Why southern Italy has fallen behind. A long-term analysis

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Mezzogiorno/Mezzogiorni: multiple trajectories and multiple equilibria
University of Calabria, Arcavacata di Rende (Cosenza), 19-21 October 2017
EU regions eligible for cohesion funds, 2014-2020
The long-run evolution of Italy’s regional inequality

Method and Results
The relative per capita GDP of the Italian regions (Italy = 100)

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The relative per capita GDP of the Italian regions, 1871-2010 (Italy = 1)
Why Southern Italy has fallen behind...

- Some answers (I disagree with...)
  - Theses that "accuse" (all the Southerners)
    - Genetic differences ('strong' version)
    - Social capital ('weak' version)
  - Theses that “absolve" (all the Southerners)
    - The South was exploited by the North ('strong' version)
    - Geography or bad luck ('weak' version)

- Both the weak versions have some good points – however, both are unsatisfactory (even when taken together)
The answer... we have to look inside the Southern Society

1) From the late-XVIII to the mid-XIX century a socio-institutional divide took shape between the Centre-North and the South
   - Extractive institutions in the South
   - (relatively more) Inclusive institutions in the Centre-North
   - With related differences in human and social capital

2) This socio-institutional divide was the main driver behind the regional patterns of GDP in post-unification Italy
   - Also, via differences in factors endowments (human and social capital)
The failed revolutions (and reforms) in Southern Italy

- The Enlightenment in Southern Italy
- Parthenopean Republic (1799) and counter-revolution
- Revolution of 1820-21
- 1848 uprising
  - Weak (or failed) state
    - no taxation (and thus no expenses)
  - Thus, the administrative system did not work
    - Mafia and Camorra; corruption and bribes; poor infrastructures; no investments in education
The North-South socio-institutional divide around Unification

- Strong differences in infrastructures and in the pre-condition for growth
  - railways, roads, credit system, human capital
  - Institutions (liberal versus absolutist)

- Higher inequality in the South between the Rich and the Poor = Higher Pauperism
  - Mild differences in GDP per capita
    - (but Italy as a whole still was a backward country)
  - Strong differences in social indicators
    - Life expectancy, poverty, literacy

- Strong differences in social capital
  - (possibly, as a consequence of higher inequality, poor education, and the failed State)
The last failure: Unification

- It resulted into an alliance between the elites of the North (active modernization) and those of the South (passive modernization)
- The Southern landowners continued:
  - to postpone taxation on land
  - to delay investments in education
  - to oppose land redistribution
- Mafia and Camorra were reinforced

- From Salvemini to...
After Unification: social and institutional differences

- Acemoglu & Robinson: **extractive** versus **inclusive** institutions

  **Political institutions**
  - Formally the same from Unification (1861) until the 1970s, but (informally) they worked differently
  - Because of different ethics/social capital... Because they were different in the past... Because of a different socio-economic setting...

  **Economic institutions**
  - Not even formally the same:
    * Organized crime (an illegal, but formal, economic institution);
    * Different agrarian regimes
Explanations: the socio-institutional divide / 2

- North, Wallis and Weingast (2009)
  - Limited Access Order (LAO) versus Open Access Order (OAO)
    - In LAOs 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

- Sokoloff and Engerman (2000)
  - higher inequality in wealth, human capital and political power tends to shape institutions that perpetuate these inequalities and thus hamper economic growth
  - Path dependence process
Modernization

- **ACTIVE Modernization**
  - one or more subjects (political or social actors) take up the challenge and engage in ‘modernizing’ a country (Germany, or Japan)
  - They are usually organized in what Antonio Gramsci called ‘historic bloc’ which control key institutions

- **PASSIVE Modernization**
  - a society embarks upon some sort of modernization without the role of a dominant modernizing ‘bloc’
  - this is, without implementing a competitive strategy, but rather as a result of an adaptive-sub optimal approach
  - As a consequence (passive) modernization is often partial and incomplete

- Cafagna, 1988
What determined convergence in education?

- 1859 (Legge Casati)
  - prescribed two years of free and compulsory elementary school, but left to the municipalities the burden of financing it

- 1877 (Legge Coppino)
  - added two more years of compulsory education; it also provided some financial aid to the most needy towns, whose amount, however, was often inadequate

- 1904 (Legge Orlando)
  - extended to 6 years compulsory education, but did not modify financing in a significant way

- 1911 (Legge Daneo-Credaro)
  - increased funds and prescribed the gradual transfer of costs and duties from the municipalities to the State
Life expectancy at birth
What determined convergence in life expectancy?

- State intervention (PASSIVE MODERNIZATION)
  - 1888 no. 5849 law, created the national health service and harmonized and unified the codes of the pre-Unification states
  - obligatory vaccination against smallpox
  - 1900 no. 505 law, (almost) free delivery of quinine and thus reduced everywhere the malaria death toll

- The Southern cities lagged behind in the construction of hygienic infrastructures
  - Here public intervention was mainly a local affair

- Economic ‘resources’ (and demographic transition) tend to have an heavier impact upon birth mortality
  - Which in fact remained higher in the South throughout the twentieth century
What determined convergence in GDP (during the economic miracle)

- ‘Cassa per il Mezzogiorno’, created in 1950
  - a wide range of infrastructural works – roads, aqueducts and others
  - During the 1960s it concentrated on the industrial sector
    - heavy industries with high capital/labour ratios
    - This can explain much of the South’s convergence (even more than migration)

- At the beginning, the Cassa was autonomous from (national, and local) policy
  - From the late 1960s, political players became more and more involved in the Cassa’s decisions

- 1970s crisis: collapse of the new heavy industries in the South
  - regional policy redirected towards unproductive expenditures
  - And it may have even favoured organized crime
Some (... pessimistic?) conclusions

- Convergence due to Passive Modernization made the economic and social system of Southern Italy more fragile, thus more subject to external shocks.
  - The 1970s crisis was particularly harmful to the South.
  - Furthermore, since the 1970s the power of local institutions was increased, and thus Southern Italy fell back (also in social indicators).

- During the last decades, Italy as a whole lagged behind the rest of the advanced countries.
  - The Italian state was in turn less capable of promoting passive modernization in the Mezzogiorno.

- Institutions in the South (on the whole, and as far as they were different from the Centre-North) never worked...

- In the last period, institutions never worked also at the national level and in the North.
  - The (overall) failure was beneficial to some groups... extractive rentiers.
Thank you!

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