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Emanuele Felice

The Socio-Institutional Divide: Explaining Italy's Long-Term Regional Differences

Italy's regional economic growth and the reasons behind the persistent North–South divide have generated much interest in Italian and international studies of economics, sociology, anthropology, and history. Moreover, cinematic and literary works have brought attention to the divide through popular Western culture. In recent years, economic historians have taken important steps in the assessment of Italy's long-term regional development and its determinants. New and more accurate regional estimates, regarding the period from Italy's unification to the present day, are now available for GDP (arguably, the main measure of economic growth), employment, and productivity, as well as for several social and non-monetary measures—for instance, human capital, life expectancy, the human development index (HDI), height, inequality, nutrition, poverty, social capital, and market potential. This broad array of new figures has yet to be properly discussed and interpreted. Among other things, it will provide valuable insights into the causes of the North–South divide and the features of Italy's modern economic growth.[1]

This article reviews the debates about the determinants of Italy's regional economic growth, using the new historical estimates

Emanuele Felice is Associate Professor of Economics, Università "G. D'Annunzio" Chieti-Pescara. He is the author of *Perché il Sud è rimasto indietro* (Bologna, 2013); *Ascesa e declino. Storia economica d'Italia* (Bologna, 2015); *Storia economica delle felicità* (Bologna, 2017); with Giovanni Vecchi, "Italy's Growth and Decline, 1861–2011," *Journal of Interdisciplinary History*, XLV (2015), 507–548.

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1 Felice, "Regional Development: Reviewing the Italian Mosaic," *Journal of Modern Italian Studies*, XV (2010), 64–80; *idem*, "Regional Value Added in Italy, 1891–2001, and the Foundation of a Long-Term Picture," *Economic History Review*, LXIV (2011), 929–950; *idem*, "La stima e l'interpretazione dei divari regionali nel lungo periodo: I risultati principali e alcune tracce di ricerca," *Scienze Regionali / Italian Journal of Regional Science*, XIV (2015), 91–120; *idem* and Giovanni Vecchi, "Italy's Growth and Decline, 1861–2011," *Journal of Interdisciplinary History*, XLV (2015), 507–548; *idem*, "The Roots of a Dual Equilibrium: GDP, Productivity and Structural Change in the Italian Regions in the Long-Run (1871–2011)," Bank of Italy Economic History Working Papers, 40 (August 2017); Brian A'Hearn and Vecchi, "Statura," in Vecchi (ed.), *In ricchezza e in povertà: Il benessere degli italiani dall'Unità a oggi* (Bologna, 2011),

and international economic literature, in four stages: (1) It provides an updated picture of Italy's regional development before the country's unification (1861) in terms of GDP and social indicators. (2) It discusses the evolution of regional GDPs from the late nineteenth century to the present day (in twenty-year benchmarks, from 1871 to 2011, with current borders), in connection with Italy's industrial expansion and modern economic growth. (3) It re-assesses the competing hypotheses purporting to account for the persistent North–South divide and different regional patterns. (4) It argues that a socio-institutional divide between Italy's North and South existed before unification and, in some respects, grew even stronger after unification. Such a divide ultimately affected human and social capital, policy outcomes, institutional performances, and thus economic growth.[2]

THE PRECONDITIONS FOR GROWTH BY THE TIME OF UNIFICATION

The new historical estimates for the Italian regions begin in 1871. The available sources do not yet allow comprehensive estimates of GDP or of crucial social indicators—such as per capita years of schooling, life expectancy, social capital, and its components—for the time of unification (1861). For that year, we must resort to a series of rudimentary measurements—the production of specific goods, a few key infrastructural elements, and single components of human capital. Table 1, based on the former pre-unification states

37–72; Felice and Michelangelo Vasta, "Passive Modernization? Social Indicators and Human Development in Italy's Regions (1871–2009)," *European Review of Economic History*, XIX (2015), 44–66; Nicola Amendola, Andrea Brandolini, and Vecchi, "Disuguaglianza," in Vecchi (ed.), *In ricchezza e in povertà*, 235–269; Marina Sorrentino and Vecchi, "Nutrizione," in *ibid.*, 3–36; Amendola, Fernando Salsano, and Vecchi, "Povertà," in *ibid.*, 271–317; Felice, "Regional Convergence in Italy (1891–2001): Testing Human and Social Capital," *Cliometrica*, VI (2012), 267–306; A'Hearn, and Anthony J. Venables, "Regional Disparities: Internal Geography and External Trade," in Gianni Toniolo (ed.), *The Oxford Handbook of the Italian Economy since Unification* (New York, 2013), 599–630; Anna Missiaia, "Where Do We Go from Here? Market Access and Regional Development in Italy (1871–1911)," *European Review of Economic History*, XX (2016), 215–241.

2 Kenneth L. Sokoloff and Stanley L. Engerman, "Institutions, Factor Endowments, and Paths of Development in the New World," *Journal of Economic Perspectives*, XIV (2000), 217–232; Douglas C. North, John J. Wallis, and Barry Weingast, *Violence and Social Order: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge, 2009); Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (London, 2012). For an updated reconstruction of Italy's modern economic growth, see Felice, *Ascesa e declino: Storia economica d'Italia* (Bologna, 2015); *idem* and Vecchi, "Italy's Modern Economic Growth, 1861–2011," *Enterprise & Society*, XVI (2015), 225–248.

Table 1 The Italian Territories at the Time of Unification: Estimates and Open Questions

	POPULATION, 1861 (MILLIONS)	RAILWAYS IN OPERATION, 1859 (KM)	STREETS, 1863 (KM)	LETTERS RECEIVED PER CAPITA, 1862	ILLITERATES, 1861 (PERCENT)	PRIMARY ENROLMENT RATE, 1861 (PERCENT)
Piedmont	2.8	850	16,500	6.1	54.2	93
Liguria	0.8					
Sardinia	0.6	0	986	n.a.	89.7	29
Lombardy	3.3	522	20,901	5.3	53.7	90
Veneto	2.3		n.a.	n.a.	75.0	n.a.
Parma-Modena	0.9	0	25,766[b]	2.7[b]	78.0	36
Papal States	3.2	101			80.0[c]	25–35[c]
Tuscany	1.9	257	12,381	3.1	74.0	32
Kingdom of the Two Sicilies	9.2	99	13,787	1.6	87.0	18[d]
Italy	25.0	1.829	n.a.	n.a.	75.0	43[e]

	AGRICULTURAL PRODUCTION, C. 1857[a]		IMPORTS PER CAPITA, 1850–58 (ITALY=100)	EXPORTS PER CAPITA, 1850–58 (ITALY=100)	SILK, 1857[h]	
	TOTAL VALUE (MLN LIRE)	PER HECTARE VALUE (LIRE)			NUMBER OF BOWLS	VALUE OF RAW SILK (MLN LIRE)
Piedmont	516	169	197	108	25,000	59
Liguria						
Sardinia	48	23				

Table 1 (Continued)

	Agricultural production, c. 1857[a]		Imports per capita, 1850–58 (Italy=100)	Exports per capita, 1850–58 (Italy=100)	Silk, 1857[h]	
	Total value (mln lire)	Per hectare value (lire)			Number of bowls	Value of raw silk (mln lire)
Lombardy	435	238	120	145	34,627	80
Veneto	270	128			20,000	33
Parma-Modena	197	174	136	114	2,500	6
Papal States	264	68	52	54	5,000	12
Tuscany	242	117	185	127	3,300	8
Kingdom of the Two Sicilies	870	81	45[f]	52[f]	14,400	35
Italy	2,842	104	*3.74*[g]	*3.27*[g]	104,827	233

	Cotton, 1857 (number of spindles)	Paper production, 1858 (total value, mln lire)	Modern engineering firms, 1861 (workers)	Wool, 1866 (number of looms)	Leather production, 1866 (tons)	Extractive manufacturing industries, 1861 (per capita value of production, Italy=100)[n]
Piedmont	197,000	6.4	2,204[k]	2,700	4,150	97.1
Liguria			2,255	350		212.1
Sardinia			40	0	0	70.7
Lombardy	123,046	4.5	1,522	550	1,909	100.2
Veneto	30,000[i]	0	1,250	850	2,150	99.9
Parma-Modena	0	1.5	100	0	796[m]	93.2

Papal States	30,000[i]	1.8	759	400[m]		
Tuscany	3,000[i]	2.2	1,147	600	1,286	112.8
Kingdom of the Two Sicilies	70,000[i]	3.0	2,500[l]	1,640	4,083	93.3
Italy	453,000[i]	19.4	11,777	7,090[m]	14,274[m]	11.4[o]

