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# Small-Scale Entrepreneurship in Modern Italy – An Ethnographic Analysis of Social Embeddedness in the Access to Capital and Credit

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## 1. Introduction

Nowadays probably no social scientist would deny that the entrepreneur is a central figure in economics and plays a pivotal role in economic development. Yet, with some remarkable exceptions (such as Schumpeter) for a long time the study of entrepreneurship has been neglected in mainstream economics, as well as in sociology. Both in the history of sociology and economics the entrepreneur has been “a shadowy and elusive figure” (Cole, 1968, p.60), less studied than more impersonal structures, i.e. markets and firms. This absence is not difficult to explain. There has been little room for the entrepreneur in the abstract theory of the neoclassical model of the firm (Baumol, 1968, 1993); and, in contemporary sociology no serious attention has been devoted to considering the sociological relevance of this role beyond the influential insight of Weber. Economic anthropology has sporadically dealt with entrepreneurship, as post-war interest in development (Stewart, 1991), but has tended to focus on non Western or mainly rural societies (Barth, 1963, 1967a, 1967b; Belshaw, 1965; Geertz, 1963; Strathern, 1972; Greenfield et al., 1979). There have mainly been three ways in which anthropologists have shown interest in the study of entrepreneurship. Firstly, they have assessed the function of enterprise in the economies of small scale social groups or peasant societies. Consequently, they have studied entrepreneurs as individuals involved in the process of social and cultural change in their own social setting. What linked those two approaches was the implication that change would occur out of the expansion and growth of entrepreneurial activity. This made the entrepreneur’s role significant from both the point of view of cultural change and that of economic development. Thirdly, anthropologists have begun to turn their interest to former agrarian societies which have been de-ruralized and modernized through processes of industrial decentralization and the development of local petty commodity production.

It is only recently that the topic in entrepreneurship has finally gained more constant interest across the social sciences. Its increasing popularity certainly benefited from the hegemonic expansion of neoliberal ideology worldwide (Harvey, 2005). The political-ideological dimensions of neoliberalism have more emphatically endorsed entrepreneurialism and a risk taking attitude to cope with the global restructuring of the capitalist economy, the dismantling of the welfare state and the downsizing of the workforce. The “re-discovery” of the

entrepreneurial role in society has eventually spurred a renewed interest in sociological theory (Aldrich, 1999; Swedberg, 2000; Kim & Aldrich, 2005) and initiated several empirical studies especially on the proliferation of family businesses and small enterprises in large areas of Southern Europe, the Far East, and the developing countries. Similarly, the last twenty years of anthropological investigation of small scale industrialization in specific regional contexts has produced an extraordinary variety of data supporting the idea that the post-Fordist transition as well as the ongoing expansion of capitalist economies, in the process of destroying boundaries between societies and altering autochthonous traditions, have contributed to produce a complicated mosaic of local capitalisms (Blim, 1992, 1996; Benton, 1989; Gudeman, 1986; Kelly, 1992; Yanagisako, 2002; Smart & Smart, 2005; Narotzky & Smith, 2006). Some regions present deep historical roots of industrialization, others a shallower or lack of recent industrial history, but, on the whole, it seems that capitalism does not operate the same way everywhere. Such richness of local variation, the outcome of the interaction between cultures and economies, is an original and important anthropological contribution to the understanding of capitalism and small scale industrialization. Lauren Benton, for example, in her *Invisible Factories* (1989), has looked at the specific industrial development in a Spanish region (Valencian area), describing social relations of production, patterns of authority and division of labour in a regime of decentralized production where 'small' does not mean 'beautiful', and where the reality of social condition of labour is very different from the optimistic view promoted by neo-liberals. Another important contribution to this critique has been Michael Blim's *Made in Italy* (1990), a work on the emergence of small-scale industrialization in an Italian region (The Marches). Blim clearly suggests that this model of capitalism, which has become "the darling of neo-liberal development theory" (1990, p.3), offers a rather mixed view, with an always incumbent spectre of economic decline.

What has received little scholarly attention in all of these studies is the financial aspect that revolves around entrepreneurship: the practices of credit and money borrowing, for example, necessary to sustain entrepreneurial activities. There is actually an earlier (and limited) anthropological literature on this topic, investigating rotating credit systems, informal and formal firms of credit, but it is mainly focused on non-Western or peasant societies (Geertz, 1962; Firth & Yamey, 1964; Beals, 1970). The neglect of financial issues has been remedied in recent years both in economic sociology and anthropology with increasing research on banks and financial markets (Uzzi, 1999; Brewster Stearns & Mizruchi, 2005; Fisher & Downey, 2006), but more specific studies on various forms of capital investment are needed to understand how those wishing to become entrepreneurs or to further develop their business may access capital. This article furthers the discussion of this fundamental issue in entrepreneurship by discussing some cases in anthropological terms by drawing on ethnographic material I have collected in my on-going research on entrepreneurs, small size enterprises and family firms in Northern Italy.

Northern and Central Italy are punctuated by a large number of small firms variably clustered in localized or territorially based systems of specialized production: the so-called industrial districts. Entrepreneurship is widespread among the population. In the area where I have carried out my fieldwork research - the Brianza in Lombardy<sup>1</sup> - for example,

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<sup>1</sup> My fieldsite includes a group of 30 enterprises located in 5 small neighbouring municipalities roughly 30-40 km North of Milan, the capital of Lombardy. To protect the identity of my informants and their enterprises I have used fictitious names.

there are two industrial districts (metalworking and furniture sectors) and, as a whole, the manufacturing industry includes some 10,000 factories - a density of 24 factories per square kilometer, with an average of 11 employees per firm. The presence of so many firms and consequently entrepreneurs in this area implies the existence of a peculiar socio-cultural milieu that favours capital accumulation and allows for the combination of resources to set up a business. In the attempt to illustrate this phenomenon I will employ the theoretical concept of embeddedness. By looking at various forms of credit and financial practices here I want to offer a concrete example of the firm's embeddedness in the social context in which it operates. The importance of the role of "non-economic factors" on the economy, such as interpersonal relations of trust and one's own reputation, is certainly evident in some economic approaches (Williamson, 1991), as well as in finance research, with studies showing that through the building of close ties with institutional creditors the availability of financing increases (Mitchell & Raghuram, 1995, pp.3). The advantage of the anthropological approach over others stands in its ability to "use" these non-economic - yet economically relevant - factors, to situate entrepreneurial actions within an analytical framework that comprehends economic practices, such as the financial ones as well as other forms of exchange in this context, not in terms of individualized decision making behaviour, but in terms of existing, culturally rooted and meaningful local relationships.

