

Società Italiana degli Economisti / Italian Economic Association

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

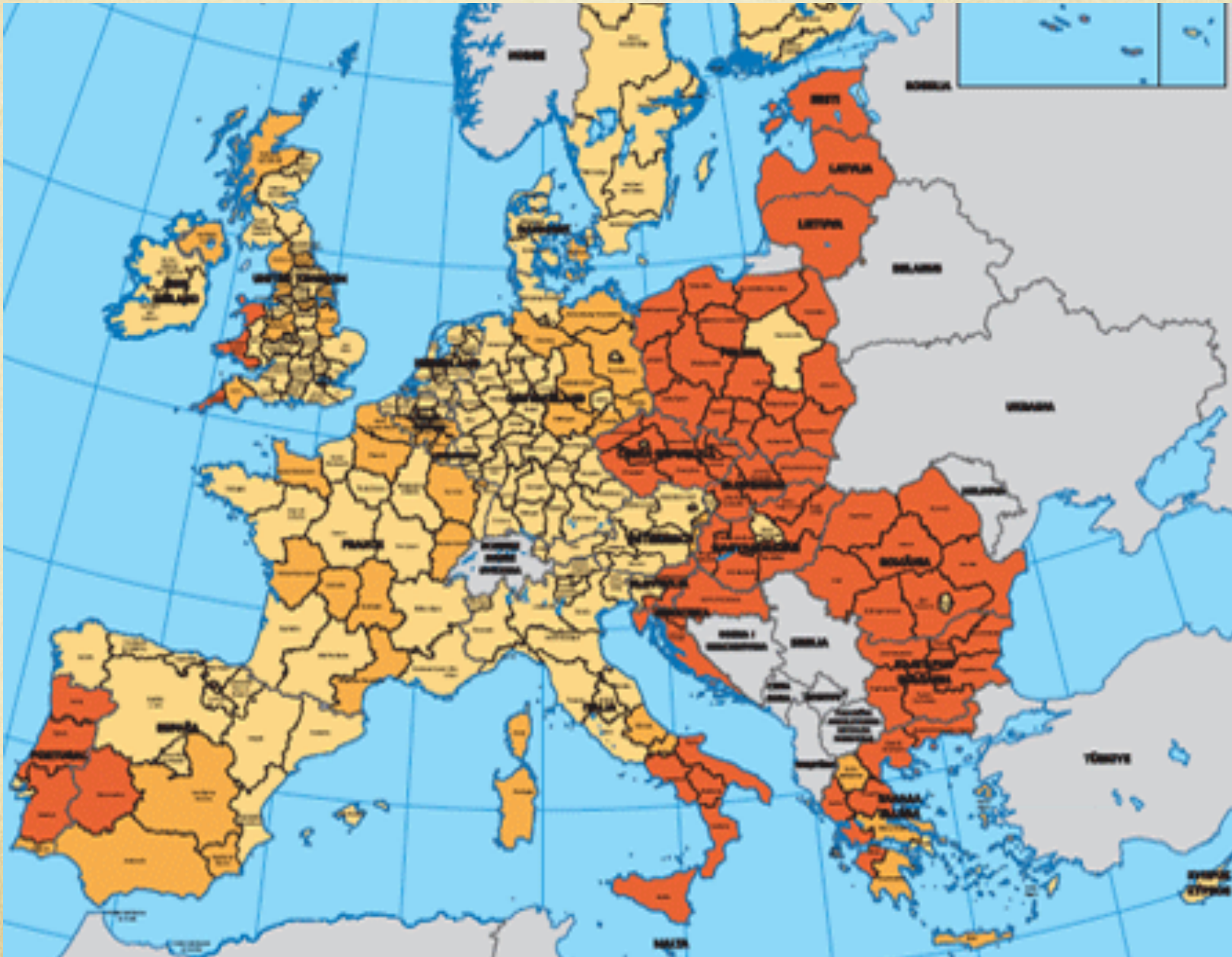
Emanuele Felice

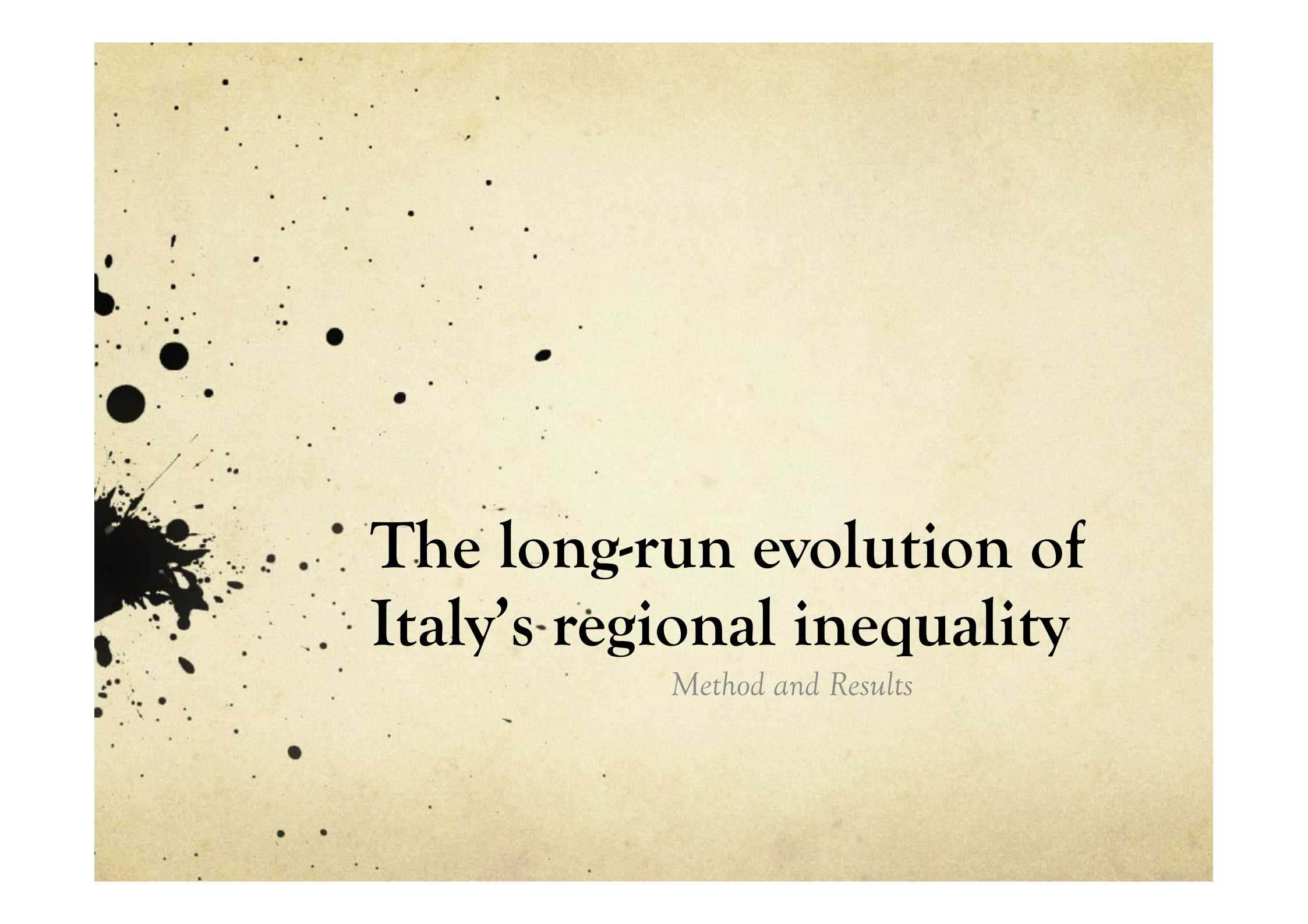
Università "G. D'Annunzio" Chieti-Pescara

