Introduction

1. Of failure and success

Italy is again rich. It had been rich in ancient times, in the centuries of Rome's hegemony and the *pax romana*. From the collapse of the West Italy recovered sooner and better than anyone else: in the reborn medieval economy of the new millennium Europe's leading maritime, commercial, financial, finally even manufacturing powers were all Italian. For many centuries, again, Italy was rich.

That primacy was not maintained. Italy was still prosperous in the sixteenth century, the *siglo de oro* of the Iberian nations that conquered the ocean sea. But by the seventeenth century naval and commercial leadership, and financial hegemony, had passed to the Dutch; England then wrested these from the Low Countries, and in the eighteenth century it was challenged only by France, by then Europe's leading manufacturer. Italy became peripheral, underdeveloped, an importer of the manufactures and commercial services it once exported.[1]

In the nineteenth century Italy fell further behind the leaders. The Napoleonic wars had confirmed England's naval, colonial and commercial preeminence; and England pioneered the industrial revolution, the

[1] C. M. Cipolla, *Before the Industrial Revolution: European Society and Economy, 1000–1700*, New York 1980; P. Malanima, *La fine del primato. Crisi e riconversione nell'Italia del Seicento*, Milan 1998. For an introduction to the attendant debate see S. Fenoaltea, "Lo sviluppo economico dell'Italia nel lungo periodo: riflessioni su tre fallimenti," in P. Ciocca and G. Toniolo, eds., *Storia economica d'Italia. 1. Interpretazioni*, Rome-Bari 1998, pp. 15–29.

transition to the modern world of factories and machines, of sustained productivity growth, eventually of rising living standards even for the working masses. England was soon followed by her former colonies in America, and also, on the Continent, by Belgium, by Switzerland, and again by France, once more England's rival in the final triumph of European imperialism.

Post-Unification Germany too would imitate England, starting late but catching up in a few decades of rapid growth. The German challenge to the hegemony of England and France composed the quarrels between these ancient enemies, and unleashed the globe-spanning tragedies of the twentieth century.

In the half-century that followed Unification, Italy also grew and developed. It emerged from the broad ranks of the still traditional, stagnant economies: that by itself was a considerable achievement. But the young Kingdom did not match the vigor of the even younger *Reich*. It contained its lag behind the leaders, but did not reduce it; its development remained weak, partial, disappointing not only next to what was eventually achieved, but to what was expected at the time.[2] Italy would participate in the World War with lamentable economic and military weakness; the end of that bloodbath found it on the winning side, but without the weight – the political, the military, ultimately the *economic* weight – to impose its views at the Peace conference. It emerged not triumphant but frustrated, militant, *revancharde*: the shame of Fascism, the ultimate tragedy of the Carthaginian alliance were the direct consequences of united Italy's limited economic development.[3]

Italy today is rich again, but it is a *parvenue* of the last few decades. Through the middle years of the twentieth century it remained a poor cousin of the affluent West, a source of out-migration that subjected Italians abroad to the humiliations, often to the tragedies, suffered today by Italy's immigrants from Eastern Europe, Africa, and Asia. Through

[2] On the perceived promise of a united Italy see the fine essay by M. de Cecco, "L'Italia grande potenza: la realtà del mito," in P. Ciocca and G. Toniolo, eds., *Storia economica d'Italia. 3.2. I vincoli e le opportunità*, Rome-Bari 2003, pp. 3–36.

[3] The counterfact is of course difficult to specify. Would a stronger Italy have stayed out of the War? Would it have joined the Allies, and shortened the War perhaps by enough to avoid the Russian revolution? Or would it rather have joined Germany's challenge to the Anglo-French imperial hegemony? And if thus strengthened, would the Central Powers have reaped the quick victory they had envisaged, or would they (and Italy) have suffered ultimate defeat in a seamless combination of the two World Wars? There is little here to constrain one's hypotheses; but it seems clear enough that the history of Italy and more would have taken a very different course.

the middle years of the twentieth united Italy paid in strife and sorrow for the development failure of its first fifty years.[4]

2. The transformation of post-Unification Italy

Between Unification and the World War Italy's population grew, from 25 to 35 million within the pre-War borders, despite an outflow that increased from the 1880s to reach one million departures, counting both permanent and temporary migrants, in 1913.