Turning to a brief examination of embeddedness as a conceptual framework, I want to suggest a use that tries to preserve the original meaning proposed by Polanyi (1957) and to incorporate the new economic sociology approach theorized by Granovetter (1985). The concept of embeddedness according to Polanyi is a conceptual tool employed to understand the process of the human economy, "embedded and enmeshed in institutions, economic and noneconomic" (1957, p.250). That is to say that in a regional economy such as the Brianza, firms, families, and local banks are institutions embedded in forms of exchange that are both cultural and economic (profit making), and that this interaction of elements produces an idiosyncratic mix. Meanwhile for Granovetter embeddedness expresses the notion that social actors exist within relational, institutional, and cultural contexts and cannot be seen as atomized decision-makers maximizing their own utilities. He, therefore, extols from the concept the importance of network ties. That social networks are relevant may seem a platitude; yet, it is the nature of such relations that make Polanyi's embeddedness so interesting<sup>2</sup>. As I will show, the economy of the industrial district is entirely enmeshed within a specific local culture that highly regards the participation of the family in the enterprise, work reputation, friendship, a certain political leaning, membership in entrepreneurial associations, etc. In the end, embeddedness approaches regardless of their relevant nuances, "prioritize the different conditions within which social action takes place" (Ghezzi & Mingione, 2007, p.11). Drawing from this approach, I regard entrepreneurship as a social as well as an economic phenomenon, even more so in an industrial district. It must be inescapably viewed as enmeshed in different social, cultural and cognitive contexts. By the same token I argue that the search for, the access to, and the various forms of credit as capital investment to support local entrepreneurship cannot be separated from the culture from which they come into being.

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<sup>2</sup> For a debate on the usage of the term "embeddedness" see Gemici (2008) as well as Krippner *et al.* (2004)

## 2. Access to capital and credit: Central and local intervention

“The most interesting question [...] is to what extent industrial families are recruited directly from the working class and, to that extent, form no more than the upper layer of that class.” (Schumpeter, 1955:129-130)<sup>3</sup>.

Indeed Schumpeter’s remark seems to apply perfectly to the character of entrepreneurship in the Brianza, a sort of working class entrepreneur as most of my informant-entrepreneurs “had risen directly from the working class”. The downsizing of large factories in Brianza was partly responsible for the creation of most of these small firms and for paving the way for the further development of the industrial district. Being vertically integrated, these factory ‘raised’ skilled workers of all sorts: tool-makers, mould-makers, designers, welders, milling-machine operators, lathe operators and so on. When several of these highly specialized workers and foremen were made redundant during the cyclical restructuring periods, several of them were able to become self-employed and set up their own workshop, often in partnership with former co-workers and the substantial help of kin. The lay-offs that ensued, instead of generating massive unemployment, stimulated local energies for the formation of several small manufacturing activities. The specific technical skills acquired in the large factory moved outside and initiated a process of small scale industrialization that continues today.

Class barriers are not insurmountable, as my informants’ stories seem to show, but there have to be a few necessary and crucial pre-conditions, social, material and ideological, for vertical movements across classes to happen. In this respect, my informants’ life histories put much emphasis on the importance of land ownership and of skill formation, and on how these ‘assets’ were obtained through the mobilization of resources that were not equally accessible to everyone. In this section, I will present some of these stories to illustrate the actual passage from wage labour to small-scale entrepreneurship. Yet, these stories stretch ahead of this specific moment in my informants’ work experience to examine how such a newly achieved position needs to be sustained through the mobilization of new and old social relationships. These relationships create the ties necessary to bring into being or actively participate in subcontracting networks and to increase the potential to access capital and credit. This aspect, too, should be understood in terms of resources mobilized by the use of formal and informal relationships, even as the institutional framework appears to formally guarantee equality of access.

Linda Weiss (1988) has argued that one of the most remarkable features of Italian petty capitalism is its strong partnership with the state. Central and regional governments have always been financially and politically involved in creating the conditions for small business to come about and develop: “Italy’s small business economy expanded and prospered because it had something its European counterparts lacked: a highly sympathetic state.

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<sup>3</sup> The implicit assumption in Schumpeter’s statement is Weber’s theory of free labour, which is at the centre of his economic sociology: modern capitalism would not have been possible without “the rational capitalistic organization of (formally) free labour” (Weber, 2001, p. 21). Like Weber and unlike Sombart (1982, 1967), who strongly believed in an elitist idea of the entrepreneur, Schumpeter conceives the market in terms of competition between ‘free’ individuals. He sees a completely fluid society in which the opportunity for advancement or the possibility of downfall is open to all. It is in the entrepreneur, though, that Schumpeter identifies the most visible protagonist of this social dynamism.

While governments elsewhere celebrated its contradiction or encouraged its elimination, the Italians created a distinctive category of small capital and set about populating and replenishing it" (1987, p.9).

The Artisan Fund (*Artigiancassa*), a public national program of loans for artisan workshops<sup>4</sup>, and a variety of more recent regional programs, such as *confide* and *vaucher*, tailored to the specific needs of small businesses are clear evidence of the long standing interest that the Italian state has had in this matter. In contrast with Weiss' view of an active central state, Trigilia (1986; 1989) has put emphasis on the local dimension of the political context which, strengthened by a high level of ideological consensus - either Catholic (in Northern Italy) or Communist (in Central Italy) - has implemented local policies favouring small-scale industrialization to compensate for the shortcomings of the central political economy. He writes: "[...] This process was largely unplanned, though it was influenced by political decisions or, more frequently, non-decisions. In the absence of effective long-term economic policies at the central level, the growth of small firms has, in fact, been based on certain economic, social, political resources which were widely available in some local areas" (1989:174). According to Trigilia, the activity of Church institutions in the north east of Italy and of the Communist Party in the centre have contributed to creating and reproducing 'subcultures' that mediate successfully between social classes with potentially conflictual interests. Moreover, the dominant role enjoyed by the parties<sup>5</sup> representing these 'cross-class subcultures' "may have contributed to increasing the stability and decision-making capacity of the local governments" (1989:189). The implementation of urban policies in support of small-scale industrialization is an example of this kind of local intervention. However, as Weiss would justly argue, these types of policies are not *per se* sufficient to stimulate development. A financial apparatus is also required to provide liquidity for investments in shop floors and machinery.

