

## **ABSTRACT:**

In this paper I will make some analysis on socioeconomic differences that have developed in Italy between North and the South Italian regions. From this differences, a peculiar aspects emerges, with the North as one of the most developed region opposed to the South as one of the most backward region within Europe. Government policy has been trying since the unification of Italy, to reduce the gap with the implementation of specific converging program policies. However, the convergence phase has led to a remarkably unfavourable steady state. Two of the possible explanation for the persistent gap between North and South Italy will be focused in this paper: the first one relate with the quality and quantity of social capital presence The second explanation might be beyond the Government institutions performances that so far, with some exception, has registered a continuous failure on policies tending to reduce the socioeconomic gap. Finally I do warn the reader that this paper will be concentrated mainly on southern Italy, as this is the area which is lagging within the Italian development

**Key Words:** Economic Convergence, Southern Issues, Government Institutions  
Social Capital Theories,

## **INTRODUCTION:**

Even though Italy is known as a rich and developed country, yet the social and economic wealth remains limited in specific areas, that generally are set -using metaphorically Rome as the geographically starting point- in North and only rarely in the South of Italy. For decades if not centuries, among the regions composing Italy, a different degrees of social and economic development have been registered. A common thought among Italians is that southern regions are and will be unable to reach the pace of development and the standard of living usually registered in the North. The intention on this paper then is to find out why does, this socio-economic disequilibrium among North and South Italy still persists. The issue has not only attracted the attention among the Italians, but has also reached the interest abroad, particularly among North Americans analysts interested in catching the essence in the development of contemporary urban society, and all those Euro-sceptic, who use the Italian example as an element that can demonstrate the difficulties less developed regions within the European Union will have, in catching up the same social and economic wealth registered in the leading countries. Considering that Italy is seen as one of those leading wealthy countries, higher is the surprise when great differences in social and economic qualities are registered within the country. Before entering into the issue, let's see below some of North South peculiarities that usually are reported:

- The South's unemployment rate is two times higher than the national average.
- Efficient public administration in the North, slow and highly bureaucratic result the public administration in the South

- North population actively involved within the civic society, marginal remain the citizen's involvement within the civic society in the South.
- Infrastructure highly developed with an efficient rail and highway road system which facilitate communication within northern regions and neighbours foreign countries. Not enough infrastructures in the South, with large areas having difficulties to get access to external communications.
- In the eight southern regions where more than one-third of the Italians population resides, the GDP per capita is just over half of the GDP per capita produced by northern regions?
- Per capita personal wealth is much lower in the South than the North, though inequality is greater than the latter.
- In the southern regions exports count only ten percent of GDP, but well above twenty percent has been registered in the North.

Nevertheless the above examples reveal just in part the whole picture, but for example do not tell us what might be the causes that generate those regional differences, which most socioeconomic indicators do still reports.

Responsibilities, for the dual development registered within the Italian country, have to be shared among all Italians. However in the government, with its continuous bad management and waste of financial resources, is judged, not just by socioeconomic analysts or political expertise, but also in general, in the Italian public opinion, as major responsible for the amorphous Italian development.

In fact, two macro regions emerge, with both, equally distant from the centre of the Italian political life present in Rome, and with the latter rather than acting as the capital city of a unified State, seems more to be the crossing border of those two macro areas. Repetitive and unsuccessful for a long time has been the implemented

Government policies, in which origin can be traced back to the time since the Italian unification (1861).

From then on, any converging policies employed by the Government, leaving some rare exceptions, have extended the North-South gap. Nevertheless, government responsibilities do not signify that other causes should be considered marginal or less responsible for the evolutionary Italian system. Thus we should extend the horizon of our investigation, and thus include other "parallel causes" who have had an influential impact in the evolutionary Italian socioeconomic and political system. For example how big is the influence exercised by organized crime in slowing the natural social democratization process? Is not yet entirely known how devastating is the impact of criminal organizations named; "mafia, camorra, n'drangheta and sacra corona unita" in exercising their pressure to the alteration of the government political and economic agenda.

The alarming level of the organised crime infiltration within the public administration, particularly the one in the South, has not yet been adequately contrasted.

In other observers, favours the theses that in Italy is lacking of a unitary Italian feeling, which is in clear contrast with the strong ethnic regional feeling. This is an old story which goes back since the birth of the Italian state and that is considered as its original sin that marked the separation between North and South Italy. Since then all measurements of social and economic duality have shown to be remarkably persistent. Discrimination inside the two macro regional areas has brought social confrontation among northern and southern Italians (an issue that emerges particularly during economic crises). These feelings of discontent are exploited by political parties with conservative and discriminatory social political programs, such as the North League party.

Nevertheless contrary to what so far presented, South Italy is not just a land of misery or underdevelopment. Even-though poor population and backward areas are identified more in the South, it is not entirely correct that on average households in the South are poor, obviously they lag in wealth when compared to the North population and that is a fact. However, it is commonly known that life expectancy in southern men and women are similar to the rest of Italy and European average. Birth rates are higher than northern Italy and closer to European level. Education in the South has improved with fewer students, of what recorded in the past, who leaves compulsory education unfinished. We are talking about some very important indicators with whom measuring human development: life expectancy, health-care, and education.

Nowadays the southern framework, though can still be subjected to criticism, is not as catastrophic as it has been pictured by many. Commonly agreed, however, is that many of the political and social issues in the South are still unresolved and though in the North the situation remain brighter; some negative sign began to emerge also there. Is not yet the case, but now seems that many of the socioeconomic discrepancies that have been registered in South Italy have begun to move up to the North (organized crime, unemployment, and wealth distribution). Thought as a southern issue, now is something that includes all Italy.

To test my entire hypothesis, and for find convincing argumentation, there will be the consulting and reviewing of material from; books, journals, official reports, statistical data, video documentaries and the internet.

Finally, before starting to deepening our investigation, we can argue that the North South Italian duality can add something for better understand dynamics which might influence the modernization processes in some other country.

On chapter one, our matter of inquiry will be direct to the social aspects that seems to be distinguishing the population of northern and southern Italy.

Whether on chapter two, a thorough analytical investigation will direct its attention into the efficacy of government policies meant in reducing the gap between North and South Italy.

The third chapter, using social and economic indicators, will be trying to catch relevant socioeconomic dynamics, from past to present time, that have developed in Italy. The final conclusion then, will be the sum from the previous chapters, and with the intent of drawing a final and clear picture of what causes the Italian anomaly and how, if possible, we can avoid it to happen in other geographical areas, for example within the European Union.

## **CHAPTER ONE: THEORIES CONCERNING THE NORTH-SOUTH DUALITY.**

A current of thought among social science analysts, considers that traditional social relationships networks presents in the South of Italy, are responsible for the slacking in the social advancement and modernization process which instead has been found in North Italy. The particularity of hierarchical family structure and behaviour found in the Southern Italy, has been distilled and carefully analysed by David Banfield, who then use “Familism” as a terminology to frame the Southern family.<sup>1</sup> Since then the “Familism” term, has become so popular among social scientist that now serves in framing various associative characteristics that can be found in human behaviour sphere in a given society.<sup>2</sup>

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<sup>1</sup>Banfield E. *The Moral Basis of a Backward Society*. The Free Press 1958

<sup>2</sup> For example: Familism is a cluster of attitudes that emphasizes the relevance of the family for personal and social life, the development of a feeling of duty, and the belief that to have children is a requirement for personal and social realization (Popenoe 1988; Gundelach 1994).

Southern family structure then, became an important laboratory for scholars who sees in it an explicative way for the lagging in southern Italy.

Some went further to suggest that there is a strong correlation with the southern people's social behaviour, and the backwardness of the area, and that, before generate any improvement, the southerner needs to increase the quantity and quality of social capital.<sup>3</sup>

Thus, which one is the best formula that can extend social capital and thus forge social trust in southern Italy?

It is a crucial problem in the Italian society, where lack of political will in trying to resolve the North south duality brought only social tension. Only occasionally the government have acted with the necessary responsibility to discuss the issue at the top of the Italian political agenda.<sup>4</sup> The slow pace in development registered now days in southern Italy, has maintained some of its past features. On this part of the paper, we will see how, and why the “Southern Question” still remained a popular subject among scholars who have theorized aspects and concepts for better comprehend of the North South Italy issue. Finally it is hoped, to deny all those whom consider that the South traditional social structure is responsible for southern backwardness.

### **1.1 SOUTHERN FAMILY STRUCTURE AND ITS INFLUENCE IN THE DEVELOPMENT OF THE SOUTH.**

Dominating the post-war debate on southern Italy and its socioeconomic and political backwardness was the idea that southern family structure and its client-based attitude were a major negative factor of influence. Moreover this subculture

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<sup>3</sup> Banfield *Op.Cit*

<sup>4</sup> [http://www.mulino.it/edizioni/volumi/scheda\\_volume.php?vista=scheda&ISBNART=11813](http://www.mulino.it/edizioni/volumi/scheda_volume.php?vista=scheda&ISBNART=11813)

was considered so widespread in southern people that generally were believed than only with a more cooperative spirit among them, the negative socioeconomic situation might have been reversed.<sup>5</sup> Such a belief though not entirely wrong tend to have discourage into a deeper investigation of the real socio-cultural and political dimensions that exist in a so widespread and highly inhabited area, with the negative effects of diminish all those positive economic performance that have been registered in various southern areas.<sup>6,7</sup>

However, after Coleman, the concept of social capital was often used as an explanatory factor of development. Reflections that have most influenced the debate on this issue were those operated by Putnam and Fukuyama, who have dedicated more attention to the link between social capital and development and stressed the relevance of the cultural, originated from previous social systems.<sup>8</sup> The unintended effect of the somewhat dismissive descriptions of the southern society described particularly in Banfield but also in Putnam and Fukuyama, were challenged from the nineties by new contribution and material for analysis.<sup>9</sup> On the historiography have begun to reconstruct a history of the South of Italy not only made of backwardness and underdevelopment, and now, also for non-Italians scholars, is gaining the idea that is wrong to reduce the south Italy history only under the “Southern Question framework”.<sup>10</sup>

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<sup>5</sup> Banfield E. *Op. Cit.*

<sup>6</sup> Brusco, S. *Piccole imprese e distretti industriali*, Pub. Rosenberg and Sellier, 1989 p.113

<sup>8</sup> Putnam, R. Leonardi, R. and Nanetti, R. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press, 1993.

<sup>9</sup> This are only some of the author who began challenging Banfield Putnam Fukuyama and all those who mainly focus on family behaviour for explaining the economic development Pasquino, G. (1992), *Cari estinti. Esistono ancora i partiti in Italia?*, in Il Mulino, (1992), Triglia, C. *Dinamismo privato e disordine pubblico. Politica, economia e società locali*, in *Storia dell'Italia repubblicana*, vol. II/1, Einaudi, 1995. Mazzoleni, G. (1998), *La comunicazione politica*, Bologna, Il Mulino, (1998)

<sup>10</sup> Southern Question is a term used to frame the South in issue in the political sphere first used by Antonio Gramsci, in his book titled *La Questione Meridionale*, Editori Riuniti, Roma, 1974.



The empirical research in socioeconomic analysis has offered new perspectives, emphasizing the southern complexity, the potential and also the continuity of its social and economic structure with the rest of the country.

Some research on southern civilization shows that, denying a common thought, the presence of a “vibrant dynamic associative structure able to promote the phenomena of collective mobilization and encouraging the economic development processes”.<sup>11</sup>

The paradigm that has been found in the amoral familism registered in Banfield’s studies, and his followers was then challenged by the observation that family ties may have a positive effect for “be the basis for broader forms of sociability and confidence in the family, under certain conditions, can stimulate commitment and participation”.<sup>12</sup>

Nevertheless it is difficult to identify a precise correlation with southern family openness to non-kin, and the lower economics achievement, though as generally recognized economic cooperation with non-relatives on a professional and practical basis, forge loyalty wider than those registered in the restricted kinship networks.<sup>13</sup>

With regard to the so widespread political clientele relationship, which usually involves influential individuals and also political parties, there undoubtedly exists some valuable research which has shown the negative effects of such a social and political integration for equality, social justice, effectiveness and efficiency of public actions.<sup>14</sup>

It is not purely coincidence that, the client relationship in the South has always assumed the same form and content, always proving to be a constraint on

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<sup>11</sup> Bevilacqua, P. Breve storia dell’Italia Meridionale. Dall’Ottocento a oggi, Donzelli editore, Roma, 1993.

<sup>12</sup> Borraro, P. La Questione Meridionale da Giustino Fortunato ad oggi, Congedo Editore, Galatina - Lecce, 1977.

<sup>13</sup> Ibid.

<sup>14</sup> Coleman, J.S. Social capital in the creation of human capital. American Journal of Sociology (1988). P.120.

modernization. Precisely because of its inherent structure, leave us with the inevitable conclusion of the total incompatibility with development policies.<sup>15</sup>

This system of patronage found in the South has never been able to associate itself with institutional and power networks capable of creating a more regulated client based circuit directed to different areas and different regional sectors. The critical debate initiated in Italy by Putnam's work on North-South dualism has undoubtedly accelerated the possibility of overcoming the limitations that previously dominated in the studies on the "Southern Question".

### **1.1.2 FAMILISM IN THE SOUTHERN SOCIETY.**

The image of the southern family structure seen as pervasive of all the individual relationships appears as a constituent part of the representation of the South of Italy. Thus South Italy is defined, as a society especially characterized in the elevation of family bonds above all other social loyalties.<sup>16</sup> Although the assumption might be not entirely wrong, this orthodox way of imagining the southern family as a negative factor for all those people whose interest is outside the family bonds, seems to be however insufficient for explaining the development mechanisms that have involved the entire southern Italian society. Nevertheless this "orthodox" thought has many followers probably for the popularity obtained within North American social scientists.

One of them, as mentioned earlier, is Edward Banfield whose success for his theories, and the study of southern Italian, made him worldwide popular among scholars. He coined the term "familism", as a result from his research in which, the peasants of a small southern Italian village, named Montegrano, came under his observation.