**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





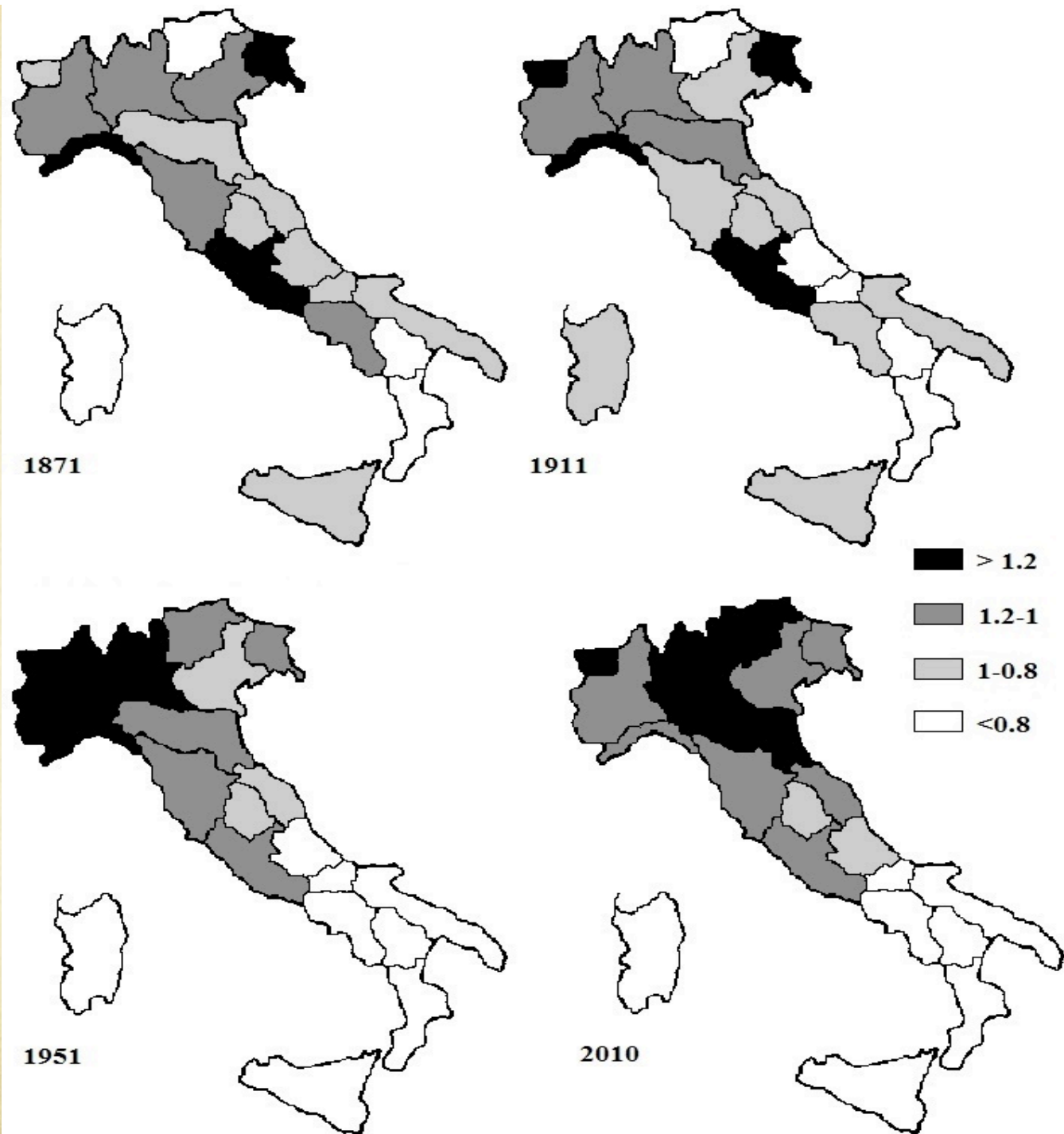
# The long-run evolution of Italy's regional inequality

*Method and Results*

# The relative per capita GDP of the Italian regions (Italy = 100)

	1871	1881	1891	1901	1911	1921	1931	1938	1951	1961	1971	1981	1991	2001	2011
Piedmont	107	108	107	119	116	128	123	138	151	131	124	119	114	115	109
Aosta Valley	80	99	106	119	129	143	143	144	158	168	144	140	142	124	136
Liguria	138	142	139	148	157	142	164	167	162	125	104	101	106	109	106
Lombardy	114	115	114	123	118	124	123	138	153	145	136	130	132	130	129
Trentino-Alto A.	69	73	78	82	78	88	92	94	105	101	107	127	130	130	129
Veneto	106	89	81	84	88	78	073	83	98	97	98	109	112	113	115
Friuli-Venezia G.	125	123	122	125	128	106	117	123	111	91	95	97	104	112	113
Emilia-Romagna	96	107	106	102	109	110	109	104	112	117	114	130	122	123	122
Tuscany	106	108	103	93	098	104	106	101	105	105	108	111	105	109	109
The Marches	83	78	88	83	082	78	71	78	86	87	88	100	95	99	102
Umbria	99	103	106	100	092	93	100	95	90	93	93	101	96	96	92
Latium	134	145	137	135	133	136	140	119	107	111	110	106	114	113	113
Abruzzi	80	77	68	67	70	72	62	57	58	72	79	85	90	85	85
Molise	80	77	67	65	68	72	64	59	57	67	66	76	78	80	78
Campania	109	101	99	96	96	88	81	81	69	72	70	65	66	65	64
Apulia	89	95	104	94	87	92	85	72	65	71	71	67	68	67	68
Basilicata	67	63	75	73	74	75	70	57	46	64	73	69	67	73	71
Calabria	69	66	68	66	71	61	55	49	47	59	66	62	62	64	65
Sicily	95	92	95	89	87	72	82	72	58	61	69	72	72	66	66
Sardinia	77	81	97	91	93	91	85	82	63	75	85	75	77	77	77
North-West	114	115	114	125	122	128	129	142	154	138	129	123	124	124	121
North-Ea. & Cen.	100	101	99	97	98	101	102	100	104	104	105	112	112	113	114
South & islands	90	88	90	86	85	79	77	70	61	68	71	69	70	68	68
Centre-North	106	107	106	108	108	112	113	117	123	118	115	116	117	117	117

