

# Collegio Carlo Alberto



The socio-institutional divide. Explaining Italy's regional inequality over the long run

Emanuele Felice

No. 503  
July 2017

## Carlo Alberto Notebooks

[www.carloalberto.org/research/working-papers](http://www.carloalberto.org/research/working-papers)

## **The socio-institutional divide.**

### **Explaining Italy’s regional inequality over the long run**

*Preliminary draft. Please do not quote without permission*

#### **Abstract**

In recent years there have been major advances in the research about the historical pattern of regional inequality in Italy and its historical roots: new and more accurate estimates of regional GDP, as well as of social indicators (human capital, life expectancy, HDI, heights, inequality, social capital) and other indices (market potential), running roughly from around the Unification to our days, are now available. By the light of this up-to-date information, the article reviews the debate about the determinants of regional development in Italy, within the broader framework of the country’s industrial take-off and modern economic growth, and connects it to the main strands of the international literature. After critically discussing the competing hypotheses proposed to account for the different patterns observed and the North-South divide, a different explanation – and the main argument of the article – is presented: a North-South socio-institutional divide pre-existed Unification, in some respects grew stronger with it and was never bridged throughout the history of post-Unification Italy; such a divide ultimately impacted on the levels of human and social capital, as well as upon differences in policies and institutional performance, and thus on economic growth.

*JEL codes:* N93, N94, O11, O43, O47.

*Keywords:* Italy, regional inequality, institutions, path dependence

\* emanuele.felice@gmail.com

## 1. Introduction

Italy's regional economic growth – and the reasons behind its persistent North-South divide – has been and still is a subject of high interest, not only for the Italian political and cultural landscape, but also for what concerns the worldwide debate in economics, sociology, anthropology, and history; via cinema's and literature's masterpieces, it has reverberated into areas of popular culture across the entire Western world. From quantitative grounds, major step forwards in the research about Italy's regional inequality and its historical evolution have been made in recent years. New and more accurate regional estimates, running from around the Unification of the country until our days, are now available: for what is regarded as the prime indicator of economic growth, GDP (Felice, 2010a, 2011, 2015a; Felice and Vecchi, 2015a), together with employment and productivity (Felice, 2016); as well as for a range of social and non-monetary measures, such as human capital, life expectancy, HDI (Felice and Vasta, 2015), heights (A'Hearn and Vecchi, 2011), inequality (Amendola, Brandolini and Vecchi, 2011), nutrition (Sorrentino and Vecchi, 2011), poverty (Amendola, Salsano and Vecchi, 2011), social capital (Felice, 2012), and others as the market potential (A'Hearn and Venables, 2013; Missiaia, 2016). This broad corpus of new information still waits to be properly examined and comprehensively dealt with. Among other things, it shall offer original and valuable insights into the causes of the North-South divide and, in broader terms, into the origins and characteristics of modern economic growth in Italy.

This article reviews the debate about the determinants of Italy's regional inequality by the light of the new historical estimates, and in connection with recent insights from the international economic literature (Sokoloff and Engerman, 2000; North, Wallis and Weingast, 2009; Acemoglu and Robinson, 2012). Section §1 provides an updated picture of regional differences, in production but also in social indicators, by the time of the country's Unification (1861). In Section §2, the evolution of regional GDPs from the late XIX century until our days, in ten-year benchmarks (1871-2011) and at present borders, is presented and discussed, within the broader framework of Italy's industrial take-off and modern economic growth (Felice, 2015b; Felice and Vecchi, 2015b). Section §3 develops a critical analysis about the competing hypotheses which have been proposed to explain the persistent North-South divide and the historical evolution of Italy's regional inequality. What is considered to be the most plausible explanation – and the main argument of the article – is then put forward in Section §4. It is argued that a socio-institutional divide between the North and the South of the peninsula pre-existed Unification, in some respects grew stronger with it and was never bridged throughout the history of post-

Unification Italy. Such a divide ultimately impacted on the levels of human and social capital, as well as upon differences in policies and institutional performance, and thus on economic growth.

## 2. Italy's imbalances at the time of Unification

The new historical estimates for the Italian regions usually begin in 1871. For the time around Unification (1861), that is ten years before, the available sources do not have allowed, thus far, to produce comprehensive estimates of GDP, or of crucial social indicators such as per capita years of schooling, life expectancy, social capital and its components. To have an idea of the territorial imbalances at the dawn of the Italian state, we must resort to a series of simple indicators, concerning the production of specific branches of the economy, some key infrastructures, single components of human capital. The available evidence has been summarized in Table 1. It usually refers to the former pre-Unification states, rather than to the post-Unification regions; and it is not always reliable, as the extensive notes do illustrate.

Table 1. *The Italian territories around Unification: available estimates and open questions*

	Population, 1861 (millions)	Railways in operation, 1859 (Km)	Streets, 1863 (Km)	Letters received per capita, 1862	Illiterates, 1861 (%)	Primary enrolment rate, 1861 (%)
Piedmont	2.8					
Liguria	0.8	850	16,500	6.1	54.2	93
Sardinia	0.6	0	986	n.a.	89.7	29
Lombardy	3.3		20,901	5.3	53.7	90
Veneto	2.3	522	n.a.	n.a.	75.0	n.a.
Parma-Modena	0.9	0			78.0	36
Papal States	3.2	101	25,766 <sup>(b)</sup>	2.7 <sup>(b)</sup>	80.0 <sup>(c)</sup>	25-35 <sup>(c)</sup>
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 <sup>(d)</sup>
Italy	25.0	1.829	n.a.	n.a.	75.0	43 <sup>(e)</sup>

	Agricultural production, ca. 1857 <sup>(a)</sup>		Imports per capita, 1850-58 (Italy = 100)	Exports per capita, 1850-58 (Italy = 100)	Silk, 1857 <sup>(b)</sup>	
	Total value (mln lire)	Per hectare value (lire)			Number of bowls	Value of raw silk (mln lire)
Piedmont						
Liguria	516	169	197	108	25,000	59
Sardinia	48	23				
Lombardy	435	238			34,627	80
Veneto	270	128	120	145	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 <sup>(f)</sup>	52 <sup>(f)</sup>	14,400	35
Italy	2,842	104	3.74 <sup>(g)</sup>	3.27 <sup>(g)</sup>	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) <sup>(n)</sup>
Piedmont			2,204 <sup>(k)</sup>	2,700		97.1
Liguria	197,000	6.4	2,255	350	4,150	212.1
Sardinia			40	0	0	70.7
Lombardy	123,046	4.5	1,522	550	1,909	100.2
Veneto	30,000 <sup>(i)</sup>	0	1,250	850	2,150	99.9
Parma-Modena	0	1.5	100	0		
Papal States	30,000 <sup>(i)</sup>	1.8	759	400 <sup>(m)</sup>	796 <sup>(m)</sup>	93.2
Tuscany	3,000 <sup>(i)</sup>	2.2	1,147	600	1,286	112.8
Kingdom of the Two Sicilies	70,000 <sup>(i)</sup>	3.0	2,500 <sup>(l)</sup>	1,640	4,083	93.3
Italy	453,000 <sup>(i)</sup>	19.4	11,777	7,090 <sup>(m)</sup>	14,274 <sup>(m)</sup>	11.4 <sup>(o)</sup>

*Sources:* for population, Svimez (1961); for railways in operation, kilometers of streets, letters received per capita and agricultural production, Correnti and Maestri (1864); for illiterates and primary enrolment rate, Zamagni (1978); for imports and exports, Federico and Tena (2014); for the data on silk, cotton and paper, Maestri (1858); for employment in modern engineering firms, Giordano (1864) and Camera dei Deputati (1864, pp. 70-89); for the data on wool and leather, Maestri (1868, pp. 198-199); for the value of production of extractive manufacturing industries, my elaborations from Ciccarelli and Fenoaltea (2014). For early versions of this table, but without the last entry and some of the figures now outdated, see Zamagni (1990, pp. 40-41; 2007, pp. 42-43; 2012, pp. 280-281;). Figures that are considered to be less reliable have been underscored.

*Notes and critical apparatus:* (a) according to several scholars, the estimates of agricultural production are not reliable and both the figures for the Papal States and the Kingdom of the Two Sicilies are underestimated (e.g. Pescosolido, 1996); (b) the data on kilometers of streets and on letters received per capita for Parma, Modena and Papal States do not include Latium; (c) the illiterates and primary enrolment rate for the Papal States are from a rough estimate; (d) the primary enrolment rate for the Kingdom of the Two Sicilies only refers to continental South; the datum for Sicily, in Zamagni (1978), is 9%, probably too low according to the author herself; (e) as a consequence of points c) e d), even the estimate of the enrolment rate for Italy as a whole is rough; (f) for the Kingdom of the Two Sicilies, the figures are population-weighted averages between those of continental provinces (35 imports, 31 exports) and those of Sicily (72 imports, 111 exports); (g) 1913 dollars; (h) before the disease of the silkworm; according to Vera Zamagni, after that the primacy of Lombardy grew even stronger, whilst the production of southern Italy became negligible (Zamagni 2007, p. 43); (i) rough estimates; (k) according to an alternate estimate, the workers in modern engineering firms in Piedmont amounted to about 7.500 (Abrate, 1961); (l) the datum for the Kingdom of the Two Sicilies refers only to Campania (2.225) and Sicily (275), for the other regions we do not have information; (m) Latium is not included; (n) the extractive manufacturing industries are engineering, metallurgy, non-metallic minerals, chemicals and rubber; <sup>(o)</sup> 1911 lire.