NOTES AND CRITICAL APPARATUS (a) According to several scholars, the estimates of agricultural production are unreliable, and the figures for both the Papal States and the Kingdom of the Two Sicilies are underestimated: See Guido Pescosolido, "Alle origini del divario economico," in Leandra D'Antone (ed.), *Radici storiche ed esperienza dell'interventos traordinario nel Mezzogiorno. Taormina, 18–19 novembre 1994* (Rome, 1996), 13–36. (b) For Parma, Modena, and the Papal States, data for the kilometers of streets and letters received do not include Latium. (c) For the Papal States, the illiterates and primary enrollment rate are a rough estimate. (d) For the Kingdom of the Two Sicilies, the primary enrollment rate refers only to the continental South; for Sicily, the 9 percent estimate recorded in Zamagni, "Istruzione" (see Sources) is probably too low, even for the author herself; (e) As a consequence of points (c) and (d), the enrollment rate for Italy as a whole is also a rough estimate. (f) For the Kingdom of the Two Sicilies, the figures are population-weighted averages between the continental provinces (35 imports, 31 exports) and Sicily (72 imports, 111 exports). (g) The reference is to 1913 dollars. (h) The time is before the disease that killed the silkworms, after which, the primacy of Lombardy arguably grew even stronger, while the production of southern Italy became negligible (Zamagni, *Introduzione*, 43) (see Sources); (i) These numbers are rough estimates. (k) According to an alternate estimate, workers in Piedmont's modern engineering firms numbered about 7,500: See Mario Abrate, *L'industria siderurgica e meccanica in Piemonte dal 1831 al 1861* (Turin, 1961). (l) For the Kingdom of the Two Sicilies, the estimate refers only to Campania (2.225) and Sicily (275). (m) Latium is not included. (n) The extractive manufacturing industries are engineering, metallurgy, nonmetallic minerals, chemicals, and rubber. (o) The reference is to 1911 lire.

SOURCES For population, see Svimez, *Un secolo di statistiche italiane: Nord e Sud 1861–1961* (Rome, 1961); for railways in operation, kilometers of streets, letters received per capita, and agricultural production, Cesare Correnti and Pietro Maestri, *Annuario statistico italiano per cura di Cesare Correnti e Pietro Maestri* (Turin, 1864); for illiterates and primary enrolment rates, Vera Zamagni, "Istruzione e sviluppo economico: Il caso italiano, 1861–1913," in Gianni Toniolo (ed.), *L'economia italiana 1861–1940* (Rome, 1978), 137–178; for imports and exports, Giovanni Federico and Antonio Tena, "The Ripples of the Industrial Revolution: Exports, Economic Growth, and Regional Integration in Italy in the Early Nineteenth Century," *European Review of Economic History*, XVIIII (2014), 349–369; for the data about silk, cotton, and paper, Maestri, "Della industria manifatturiera in Italia," *Rivista Contemporanea*, LXXXVIII (1858), 207–431; for employment in modern engineering firms, Felice Giordano, *L'industria del ferro in Italia* (Turin, 1864); Camera dei Deputati, *Atti Parlamentari, sessione 1865–66, n. 24A, Stabilimenti meccanici esistenti in Italia* (Turin, 1864), 70–89; for the data about wool and leather, Maestri, *L'Italia economica nel 1868* (Florence, 1868), 198–199; for the value of production from extractive manufacturing industries, author's elaborations from Carlo Ciccarelli and Stefano Fenoaltea, "La cliometria e l'unificazione italiana: bollettino dal fronte," *Meridiana*, LXXIII–LXXIV (2012), 258–266. Early versions of this table, without the last entry and certain figures (now outdated), see Zamagni, *Dalla periferia al centro. La seconda rinascita economica dell'Italia / 1861–1990* (Bologna, 1990), 40–41; *idem*, *Introduzione alla storia economica d'Italia* (Bologna, 2007), 42–43; *idem*, "La situazione economico-sociale del Mezzogiorno negli anni dell'unificazione," *Meridiana*, LXXIII–LXXIV (2012), 267–281.

(rather than the post-unification regions), contains a summary of the available evidence, which is not always reliable, as the extensive notes illustrate.

Despite the uncertainty surrounding some estimates, the gist of these data is clear. At the time of unification, a gap existed between North and South in what concerns the "pre-conditions" of development—roads, railways, communications, and levels of human capital (as measured by the rate of literacy or the enrollment rate). In these measures, the South—including Sardinia, in the Kingdom of Savoy—clearly lagged behind the rest of the country and, in particular, the future "industrial triangle." Central Italy occupied an intermediate position between North and South. Conversely, in terms of agricultural and industrial production, the gap between North and South, although present, was much less pronounced. In the Kingdom of the Two Sicilies, agricultural production per hectare was not worse overall than it was in the Papal States; indeed, it may even have been a little better. From the Papal States to the Kingdom of the Two Sicilies, the production of the most advanced goods (involving metallurgy, mechanics, and nonmetallic minerals and chemicals) was, in per capita terms, roughly equivalent. Although both of these states lagged behind the rest of the peninsula, the difference was relatively small (in per capita terms, approximately 15 to 20 percent).

The upshot is that the South and the islands boasted production and output comparable to that of Central Italy, but their figures with respect to social indicators and the preconditions of development were lower. We should also add that Italy as a whole at that time was a backward country compared to northwestern Europe, which was already experiencing the Industrial Revolution. By 1861, Italy had 2,404 km of railway in operation (40 percent of it in Piedmont), compared to 15,210 in the United Kingdom, 11,500 in Germany, and 9,600 in France. Italy produced at least 27,000 tons of cast iron (possibly as many as 60,000), compared to 3,772,000 in the United Kingdom, 898,000 in France, 592,000 in Germany, 320,000 in the Russian Empire, 315,000 in Austria-Hungary, and 312,000 in the small country of Belgium.

In 1861, Italy was generally poor. Its per capita income (at purchasing-power parity) was less than one-thirteenth the current one (estimated at 1,971 in 2011 euros; a century and a half later, it was 26,065), approximately 82 percent of the French average, 63 percent of the Belgian, and 50 percent of the British. The income gap between France and Italy was probably as high as that between the North and the South of the peninsula, let alone any comparison with the United Kingdom.[3]

To the information presented in Table 1, we can add something more about the North–South divide. According to an estimate by Vecchi et al., 44 percent of the Italian population lived below the poverty line in 1861 (as estimated for that time). For the entire Mezzogiorno—the South and the islands—(regional figures are not available), the figure rose to 52 percent, whereas for the Center-North, it decreased to 37 percent. Hence, the proportion of poor people in the Mezzogiorno was 40 percent higher than in the rest of the country—a gap considerably larger than that observed in production. Average heights of twenty-year-old conscripts were also considerably lower there (160.9 cm) than in the Center-North (164.1 cm; the Italian average was 162.9), although we should not forget the role played by genetic, dietary, and nutritional differences.

Reliable estimates of life expectancy, which begin in 1871, suggest a further sharp North–South divide: The north-central average life expectancy was 33.8 years; it was only 31.9 in the South and the islands (the Italian average was 33.1). Given these figures and those in Table 1, we can infer that personal inequality was higher in the South than in the Center-North; in the South, the available wealth tended to be concentrated among a smaller group of privileged elite. Consequently, most of the population in the South had to endure living conditions far worse than those in the North (as all of the social indicators attest), even though the differences in production were relatively limited. Moreover,

3 Alberto Caracciolo, "La storia economica," in Aa.Vv., *Storia d'Italia. III. Dal primo Settecento all'Unità* (Turin, 1973), 622; Toniolo, *Storia economica dell'Italia liberale: 1850–1918* (Rome, 1988), 71; Jon Cohen and Giovanni Federico, *Lo sviluppo economico italiano* (Bologna, 2001), 87; Brian R. Mitchell, *International Historical Statistics: Europe 1750–2005* (New York, 2007), 495–496, 737–741; Rosario Romeo, *Breve storia della grande industria in Italia* (Bologna, 1972), 20; Alberto Baffigi, "National Accounts, 1861–2011," in Toniolo (ed.), *Oxford Handbook*, 157–186; Felice and Vecchi, "Italy's Growth"; Angus Maddison, *Historical Statistics of the World Economy: 1–2008 AD* (Paris, 2010); Jutta Bolt and Jan Luiten van Zanden, "The Maddison Project: Collaborative Research on Historical National Accounts," *Economic History Review*, LXVII (2014), 627–651.

illiteracy in the South alienated a large share of the population from public affairs and denied them an opportunity for social mobility.[4]

The sharper polarization between rich and poor in the South was supported by extractive institutions. The extensive large estates created favorable conditions for absentee landowners, relegating millions of poor farmers to work for them as day laborers. The absolutist monarchy in the Kingdom of the Two Sicilies during the nineteenth century prevented the bourgeoisie from participating in public affairs. Early forms of organized crime (Mafia and Camorra) emerged during the late Bourbon era because of the state's inability to maintain order and ensure justice, enlisting frustrated members of the bourgeoisie into a new class that in many respects imitated the aristocracy in cultural and economic interests. These extractive institutions in the South, with their attendant inequalities and low standards of human and social capital, were reinforced by a considerable dearth in resources and its economic consequences.[5]

ITALY'S REGIONAL DEVELOPMENT (1871–2011) Regional estimates of per capita GDP have recently been produced for benchmark years, from 1871 to 1951. By linking them to the official figures from the 1960s onward, a long-term picture of Italy's regional development can be generated. The data presented in Table 2 and Figure 1 are based on current regional borders.