The economy expanded and modernized. It was poorly documented at the time: many now standard indicators did not even exist, and have had to be reconstructed, with the difficulties and uncertainties discussed below. But progress is evident, from partial but significant data.

Living standards clearly rose, albeit from very low levels. Health and nutrition improved: infant mortality fell (from 19 percent of births in 1863 to 12 in 1913), as did mortality from contagious diseases (from eight per thousand inhabitants in 1887 to three in 1913); life expectancy at birth increased (from 31 years in 1861 to 47 in 1913), military recruits grew taller (from 163 centimeters, on average, for those born in 1861 to 166 for those born in 1913).[5] School attendance increased, at the primary level (from two fifths of the relevant population in 1861 to over nine tenths in 1913) and above (for example from 0.5 university students per thousand inhabitants in 1871 to 0.8 in 1911); illiteracy fell (from three quarters of the population over age six in 1861 to under two fifths in 1911).[6]

A modern infrastructure was put in place. The railway, born early in the century, was a revolutionary innovation: not only because of its then astonishing speed, but because for the first time in human history transportation over land became as inexpensive as transportation over

[4] For the contrary view that the World Wars and Fascism were mere accidents that delayed the continuation of successful development see V. Zamagni in P. Bolchini *et al.*, "A proposito di Stefano Fenoaltea, L'economia italiana dall'Unità alla Grande Guerra, Bari-Roma, 2006," *Rivista di storia economica* 22 (2006), pp. 372–373.

[5] Istat (Istituto centrale di statistica), *Sommario di statistiche storiche italiane, 1861–1955*, Rome 1958, pp. 42, 63, 69; V. Zamagni, *The Economic History of Italy, 1860–1990: Recovery after Decline*, Oxford 1993 (translation of Id., *Dalla periferia al centro: la seconda rinascita economica dell'Italia, 1861–1981*, Bologna 1990), p. 30.

[6] Istat, *Sommario*, p. 78; V. Zamagni, "Istruzione e sviluppo economico in Italia, 1861–1913," in G. Toniolo, ed., *Lo sviluppo economico italiano 1861–1940*, Bari 1973, pp. 190, 195, 202, and V. Zamagni, "Istruzione e sviluppo economico: il caso italiano, 1861–1913," in G. Toniolo, ed., *L'economia italiana 1861–1940*, Bari 1978, pp. 140, 148, 165.

water. By 1860 the railway net reached some ten to fifteen thousand kilometers in France, Germany, and Great Britain; in Italy it reached but two thousand kilometers, mostly in the north, with separate, minor networks in Tuscany, in the Papal states, and around Naples. The new Kingdom avidly pursued railway construction; by 1880 almost all the main north-south routes were in place, and myriad minor lines were added by 1895. By 1913 the Italian system reached some eighteen thousand kilometers, a respectable total even if still far below the thirty to forty thousand by then operating in Britain and France (to say nothing of the over sixty thousand in Germany, by then twice the size of Italy in population as well as in area).

Industry also grew, it is evident from the well-documented transformation of Italy's external trade.[7] From 1870 to 1913 commodity imports quadrupled (from 0.9 to 3.6 billion lire) and exports trebled (from 0.8 to 2.5 billion), at barely higher prices (plus ten percent). In 1870 the most significant imports were textile goods, of cotton (11 percent of total imports), wool (6 percent), and silk (5 percent); wheat (9 percent); sugar (8 percent) and other tropical goods (7 percent); metalware (8 percent). Imports of industrial raw materials were comparatively minor (coal, 4 percent; raw cotton, 4 percent; silk-seed and cocoons, 5 percent), imports of machinery all but trivial (under 2 percent). In 1913 the import list was headed by grain (11 percent), followed by coal and raw cotton (9–10 percent each, in quantity terms a ten-fold increase since 1870) and machinery (6 percent).