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

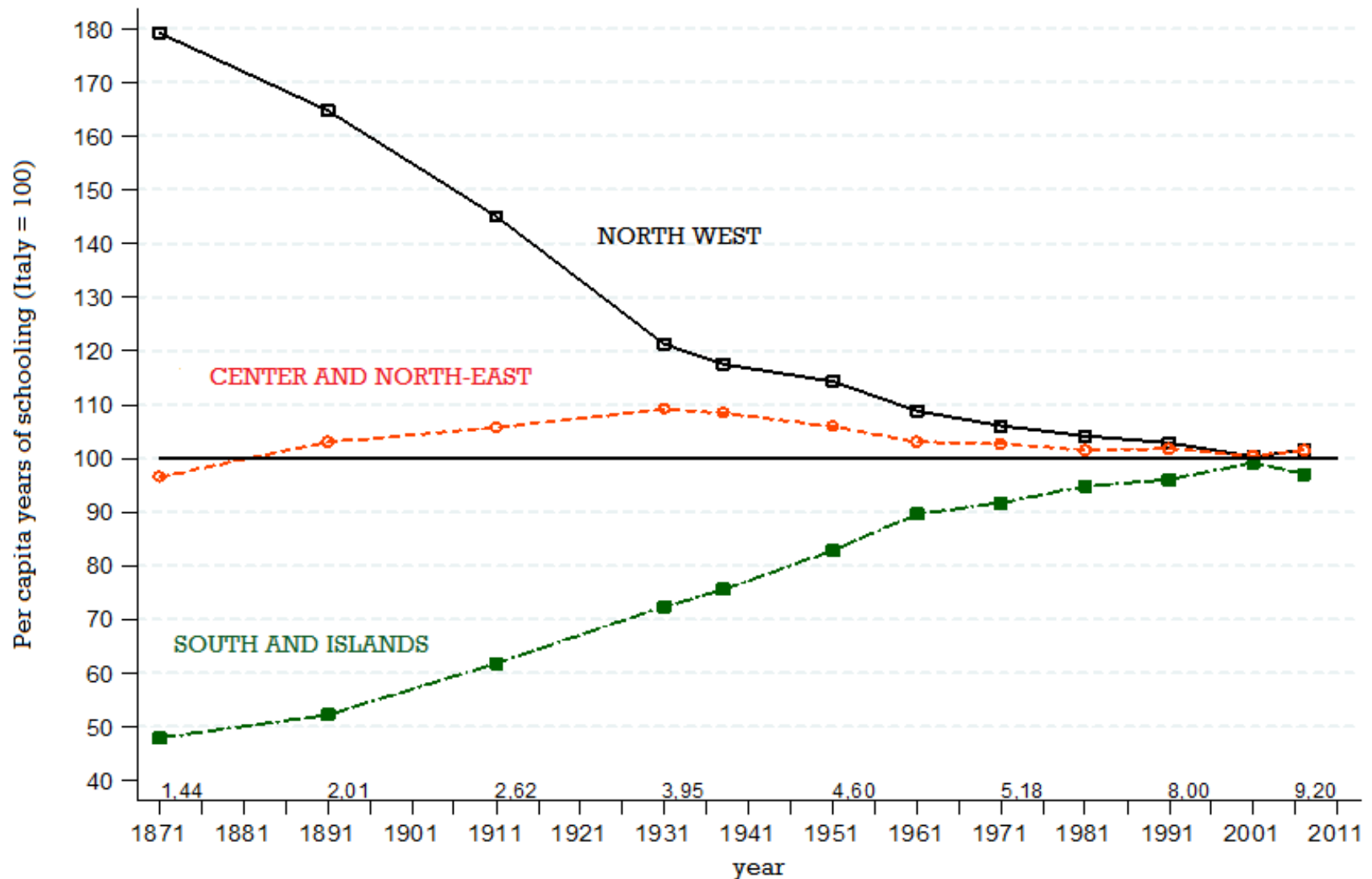
- **PASSIVE** Modernization

- 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

○ Felice & Vasta, *European Review of Economic History*, 2015