In 1871, the scope of regional imbalances was still in line with the numbers in Table 1 (referring to 1861) and with the analysis of the previous section. Although Italy remained poor on average, the North–South divide was relatively slight. At that time, there was considerable variety within the three Italian macro-areas (the Northwest and the Northeasts and Center [henceforth NEC], and

4 Amendola, Salsano, and Vecchi, "Povertà"; A'Hearn and Vecchi, "Statura"; Felice and Vasta, "Passive Modernization?" According to Vincenzo Atella, Silvia Francisci, and Vecchi, "Salute," in Vecchi (ed.), *In ricchezza e in povertà*, 73–129, life expectancy was 33.7 years in the North's center in comparison to 31.5 in the South and the islands; by 1861 (this estimate is uncertain), it was 32.6 and 32 years, respectively.

5 Benedetto Croce, *Storia del Regno di Napoli* (Bari, 1965; orig. pub.1925); Giuseppe Galasso, *Il Mezzogiorno nella storia d'Italia* (Florence, 1977); John A. Davis, *Merchants, Monopolists and Contractors: A Study of Economic Activity and Society in Bourbon Naples, 1815–1860* (New York, 1981); Emilio Sereni, *Il capitalismo nelle campagne (1860–1900)* (Turin, 1946); Salvatore Lupo, *Storia della mafia: Dalle origini ai nostri giorni* (Rome, 2004); Felice, *Perché il Sud è rimasto indietro* (Bologna, 2013), 61–74.

Table 2 The GDP per Capita of the Italian Regions, 1871–2011 (Twenty-Year Intervals)

	1871	1891	1911	1931	1951	1971	1991	2011	1871–1891	1891–1911	1911–1931	1931–1951	1951–1971	1971–1991	1991–2011	1871–2011
	ITALY=1 (ITALY IN 2011 EUROS FOR THE NATIONAL TOTAL)								YEARLY GROWTH RATE							
Piedmont	1.07	1.07	1.16	1.23	1.51	1.24	1.14	1.09	0.6	1.7	1.1	2.6	4.2	2.4	0.4	*1.8*
Aosta Valley	0.80	1.06	1.29	1.43	1.58	1.44	1.42	1.36	2.1	2.3	1.3	2.1	4.7	2.7	0.4	*2.2*
Liguria	1.38	1.39	1.57	1.64	1.62	1.04	1.06	1.06	0.7	1.9	1.0	1.5	2.9	2.9	0.6	*1.6*
Lombardy	1.14	1.14	1.18	1.23	1.53	1.36	1.32	1.29	0.6	1.4	1.0	2.7	4.6	2.7	0.5	*1.9*
Trentino-Alto A.	0.69	0.78	0.78	0.92	1.05	1.07	1.30	1.29	1.3	1.3	1.6	2.3	5.3	3.8	0.6	*2.3*
Veneto	1.06	0.81	0.88	0.73	0.98	0.98	1.12	1.15	−0.7	1.7	−0.1	3.1	5.2	3.5	0.7	*1.9*
Friuli-Venezia G.	1.25	1.22	1.28	1.17	1.11	0.95	1.04	1.13	0.5	1.5	0.3	1.3	4.4	3.3	1.0	*1.8*
Emilia-Romagna	0.96	1.06	1.09	1.09	1.12	1.14	1.22	1.22	1.1	1.4	0.8	1.7	5.3	3.2	0.6	*2.0*
Tuscany	1.06	1.03	0.98	1.06	1.05	1.08	1.05	1.09	0.5	1.0	1.2	1.5	5.3	2.7	0.8	*1.9*
The Marches	0.83	0.88	0.82	0.71	0.86	0.88	0.95	1.02	0.9	0.9	0.1	2.6	5.3	3.2	1.0	*2.0*
Umbria	0.99	1.06	0.92	1.00	0.90	0.93	0.96	0.92	1.0	0.5	1.2	1.1	5.4	3.0	0.4	*1.8*
Latium	1.34	1.37	1.33	1.40	1.07	1.10	1.14	1.13	0.7	1.1	1.1	0.2	5.3	3.0	0.6	*1.7*
Abruzzi	0.80	0.68	0.70	0.62	0.58	0.79	0.90	0.85	−0.2	1.4	0.2	1.3	6.8	3.5	0.3	*1.9*
Molise	0.80	0.67	0.68	0.64	0.57	0.66	0.78	0.78	−0.3	1.3	0.5	1.0	6.0	3.7	0.6	*1.8*
Campania	1.09	0.99	0.96	0.81	0.69	0.70	0.66	0.64	0.2	1.1	−0.1	0.8	5.3	2.5	0.4	*1.4*
Puglia	0.89	1.04	0.87	0.85	0.65	0.71	0.68	0.68	1.4	0.4	0.7	0.2	5.7	2.6	0.6	*1.6*
Basilicata	0.67	0.75	0.74	0.70	0.46	0.73	0.67	0.71	1.2	1.2	0.5	−0.5	7.7	2.4	0.9	*1.9*
Calabria	0.69	0.68	0.71	0.55	0.47	0.66	0.62	0.65	0.6	1.5	−0.5	0.8	7.0	2.5	0.8	*1.8*
Sicily	0.95	0.95	0.87	0.82	0.58	0.69	0.72	0.66	0.6	0.8	0.5	−0.1	6.1	3.0	0.2	*1.6*
Sardinia	0.77	0.97	0.93	0.85	0.63	0.85	0.77	0.77	1.8	1.0	0.3	0.1	6.8	2.3	0.6	*1.8*

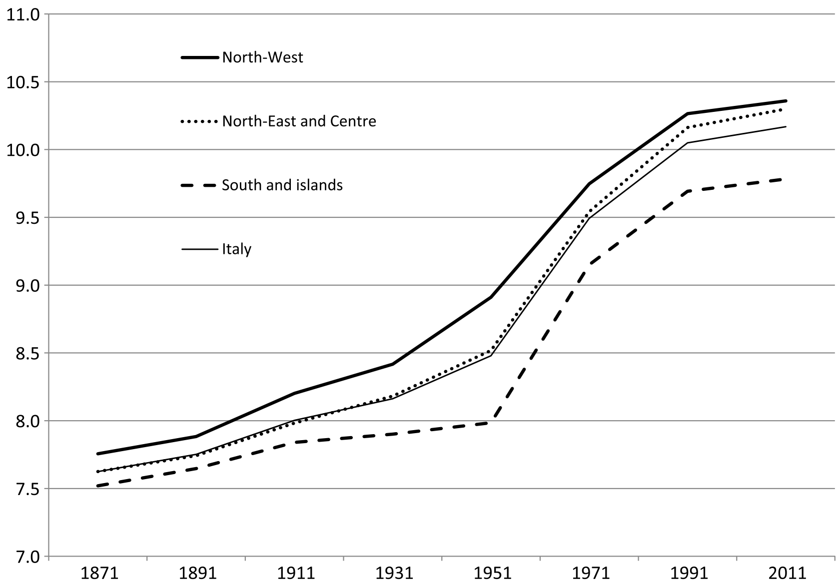
Table 2 (Continued)

	1871	1891	1911	1931	1951	1971	1991	2011	1871–1891	1891–1911	1911–1931	1931–1951	1951–1971	1971–1991	1991–2011	1871–2011
	ITALY=1 (ITALY IN 2011 EUROS FOR THE NATIONAL TOTAL)								YEARLY GROWTH RATE							
Northwest	1.14	1.14	1.22	1.29	1.54	1.29	1.24	1.21	0.6	1.6	1.1	2.5	4.3	2.6	0.5	*1.9*
Northeast and Center	1.00	0.99	0.98	1.02	1.04	1.05	1.12	1.14	0.6	1.2	1.0	1.7	5.3	3.2	0.7	*1.9*
South and islands	0.90	0.90	0.85	0.77	0.61	0.71	0.70	0.68	0.6	1.0	0.3	0.4	6.0	2.7	0.5	*1.6*
Center-North	1.06	1.06	1.08	1.13	1.23	1.15	1.17	1.17	0.6	1.4	1.0	2.0	4.8	2.9	0.6	*1.9*
Italy total	2,049	2,327	2,989	3,506	4,813	13,268	23,141	26,065	0.6	1.3	0.8	1.6	5.2	2.8	0.6	1.8

NOTES Italy=1 (Italy in 2011 euros for the national total). Northwest comprises Piedmont, Aosta Valley, Liguria, and Lombardy. Northeast and Center comprise Trentino-Alto Adige, Veneto, Friuli-Venezia Giulia, Emilia-Romagna, Tuscany, the Marches, Umbria, and Latium. The other regions belong to the South and the islands. Center-North is composed of the Northwest, Northeast, and Center.