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<sup>4</sup> I use the words artisan and small entrepreneur, or "small firm", "small enterprise", "artisan firm", and "artisan workshop" interchangeably. However, a clarification of these terms is needed. In Italy 'artisan firm' is a legal classification (as stated by Law n. 443/1985) which encompasses a wide range of activities; basically most professions fall into such a category: a baker, a barber, a truck driver, an electrician, a mason, if self-employed, are artisans and have to register to the Chamber of Commerce, Industry, Artisan and Agriculture (CCIAA). In the case of manufacturing enterprises, Law n. 443/1985 - an update version of the Artisan Statute introduced in 1956 (n. 860/1956) - may apply to plants with a maximum of 10 employees, when the work involves mass assembly, namely standardized production, provided that this is not completely automated; a maximum of 18 employees in firms not involving mass assembly, and a maximum of 32 employees in workshops of traditional productions such as tailoring, artistic productions and so forth. The recruitment of apprentices may raise the number of employees up to 12, 22 and 40, respectively. These dimensional limits are not applied to co-operatives. Law n. 443/1985 also provides a legal definition of the word artisan, defined as "the owner or co-owner of the firm personally involved in the work". The companies that exceed the dimensional limits as stated by the law are to be treated fiscally and juridically as industrial firms. As manufacturing technology becomes more affordable and available to an increasing number of small enterprises, it is more difficult to trace a neat line between the labour process in artisan workshops and small (industrial) factories. The companies that exceed the dimensional limits as stated by the law are to be treated fiscally and juridically as industrial firms.

<sup>5</sup> These were the Christian Democratic Party and the Communist Party. Since the early 1990s they have disappeared from the political arena and have been replaced by different political parties.

These two viewpoints on small-scale industrialization are merely superficially divergent, because they tend to disclose two complementary dimensions of the same phenomenon. If anything, they capture remarkably well the methodological differences between a political scientist who privileges the complexity of the macro dimension of national policies, and a sociologist whose concern is to draw attention to the articulation between local governments and interest groups in small-firm areas.

It is easy to see how both aspects may fit into the development of small-scale industrialization in the Brianza and elsewhere in Northern Italy. To begin with, historically, these areas have been predominantly Catholic. As I will explain later (see section 4) the interaction between Catholic hegemony and the development of capitalism has favoured the creation of Catholic-based movements and institutions. As for local policies, one of the most important has been the creation of several industrial parks which have sprung up on confiscated agricultural land. Throughout the 1980s and early 1990s, the municipalities carried out the expropriation of several hectares of cultivated and uncultivated land with the prospect of creating industrial zones in order to move factories and workshops away from residential areas. In fact the land now converted into industrial estates was then assigned to co-operatives of small entrepreneurs and to private companies. In some municipalities the construction of industrial parks is still in progress. In the town where I carried out most of my early research, a group of entrepreneurs founded two co-operatives in the early 1980's and using government credits funded the construction of a few industrial compounds on the confiscated municipal land. Each participating entrepreneur obtained ownership rights after 10 years, as in the case of two informants of mine, Mr. Cedretti, and Mr. Colciago, each owner of a metal tool grinding and sharpening workshop. The success of this initiative encouraged other small entrepreneurs to do the same. At the start of the 1990s the synergy between the municipal government and the local artisan association helped four co-operatives create as many industrial compounds. At present the total number of workshops in the industrial park area is about 50, and plans are under way for future construction. Yet, without the public national program of loans that was originally provided by *Artigiancassa* - the Artisan Fund designed to provide low-interest credit for artisans who are otherwise unable to mobilize sufficient monetary resources for investments - the setting up of these industrial compounds as well as the investments in state-of-the-art machinery could have been much more difficult to achieve. By means of these loans, Cedretti and Colciago, for example, were able not only to move their workshop from a house basement to a modern shop floor, but also to purchase new machinery while still making payments on loans they had taken out for the construction of their compounds.

However, many other artisans, such as Mr. Faloni - a typical skilled metalworker who became self-employed (he is a turner, but he is able to operate a whole range of machinery) - have not been touched by these urban policies of local intervention for reasons that were probably related to his reputation, as I will explain later. Somehow, they were also excluded by the opportunities of funding provided by the Artisan Fund. My analysis, therefore, cannot limit itself to simply registering the applicability of Weiss and Trigilia's viewpoints with reference to this area of the Brianza. For obvious methodological reasons, their approaches are reluctant to engage in the analysis of the details of the everyday life of individuals and institutions. By contrast, ethnographic analysis does exactly that. It deals with an endless series of embedded social relations and particular variations that lie beneath

the blanket of cultural homogeneity advanced by Trigilia, or beyond the financial mechanisms of institutional resources analyzed by Weiss. In other words, when I draw attention to the details of my informants' everyday life and to their personal accounts, a more articulated, complex, and multifaceted reality emerges.

What I hope to achieve here are three things. First, to present evidence of the variability of credit resources that transcend the model of an institutional credit system (banking and public programs of funds); second, to demonstrate that there is an interesting practice of credit which emerges as ethnographic analysis considers the institutional access to credit; third, to provide ethnographic material in order to shed new light on the meaning of entrepreneurship outside the economic models of rational individual behaviour. The focus on credit in a micro-scale study of an industrial district may suggest interesting and broader implications for the ways in which we normally connote entrepreneurial behaviour in society. Moreover, it may contribute to bring back to the debate economy and culture as a form of "embedded" exchange. The notion of embeddedness will be used precisely for this reason, that is, as a conceptual framework to challenge theoretical preconceptions on the entrepreneurial process, to show the interrelation among family-based entrepreneurship, social and economic institutions, and cultural setting. A crucial point is to consider the economic relevance of cultural and social bonds as a key factor in maintaining mutual ties among entrepreneurs and constituting the prerogatives to build trusting relationships and commitments beyond formal contracts both in production and in credit.

### 3. Multiple resources of credit for investment

"Let's be frank: banks always help you if you have an umbrella and it isn't raining" (Mr. Lucio Lanieri, entrepreneur). In the irony of Mr. Lanieri's statement we find condensed a collective concern about the contradictory financial role of the local banking system. As the main financial intermediaries in the region, local banks put people's surplus of capital at risk in order to grant money to those with a shortage of capital. The 'side-effect' of this very simple mechanism is that borrowing money may become extremely difficult when banks regard this operation too risky, that is, when a loan has no guaranteed return. Since risk is always present in this kind of transaction, it follows that the request for collateral becomes necessary to protect the investment. Moreover, to reduce risk, the transaction is limited in place and time, that is, by limiting the loans to a specific span of time and to applicants residing locally.