Despite the uncertainty surrounding some estimates, the gist of these data is clear. At the time of the Unification, between the North and the South of the peninsula a gap existed in the «pre-conditions» of development: roads, railways, communications, as well as the levels of human capital (typically measured by the percentage of literacy, or the rate of schooling); in all these indicators, the South – including Sardinia, in the Kingdom of Savoy – was indisputably behind the rest of the country and, in particular, it lay behind the future «industrial triangle»; central Italy was in an intermediate position between North and South. Conversely, in the agricultural and industrial production the gap between North and South, present though, was much less pronounced. In the Kingdom of the Two Sicilies agricultural production per hectare was not, overall, worse than in the Papal States; indeed it could have been a bit better. The production of the most advanced manufactures (metallurgy, mechanics, non-metallic minerals, chemicals) was, in per capita terms, roughly equivalent between the Papal States and the Kingdom of the Two Sicilies; both the areas were behind the rest of the peninsula, but even in this respect the difference was relatively mild (in per capita terms, about 15-20%).

To summarize: South and islands scored an output comparable to that of central Italy, but lower figures with regard to social indicators and the pre-conditions of development. To this picture, it must be added that Italy as a whole was a backward country, at that time: a significant gap, actually, had opened between Italy, as a whole, and the most advanced countries of north-western Europe that were already experiencing the industrial revolution. By 1861, Italy scored 2,404 kilometres of railways in operation (40% of them in Piedmont), against 15,210 of the United Kingdom, 11,500 of Germany, 9,600 of France (Cohen and Federico, 2001, p. 87;

Mitchell, 2007, pp. 737-741); it produced 27 thousand tons of cast iron – or maybe 60 thousands (Caracciolo, 1973, p. 622; Toniolo, 1988, p. 71) – against 3,772 millions of the United Kingdom, 898 thousands of France, 592 thousands of Germany, 320 thousands of the Russian Empire, 315 thousands of Austria-Hungary, and 312 thousands of a small country such as Belgium (Mitchell, 2007, pp. 495-496; Romeo, 1972, p. 20). Italy was then, on average, quite poor: according to the estimates, per capita income at purchasing power parity was less than one-thirteenth of the current one, that is 1,971 2011-euros in 1861, against 26,065 one century and a half later (Baffigi, 2013; Felice and Vecchi, 2015a); in 1861, it was 82% of the French average income, 63% of the Belgian, half of the British (Maddison, 2010; Bolt and van Zanden, 2014). This means that the income gap between France and Italy (let alone any comparison with England) was probably as high, or even higher, than the same gap between the North and the South of the peninsula.

Having this in mind, let's go back to the North-South divide. To the information displayed in Table 1, something more can be added, thanks to a recent work by Giovanni Vecchi and co-authors. According to their estimates, in 1861 44% of the Italian population lived below the poverty line (that one estimated at that time). In the entire *Mezzogiorno* (for that year, figures for each regions are not available) this share rose to 52%, while in the Centre-North it declined to 37%: this means that in the *Mezzogiorno* the share of poor was 40% higher than in the rest of the country (Amendola, Salsano and Vecchi, 2011), a gap considerably higher than the one observed in production. Heights of 20-year old conscripts were also considerably lower in the South and islands (160.9 cm) than in the Centre-North (164.1 cm; the Italian average being 162.9), although in this case we should allow for the role played by genetic and dietary differences, together with those in nutritional standards (A'Hearn and Vecchi, 2011). Reliable estimates of life expectancy begin in 1871, and they also suggest a sharp North-South divide: by that time, average life expectancy amounted to 33.8 years in the Centre-North, against 31.9 in South and islands, the Italian average being 33.1 (Felice and Vasta, 2015).<sup>1</sup> From these figures, when combined with the one displayed in Table 1, it follows that inequality had to be higher in the South than in the Centre-North: the available wealth tended to concentrate in the hands of a smaller privileged elite; this explains why the majority of the southern population presumably lived in significantly worse conditions than in the North (as testified by all the social indicators), although the differences in production were relatively mild. Also, in the South a greater share of inhabitants was kept in a state of «alienation» from public affairs, forced into a more strict social immobility, as a consequence of far higher illiteracy.

---

<sup>1</sup> According to Atella, Francisci and Vecchi (2011), life expectancy was 33.7 years in the Centre-North against 31.5 in South and islands; by 1861 (but this estimate is uncertain) it amounted to 32.6 and 32 years, respectively.

To put in other words: in the South there must have been a sharper polarization between rich and poor. Such a polarization was supported by extractive institutions: the extensive large estates, which favoured big absentee landowners and left in misery millions of poor farmers, who had to work as day labourers; absolute monarchy, even autocratic, as were the nineteenth century Bourbon in the Kingdom of the two Sicilies, who disfavoured the participation of productive classes – the bourgeoisie, where it existed (Croce, 1965; Galasso, 1977; Davis, 1981) – in public affairs; early forms of organized crime (Mafia, Camorra), which also began to emerge in the late Bourbon era, taking advantage of the state inability to maintain order and exert justice, and normally – especially in Sicily – enlisted in their ranks a sort of «aborted» bourgeoisie: a new class not at all alternative, but rather complementary, in culture as well as in the economic interests, to the aristocracy (Sereni, 1946; Lupo, 2004; Felice, 2013, pp. 61-74). These are the constituent parts of a socio-institutional gap between North and South: higher inequality in the South and as a consequence lower standards of human and social capital, from which extractive institutions, both legal and illegal, in the political and economic spheres followed; and these extractive institutions were in turn reinforced by the higher polarization of resources, and its social and economic consequences.



### 3. The long-run evolution of regional inequality in Italy (1871-2011)

Regional estimates of per capita GDP have recently been produced for ten-year benchmarks running from 1871 to 1951; by linking them to the official figures from 1961 onwards, it is possible to have a long-run picture of the evolution of regional inequality in Italy. This is presented in Table 2 and Figure 1 – both at current regional (NUTS II) borders. The per capita GDP is measured according to the Italian average (settled 1), and thus is in relative terms; for both the Table and the Figure, however, the absolute values of Italy's per capita GDP at constant 2011 euros have also been reported, aiming to give an idea also of the overall growth rate of the country – and thus of its regions.

**Table 1.** The GDP per capita of the Italian regions, 1871-2011 (Italy =1)

	1871	1881	1891	1901	1911	1921	1931	1938	1951	1961	1971	1981	1991	2001	2011
Piedmont	1.07	1.08	1.07	1.19	1.16	1.28	1.23	1.38	1.51	1.31	1.24	1.19	1.14	1.15	1.09
Aosta Valley	0.80	0.99	1.06	1.19	1.29	1.43	1.43	1.44	1.58	1.68	1.44	1.40	1.42	1.24	1.36
Liguria	1.38	1.42	1.39	1.48	1.57	1.42	1.64	1.67	1.62	1.25	1.04	1.01	1.06	1.09	1.06
Lombardy	1.14	1.15	1.14	1.23	1.18	1.24	1.23	1.38	1.53	1.45	1.36	1.30	1.32	1.30	1.29
Trentino-Alto A.	0.69	0.73	0.78	0.82	0.78	0.88	0.92	0.94	1.05	1.01	1.07	1.27	1.30	1.30	1.29
Veneto	1.06	0.89	0.81	0.84	0.88	0.78	0.73	0.83	0.98	0.97	0.98	1.09	1.12	1.13	1.15
Friuli-Venezia G.	1.25	1.23	1.22	1.25	1.28	1.06	1.17	1.23	1.11	0.91	0.95	0.97	1.04	1.12	1.13
Emilia-Romagna	0.96	1.07	1.06	1.02	1.09	1.10	1.09	1.04	1.12	1.17	1.14	1.30	1.22	1.23	1.22
Tuscany	1.06	1.08	1.03	0.93	0.98	1.04	1.06	1.01	1.05	1.05	1.08	1.11	1.05	1.09	1.09
The Marches	0.83	0.78	0.88	0.83	0.82	0.78	0.71	0.78	0.86	0.87	0.88	1.00	0.95	0.99	1.02
Umbria	0.99	1.03	1.06	1.00	0.92	0.93	1.00	0.95	0.90	0.93	0.93	1.01	0.96	0.96	0.92
Latium	1.34	1.45	1.37	1.35	1.33	1.36	1.40	1.19	1.07	1.11	1.10	1.06	1.14	1.13	1.13
Abruzzi	0.80	0.77	0.68	0.67	0.70	0.72	0.62	0.57	0.58	0.72	0.79	0.85	0.90	0.85	0.85
Molise	0.80	0.77	0.67	0.65	0.68	0.72	0.64	0.59	0.57	0.67	0.66	0.76	0.78	0.80	0.78
Campania	1.09	1.01	0.99	0.96	0.96	0.88	0.81	0.81	0.69	0.72	0.70	0.65	0.66	0.65	0.64
Apulia	0.89	0.95	1.04	0.94	0.87	0.92	0.85	0.72	0.65	0.71	0.71	0.67	0.68	0.67	0.68
Basilicata	0.67	0.63	0.75	0.73	0.74	0.75	0.70	0.57	0.46	0.64	0.73	0.69	0.67	0.73	0.71
Calabria	0.69	0.66	0.68	0.66	0.71	0.61	0.55	0.49	0.47	0.59	0.66	0.62	0.62	0.64	0.65
Sicily	0.95	0.92	0.95	0.89	0.87	0.72	0.82	0.72	0.58	0.61	0.69	0.72	0.72	0.66	0.66
Sardinia	0.77	0.81	0.97	0.91	0.93	0.91	0.85	0.82	0.63	0.75	0.85	0.75	0.77	0.77	0.77
North-West	1.14	1.15	1.14	1.25	1.22	1.28	1.29	1.42	1.54	1.38	1.29	1.23	1.24	1.24	1.21
North-Ea. & Centre	1.00	1.01	0.99	0.97	0.98	1.01	1.02	1.00	1.04	1.04	1.05	1.12	1.12	1.13	1.14
South and islands	0.90	0.88	0.90	0.86	0.85	0.79	0.77	0.70	0.61	0.68	0.71	0.69	0.70	0.68	0.68
Centre-North	1.06	1.07	1.06	1.08	1.08	1.12	1.13	1.17	1.23	1.18	1.15	1.16	1.17	1.17	1.17
Italy (2011 euros)	2049	2225	2327	2562	2989	2843	3506	3853	4813	8158	13268	18202	23141	27113	26065

