

Farewell Agnelli - Figure of Another Age

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Gianni Agnelli as a young man with his grandfather

Gianni Agnelli is a one-man allegory of what went wrong and is still wrong with Italian capitalism. You could say that one of the most illustrious victims of globalisation to fall after the Berlin Wall was Agnelli's Fiat.

What a paradox – the most charming, cosmopolitan, cultivated, not to mention successful and powerful Italian businessman of all failed to adjust to what his peers understood only too well, that in order to thrive, a big company has to focus on its core business and develop it globally, ruthlessly shedding every activity that can't compete in the world arena.

Fiat has finally got around to doing this, roughly 15 years too late. Not in order to grow, but simply to survive. The Agnelli family's 34 per cent shareholding in Fiat is now worth less than the three billion euros the banks loaned them to help the company stay afloat. Ironically enough, what little value remains comes from activities wholly peripheral to the core car business.

How was this possible? Agnelli was no novice. He had steered Fiat through difficult times including the years of terrorism in the 1970s. Until the second half of the 1980s he grew his empire with great skill.

The motor vehicle company he inherited in the mid 1960s became a giant conglomerate worth a quarter of the entire value of the Italian stock exchange, producing everything from cars, trucks, trains, avionics, defence, vehicles, chemicals to insurances, medical products, constructions, and financial services. The car business had a 60 per cent share of the Italian market. The group's tentacles were everywhere.



Gianni Agnelli's wedding to Marella in Strasbourg, 1955

A power in the land

Part of the growth stemmed from industrial and financial logic. But the main reason was power. For Agnelli's Fiat was much more than an industrial giant. It was a power centre; after the Italian Government, the Vatican and – until the early 1980s – the Communist party, perhaps the greatest.

The family controlled, and still controls, two of the three most influential national daily papers, *La Stampa* and *Corriere della Sera*. And Agnelli was revered like a monarch. Naturally, he was also chairman of a successful football club, Juventus.

The media never missed any opportunity to ply Agnelli with every kind of question under the sun, from the future of the world economy, to politics, fashion, arts, society, glamour and, naturally, sport. Football came first, but there was also Formula 1, since Ferrari was a jewel in Fiat's crown – and yachting, as he owned a fleet of dream boats.

To so many Italians, the jet-setting playboy who lived it up until the mid 1960s was the model of a Renaissance Man: a wealthy and cultivated Latin lover, charming although cynical and, above all – in a country where aesthetics are often rated higher than ethics – elegant. One fashion company even named itself after the English translation of his name: 'Johnny Lambs'. He was quite simply, an icon. Many Italian businessmen aped him. Carlo De Benedetti for example, one time chairman of Olivetti, acquired Italy's third biggest daily paper, *La Repubblica*, and sought to follow in Agnelli's footsteps.

One man who pursued the path even further, throwing himself wholeheartedly into politics, was Silvio Berlusconi. Anyone who thinks that Prime Minister Berlusconi is some kind of alien who has been parachuted into Italian politics should think again; Agnelli was there, long before, playing the power game to the full in a way that has no parallel in any other western country.

Agnelli had a huge impact both on governments and on public opinion in the sectors touched by his interests. He exerted this influence through the media and every other means of persuasion at his disposal. He carried on running the huge business like a family concern, leveraging on the industrial might of his group. He never resisted the temptation to have a say in every aspect of the Italian life. In doing so, he legitimised the manner in which Silvio Berlusconi rose to prominence – his media empire and football team, Milan AC, could be described as the sincerest form of flattery.

Two years ago, as if to prove this lineage, when Berlusconi was appointed prime minister for his second term, Agnelli convinced him to take Renato Ruggiero on board as foreign minister, a respected diplomat and former World Trade Organisation (WTO) director general who worked at the top of Fiat group for many years. Typically, such help was aimed at gaining acceptance for

the controversial Berlusconi on the world stage. But the cynical quid pro quo also allowed for Fiat's major acquisition of the energy giant Edison.



1961 model Ferrari

Over the years, Fiat derived considerable benefits from various governments. Italy's motorway network helped his motor vehicle business grow. Defence and public works contracts were procured. Protection from Japanese car makers was secured.

As a result, when Britain's last ailing car groups were being sold off to foreigners in Britain, Agnelli's Turin company was at its zenith. As Margaret Thatcher was accused of selling out the national industry, in Italy, Fiat obtained the declining state-owned Alfa Romeo as soon as the Ford Motor Company began to circle.

With hindsight, it was Margaret Thatcher who secured the national interest, by giving up the ownership of British companies and letting the foreigners in. Thanks to the winds of competition, today seven foreign manufacturers – Nissan, Toyota, Honda, Peugeot, Ford, GM–Vauxhall and BMW – join one national (MG Rover) to produce 1.7 million cars in Britain, exporting 80 per cent of them, and safeguarding work places and skills.