A worker who quits his/her job and wishes to set up a workshop is inevitably caught into the contradiction of that mechanism. Without personal property as collateral, a request for investment capital is unlikely to be granted. The *Artigiancassa* and the *confidi* through all their financial products may assist the small entrepreneur, but the application for funds has its own rules and limitations. First, it might not be accepted; second, the value of the loan - while varying according to the financial product requested - may not entirely fulfil the business owner's individual necessities. This is particularly evident in the case of the replacement or expansion of the pool of machinery. For one thing, normally the loan is barely enough to purchase one single machine; for another, once the loan is granted, the business owner cannot submit a second loan application until s/he has repaid the first or until a specified time has elapsed from the date of his/her prior loan.

In a nutshell, these are the contradictions and the structural constraints of the credit systems. In the next section I will elaborate more on this subject by pointing out the elusiveness of informal practices embedded in the credit system at the local level. Here, rather, I would like to stress the fact that when it comes to considering the start-up phase of small enterprises, the importance of financial resources provided nationally and locally - by the Artisan Fund and by the local banks respectively - is overrated. These are, indeed, institutions of paramount importance to sustain the growth of firms that *already* operate in the market. Yet, as unanimously reported by my informant-entrepreneurs, this same institutional credit system is not equally eager to grant loans to workers who are going to quit their jobs and embark on a new and uncertain career as business owners. This occurs not only because, in general, workers lack collateral security - with the exception of their own house - but also because a great number of workshops often start out as semi-informal enterprises, and for this reason are not eligible for any kind of financial support stemming from either public funds or bank loans.

Yet, there are other viable resources. One of these is severance pay<sup>6</sup>, which invariably becomes the very first source of capital investment for workers. Normally this is not *per se* sufficient for starting up a business, but, if combined with other monetary resources, it may be enough to purchase machinery and set a workshop in motion. Mr. Cedretti could do so by combining his severance pay with a family loan; Mr. Colciago added his severance pay to a bank loan in order to buy a new and expensive machine; Mr. Faloni bought some second hand machines using his severance pay, and purchased others on credit from a second generation commercial enterprise run by three siblings (the Rizzi's). This twelve-employee company, which sells (second-hand and new) machinery and equipment for industrial enterprises, has been an important source of credit since its creation in the late 1960 for several generations of small entrepreneurs. Several spoke about the Rizzi's in fond terms, for the help they provide. In addition, other than providing credit and technical advice about the purchase of machinery, Rizzi's enterprise is being used as a market information centre by its customers. By virtue of their daily contacts with sales agents, entrepreneurs, artisans, technicians, and workers, the Rizzi's have acquired a special familiarity in the local industrial district. In a way, they have turned into monitoring sensors of the local metalworking sector. They may come to know who is left stranded by a sudden machine failure, who is overloaded with work orders, who is facing financial problems and so forth. Both small workshop owners and client-firms rely on them to identify and assess the reliability of potential transaction partners with whom the Rizzi's may have direct or close contact. Others would call in or show up to get the telephone numbers of subcontractors for an urgent delivery or to get hold of client-firms that may contract out some work. The firm was founded by Mr. Gervaso Rizzi (1913-1997), a former worker of a large manufacturing factory who quit his job when the factory was relocated during the Second World War, in order to escape bombings. After working a few years as an electric engines sales agent, he and his brother Adelmo set up a commercial enterprise in their home town. They only worked as business partners for a couple of years. In 1967 Adelmo left to set up a similar commercial enterprise in a nearby town. At the beginning, Gervaso marketed both metalworking and woodworking machinery, but later, the increasing mechanical specialization of the area induced him to trade and sell only the former.

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<sup>6</sup> Severance pay is the indemnity paid by a company to a worker who is laid off or resigns. It is calculated on the basis of his/her wages and seniority.

According to his children, Gervaso was quite used to selling on credit. He did not have a choice but to do so, because few artisans could afford to pay for machinery in cash or through bank loans. It was an accepted social practice that new entrepreneurs would start paying for equipment out of their severance pay and a small family loan, and the rest of the sum through deferred payments. Fabio, though, Gervaso's elder son, nostalgically notices that "in those times things were different from now. It was all based on *fiducia* (trust), basically because people knew each other personally, and because there was a lot of work for everybody. Now things have changed". Yet, it is hard to assess to what extent this practice has declined at present; in fact, at another moment of our conversation, Fabio admitted that he still sells on credit to artisans he knows personally, "artisans that are hard workers". I had heard the same adagio before, and it was later repeated to me with few variations by several other entrepreneurs.

Weeks later after this interview, I came to know personally three young former workers (two siblings and their brother-in-law), who run a metalworking workshop. They described to me the purchase of five second-hand machines from the Rizzi's in a way that reminded me of the 'old-fashioned' credit arrangement Fabio had talked about. In order to set up their workshop, they began to pool their minimal severance pay and family loans, and bought machinery by making an initial payment in cash. Then Fabio agreed to give them a one-year deferred payment, before they would pay back the rest of the sum by monthly instalments. All this was stipulated through a verbal agreement, because, as one of the three young partners said to me, rehearsing the aforementioned adagio: "He knows who our family is; he knows that we are willing to work hard".

As one walks into this tiny and chock-full workshop, it is hard not to stumble on a metal component or brush against a machine such as the one which is squeezed in the centre of the shop. This numerically controlled machine was purchased directly from the maker, through its leasing agency. Machines are increasingly acquired in the following way: the leasing agency purchases the machine which is then leased to the artisan; once the artisan has finished making payments on the machine it becomes his/her property. Economically the leasing agency controlled by the machine-tool producer is advantageous for its competitive rates of interest, sometimes lower than those offered by the Artisan Fund. However, the payback period offered is shorter and therefore the artisan is compelled to work intensively in order to meet the repayment schedule stipulated in the contract.

The last form of financial help that I am going to illustrate refers to the diverse forms of aid that artisans may receive from client-firms to start a business or, more precisely, to acquire machinery. This practice is favoured by the artisan firm's statutory nature, *Società in nome collettivo* or *società individuale*, which can be translated in English as 'collective capital' and 'individual capital', respectively. In fact, unlike industrial factories, which are generally limited-liability companies or public share companies with limited financial obligations, artisan firms bear unlimited liability for their losses. In other words, should the company become insolvent, the business partners are personally liable. This applies not only in relation to credit insolvency, but also in relation to the stiff penalties acquired for the damage and late delivery of products and components.