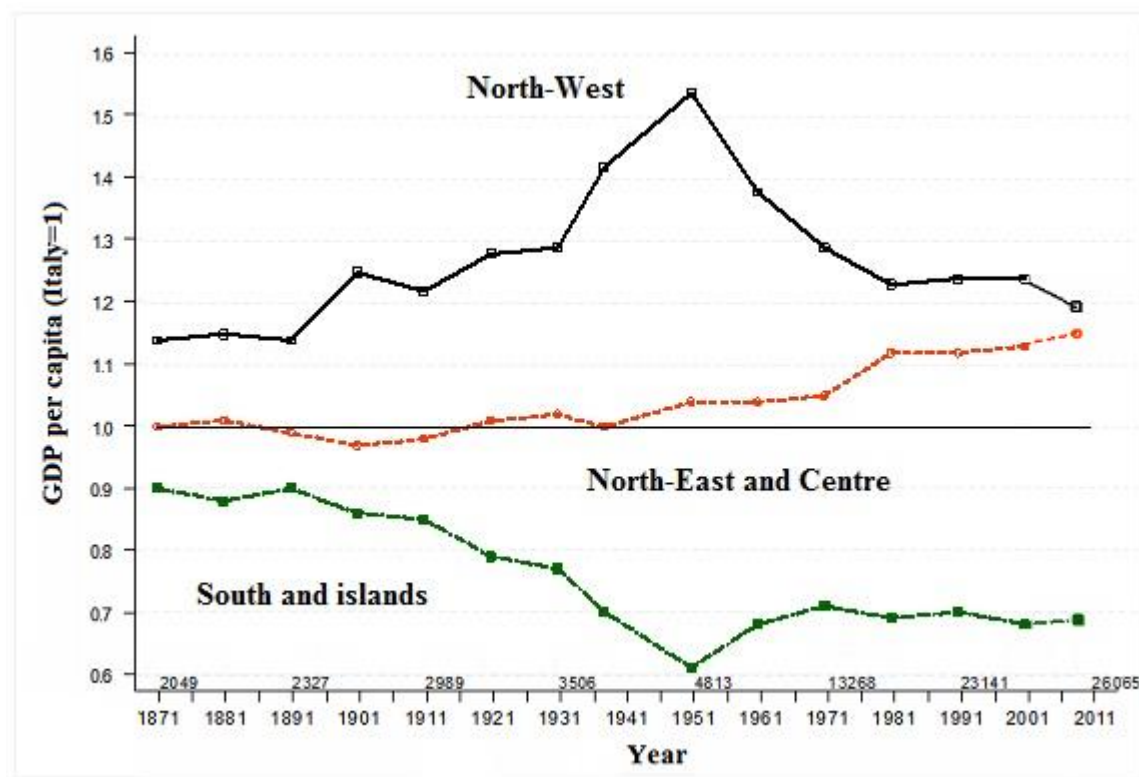
Source: Felice (2016). Note: North-West is made up of Piedmont, Aosta Valley, Liguria, Lombardy; North-East and Centre is made up of Trentino-Alto Adige, Veneto, Friuli-Venezia Giulia, Emilia-Romagna, Tuscany, The Marches, Umbria, Latium; the other regions belong to South and islands; Centre-North is in turn composed of North-West and North-East & Centre.

In 1871, the level of regional inequality is compatible with the figures presented in Table 1, referring to 1861, and with the analysis of the previous section. While Italy remained on average poor, the North-South divide was relatively mild. It is worth noting that, at that time, a considerably variety within Italy's three macro-areas was present: the biggest region of the South, Campania, was well above the Italian average; in the North-East and Centre (NEC

henceforth), some regions (Trentino-Alto Adige, at that time belonging to the Austria-Hungarian empire) were among the poorest ones, others (Latium) among the richest in Italy. Although as a whole the NEC was around the Italian average, the North-West lay above and South and islands below it – as illustrated also by Figure 1 – there was in 1871 a considerable overlapping among the regions of different macro-areas. To say it differently: in terms of per capita GDP, the three macro-regions had not yet clearly formed.

They did form in the subsequent eighty years, from 1871 to 1951. By 1951, all the regions of the South have fallen behind all the regions of the NEC; all of these latter, in turn, lay behind all the regions of the North-West. As a convergence *within* the three macro-areas took place, a remarkable divergence *between* them occurred as well. The result is that, by the mid of the twentieth century, Italy can be clearly divided in three macro-areas, those displayed in Figure 1. It is worth discussing in a bit more detail the main features of such a pattern, characterized by convergence-within and divergence-between.

Figure 1. *The long-run evolution of regional inequality in Italy, by macro-areas (1871-2011)*



Source and note: elaborations from Table 2; for the composition of the three macro-areas, see again Table 2; Italy's per capita GDP at constant 2011 euros refers to the years: 1871, 1891, 1911, 1931, 1951, 1971, 1991, 2011.

During the liberal age, divergence was mild. This should not come as a surprise. In the first twenty years, the growth of the Italian economy was sluggish (from 1871 to 1891, the yearly growth rate of per capita GDP was barely 0.6%), below the standards of most of the other

European countries; the industrial take-off of the North-West was very slow. After Unification, Italy as a whole had become one of the most free-trade countries in the world, by adopting the tariffs of the Kingdom of Savoy. For the southern regions, the abandonment of the highly protectionist regime followed under the Bourbons harmed the (highly protected) manufactures of Campania and Calabria (De Rosa, 1974; De Matteo, 2002), but helped agriculture and related industries, which presumably made great progress (Ciccarelli and Fenoaltea, 2012) – and they had a much major impact on GDP at that time. Things began to change only by the end of the 1880s, after a new tariff was imposed (1887) which aimed to protect some industry, in the North,<sup>2</sup> and grain, in the North and above all in the South (Pescosolido, 1998). It shall be stressed, however, that wheat, being intensive in land rather than in labour, contrasts with factor endowments of southern Italy, and to some degree with those of Italy as a whole, both being territories rich in labour and poor in land; southern agriculture would have benefitted from incentives to highly value-added and labour-intensive crops, and strongly export oriented ones, such as olive oil, citrus fruits and grapes.

From 1891 to 1911 the yearly growth rate of the Italian GDP increased to 1.3%, more than twice that of the two previous decades. The «industrial triangle» – Piedmont, Liguria, Lombardy – began to take shape, especially after that the universal banks were created to provide financial and managerial capital to the new enterprises (e.g. Gerschenkron, 1955; Felice, 2015b, pp. 143-148). By the eve of the Great war, the three main regions of the North-West concentrated most of the Italian industrial production (Fenoaltea, 2003),<sup>3</sup> covering sectors of both the first (textiles, foods) and the second (engineering, electricity, chemicals) industrial revolution. The process of divergence-between and convergence-within the three macro-areas did start, as the North-West began to forge ahead, and South and islands to lag behind. Nonetheless, still divergence was mild, mainly because the southern regions – and the most backward in particular – benefitted from high emigration rates towards overseas countries: actually millions of Italian emigrated, overwhelmingly from the *Mezzogiorno* and from Veneto; they sent home money (remittances) and, when they went back, brought with them financial and technical capital (Felice, 2007; Gomellini and Ó Gráda, 2013); also, this process involved an increase in wages for those who remained, part of a wider wage convergence between the two sides of the Atlantic (O'Rourke and Williamson, 1999). It may be added that the main region of the South, Campania, was also favoured in this period from state intervention, which helped to install the first modern industrial plant in the *Mezzogiorno* – the steelmaking factory in Bagnoli, a beach of Naples (De Benedetti, 1990a) – although at that time this had a moderate impact on per capita GDP.

---

<sup>2</sup> Serious doubts have been raised, however, on the efficaciousness of these measures (Federico and Tena, 1999).

<sup>3</sup> For instance, in 1911 Lombardy produced 50% of Italy's value added in textiles (Fenoaltea, 2004).

With the Great war (1915-18) we move from moderate to strong divergence. It will last four decades, until the onset of the economic miracle in the 1950s; during the same period, however, the rate of growth of the Italian economy as a whole slowed down, to 1.2% per annum.<sup>4</sup> On the one side, in the North, the modernizing efforts of the local entrepreneurship – namely in advanced engineering, automobiles, aeronautics, chemicals – met with more intense state intervention, although amid unprecedented dire conditions and limitedly to the first fifteen-twenty years; on the other side, in the South, the extractive approach of the local elites equally met with national policies, those designed (also) to maintain the old privileges in this part of the country. The Great war channelled the state's resources towards the existing factories, mainly in the North-West, in order to increase more conveniently industrial production; once the war was over, those same factories that had enormously expanded had to face a reconversion crisis and then to be saved, by state intervention (Zamagni, 2002); and the Italian state intervened again, out of necessity, following the 1929 crisis. However, it must be acknowledged as, even in such turbulent times (two world wars, the 1929 crisis), the entrepreneurial elites in the North proved themselves capable of engaging in modernization. In automobiles, the first mass-production lines were developed in this period (the Lingotto plant of Fiat was inaugurated in 1923); after the Second World War – which however arguably caused more damage, in relative terms to the southern industrial plants than to the northern ones (De Benedetti, 1990b, pp. 604–605) – the Reconstruction came, which in the North was more rapid and resulted into a significant leap towards mass production, not least thanks to the entrepreneurs' use of the aids from the Marshall Plan (Fauri, 2010).