SOURCE Emanuele Felice, "The Roots of a Dual Equilibrium: GDP, Productivity and Structural Change in the Italian Regions in the Long-Run (1871–2011)," Bank of Italy Economic History Working Papers, 40 (August 2017).

Fig. 1 The Growth of Italy's Macro-Regions, from 1871 to 2011 (Per Capita GDP)



SOURCE/NOTE Elaborations from Table 2. For the composition of the three macro-areas, see Table 2.

the South and the islands): Campania, the largest region of the South, ranked above the Italian average; in the NEC, certain regions (Trentino-Alto Adige, then belonging to the Austria-Hungarian Empire) were among the poorest and others (Latium) among the richest in Italy. Although the NEC was around the Italian average, the Northwest above average, and the South and the islands below average, the regions within these different macro-areas had considerable similarities in 1871. In terms of per capita GDP, none of the three macro-regions clearly formed until the mid of the twentieth century. By 1951, all the regions of the South had fallen behind all the regions of the NEC, which were behind all the regions of the Northwest. Convergence occurred *within* the three macro-areas, and a remarkable divergence occurred between them. The result was that, after World War II, Italy was divided into three distinct macro-areas—those displayed in Figure 1.

The mild divergence during the liberal age should come as no surprise. From 1871 to 1891, the growth of the Italian economy was sluggish—with a yearly growth rate of per capita GDP of barely 0.6 percent—as was the growth of its three macro-areas, which trailed most other European countries. As a result, industrial expansion was slow in the Northwest. After unification, Italy became one of the countries most committed to free trade through the adoption of the tariffs of the Kingdom of Savoy. In the South, the abandonment of the highly protectionist Bourbon regime harmed the (highly protected) industries of Campania and Calabria, but it helped agriculture and its related industries, which contributed a larger part to GDP at that time.

Only at the end of the 1880s did things begin to change, after the imposition of a new tariff in 1887 to protect certain industries in the North and grain primarily in the South. The cultivation of wheat, however, being land- rather than labor-intensive, hardly complemented the factor endowments of southern Italy or, for that matter, of Italy as a whole; Italian territories were rich in labor but poor in land. Southern agriculture would have benefited from incentives to produce crops that were labor-intensive and high in value added as well as those that were mainly export-oriented, such as olive oil, citrus fruits, and grapes.[6]

From 1891 to 1911, the yearly growth rate of Italy's GDP increased to 1.3 percent—more than twice that of the two previous decades. The "industrial triangle" of Piedmont, Liguria, and Lombardy began to take shape, growing at an average of 1.6 percent each year (1891–1911), especially after the creation of universal banks to provide financial and managerial capital to the new enterprises. By the eve of World War I, the three main regions of the Northwest could boast most of Italy's industrial production, covering sectors of both the first Industrial Revolution (textiles and foods) and the second one (engineering, electricity, and chemicals). The process of divergence between, and convergence within, the three macro-areas began when the Northwest started to forge ahead and the

6 Luigi De Rosa, *La rivoluzione industriale in Italia e il Mezzogiorno* (Rome, 1974); Luigi De Matteo, *"Noi della meridionale Italia": Imprese e imprenditori del Mezzogiorno nella crisi dell'unificazione* (Naples, 2002); Carlo Ciccarelli and Stefano Fenoaltea, "La cliometria e l'unificazione italiana: bollettino dal fronte," *Meridiana*, LXXIII–LXXIV (2012), 258–266; Guido Pescosolido, *Unità nazionale e sviluppo economico, 1750–1913* (Rome, 1998). For the serious doubts that have been raised about the efficaciousness of protectionist measures, see Federico and Antonio Tena, "Did Trade Policy Foster Italian Industrialization? Evidence from Effective Protection Rates, 1870–1930," *Research in Economic History*, XIX (1999), 111–130.

South and the islands started to lag behind. Nonetheless, divergence remained modest, mainly because the southern regions, particularly the most backward, benefited from high emigration rates toward overseas countries. Millions of Italians emigrated from the Mezzogiorno and Veneto. While they were away, they sent money home (remittances) and, when they returned, they brought back financial and technical capital. This process involved an increase in wages for those who remained (part of a wider convergence in wages between Europe and the New World). Campania, the main region of the South, also benefited from a state intervention that facilitated the construction of the first modern industrial plant in the Mezzogiorno—a steel-making factory in Bagnoli, a seaside area of Naples—although it had only a moderate impact on GDP at the time.[7]

After World War I (1915 to 1918), Italy moved from moderate to strong regional divergence, which lasted until the economic miracle of the 1950s. During this period, the growth rate of the Italian economy slowed to 1.2 percent per annum (1911 to 1951). In the North, the modernizing efforts of local entrepreneurship in advanced engineering, automobiles, aeronautics, and chemicals met with more intense state intervention, albeit amid unprecedented dire conditions (and limited to the first fifteen to twenty years). By contrast, in the South, the extractive approach of the local elites met with national policies designed to maintain the old privileges. World War I channeled the state's resources toward the existing factories, mainly in the Northwest, to increase industrial production more easily. When the war ended, factories that had expanded faced a reconversion crisis, only to be saved by state intervention. The Italian state intervened again following the crisis of 1929. Even during the turbulence of the two world wars and the Great Depression,

7 For the role of the universal banks, see Alexander Gerschenkron, "Notes on the Rate of Industrial Growth in Italy, 1881–1913," *Journal of Economic History*, XV (1955), 360–375; Felice, *Ascesa*, 143–148; for industrial growth, Fenoaltea, "Peeking Backward: Regional Aspects of Industrial Growth in Post-unification Italy," *Journal of Economic History*, LXIII (2003), 1059–1102. In 1911, Lombardy produced 50% of Italy's value added in textiles. See *idem*, "Textile Production in Italy's Regions," *Rivista di Storia Economica*, XX (2004), 145–174. For emigration, see Felice, *Divari regionali e intervento pubblico: Per una rilettura dello sviluppo in Italia* (Bologna, 2007); Matteo Gomellini and Cormac Ó Gráda, "Migrations," in Toniolo (ed.), *Oxford Handbook*, 271–302; Kevin H. O'Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Cambridge, Mass., 1999); for state intervention in the South, Augusto De Benedetti, *La Campania industriale: Intervento pubblico e organizzazione produttiva tra età giolittiana e fascismo* (Naples, 1990).

however, the entrepreneurial elites in the North proved themselves capable of modernization. The first mass production of automobiles, at the Lingotto Fiat plant, began in 1923. After World War II, which arguably caused more damage to the southern industrial plants than to the northern ones, the North underwent an especially rapid reconstruction that resulted in a significant leap toward mass production, not least thanks to American aid from the Marshall Plan.[8]

During this period, the South remained underdeveloped: Beginning in the 1920s, the Italian state severely restricted emigration, which the policies of the U.S. government further discouraged at the time. Moreover, the fascist autarchic policies (such as the "Battle for Grain" of 1925) exacerbated the lack of cereal production in this area, and its land-reclamation project did little to dismantle the large-estate latifundium regime, which, in some respects, it even strengthened. In 1951, the South still scored about the same percentage of agricultural employment as it had forty years earlier (60 percent), while its agricultural productivity per worker dropped dramatically with respect to the North's central area. In the meantime, the Northwest continued to industrialize, and modern industry began to spread into neighboring NEC regions. The expansionist demographic policies under fascism worsened the living conditions of the poor, especially in the South.[9]