In 1870 about a third of Italy's export earnings were contributed by silk: mostly raw silk, merely reeled from the cocoons, and thus a barely processed agricultural product. Other major exports were olive oil (12 percent), wheat (6 percent), rice (5 percent), sulphur (4 percent), citrus fruit (3 percent).[8] In 1913 silk was still the leading export, but its share had dropped to a fifth; citrus fruit had kept their share (3 percent), but olive oil, rice and sulphur exports had become insignificant (1–2 percent each), and wheat exports had ended. The main exports, second only to silk, were cotton textiles, with a tenth of the total; and exports of machinery had begun (3 percent).

When it was unified, therefore, Italy was a typical underdeveloped economy that exported raw materials and imported manufactures and

[7] Direzione generale delle dogane e imposte indirette, *Movimento commerciale del Regno d'Italia nell'anno . . .*, annual.

[8] Wheat was thus both imported and exported; this shall be returned to below.

tropical goods; in little more than a generation, it had become an at least partly industrialized economy whose imports were mainly raw materials and whose exports included manufactures.

One notes also the "low-tech" nature of Italy's industrial development, again typical of a partly developed economy. There were some world-level advanced sectors, including in particular those supplying the Navy, a reflection of the national ambition to Great Power status; but in the main Italy seems have replicated the first industrial revolution, with textiles in the van. Germany instead spearheaded the second industrial revolution, developing "high-tech" electrical equipment and chemicals; the difference would tell in 1917.

3. The debates in the literature

There is disagreement in the literature even on the basic facts, the time path of the economy. Today's statistical bureaus provide numerous up-to-date figures, but this abundance of data is relatively recent: it dates essentially from the post-war diffusion of national income accounting, macroeconomic analysis, and anti-cyclical economic policies.

Before then (in Italy, but things were not much better abroad) economic statistics were sharply limited. The censuses, with increasing economic content, were taken every ten (or twenty) years. The high-frequency data collected at the time refer mostly to financial variables, in particular to commodity prices, interest rates, and exchange rates. Real flows were systematically observed only in the presence of some fiscal concern: thus the data on foreign trade, on the industries subject to production tax, and on mining activity. Statistics on production as such began with episodic surveys; continuous monitoring appeared slowly, beginning with agriculture in the early 1900s. For almost the entire period from Unification to the World War, for almost all the sectors of the economy, the path of production was not recorded.[9]

The first attempts to estimate production movements were by individual scholars. In the 1950s, the Istituto centrale di statistica (Istat) reconstructed Italy's national accounts from 1861 on; but that noteworthy effort was too imperfect to be considered definitive, and quantitative historians have continued their patient investigations. These are still

[9] A broad selection of the available data (and references to the underlying sources) appears in the successive editions of Dirstat (Direzione generale della statistica), *Annuario statistico italiano*, 1878ff.

proceeding; but the work is well along, and what can already be discerned is at times significantly different from what was, or is still, widely believed.

The interpretation of the facts is also in dispute: historians disagree on the impulses and mechanisms that shaped the growth of the economy, and on the evaluation of public policy. Here too, the new statistical reconstructions – and the rigorous application of economic analysis – call into question views that are widely shared.

The following chapters examine various related strands of the historians' debate.[10] The first considers the statistical reconstructions of industrial and aggregate development, and the broad interpretations more or less closely tied to these. The Istat series suggest a sharp increase in the growth rate near the end of the nineteenth century; the more recent estimates suggest a steadier growth rate over the long run, but with a clear cycle in industrial production. The extant interpretations (and evaluations of the role of public policy) differ widely; most tie rapid growth to the loosening of supply constraints, a quantitative analysis points rather to a garden-variety cycle in the demand for durable goods.

The second chapter examines the causes of the investment cycle, of the upswings in the 1880s and after the turn of the century. The literature tends to seek its causes within Italy itself; in fact, the Italian cycle seems part of a broad international cycle, determined in the first instance by the cycle in British exports of capital.

