much earlier, boosting pro- competition policies to reform industrial relations, privatise state monopolies and abandon under-performing conglomerates. By the third millennium, a private island was built (Meek 2014). The process diffused all over EU and in the "southern model" as well, albeit with different intensity and modalities.

(ii) The Analysis of Firm: Beyond the Shareholder vs. Stakeholder Alternatives
FE requires to analyze in depth modern corporation able to shift business practice from point value and extraction towards chain obligation and social payback. As it is well-known, in response to the tendency of the non financial corporations rate of profit to fall between the '60s and the '80s, the idea that firms objective function is represented solely by maximization of shareholder value spread across Western economy, out of the conviction that shareholders are the only legitimate residual claimants on net cash flows created by firms themselves (Fligstein 1990). As a consequence of this, share prices became the main indicator of firms performance, although this emphasis lead to paradoxical consequences. Think, for example, of the collapse of Enron, which reached the highest level of the so-called price earnings ratio just one year before going bankrupt. However, the repeated bursting of financial bubbles, which were often induced by asset inflation, and the increasing economic instability showed that the paradigm of shareholder value maximization has a scarce ability to pursue long-term well-being aims; this induced several authors to elaborate proposals to reform capitalism, starting from the necessity of giving longer-term shareholders more voting power and higher dividends in order to avoid the fail of a capitalism deprived of forms of active ownership. In analytical terms, this urges economic sociology to build a proper theory of the firm, going beyond the simple dichotomy shareholders-stakeholders.
Some authors tried to go beyond the simple dichotomy between shareholders and management and the consequent agency relationship, calling the paradigm of shareholder value maximization into question and asserting that the residual claim on firms net cash

flows is not a prerogative belonging to shareholders only. Consequently, firms can be seen as owner-less entities in which there is a wide range of agents that can legitimately claim a right to receive dividends or, more generally, to be considered in business administration, because they also invested some resources in firms themselves, such as human capital, and therefore are risk bearers as much as shareholders. Firms, in these perspective, needs to be understood as complex organizations pursuing different interests and linked in a variety of manners with society.

The stakeholder theory, for example, strongly contests the importance assigned to shareholders in mainstream business administration theories; however, it appears unable to offer clear solutions to several managerial problems: defining an objective function going beyond the simple aim of shareholder value maximization seems particularly complicated, as much as elaborating a new corporate governance structure including not only managers, but various stakeholders too. Except for some contributions coming from the group of the so-called Radical Economists, the reflection about the possibility to develop forms of collective governance or employee governance often concludes that these types of business administration are rare in advanced market economies due to their relative inefficiency compared to shareholder governance. Ultimately, the prevailing idea is that the adoption of stakeholder approach depends on the willingness – and the voluntarism – of managers, who are seen as a modern King Solomon that has a duty to mediate between different stakes inside firms.

Those productive organizations able to shift business practice from point value and extraction towards chain obligation and social payback constitute a “strategic site” (in R.K. Merton’s term) to analyze the interplay between dispersed cognition and decentralized control mechanisms, so paying specific attention to the dualism between hierarchy and heterarchy inside organizations. 'Heterarchy' is the process of authority distribution within – for example – a firm which makes the several units constituting the firm itself accountable to each other. Moreover, the concept of heterarchy is strictly connected to the notion of 'distributed cognition', i.e. that situation in which different phases of production cycle are not compartmentalized but distributed throughout the organization, originating ongoing mutual monitoring and tensions which are supposed to be able to generate innovation, especially when production is handled by work teams composed of groups that are provided with cognitive diversity and members' overlapping. The strong nexus between distributed authority and distributed cognition appears to be a feature of those firms that, reorganizing their production processes around flexible work teams, "have had to turn to their members’ resourcefulness and invent unique ways of strengthening their work processes and skills in light of their financial challenges by, for example, teaching themselves new skills” or “adopting job rotation schemes and just-in-time production processes”.

(iii) Sharing economy for mundane goods and services

In contemporary societies, mundane goods and services are more and more produced and distributed through sharing economy (SE) devices. To begin with, the sharing economy is usually portrayed as a functional reaction to both market failure and state failure. However, unmet needs, per se, do not generate the emergence of SE devices, or indeed anything else I would add. This would be a kind of flawed functionalist reasoning (Elster 1982). “Needs” have to be symbolically constructed, socially organized and economically coordinated to support the emergence of SE.

Furthermore, the empirical phenomenology of SE encompasses a whole range of activity. These include swapping, exchanging, collective purchasing, collaborative consumption, shared ownership, shared value, co-operatives, co-creation, recycling, upcycling, re-distribution, trading used goods, renting, borrowing, lending, subscription based models, peer-to-peer, collaborative economy, circular economy, pay-as-you-use economy, wikinomics, peer-to-peer lending, micro financing, micro-entrepreneurship, social media, the Mesh, social enterprise, futurology, crowdfunding, crowdsourcing, cradle-to-cradle, open source, open data and user generated content (UGC)[2]. This being said, SE can be defined as new ideas, routines and practices that satisfy unmet (by state, market and civil society) needs. This definition may be acceptable, as far as it goes. Unfortunately, it does not go very far. The real analytical challenge is to understand whether SE satisfy supposed unmet needs in a new way, that is whether the kind of exchange which is implicated really differs, both from the market and redistribution (Polanyi, 1944). We may argue that the closeness/distance from market (and redistribution) actually have different implications for SE and FE arrangements. Namely, the more distinctive the quality of SE as a form of exchange is, the stronger its potential for the social change of FE is. Conversely, the closer SE is to the market and redistribution, the lesser its transformative power.