In the same period, the South remained stuck in underdevelopment: since the 1920s emigration was severely restricted (also due to the US government), while the fascist autarchic policies (such as the «Battle for grain», started 1925) further reinforced the unproductive cereal agriculture in the South; contemporaneously, the fascist land reclamation did not go as far as to undermine the large-estate latifundium regime, which indeed in some respects was even strengthened (Bevilacqua, 1980). By 1951, the South still scored about the same percentage of agricultural employment as forty years before (60%), while its per worker agricultural productivity had dramatically dropped with respect to the Centre-North; meantime, the North-West had continued to industrialize and modern industry had begun to spread also to neighbouring NEC regions (Felice, 2011, pp. 937-940). We may add that fascist expansionist demographic policies further worsened the living conditions of the poor – and this especially in the South (e.g. Felice, 2015b, pp. 195-196).

---

<sup>4</sup> For an in-depth analysis about the performance of the Italian industry in those decades, and the sluggish growth of productivity in the 1930s in particular, see Felice and Carreras (2012), Giordano and Giugliano (2015).

After the Second World War, two more different phases can be detected. The first one, roughly coinciding with the economic miracle (1951-1971), sees general convergence among the Italian regions: both the NEC and, above all, South and islands converge catch-up with the North-West. But in the 1970s the convergence of southern Italy stops and a new phase begins: in the last four decades, on the one side southern Italy fell behind, slightly, again; on the other side, the NEC continued to converge towards the North-West. As a consequence of this process, whilst there were three «Italies» in 1951, in terms of per capita GDP, by 2011 we can observe two clearly defined «Italies»: the Centre-North and the *Mezzogiorno*; while within the Centre-North there are now many overlaps among the regions of the North-West and the NEC, all the regions of the *Mezzogiorno* are below the last region of the Centre-North.

If we look at these periods in more detail, first of all we should acknowledge that the convergence of the South during the economic miracle – when Italy as a whole became an industrial power, growing at a yearly rate of 5.2% from 1951 to 1971 – was «exceptional», for a number of reasons. First, it occurred when the North-West also was developing at its fastest speed, and thus basically it does not seem to be the result neither of congestion costs in leading area, as predicted by the new economic geography (Krugman, 1991a), nor of decreasing returns to capital, as posed by the neo-classical convergence models (Barro and Sala-i-Martin, 1991; but see also Williamson, 1965). Second – and similarly at odds with the two competing approaches about regional convergence – the South, which was more backward and distant, converged at a faster rate than the NEC, which instead was closer geographically, economically and socially (and even institutionally and culturally) to the North-West. Third, the South's convergence is unusual, so to say, because it ended in the 1970s, that is precisely when the North-West began to slow down, costs of congestion did emerge and the search by the northern big business to relocate plants became manifest – and when the convergence of the NEC accelerated.

The answer to why the South's convergence does not seem to fit the conventional models, is that it was not due to market forces, but to state intervention – and a massive one, actually with no parallels in terms of funds (as a percentage of GDP) in any other western European country (Felice, 2002). The «Cassa per il Mezzogiorno» (Cassa henceforth), a state-owned agency created in 1950, financed infrastructural works – mostly roads, aqueducts and land improvements – and from 1957 onwards, increasingly, also industrial firms, via soft loans and grants (La Spina, 2003). A significant share of the Cassa's aids went to state-owned enterprises, which following a 1957 law (no. 634) had to locate in the South 60% of new investments and to have there 40% of total assets: for the most part, they operated in capital-intensive sectors, from steel (Finsider) to advanced engineering (Finmeccanica) (Felice, 2010b). Their investments, and those of northern and international private firms that sometimes followed them (usually in

medium-high sectors such as engineering and automobiles), were remarkable, creating an industrial employment of about 725 thousand units, that is almost half of the total industrial employment of the southern regions by the early 1970s (Felice and Lepore, 2017). The result was a significant – and unique in the Italian economic history – convergence of the South, in both the share of industrial employment and industrial productivity (Felice, 2011). Other factors – such as the massive migration flows from the South to the North – surely also played a role. But it was a minor one, probably. The point is that the South did industrialize in this period, and did it in sectors intensive in capital – expensively, being this area rich in labour, instead (Lutz, 1962; Fenoaltea, 2007) – because they were financed by the central state.

This process came to an end in the 1970s. On the one side, the oil crisis affected more heavily the energy-intensive industrial plants which were located in the South, because those were more fragile (with higher transport and labour costs, for instance). On the other side, the economic policy in favour of the South had begun to lose in effectiveness since the late 1960s and, by the 1970s, it was no longer capable of expressing (and implementing) a new, coherent development strategy: the Cassa's aids continued until the mid-1980s (Cafiero and Marciani, 1991; Felice and Lepore, 2017), but they went lost amid unproductive uses and at times they even favoured organized crime (e.g. Bevilacqua, 1993, pp. 126-132). Why this happened? Mainly because the Cassa had progressively lost its autonomy since the mid 1960s, since it was subordinated first to the Italian government (since 1965), then to the new regional administrations in the South as well (since 1975) (Cafiero, 2000; Felice, 2007). As a consequence, financial aids which should have served to promote development, became a source of power for the local elites, given that they were distributed by way of political nepotism; they even distorted incentives to the middle and high classes of the southern society, insofar as they ended up encouraging the search for permanent rents via personal loyalty, rather than innovation via risk and entrepreneurship (Trigilia, 1992).

It is worth stressing, however, that in those very decades the NEC continued to converge. It did so by virtue of systems of small and medium enterprises, strongly export-oriented and usually specialized in light manufactures (textile, clothing, furniture, light mechanics, ceramics, foodstuffs) and in the production of one single good, that came to be known as «industrial districts» (Becattini, 1979). Their strength lay, at least in part, in their very local environment: this provided them with free common goods (from high social capital and trust, to growth-enhancing and efficient administrations) which helped them to lower their costs and thus to remain competitive in spite of small size (Bagnasco, 1988; Colli, 2002a). Actually, they were also helped by national policies, namely inflation and thus the depreciation of the Italian currency or the lax public controls over fiscal rules and labour standards (de Cecco, 2000, pp.

185-189; Felice, 2015b, pp. 286-292), and, contrarily to conventional wisdom, received significant subsidies from the state (Spadavecchia, 2005); but it remains the fact that they were based on local, private entrepreneurship, which profitably interacted with public powers, and that they turned out to be highly competitive abroad – their products embodying so-called «made in Italy».

With time, the industrial districts were to evolve towards more «conventional» forms of entrepreneurship, as by the 1990s in those same territories medium-sized firms began to emerge, that organized the production within the district and led the conquest of foreign markets (Turani, 1996; Colli, 2002b). Furthermore, such a typology recently spread, or was «discovered», also in the neighbouring North-West, where big business, and especially that one specialized in medium-high sectors, was in retreat since the 1970s – and this process accelerated by the turn of the century (Gallino, 2003; Berta, 2015). In short, also in terms of industrial morphology, during the last decades, the NEC and the North-West regions (i.e. Lombardy to Veneto, or to Emilia-Romagna) began to look more similar to each other.

#### 4. Competing explanations: geography, external exploitation, culture

The determinants of regional disparities in Italy, and the causes of southern backwardness, have been widely discussed in the academic literature, as well as in the wider political and cultural arena. Since the late nineteenth century, prominent figures such as Francesco Saverio Nitti (1900), Corrado Gini (1914), Benedetto Croce (1925), Antonio Gramsci (1951), to name only a few, participated to the debate. In the second half of the twentieth century, non-Italian names the likes of Edward Banfield (1958) and Robert Putnam (1993) would have added to the growing list of Italian scholars;<sup>5</sup> both Banfield and Putnam regarded the backwardness of southern Italy, and more generally the Italian North-South divide, as an exemplary case study, worldwide, for the researches about international (and interregional) inequality. This may not necessarily be correct, however, not at least in their perspective which is probably over-emphasizing only one dimension of the Italian North-South divide – as we will see. What we may say with more confidence, is that in the Italian case we may find all the main interpretative strands which have been developed in the global debate about the nature and causes of the «wealth of nations» (e.g. Diamond, 1997; Landes, 1998; Acemoglu and Robinson, 2012). These are essentially four, either based on the role of geography, external exploitation, culture, institutions.<sup>6</sup> It is worth noticing that the first two causes are exogenous, the next two endogenous: there is no need to stress that their implications on our interpretation of the Italian history, and even for today policymakers, are remarkable and significantly different.

A first set of interpretations focuses on geographical differences. First of all, there are differences in natural resources: water courses (with jumps) and agricultural fertile land were more abundant in the North – in Piedmont, Lombardy, Veneto, Emilia, Friuli-Venezia Giulia – and they resulted in higher per hectare productivity and more water energy, which provided basic inputs (labour and energy) for the onset of the industrial revolution. These factors surely played a role in shaping Italy's regional inequality in the nineteenth century (e.g. Cafagna, 1989); whether they were decisive, however, especially in the long-run, we may indeed doubt. For a number of reasons. First, already in the nineteenth there was one northern region not particularly favoured in terms of fertile land and water resources, Liguria, but that was exactly the richest region of the North and the one which industrialized first. Furthermore, other regions of the North were not favoured in terms of natural resources (Trentino-Alto Adige; Aosta Valley, although very small),

---

<sup>5</sup> The list of prominent international scholars who have extensively dealt with Italy's regional disparities should also include, at the very least, Arnold Toynbee, who produced a remarkable work about the long-run social and economic consequences of the Second Punic War for southern Italy (Toynbee, 1965).