The third chapter considers the consumption cycle, with particular attention to the 1880s. Post-war historians consider those years a period of crisis, in agriculture and the economy at large, caused by the fall in the price of imported grain. This thesis is based on bad logic, buttressed by spurious data; the new consumption and wage series confirm that the 1880s were years of prosperity, as they were in fact remembered in the earlier literature.

The fourth chapter considers the ever-lively controversy on the impact of protection. Here too, new efforts have undermined widely held opinions. The cotton tariff was effective, despite the growth of exports; the steel tariff did not help the engineering industry, but rather tied it to the domestic market and prevented export-led growth; the grain tariff did

[10] These are of course the strands that have concerned the present author; comprehensive surveys have been ably provided by Zamagni, *An Economic History*, and again by J. S. Cohen and G. Federico, *The Growth of the Italian Economy, 1820–1960*, Cambridge 2001.

not limit the crisis and emigration, rather, it limited employment growth and directed Italy's peasants overseas.

The fifth chapter reexamines the impact of the railways. The new statistical reconstructions support neither the belief that the major lines built in the 1860s and '70s were essential to the subsequent development of the economy, nor the thesis that the demand for metal products generated by railway construction could have provided a significant stimulus to industrial growth; rather, they point to the growing importance of the demand for industrial goods generated by railway maintenance and repair, and to the comparative usefulness of the much-maligned minor lines built after 1880.

The sixth chapter examines the first diachronic estimates of regional industrialization. The "industrial triangle" in northwest Italy emerged in the half-century at hand: around 1870 the regions with a sub-average manufacturing sector were not so much southern as eastern, along the Adriatic and Ionian coasts from Emilia to Calabria. The North's greater progress seems tied not to an initially higher level of development, but more simply to its greater endowment of the natural resources that attracted "low-tech" industries, especially textiles. The lack of development in the South did not stimulate development in the North; rather, it was tied to the broader national failure to develop the industries at the cutting edge of technical progress.

The final chapter recapitulates the main conclusions, and ponders the novel trends in the literature.

Some of the arguments in the text relate directly to theoretical considerations, briefly recalled in the appendices.

1

The Time Series and the Interpretations

1. The stages of growth

In the nineteenth century England and the Western World experienced industrial development, sustained economic growth, unprecedented material progress. Progress became the new religion: in Its name, as formerly in that of the True Faith, the West justified colonial conquest and the new imperialism.

That same faith foretold the future, and interpreted the past. The future held out limitless improvement; the past was the history of progress, specifically of technical progress, of that particular progress that was the pride and miracle of the West. The triumph of that ideology has been complete: to this day we have no mental categories to describe the vast sweep of human history other than technological ones, from the "Stone Age" on.

The faith in progress would be shaken only in recent decades. Public opinion has become increasingly aware of the limits to growth, especially from the absorptive capacity of the environment. In the 1960s, too, a small number of maverick scholars – working in different disciplines, on different problems, and not, apparently, in touch with each other – produced works that shared a heterodox tendency to redeem the "primitive," and to interpret past innovations in terms of growing human effort rather than effort-saving technical progress. Together, their analyses suggested an alternative interpretation of human history as a long decadence, a progressive decline in living standards, from the late Stone Age on, due essentially to the relentless growth of the human population. Eden was not a dream, it was a distant memory.[1]

In the mid-twentieth century, when the current debate on the economic growth of post-Unification Italy began, the faith in progress was still intact. Modern economic development was identified with industrialization, and the transition from agriculture to industry was considered analogous to that from, say, the Stone Age to the Bronze Age. The key to development was the improvement in the capacity to produce: those who possessed that greater capacity moved ahead into the new age, those who lacked it remained mired in backwardness.

