

# **The State Strikes Back:**

## **Industrial Policy, State Power and the Emergence of Competitive Multinational Enterprises in Italy and Spain**

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### **Abstract**

This thesis compares the industrial policy strategy implemented by the Italian and Spanish governments to favour the internationalisation of domestic firms in the high value-added sectors of banking, electricity and telecommunications. The trajectory of six firms that successfully completed the transition from inward-looking monopolist to European champion (the banks Unicredit, Intesa-Sanpaolo, BBVA and Santander, the Italian electricity utility ENEL and the Spanish telecommunications firm Telefonica) is compared with that of two firms that failed to become European champions and are currently controlled by foreign competitors (the Spanish electricity utility Endesa and the Italian telecommunications incumbent Telecom Italia). The comparison of successes and failures makes clear the factors that led some Italian and Spanish firms to become European champions and others to be taken over.

Through in-depth qualitative case studies of the trajectory of the eight firms between the late 1980s and the mid-2000s this thesis shows how the successful internationalisation of the Italian and Spanish European champions is the result of an activist industrial policy implemented by the Italian and Spanish governments. This industrial policy strategy centred on four main pillars: 1) the promotion of a process of sheltered consolidation among domestic firms aimed at favouring the emergence of domestic champions with sufficient size to compete in the European market; 2) direct intervention by the government during the privatisation of banks and utilities to select the main private investors and the methods for the sell-offs; 3) implementation of a series of delaying tactics aimed at slowing down the pace of liberalisation of the Italian and Spanish market (thus protecting the dominant position of national champions) and; 4) the use of the diplomatic channel to favour the internationalisation of banks and utilities.

To explain why, in the cases of Telecom Italia and Endesa, a similarly activist industrial policy strategy by the Italian and Spanish governments led to a failure this work focuses on the balance of power between the state and private business actors. It shows how the successful outcome of the process of industrial restructuring is conditional on the availability of three power resources the state can use to influence the behaviour of business actors: ownership power, regulatory power, and partisan proximity power.

The theoretical framework this study develops – based on state ownership power, regulatory power, and partisan proximity power – as well as its findings contribute to the study of three often debated issues within the comparative political economy debate. These are the analysis of the role of the state in fostering economic development through new forms of industrial policy, the study of hybrid, and problematic, models of capitalism like that of Italy and Spain, and the study of state-business power relations and – particularly – sources of state power over business.



**Jury:** Mark Thatcher (London School of Economics), Dorothee Bohle (EUI), Fabio Bulfone (candidate), Pepper Culpepper (University of Oxford/formerly EUI, Supervisor), Richard Deeg (Temple University, by videolink)

### **Bio**

Fabio Bulfone is a Comparative Political Economist working on industrial policy, labour market reforms and corporate governance. He has published in the *Socio-Economic Review* and *Modern Italy* and presented his work at the annual meetings of the Council for European Studies (CES), the European Consortium for Political Research (ECPR) and the Society for the Advancement of Socio-Economics (SASE). He holds an MPhil from the University of Cambridge (Robinson College), an MA from the Catholic University of Louvain-la-neuve and a BA from the University of Padua.