Two more economic phases occurred after World War II. The first, roughly coinciding with the economic miracle (1951 to 1971), was characterized by a general convergence among Italian regions,

8 For an in-depth analysis of the performance of the Italian industry in those decades, and the sluggish growth of productivity during the 1930s, see Felice and Albert Carreras, "When Did Modernization Begin? Italy's Industrial Growth Reconsidered in Light of New Value-Added Series, 1911–1951," *Explorations in Economic History*, XLIX (2012), 443–460; Claire Giordano and Ferdinando Giugliano, "A Tale of Two Fascisms: Labour Productivity Growth and Competition Policy in Italy, 1911–1951," *ibid.*, LIV (2015), 25–38; for the reconversion crisis after World War I, Vera Zamagni, "La Grande Guerra come elemento di rottura della crescita equilibrata dell'economia italiana," in Fernando García Sanz (ed.), *España e Italia en la Europa contemporánea: desde finales del siglo XIX a las dictaduras* (Madrid, 2002), 323–334; for the damages to the industrial southern plants during World War II, De Benedetti, "Il sistema industriale (1880–1940)," in Paolo Macry and Pasquale Villani (eds.), *Storia d'Italia: Le regioni: La Campania* (Turin, 1990), 604–605; for the Marshall Plan, Francesca Fauri, *Il piano Marshall e l'Italia* (Bologna, 2010).

9 Felice, "Regional Value Added," 937–940: *idem*, *Ascesa*, 195–196. For latifundium under Fascism, see Piero Bevilacqua, *Le campagne del Mezzogiorno tra fascismo e dopoguerra: Il caso della Calabria* (Turin, 1980).

when both the NEC and, above all, the South and islands caught up with the Northwest. In the 1970s, however, southern Italy's movement toward convergence stopped, and a new phase began: During the next four decades, southern Italy fell slightly behind, while the NEC continued to converge toward the Northwest. In terms of per capita GDP, the three "Italies" of 1951 gave way to only two clearly defined "Italies" by 2011—the Center-North and the Mezzogiorno. At this point in time, the regions of the Northwest and the NEC overlapped considerably; conversely, every region in the Mezzogiorno fell below the poorest region of the Center-North.

The convergence of the South during the economic miracle—when Italy became an industrial power, growing at a yearly rate of 5.2 percent from 1951 to 1971—was "exceptional" for three reasons. (1) It occurred when the Northwest was also growing at its fastest speed (scoring a 4.3 percent yearly growth rate from 1951 to 1971). Hence, it does not seem to have been the result of either congestion costs in the leading area, as predicted by the new economic geography, or decreasing returns to capital, as the neoclassical convergence models propose. (2) Also at odds with the two competing approaches to regional convergence, the South's convergence occurred at a higher rate (6.0 percent) than did that of the NEC (5.3 percent), even though the NEC was closer geographically, economically, and socially (and even institutionally and culturally) to the Northwest. (3) The South's convergence ended in the 1970s, precisely when the slowdown in the Northwest and the costs of congestion became evident and the big businesses in the North began to search for relocating plants. All the while, the convergence of the NEC continued.[10]

Why does the South not fit the conventional models? Perhaps because its convergence was not due to market forces but to state intervention on a massive scale, unparalleled in funds (as a percentage of GDP) elsewhere in Western European. The state-owned "Cassa per il Mezzogiorno" (henceforth Cassa), which was created in 1950, financed infrastructural works—mostly roads, aqueducts, and land improvements—as well as, increasingly from 1957

10 For competing models of convergence, see Paul R. Krugman, "Increasing Returns and Economic Geography," *Journal of Political Economy*, XCIX (1991), 483–499; Robert J. Barro and Xavier Sala-i-Martin, "Convergence across States and Regions," *Brookings Papers on Economic Activity*, I (1991), 107–182; Williamson, "Regional Inequality and the Process of National Development: A Description of the Patterns," *Economic Development and Cultural Change*, XIII (1965), 3–84.

onward, industrial firms via soft loans and grants. A significant share of Cassa's aid went to state-owned enterprises, which, following a 1957 law (no. 634), had to locate 60 percent of new investments and no less than 40 percent of total assets in the South. For the most part, Cassa operated in capital-intensive sectors—for example, steel (Finsider) and advanced engineering (Finmeccanica). By the early 1970s, state-owned investments, and those of the northern and international private firms that sometimes followed them (usually in such medium-high, capital-intensive sectors as engineering and automobiles), had produced 725,000 industrial jobs, almost half the total in the southern regions. The result was a significant convergence of the South in the share of industrial employment and industrial productivity that is unique in Italian history. Other factors, such as massive migration flows from the South to the North, also contributed but probably only in a minor way. The industrialization of the labor-rich South that occurred during this period, involving sectors that were intensive in capital, came at a high cost that the central state was willing to incur.[11]

This process came to an end in the 1970s. The oil crisis was particularly damaging to the industrial plants located in the South because of their typically higher transport and labor costs. However, the economic policy that favored the South had begun to lose effectiveness in the late 1960s; by the 1970s, it was no longer capable of pursuing a coherent development strategy: The Cassa's aid continued until the mid-1980s, but it dissipated within a climate of general economic impotence. At times, it even benefited organized crime. The main reason for Cassa's failure is that it progressively lost its autonomy, subordinated first (in 1965) to the Italian government and then (in 1975) to the new regional governments of southern Italy. It began to allocate financial aid on the basis of political nepotism; instead of promoting development, it

11 Felice, "Le politiche regionali in Italia e nel Regno Unito (1950–1989)," *Rivista economica del Mezzogiorno*, XVI (2002), 175–235; Antonio La Spina, *La politica per il Mezzogiorno* (Bologna, 2003); Felice and Amedeo Lepore, "State Intervention and Economic Growth in Southern Italy: the Rise and Fall of the 'Cassa per il Mezzogiorno' (1950–1986)," *Business History*, LIX (2017), 319–341; Vera Lutz, *Italy: A Study in Economic Development* (New York, 2007); Fenoaltea, "I due fallimenti della storia economica: il periodo post-unitario," *Rivista di Politica Economica*, XCVII (2007), 341–358. For Finmeccanica, see Felice, "State Ownership and International Competitiveness: The Italian Finmeccanica from Alfa Romeo to Aerospace and Defence," *Enterprise & Society*, XI (2010), 594–635.

became a source of power for local elites. It distorted incentives for middle- and upper-class southern society by encouraging a search for permanent rents via personal loyalty rather than innovation via risk and entrepreneurship.[12]

During those very decades, the NEC continued to grow faster than the Italian average, thanks to networks of small and medium export-oriented enterprises that specialized predominantly in light industry (textile, clothing, furniture, light mechanics, ceramics, and foodstuffs) and in the production of a single commodity—in what came to be known as "industrial districts." The strength of the industrial districts lay, at least in part, in their local environment, which provided them with free common goods (from high social capital and trust to growth-enhancing and efficient administrations) that helped them to lower costs and thus to remain competitive in spite of their small size. Inflationary national policies that depreciated the Italian currency also worked in their favor, as did lax controls over fiscal rules and labor standards. Furthermore, contrary to conventional wisdom, the industrial districts received significant subsidies from the state. Nonetheless, they were largely based in local, private entrepreneurship (interacting profitably with public powers). Their products, carrying the "made in Italy" label, turned out to be highly competitive abroad.[13]

Given time, the industrial districts would have grown into more "conventional" business models: By the 1990s, however, medium-sized firms began to emerge in the NEC, organizing production within the district and leading to the conquest of foreign markets. Furthermore, by the turn of the century, this process has

12 Felice and Lepore, "State Intervention"; Salvatore Cafiero and Giovanni E. Marciani, "Quarant'anni di intervento straordinario (1950–1989)," *Rivista economica del Mezzogiorno*, V (1991), 249–274; Bevilacqua, *Breve storia dell'Italia meridionale dall'Ottocento a oggi* (Rome, 1993), 126–132; Cafiero, *Storia dell'intervento straordinario nel Mezzogiorno (1950–1993)* (Manduria, 2000); Felice, *Divari regionali*; Carlo Trigilia, *Sviluppo senza autonomia: Effetti perversi delle politiche nel Mezzogiorno* (Bologna, 1992).