Unquestionably such help is not disinterested: it varies according to the degree of control that the client-firm is determined to exercise on the workshop. The case of Mr. Colciago may

help to clarify the point. When he was still a worker, he read a want ad in a local newspaper writing that a local firm was looking for a third party grinder. He called up and set up an appointment with the owners. Basically his life changed dramatically after that meeting. He learned that this mid-size factory - run by two brothers - made moulds and punchers for the manufacturing of pharmaceutical tablets. At the time they were trying to phase out the grinding process, which they eventually subcontracted to Mr. Colciago and other small workshops. They would guarantee a constant supply of work all year around, except in August - traditionally the vacation period in the industrial sector. Persuaded by their proposal, he quit his job. In partnership with a worker he used to work with, Mr. Colciago bought the grinding machine that the two brothers had recommended and placed it in his basement. This machine was purchased directly from the manufacturer, an acquaintance of these two brothers and thanks to this connection he got a substantial discount on the market price. The machine was purchased with their severance pays and with a loan they obtained by putting up Mr. Colciago and his wife's house as collateral at a local bank. Thus the help he received from his first client-firm was not properly of a financial type; it took the form of technical advice, but eventually it had positive financial repercussions on him and his workshop. At the same time, though, the client-firm was using its strategic position to dictate Colciago's pace of work, and to keep him away from other client-firms. It took him quite some time to loosen the rope that tied him firmly to the firm.

Mr. Colciago also engaged in a not so unusual form of barter with another client-firm, by means of which he came into possession of a crucial (i.e. high use value ) machine tool in exchange for labour. More precisely, the machine was received as an advance payment for a work order - a kind of transaction adopted by other firms as well. Money did not obviously enter as a medium of exchange, but it did as a measure of value. The two parties bargained until they could reach an agreement on the principle of equivalence between the monetary value of the machine and the quantity of Mr. Colciago's labour that would be exchanged for the machine's agreed upon value. As he had hoped, such a *short-term* transaction in terms of credit, eventually resulted in a *long-term* working relationship.

While Mr. Colciago's case displays a certain elusiveness of credit relationships, and their variable effect on subcontracting relations, the setting up of the workshop of Tonelli, another informant of mine, represents one of the most extreme examples of complete control over the workshop as a result of direct financial help from the client-firm, the Lanieri Brother's Ltd, a well established local factory producing furniture accessories and household fixtures. Mr. Tonelli had decided to quit his job after an altercation with the factory owner's son. He sought another job and for this reason contacted Mr. Lucio Lanieri, whom he knew personally. Instead of hiring him, Mr. Lanieri proposed setting up a mould making workshop together. Which they did in about a month. Tonelli's role was logistical and technical. He helped find the physical space to set up the workshop and he rapidly procured experienced labour force by poaching skilled workers from his former factory. In the meantime, the Lanieri brothers immediately bought the essential machinery to set workshop production in motion. Their good reputation as entrepreneurs and their well known wealth played an important role in getting the machinery up and running in the workshop in such a short time. In addition, they advanced capital to Tonelli in order for him to buy a stake - 30 percent -in the company. The remaining 70 percent was held by the Lanieri brothers making them the majority stakeholders and *de facto* the proprietors of the workshop.

In concluding this section I would like to mention the case of Mr. Antonio Bracco, as it presents another form of credit relation disguised under the form of production equipment lending. Antonio is a multi-skilled worker who learned his trade by working in three different factories before starting his own business. He began to work at the age of thirteen as an unsalaried apprentice in a small wood-working workshop. He disliked his job. He would have preferred work in the metal working workshop. Luckily, after a few months he managed to get hired at a metal working firm thanks to his father's friendship with the manager of this factory's mould-making department. After a few years, eager to acquire more skills, he wanted to switch job and work on a different machine. So he was hired as a milling machine operator in a different mould-making factory, recently set up by four former workers who had been workmates of Mr. Tonelli. Soon after, he found a better paying and more interesting job in a Milan-based factory (Valvecom) which had just moved the R&D department to a small town in Brianza. The firm - specialized in mechanical pneumatic valves - employed mainly engineers and technical designers, but at the time it was seeking a few skilled workers, among which one milling machine operator, to hire on the shop floor where the pneumatic valve prototypes were built and tested, before being eventually manufactured in Milan. Antonio was hired by virtue of an affinal relationship with the manager of the R&D department, a woman whose paternal uncle was married to Antonio's paternal aunt. It was through this kin tie that the manager came to know Antonio. In the mid-1970's, Valvecom began a process of work reorganisation which consisted in reducing costs and capacity by subcontracting the production of its non-standardized components to specialized workers. As this production was the outcome of costly research, the firm was seeking workers from whom discretion and loyalty was required. Thus, the manager inquired whether Antonio and another fellow worker would consider the idea of working for Valvecom as independent subcontractors. They were supposed to machine components, such as cylinders of a particular size and other non standardized pieces, according to specific plans produced in the design office of Valvecom. According to Antonio, he and his co-worker were chosen by the manager precisely for being *persone di fiducia*, that is, trustworthy people, as well as "good workers". When they accepted Valvecom's offer and consequently resigned, the factory provided them with the necessary support to set up the workshop, for neither Antonio nor his friend could possibly mobilize sufficient capital to purchase the essential equipment. Yet, in this transaction between Valvecom and its two former workers no direct monetary exchange occurred in relation to the provision of machinery. In fact, workshop equipment - formerly used by the same workers as employees - was formally lent by the factory to Antonio and his partner in exchange for a special price for the machining operations. Valvecom also rented out to Antonio and his partner 350 sqm of free space in its compound to accommodate the workshop. Rent was paid in cash, but at a lower than average market price.

The two former workers were years later joined by their spouses, who took care of the sales department and the accounts. For about a year and a half they worked exclusively for Valvecom, but then, as the workshop began to receive work orders from other factories, they hired three apprentices and bought a few second-hand machines on credit from the Rizzi's. In the late early 1990's, though, their main client-firm lost its leading market position as a valve maker and eventually went bankrupt. As a result, collaboration with this factory was put to an end. Mr. Bracco's partner left and found employment in a factory as a worker; as for Antonio and his wife, they decided to stay in the business. They redeemed the former

partner's shares as well as the used machinery and moved their workshop to a nearby town, in a formerly brick-making plant where two large hangars had been divided up and rented out to small workshops.