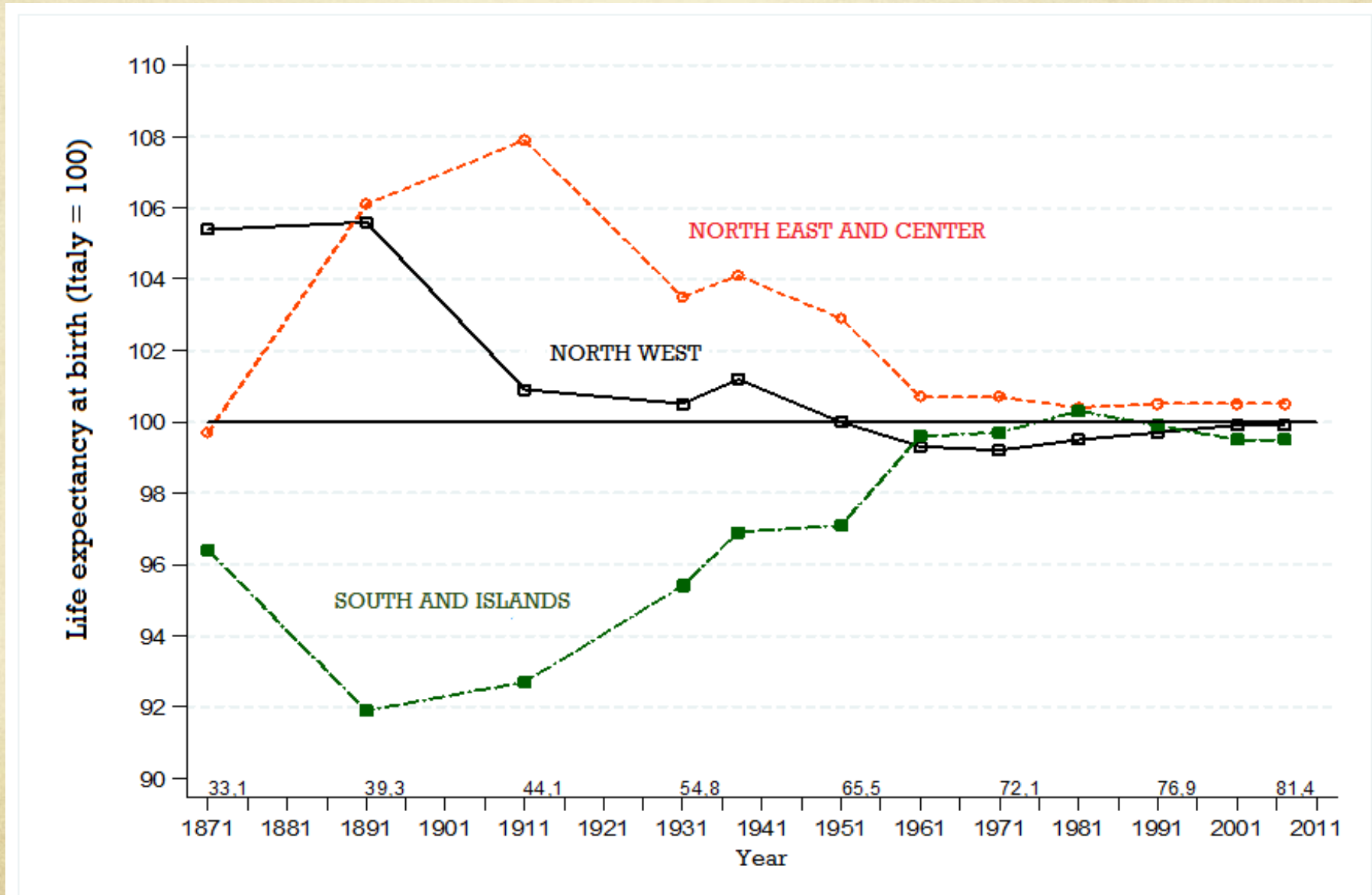
# Per capita years of schooling



# 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

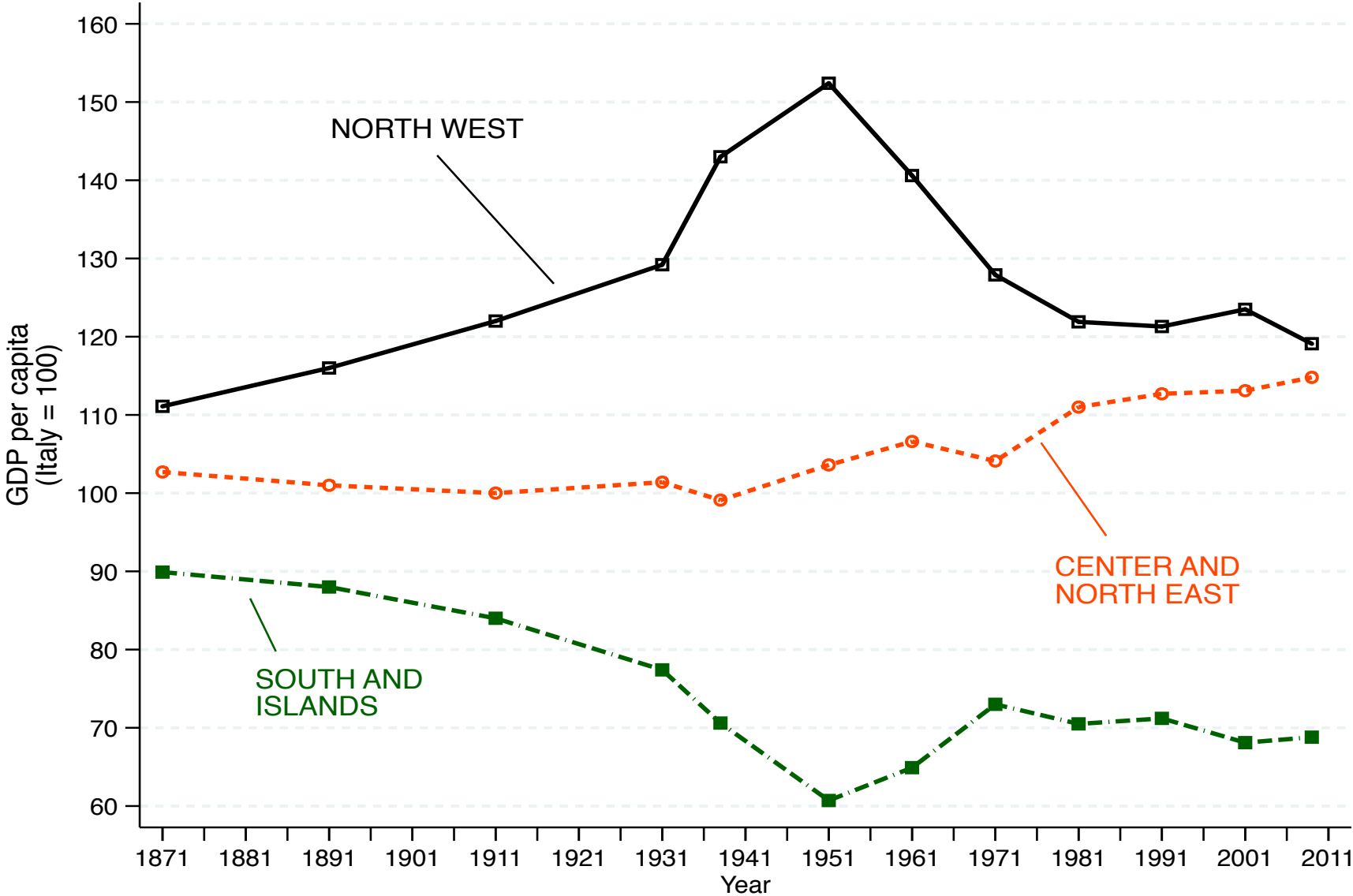




# What determined convergence in life expectancy?

- 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

# GDP per capita: Dual development



# 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!

(grazie)

Emanuele Felice

Università "G. D'Annunzio" Chieti-Pescara