13 Giacomo Becattini, "Dal 'settore' industriale al 'distretto' industriale: Alcune considerazioni sull'unità di indagine dell'economia industriale," *Rivista di economia e politica industriale*, V (1979), 7–21; Aldo Bagnasco, *La costruzione sociale del mercato: Studi sullo sviluppo di piccola impresa in Italia* (Bologna, 1988); Andrea Colli, *I volti di Proteo: Storia della piccola impresa in Italia nel Novecento* (Turin, 2002); Anna Spadavecchia, "Financing Industrial Districts in Italy, 1971–1991: A Private Venture?" *Business History*, XLVII (2005), 569–593. For a more critical view of the industrial districts, see Marcello de Cecco, *L'economia di Lucignolo: Opportunità e vincoli dello sviluppo italiano* (Rome, 2000), 185–189; Felice, *Ascesa*, 286–292.

spread to, or been "discovered" in, the neighboring Northwest—where big business (especially in medium-high, capital-intensive sectors) was in decline. In short, during the past few decades, the NEC and the Northwest regions (Lombardy and Veneto) also began to resemble each other to a greater extent in industrial morphology.[14]

COMPETING EXPLANATIONS: GEOGRAPHY, EXTERNAL EXPLOITATION, AND CULTURE Since the late nineteenth century, the determinants of regional development in Italy and the causes of southern backwardness have been widely discussed by such prominent national figures as Nitti, Gini, Croce, and Gramsci. In the second half of the twentieth century, among the growing number of non-Italian scholars who have participated in the literature and the debates, Banfield and Putnam regarded the backwardness of Italy's South and, more generally, the Italian North–South divide as an exemplary case study of territorial imbalance. This approach may not be entirely correct, however, if it emphasizes only one dimension of the Italian North–South divide, as we will see. At any rate, the four main interpretive strands about the causes of Italy's economic divide—based on geography, external exploitation, culture, and institutions—are similar to those in the global debate about the nature and causes of the "wealth of nations." Given that geography and external exploitation are exogenous, whereas culture and institutions are endogenous, the resulting implications for the interpretation of Italian history, as well as for policymakers today, are markedly different.[15]

14 Giuseppe Turani, *I sogni del grande Nord* (Bologna, 1996); Colli, *Il quarto capitalismo: Un profilo italiano* (Venice, 2002); Luciano Gallino, *La scomparsa dell'Italia industriale* (Turin, 2003); Giuseppe Berta, *La via del Nord: Dal miracolo economico alla stagnazione* (Bologna, 2015).

15 Francesco Saverio Nitti (ed. Armando Saitta), *Scritti sulla questione meridionale* (Bari, 1900; orig. pub. 1958); Corrado Gini, *L'ammontare e la composizione della ricchezza delle nazioni* (Turin, 1914); Croce, *Storia*; Antonio Gramsci (ed. Franco De Felice and Valentino Parlato), *La questione meridionale* (Rome, 2005; orig. pub. 1951); Edward Banfield, *The Moral Basis of a Backward Society* (New York, 1958); Robert D. Putnam with Robert Leonardi and Raffaella Y. Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, 1993). The list of prominent international scholars who have dealt extensively with Italy's regional unequal development also includes Arnold J. Toynbee, *Hannibal's Legacy: The Hannibalic War's Effects on Roman Life* (New York, 1965). For the global debate, see Jared Diamond, *Guns, Germs and Steel: The Fates of Human Society* (London, 1997); David Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some Are So Poor* (London, 1988); Acemoglu and Robinson, *Why Nations Fail*; for scholars in the nineteenth century and even more recently

On the geographical side are differences in natural resources: Water courses (with waterfalls) and fertile agricultural land were more abundant in the North—in Piedmont, Lombardy, Veneto, Emilia, and Friuli-Venezia Giulia—resulting in higher productivity per hectare and more water energy, which provided the inputs necessary for the onset of the Industrial Revolution. These factors surely played a role in shaping Italy's regional development in the nineteenth century; whether they were decisive or not, especially over the long term, is debatable for a number of reasons. First, as early as the nineteenth century, Liguria, a northern region that was hardly blessed with fertile land and water resources, was extraordinarily rich; it was the first region to be industrialized. Other regions in the North where natural resources were in short supply—Trentino-Alto Adige and the tiny Aosta Valley—also managed spectacular growth in the long run. Conversely, Puglia and, to a lesser degree, Campania in the South, where natural resources were average by Italian standards (though in a better position than the rest of the South and most of central Italy), grew less than other less-favored regions both in the Center and the South. Broadly speaking, if the South was, on average, disadvantaged in natural resources in the mid-nineteenth century, the major environmental differences were more evident within the three macro-areas (Northwest, NEC, and the South and the islands) than between them. Nonetheless, if the regional pattern in Italy is one of convergence within the macro-areas and divergence between them, differences in natural resources could hardly have been responsible for it.[16]

A similar argument may be raised against a second variant of the geographical explanation, concerning location in Europe and the world and the (mostly related) market potential. As Daniele and Malanima wrote, "The Industrial Revolution and industrialization

who posited genetic differences, in terms of the mean and variance of intelligence, between the main groups in the Italian North–South divide, Richard Lynn, "In Italy, North–South Differences in IQ Predict Differences in Income, Education, Infant Mortality, Stature, and Literacy," *Intelligence*, XXXVIII (2010), 93–100; for a response, Felice and Giugliano, "Myth and Reality: A Response to Lynn on the Determinants of Italy's North–South Imbalances," *ibid*. (2011), 1–6; Vittorio Daniele and Paolo Malanima, "Are People in the South Less Intelligent than in the North? IQ and the North–South Disparity in Italy," *Journal of Socio-Economics*, XL (2011), 844–852.

16 Felice, *Perché il Sud*; Luciano Cafagna, *Dualismo e sviluppo nella storia d'Italia* (Venice, 1989).

took place in England and then in Western Europe. If they had taken place in Africa, then certainly things, for our Mezzogiorno (and not just for the South!), would have been different." Southern Italy was farther away from the major European centers of the Industrial Revolution than the Center-North was, and, on average, market potential was lower in the Mezzogiorno. According to the new economic geography, market potential and the resulting economies of scale are crucial for the location and the early success of industrial enterprises. A'Hearn and Venables advanced a diachronic geographical explanation for Italy's regional development, which follows precisely the theoretical framework of the new economic geography. In their view, the endowment of natural resources helps to account for the initial lead of the Center-North. They explain the subsequent evolution of regional disparities by differences in access to markets, first the domestic ones (from 1880 to 1945) and later the international, especially European, ones (after 1945). To use their word, the backwardness of the South is attributable to bad luck or "misfortune."[17]

A'Hearn and Venables raise good points, but they fail to account for certain fundamental features of Italy's regional development. In the decades following unification, Campania, which had a dense population as well as a relatively high per capita GDP, was among the regions with the highest market potential, in large part because of Naples—at that time the largest city in Italy, with a port that was well connected to the rest of the world. Why did economies of scale not play as significant a role there as in Milan or Turin? During the liberal age (1871 to 1911), Campania was, in fact, the region with the lowest growth of per capita GDP (−13 points from 1871 to 1911, 100 being the Italian average), following Veneto (−18). Throughout the history of post-unification Italy (1871 to 2011), it had the worst performance by far of any Italian region (see Table 2), despite its number of inhabitants and its market potential.

The story of the second half of the twentieth century is equally problematical: If geographical position was the main reason for the convergence of Abruzzi, why did this progress come to a halt after public incentives (first from the Italian state and then from the

17 Daniele and Malanima, *Il divario Nord-Sud in Italia, 1861–2011* (Soveria Mannelli, 2011), 182 (author's translation); A'Hearn and Venables, "Regional Disparities," 599. For the New Economic Geography, see Paul R. Krugman, *Geography and Trade* (Cambridge, Mass., 1991).