#### 4. The embeddedness of the institutional credit system

In the previous section I have drawn attention to the alternative and multifarious forms of financial help which small entrepreneurs can mobilize or can have access to, when the institutional credit system turns down their loan applications - or when it is feared that they will do so. In this section, by contrast, I turn to the institutional system itself, to discuss a much more elusive matter: the hegemonic aspects embedded in the social relationships built up between two influential local institutions in the area: the local bank and the artisan association. With respect to these elements, ethnographic details are quite sketchy due to the discretion and secrecy that notoriously surrounds banking affairs. Nevertheless, they provide some material worthy of discussion. First of all, though, it is necessary to turn to local history to briefly discuss the circumstances surrounding the origins of the local bank, the *Cassa Rurale*.

At the turn of the XX century, a new generation of parish priests in Brianza stood out for their social activism as a pragmatic way to confront and contrast socialism that was trying to creep into the local communities among peasants and workers. In a short period of time they set up an effective network of associations, such as mutual aid societies, local newspapers, cooperative bakeries, dairy cooperatives and local banks, mostly modelled on the cooperative organizations of the Christian socialists and the *Gewerkschaften* created in England and Germany respectively, a few decades earlier.

On the whole, the *Casse Rurali* became the most successful financial undertaking of clerical activism in rural areas, for they paved the way for the eventual development of small scale industrialization. In Italy in 1897 there were already some 779 Catholic financial institutions of this kind in contrast to 125 institutions that were liberal leaning. Most of them (about 90 percent) mushroomed in the towns of the North (Degl'Innocenti, 1978), despite the presence of older and well-established local banks in the same municipalities. If the development of the former was never obstructed, it was because they were not thought to be in competition with the latter. In the area where I carried out most of my fieldwork research, for example, there were two branches of the Cassa di Risparmio delle Provincie Lombarde (CARIPO), established in 1823 by the Central Commission of Charity (Commissione Centrale di Beneficenza) in order to cope with the tragic consequences caused by the famine and epidemics that had hit vast areas of Lombardy during 1815-17. As a banking institution, though, it soon created financial links with the local élite, becoming a means of capital accumulation for the rich landowners and industrial capitalists, and a safe saving account office for the middle classes (Conigliani, 1905). Only with the increasing industrialization in the last decade of the Nineteenth century were a small number of peasants, factory workers and artisans able to create small saving accounts in this bank; but in most cases, they were unable to get loans (Conigliani, 1905). Thus, the creation of the *Cassa Rurale* - a general partnership with unlimited liability - meant for the associates and their families the provision of a little liquidity in case of necessity, without turning to landlords or usurers, who then would ask for repayments at exorbitant interest rates.

The first subscribers to the local cooperative bank were 28 male family-heads, all residing in the same town where it still stands today: 15 peasants, 6 wage-workers, 6 artisans (1 mason, 1 carpenter, and 4 weavers), and 1 costermonger. The parish priest and another peasant man acted as legal witnesses to the subscription procedures. In the original text of the deeds (dated 29 April 1903) regarding the constitution of the bank, the hand-written document shows the extent to which Catholicism provided the ideological basis for the drawing up of the contract (indeed carried out under the guidance of the local parish priest), and consequently, it gives us a hint of the role this institution was going to play in the community. The opening article states that “the association has the purpose of improving the religious, moral and economic aspects of the associates. Any political end is excluded”. The fourth article sets the cultural and spatial boundaries of the association by stating that only individuals who were honest, moral, and expressly “not against the Catholic Church, and that reside in the town or in the surroundings”, could join the *Cassa rurale*. Net profits would go to build up the reserve funds of the cooperative, but should the association make profits exceeding its needs, money would be given away as charity or for public purposes (art. 9). Other than stressing Catholicism, the text of the document addressed the importance of the territory and its community, within which the institution would operate and accomplish its social aims. Thus, the cooperative bank - created to provide some measures of economic protection for land-tenants, workers and artisans, particularly resulting from the widespread problem of indebtedness - did by all means seek to conflate moral and institutional goals. Not only did it promote the economic emancipation of the lower classes within a context of social solidarity to minimize class conflicts; but it also became the main source of credit for other emerging cooperatives, in need of money for their activities.

There is another point to consider and that may give us a hint of the level of embeddedness of local credit institutions. Being ideologically well defined, such cooperative institutions were not easily accessible to everybody. Indeed, there were some families, for example, who voluntarily excluded themselves from the cooperative system because of their socialist ideas, while others did not get access to membership for reasons I was unable to find in documents. The exclusion must certainly have caused discontent. An indication of this is given by the embittered account of Mr. Virginio Ratti (entrepreneur and founder of the local artisan association), who disliked the personalistic style adopted by the local cooperative bank that he regarded as an institution run by “a clique of Catholic bigots” only interested in helping the businesses of their own friends. His account refers to the years after the war; however, given that at the time the cooperative was still very small and close to its original type of organization, I gather that his view may well reflect the opinion other people had during the early decades of its creation. Interestingly, similar complaints can be still heard today toward the same bank, despite its large expansion. It is hard to prove the reliability of these remarks, nonetheless I find them interesting. The bank’s historically and deeply local roots, its commitment to operate in this territory and the personal connections between the board and the local entrepreneurs may inevitably cause tensions with specific groups and individuals. Such tensions might denote the level of intimacy that got established between the bank and some parts of its community, and might reveal the conflicting interests at stake. Yet these characteristics have kept the bank away from risky transactions on derivatives and other hazardous financial instruments in the global market. Investments are aimed to increase and sustain local business and financial speculation is eschewed.