In other words, to define the boundaries of the sharing economy may be difficult. What specific characteristics make these forms of exchange part of the "sharing economy," rather than novel market forms? (Schor and Fitzmaurice 2015). In this regard, SE should not be framed solely as "progressive" and "emancipative" phenomena (Gansky, 2010; Botsman and Rogers, 2010; Botsman, 2013), but its "dark-side" need to be properly considered.

Let us first of all define the basic elements of SE. According to the most common definitions, SE have three main features:

1. They are strongly based on ICT and 2.0 web technologies and applications. These technologies decrease coordination cost among dispersed agents. Coordination activities identify how interdependent activities will be carried out through real or virtual interactions (Gulati and Singh, 1998). In a "coordination game" agents gain by choosing identical actions, such as driving on the same side of the road or switching to daylight savings time. Without previous agreement, it is often hard to predict the outcome. On the contrary, the problem of cooperation, (as in the prisoner's dilemma), is that individuals realize the existence of an overall benefit from cooperation, but their private incentives draw them away from it, locking them into sub-optimal action (Sen, 1967). Coordination among dispersed agents implies that the main obstacle to be overcome is information. Agents have a common interest in joint activity, which needs *shared* information. SE and SP phenomena such as *car-sharing, elance* and all technological platforms that connect dispersed but common needs or interests are cases in point.
2. SE goods and services exploit the co-called *idle capacity* or *overcapacity*, namely those under-used features that can be shared with other users. Consumers are surrounded by idle value such as, skills, time, land, equipment and spaces, stuff which can be both shared and monetized.
3. Finally, SE may require commons-type property rights. In this respect, property should not be conceived as a dichotomous variable based only on private vs public

[2] http://www.thepeoplewhoshare.com/blog/what-is-the-sharing-economy/ 3/19/2015.

property. Ownership and control over resources comes in shades and degrees (e.g., Schlager and Ostrom 1992).

These three features directly point to three different kinds of SE and SP, which each have different impact on the market-society relationship and FE production and distribution. The decrease of coordination costs is the key element for the on-demand economy, namely the economic activity created by technology companies that fulfil consumers demand via the immediate provisioning of goods and services, driven by consumers' growing appetite for greater convenience, speed, and simplicity[3].

A quote from *Ev Williams*[4], the co-founder of Twitter, shows how the on-demand economy is no less than the perfect realisation of the "standard model" of consumer sovereignty linked to the thrill of novelty, the bliss of chance and the delight of immediacy (Sassatelli, 2015):

> The internet makes human desires more easily attainable. In other words, it offers convenience. Convenience on the internet is basically achieved by two things: speed, and cognitive ease. If you study what the really big things on the internet are, you realize they are masters at making things fast and not making people think.

The on-demand economy then, supports non-reflective consumption practices and the instantaneous satisfaction of needs. A "tragic" and endless satisfaction that, as soon as it is realised, requires new goods (Sassatelli, 2015). As in markets, then, SE mirrors here the idea of a (socially constructed) perfectly competitive market, such as the strawberry market described by Garcia-Parpet (1986, 3). These kind of markets are "information markets", mainly driven by technological devices that lower the cost of information.

Second, idle-capacity is crucial to develop SE. In the previous case, information about price/availability was the core feature, while in this case on-line reputation is the key one. SE is in this case a device for *optimizing* the use of durable goods or other economically productive assets. In a wealthy economy, "individuals and households can afford to purchase durable goods that are used only intermittently, or to own assets that are not operated to capacity. Examples include spare bedrooms, unused garage or other storage space, unproductive lawns and square footage in office environments" (Schor and Fitzmaurice. 2015). What is worth highlighting, is that in these cases, ratings and comments help to deal with the problem of reputation of both supply and demand. This allows *sharing between strangers*, namely extending the sharing of even intimate and mundane goods such as spare rooms, food and cars with strangers outside strong ties (e.g., kinship and communities) circles.

Third, de-ownership points to collaboration where social identity and recognition processes are the main features. SE is in this case generalized and *intention*-oriented, based on a mixed combination of reciprocal altruism and reciprocity.

All in all, the on-demand economy, sharing and collaboration single out different ideas of market(s) and exchange. Quality and uncertainty are crucial to grasp this point. In the first and simplest case, the availability of information and prices about goods/services is the main driver of SE. Agents have a common interest in exchanging and what they need is mainly information about *commodities* whose quality is easy to test (search goods). Secondly, SE is built on reputation. The interest of agents may diverge (e.g., opportunism and malfeasance) and quality can be assessed only after the transaction (experience

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[3] Read more: http://www.businessinsider.com/the-on-demand-economy-2014-7#ixzz3VHmcW7tj, downloaded, april 2015.

[4] http://www.businessinsider.com/the-on-demand-economy-2014-7?IR=T downloaded, april 2015.

goods), within an effective rating system. In both cases the potential of SE for Foundational Economy is limited. Third, SE requires social identification and a mutual recognition. Transaction occurs between agents that share the same meaning and value-system (credence goods). In this case, the potential to develop a multi-zone economy and a non-market regulation of FE is wider.

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