By contrast, government protection of the Turin-centred Fiat ensured that it was run like the 19th century army of the kingdom of Piedmont: painfully hierarchical, stranger-averse and now struggling for survival.

Bad timing

After the fall of the Berlin Wall, acceleration of globalisation forced Agnelli into a corner. He had to choose between focusing on the core vehicle business, investing in it to become a serious global player, or maintaining his domestic standing as the uncrowned monarch of his conglomerate.

The choice was a hard one and not clear-cut. Globalising the car business was a highly capital-intensive process and, until the arrival of Paolo Fresco in 1998, Fiat's management was far from international. French companies such as Peugeot or Renault also failed to globalise, but survived thanks to a careful selection of products.

Fiat, which had made its fortune out of the cheaper end of the market, lacked the skills necessary to produce cars for a more affluent clientele. Meanwhile, Italians as a whole were getting richer and wanting to affirm their status with better cars. Fiat's share of the national market started shrinking.

Fiat has some excuse for what happened. But, when it finally set out to internationalise itself by investing in Latin America, it got the timing badly wrong. By the time Fiat's last successful model appeared at the end of the 1990s, the new sectors it had moved into were stretching its capital base to the limit.

The acquisition of the Edison electricity company, thanks to the trade-off with Berlusconi's government, turned out to be a gigantic mistake, overextending the company debt while its car business was sinking down the plughole. Ruggiero, after a nightmarish period in government,

was pushed out, leaving Agnelli with no further influence over Berlusconi, a serious blunder both for the businessman and the powerbroker.

Inexorably, Fiat's bulimic expansionism led to the bursting of the bubble like the frog in Aesop's tale. Instead of growing one or two sectors aggressively, Fiat found with many second-rate companies spread thinly over diverse international arenas, each one too big for the Italian market to anchor.

By the beginning of the 1990s the happy duopoly between Fiat and the state sector, with its sparkling array of 'vassal' private companies paying allegiance to Agnelli through Mediobanca, the powerful merchant bank run by Enrico Cuccia, was well and truly over. Unable to fight its rivals abroad in the world markets, the company was now forced to defend at home. The privatisation process unleashed by globalisation turned many Italian state monopolies such as Eni, Enel or Telecom Italia into powerful private giants that dwarfed Fiat.

Agnelli allegorised

Agnelli was a bad model for all those versatile Italian industrialists with too many fingers in too many pies, who turned their backs on the really high global stakes. Last but not least in that line is Marco Tronchetti Provera, head of Pirelli, who took over Telecom Italia through a mountain of debts and an array of Chinese boxes (financial holdings controlling one another) and who has now amassed an empire encompassing car tyres, cables, telecoms, yellow pages directories and a small TV network. Needless to say, none of them is a top global player.

Agnelli played his part in keeping Italian capitalism small by expanding into too many sectors and suffocating potential newcomers. With 57 million people, the same size of population as Britain, Italy still has one-tenth of the number of listed British companies and a quarter of their market capitalisation.



Between 1957 and 1967 all Carabinieri headquarters (one of three Italian police forces) were kitted out with a stylish Fiat 600, chosen as 'the model that more than any other symbolised the boom of the motor industry'.

Thanks to protectionism, Fiat remained Italy's unchallenged car producer, while France has two, Germany three, Japan four, America two and even Sweden two until recently. That unique status has encouraged other Italian companies to seek and get some sort of protection.

Agnelli's Fiat contributed so much to Italy's evolution. But in the last 20 years, with all the mystic rites of an untouchable kingdom within the republic, it has helped ensure that Italy remains a closed society. As for Agnelli himself, the quest for super-power and super-wealth ended in the loss of both.

But Agnelli only took advantage of what Italy offered him. No Italian government ever seriously challenged him. Neither did the media; or at least, only in the last couple of years, when it was too late. Maybe it is true that until the end of the 1970s, a fragile Italian capitalism needed Fiat, in a country with a strong Communist party. But after the 1980s, it was vital to prepare Italian society for a modern and more democratic phase of its existence.

It was obvious that Fiat and other Italian industrial groups would resist such changes. But not a single government was willing or able to act with the kind of urgency needed to make Italy more open and competitive. The right never understood the importance of a freewheeling economy based on competition. The left would not concede that a modern capitalist system with strong checks and balances is the bedrock for a modern democracy. Anti-trust and competition laws came late and did not bite.

And today's Italian prime minister is the purest example of the monopolist's mentality, in its obsession with the trappings of power that remains at the heart of Italian business.

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