The much more recent history of the local artisan association intertwines with that of the local bank. As I said above, the association was founded by Mr. Virgilio Ratti (the first president) and Enzo Panini (the vice president), whose brother had been president of the *Cassa Rurale* right after the war. Despite this kin connection, there was no apparent relationship between the two institutions in this period. The association has always defined itself as a non-political initiative, even though the Catholic slant - or, in Mr. Ratti's words, the "non-Communist mentality" - of the administrative board has always been a matter of fact. Its affiliation to Confartigianato, the national league of artisans that groups together all the Catholic-based local associations, casts no doubt on this point. Mr. Ratti recalls that the input needed to form the association came from the Artisan Union of Monza, which was urging the formation of Catholic-based associations to contrast those that were being formed by the Communists. "In the aftermath of the war Communism was very strong. After I was contacted, I managed to put together a bunch of artisans.... fifteen showed up at the first gathering, enough to create the association formally. Then we went to every nearby town to recruit as many artisans as we could. They needed everything and there was nothing. Metal workers needed iron, but they couldn't find it; cabinet makers needed timber, and there was no timber; everybody needed coal, and there was no coal. But we were able to get them all, by means of the coupons. We would also help members with the paper work, such as bookkeeping, tax forms, receipts, payroll,... these kind of things. "

The board members of the artisan association began to strengthen their ties with the bank when Mr. Ratti resigned in the 1960s and the Panini family consolidated its influence. As for the co-operative bank, by the end of the 1960s, it had grown considerably, mainly through investments in housing (which also helped expand the number of accounts and customers). It was in this period that the collaboration with the artisan association became more concrete. Overtime, an increasing number of artisans acquired membership in the co-operative bank. It is interesting to notice that according to the previous bank statutes - in force for 40 years - membership was open to peasants, workers, and artisans residing in the area. Subsequently, though, the term "workers" was dropped from the newly approved bank statutes. As for the peasants, they were turning into either full-time workers or artisans; hence, the only group left that would be eligible for membership was the artisan class. Unchanged was the prerequisite of residing in the towns hosting the bank headquarter and the bank's operating branches. Bank membership had evident benefits for artisans for it would facilitate access to banking and financial services, such as savings accounts, transacting deposits, and credit lines, at a lower than average cost. In 1970s, the artisan association moved into the new building of the bank headquarters, as office space was lent to the association at no cost. The move to this building gave mutual advantages to both institutions: while the bank could increase the number of artisan customers thanks to its closeness with the association, the latter could take advantage of the close propinquity to bank offices in matters of consulting and credit facilities. Recently, as the bank needed this office space back, it helped the artisan association find another location and paid for its furnishings. As the profits of the co-operative bank increased, its involvement in non-economic initiatives expanded accordingly. The most notable have been the partial provision of funds for the construction of the local technical high school<sup>7</sup>, the construction of

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<sup>7</sup> Which is visited periodically by the president of the artisan association, to promote the "values of artisanry" and, more pragmatically, to organize meetings between artisans and students, or rather, between potential employers and employees.

a seniors home, and the regular sponsorship of a whole series of local events all year around, from bicycle races and classical concerts, to street festivals and firework displays.

The close relationship between these two institutions is thought to facilitate artisans' access to credit, mainly for one reason. Unlike other banks operating in the area, the Board of *Cassa Rurale* (now renamed *Banca di Credito Cooperativo*), the organism in charge of granting loans, meets weekly on Mondays. Thus an artisan can already find out in only a few days whether or not his/her application has been accepted. However, the decision-making process that lies behind the granting of credit is not always impartial, but rather guided by personal relationships and ideological convictions. Mr. Enzo Panini, the nephew of the first vice-president and the son of a former president of the *Cassa Rurale*, is both a member of the Board of the artisan association and a regular auditor in the Board of *Cassa Rurale*. He explains that collateral security is not always a *conditio sine qua non* to receive a loan. For example, the work order contracts from a client-firm that the applicant presents in his/her application are viewed as assets, provided that this firm is known for its good reputation. The reputation of the artisan does count as much. As I learned from many informants, though, this word bears nuances that mask critical issues. The reputation of a client-firm refers to its determination to pay its suppliers regularly and to establish a steady collaboration with them. Rather, the reputation of an artisan refers to his/her (family) predisposition to work 'well' and 'hard', and by virtue of this moral quality, s/he may obtain sponsorship within the Board and outside it. But the principle of 'working hard' is not a neutral statement; it is politically loaded, it holds an ideological assumption that is reproduced weekly in the decision making process of the Board.

Admittedly, such a reading without any specific example leaves my assumption unexplained empirically. However, if I look at the organizational structure of the artisan association, I see the same élite ruling and a clearly recognizable ideological component at work, evident, for example, in the president's preoccupation with addressing in every public speech (and in several conversations with me) the importance of the values of the family, work, and Catholicism that are contained in the artisan profession. It is possible that Mr. Faloni's personal problems with the artisan association might have arisen out of his 'bad' reputation as a 'Communist', by virtue of his past role as a union representative. Among entrepreneurs, such a derogatory expression surfaces occasionally in everyday speech, to assume the metonymic meanings of trade unionist, trouble maker, or even indolent worker<sup>8</sup>.

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<sup>8</sup> In Italian the expression is "fare il comunista", that is, "to behave like a Communist". A fellow former worker of Mr. Faloni referred to his colleague using this term in a unambiguous derogatory fashion. Once in a public gathering, I observed for the first time this metonymy being staged during a discussion with other artisans. I was publicly introduced by the president of the artisan association to an audience of artisans during an evening meeting organized by this association to exchange Christmas greetings between its members and the mayor of the town. I mingled with a group of men who started asking me questions regarding my research. One of these men, an upholsterer, had been in the 1970s both a worker in a large factory near Milan and a union representative. While conversing with me about those days as a worker, he was interrupted by a couple of listeners who, mocking him and joking about his experience, said to me in Milanese dialect: "What work? He has never worked! He was one of those *sindacalisti* (trade unionists) carrying three newspapers under their arm to read while the 'real' workers would sweat on the shop floor. But the good times are over." Addressing him he added, " Now you know what it means to work!"

## 5. Conclusion

With these cases I do not claim to have exemplified entirely what is actually a far richer and complex reality. Yet, what can we learn through the ethnographic analysis? By taking a close and ethnographic look at the intricacies on the ground in a limited geographic area I have illustrated a kind of entrepreneurship that in general does not tally with popular representations of entrepreneurs' life histories: rich 'self-made men', talented innovators and market leaders. Only a minor fraction of firm owners have the capability to be so stereotypical. The reality of industrial districts is less glossy than what appears at first glance. The subcontractors make up the majority of the entrepreneurs. They seek client-firms because these provide constant work orders, nonetheless, they fear them because they might become exploitative, and exert control over their work process, generating conflicting interests. Subcontracting networks are three-dimensional systems: they constitute a stratified, hierarchical group of companies and production units in which competition and interdependence mask strong tensions and contradictions, that can only be reduced through the oft said adagio: "working hard". The process of building this kind of reputation (which encompasses the notion of competence, and capability of providing quality products) begins even before the small entrepreneur starts up his/her own business and engages himself/herself in a relationship with a client firm. It begins when he/she is still a worker and acquires the skill that will be used as "symbolic" capital in exchange for economic capital.