<sup>6</sup> Those who believe that there are genetic differences, in the mean and variance of intelligence, between the main human groups have also applied themselves to the Italian North-South divide, in the nineteenth century but even in recent years (Lynn, 2010; for a response, see Felice and Giugliano, 2011, and Daniele and Malanima, 2011a).



but in the long-run those are the Italian regions which grew the most. Conversely, in the South some regions – Apulia above all, but to a minor degree Campania too – were not disadvantaged in terms of natural resources, but on the Italian average and in a better position than the rest of the South and also most of central Italy; and yet they grew less than other regions both in the Centre and the South. Broadly speaking, if it is true that by the mid-nineteenth century on average the South was a bit disadvantaged in natural resources, the major differences could be observed not so much between the three macro-areas (North-West, NEC, South and islands), but within them: and yet the pattern of regional inequality in Italy is, as we have seen, one of convergence within the macro areas and divergence between them; as such, it can hardly have been shaped by differences in natural resources.

A similar argument can be raised against the second variant of the geographical explanation, the one concerning the geographical position and the (mostly related) market potential. Daniele and Malanima have exemplified this view, by stating: «The Industrial Revolution and industrialization took place in England and then in Western Europe. If they had taken place in Africa, things, for our Mezzogiorno (and not just for the South!), would certainly have been different» (Daniele and Malanima, 2011b, p. 182; my own translation from Italian). It is certainly true that Southern Italy was further away from the major European centers of the Industrial Revolution, than it was the Centre-North. It is also true that, on average, market potential was lower in the *Mezzogiorno*. According to the new economic geography (Krugman, 1991b), market potential and the ensuing economies of scale play a crucial role for the location and early success of industrial enterprises. For the Italian case, over the long run, Brian A’Hearn and Anthony Venables have proposed a geographical interpretation of Italy’s regional inequality precisely within the theoretical framework of the new economic geography: in their view, the endowment of natural resources would help to understand the initial lead of the Centre-North; the subsequent evolution of regional differences would be explained by differences in the access to markets, first (from 1880 to 1945) the domestic ones, then (after 1945) the international, especially European, ones. In their very words, the falling back of the South should be referable essentially to bad luck, or «misfortune» (A’Hearn and Venables, 2013, p. 599).

This interpretation has good points, but it fails to account for some fundamental features in the pattern of Italy’s territorial inequality – especially at a the regional level. In the decades following Unification, Campania, densely populated and with a relatively high per capita GDP, housing Naples, then the biggest Italian city, and well connected to the rest of the world through its port, was among the regions with the highest market potential (Missiaia, 2016): why the economies of scale were not present there, as instead to Milan or Turin? During the liberal age (1871-1911), Campania is actually the regions with the lowest growth of per capita GDP (-13

points from 1871 to 1911, being 100 the Italian average), after Veneto (-18); throughout the history of post-Unification Italy (1871-2011), it is by far the Italian region with the worst performance (see Table 2); and it is the most important (in terms of inhabitants) region of the South – and the most favoured in terms of market potential. Concerning the second half of the twentieth century, worries are equally serious. If geographical position would have been the main reason for the convergence of Abruzzi, why did it come to a halt after public incentives (from the Italian state and then from the EU) ended in the mid 1990s? Abruzzi's convergence should rather have continued, as in the case of the Marches. Furthermore, how do we explain the convergence of Sardinia, which today among all the southern regions ranks third in per capita GDP after Abruzzi and Molise, but it is probably the most disadvantaged for position, population density and market potential? As at the international level the geographical explanation cannot tell us why in the long run, for instance, Japan or Australia did much better than the Philippines, similarly, in Italy, it is unable to explain why the Abruzzi's convergence stopped, or why Sardinia did better than Campania. It is worth adding that, in broad terms, the falling back of southern Italy in the last four decades was due to lower employment rate, rather than to productivity – which instead continued, slowly, to converge (Felice, 2011, 2016). Significant differences in the economies of scale should result in significant differences in productivity, but we do not observe these latter between North and South, today (differences there are, but milder than those in per capita GDP). In our times, the South is more important as a market hub, for goods and services that are produced elsewhere, than as a production centre: its problem does not seem to lie in the demand side, but in the offer one.

A second interpretative strand argues that the South was exploited by the North, following the Unification of the country and, essentially, as a consequence of the process of national capitalist accumulation; at the international level, the conceptual framework behind this view can be found in the dependency theory (Prebisch, 1959), which has been applied also to explain within-country regional imbalances (Hechter, 1975). For Italy, similar theses, which in recent years gained considerable popular appeal in the South, have been proposed with variants not only by Marxist scholars – according to some of them, a kind of colonial relationship between the two parts of the country was established with the Unification (Zitara, 1971) – but also by liberal ones, from Nitti (1900) who argued for the unequal distribution of the fiscal burden between North and South, to Rosario Romeo (1959), who regarded the extraction of surplus from southern agriculture as a necessary evil for the industrialization of the country (in the North).

While the accuracy of Nitti's calculations about the unequal distribution of the fiscal burden, in the liberal age, was severely criticized by Corrado Gini (1914; but see also Felice, 2013, pp.

209-211) at that time, both the colonial thesis and the (milder) idea of a North-Western take-off based on the exploitation of the South, appear to be in contrast with some basic facts about the Italian economic history in the liberal age. First, in the decades following Unification Italy basically did not grow – unlike what Romeo thought by looking at old and now out-dated series of Italian GDP – and did not industrialize. Second, as we have seen the widening of the North-South divide did not follow at a short distance, and thus it could hardly be a consequence of, the Unification of the country: in terms of a gap between North and South, things remained more or less unchanged until the 1890s. Third, throughout the liberal age we cannot detect any feature of a colonial economic relationship between the two areas: the industrialization of the northern «triangle» did not make use of southern labour (which went abroad), but of its own labour force, coming from the countryside; the North did not exploit the (few) raw materials and the agricultural products from the South, which instead were exported; northern capital, still too weak, did not invest in the South in a significant way and the South had not even become a market, not yet, for the northern industrial goods (rather, it received goods and capitals from other more advanced European countries; as the North itself did, to a minor degree). The only contribution from the South to the industrialization of the country was an indirect one: the (mostly southerners') remittances, which helped to keep the balance of payment in equilibrium, that is to pay for the imports of raw materials with no depreciation of the national currency.

A last point is worth being mentioned: at the very least since they came to power by the «historical left» in 1876, the southern elites fully took part in the government of the country, and shared with the northern elites all the main national policies and economic measures. This alliance – what Antonio Gramsci called the «historical bloc» – was further reinforced under fascist dictatorship: and now actually the North-South gap did widen, remarkably, but still with none of the above mentioned economic conditions for colonial exploitation (in terms of labour, raw materials, goods, capital) fully at work. It was only during the economic miracle that the South began to provide labour for the northern factories, to receive capitals from there and to grow a market for the Northern products. Yet those were also the (only) years of the South's convergence, due to the fact that the *Mezzogiorno* received significant financial aids from the rest of the country – with few comparisons in other countries of the western world, as mentioned. In the meantime (and not by chance), the southerner elites and also common citizens supported with their vote the Italian government, and its policy to sustain the South, much more than the citizens of the Centre-North did (it was in the South that the main ruling party received the higher shares of its votes). This can hardly be defined as a northern exploitation, less so a colonial one.

A third view focuses on the observed ethical and cultural differences, between southern and northern citizens. As early as in the nineteenth century, the pioneering scholars of what later was to be named *questione meridionale* (the problem of the South) stressed the differences in what, nowadays, we would call civiness and social capital (e.g. Villari, 1885). After the Second World War, Banfield (1958) believed to have found in the ethics of «amoral familism» (the idea that one own and relatives' good is superior and opposed to general good), which arguably prevailed in a typical southern village in Lucania, «the moral basis of a backward society». Several decades later, Robert Putnam (1993) elaborated on some Banfield's ideas, by holding that significant differences in social capital were present between North and South: they impacted upon policy and institutional efficiency, as well as on economic growth, and they could be attributed to a different path taken in the late middle ages, when self-government characterized the rich urban society of central and northern Italy – in the so-called *comuni* – while in the South an absolutist state was already in place, discouraging popular involvement into public affairs. It is true that, nowadays, between North and South significant differences are present in social capital – as defined by Putnam: trust, civic participation and informal social networks (Nuzzo, 2006; Cartocci, 2007).<sup>7</sup> It is equally true that these differences could be observed already in the liberal age, as far as we know (Felice, 2012; A'Hearn 1998, 2000). It seems probable that they had some impact on regional growth in the last decades: the rise of the industrial districts in the NEC was favoured by high social capital, as the lack of it disfavoured the South's convergence since at least the 1970s; this can be inferred by a vast qualitative literature and is equally confirmed by available econometric tests (e.g. Helliwell and Putnam, 1995; Felice, 2012).

All of this does not mean, however, that social capital was the primary cause behind the South's backwardness: was, really, lower social capital in the South attributable to the absolutist state of late middle ages, and thus predating other differences? On this, Putnam's arguments appear lacking in historical and comparative view. As well known, absolutist states were established also in England in the eleventh century, as well as in France in the seventeenth (at the latest) – and these countries do not share deficits in social capital with southern Italy. Furthermore, the Spanish empire which ruled southern Italy for centuries before Unification was much less absolutist than conventional wisdom may believe (Grafe, 2012; Lupo, 1993); and as far as we know, the institutional performance of the Bourbon kingdom in the first half of the eighteenth century was not particularly poor (Croce, 1925). On the other side, in the Centre-North, what remained of the social structure of medieval *comuni* in the seventeenth and eighteenth centuries? (e.g. Cipolla, 1952; Malanima, 1982).