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<sup>15</sup> Sacco, D. *Socialismo riformista e Mezzogiorno*, Laicata, Manduria, 1987.

<sup>16</sup> Banfield, E. *The Moral Basis of a Backward Society* Op.Cit

Familism, is presented as the specific behavioural assumed by individuals whose priority is to maximize the family's interest, in which whatever comes outside from the family network is generally regarded as alien.<sup>17</sup> This was some of Banfield assumptions:

*“In a society of amoral familists, no one will further the interest of the group or community except as it is to his private advantage to do so , in other words , the hope of material gain in the short run will be the only motive for concern with public affairs.”*<sup>18</sup>

Thus in his view, Banfield wanted to explain why the behaviour of Montegrano peasants could have been intrinsically judged amoral, simply because of their inability to stretch any social associative form beyond the family bond, is not morally anymore acceptable in modern society.<sup>19</sup>

What strikes Banfield in his observation was, the immobility and inability of Montegrano villagers in working constructively together outside the family circle even though was in his views, the only way for social advancement. Banfield assumption converge with those who sees southern family-centred structure inevitably the cause of the weak inclination in associative voluntary form, lack of civicness, have low interpersonal and institutional trust, definable as “the someone ability to work in union for common purposes and organizations”.<sup>20</sup> However lack in institutional trust, does not automatically associated with a significant lack in the interpersonal trust; this it might be better explained by the peculiar political and historical process that have contribute in forming the reality within the Italian state,

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<sup>17</sup> Banfield, E. *The Moral Basis of a Backward Society* Op.Cit.1958

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

<sup>20</sup> But see the critiques of method and conception in Pizzorno 1971 and Sabetti (1996).

rather than by familistic behaviour. Furthermore, in the last years, an increase in regional diffusion of the culture of voluntary associations throughout the south indicate a growing level of interpersonal trust among southern people, though this kind of trust is still lower than in the rest of Italy.<sup>21</sup>

Some of the Banfield assumptions not have a sufficient empirical evidence in proving that southern socioeconomic backwardness is the result of a family hierarchy presence that inevitably nullify any tentative of extending trust and solidarity beyond the family network. Although Banfield analysis were going to be correct, it is not wise to extend to all southern Italy the “amoral familism” he found, and maybe a deeper investigation should be taken on the causes that might have brought southern backwardness such as the historical marginalization, the subordination of southern class and the backward farming system.<sup>22</sup> However a more heterogeneous analysis regarding southern family structure is needed to explain in qualitative term where familism is an obstacle to modernization, where it is only a marginal phenomenon, and where a family-based more open to people outside their circle, can help economic development.<sup>23</sup> We are able to contradict some of the ideas which represent southern family structure as partly responsible to the southern economic backwardness, as confirmed by recent increase of small firms registered in various parts of the South.

Some southern regions, especially Abruzzo, Molise, Apulia, Campania, have shown the presence of a growing export industry, in sectors such as textiles clothing, and footwear, that proves that family-owned small firms can provide a good opportunity for the economic development in the South.<sup>24</sup>

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<sup>21</sup> Aso some criticism on Banfield assumption comes from Trigilia, 1995 and Santoro, 1995,

<sup>22</sup> See for example Gribaudi, how can we claim that southern people are unable to cooperate economically with non-kin on a professional and practical level? Gribaudi, 1997 or Micheli, work 1997

<sup>23</sup> *Ibid.*

<sup>24</sup> Viesti, G. Abolire il Mezzogiorno. Roma: Laterza, 2003 pp. 40-78

## 1.2 THE VALUE OF THE SOCIAL CAPITAL

Social capital concept has been used to explain the connection and development that take place within a given community. The American social scientist Robert Putnam devoted his attention to the link between social capital and development. Attentive observer of the Italian community, Putnam developed a theory that facilitates to explain why the institutional performance within the Italian regions so evidently varies. In short, “social capital is a set of values in a given social context, named: trust, solidarity, tolerance, elements that form the so-called civiness”.<sup>25</sup>

He came to the conclusion that social institutions performances were higher in northern regions because greater was the allocation of social capital. Then he reminds that, these relations of solidarity and cooperation, for producing positive effects in the social capital context, needs to be extended beyond the family and kinship networks.<sup>26</sup> In this sense, Putnam concept of civic culture differs from the one made by Banfield, in which as we previously mentioned considers the backwardness of southern Italy profoundly related to the presence of what he calls “amoral familism” and its principle of short-term maximization benefit for the household, priority to other alternative cooperative form and so on. Putnam considers that the cultural imposition operated in the ancient time by southern rulers, has had a major impact in southern society and their apparent immobility which left southerner unable in pursuing common strategies direct to improve from the chronic social and economic backwardness. However, for Putnam not all networks of relationships are, in fact, conducive to a social modern development. According to Putnam the non hierarchical social networks can do it better, because

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<sup>25</sup> Putnam, R. Making Democracy Work *Op.Cit.*

<sup>26</sup> *Ibid.*

it bind individuals with the same status and same power, promoting trust and cooperation brings positive social effects,

Where as opposed, the vertical networks, because are characterized by asymmetrical relations, do not produce the same social effects.<sup>27</sup> Anyway he agrees with the Banfield view that sees as necessary that relations of trust and cooperation moves outside the parental social network.<sup>28</sup>

A natural candidate for this role is the local community in which beliefs and values are transmitted from generation to generation fairly unchanged. Indeed, few other variables relevant to the socioeconomic discourse has similar persistent characteristics, and are now often measured in a continuous growing empirical studies concerning the history's role in the socioeconomic development.<sup>29</sup> Therefore different historical events have generated persistent cultural differences among Italians. It is known that Putnam has addressed directly the problem of regional disparities in Italy and empirically tested the hypothesis. According to his hypothesis, the formation of social capital had a strong growth in between year 1000 and 1300 in the city-state North system, whose formation was instead made impossible in the South for the different social system created by the Norman kingdom.<sup>30</sup>

His research provides further empirical support to the idea that the persistence differences among North and South Italy are historically determined.<sup>31</sup> In this context, lower-quality institutions have been continuously recorded in the South rose their exerted influence, far from the unfavourable historical events but through the inter generational transmission of values and norms of behaviour characterized

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<sup>27</sup> *Ibid*

<sup>28</sup> *Ibid.*

<sup>29</sup> See in particular, Tabellini 2009 and Guiso, Patience and Zingales 2008 who have thoroughly investigated the possibility that the quality of government has roots in its history through cultural phenomena.

<sup>30</sup> Viesti, G. Mezzogiorno a tradimento. Il Nord, il Sud e la politica che non c'è. Laterza 2009. pp.34-65

<sup>31</sup> *Ibid.*

by a low level of trust between individuals unrelated to their small area of membership. As suggestive it might be, reading southern Italy as penalized by the historical development seems to be at the moment empirically fragmented and not enough exhaustive. Nowadays there is evidence of widespread malfunctioning of public institutions in financing essential public goods like education, health, safety, and there is still evidence that in some regions – still mainly the southern ones - indicators of trust and social capital in its broader definition are consistently lower than those encountered in the rest of the country. Nevertheless I do stress again that the empirical evidence in support to the hypothesis that the origin of the problem dates back to distant historical events is only partially exhaustive. Even more attentive to the elements which constitute the cultural values and social capital appears Fukuyama, which distinguishes the individual's virtue from the social one.<sup>32</sup> The former are, for example, the propensity for investment, work and responsible saving. The latter then is constituted by attitudes of respect towards others and society, as honesty, cooperation, sense of duty, trust and so on.<sup>33</sup> Are precisely those virtues that will form the social capital that determines the industrial structure and market efficiency of each society? Places where societies with high social capital have an industrial structure based on big business, widespread and driven by manager. Whether, in societies in which low is the presence of social capital, a structure of small family businesses will prevail.<sup>34</sup> Low levels of trust for Fukuyama are in fact due to the continuing centrality exercised within the society by the family and kinship.<sup>35</sup> When this happens and there is no opening to external members, the industrial structure will be dominated and run by family-based enterprises.<sup>36</sup>

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<sup>32</sup> Fukuyama, F. *Trust: The social virtues and the creation of prosperity*. New York: Free Press 1995

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*

<sup>35</sup> Fukuyama, F. 1995, The primacy of culture, *Journal of Democracy*, Vol. 6, No.1, Jan 1995.

<sup>36</sup> *Ibid.*

This is not an absolute impediment to a economic development as evidenced by the Italian case, however, registered particularly in the North, but will occur only in the area in which industrialization of small businesses will have a competitive advantage investment and large organizational structures.

The arguments made in Putnam and Fukuyama works, are profoundly different in terms of the empirical analysis. In the former we find, for example, a positive assessment of the reality of the industrial districts of northern Italy and the capital that is present in those social contexts. Where instead the latter considers that small family run firms are condemned to stay marginal and only in some limited areas far from the world economy, and the peculiarity of the global success obtained by small Italian firms is due to a relatively more open familistic collaborative type not only based on kinship but also on external professionals adviser. For Putnam, civic culture is at the origin in the economic development and positive performance of political institutions. The traditional culture of a people, intertwined with ethical and religious elements, is the source of trust for Fukuyama.

Turning more in a political way (which however will be deepened on the next chapter), other researcher in contrast consider that southern backwardness, rather than been originate by the family structure, has to be sought “in the historical marginalization and subordination of southern social class and on the obsolete farming system.”<sup>37</sup>

The family, which has been described so far, however, reminds more to the ideological cultures of imperialism because it gives the responsibility for the lack of development within a society to the endogenous circumstances but nothing to the exogenous one. It is like to say that Third World Countries backwardness do not to depend by the crushing capitalist countries system, but to the inability of the

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<sup>37</sup> Zamagni, V. Dalla Periferia al Centro. La seconda rinascita economica dell'Italia 1861-1990, Il Mulino, Bologna, 1993.



populations to cooperate in a associative way. In this way the southern society it has taken on to a new label, which serves to explain simplistically various social phenomena, and to “feed the stereotype of the South who thinks only to the family, is unable to form in cooperative organization, do not like to work, has a mafia behaviour attitude, arrogant and above all ignorant.”<sup>38</sup>

This is close to the vision already noticed earlier, at the beginning of the twenty century, by Gramsci who warns southern people from the racist and discriminatory ideas that were growing around northern bourgeoisie who see on the southerner as an impediment to the economic growth:

[They]...“*prevents more rapid progress to the development of civilian Italy... biologically inferior... if the South is backward, the fault is not because of the capitalist system or any other historical causes of nature, but just because southerners are lazy*”.<sup>39</sup>

### **1.3 DEMACRATIZATION AND CULTURAL PROCESS**

On this part of the paper we will be dealing one of the most difficult and controversy issues, namely the relationship between mafia and political patronage systems that is widely present in southern Italy. In fact they are two distinct social systems, sometimes they can be found close together, living and conniving, and other times conniving and contrasting but both however require spreading their manipulative practices. However there are permanent differences related to the modalities and some contents between mafia and the patronage system, because the first based on the use of physical violence (threatened or performed), a strong social

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<sup>38</sup> *Ibid.*

<sup>39</sup> Candeloro, G. Storia dell'Italia Moderna. La fondazione della Repubblica e la ricostruzione. Considerazioni finali, vol. XI, Feltrinelli, Milano, 1995.

control and capacity among members of large resources and assets obtained through blackmail violence, criminal trafficking, extortion, public contracts through intimidation and corruption.<sup>40</sup>

On the other hand the political patronage system does not use physical violence and focus mainly on the exchange between patron and client, for private and public goods advantages.<sup>41</sup> The two systems converge in the formal and substantial failure to comply with the law, and their systematic action aimed at undermining the belief in the legality, thus mining the socialization processes needed for the democratization cultural process.<sup>42</sup> The recent reduction of distances, due to an attenuation of differences among the two systems depends by some structural causes and natural phenomena:

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he discredits of the political elites, which is increasingly becoming selective and oligarchic, crisis of values and the fail of the great ideologies.

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he spread, while there is an increase in electoral absenteeism, of the diffusion, exerted by criminal organizations, on the collection and organization of popular support through the purchase of votes associated with the threat. A long enquiry directed by the police during the April 2010 regional election in Italy found an alarming increase in voter purchasing by both system.<sup>43</sup>

The continuous arrest made by the police, reveal and has effectively demonstrated the dangers and pervasiveness of the mafia phenomenon in certain southern areas,

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<sup>40</sup> Saviano, R. Gomorra: Viaggio nell'impero economico e nel sogno di dominio della camorra. Mondadori Milano, 2006.

<sup>41</sup> Saviano, R. Op.Cit.

<sup>42</sup> *Ibid.*

<sup>43</sup> [http://www.repubblica.it/cronaca/2010/02/17/news/corte\\_conti\\_corruzione-2328803/](http://www.repubblica.it/cronaca/2010/02/17/news/corte_conti_corruzione-2328803/)  
[http://www.corriere.it/cronache/10\\_marzo\\_17/mafie-giornata-memoria-milano-lotta-civile-gori\\_e2ef206a-3208-11df-b03c-00144f02aabe.shtml](http://www.corriere.it/cronache/10_marzo_17/mafie-giornata-memoria-milano-lotta-civile-gori_e2ef206a-3208-11df-b03c-00144f02aabe.shtml)

showing how a criminal gang was able to branch out across society, infiltrating certain local ganglia public administration and politics in the big commercial brokerage, as well as providing services in the construction of infrastructure, in the and in the health system, these are the places where, in the past, the political patronage action took place, however, so unchallenged.

Let's then try to summarize the general framework that in the southern regions, in which the conflict and coexistence between determine legal powers (the democrat State), semi legal (the patronage) and criminal (mafia), and comparison and clash of beliefs that surrounding them.

