

# Basosi on Toniolo, 'The Oxford Handbook of the Italian Economy since Unification'

Author:

Gianni Toniolo, ed.

Reviewer:

Duccio Basosi

**Gianni Toniolo, ed.** *The Oxford Handbook of the Italian Economy since Unification*. New York: Oxford University Press, 2013. xii + 785 pp. \$160.00 (cloth), ISBN 978-0-19-993669-4.

**Reviewed by** Duccio Basosi (Ca' Foscari University, Venice)

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## Debating Italy's "Modern Economic Growth": A Quantitative History

*The Oxford Handbook of the Italian Economy since Unification*, edited by Gianni Toniolo, is the result of a collective research on Italy's "modern economic growth" conducted by Italian and international scholars, as well as members of the research departments of the Bank of Italy, on the occasion of the sesquicentennial of the country's political unification. Based on the papers presented at the international conference "Italy and the World Economy, 1861-2011" hosted by the Bank of Italy in October 2011, the volume is composed of twenty-one chapters, most of which are co-authored by both Italian and non-Italian authors; a rich final bibliography; and some eighty-five pages of quantitative data on the Italian economy since 1861. As stressed by the editor (p. 4), such data are the fresh findings of recent quantitative research in a number of fields, and include new statistics on national accounts, productivity, and welfare indicators, as well as new measures of various economically relevant factors ranging from firm size to the efficiency of the banking system. Most of the chapters are organized as commentaries to such new data sets, so that the volume carries a declared emphasis on cliometric analysis.

The first five essays present the big picture of the changes and continuities in the Italian economy since unification, with an emphasis on GDP growth and/or stagnation as the main indicator of Italy's "performance." In particular, the introductory chapter by Gianni Toniolo provides the intellectual glue that keeps together the entire volume, that is the will to understand the puzzling relationship between the robust growth rate experienced by Italy for roughly a century (mid-1880s to early 1990s) and the "two tails" of sluggish growth (1861-96 and 1992-present), which frame such "tale of convergence" with the productivity leaders (p. 5). Harold James and Kevin O' Rourke discuss Italian economic policies between unification and World War Two in comparative perspective, convincingly showing that the Italian case was not "particularly unusual" in the context of the "first age of globalization" (p. 38). Nicholas Crafts and Marco Magnani deal in a similar fashion with the period between World War Two and 2007. Andrea Boltho compares Italy's post-1945 macroeconomic experience with those of Germany and Japan, the other two main countries

defeated in World War Two, which have also seen their postwar “economic miracles” replaced by slow growth rates since the 1990s. Marcello De Cecco provides a fascinating overview on how the Italian economy has been represented by foreign observers since unification. Each of the subsequent chapters presents a historical account of some specific aspect of Italy's economy over the period from unification to the present: national accounts, productivity, standards of living, human capital, migrations, civic capital, comparative advantages, exchange rates and trade, innovation, the behavior and strategies of Italian multinational firms, technology, the characteristics of the banking system, public debt, the efficiency of the administrative system, and the North/South dualism.

While a volume of such complexity necessarily offers a multifaceted and nuanced set of interpretations of the subjects at issue, it seems fair to summarize its main argument in the following terms, largely based on Toniolo's introductory chapter: the initial period of “tenuous growth” resulted from the slow pace of economic unification after political unification was achieved; the secular process of “catch-up” with the productivity leaders was made possible by the completion of the unification of the domestic market, coupled with the positive interaction between Italy's “late industrialization” and the “first globalization” internationally; after an “intermission” between 1929 and 1945, the catch-up took on full strength between 1950 and 1973, when the “mixed economy” inspired by the Constitution of 1947 benefited from the fact that “the technologies of the day, largely adaptations of the Fordist model, were well suited to a country endowed with an abundant labor force, possessed of basic education, and a relatively small but sophisticated cadre of engineers” (p. 22); after a “silver age” of some twenty years of “respectable” (p. 25) growth rates, opened by the “oil shock” of 1973, the Italian economy began to lose ground again after 1990. Here, despite a “good number of reforms” (p. 31), Italy's old weaknesses came back with a vengeance: the “North South divide, low human and social capital, weak competition in the domestic product and labor markets, inefficient public administration, and insufficient research and development” (p. 31), which were not crucial in the Fordist “golden age,” all became a much greater drag on the economy when the “second globalization,” the euro, and the technological revolution in information and communication set in.

Given the scope and depth of the analysis and the richness of the new data, the reader has much to learn from this book. It is not possible to discuss here all the stimulating findings and reflections offered by this volume, but some need to be highlighted. The overall trajectory of the Italian economy is one in which the country's GDP per person multiplied by twelve in 150 years (as discussed extensively in Alberto Baffigi's chapter on the new time series of Italy's national accounts). Life expectancy at birth has grown from thirty to eighty-two years, income distribution (as measured by the Gini coefficient) has become more egalitarian, and the percentage of the population close or below the absolute poverty line (defined as an income of 1.5 euros per day at 2010 purchasing power) decreased from 40 to 4 percent (as discussed extensively by Andrea Brandolini and Giovanni Vecchi in their chapter on the standards of living). At the same time, such changes have not occurred linearly, but in leaps and bounds, and with periods of regress (including the current, post-1992, “tail”). From this standpoint, the combined reading of the three chapters by Cratfs/Magnani, Boltho, and Brandolini/Vecchi challenges the conventional view of the 1970s as a decade of “economic crisis”: while lower than in the previous decade, GDP growth remained quite high by historical standards (higher than in Germany and Japan in relative terms), and inequalities were reduced dramatically. The most striking of Italian inequalities, the North/South divide, is