---

<sup>7</sup> Differences in social norms, intended and measured as a form of trust, also have been observed (Bigoni, Bortolotti, Casari, Gambetta, Pancotto, 2016), independently from geography, institutions or criminal intrusion.

At a closer historical and comparative scrutiny, lower levels of civicness and social capital in the South appear to be more recent than what Putnam suggested, probably resulting from differences in the agrarian regimes (*latifundium* in the South versus sharecropping in the Centre-North) (Sereni, 1946; Bagnasco, 1988; Macry, 1997), in political institutions (absolutist monarchy against liberal ones in the decades before Unification) and in the social structures (in the South: higher inequality between rich and poor, lower human capital, higher rate of violence and of organized crime) which were strengthened between the eighteenth and nineteenth century (Felice, 2013). Furthermore, they do not seem to be the primary cause of the rise of the North-West between the late nineteenth and the first half of the twentieth century: this area did not score, in fact, levels of social capital comparable to those of the NEC, which instead did not industrialize at that time; the «industrial triangle» probably emerged thanks, most of all, to higher human capital and, to a minor degree, to better natural endowments and geographical position (Cafagna, 1999; Felice, 2010, 2012; Fenoaltea, 2011). Differences in social capital did play a significant role, probably, at a later stage; in other words, they contributed to the persistence of the North-South divide in the last decades, not to its formation between the nineteenth and twentieth century. And above all, they were in turn the product of something else, what should be regarded as the ultimate cause behind the observed pattern of regional inequality in Italy.

## 5. The socio-institutional divide

To explain cross-country economic differences, a fourth international approach – championed, with significant variants, by Acemoglu and Robinson (2012 and their essays cited therein), Sokoloff and Engerman (2000), North, Wallis and Weingast (2009) – focuses on institutions. These are the result of a historical process, sometimes of differences in natural endowments, and they affect directly, through the ensuing structure of incentives, the behaviour of economic agents and thus economic growth. Among other things, institutions impact upon social capital (sharecropping or medieval municipalities, which would favour it, are themselves institutions). Also, they may lead to pursue economic policies that are of benefit to certain classes and social groups – those in a dominant position within an institutional setting of a given country or region – but turn out to be wrong for the community as a whole.

When moving from cross-country differences to cross-regional ones, admittedly institutions may not seem a major cause: within a single country, under the umbrella of a national state, they are supposed to be the same. To put it in other words: if in Italy after Unification the same institutions were established throughout the country, how could they explain the persistence of the North-South divide? Things, however, are not that 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. We may take the approach proposed by Acemoglu and Robinson and try be more precise. The authors center on two types of institutions, the political and economic ones, arguing that they could be either inclusive (pro-growth), or extractive; furthermore, they stress as important is not only their formal structure, but also their practical functioning. Now, in Italy economic institutions are not the same between Centre-North and South. In this latter, for instance, forms of organized crime (Mafia, Camorra, more recently 'Ndrangheta) have been operating since the nineteenth century, often in a pervasive way; these should be regarded as formal (although illegal) economic institutions which create a different set of incentives, usually discouraging free entrepreneurship and competition in favour of monopolies or cartels enforced through violence or its menace; also, they impose additional costs on firms operating in their territories, namely via their racket activity (La Spina, 2005, 2016). Furthermore, we should keep in mind that different agrarian regimes (latifundium, sharecropping or emphyteusis, small property, and others), that is different economic institutions, have historically characterized the Italian territory, and in some areas they have remained central to economic and social life up to mid-twentieth century. Following Unification, political institutions have become the same, it is true, at least until the creation of the regions in the 1970s. However, they have worked and work in a different way: in the South, clientelism is much more entrenched than it is in the Centre-

North, in the republican age as well as already in the liberal one – just think of Gaetano Salvemini's polemic against the then prime minister Giolitti (Salvemini, 2010). Since when the regions were created, in 1970, not even formally political institutions have been the same, not a local level, and we have plenty of evidence that the performance of regional institutions in the South was worse than in the Centre-North (e.g. Putnam, Leonardi and Nanetti, 1985; Leonardi and Nanetti, 1991; Putnam, 1993; Felice, 2007, 2013) – and this had probably a significant impact on economic growth. To sum up, we may follow Acemoglu and Robinson in arguing that institutions were more extractive in the South (latifundium, organized crime, political clientelism), aimed precisely at extracting rent – from the land, than from the state – rather than to produce economic growth via market risk and innovation; they were instead more inclusive in the Centre-North. This institutional divide, which can be observed already in the first half of the nineteenth century, never came to be bridged, and in some respects was even reinforced after Unification (Felice, 2013).

In the Italian case, we may find as well the themes proposed by other institutionalist authors. North, Wallis and Weingast (2009) stress the difference between limited access orders (LAO) and open access orders (OAO), and hold that the transition from the former to the latter is the crucial change activating modern economic growth. The basic characteristic of LAO is that the state has not the monopoly of violence, and thus it is unable to guarantee an equal access to (political and economic) opportunities for all the citizens, unlike in OAO. Arguably, the pervasive role of organized crime in the two most important regions of southern Italy (Campania and Sicily) since the liberal age, and later on in Calabria too (where before banditry was widespread), has kept these areas locked into a limited access order, unlike the rest of the country; it is worth adding that Campania and Sicily are by far the two worst performing regions in the history of post-Unification Italy, in our days sharing the lowest ranks in per capita GDP with Calabria (see again Table 2).

Equally fruitful to explain the pattern of regional inequality in Italy is the approach proposed by Sokoloff and Engerman (2000). In their influential paper about the different patterns of development in the new world, as in other works, they argue 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 dependence process. The thesis by Sokoloff and Engerman is of the utmost interest because, when applied to the Italian case, allows us to understand the social causes behind the institutional divide. It therefore adds a second fundamental dimension, which can be overlooked by other institutionalist scholars: the social one. What we observe at the time of Italy's Unification are, in the South, higher inequalities

between rich and poor and in human capital, combined with extractive political and economic institutions. It is therefore correct to talk of a socio-institutional divide between North and South.

It may be added that also the social differences – just like the institutional ones – still exist nowadays between the two parts of the peninsula. Although the southern regions are, on average, quite poorer (thus within them there should be less room for the income gaps among social classes), they nowadays score a significantly higher inequality, as measured by the Gini index, than most of the central and northern regions; from the first year when we have reliable estimates of regional income inequality (1948) onwards, things have never changed in this respect (Amendola, Brandolini and Vecchi, 2011). In human capital, although in the twentieth century a substantial convergence took place in terms of formal education (literacy, per capita years of schooling), when we look at the effective learning at school – as measured for instance by Pisa/Invalsi tests – we still observe a clear divide between North and South, in favour of the former (Felice and Vasta, 2015).

Historically, the Italian socio-institutional divide does not seem to be a consequence of differences in GDP and production: as we have seen, these were mild by the time of Unification, while the socio-institutional gap was profound and clear. Therefore, this latter could be rather a cause, certainly not a product, of GDP imbalances as observed in the history of post-Unification Italy. And indeed it shaped regional inequality in GDP for a number of reasons. It resulted in high differences in human capital, which arguably was the key factor behind the industrial take-off of the North-West – and of course it remains important to our days. It resulted in high differences in social capital as well, which probably in the last decades (and in part even before) played a crucial role in the evolution of regional inequality. Not least, from the different socio-institutional structure of southern Italy economic policies resulted which hampered modernization and industrialization in this area: for instance, the grain protectionism in the liberal age and, even more strong, during the fascist dictatorship (Felice, 2013, 2016); the slow implementation by the southern local elites, during the liberal age, of the national laws about compulsory primary school, which delayed the improvement of human capital in the Mezzogiorno (Felice, 2013; Felice and Vasta, 2015; Cappelli, 2016); in the second half of the twentieth century – and especially in the 1970s and 1980s – the diversion of public resources towards unproductive uses, through political or nepotistic criteria (Trigilia, 1992; Bevilacqua, 1993; Cafiero, 2000; Felice, 2007, 2013).

The socio-institutional divide ran, roughly speaking, between the Centre-North and the South of the peninsula – and was never bridged. It shall not look as a coincidence that, in the long term, regional inequality in per capita GDP took roughly the same shape: a clear polarization between Centre-North and South, one absent before the onset of modern economic growth.



