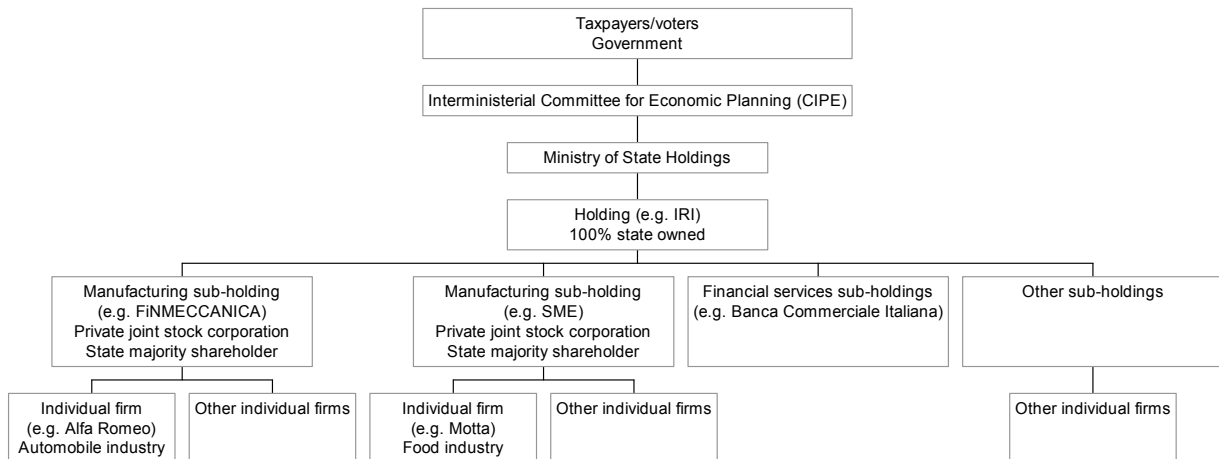


by tradition, IRI and ENI, the two major state holding used to be “controlled” by Christian Democrats and Socialists, respectively. All this made also the removal of top management a rather complicated political battle. Consequently, between 1965 and 1980, for example, only three President were appointed at IRI.

**Chart 2. Corporate governance of Italian public enterprises**



The interaction of the above institutional changes and of two important characteristics of the post-war Italian political system - the high stability of the governing party and the high instability of governments themselves – favoured a climate of corruption and collusion. The succession of short-lived coalition governments, made of permutations of the same politicians belonging to the same large party (Christian Democrats) and a few small ones, eased the transfer of economic policy decisions from the elected government to the chair of political parties and, more importantly, to the heads of party factions bargaining over the formation of coalitions (Filippi, 1975). All this brought about wide abuse of managerial discretion, particularly in the form of vote-maximising investment decisions to satisfy party and party-factions political objectives. Moreover, in 1974, a new law for the financing of political parties made illegal the direct and explicit financing of political parties and factions by public enterprises. Although the law aimed at preventing collusive behaviour, its effect was to eliminate the transparency of the financing and encourage indirect and hidden contributions by managers to politicians in exchange of favours.

<sup>15</sup> For example, following the first oil shock, political and social pressure favoured the acquisitions of further collapsing private companies by the holding companies, a procedure which could foster direct political interference and collusion.