The law in the South represents for many a formal of legitimacy legal power. The root of this power lies in impose the coercion by government institutions, or in the citizenship right. The latter however are seen mostly from elite patronage as concessions to exchange with the consent of favouritism, and for the lower and middle classes, as a means of struggle necessary for the satisfaction of individual interests, parental or corporatist rarely collective.

The main criticism concerns with the serious damage caused by the waste of resources, and the unproductively and incompetence associated with them, which are becoming more evident and that are subject of scandal, especially in public services and the health care system.<sup>44</sup> The Mafia is, of course the enemy of law and of peaceful coexistence, thus it does not have inner legitimacy or specific beliefs, but only as a result of external legitimacy-exercised with death threat against to his opponents, has been able to manipulate, for his purposes, family relationships and parenting. It is a criminal organization whose power is exercised with private coercion, violent manipulation, money, bribery.

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<sup>44</sup> Forgione, F. Mafia export. Come 'ndrangheta, cosa nostra e camorra hanno colonizzato il mondo Pub. Baldini Castoldi Dalai 2010 pp.45-86

Its organization channels are legitimized by the fear, and relational networks. The most critical concern is the stifling for individual freedom and also for areas in which the entire civil society is controlled by the Mafia. There it produces a generalized impoverishment and decline in the quality of life and in all social relations. The centrality of the power of patronage at this point is obvious, from a manipulative, on the interpersonal relationships and values, and its obvious weaknesses, tend to be so far implemented precisely because present is the weakness of belief in the legality, higher is there the criminal threat. In this game of power and utility, the cronyism and familism appear to be quality.

There are observations that proving that patronage relations have, at times, participated in the intense development processes: these claims, however, underestimates the serious price paid in these regions in terms of moral decay, cultural, and political administrative.

But above all, in fact it neglects that the most propulsive of patronage, have strong correlation with certain features of local political power and to his charismatic character and almost monopolistic, as such, difficult to be reproduced.

In the South it is rare to find, both during the so-called first republic or in the so called golden years of what has been called the season of mayors of regional and local administrators a spearheaded and intensive development.<sup>45</sup>

The duration of these good times and these springs have almost always coincided, however, with the parable of political strong charismatic leaders, who enjoyed broad consensus and were able to operate almost as a monopoly of patronage. They thus in doing so, have generally reproduced the mechanism of dependence, and of the reduced legal one, failing to build new bases of social and institutional regularization able to take root in replacing their personal decline, so that at the end

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<sup>45</sup> *Ibid.* p.91

of periods of some success, was recorded a rapid consumption of the innovative undertaken experiments by them.

Secularization has therefore focused, first, to the strategic use of the family community that here in the South, more than the rest of Italy, assume the aspect of an entity inherited from sacred origin deeply integrated into the oldest religious traditions.<sup>46</sup> The politicization of religion and family were able to function as a knowledge base and as a regulative assumption of the modernization in the South, where the civil power of the community (family relationships, often with the ecclesiastic support), have guided the society's growth without been supported by the industrial system base.<sup>47</sup>

However, the history of the South has also built an extensive series of trade union movements, political, religious, youth, to work against the Mafia, as well as economic independent activity: they actually open spaces for repeatedly change, however, they are then usually surrounded by manipulative practices and circuits, which often force them to adapt to the context or fold into narrowing surviving spaces.<sup>48</sup>

These challenges were conducted in different periods with different intensity in different southern regions, in relation to some deep economic differences, cultural and geographical distinguish them: the South and the non-metropolitan mountainous interior, the southern Adriatic and always been different that the southern Tyrrhenian, islands has always been different from that of the peninsula.<sup>49</sup>

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<sup>46</sup> Deep analysis on mafia structure and belief can be found on:  
[http://www.censis.it/5?resource\\_23=64696&relational\\_resource\\_24=64696&relational\\_resource\\_26=64696&relational\\_resource\\_396=64696&relational\\_resource\\_78=64696&relational\\_resource\\_296=64696&relational\\_resource\\_342=64696&relational\\_resource\\_343=64696&relational\\_resource\\_405=64696](http://www.censis.it/5?resource_23=64696&relational_resource_24=64696&relational_resource_26=64696&relational_resource_396=64696&relational_resource_78=64696&relational_resource_296=64696&relational_resource_342=64696&relational_resource_343=64696&relational_resource_405=64696)

<sup>46</sup> Barbagallo, F. *La modernità squilibrata del Mezzogiorno d'Italia*. Pub. Einaudi, 2002

<sup>47</sup> *Ibid.*

<sup>48</sup> Rossi N. *Mediterraneo del Nord. Un'altra idea del Mezzogiorno*. Pub. Laterza, 2005, pp.40-51

<sup>49</sup> *Ibid.*

Among the fundamental and sustained breaks, we must first to remember:

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The birth of the rule of law and the national state, autonomous from the church, which has produced the political unification and administrative in southern suburbs in the name of law and through state bureaucracies, the linguistic unification, with the overcoming of fragmentation dialect and cultural isolation, the monopoly of force and the presence of a single army.

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The mass emigration overseas, in Europe and elsewhere, began in Italy at the end of the nineteenth century, and which produced enormous sacrifices and suffering but a chance for social mobility and an extraordinary knowledge of men. However, until the end of World War II, the South is predominantly agricultural, rural and poor, urban with very little developed industry, especially in all major areas distant from the coast and inland cities.

The great transformation that took place starting from the birth of democratic republican State, era in which the innovative elements of endogenous origin, as the conquest of democracy due to the popular struggles and the victory the republic against the monarchy in the referendum, combined with strong endogenous elements of modernization such as the peasants struggle, and the massive urbanization began with the tertiary city model.

this is the era of great changes, in fact in this period social mobilization towards the city towards mass education, with new cultures and ways of life, new job opportunities, is joined to political mobilization, with the growth of 'associations trade unions, class and party.

This has created mechanisms that belong to a modern phenomenon. Indeed in the modern uneven development from an economic standpoint, from that of beliefs,

models and the dependency culture and manipulation, were used in the South by the ruling classes and also by the working class as effective instruments of social and political integration. These mechanisms were able to produce development and at the same time to reduce the risks that from the social and territorial inequalities could have emerge alternative movements. However the side effect might of this policy might have been responsible for the development of the powerful southern organised crime.

#### **1.4 WEAK GOVERNMENT: THE TRUST DEFICIT WITHIN SOUTHERN SOCIETY.**

Obviously the southern civil society is, in most cases, completely alien to the mentality and practices of organized crime, but it is not difficult to trace in it the provisions of thought and behaviour that, although can be defined mafia, creates and maintain alive the culture medium through which criminal organizations control the territory and makes it difficult to build the prerequisites for social and economic development.<sup>50</sup>

in fact may be restrictive, to seek only on issues of economics, security and good governance as factors that favour the growth of an area, thus explaining why southern Italy development remained lagging behind the rest of Italy.<sup>51</sup> A first element that must be taken in consideration and that it is critical to decipher in a territory. For its development capacity can be observed in the ability of individuals to cooperate and contribute to common goals for the good of society. The prevailing attitude that scholars encounter in the southern society, as we mentioned earlier, is called “amoral familism”, and that inevitably leads the people living there to seek the highest and immediate material benefits for their family unit, assuming that all

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<sup>50</sup> Zacchia, C. *Industrializzazione senza fratture*, Il Mulino, 1983.

<sup>51</sup> *Ibid.*

other members within the society behave equally, not caring in what might be represents the common good.<sup>52</sup>

The prevalence of this internal logic, based on individual interest, inevitably each group becomes a true obstacle to the development of a shared civiness, referring with this term to all those set of behaviours compliance and adherence to shared values, sense of responsibility and so on which will constitute the codes of a given community.<sup>53</sup> This lack of civic sense is directly connected to a common view that perceived the government and political institutions only as places to exercise power (but then seek a personal relationship and privileged to solve then specific problems).

### **1.5 SOME SOCIOECONOMIC EFFECTS COUSED BY THE MAFIA.**

crime and insecurity In relation to the population living in the South the number of crimes reported (38.8 per thousand inhabitants) is far lower than the North (55.0). In line with these data, families in the northern state feel more insecure than southern. While in the entire South the figure of those who feel unsafe is 28.7%. At regional level the differences are very high: more risks are the regions of Campania (53.6%, the highest nationally) and Apulia (36.5%), while they feel safer families Molise (16.7 %) and Basilicata (11.8%).

Globalization and organized crime - criminal organizations in southern Italy, have quickly began to adapt its core business to external changes, have grasped the opportunities offered by globalization and today, besides being rooted in the southern territories of origin, are increasingly common, with activities economic differences, many other Italian regions and abroad. Now we can follow some

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<sup>52</sup> Salvati, M. Occasioni mancate. Economia e politica in Italia dagli anni '60 a oggi, Roma Bari, Laterza, 2000, pp.142

<sup>53</sup> La Spina A. I costi dell'illegalità. Mafia ed estorsioni in Sicilia Il Mulino 2008



highlights of the financial strength and great financial liquidity available by organized crime within the Italian territory and consequently the resulting risks for the Italian economy. In fact, we are faced with a large holding company. According to Eurispes the total revenues were approximately 130 billion euros and a profit of almost 70 billion net of investments and provisions. From its businesses the Mafia has far exceeded the 92 billion euros, a figure of around 6% of the Italian national GDP. Every day a huge mass of money goes from the pockets of merchants and entrepreneurs to those of the Italian Mafia.<sup>54</sup>

Mafia is a large financial group. A private company from the many economic interests and business which owns shares in many other societies operates on a different brand names, diversified activities and investments. Its companies, almost always family, but with strict business logic, also involved the legal economy, now directly taking on the majority-at times, now in partnership with shops, night clubs, builders or general stores. Today, unlike any other holding, only partially are affected by the economic crisis and international markets slacking, are also able to attack new market share, benefit from the liquidity crisis, making new acquisitions and real estate business.<sup>55</sup>

Like all the major economic groups, with interests both in Italy and abroad. Organized crime has thousands of employees, consultants, specialists, a labor market that is growing. There are four large holding company which is divided into: cosa nostra, n'drangheta, camorra and sacra corona unita. Each, in turn, are divided into small and medium-sized companies, independent of each other, but with the same organizational model, strongly hierarchical, can handle large markets and transverse (extortion, drugs, robberies etc..) or niche (only racket, only wear etc..) hours at time in their competition, ability to divide zones of influence, or string

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<sup>54</sup> La Spina *Op. Cit.*

<sup>55</sup> *Ibid.*

signs. The entrepreneurial character of the Mafia over time, it was more refined, although it is not surprising the garrison of extortion archaic mode, and a language which may seem obsolete, all words that seem related to phenomena old and outdated, but none like the mafia combines antiquity and modernity, globalization and localism.

Let's see them in order:

The Ndrangheta - Rooted in Calabria, but now present throughout the world, has become a leader in worldwide traffic of drugs (particularly cocaine), but also strong in extortion, and arms trafficking In Italy, the Ndrangheta has major interests also in Milan, Brescia, Rome and Piedmont.

Cosa Nostra - the Sicilian Mafia after the arrest in recent years of powerful bosses, is experiencing a phase of consolidation and reorganization. But it is showing a great ability to preserve its vitality and danger. The existence of numerous criminal activities has been reported also in Modena and Genoa.

The Camorra -Specialized in drug trafficking, extortion, racketeering, gambling and usury, in recent years, the Camorra's core business has grown mainly in the services business, taking advantage of the demand for cost reduction by legitimate businesses.

Sacra Corona Unita - shrunk dramatically from the contrast made by the police in recent years, the Sacra Corona Unita; remains concentrated in drug trafficking, and illegal weapons. Outside the region and work mainly in Lombardy and in nearby Basilicata. The peculiar aspect is that all this power seems to have negative effects particularly on the region from where there are rooted.

The worrying situation that appear in some data that deal with the role played by organized crime in regions where it is traditionally stronger its presence, reveal that the economic and social development are strongly penalized. Data on production,

employment, income and consumption continuously reveal that distances still run through Italy and the southern region once again being permanently behind the development process.

One of the main factors that help explaining this gap is given by the strong presence of organized crime, and is proved by the fact that four region where the crime appears to have a strong pervasiveness remain behind the rest of Italy.

These are the regions taking part to the 2007-2013 Structural Funds Convergence because their GDP per capita result less than 75% of EU member countries.<sup>56</sup>

Campania, Apulia, Calabria and Sicily are the regions which most worry the country, a southern area weakened by the monopoly, criminal organization exercised, in controlling the economic activities and share territories, where the inertia of most of citizenship and representatives of local institutions remain so visible. If we only observes by analyzing data on the value-added as quantitative measure of the wealth produced by an economic system and compare the four regions where organized crime has more power, with the remaining regions of the South and the with rest of Italy, we note that the value of value added per capita in 2008 was around twenty-seven thousand euros in the North, seventeen thousand in the southern regions less affected by serious crime, and stops at fourteen thousand euros in the most affected regions, more than eight thousand euro under the national figure (23,009 euros).<sup>57</sup>

Turning to the analyses of the GDP and comparing with the per capita, we note that in the four critical regions the value added represents only sixty five percent of national GDP per capita. Observing the graph below we will see that the value of

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<sup>56</sup> Eurostat 2008 Report and Table indicator

<sup>57</sup> Barbagallo, F. La modernità squilibrata del Mezzogiorno d'Italia. Pub. Einaudi, 2002.

Istat 2008 aggregate economic data

[http://www.dps.mef.gov.it/documentazione/uval/materiali\\_uval/Muval5\\_Contabilita\\_Ambientale.pdf](http://www.dps.mef.gov.it/documentazione/uval/materiali_uval/Muval5_Contabilita_Ambientale.pdf)

the four regions account for just over half than that attributable to regions of the North, equally to 30,138 euros.