## References

- Abrate, M. (1961), *L'industria siderurgica e meccanica in Piemonte dal 1831 al 1861*, Torino, Museo Nazionale del Risorgimento.
- Acemoglu, D., Robinson, J.A. (2012), *Why Nations Fail. The Origins of Power, Prosperity, and Poverty*, London, Profile Books.
- A'Hearn, B. (1998), *Institutions, externalities, and economic growth in Southern Italy: Evidence from the cotton textile industry, 1861-1914*, «Economic History Review», 51(4), pp. 734-762.
- A'Hearn, B. (2000), *Could Southern Italians cooperate? «Banche Popolari» in the «Mezzogiorno»*, «Journal of Economic History», 60(1), pp. 67-93.
- A'Hearn, B., Venables, A.J. (2013), “Regional disparities: Internal geography and external trade”, in G. Toniolo (ed. by), *The Oxford Handbook of the Italian Economy since Unification*, Oxford, Oxford University Press, pp. 599-630.
- A'Hearn, B., Vecchi, G. (2011), “Statura”, in G. Vecchi (ed. by), *In ricchezza e in povertà. Il benessere degli italiani dall'Unità a oggi*, Bologna, Il Mulino, pp. 37-72.
- Atella, V., Francisci, S., Vecchi, G. (2011), “Salute”, in G. Vecchi (ed. by), *In ricchezza e in povertà. Il benessere degli italiani dall'Unità a oggi*, Bologna, Il Mulino, pp. 73-129.
- Amendola, N., Brandolini, A., Vecchi, G. (2011), “Disuguaglianza”, in G. Vecchi (ed. by), *In ricchezza e in povertà. Il benessere degli italiani dall'Unità a oggi*, Bologna, Il Mulino, pp. 235-269.
- Amendola, N., Salsano, F., Vecchi, G. (2011), “Povertà”, in G. Vecchi (ed. by), *In ricchezza e in povertà. Il benessere degli italiani dall'Unità a oggi*, Bologna, Il Mulino, pp. 271-317.
- Baffigi, A. (2013), “National Accounts, 1861–2011”, in G. Toniolo (ed. by), *The Oxford Handbook of the Italian Economy since Unification*, Oxford, Oxford University Press, pp. 157-186.
- Bagnasco, A. (1988), *La costruzione sociale del mercato. Studi sullo sviluppo di piccola impresa in Italia*, Bologna, Il Mulino.
- Banfield, E. (1958), *The Moral Basis of a Backward Society*, New York, Free Press.
- Barro, R.J., Sala-i-Martin, X. (1991), *Convergence across states and regions*, «Brookings Papers on Economic Activity», 1, pp. 107-182.
- Becattini, G. (1979), *Dal «settore» industriale al «distretto» industriale. Alcune considerazioni sull'unità di indagine dell'economia industriale*, «Rivista di economia e politica industriale», 5(1), pp. 7-21.
- Berta, G. (2015), *La via del Nord. Dal miracolo economico alla stagnazione*, Bologna, Il Mulino.
- Bevilacqua, P. (1980), *Le campagne del Mezzogiorno tra fascismo e dopoguerra. Il caso della Calabria*, Turin, Einaudi.
- Bevilacqua, P. (1993), *Breve storia dell'Italia meridionale dall'Ottocento a oggi*, Rome, Donzelli.

Bigoni, M., Bortolotti, S., Casari, M., Gambetta, D., Pancotto, F. (2016), *Amoral Familism, Social Capital, or Trust? The Behavioural Foundations of the Italian North–South Divide*, «The Economic Journal», 126(594), pp. 1318-1341.

Bolt, J., van Zanden, J.L. (2014), *The Maddison Project: collaborative research on historical national accounts*, «The Economic History Review», 67(3), pp. 627-651.

Cafagna, L. (1989), *Dualismo e sviluppo nella storia d'Italia*, Venice, Marsilio.

Cafagna, L. (1999), “Contro tre pregiudizi sulla storia dello sviluppo economico italiano”, in P. Ciocca and G. Toniolo (eds. by), *Storia economica d'Italia, vol. I. Interpretazioni*, Rome, Laterza, pp. 297–325.

Cafiero, S. (2000), *Storia dell'intervento straordinario nel Mezzogiorno (1950-1993)*, Manduria (Ta), P. Lacaita.

Cafiero, S., Marciani, G.E. (1991), *Quarant'anni di intervento straordinario (1950-1989)*, «Rivista economica del Mezzogiorno», 5(2), pp. 249-274.

Camera dei Deputati (1864), *Atti Parlamentari, sessione 1865-66, n. 24A, Stabilimenti meccanici esistenti in Italia*, Turin, Tipografia eredi Botta.

Cappelli, G. (2016), *Escaping from a human capital trap? Italy's regions and the move to centralized primary schooling, 1861–1936*, «European Review of Economic History», 20(1), pp. 46-65.

Caracciolo, A. (1973), “La storia economica”, in Aa.Vv., *Storia d'Italia, III: Dal primo Settecento all'Unità*, Turin, Einaudi, pp. 509-693.

Cartocci, R. (2007), *Mappe del tesoro. Atlante del capitale sociale in Italia*, Bologna, Il Mulino.

Cicarelli, C., Fenoaltea, S. (2012), *La cliometria e l'unificazione italiana: bollettino dal fronte*, «Meridiana», 73/74 (1-2), pp. 258-266.

Cipolla, C.M. (1952), *The Decline of Italy: The Case of a Fully Matured Economy*, «The Economic History Review», 5(2), pp. 178-187.

Cohen, S., Federico, G. (2001), *Lo sviluppo economico italiano*, Bologna, Il Mulino.

Colli, A. (2002a), *I volti di Proteo. Storia della piccola impresa in Italia nel Novecento*, Turin, Bollati Boringhieri.

Colli, A. (2002b), *Il quarto capitalismo. Un profilo italiano*, Venice, Marsilio.

Correnti, C., Maestri, P. (1864), *Annuario statistico italiano per cura di Cesare Correnti e Pietro Maestri*, Turin, Tipografia letteraria.

Croce, B. (1925), *Storia del Regno di Napoli [1965]*, Bari, Laterza.

Daniele, V., Malanima, P. (2011a), *Are people in the South less intelligent than in the North? IQ and the North-South disparity in Italy*, «Journal of Socio-Economics», 40(6), pp. 844-852.

Daniele, V., Malanima, P. (2011b), *Il divario Nord-Sud in Italia. 1861-2011*, Soveria Mannelli (Cz), Rubbettino.

Davis, J.A. (1981), *Merchants, Monopolists and Contractors: A Study of Economic Activity and Society in Bourbon Naples, 1815-1860*, New York, Arno.

De Benedetti, A. (1990a), *La Campania industriale. Intervento pubblico e organizzazione produttiva tra età giolittiana e fascismo*, Naples, Athena.

De Benedetti, A. (1990b), "Il sistema industriale (1880-1940)", in P. Macry and P. Villani (eds. by), *Storia d'Italia. Le regioni. La Campania*, Turin, Einaudi, pp. 445-605.

de Cecco, M. (2000), *L'economia di Lucignolo. Opportunità e vincoli dello sviluppo italiano*, Rome, Donzelli.

De Matteo, L. (2002), «*Noi della meridionale Italia*». *Imprese e imprenditori del Mezzogiorno nella crisi dell'unificazione*, Naples, Edizioni Scientifiche Italiane.

De Rosa, L. (1974), *La rivoluzione industriale in Italia e il Mezzogiorno*, Rome-Bari, Laterza.

Diamond, J. (1997), *Guns, Germs and Steel: The Fates of Human Society*, London, J. Cape.

Fauri, F. (2010), *Il piano Marshall e l'Italia*, Bologna, Il Mulino.

Federico, G., Tena, A. (1999), *Did Trade Policy Foster Italian Industrialization? Evidence from Effective Protection Rates, 1870-1930*, in «*Research in Economic History*», 19, pp. 111-130.

Federico, G., Tena, A. (2014), *The Ripples of the Industrial Revolution: Exports, Economic Growth, and Regional Integration in Italy in the Early Nineteenth Century*, «*European Review of Economic History*», 18(3), pp. 349-369.

Felice, E. (2002), *Le politiche regionali in Italia e nel Regno Unito (1950-1989)*, «*Rivista economica del Mezzogiorno*», 16(1-2), pp. 175-235.

Felice, E. (2007), *Divari regionali e intervento pubblico. Per una rilettura dello sviluppo in Italia*, Bologna, Il Mulino.

Felice, E. (2010a), *Regional Development: Reviewing the Italian Mosaic*, «*Journal of Modern Italian Studies*», 15 (1), pp. 64-80.

Felice, E. (2010b), *State ownership and international competitiveness: the Italian Finmeccanica from Alfa Romeo to aerospace and defence*, «*Enterprise & Society*», 11(3), pp. 594-635.

Felice, E. (2011), *Regional value added in Italy, 1891-2001, and the foundation of a long-term picture*, «*The Economic History Review*», 64 (3), pp. 929-950.

Felice, E. (2012), *Regional convergence in Italy (1891-2001): testing human and social capital*, «*Cliometrica*», 6 (3), pp. 267-306.

Felice, E. (2013), *Perché il Sud è rimasto indietro*, Bologna, Il Mulino.

Felice, E. (2015a), *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*», 14(3), pp. 91-120.

Felice, E. (2015b), *Ascesa e declino. Storia economica d'Italia*, Bologna, Il Mulino.

Felice, E. (2016), *The roots of a dual equilibrium: GDP, productivity and structural change in the Italian regions in the long-run (1871-2011)*, mimeo.

Felice, E., Carreras, A. (2012), *When Did Modernization Begin? Italy's Industrial Growth Reconsidered in Light of New Value-Added Series, 1911-1951*, «Explorations in Economic History», 49(4), pp. 443-460.

Felice, E., Giugliano, F. (2011), *Myth and reality: a response to Lynn on the determinants of Italy's North-South imbalances*, «Intelligence», 39(1), pp. 1-6.

Felice, E., Lepore, A. (2017), *State intervention and economic growth in Southern Italy: the rise and fall of the 'Cassa per il Mezzogiorno' (1950-1986)*, «Business History», 59(3), pp. 319-341.

Felice, E., Vasta, M. (2015), *Passive Modernization? Social Indicators and Human Development in Italy's Regions (1871-2009)*, «European Review of Economic History», 19(1), pp. 44-66.

Felice, E., Vecchi, G. (2015a), *Italy's Growth and Decline, 1861-2011*, «Journal of Interdisciplinary History», 45(4), pp. 507-548.