This tradition would culminate in Walt Rostow's famous little book appropriately titled *The Stages of Economic Growth*. Rostow proposed a universal scheme, articulated in five stages. Every society, he claimed, had been, or perhaps still was, traditional and static. In the past of the advanced societies, and in the future of those that had not yet begun to develop, he saw three transitional stages: the creation of the prerequisites for growth, the "take-off" into sustained growth, and the "drive to maturity." Every society would so reach, if it had not already reached, the final stage of "high mass consumption." Mass prosperity would thus be achieved within the capitalist system, without a marxist revolution – whence the sub-title *A Non-Communist Manifesto* selected by the author, not by chance a hawk on Vietnam.[2]

The analysis developed by Alexander Gerschenkron is less widely known, but far richer than Rostow's one-dimensional scheme. To Gerschenkron's mind the most interesting aspect of the industrialization of backward countries is that it does not await the fullness of time: the take-off (or "great spurt," as he prefers to call it) begins even before all the canonical prerequisites are in place, thanks to innovative solutions that create *substitutes* for the missing prerequisites.

For Gerschenkron the critical prerequisite is the entrepreneurial ability to accumulate and manage industrial capital: it is abundant in developed societies, but scarce in backward ones, and the more scarce, the more backward they are. In England, the most advanced economy of its day, the industrial take-off was led by the numerous individual masters of private firms. In Germany, the great spurt took place in conditions of

[1] S. Fenoaltea, "Economic Decline in Historical Perspective: Some Theoretical Considerations," *Rivista di storia economica* 22 (2006), pp. 3–39.

[2] W. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge 1960.

relative backwardness, with meager supplies of entrepreneurial capacity; the industrial take-off was accordingly led by the entrepreneurial "mixed banks," who supported and coordinated the individual firms. In Russia, the great spurt took place in conditions of extreme backwardness, with minimal supplies of entrepreneurial capacity; the industrial take-off was accordingly fostered directly by the State, the entrepreneur of last resort.[3]

2. Gerschenkron's index and interpretation

In 1955 Gerschenkron published his study of the Italian case.[4] Building on an earlier effort by Guglielmo Tagliacarne, Gerschenkron constructed an index of Italian industrial production from 1881 to 1913 (Table 1.01 and Figure 1.01).[5] That index pointed to moderate growth (4.6 percent per year) from 1881 to 1888, stagnation (0.3 percent per year) from 1888 to 1896, rapid growth (6.7 percent per year) from 1896 to 1908, and finally reduced growth (2.4 percent per year) from 1908 to 1913. Gerschenkron saw in the years 1896–1908 Italy's "great spurt": he considered it "a period of 'long-term' growth," and not a mere cyclical upswing, because of "the ease with which [Italian industry] rode horse and foot across the intervening depression of 1900."[6]

What struck Gerschenkron, however, was that the growth rate even then fell short of the high levels (8 to 12 percent per year) that he would have expected from the experience of such similarly backward countries as Sweden, Japan, and Russia. He accordingly searched for the causes that limited the intensity of Italy's great spurt; and among these he identified labor-market strife, the lack of an "industrialization ideology," and

[3] A. Gerschenkron, "Economic Backwardness in Historical Perspective," in B. F. Hoselitz, ed., *The Progress of Underdeveloped Areas*, Chicago 1952, pp. 3–29, reprinted in A. Gerschenkron, *Economic Backwardness in Historical Perspective*, Cambridge MA 1962, pp. 3–30; Id., "The Approach to European Industrialization: A Post-Script," in Id, *Economic Backwardness*, pp. 355–364.

[4] A. Gerschenkron, "Notes on the Rate of Industrial Growth in Italy, 1881–1913," *Journal of Economic History* 15 (1955), pp. 360–375, reprinted in Id., *Economic Backwardness*, pp. 72–89. Subsequent page references are to the latter volume.

[5] Gerschenkron's index appears, along with partial indices for six industrial sectors (below, ch. 1A, § 3), in Gerschenkron, "Notes," p. 75; an exhaustive description of the underlying sources and methods appears in Id., "Description of an Index of Italian Industrial Development, 1881–1913," in Id., *Economic Backwardness*, pp. 367–421. For the preceding index see G. Tagliacarne, "Lo sviluppo dell'industria italiana e il commercio estero," in Ministero per la Costituente, *Rapporto della commissione economica presentato all'Assemblea costituente. II. Industria. I. Relazione*, vol. 2, Rome 1947, pp. 33–92.

[6] Gerschenkron, "Notes," p. 77.