GDP In Italian Region

|              |               |
|--------------|---------------|
| Campania     | 16.656        |
| Calabria     | 16.770        |
| Sicily       | 17.001        |
| Apulia       | 17.249        |
| Total        | 16.915        |
| South        | 17.521        |
| North        | 30.138        |
| <b>Italy</b> | <b>25.755</b> |

*Sources*  
*Istat 2008*

Very low in particular result the GDP per capita in the regions of Campania (16,656 million) and Calabria (16,770 million), while slightly better the situation appear in the regions of Sicily (17,001 million) and Apulia (17,249 million). Neither government spending, nor the European investments have filled the gap, so in 1991 the GDP per capita in the South stood at sixty percent of that the North in 2001 down to 57.5% in 2007 to remain equal to 58.1%.<sup>58</sup>

Below the national level, but with some values that still indicate an attempt to catching up with the northern areas are those southern regions, that have already passed the transitional support phase (20 152 euro on average per capita GDP of these regions).

The percentage change in GDP between 2000 and 2007 provides further confirmation of the distance between the South: if Italy GDP grows over the period

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<sup>58</sup> Barbagallo Op.Cit.

by 7.9% (with an average of about 1% per year) in the four worst performing southern regions the growth stops at 5.9%, so it is around 0.7% annual

GDP variation in % of Italian Regions

|              |            |
|--------------|------------|
| Campania     | 5.7        |
| Calabria     | 7.1        |
| Sicily       | 6.5        |
| Apulia       | 5.0        |
| Total        | 5.9        |
| <br>         |            |
| All South    | 5.6        |
| North        | 8.6        |
| <b>Italy</b> | <b>7.9</b> |

*Sources*  
*Censis*  
*2008*

In terms of the labour market, employment rate remains heavily under Italian average, and this situation is even more accentuated if we focus on those groups traditionally weaker in the Italian labour system: young people and women. The average occupancy rate of the four regions of our enquiry is in fact well below than the national percentage and is also significant gap compared to the rate recorded in the remaining southern regions, which highlights the persistence of serious concern and intrinsic not only to the South but in more areas where more densely is organized crime presence.<sup>59</sup>

It is worrying, even for the consequences in terms of potential labourers at the disposal of local criminal gangs, encouraged by the low rate in youth employment. Again there is a gap between the four block regions and the rest of the South,

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<sup>59</sup> 2008 Censis elaboration about the influence of organized crime in southern Italy

which, while remaining far from the situation of the North (where young employment rate exceeds 30%), most closely with the national average. Females employment in Calabria, Sicily, Campania and Apulia is not better, and again there is a considerable gap compared to national average, because women working in the four regions are twenty two percent while the peninsula above to thirty five percent.<sup>60</sup>

Symptomatic of a certain disillusionment with the possibilities offered by the local labour market is the activity rate, lower by nine percentage points in the four southern regions than the national figure, is interesting a comparison with the data of other regions of the South, which instead have a rate closer to the national. Unemployment is generally a plague for the South but even more for the large and populous territory belonging to the four regions influenced by the organized crime.

## **CHAPTER TWO: POLITICAL DEVELOPMENT AND SOCIAL CAPITAL.**

We can also argue that the current absence of a sound empirical basis in support of this hypothesis should not lead us to neglect, but rather to accelerate research to evaluate the work to the bottom of its explanatory power. Clarifying the role of inter generational transmission of culture in determining the aggregate economic outcomes, is essential to let us of being able to resume a rigorous discussion on policy development and thus also to understand the opportunities and the risks, for example with the fiscal federalism to southern Italy and to evaluate today's policies as "tax advantage" used for the southern regions.<sup>61</sup>

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<sup>60</sup> *Ibid.*

<sup>61</sup> See the report in n Svimez journal. [http://web.mclink.it/MN8456/focus/federalismo/giannola\\_nel\\_merito.pdf](http://web.mclink.it/MN8456/focus/federalismo/giannola_nel_merito.pdf)

The experience of a new regional policy provides an ideal environment to show how dangerous can be to underestimate the difficulties of promoting the social capital through government intervention.<sup>62</sup>

From our previous analysis, we might suggest a point of view at least partially different from those mentioned till now. In here, we can briefly refer to the diagnosis of the backward South which is the basis of the Italian regional policy.

In the diagnosis there are many elements we found in the preceding pages, in particular, the hypothesis that the origin of the persistence gap is so great, and so clearly characterized by the inadequate performances of government institutions placed locally. There may also be an inadequate allocation of capital which, in turn, “can be attributed to the history of the area, the weaknesses and shortcomings of the State, the presence of established practices unfavourable to development”. The point therefore is to accelerate the accumulation of capital. And in which way if that would be possible? In the reconstruction of Barca (2008) the first point of the new regional policy is: “unlike the argument that leads back to a; culture of origins, trust only among extended family members, amoral familism, has we mentioned earlier, written by Banfield, peculiar things that cannot be changed in the South of Italy, the new Regional Policy believes that: past history can be altered by current story.”<sup>63</sup>

This optimism stems from a specific statement on the determinants, the scarcity of capital. In the southern society the lack of trust among citizen and government institution for example is not the result of lacking civil facilities or because is poorer, or as someone argues of lacking in southern people, an innate civicness. Rather we should ask in which manner the State has acted in this areas, simply

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<sup>62</sup> A widely shared opinion on national regional policy is that “the results are below the objectives and expectations” (Barca, 2008). Less shared is the reason for disappointing results. On this, the views ranging from the assumption

<sup>63</sup> (Barca, 2008, p. 4).

demonstrated by the still persisting deficit in the South, proved that all policies implemented here after World War II, were continuously wrong.<sup>64</sup>

The proposed solution is consistent: is necessary to encourage the development of relations and trust, especially among public and private, through “institutional forms accompanying measures to boost design skills and training for individuals [who] can actually do stimulate the formation of externalities and then offer, in this way, local development”.<sup>65</sup> Now compare this idea that imply “accumulation function” of social capital with those described in the previous section, which emphasizes the existence of mechanisms that generate long term persistence historically determined. If, the difference is significant:

in particular, if explanation continues with the story of the persistent and inadequate South with a weak civicness, and it is maintained by an inter generational transmission of values that occurs within the family or otherwise in restricted union, it is not easy to change, in the absence of targeted policies, based on a clear understanding of the mechanisms in action. If, the analysis of the main lines of action taken by the new regional policy will be confirmed there will be new differences of view on the order and magnitude of the problem.

At least two pieces of evidence can be cited to justify this statement. The first concerns the central role assigned for the new regional policy with interventions in support of education in the South, at least in the first phase. This is an important clue, because they rely on education which is, one of few policies that are able to increase the endowment trust in a society where there are unfavourable mechanisms

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<sup>64</sup> The North-South Differential In Italian Economic Development Author(s): Richard S. Eckaus Source: The Journal of Economic History, Vol. 21, No. 3 (Sep., 1961), pp. 285-317 Published by: Cambridge University Press on behalf of the Economic History Association Stable URL: <http://www.jstor.org/stable/2115403>

<sup>65</sup> *Ibid*



behind the problem of transmission and cultural cooperation.<sup>66</sup> More than education, in fact, the regional policy has focused on trying to build trust with public initiative promoting the development of local contexts characterized “by the practice of sharing services, learning errors, and exchange knowledge”.<sup>67</sup>

Origin of this choice is, presumably, the idea that clubs and networks can provide as substitute to generate trust.<sup>68</sup> The civic construction under the partnership of the Regional Policy programme, can also be interpreted as a specific solution to the problem of dispersed knowledge, and strengthen the partnership can have the function of ensure information exchange and promote cooperation between different bodies, extending “The range and speed of social exchange beyond the confines of inter-personal trust”.<sup>69</sup> Nevertheless to make the operation successful, and make human resources of this nature able to effectively generate, however, public intervention must write rules that can induce in people the confidence that the process will be initiated to solve the inevitable conflicts between competing interests and to reduce the dangers of “free riding”.<sup>70</sup> However, most studies on the implementation of the regional policy indicate the presence of problems in its ability to properly select the submitted projects, and therefore generate doubts about the effectiveness of the rules in its base. When politics fails to provide adequate mechanisms (self) righteous selection of projects, contexts with low initial trust are likely to develop cooperation very different from those that create positive externalities, social capital and local development.<sup>71</sup> The underestimation of this danger is the second indication in favour of the idea that the regional policy has

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<sup>66</sup> Among others, Piselli F. Pizzorno A., discussed at length, and they measure empirically the relationship between education and trust.

<sup>67</sup> Bagnasco A. Piselli F., Pizzorno A. Trigilia C., Capitale sociale. Istruzioni per l'uso, Il Mulino, 2001

<sup>68</sup> *Ibid.*

<sup>69</sup> *Ibid.*

<sup>70</sup> *Free riding* is a term used to describe the practice of buying shares or other securities without actually having the capital to cover the trade.

<sup>71</sup> Trigilia, C. Dinamismo privato e disordine pubblico. Politica, economia e società locali, in Storia dell'Italia repubblicana, vol. II/1, Einaudi, 1995. pp.121-133

taken substantially different from that of long term persistence of what determines the allocations of local capital. In other words, regional policy seems to have seriously underestimated the difficulty of “changing the past history” in the absence of interventions that can ensure a spread of quality education and the systematic exclusion of those hunters who only interest is, to get access for financial support for private interest.

## **2.1 A POLITICAL UNITY.**

A great number of scholar concords with the view that North and South were in a similar economic development position at the eve of unification. They also consider that successive government policies had (intentionally or not) negatively influenced the non exceptional performances made by southern region that effect the discrepancies registered in growth patterns between south and north. In addition some suspect that government policies had in some way favoured the north, with a preferential treatment for example registered in the national tariff that discriminated against the south. Moreover it has also been claimed that the structure and organization production in the two macro areas were roughly the same in the eve of the unification.<sup>72</sup>

If these assumption are correct it would be not to difficult to conclude that North and South Italy had the same prospects for development thus unification create this discrepancy. The view that economic differences between North and South belong to the time that anticipate the unification of Italy has been argued effectively by a

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<sup>72</sup> Caizzi, B. (a cura di) Nuova antologia della questione meridionale, Edizioni di Comunità, Milano, 1962.  
Caneloro, G. Storia dell'Italia Moderna. La fondazione della Repubblica e la ricostruzione. Considerazioni finali, vol. XI, Feltrinelli, Milano, 1995. pp.33-37

numbers of authors but more in term of social equality than wealth, as in fact the southern monarchy had a considerable patrimonial and treasury savings.<sup>73</sup>

Many argues that the relative depression registered in the South has its origin in the ancient world and that the economic changes, with the industrial revolution and the increasing weight of industries, registered in the first half of the nineteenth century did not reduced but might even have increased the regional disparities.<sup>74</sup> In most such discussion concerning the economic development among regions, there is full recognition of the great disparities within each region, however the impression is that grater were the differences among regions from the south. Concerning to the opportunity offered by the increasing demand of industrial products the regions in which the increase demand of industrial output that would have determined development, a logical thought would lead to see happening in the North. Not for any sociological aspects but for the simple fact depending of: transport facilities within the area and also with neighbouring countries had greatly improved, cities had grown, and also internal labour mobility had increased.<sup>75</sup>

## **2.2 THE REAL INTEREST IN THE ITALIAN UNIFICATION.**

Political unification had not reduced the economic gap between North and South, although some say that it may have reduced the rate at which it wined. Other however is concordant with the idea that South Italy has been greatly penalised by the unification and actually problems that antecedent to the Unification period, worsen after unification. If this is correct, so who really had the interest in the Italian unification? One of those who pose the question is Pino Aprile who in his investigation found that atrocities were committed by the North army against the

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<sup>73</sup> *Ibid.*

<sup>74</sup> *Ibid.*

<sup>75</sup> *Ibid.*

southern population.<sup>76</sup> He consider that the unification was a mere invasion and a looting of resources that includes gold, money, land and other form of treasury belong to the reign of the two Sicily. All this wealth went directly up to the North in the Piedmont where the Savoy monarchy had their centre of activity and that was needed to pay for their huge financial deficit. Does Aprile asks: who was and what was the real interest behind the invasion of the South? Was liberation or just a new occupation? there is another theory which says that behind the unification of Italy there were foreign interest particularly by the English who were worry of the French hegemony in the Mediterranean, thus a strong Italy could have reduce France influence in the area.<sup>77</sup> Whatever were the real interest behind the Risorgimento period stays clear that the South did not get beneficial gain, and the only immediate improvement had been registered in Northern regions, at least on the Western part of it, the so call the triangle area (Genoa; Milan Turin)

### **2.2.1 THE SOUTH TRIES TO FIGHT BACK AGAINST THE INVADER: THE BRIGANTAGE.**

The early years of the unitary state were for the South Mainland years of violent, desperate peasant uprisings and a long and bloody war on gangs in the countryside. The leaders immediately called it everything, contemptuously, “banditry” and insisted on the stimulus and support that the "bandits" was the papal court in exile and the Bourbon. It was obvious that they wanted to confirm this at the international and European public opinion the idea that it was just a phenomenon of crime, which could not respond with punitive measures that could have been crushed and only the final solution of Roman question. Guerrilla wars and revolts, however, assumed such proportions as to punish the new state: the influence on Bourbon brigandage

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and facts, it had to determine, however, was minor and limited in time. The farmers went to action shaken by their extreme misery, disappointment after the arrival of Garibaldi, concrete, though often confused, claims on the ground. The absence in Italy, a party who could play left them with no aspirations and needs of management and political goals. In that situation the economic and social backwardness of great farmers who could not give their struggle and their form of protest turned violent and anarchist, guerrilla, or at least the support activities of gangs.

Against “bandits” the government unleashed a ferocious repression.

For crimes committed during the brutal riots answered with terrible reprisals, summary executions by the guerrillas. The statutory safeguards were in fact suspended that part of their nation which had been recently extended and for the southern populations were significant only military tribunals, special laws, prison, state of permanent siege.