Felice, E., Vecchi, G. (2015b), *Italy's Modern Economic Growth, 1861-2011*, «Enterprise & Society», 16(2), pp. 225-248.

Fenoaltea, S. (2003), *Peeking Backward: Regional Aspects of Industrial growth in Post-Unification Italy*, «The Journal of Economic History», 63(4), pp. 1059-1102.

Fenoaltea, S. (2004), *Textile production in Italy's regions*, «Rivista di Storia Economica», 20(2), pp. 145-174.

Fenoaltea, S. (2007), *I due fallimenti della storia economica: il periodo post-unitario*, «Rivista di Politica Economica», 97(3-4), pp. 341-358.

Fenoaltea, S. (2011), *The reinterpretation of Italian economic history. From Unification to the Great War*, Cambridge, Cambridge University Press.

Galasso, G. (1977), *Il Mezzogiorno nella storia d'Italia*, Florence, Le Monnier.

Gallino, L. (2003), *La scomparsa dell'Italia industriale*, Turin, Einaudi.

Gerschenkron, A. (1955), *Notes on the Rate of Industrial Growth in Italy, 1881-1913*, «The Journal of Economic History», 15(4), pp. 360-375.

Gini, C. (1914), *L'ammontare e la composizione della ricchezza delle nazioni*, Turin, F.lli Bocca.

Giordano, F. (1864), *L'industria del ferro in Italia*, Turin, Tipografia Cotta e Capellino.

Giordano, C., Giugliano, F. (2015), *A Tale of Two Fascisms: Labour Productivity Growth and Competition Policy in Italy, 1911-1951*, «Explorations in Economic History», 54(1), pp. 25-38.

Gomellini, M., Ó Gráda, C. (2013), "Migrations", in G. Toniolo (ed. by), *The Oxford Handbook of the Italian Economy since Unification*, Oxford, Oxford University Press, pp. 271-302.

Grafe, R. (2012), *Distant Tyranny. Trade, Power and Backwardness in Spain, 1650-1800*, Princeton, Princeton University Press.

- Gramsci, A. (1951), *La questione meridionale*, edited by F. De Felice and V. Parlatto [2005], Rome, Editori Riuniti.
- Helliwell, J.F., Putnam, R.D. (1995), *Economic growth and social capital in Italy*, «Eastern Economic Journal», 21(3), pp. 295-307.
- Hechter, M. (1975), *Internal Colonialism. The Celtic Fringe in British National Development, 1536-1966*, London, Routledge & Kegan Paul.
- Krugman, P.R. (1991a), *Increasing returns and economic geography*, «Journal of Political Economy», 99(3), pp. 483-499.
- Krugman, P.R. (1991b), *Geography and Trade*, Cambridge (MA), The MIT Press.
- Landes, D. (1998), *The Wealth and Poverty of Nations. Why Some are so Rich and Some are so Poor*, London, Little, Brown and Company.
- La Spina, A. (2003), *La politica per il Mezzogiorno*, Bologna, Il Mulino.
- La Spina, A. (2005), *Mafia, legalità debole e sviluppo del Mezzogiorno*, Bologna, Il Mulino.
- La Spina, A. (2016), *Il mondo di mezzo. Mafie e antimafie*, Bologna, Il Mulino.
- Leonardi, R., Nanetti, R.Y. (1991), eds. by, *Le regioni e l'integrazione europea: il caso Emilia-Romagna*, Milan, F. Angeli.
- Lupo, S. (1993), *Usi e abusi del passato. Le radici dell'Italia di Putnam*, «Meridiana», 7(18), pp. 151-168.
- Lupo, S. (2004), *Storia della mafia. Dalle origini ai nostri giorni*, Rome, Donzelli.
- Lutz, V. (2007), *Italy. A Study in Economic Development*, Oxford, Oxford University Press.
- Lynn, R. (2010), *In Italy, North-South differences in IQ predict differences in income, education, infant mortality, stature, and literacy*, «Intelligence», 38(1), pp. 93-100.
- Macry, P. (1997), *Rethinking a stereotype: Territorial differences and family models in the modernization of Italy*, «Journal of Modern Italian Studies», 2(2), pp. 188-214.
- Maddison, A. (2010), *Historical Statistics of the World Economy: 1-2008 AD*, Paris, Oecd.
- Maestri, P. (1858), *Della industria manifatturiera in Italia*, «Rivista Contemporanea», 88(22), pp. 207-431.
- Maestri, P. (1868), *L'Italia economica nel 1868*, Florence, Stab. di Civelli.
- Malanima, P. (1982), *L'economia italiana nell'età moderna*, Rome, Editori Riuniti.
- Missiaia, A. (2016), *Where do we go from here? Market access and regional development in Italy (1871-1911)*, «European Review of Economic History», 20(2), pp. 215-241.
- Mitchell, B.R. (2007), *International Historical Statistics: Europe 1750-2005, VI ed.*, New York, Palgrave Macmillan.

Nitti, F.S. (1900), *Scritti sulla questione meridionale*, edited by A. Saitta [1958], Bari, Laterza.

North, D.C., Wallis, J.J., Weingast, B.R. (2009), *Violence and Social Order. A Conceptual Framework for Interpreting Recorded Human History*, Cambridge, Cambridge University Press.

Nuzzo, G. (2006), *Un secolo di statistiche sociali: persistenza o convergenza tra le regioni italiane?*, Rome, Bank of Italy – Quaderni dell'Ufficio Ricerche Storiche n. 11.

O'Rourke, K.H., Williamson, J.G. (1999), *Globalization and history: the evolution of a nineteenth-century Atlantic economy*, Cambridge (MA), The Mit Press.

Pescosolido, G. (1996), "Alle origini del divario economico", in L. D'Antone (ed. by), *Radici storiche ed esperienza dell'intervento straordinario nel Mezzogiorno. Taormina, 18-19 novembre 1994*, Rome, Bibliopolis, pp. 13-36.

Pescosolido, G. (1998), *Unità nazionale e sviluppo economico. 1750-1913*, Rome-Bari, Laterza.

Prebisch, R. (1959), *Commercial policy in the underdeveloped countries*, «American Economic Review. Papers and Proceedings», 49(2), pp. 251-273

Putnam, R.D., Leonardi, R., Nanetti, R.Y. (1985), *La pianta e le radici: l'istituzionalizzazione delle regioni nel sistema politico italiano*, Bologna, Il Mulino.

Putnam, R.D. (1993), *Making Democracy Work: Civic Traditions in Modern Italy*, with R. Leonardi and R.Y. Nanetti, Princeton, Princeton University Press.

Romeo, R. (1959), *Risorgimento e capitalismo*, Bari, Laterza.

Romeo, R. (1972), *Breve storia della grande industria in Italia*, Bologna, Cappelli.

Salvemini, G. (1910), *Il ministro della mala vita: notizie e documenti sulle elezioni giolittiane nell'Italia meridionale*, Florence, Edizione della Voce.

Sereni, E. (1946), *Il capitalismo nelle campagne (1860-1900)*, Turin, Einaudi.

Sokoloff, K., Engerman, S. (2000), *Institutions, Factor Endowments, and Paths of Development in the New World*, «The Journal of Economic Perspectives», 14(3), pp. 217-232.

Sorrentino, M., Vecchi, G. (2011), "Nutrizione", in G. Vecchi (ed. by), *In ricchezza e in povertà. Il benessere degli italiani dall'Unità a oggi*, Bologna, Il Mulino, pp. 3-36.

Spadavecchia, A. (2005), *Financing Industrial Districts in Italy, 1971-1991. A Private Venture?*, «Business History», 47(4), pp. 569-593.

Svimez (1961), *Un secolo di statistiche italiane. Nord e Sud 1861-1961*, Rome, Stabilimento tipografico Fausto Failli.

Toniolo, G. (1988), *Storia economica dell'Italia liberale. 1850-1918*, Rome, Il Mulino.

Toynbee, A.J. (1965), *Hannibal's Legacy: The Hannibalic War's Effects on Roman Life*, Oxford, Oxford University Press.

Trigilia, C. (1992), *Sviluppo senza autonomia. Effetti perversi delle politiche nel Mezzogiorno*, Bologna, Il Mulino.

Turani, G. (1996), *I sogni del grande Nord*, Bologna, Il Mulino.

Villari, P. (1885), *Le lettere meridionali ed altri scritti sulla questione sociale in Italia. Seconda edizione, riveduta e molto accresciuta dall'Autore*, Turin, Fratelli Bocca.

Williamson, J.G. (1965), *Regional inequality and the process of national development: A description of the patterns*, «Economic Development and Cultural Change», 13(4), pp. 3-84.

Zamagni, V. (1978), “Istruzione e sviluppo economico. Il caso italiano. 1861-1913”, in G. Toniolo (ed. by), *L'economia italiana 1861-1940*, Rome-Bari, Laterza, pp. 137-178.

Zamagni, V. (2002), “La Grande Guerra come elemento di rottura della crescita equilibrata dell'economia italiana”, in G. Sanz (ed. by), *España e Italia en la Europa contemporánea: desde finales del siglo XIX a las dictaduras*, Madrid, Csic, pp. 323-334.

Zamagni, V. (1990), *Dalla periferia al centro. La seconda rinascita economica dell'Italia / 1861-1990*, Bologna, Il Mulino.

Zamagni, V. (2007), *Introduzione alla storia economica d'Italia*, Bologna, Il Mulino.

Zamagni, V. (2012), *La situazione economico-sociale del Mezzogiorno negli anni dell'unificazione*, «Meridiana», 73/74(1-2), pp. 267-281.

Zitara, N. (1971), *L'unità d'Italia: nascita di una colonia*, Milan, Jaca Book.