European Union) ended in the mid-1990s? From a geographical perspective, Abruzzi's convergence should have continued, as did that of the Marches. Furthermore, how do we explain the convergence of Sardinia? Today, Sardinia ranks third among the southern regions in per capita GDP (after Abruzzi and Molise), but it may well be the most disadvantaged in location, population density, and market potential. Just as location cannot explain why, for instance, Japan or Australia fared much better in the long term than did the Philippines, it cannot explain why Abruzzi's convergence stopped or why Sardinia outstripped Campania. For the last four decades, southern Italy's stagnation was due to a low employment rate, not to productivity, which slowly continued to converge toward that of the Center-North. Significant differences in economies of scale should result in significant differences in productivity, but such is not the case regarding the North and South today; the differences in productivity are less pronounced than those in per capita GDP. Currently, the South is more important as a market hub for goods and services produced elsewhere than as a production center per se. Its problem seems to be supply rather than demand.[18]

A second interpretive strand argues that, after unification, capitalist accumulation at the national level resulted in the North exploiting the South. The conceptual framework behind this view in the international literature is dependency theory, which purports to explain not only cross-country differences but also intra-country regional imbalances. Variants of such arguments have gained considerable appeal in the South. According to Zitara, unification established a kind of colonial relationship between the two parts of the country. Nitti, a liberal, maintained that an unequal distribution of the fiscal burden accrued to the detriment of the South, and Romeo regarded the extraction of surplus from southern agriculture as a kind of necessary evil for the industrialization of the country (in the North).[19]

Apart from the cogency of Gini's criticism of Nitti's calculations of the disproportionate taxation between North and South

18 For the new estimates of market potential in the liberal age, see Missiaia, "Where Do We Go?"

19 Nicola Zitara, *L'unità d'Italia: nascita di una colonia* (Milan, 1971); Nitti, *Scritti*; Romeo, *Risorgimento e capitalismo* (Bari, 1959). For the dependency theory, see Raul Prebisch, "Commercial Policy in the Underdeveloped Countries," *American Economic Review, Papers and Proceedings*, XLIX (1959), 251–273; Michael Hechter, *Internal Colonialism: The Celtic Fringe in British National Development, 1536–1966* (London, 1975).

in the decades following unification, both the colonial thesis and the (milder) idea of a northwestern industrial expansion based on the exploitation of the agrarian South appear to contradict basic facts about Italy's economic history. First, contrary to Romeo's opinion, which was based on an old (and now outdated) series of Italian GDP, the country did not grow and did not industrialize in the decades following unification. Second, as already stated, the rise in regional inequality did not immediately follow unification. Since the North–South divide remained relatively stable until the 1890s, it could hardly have been a by-product of unification. Third, the liberal age shows no signs of a colonial economic mechanism. The northern "triangle" recruited its industrial labor force from the northern countryside, not from the southern regions (southern laborers tended to go abroad). The North did not exploit the South for its (few) raw materials and agricultural products; the South exported them instead. Nor did northern capital, which was still weak, invest in the South in a significant way. The South was not yet even a market for northern industrial goods; it received goods and capital from other more advanced European countries, as did the North to a minor degree. The South's only contribution to the industrialization of the country was indirect—the remittances of emigrants (mostly southerners), which helped to keep the balance of payment in equilibrium, that is, to import raw materials without depreciation of the national currency.[20]

Since the "historical left" came to power in 1876, the southern elites have participated fully in the government of the country, sharing the responsibility for national policies and economic measures equally with the northern elites. This alliance (what Gramsci called the "historical bloc") grew stronger under the fascist dictatorship. At that exact point, the North–South gap widened, but remarkably without any hint of colonial exploitation (in terms of labor, raw materials, goods, or capital). Not until the economic miracle did the South begin to provide labor for northern factories, receive northern capital, and operate as a market for northern products. This era marked the very (and only) years of the South's convergence, abetted by significant financial aid from the rest of the country. In the meantime (and not by chance), the southern elites and common citizens voted in support of the Italian government

20 Gini, *L'ammontare*. For the debate between Nitti and Gini, see Felice, *Perché il Sud*, 209–211.

and its policies in behalf of the South much more than did their counterparts in the North. The main ruling party even had its electoral strongholds in the South. Given this situation, it is difficult to make any kind of case for northern, much less colonial exploitation.

The third view focuses on the observed ethical and cultural characteristics of southern and northern citizens. As early as the nineteenth century, the pioneering scholars of what was later named the *questione meridionale* (the problem of the South) stressed differences in civic orientations and social capital. After World War II, Banfield claimed to have found in the ethics of "amoral familism" (the idea that self-interest is opposed to, and superior to, the common good), as typified in the southern villages of Lucania, "the moral basis of a backward society." Several decades later, Putnam observed significant differences in social capital—defined as trust, political participation, and social networks—between the North and South that he identified as causal factors in social policy, institutional efficiency, and economic growth. He related these differences to a divergence in institutional paths taken in the late Middle Ages—the self-government of the wealthy urban society in Central and Northern Italy (the *comuni*) as opposed to the absolutist state in the South, which discouraged popular involvement in public affairs.

Putnam's observation about differences in social capital between the North and South has merit for Italy in the present day, perhaps even in the liberal age. Moreover, in recent decades, a case can be made that social capital, or the absence of it, has had an effect on regional growth: As attested by a vast qualitative literature and confirmed by econometric tests, the rise of the industrial districts in the NEC had recourse to considerable social capital, and the halt in the South's convergence since at least the 1970s has corresponded with a decided lack of it.[21]

Nonetheless, the evidence by no means proves that social capital, as determined by historical circumstances, was the primary cause of the South's backwardness. Was lower social capital in the

21 Pasquale Villari, *Le lettere meridionali ed altri scritti sulla questione sociale in Italia: Seconda edizione, riveduta e molto accresciuta dall'Autore* (Turin, 1985); Banfield, *Moral Basis*; Putnam, *Making Democracy Work*. For estimates of social capital and/or econometric tests, see Giorgio Nuzzo, "Un secolo di statistiche sociali: persistenza o convergenza tra le regioni italiane?" *Bank of Italy—Quaderni dell'Ufficio Ricerche Storiche*, XI (2006); Roberto Cartocci, *Mappe del tesoro: Atlante del capitale sociale in Italia* (Bologna, 2007); John F. Helliwell and Putnam,

South attributable to the absolutist state of the late Middle Ages, thus predating other differences? On this score, Putnam's argument is unconvincing. As is well known, England in the eleventh century and France in the seventeenth century (at the latest) were also absolutist states, but these countries do not share southern Italy's significant deficits in social capital. Furthermore, the institutional performance of the Spanish Empire in southern Italy before unification, which was much less absolutist than conventional wisdom suggests, was not particularly weak. As for the supposed legacy of the Center-North, we may well ask, what remained of the social structure and institutions of the medieval *comuni* in the seventeenth and eighteenth centuries?[22]

Upon closer scrutiny, lower levels of civic participation and social capital in the South appear to be more recent than Putnam suggested, probably resulting from differences in agrarian regimes (latifundium in the South versus sharecropping in the Center-North), in political institutions (absolutist versus liberal monarchy in the decades before unification), and in social structures (greater inequality between rich and poor, lower human capital, more organized crime, and higher rates of violence in the South) that became more entrenched during the eighteenth and nineteenth centuries. Furthermore, social and civic tendencies do not seem to have been the primary cause of the Northwest's industrial expansion between the late nineteenth and the early twentieth century. This area did not exhibit levels of social capital significantly higher than those of the NEC, which did not industrialize at that time. The emergence of the "industrial triangle," however, may well have been due primarily to human capital and, to a lesser extent, natural endowments

"Economic Growth and Social Capital in Italy," *Eastern Economic Journal*, XXI (1995), 295–307; Felice, "Regional Convergence." For the liberal age, see A'Hearn, "Institutions, Externalities, and Economic Growth in Southern Italy: Evidence from the Cotton Textile Industry, 1861–1914," *Economic History Review*, LI (1998), 734–762; *idem*, "Could Southern Italians Cooperate? 'Banche Popolari' in the 'Mezzogiorno,'" *Journal of Economic History*, LX (2000), 67–93; for differences in social norms—intended and measured as a form of trust—independent from geography, institutions, or criminal intrusion, Maria Bigoni et al., "Amoral Familism, Social Capital, or Trust? The Behavioural Foundations of the Italian North–South Divide," *Economic Journal*, CXXVI (2016), 1318–1341.