It was a “war” ruthless - the first Italian army, and was a civil war - made so much of battles, ambushes and wild melee combat, massacres, and crimes of vandalism committed by both sides, devastated the economy of entire provinces, causing the destruction of dozens of countries and killing thousands of men.<sup>78</sup>

### **2.3 GOVERNMENT POLICIES AND THE CONVERGING PROGRAMME.**

In this part of the paper, we will we will try to better understand why the money invested in the southern area did not significantly contributed for the growth of the southern territory. In the current debate there is a general complains of the progressive reduction of transfers and investment in the South, a more critical view however reveals, that the resources spent in southern regions not only contributed to

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<sup>78</sup> Zacchia, C. Il calabrone Italia. Ricerche e ragionamenti sulla peculiarità economica italiana, Il Mulino, 2007 pp.33-66

territorial balance, but have strengthened the circuits less transparent and frozen entrepreneurship with incentives without obligation of result and projects unrelated to the needs of local economies.

Since the end of World War II, the southern economic backwardness was a matter of deep concern among government politician. However some effective government actions directed to reduce the historical North-South regional disparity were taken with some positive result in which saw an increase of GDP in the South thus narrowing the historical GDP gap with the North covering more than two decades from the 1950s till middle of 1970s.<sup>79</sup> A first form of intervention set to favouring the development of the South was mainly financed from the resources of extraordinary intervention coordinated by the fund for the South named Cassa per il Mezzogiorno.<sup>80</sup> The fund was established by Law 646 of 1950 which provided for an investment program for the period that initially covered from 1950 to 1962, then later extended, at first until 1965, then until 1984. In 1986, Law No 64, has sanctioned the change in the way, that State should intervene in the South, with the institution, instead of the fund, of an agency for promoting the development of the South (Agensud), which function was to provide funding for projects located, conclude agreements with local authorities, managing the completion of work begun with funding from the agency.<sup>81</sup> Soon after WWII till late 1950s most of the resources were allocated to infrastructure, with significant implications for the balance among deprived areas of the country.<sup>82</sup> Considerable benefits in the South: reclaimed land, building roads, hospitals, aqueducts and other structural weaknesses

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<sup>79</sup>Sabetti, F. *The Search for Good Government: Understanding the Paradox of Italian Democracy*, Montreal e Kingston, McGill–Queen’s University Press, 2000, PP.313

<sup>80</sup> *Ibid.*

<sup>81</sup> See Becattini, G. *Mercato e forze locali: il distretto industriale*, il Mulino 1987. and Becattini, G., *Modelli locali di sviluppo*, Il Mulino, 1989. Also on [http://web.mclink.it/MN8456/segnalazioni/articoli/10\\_09\\_09\\_lepore.pdf](http://web.mclink.it/MN8456/segnalazioni/articoli/10_09_09_lepore.pdf)

<sup>82</sup> Zacchia, C. 2007. *Op. Cit.*

hitherto absent. After the success obtained in this first stage, a second phase of huge Government investment began in the 1960s with resources direct for the development of a basic industrial structure, have accompanied the growth of enterprises, the crisis of the 1970s and the progressive and increasingly weighty influence of politics for electoral purposes led to the inefficiencies use of public resources.<sup>83</sup> In the 1980s, with the adoption of a ten-year plan, focusing on employment and for extraordinary reform (law 64/86), the Government sought to reverse the negative trend till then obtained in development policy.<sup>84</sup> A new financial funding was then available by the Government, for a special ten-year action program that had the intention of promoting enterprise through the provision of incentives in the form of capital grants, relief from social security contributions, and other sort of incentive.<sup>85</sup> This operation that lasted more than three decade has achieved if not, disappointing results, however, not what expected. In part this happened because of lack in planning an effective program, designed for the specificity of the southern territory. Moreover numerous were the controversy on the effectiveness of the Government operations since it has been accused of encouraging “welfarism” attitude and the dependence from state economic activities in most backward areas. Also, this policy had encouraged a widespread political patronage attitude.<sup>86</sup> Is undeniable that the political class of the period did also instrumental use of funding, in many cases used to fill channels carrying only the consent election, ignoring the ultimate purpose for which those resources were allocated. In 1992, Law No 488 declared the end of the AgenSud, leaving the Ministry of Economy and Finance to coordinate the actions plan in order to the

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<sup>83</sup> Viesti, G. *Op.Cit.* 2009

<sup>84</sup> Triglia, C. *Grandi partiti e piccole imprese. Comunisti e democristiani nelle regioni a economia diffusa*, Il Mulino, 1986

<sup>85</sup> *Ibid.*

<sup>86</sup> *Ibid.*

public intervention in the economically depressed areas of the country. However the direct involvement by the Ministry of Economy and Finance did not change the negative trend registered in the past years and at the moment the government currently in office has to argue the need for a new plan for the South.<sup>87</sup>

## **2.4 THE END OF THE EXTRAORDINARY INTERVENTION IN THE SOUTH.**

The following section will describe the evolution of key measures, from the early 1990s, highlighting the efforts of several governments that have followed and the decisive and ever more meaningful influence the decisions that have had the European Community Institutions.

A profound change of policy intervention in the South in the late 1980s, was stimulated by both: the Italian economic and political situation and the European Community legislation that prohibits national governments to give incentives to individual sectors or specific areas where conflicts with competition principles, in order to protect competition and equal treatment of companies.<sup>88</sup> The Maastricht Treaty added in 1992, the need for strict discipline policy of national budgets as a prerequisite for achieving the single European currency.<sup>89</sup>

The Government, pursuant to the provisions of the Law 488/92, with the Legislative Decree of April 3 1993 No 96, has fixed the date of termination for extraordinary intervention for the South (April 15 of that year) and willing to replace it with an ordinary action for the “depressed areas”, a definition which includes not only areas of the South, but also some areas of the North.<sup>90</sup> This assimilation problems of the

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<sup>87</sup> Triglia, C *Op. Cit.* 1986

<sup>88</sup> Salvati, M. Occasioni mancate. Economia e politica in Italia dagli anni '60 a oggi, Roma Bari, Laterza, 2000, pp.142

<sup>89</sup> *Ibid.*

<sup>90</sup> *Ibid.*



South in those restricted areas of crisis of the North regions, states in fact, the desire to deny the very existence of the southern problem. The priority intervention, in fact, had not only undergone a process of internal and irreversible degeneration, but had become inadequate in relation to a development role that could not be more than that for which it was established fifty years earlier. The Law 488/92 is a fundamental step for the affirmation of a policy of national economic planning consistent with the principles of community law. This law establishes that the areas of intervention could only be “depressed areas”, corresponding to the Objective 1 of EU structural funds (in the Italian case south regions) the “areas in decline,” corresponding to some northern region areas, and “depressed rural areas”.<sup>91</sup> The new legislation also establishes that any intervention, has to be acted in close coordination with the EU Commission, and was to be carried out under the co-financing, and then with the assistance necessary for national funds. The transformation from extraordinary into ordinary has in fact resulted in “the abandonment of a policy specific to for the South as such, and with a break in the government's commitment for the South.

There is no doubt that the system of incentives to businesses, with particular reference to the South, assumes a greater complexity with the progressive disappearance of the national policy of extraordinary intervention and this is followed, at the express request of the EU Commission, with the adoption of a policy of ordinary type that actually provides additional assistance (compared with ordinary resources invested by the State) and additional resources made available through the programming of structural funds from EU.<sup>92</sup>

The not brilliant results achieved by Italy in the implementation of programs using structural funds for the programming periods 1989-1993 and 1994-1999, and the

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<sup>91</sup> Cafagna, L. Nord e Sud. Non fare a pezzi l'Unità d'Italia, I Grilli Marsilio, Venezia, 1994.

<sup>92</sup> [http://www.mulino.it/edizioni/riviste/scheda\\_fascicolo.php?isbn=13032](http://www.mulino.it/edizioni/riviste/scheda_fascicolo.php?isbn=13032)

gradual reduction in public resources to be allocated to development policies in general and incentive in particular, have made it indispensable to full compliance with national and regional public aid to enterprises with those of the EU Treaty, the regulations and other provisions adopted by the EU Commission and Court of Justice with its rulings.<sup>93</sup>

Moreover, the inability of governments to intervene only with national resources needed to use for regional development policies and those of the EU cohesion requires not only compliance with Community legislation, but also of the timing of execution.

A reconnaissance sometimes overly enthusiastic, about the changes that the transition to the ordinary from priority intervention resulted, among which, is highlighted the launch of local production systems varied within the South.<sup>94</sup>

According to the authors, noteworthy changes worth mentioning those that occurred in response to heavy effects produced by the State investment process holdings and companies that are interdependent: the entrepreneurial growth, especially among small firms; has opened the South to trade with foreign countries, and changes in preferences of workers. A final point concern with a convergent view among scholars on the instruments of concessions should more than ever before, be available for ensuring the development of those areas of the country that were and continue to be disadvantaged. Facilitation instruments must become more effective because it can generate both economic development and the increase in employment, and while we could bridge the divide North-South, facilitating access to facilities, especially for small and medium-sized enterprise that usually have a limited capacity in getting access to the financial credit.

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<sup>93</sup> *Ibid.*

<sup>94</sup> Bodo,G. And Viesti,G *Il Mezzogiorno in Italia negli anni novanta* Published by Donzelli, Rome, 1997

## **2. 5 THE SOUTHERN QUESTION? A POLITICAL ISSUE**

The Southern question arises soon after the Italian unification in 1861. Since then it is clear the profound economic imbalances that differentiated the country, in which the North presents a capitalist model of development absent in southern Italy. In the aftermaths of the Italian unification, the agricultural production still the main activity of the country, but it is practiced in various forms in the various Italian regions, and this is both cause and effect of the different form of social organization existing in North and South areas. In the North is developing a capitalist farms management system with Piedmont and Lombardy acting as leading regions. With huge investments this northern model business provides the constant modernization of production systems for farmers, which results in a steady increase in production and the progressive mechanization of labor. The northern production model then seems to be capable to compete with the most advanced European countries and is able to present themselves successfully in international markets. This system of production that is encouraged by the laissez-faire policies in force in the North both requires and helps to develop a middle class entrepreneur, willing to reinvest substantial part of their profits on the modernization of enterprises. An opposite situation occurs in South of Italy in the years immediately after unification. Agriculture in these areas did not experience any capitalist transformation. Whether medium and small property are widespread found in northern Italy, the situation in the South is different, with the presence of vast extension of large estates, usually owned by an absentee bourgeoisie which not only revealed the properties but also the habits and ways of the aristocracy. The extensive land is leased to farmers or are grown using the masses of laborers, following a system techniques in use for centuries. Prevails in the south the extensive cultivation of wheat for the domestic market but unable to be competitive at international level because of the high costs

and production methods. The southern bourgeoisie was not prepared to reinvest their profits in the agricultural enterprises, which therefore remained in conditions of productivity backwardness as opposed to be happening in north Italy. The southerner bourgeois attitude is synthesized by the historian Francesco Barbagallo, “The middle class of medium and large landowners was born and reinforced outside of a real conflict with the noble descent, even aspired to imitate the customs and habits, and characters changed from feudalism and traditional forms of land use and farmers. The bourgeois ownership of the land will not be exceeded agricultural relationships and social laggards.”<sup>95</sup> In the early years after unification, the southern question, seen as the problem of the economic but also social and political life of the South, was not subject to discussion. Other problems in fact arose between northern and southern Italy, so severe as to threaten the unification. From 1861 to 1865 in Basilicata, Molise, part of Abruzzo, Calabria and Apulia, the so-called phenomenon of “banditry” threat the stability of the country.<sup>96</sup>

Organized gangs attacked villages, looting shops and shooting and setting fire to municipal buildings, because the latter symbolize the institution now belong and under control of the northern monarchy. It was a widespread phenomenon, involving thousands of people and with the support of a large part of the southern population and was a clear form of expression of the deep discomfort that pervade among a large sections of the southern people in the aftermath of unification.<sup>97</sup> The bandits were the symbol of the discontent of the peasants and the masses who had actively participated in the uprisings in the hope of obtaining significant changes in the economic and social advancement. The annexation to the Piedmont kingdom had not led to any improvement in the southern hierarchical structure, leaving

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<sup>95</sup> Barbagallo, F.

<sup>96</sup> Aprile, P. “Terroni” *Tutto quello che è stato fatto perché gli italiani del Sud diventassero «meridionali»* March 2010 pp.129-160

<sup>97</sup> Aprile P. Op. Cit.

unchanged the balance of power between the peasant and the rich bourgeois land owners.<sup>98</sup> In this uprising, the Italian government institutions - who had the headquarter in Piedmont - reacted with great hardness, by sending more than half of the entire army in the areas where insurgents operated with the authorization to apply stringent rules of war which involved life sentences and shootings to the insurgents.<sup>99</sup> Suppressed the insurgency attempts, the next ten years led to any significant improvements in the southern economy, which in fact entered into a more critical situation with the agrarian crisis that swept Europe in the late nineteenth century due to the invasion of the U.S market products now available by a facilitate ship transport, to a very competitive prices. The agricultural crisis and the almost total absence of industrial development made it clear, therefore the economic deficit, and led southern intellectuals and politicians to question the reasons for this persistent backwardness that continues unabated but rather seemed to amplify the years.

## **2.6 THE INTELLECTUAL POLITICAL CONTRIBUTION TO THE DISCURSE**

The first to question firmly on the southern question was Pasquale Villari, who in 1875 published the “Southern Letters”.<sup>100</sup> Villari is the first to denounce the southern grim situation, and condemned the inefficiency and weakness of political institutions, which had failed to take root in the territory.<sup>101</sup> The plight in the South could have been only resolved, if the struggle between the peasant and bourgeoisie would have ended in favor of the social enhancement of the former.<sup>102</sup> Villari’s

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<sup>98</sup> *Ibid*

<sup>99</sup> *Ibid*

<sup>100</sup> Bevilacqua, P. Breve storia dell’Italia Meridionale. Dall’Ottocento a oggi, Donzelli editore, Roma, 1993.