In presenting these case studies I have tried to single out and describe further aspects implicated in the passage from wage labour to petty entrepreneurship. Throughout the chapter, the general focus has been on the differences in social, economic, and institutional resources available to former workers now entrepreneurs for dealing with their new social condition. I have shown the importance of interpersonal relationships in setting up their own business, and in creating, reproducing, and sometimes, limiting subcontracting relationships. Where do workers get the initial capital to get started? How do they come to possess their own means of production? With these questions in mind I have described the multifarious forms of financial help and credit that are available in the social system. Public national programs of loans and the credit from local banks constitute the two opposite levels (the central and the local, respectively) of what I have termed the 'institutional credit system'. However important they are, their capacity to grant credit is obviously limited by the inherent risks involved in this operation. To make up for their limitations, other forms of credit and financial assistance emerge out of the agency of artisans and entrepreneurs who are capable of acting upon the constraints of the system. Similar to what I have shown above, these resources are visibly mobilized within a context of unequal power, and may contribute to increase the level of exploitation and of external control on the workshop. Finally, I have turned my attention to the local bank, and I have argued that although it appears to formally guarantee equality of access to credit, in reality, it cannot escape elusive forms of favouritism because of its embeddedness in the complexities of the on-the-ground social and economic relations. There must be a tension in the decision making process within the board of the bank to reconcile calculation and commitment toward local applicants, some of which seem more "deserving" than others. My limited access as an ethnographer to the workings of the local bank system did not allow me to document the manifestations of such tensions, nor the discrepancies within each decisional process. Yet, most informants have confirmed the benefits of building close ties with institutional creditors, because the availability of financing increases.

As I have described there is a wide range of types of financing that, incidentally, recent literature on business studies has termed “financial bootstrapping” or “bootstrapping methods” (Winborg and Landström, 2000). Alongside the well known government assisted financing, bank credit, and leasing, there are other less studied and more informal practices of credit, that cannot be merely reduced to money lending and that seem to work properly only in contests of embeddedness, within forms of exchange that are culturally engendered and facilitated by the social networks built by workers, entrepreneurs and local brokers (see Table 1). For example, barter as a form of exchange between two parties was an effective way to provide machines in exchange for labour because of a shortage of liquidity on behalf of one party; in addition it allowed the work relation to continue in the long run. Informally deferred payments were also adopted to meet the initial difficulties of new entrepreneurs, as well as the setting of lower than average prices for machines and rental space. Others shunned indebtedness of any kind for fear of external control over their activities, and therefore relied on their own (or family) capital and labour, keeping a low profile of risk taking. In their view capital market and other sources of financing were seen suspiciously. In accordance to this principle entrepreneurs with low risk profiles rely more on skilled and unskilled labour than capital (i.e. expensive machines).

Network embeddedness	Institutional embeddedness	Personal assets
<i>(Informal arrangements)</i>	<i>(The institutional and formal access to credit)</i>	<i>(Symbolic)</i>
<ul style="list-style-type: none"> <li>• Barter</li> <li>• buying second hand machines</li> <li>• loan from relatives/friends</li> <li>• leasing with informally delayed payments</li> <li>• rent paid below market value</li> </ul>	<ul style="list-style-type: none"> <li>• local banks</li> <li>• national and regional loan programs</li> <li>• leasing with private companies</li> </ul>	<ul style="list-style-type: none"> <li>• good reputation</li> <li>• excellent skills</li> <li>• entrepreneur’s family involvement</li> <li>• religious/political belief</li> </ul>
		<i>(Social)</i>
		<i>(Material-collateral)</i>
		<ul style="list-style-type: none"> <li>• friendship, acquaintances</li> <li>• house</li> <li>• home workshop</li> <li>• severance pay</li> <li>• family savings</li> </ul>

Table 1. The embeddedness of credit

Thus the anthropological approach towards the role that culture and social networks play in the credit transactions I have observed sheds light on fundamental issues not only on the character of entrepreneurship, but also on the various forms that economic development may take at the local level. Moreover the ethnographic analysis of the embeddedness of the economy calls into question neoclassical economic models which appear to be ideological and unable to represent the local context. And so we are brought back to Polanyi’s original

idea, that economic life is 'embedded and enmeshed in institutions, economic and noneconomic' (1957, p.250). Polanyi's notion of embeddedness allows us to conceptualize a comprehensive view of the market economy, to observe the connections between economic and social/cultural phenomena, and to regard the latter as by no means residual. By the same token, the use of embeddedness as a conceptual frame enables us to gaze at entrepreneurship by eschewing the limits of economic models that explain entrepreneurial behavior detached from the cultural context. We could also turn our attention to entrepreneurship as a point of departure, in the sense that it is through the study of entrepreneurship as a social and cultural phenomenon that we can easily see the extent of the embeddedness of the market economy. This is what has been accomplished here, by analyzing how entrepreneurial opportunities are enhanced (or at times hindered) by financing "as instituted process" - to paraphrase one of Polanyi's fundamental articles (1957). Entrepreneurship is essentially a social and a cultural phenomenon as much as an economic one. Just look at the importance of the symbolic personal assets, such as reputation, esteem, family, working skills, political and religious beliefs. They represent the cultural sphere and play an economically relevant role as symbolic collateral to lower the barrier to credit access and to initiate social relations that eventually turns into valuable economic capital.

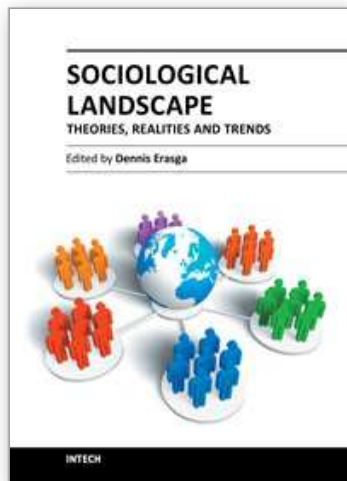
What stands to be seen is how and if the forms of embeddedness examined in this paper will alter and/or persist in light of the global economic crisis and to observe if there will be new forms of credit and if they will be embedded or rather dis-embedded practices.

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