22 Regina Grafe, *Distant Tyranny: Trade, Power and Backwardness in Spain, 1650–1800* (Princeton, 2012); Lupo, "Usi e abusi del passato: Le radici dell'Italia di Putnam," *Meridiana*, VII (1993), 151–168; Carlo M. Cipolla, "The Decline of Italy: The Case of a Fully Matured Economy," *Economic History Review*, V (1952), 178–187; Malanima, *L'economia italiana nell'età moderna* (Rome, 1982). For the performance of the Bourbon kingdom, see Croce, *Storia*.

and a better geographical position. Differences in social capital played a significant role only at a later stage; they contributed to the persistence of the North–South divide in recent decades, not to its formation between the nineteenth and twentieth centuries. Above all, they were the product of what should be regarded as the ultimate cause behind the observed patterns of regional development in Italy.[23]

THE SOCIO-INSTITUTIONAL DIVIDE To explain cross-country economic differences, a fourth international approach—championed, with significant variations, by Acemoglu and Robinson, Sokoloff and Engerman, and North, Wallis, and Weingast—focuses on institutions. According to this view, institutional differences, which are the result of historical patterns and sometimes natural endowments, directly affect, through the resulting structure of incentives, the behavior of economic agents and thus economic growth. Among other things, institutions influence social capital (for example, the institutions of sharecropping or the medieval municipalities). They may also lead to the pursuit of economic policies that privilege particular classes and social groups but prove to be detrimental to the larger community.[24]

When moving from cross-country differences to cross-regional ones, institutions may not seem to be major determinants. Under the umbrella of a single nation-state, they are supposed to be uniform. Hence, if the same institutions were established throughout Italy following unification, how could these institutions be related to the persistence of the North–South divide? The issue, however, is not so simple, at least not in every country. In the Italian case, political and economic institutions, formal or informal, were not the same, even after unification. Acemoglu and Robinson argue that political and economic institutions, in both their formal structures and practical functions, can be either

23 Felice, *Perché il Sud*. For latifundium and sharecropping, see Sereni, *Il capitalismo*; Bagnasco, *La costruzione*; Paolo Macry, "Rethinking a Stereotype: Territorial Differences and Family Models in the Modernization of Italy," *Journal of Modern Italian Studies*, II (1997), 188–214; for the advantages in the industrial triangle, Cafagna, "Contro tre pregiudizi sulla storia dello sviluppo economico italiano," in Pierluigi Ciocca and Toniolo (eds.), *Storia economica d'Italia. I. Interpretazioni* (Rome, 1999), 297–325; Felice, "Regional Development"; Fenoaltea, *The Reinterpretation of Italian Economic History: From Unification to the Great War* (Cambridge, 2011).

24 Acemoglu and Robinson, *Why Nations Fail*; Sokoloff and Engerman, "Institutions"; North, Wallis, and Weingast, *Violence*.

inclusive (pro-growth) or extractive. In the Italian South, organized crime (the Mafia, Camorra and, more recently, 'Ndrangheta), which have been operational since the nineteenth century, are, for all intents and purposes, formal (although illegal) economic institutions, creating incentives that discourage free entrepreneurship and competition in favor of monopolies or cartels enforced through violence (or its threat). They also impose additional costs on the firms working in their territories via racketeering. Furthermore, Italy's history has witnessed the creation of other economic institutions in the form of agrarian regimes (latifundia, sharecropping or emphyteusis, small property, and others) that remained central to economic and social life in some areas until the mid-twentieth century.[25]

Following unification, the North and South had the same political institutions, at least until the creation of the *regioni* in the 1970s. However, they worked, and continue to work, in diverse ways: Clientelism was much more entrenched in the South than in the Center-North during the republican and liberal eras. Gaetano Salvemini excoriated Giovanni Giolitti, the liberal prime minister, about his abuse of it in 1910. When the regions were established, political institutions began to diverge formally even at the local level; the evidence shows that the performance of the *regioni* in the South was worse than in the Center-North, likely impeding economic growth. Within the framework proposed by Acemoglu and Robinson, institutions in the South (latifundia, organized crime, and political clientelism), unlike those in the North, were more interested in extracting rent from the land and later from the state (also via corruption) rather than in producing economic growth through market risk and innovation. This institutional divide, which was apparent as early as the first half of the nineteenth century, was never bridged and, in some respects, grew stronger after unification.

North, Wallis, and Weingast, institutionalist authors with alternative themes, stress the difference between limited-access orders

25 Felice, *Perchè il Sud*; Gaetano Salvemini, *Il ministro della mala vita: notizie e documenti sulle elezioni giolittiane nell'Italia meridionale* (Florence, 1910). For the performance of regional institutions, see Putnam, Leonardi, and Nanetti, *La pianta e le radici: l'istituzionalizzazione delle regioni nel sistema politico italiano* (Bologna, 1985); Leonardi and Nanetti (eds.), *Le regioni e l'integrazione europea: il caso Emilia-Romagna* (Milan, 1991); Putnam, *Making Democracy Work*; Felice, *Divari regionali*; *idem*, *Perché il Sud*; for organized crime, Antonio La Spina, *Mafia, legalità debole e sviluppo del Mezzogiorno* (Bologna, 2005); *idem*, *Il mondo di mezzo. Mafie e antimafie* (Bologna, 2016).

(LAOs) and open-access orders (OAOs), arguing that the transition from the former to the latter is the crucial change activating modern economic growth. In an LAO, unlike in an OAO, a state cannot guarantee equal access to (political and economic) opportunities for all of its citizens because it does not have a monopoly on violence. The pervasive role of organized crime in Campania and Sicily, the two most important regions of southern Italy, since the liberal age and later in Calabria (where banditry was always widespread), has kept these areas locked in an LAO. Campania and Sicily are by far the two worst performing regions in the entire history of contemporary Italy. Today they share with Calabria the lowest ranks in per capita GDP (see Table 2).[26]

Sokoloff and Engerman's framework is equally fruitful in explaining the pattern of regional development in Italy. In their influential article about the different patterns of development in the New World, and in other works, they assert that higher inequalities in wealth, human capital, and political power tend to shape institutions that perpetuate these inequalities and thus hamper economic growth in a path-dependent process. When applied to the Italian case, this thesis offers a closer look at the social causes behind the institutional divide, adding a social dimension that institutionalist scholars may overlook. At the time of Italy's unification, inequalities in wealth and in human capital, abetted by extractive political and economic institutions, were greater in the South than in the North, creating an undeniable socio-institutional divide.[27]

Social differences, like the institutional ones, still exist today between the two parts of the peninsula. Although the southern regions are, on average, poorer (leaving less room for income gaps between social classes), they score significantly worse in personal inequality, as measured by the Gini index, than most of the central and northern regions. These conditions have not changed since 1948, the first year for which we have reliable estimates of personal income inequality at the regional level. In human capital, the twentieth century witnessed a substantial convergence in human capital—in the form of education (literacy and per capita years of schooling). However, effective school learning, as measured,

26 North, Wallis, and Weingast, *Violence*.

27 Sokoloff and Engerman, "Institutions."

for instance, by the PISA/INVALSI tests, is still significantly weighed toward the North.[28]

Historically, the Italian socio-institutional divide does not seem to be a consequence of differences in GDP and production, which were not pronounced at the time of unification, although the socio-institutional gap was already profound and obvious. This gap could well be a cause of the GDP regional patterns observed in the history of contemporary Italy. It resulted in stark differences in human capital, which was likely the key factor behind the industrial take-off of the Northwest, remaining important today. It also affected levels of social capital, which, in the past few decades (and even earlier in some cases), probably played a crucial role in regional development. Not least, the socio-institutional structure of southern Italy entailed economic policies that hampered modernization and industrialization: for instance, the grain protectionism of the liberal government and the even stronger version of the fascist dictatorship; the slow implementation of national laws about compulsory primary education during the liberal era, which delayed the improvement of human capital in the Mezzogiorno; and, in the second half of the twentieth century—especially in the 1970s and 1980s—the diversion of public resources for political or nepotistic purposes.[29]

Given the long-persisting socio-institutional divide between the Center-North and the South and islands, it is hardly a coincidence that, in the long term, the outcome of regional development in per capita GDP took roughly the same shape. Yet the clear polarization between North and South in GDP did not exist before the onset of modern economic growth.

28 Amendola, Brandolini, and Vecchi, "Disuguaglianza." For human capital, see Felice and Vasta, "Passive modernization?" The Northwest scored on average 511 points in 2009 and 515 in 2012; the Northeast 509 and 516, respectively; the Center 487 and 488; the South 466 and 469; the islands 454 and 450. See National Institute for the Evaluation of the Education System (INVALSI), *Le competenze in lettura, matematiche, scienze degli studenti quindicenni italiani: Rapporto nazionale Pisa 2009* (Rome, 2012); *idem*, *OCSE PISA 2012: Rapporto nazionale: Le competenze in matematica, lettura e scienze degli studenti quindicenni italiani* (Rome, 2013). PISA is an acronym for the Program for International Student Assessment—an international survey of educational attainment under OECD auspices.

29 Trigilia, *Sviluppo*; Bevilacqua, *Breve storia*; Cafiero, *Storia*; Felice, *Divari regionali*; *idem*, *Perché il Sud*; *idem* and Vasta, "Passive Modernization?"; Gabriele Cappelli, "Escaping from a Human Capital Trap? Italy's Regions and the Move to Centralized Primary Schooling, 1861–1936," *European Review of Economic History*, XX (2016), 46–65.