<sup>101</sup> *Ibid.*

<sup>102</sup> *Ibid.*

thesis however, lack of a deep analysis about the real reasons that kept a persistence of patterns, especially in the south, similar to a semi-feudal society, and also was unable to understand that secondary would have become the role of the agriculture in the Italian economic and social system.

Advanced and more scientifically based were the analysis and assumptions made by Sidnay Sonnino, who then turned the attention on the Sicilian situation, inquiring into the relation between land owners and market production. Sonnino, though was an aristocratic and educated conservative descendant, was negatively impressed by the practices adopt by land owners in the South in order to maximize their personal wealth. The problem in the South, Sonnino argues, remain and is caused by the socioeconomic system employed since the feudal era, which in fact has prevented the development of a modern market economy.<sup>103</sup> To resolve the crisis, Sonnino thought to for a moderate reform of the agrarian old agreements and more generally he wanted to extend model in force in Tuscany with the share cropping in southern Italy. Just in the aspiration to revive the Tuscany paternalistic model was the sign of the limitation on his analysis, as he was unable to understand the huge diversity in the history and inspirations between the northern and southern high social classes, who only concern was “the maximization and capital accumulation”. In the Italian economy and also for the southern question, an important moment is the turning to a protectionist system in 1887. The measure is launched on the basis of those prepared by almost all European nations in the same period are designed to stop to the agrarian crisis caused by the increasing industrial production, considered now key fundamental for the development of national economies.

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<sup>103</sup> Borraro, P. La Questione Meridionale da Giustino Fortunato ad oggi, Congedo Editore, Galatina - Lecce, 1977.

The protective tariffs made it difficult to import goods thus encouraging the home industry that can enter into the domestic market their products without having to worry of foreign competition. These are measures that allow a large accumulations of capital for firms within the Italian territory, but resulting disadvantageous for ordinary citizens, who then will have not choice but to buy goods at higher prices than the past, when there was an open market system.<sup>104</sup>

Interesting is the analysis made by Giustino Fortunato with regard the southern Italian backwardness in which he, at least partly, considers grave the environmental difficulties that had to deal with Southern Italians; the long drought, malaria, geographic isolation. However in his critical analysis, Fortunato blames the southern bourgeoisie and their lack in planning a modern productive cycle enterprises the real cause of the southern backwardness. He first thought could identify in the State unification a driving force for a positive transformation and brighter future for the South through a reorientation of fiscal and customs policies through the honest administration of public affairs. But soon this hope in a state of “so strong authority and resources able to lead the Italian people on the right way of the moral culture of public wealth” vanishes, and Fortunato, then began looking elsewhere in the possible remedies to the situation. His hopes in developing a fully liberal economy stay vain and dependent by the southern bourgeoisie intention of future development.<sup>105</sup>

Without concessions to victimization behavior, Francesco Saverio Nitti pointed out that poverty in the South was partly determined by the unification process that had stolen wealth from the South through taxation and transferred in the form of public expenditure in Northern Italy. How to change then the situation that sees the South

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<sup>104</sup> Salvadori, M.L. Il mito del buongoverno. La Questione Meridionale da Cavour a Gramsci, Einaudi Editori, Torino, 1960.

<sup>105</sup> *Ibid.*

Italy not just economically but also politically and socially backward? Nitti's answer sees it connected with the industrial development in the South. The industrial processing had also changed society, fostering the emergence of a productive bourgeoisie. How? The State should first pass a tax reform that can make productive investments in the South especially from northern industry, who was at that time undergoing to expansion and had capital to invest, as well as technicians and entrepreneurs able to build the project. Main aspects of Nitti's proposed reform, was with the start of a process of industrialization in Naples, a city that was experiencing an increasing degradation. Naples had to be transformed into an industrial economy capable of giving new breath to the South. But the project was only partially realized with the construction of the steelworks at Bagnoli, which however did not create the desired spillover effect, thus not changing, either the city economy or the overall economic situation of the South. The unresolved issue of the South continued to haunt the consciences of so many politicians and intellectuals mainly from southern Italy.<sup>106</sup>

Among the most lucid interpreters of this reality in the early twentieth century was Don Luigi Sturzo who was also the founder of the "Partito popolare" (People's Party). He argued about the need of strengthening and defends the small southern rural property, in which he saw the only force able to successfully oppose the landowners' absentee. His intention was directed to encouraging the creation and development "of a middle class economy", which was almost absent in the South, and which is the glue needed for a solid society. With this policy, he opposed both the conservative right and the revolutionary left. If Sturzo was in perfect harmony

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<sup>106</sup> Nitti, F.S. Scritti sulla Questione Meridionale, vol. IV, Tomo I, Laterza, Bari, 1968.



with the Catholic inspiration of his party which avoids the class conflict as a means of processing of Southern Italy.<sup>107</sup>

### **2.6.1 A MORE REVOLUTIONARY PROPOSAL.**

Finally two great thinkers needed to mention; Gaetano Salvemini and Antonio Gramsci. The first one had work intensely and was interested during its entire life to the southern issue. Initially his views were placed on the Marxist theory positions, and was also among the first to talk about the role that peasants should have assume in the southern transforming process. “Universal suffrage” seemed like the most appropriate method to give voice to southern masses and for many years fought for the culmination of this political project, which was fulfilled in 1914, in the eve of World War I.<sup>108</sup> Following Salvemini views, another great interpreter of the southern question, was found in Gramsci whose vision goes however on the opposite direction of all those who thought to maintain a vertical social structure with the reinforcement of a the middle class. He, the founder of the Italian Communist Party, sees in the Leninism’s revolutionary principles, and from the outcome of the Russian revolution, as the best way to convince those skeptic that the uprising of the peasant classes was the only possible manner for the emancipation of the South.<sup>109</sup> Some of the southern issues appeared in the journal “Stato Operaio” (State Worker) in 1930, in which Gramsci analysis reveal that the problem of the south were intertwined with the whole Italian history.<sup>110</sup> In fact the southern question, and the crises registered in the South was the outcome of the

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<sup>107</sup> Borraro, P. *La Questione Meridionale da Giustino Fortunato ad oggi*, Congedo Editore, Galatina - Lecce, 1977.

<sup>108</sup> *Ibid.*

<sup>109</sup> Borraro, P. *Op. Cit.*

<sup>110</sup> *Ibid.*

failure of the Italian capitalism system.<sup>111</sup> Southern Poverty was the result of exploitation by capitalists of the North, which flourished in alliance with the southern agrarian bourgeoisie. Precisely because it was a national problem, not just local to its resolution, would bring the entire country on revolutionary positions. This was not the outcome of the Russian Revolution? As the farmers and working class had agreed to be conducted under the leadership of the revolutionary Bolshevik same situation could have been repeated in Italy. Indeed, according to the dictates, Leninist revolutionary propulsive motion would not be reached (as Marx also argued) by the industrial proletariat but from impoverished peasants: the revolution was easier in the most industrially backward countries than on those advanced. In Italy the socialist society would be imposed by a new power bloc capable of balancing and surpass the old agrarian-industrial bloc: the alliance between the proletariat and peasant masses of the north and south Italy, according to the revolutionary principles at the time in vogue.<sup>112</sup> But Gramsci was aware of the difficulties that southern classes will face before overcoming racism from the North, a system that was in use since unification of Italy.<sup>113</sup> The main problem for the Communist Party was still to penetrate in between the peasants of the south, suspicious of revolutionary outcomes, socially fragmented and subject to the intellectuals. The southern middle class intellectual - solicitors, doctors, lawyers, and teachers - in fact according to Gramsci was the guardian and guarantor of the North capitalist's power, which assured the social peace in the south in return for power positions within local government and patronage.<sup>114</sup> For Gramsci, intellectuals with the support given to the myth of good governance, is an indispensable support for maintaining the status quo of a drugged South, in which

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<sup>111</sup> Sacco, D. *Socialismo riformista e Mezzogiorno*, Laicata, Manduria, 1987. pp.50-89

<sup>112</sup> *Ibid.*

<sup>113</sup> *Ibid.*

<sup>114</sup> *Ibid.*

the instances of revolutionary peasant masses are the only chance available for solving the problems in the South.<sup>115</sup> With the Gramsci thoughts ended the first part of the debate on the southern question, and only with the birth of the Republic, the debate will resume force.

## **CHAPTER THREE:**

### **3.1 ECONOMIC PROGRAMME AND ITALIAN STABILITY.**

In the time antecedent the Industrial Revolution, differences in GDP between countries were very limited, in a way; people were all “equally” poor. With the event of the industrial revolution then this scenario drastically change, because it creates a new technological opportunity that, for various reasons not entirely well understood, has fully succeed in some country but not in other. Thus begins a phase of divergence: some countries grow rapidly, others remain stationary. However, given the technological nature of this growth, and given the strong positive externalities, even international, with the technology, the divergence is not a long-term fate. Indeed it is a necessary condition for convergence, with the latter that it represents the steady state towards which moves the whole system. Eventually those who began late to recover the initially lost ground, the inequality measured reduces, after having classic inverted-U curves. A similar idea that: the market forces are sufficient to generate convergence, has also been shared in Italy and this time explicitly concerning to the South Italian case Many are convinced that “there is nothing surprising in the performances registered between regions of Northern and Southern Italy. The latter has not yet caught up the result registered in the North regions only because it started far behind when compared to the North, thus the

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<sup>115</sup> *Ibid.*

convergence has not yet been fully reached.<sup>116</sup> This long period of divergence ends in 1951, when GDP per capita in the South represents only 47% of that of the rest of Italy.<sup>117</sup> In 1951 began an important convergence phase which continuous until the mid 1970s, when indicator reaches 67%, with a gain of about one percentage point a year compared to 1951.<sup>118</sup>

This strong convergence period that lasted more than twenty years was interpreted as a projection of a possible bright future scenario that was never realized. What is then the cause of the breaking convergence process? What make it so difficult for the Southern Italy to finally overcome a gap of 40 percentage points? There are similar cases in other advanced countries? And if the gap is persistent, what are the determinants of this persistence? In our case, evidences stem from what has happened elsewhere, and indicate that during the period which cover the 1950s until beginning 1970s the are years in which

Europe as a whole grew at rates never achieved in the following decades.<sup>119</sup> This was made possible by a deep structural change that resulted in those years, in which many workers, often coming from a poor agriculture area, turn their attention towards sectors with higher productivity. The convergence then comes very naturally: the poorest economies with more labour allocated in the agricultural sector characterized by low productivity have therefore greater opportunities to exploit the converging productivity system and therefore to grow faster. This is more evident in the European nations where the size of the agricultural sector was larger in 1950 like in Italy for example, have rapidly increased, converging in this

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<sup>116</sup> See in Signorini L.F. Italy's Economy: An Introduction Author(s): Luigi Federico Signorini Source: *Daedalus*, Vol. 130, No. 2, Italy: Resilient and Vulnerable, Volume I: The European Challenge (Spring, 2001), pp. 67-92 Published by: The MIT Press on behalf of American Academy of Arts & Sciences Stable URL: <http://www.jstor.org/stable/20027697>

<sup>117</sup> The North-South Differential In Italian Economic Development Author(s): Richard S. Eckaus Source: *The Journal of Economic History*, Vol. 21, No. 3 (Sep., 1961), pp. 285-317 Published by: Cambridge University Press on behalf of the Economic History Association Stable URL: <http://www.jstor.org/stable/2115403>

<sup>118</sup>

<sup>119</sup>

way towards the European average productivity. Therefore, the convergence of the South between 1950 and 1975 coincides with the activation of a mechanism which covered much of Europe in its features and benefits of backward areas. Recent Istat data, as was to be expected, shows that in the most recent years, the scenario has not changed and however confirms that the GDP per capita in the South remain at around of 60% of the North. At the present time southern regions have a gap from the rest of the country of around forty-one percentage points, an improvement of about 10 points on the level trough in the early 1950s and a worsening of about 10 points on the best result achieved in the mid 1970s at the end of the “golden age” period of convergence?<sup>120</sup> Can we really say of a significant and persistent gap? If important and persistent mean something that is rarely seen in terms of wideness and duration, the answer is yes. The Italian case is unique for the wideness of the gap between the poorest regions and the rest of the country, for the size of the population living in areas with a large gap, for the persistence duration of the gap and for the percentage of the population involved.

Additional information can be obtained from a direct comparison between the trends of regional disparities in the two European countries most affected by the phenomenon, Italy and Spain. Eurostat (2009) report that between 1995 and 2006 southern Italy GDP oscillates around 60% of what produced in North Italy, while in the poorer Spanish areas the GDP is around 75% of what produced in the Spanish wealthier area, and however very different from the Italian South. There is a large school of thought that argues the e need to overcome the very idea of “Southern”; and concentrate instead on the analysis of individual regions.<sup>121</sup>

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<sup>120</sup> Data Istat: [http://www.istat.it/sanita/sociosan/biblio\\_engl.html](http://www.istat.it/sanita/sociosan/biblio_engl.html)

<sup>121</sup> Eurostat (2009) [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

Sure, there is a division within the South: between the regions which have a strong presence of organized crime and those without it, with differences that oscillates at around ten percentage points, thus something that should not be underestimated.