analyzed in greater detail in the chapter by Giovanni Iuzzolino, Guido Pellegrini, and Gianfranco Viesti. By making use of per capita output and indicators of “human development” the three authors confirm that such regional divide is one of Italy's most acute disparities, but also convincingly show that “the great durability of the Southern question [does not mean] that, in the history of Italian regional development, nothing has ever changed” (p. 571): while the available data still leave as an open question when the North/South gap began, the chapter documents the dynamic nature of the issue (showing a widening of the gap after unification, its “explosion” during the interwar period, its reduction up to the 1970s, and then its renewed widening afterwards).

While extremely informative, the volume is less convincing in other respects. Other reviewers have already noted its lack of attention to gender issues, as well as to the environmental costs of “modern economic growth.” The chapter by Fabrizio Onida, Giuseppe Berta, and Mario Perugini on Italian multinational firms does shed light on the choices and strategies of a particular segment of Italy's “big guys,” but the broader picture of class relations remains largely unexplored. All these elements could have indeed contributed to provide the reader with a more shaded and complex understanding of the real effects of economic change in terms of wellbeing (or lack thereof). Indeed, such gaps have been graciously acknowledged by the editor himself.[1] One could add that European integration is not dealt with extensively, not even in the monetary field. However, the problem is not that more could be added. What seems to be missing in the volume is rather a consistent indication of the criterion that has driven the choice, whether or not a certain “societal” dimension should be considered economically relevant. That is: what precisely are the borders of “the economy” as a subject of scientific inquiry?

The same point is critical also in another respect. Virtually all the chapters in the book openly adopt a normative approach, aimed at evaluating Italy's “performance” in terms of its adherence (or lack thereof) to an expected pattern of convergence with the productivity leaders, as drawn by Alexander Gerschenkron in his 1962 article on “economic backwardness” (pp. 5-9). In short, the Italian performance is “virtuous” when it converges with the productivity leader, “disappointing” when it diverges. From this standpoint, the volume possibly represents a step away -and back?- from the interpretative picture that readers acquired in reading *Storia economica d'Italia. Vol. 1* (1999), co-edited by the same Gianni Toniolo with Pierluigi Ciocca. In that volume, the editors made the deliberate choice to have the “economic history” of Italy written by historians who did not necessarily belong to the community of “economic historians.” The result was that people, organized groups, national and foreign institutions appeared much more prominently on the scene. The ups and downs of GDP and other indicators were contextualized to the specific--and often conflicting--desires, goals, agendas and needs of these social actors, which, on an empirical basis, were for most of the time relatively indifferent to the goal of “convergence” as such.[2] Regardless whether one thinks that the latter should be the ultimate goal of national policies, to project it onto past epochs, “as if” it had been the goal of the actors involved, often leads to explaining the obvious: convergence might not have been achieved at certain points, simply because it was not the prevalent objective of the day.

There is then a more specific critical remark to be made, which may possibly sound paradoxical given the lines above. Convergence seems to have become elusive precisely at the time when it became a recognized policy goal, as highlighted by the public debates surrounding the most crucial

decisions of the last thirty-five years: Italy's entry into the European Monetary System (and later the Euro), the “divorce” between the Bank of Italy and the Treasury, and the set of major policy reforms undertaken between 1979 and 1999, including an “impressive” volume of privatization (p. 97). Put before the need to explain such a “disappointing” divergence (p. 5), most contributors to the volume provide an unsatisfactory answer: the reforms were either half-baked or late, or both. As one previous reviewer has noted, however, after thirty years such answers remind us of the self-reassuring attitude once displayed by the true believers in “really existing socialism”: the idea is right, but the implementation was wrong.[3] The editor and contributors do not necessarily have to share in the conviction that we are now in the age of (neoliberal) “zombie economics,” that is, the notion that the reforms which they regard as optimal are most likely bad.[4] But certainly, to paraphrase Ronald Reagan's first inaugural speech, a learned and sophisticated volume, as this one, did need a convincing discussion of the hypothesis that those reforms “are the problem, not the solution,” if only to deny it any explanatory value.

#### Notes

[1]. Barbara Curli, with Michele Colucci, Giovanni Cristina, Domenica La Banca, Francesco Petrini and Gianni Toniolo, "Economia e storia d'Italia," *Il mestiere di storico* 6, no. 2 (2014): 23-42.

[2]. See, in particular, the essays by Piero Bevilacqua, "La 'storia economica' e l'economia," and Luciano Cafagna, "Contro tre pregiudizi sulla storia dello sviluppo economico italiano," in *Storia economica d'Italia. Vol 1. Interpretazioni*, ed. Pierluigi Ciocca and Gianni Toniolo (Rome-Bari: Laterza, 1999), 159-96 and 297-325, respectively.

[3]. See Francesco Petrini's review in Curli, "Economia e storia d'Italia," 25.

[4]. John Quiggin, *Zombie Economics: How Dead Ideas Still Walk among Us* (Princeton, NJ: Princeton University Press, 2012).

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