But the fact that areas without this issue haven't reached the standard income levels of other regions recommends of not abandoning the idea of a whole backward South the gap in per capita product between the North and South has more to do with the system's ability to absorb workforce with the productivity of the work has. In fact the differences in activity rate calculated on the population of working age (15-64 years) are very wide: in 2008, on average, the activity rate was 69% in the North and 52% in the South. The heterogeneity between the southern regions remain: again, Abruzzo has a participation rate closer to the North (67%) than the average South. Among other southern regions there a clear division, Molise, Basilicata and Sardinia between fifty seven and fifty nine percent, and Campania, Apulia, Calabria and Sicily between fifty two and forty five percent.<sup>122</sup> Important differences but still have not preclude the Southern regions - with the exception of Abruzzo - to be separated by at least ten percentage points from the average of the North. As if to say, the common symptoms of a malaise that is spreading differently in Southern territory. Speaking of the labour market, it is worth remembering that the blockade of the convergence process took place in the 1970s coincided with the political decision to eliminate the "wage cages", an event that led to a sharp deterioration in competitiveness for southern enterprises.<sup>123</sup> While it is likely that this factor has contributed to cause the high level of steady-South divide, it is also hard to believe that it is the only cause, if only because substantial resources have been spent in the south to financially compensate local companies from the

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<sup>122</sup> Istat data

<sup>123</sup> LaFerrara, A. "The Determinants of Trust." National Bureau of Economic Research Working Paper 7621. 2000.

presence of “negative externalities”, in the area. These figures describe a situation in which significant resources have been steadily transferred to the regions south, with magnitudes similar to those found in other countries with important regional problems.<sup>124</sup> Faced with these data, the prevailing view today is that the results are disappointing due to the quality rather than quantity approach taken. In fact many were the well-financed policies that were actually implemented, not that this has produced significant results at the macroeconomic level. As we have seen, the path of the positive phase of convergence, certainly helped also by industrial investment and political will, had already been eliminated in the years immediately after 1975, and part of that virtuous path is still associated with a process of structural change that has created convergence in most of Europe, in the presence of regional policies that are quite different. Here the analysis of a political failure can help identify the main determinants of the gap and its persistence. To illustrate this point we can use the example that identifies a problem in the “suboptimal” composition spending.<sup>125</sup> In this case do not refer only to capital expenditure: too much of it was devoted to transfers to firms (to finance incentives), and too little on public investment (infrastructure). This is a point of view entirely shared, particularly in light of recent impact assessments that showed the lack of effective incentives for businesses and given the significant infrastructure gap that certainly does not help the competitiveness of southern regions.<sup>126</sup>

### **3.2 INFRASTRUCTURE**

Though the southern issue is evident to all, the cause does not. Who is responsible for this inefficient allocation of public resources? Where the problem arises?

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<sup>124</sup> Viesti 2009 *Op.Cit*

<sup>125</sup> *Ibid*

<sup>126</sup> *Ibid*

Numerous studies have certified the existence of important wasteful infrastructure spending in the South.<sup>127</sup>

For example, talking about public investment in the infrastructure Bodo and Viesti offer an estimate of “extensive graft and fraud that are especially common to public sector contracting in the south of Italy”.<sup>128</sup> Using a hypothesis of “standard costs” (national average) to build infrastructure, and controlling for geographical differences of various kinds, the author measure what was actually achieved in each region compared to what would have happened had there been perfect coincidence between actual costs and standard costs. The authors interpret this difference as an index of corruption, and so describe the results: “the most corrupt region [Campania] spends four times more per unit of public capital than the best performing areas, suggesting massive amounts of fraud and inefficiency have historically characterized large portions of the Italian peninsula”.<sup>129</sup> Not surprisingly, the lowest rates relate to southern regions and again not surprisingly these indices are strongly correlated with those of Putnam on civicness and social capital.<sup>130</sup> The unavoidable suspicion is that the problem of the South is not limited to a lack of infrastructure “exogenous” which would be relatively easy to fill with adequate resources, the lack of infrastructure also seems to reflect a wider problem that, unless addressed, may continue to generate large financial waste. Again, the poor quality of public service, seems to be a characteristic of southern regions, and suggests the existence of a widespread and deeply rooted problem of institutional quality, at least in part local. The fact that so differently the same institutions function in different environments suggests that informal institutions play an important role. The judicial system works rather differently in southern and

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<sup>127</sup> *Ibid*

<sup>128</sup> Bodo, G. And Viesti, G *Il Mezzogiorno in Italia negli anni novanta* Published by Donzelli, Rome, 1997

<sup>129</sup> *Ibid*

<sup>130</sup> Putnam R. 1993 *Op. Cit.*



northern Italy, for instance, with judges taking much longer to complete and investigations and to rule on civil cases in the South than in the North. Yet, the legal system and the career path for judges have been the same for 150 years, and the human resources also available are not very different. Similar evidence applies to regional differences in the functioning of hospitals, schools, or public administrations, or to moral hazard inside large private corporations with branches in different regions. These systematic differences in behaviour can be traced back to regional differences histories. But why do they still persist after generations, and the change in political and legal institutions? Therefore, researches still under way in Italy to identify what determines the effectiveness of identical government institutions in different local contexts -research which is particularly important as these differences are persistent-. However as we mentioned on first chapter social development differences between northern and southern Italy might be rooted in the different historical development that took place in this two region around the twelfth century period when, while in the North the free municipalities system was able to spread a social cohesions value within the society, in the South the feudal, bureaucratic socio-political structure employed by the Norman monarchy left not margin of a horizontal involvement among its inhabitant.<sup>131</sup> Since then many researcher believe that two different social systems developed in which their cultures and institutions crystallized. Let's now have a quick look at some Italian regional data provides further confirmation of the need to assess more fully this hypothesis:

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<sup>131</sup> Putnam R.1993 *Op.Cit.*

### 3.3 THE CHANGING OF THE 1990s.

Many Italians and also many politicians do believe that high public expenditure will be reduced with the introduction of a more decentralised financial system such as the Fiscal Federalism. This system will enable regions and local authorities to apply policies that will decentralize as much as possible the central government in managing the local finances, thus authorities will have to deal with the revenue of their territories, thus giving more responsibilities to the local government about the financial administrative accountable to citizens of resource use and the quantity and quality of services provided. Municipalities' provinces and towns will have independent financial resources.<sup>132</sup> Establish and implement their own taxes and revenues, in harmony with the constitution and the principles of coordination of public finance and tax system. While substantial steps have been taken forward in decentralizing powers, the new funding system, at least until now, has not made progress, despite a wide parliamentary majority and the presence in the Government of the Northern League. With a strong decentralization, the regions are to have similar powers and responsibilities, while retaining a level of growth and development, and revenues resulting from taxes collected on the territory, very different. If this revenue is not compensated, regions relatively less wealthy are forced simultaneously to exercise a higher tax burden and will have to reduce the amount of services to their citizens. Then in all these regions wouldn't be to difficult to draw a clear worsening in the wake of decentralization: higher taxes and lower services.<sup>133</sup> With an unbalanced devolution there would be no national citizenship rights, but different levels of different rights on a regional basis. Precisely for this and provided for an equalization fund to compensate the resources available to the weakest regions.

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<sup>132</sup> Data from Istat. [http://www.istat.it/servizi/studenti/valoredati/Cap3/Cap3\\_3.htm](http://www.istat.it/servizi/studenti/valoredati/Cap3/Cap3_3.htm)

<sup>133</sup> Repor from SVIMEZ 2009 [http://web.mclink.it/MN8456/focus/federalismo/giornate\\_economia\\_testo.pdf](http://web.mclink.it/MN8456/focus/federalismo/giornate_economia_testo.pdf)

### 3.4 GDP PER CAPITA AND HISTORICAL DIFFERENCES

According to official data, the GDP in 2009 soared to -1.1% in the South. This way to measuring the North-South gap though not entirely exhaustive is considered as a fair way in controlling the overall situation of a country. Accordingly, in 2009 southern average per capita amount around eighteen thousand euros, which is about sixty percent of what is produced in the North. Another historical fact that gives an idea of the stagnant situation; in that 1951 the South contribution to national GDP was equal to 23.9%. Almost after sixty years, the share remained virtually unchanged (23.8%). From 1951 to 2008 the South grew about the same rates as the North, but failed and was unable to recover the historical economic gap.<sup>134</sup>

The financial extraordinary government intervention, tailored to the South, was financed by the 0.7% of Italian GDP in the years fifties and sixties, and 0.9% in the seventies. Subsequently fell to 0.65% in the years 1981-1986.<sup>135</sup>

Below we will see the performances of some vital economic sector in the South in year 2008. What we try to demonstrate is that the heterogeneity of the southern regions in their performances proves that the South is a dynamic and non static area.

**Agriculture**-In 2008 the agriculture sector in the South made a positive and has reversed the downward trend started in 2005. In particular, very positive was the performance of Basilicata, with a GDP growth in 2008 compared to 2007 by as much as 24%. Well Abruzzo, Molise and Apulia, less Sicily (2.9%), and negative Campania (-1.8%) and Calabria (-0.8%).

**Export**-Exports had a very positive trend in 2008, up 9.7% in the South, with an increase of its export to markets outside of the EU (+36%). Among southern regions at the top we find the Molise (+105%) and Basilicata (+98%), whether

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<sup>134</sup> *Ibid.*

<sup>135</sup> See in Svimez [http://www.mulino.it/edizioni/volumi/scheda\\_volume.php?vista=scheda&ISBNART=12486](http://www.mulino.it/edizioni/volumi/scheda_volume.php?vista=scheda&ISBNART=12486)

strongly negative in export had been registered in Calabria (- 18%) and Sardinia (- 60%).

**Industry**-The current crisis has hit not only at national level and especially the industrial sector. Domestic and foreign demand has weighed significantly, and downturn has been felt particularly in the South, in which a overall decrease of industrial GDP (3.8%) has been registered in 2008. A high negative trend in the southern industry have been especially in machinery and transport equipment (- 10.5%), metal industry and chemical-pharmaceutical (-7.1%). In contrast however the energy sector, which marked an increase of 8,7% mainly due to decline in the price of raw materials. More varied landscape in exports compared with a drop of almost 6% for the automotive, chemical and pharmaceutical marked an increase of more than 15%.

**Industrial employment**-South industry has had a particularly poor productivity (the gap with the North is over 22 percentage points) and small businesses. Immediate repercussions on employment: 23 thousand workers in the auto industry have lost their jobs in the South in 2008. From 2004 to 2008 the manufacturing sector has expelled nearly 33 thousand workers.

**Cooperatives**-A case is made up of cooperative enterprises, that in the South from 1971 to 2001 increased more than eight times, with a boom in Campania (+1432%) and Sicily (+1297%). An interesting fact: despite the South during this period the average number of employees has been halved (21 were on average in 1971, 9 in 2001), 20% of total business is classified as medium (Class 10-49) and well 58 out of 450 have more than 250 employees. Apart from Molise, where as much as 80% of companies with more than 250 employees are cooperatives, large companies are more than 20% in Basilicata and Calabria data which capture a phenomenon in

contrast to the national economy ( 96% of businesses in the South has less than 9 employees, 94% in the Centre-North).<sup>136</sup>

**Construction-**The crisis has not spared the building industry: after the strong growth of the last eight years (almost 16%) in 2008, the South marked a decline in investment of 2% over the previous year. From 2003 to 2007 also calls for tenders for public works declined by 27% nationwide, with particularly negative result obtained in Basilicata (-43.5%), and Apulia (-30%).

**Employment.**-On the employment front the South decreased by -1, 2% to seven thousand workers at least twice the north, almost 5 thousand self-employed. The real scourge of the construction industry but is given mainly by the submerged: estimates SVIMEZ black workers employed in the sector would be 180 thousand, of which 63% (110 thousand) concentrated in the South and tertiary services - Also due to the crisis, for first time since 2000 the GDP of the services sector declined. In the South, after four years of strong growth in 2008 GDP fell by 0.3%, down almost 3% in trade sector.

**Tourism-**In 2007, arrivals in the South and the presence of foreign tourists increased by 6 and 5% over the previous year, compared to 4% and 2.1% in the North. Were Sardinia and Apulia to drive the growth, with a leap forward respectively by 12.5 and 11%, 2%, lower data Campania (+3.3%) and Sicilian (+0.2%) , a decrease Abruzzo (-1%) and Molise (-12.2%).

Despite this, the South do not carry on Italian and foreign tourists a strong attractiveness, because of critical structural problems. Tourism in the South is mainly residential, neighbourhoods; approximately 60% of holidaymakers in fact comes from several southern regions. Despite the weather conditions allow to

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<sup>136</sup> See in *Istat*. [http://www.istat.it/dati/pubbsci/rivista/2\\_3\\_2008/2\\_3\\_2008\\_04.pdf](http://www.istat.it/dati/pubbsci/rivista/2_3_2008/2_3_2008_04.pdf)

extend the season to twelve months a year, in fact over 70% of admissions is concentrated in June September.

For example, in February 2007 that foreigners have chosen to spend a holiday in the South were the first, 4% of annual total, against 4.5% in the North in the same period the Italian tourists in the South are were less than half compared to the North (2.1% versus 4.5%). Despite the wealth of environmental and artistic heritage, the South is also perceived as essentially a beach resort, while the tourism and convention business, often developed during the winter months, it is virtually absent. Critical points in the attraction of tourists are given the shortage of services and transport: few airports just connected with cheap flights and European cities, public transport deficient; single track railway and highway system under standard **Cities and urban areas**-while the northern big cities attract significant service activities, in the South can not draw widespread development and a neighbour, but are expressions of a deep-seated social problems, inadequate levels to provide efficient service to citizens for essential functions such as water, waste and social care. It also shows that in 2008 the population of urban areas of northern grew up in values between +3 and +6% depending on the allocations, while cities in the South have lost 13 thousand units (-0.3 %).

### **3.3 OTHER HYPOTHESIS**

Pending new evidence becomes available; a good exercise would be to search for other hypotheses that can be useful to explain the existence of a gap so high and stable. This is not the place nor to list in detail, nor to discuss in depth, of other hypotheses able to explain the steady state in the South Italy. However in what remains of this section we can confine ourselves rather to point out that at least two other explanations seem more complementary today that alternative hypothesis that

hinges on persistent poor “social capital”. The first case is a process of convergence driven by structural change.<sup>137</sup>

As noted before, the structural change from agriculture to higher productivity sectors has been for a long period an important mechanism for the poorest regions. However, in some areas, this mechanism has led to steady states characterized by little or no differences, in others the gap remain large.<sup>138</sup>

Provide an explanation based on the role in the transformation process from the development of educational opportunities available to agricultural workers initially not qualified: more education, more skilled, more development of non-agricultural sectors more increases in aggregate productivity. However, the few and poor educational opportunities, have determined the reduction of the possible catch-up, and the emerging of a steady state, in which the gap remains wide. This framework is now one wonders, what can be the cause of an insufficient education. One possible answer was suggested in the preceding pages: the quality of services provided depends (also) by the endowments of social capital. In this way the role, is not difficult to imagine is that the lack of social capital could play in the mechanism that can defuse the convergence associated with structural change A second case concerns to the impact historical development can have on the formation of institutions, regardless of the cultural characteristics of the population.<sup>139</sup>

In this case, it is difficult to exclude that the prevailing culture in the local community plays a role that determining for institutional failures, persistent and territorially concentrates.<sup>140</sup> To summarize, a continuing discrepancy requires an explanation based on the identification of determinants that are consistent with that

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<sup>137</sup> Becattini, G Op. Cit.

<sup>138</sup> Salvati, M. Occasioni mancate. Economia e politica in Italia dagli anni 60 a oggi, Roma Bari, Laterza, 2000, pp.170

<sup>139</sup> *Ibid.*

<sup>140</sup> *Ibid.*

feature. So far I have described the persistence of the gap, I have highlighted its major component (a widespread lack of quality institutions in the provision of essential public goods, a tendency for policies of clientele), I have sought explanations of the coexistence of two phenomena , and in doing so I preferred the recent line of research that incorporates the idea of Putnam that refers to the distant historical events that determine in the development of local capital, and that this correlation is explained primarily by intergenerational transmission of values harmful to development.<sup>141</sup>

With this possible mistake, the experience of the regional policy is still valuable for those who want to design new policies for the regions lagging behind: he has clearly identified the area where the priority seems to act and, through analysis of the many difficulties, has provided valuable information on how to intervene more effectively to accelerate the formation of social capital. it means also improving our knowledge of the mechanisms underlying accumulation of social capital and public actions which are able to accelerate the operation. Improve this knowledge now seems even more important and urgent than in the past. The model of Fiscal Federalism recently adopted by the Italian government in some Italian regions, does not seem to have done so far adequately deal with the problem of heterogeneity in the local institutional quality. If the government began to deal with the issue, however, was based on the conventional idea that the transfer of responsibility from the centre to the periphery, in the presence of hard budget constraints, improves efficiency by itself in a public sector reform makes it more directly controllable by the local community. The problem is that the probability that mechanisms for this function decreases with increasing regional gaps, especially if their origins are cultural components to the sticky I mentioned in the preceding pages. The

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<sup>141</sup> Putnam R *Op.Cit.*1993



experience of the two southern regions with special status, Sardinia and Sicily, that model shared responsibility in tax revenue have somewhat anticipated since 1948, confirms the concerns just expressed, namely that the mechanism under the classic fiscal federalism is not able to support the convergence of institutional quality of the backward regions to levels prevailing in the rest of the country. From what we can imagine, if there will be any rapid progress in our understanding of the factors causing the persistence of the late South, the unfavourable steady state that so far emerge, will continue to exist for a long time yet and if it moves, the risk is that it might go do it in the wrong direction.

## **CONCLUSION**

Now we should be able to trace a conclusion that will give an exhaustive answer to the causes and effects that the gap has caused, and why still remain until today, seems impossible to solve it? To find some exhaustive answer we should look first from an economic standpoint, then political view.

The former has to do with what economists think in term of economic growth. Many economists have long believed, and many orthodox economists still believe, in the law of convergence: if markets work well and there is a perfect geographic mobility of capital and labour, the most backwards regions will tend to grow at a pace higher than those registered in advanced areas. The explaining motive is since in poorer areas higher is the labour available, but low remain the financial capital available, so if wages are kept low, greater will be the return investments. Then the spillover effects will have the capacity of moving the capital into poorer areas to encourage growth (hence the mere indication of economic policy of some: lower

wages in the South and that, automatically, the area will begin to develop).<sup>142</sup> Many however, are the economists who do not believe in the automation of convergence, and observing the result obtained with this economic theory so far, (not just in Italy but also around the globe) it will be hard blaming them: cases of backward countries that grow at a great pace are very few, and however are not as a general rule. It is also important to be geographically closer to large markets rather than being away, as it is observable in the Italian case which favours the North.

This, however, does not lead us to affirm that convergence is impossible, but that favouring conditions to make it possible remain quite complex, and without forgetting that relatively normal is to encounter differences between regions. Nevertheless the gap is a problem in terms of equality among citizens, thus a political matter, that is why, reduce this gap has always been the goal of those who thought that with the economic growth, Italy would have reduced all others internal disparities, and solved the incomes inequality among North and South citizens. In that, there is an objective in itself of a purely political assessment.

Today, this assessment is far less widespread than in the past. Now the political problem which concerns the North –South gap, is a very different matter. The point, of course, is the following: redistribution made by the public budget in Italy has also a strong regional dimension with the public spending per capita similar in all regions, but since there is a gap in incomes, the North pays more taxes than the South, with the conclusion that, the social welfare state in the South is partially funded by taxes of Northern citizens.<sup>143</sup>

The implied redistribution operated by the State budget from North to South is a normal event, subsequent to the rights and duties of citizenship. But this, again, is a

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<sup>142</sup> Maitino M.L., Sciclone N., (2008), Il modello di microsimulazione multiregionale dell'Irpet Microreg", Working Paper n.604, Società Italiana di Economia Pubblica (2008),

<sup>143</sup> Petretto A., Sciclone N. Gli effetti distributivi della riforma dell'IRE: una analisi per la Toscana, Note di Economia n.2 (2004),

political assessment and the feelings of Italians are strongly changed at least since the nineties: the strong expansion and distortion from the Italian welfare state, the steep increase in the tax burden and continuous transfers to the South have produced a growing pressure for reduction in government intervention. Even more: it has produced a strong opposition group against the fiscal redistribution policy, and thus asks the proposal to divide the country as solution for the huge tax burden who wealthier northern citizen will have to pay. Moreover the interpretation of federalism, the one proposed by the North League and accepted passively from the majority, shows the shift of powers explicitly aimed at enabling the richest regions to hold the largest share of revenue generated in their territory.<sup>144</sup>

A country can cope with internal disparities, as long as the poor regions, while aiming to reduce the gap, accept the challenges of convergence, and then its “normality”, of disparities in income, and the rich regions accept the normality of wealth redistribution, the effect of the duties and citizenship rights. At the moment in Italy this mechanism does not happen. So the problem is political rather than an economic divide; it is national, not local: it concerns with the state model that is realized, and which serves to the national compactness among its citizens.

This brings us to the heart of the problem, which is in the question of why the economy in the South is not able to generate its own economic activities to a high level of income. The answer is that: the South, still unable to exploit its own resources, and attract those that are missing from the outside. The problem is not that the South is relatively poor compared to the rich north, where the gap is politically sustainable, but which fails to grow, leveraging and enhancing the wealth available. This however happens because of the overall conditions in the Southern context. It is certainly depend from infrastructure conditions, but the point is not

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<sup>144</sup> *Ibid*

just a question of quantity but also quality of public works. The under-utilization of resources is in fact due mainly to institutional conditions, starting from the operation of essential public services; justice, health, security. This relates so far, by a weak and insufficient government operation. Weak institutions are also directly economic in nature and based on mutual trust (banking, industrial and agricultural associations, consortia between enterprises). This leads to an incomplete uses of available resources and hence growth unsatisfactory. Here needed is a fundamental reflection. It is true that all the provinces in the South have lower levels of economic development than the average of the country, but this does not mean that all are equal. See the Southern contemporary as a uniform and static area is wrong. Then we should not forget that we are talking about vast and highly inhabited areas. This is not saying that there are areas in the South highly developed, nor that it is not possible to represent the lack of development in the entire area because of structural weakness in the socioeconomic and institutional context, that result in the under-utilization of a potential growth. This applies to all. What varies, and much, is the resources available and barriers to the exploitation of their potential. And this has a fundamental consequence: that the problem of “growth”; have very different connotations in different South areas, and actions to take in practice in different areas of the South are very different. The problem of southern Italy is and remains the most difficult question: why this happens? Why there still the persistent weakness of institutions and why there are large untapped resources, that causes unemployment and reduced growth? Some have a simple answer, and as such, suggestive; that this is because southerners are like that, a population with cultures, customs which hinder development, without spirit, no desire to risk, without business skills.<sup>145</sup>

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<sup>145</sup> *Ibid*

The idea of the South as an area, where development does not take root, in the last years has certainly gone higher, and two-thirds of entrepreneurs in the North gives a negative assessment of public attitudes, habits, attitudes towards the work of the south: “there the development could possibly take roots only if it becomes like the more advanced regions”.<sup>146</sup> For the failure registered in North South policy, let some to affirm that the solution lies in making the South more and more like the North. However this will have negative effects, because the South has its own identity, which has problems similar to those of other weak areas, and they can be solved. This is not to deny that the Southern population have significant responsibility for the weak development, and also within the traditions and cultures of the South there are specific elements which are also them considered negative.<sup>147</sup> But does it explain everything? The South was and is still a strong individualistic entity, in search for satisfaction in individual interests, but it depends only by the southern attitudes, or maybe by the fact that the Italian welfare state was and still remain much more targeted delivery of benefits and services to individuals rather than a coordinated project for the development of public services for everyone? We can just observe this for example when considering the land degradation and the role of speculation in many part of southern Italy: it depends only on the tolerance for illegality or is also linked to a evident low capacity of planning control, in this case in the whole country? The point is that the weak development of the South is not a perpetual condemnation due to the attitudes of its people, but has closer relationship with a phenomenon which has close links with the evolution of post-war Italy. The problem is in the South of Italy, certainly, but the problem is also that the South is in Italy. Whether for what concern the policy development the conclusions of this argument are two. The first is that the insufficient growth of

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<sup>146</sup> *Ibid.*

<sup>147</sup> [http://web.mclink.it/MN8456/focus/federalismo/giannola\\_nel\\_merito.pdf](http://web.mclink.it/MN8456/focus/federalismo/giannola_nel_merito.pdf)

southern regions is closely linked to the characteristic national framework, but this is not enough, however is rather important.

For example, the quality of the public administration in the South long circumvented by “special institutions” and consequently couple with a modest ability to provision of services of general interest, the characteristics of welfare, which result in widespread unfairness and especially encourage adjustment strategies individually.

The combination of this two; low quality in the public administration and welfare distortions, are responsible for the allocation, of, already scarce public goods.<sup>148</sup>

The central adjustment of the labour market, making it insensitive to local differences, yet offers fewer guarantees and income opportunities for the promotion of employability to those without work.<sup>149</sup>

The regulation of many markets for goods and services is hindering business development, is the provision of reasonable cost and quality. The “Federalism”; in the way is proposed by the North league, is looming that could reduce the level of public services in the South.<sup>150</sup> All this has implications for simple but radical change if the South can grow in many aspects of its operation model. One must be aware from the dangerous but widespread illusion that the solution lies in special policies for the South, perhaps trivially centred in the encouragement for business investment, as it was in Italy in the sixties, in which we generously but fallacious illusions that the factory would change the economy, society and economy changed simply and quickly bring this development. On the contrary: the solution of the “Southern Question”; lies not in “Southern policy” but in some major change in

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<sup>148</sup> [http://web.mclink.it/MN8456/focus/federalismo/intervista\\_tricarico.pdf](http://web.mclink.it/MN8456/focus/federalismo/intervista_tricarico.pdf)

<sup>149</sup> *Ibid.*

<sup>150</sup> [http://www.oredodici.org/sezioni/dettaglio.php?id\\_articolo=40](http://www.oredodici.org/sezioni/dettaglio.php?id_articolo=40)

national policies. It takes time, a route long-term reform. Why does it take so long to grow in the South compared with the rest of Italy?

Another dangerous illusion, cultivated in the most recent period from a no small segments of the centralized forces, was enough to trigger switching to a national local development, necessary but not sufficient.<sup>151</sup> The second conclusion of this reasoning is then that in a national framework more favourable growth in the South can only result from the summation of growth processes of different territories, systems of enterprises and local companies that compose it.

The growth in the South will be the growth of the South, through different paths, first brought by the diversity in resources (physical infrastructure, agricultural-environmental, human, cultural, business) available.

It will then, uneven intensity, and above all quality, except in some cases, will come from consolidation of industrial districts, by the emergence of clusters of tourism and culture, economics of natural parks, areas of agro-quality, and the social rehabilitation exploitation of human capital and science of its cities. This is, among other things, what began to happen after the “big breakthrough” of 1992: areas increasingly diverse, the quantity and quality of development.<sup>152</sup>

The point is that, as throughout the world because paths to accelerate local development and reinforcing it takes not only basic resources available, but also local institutions, culture and development leaders quality: and these last three conditions are those that in many areas of the South still missing or insufficient. Once again the problem, rather than economic (as combined in a technically efficient use of resources) is political: how to ensure that local communities recognize the resources available and to act collectively to determine conditions that allow businesses to combine them in a technically efficient. It is not difficult to

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<sup>151</sup> *Ibid.*

<sup>152</sup> *Ibid.*

imagine what should be done for tourism to enhance the extraordinary wealth of natural parks of the South, but for this to happen should any change in regulatory policy, cultural and social development of those areas. So are local development policies. Thus we shouldn't let some surviving national institution that promise to bring development to the south, then as usual, will cash back the money and leaves, but painstakingly designed and implemented by local companies.

Policies, by their nature are complex and often sophisticated, which generate over time leaders, new institutions, and more effective inter-institutional cooperation, trust and positive expectations, quality of life, willingness to invest in businesses and in their human capital, which retain at least part of the most valuable resources that now go away, as a new generation of immigrants goes from South to North, and attract - not with grant investment, but with the quality of local capital intelligence, finance, technology, companies. Their governance is thus the most important, and how to design these policies, even from the experiences of recent years, the greatest challenge to reform the culture in the country of the Italians.