CHAPTER 17

CONTEMPORARY ITALIAN REGIONAL ECONOMIES AND THE CONTRADICTORY RHETORICS OF DEVELOPMENT

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INTRODUCTION

In this chapter I show how collective agents consisting of entrepreneurs, politicians and policy-oriented academic intellectuals of the regions of the Third Italy, a portion of the Italian peninsula located in the centre and to the north-east along the Adriatic Sea, generated descriptions of post-Second World War economic growth that celebrated the regions' distinctive reliance on small and medium enterprises, their family-like social solidarity and their capacity to produce wealth. I argue that the overall insistence on the uniqueness of the regions' development degenerated over time into a form of regional branding that obscured growing economic problems while forestalling many of them from being lumped in with an economically sinking and much stigmatized Italian south. So successful were they discursively in absorbing the analytical energies of political leaders and policy analysts concerned nationally about the economy that the critical condition of the south by comparison receded into the background of Italian life. The recent political turn towards the right throughout the Third Italy reflects local and national economic decline along with a changing view of how the regions' peoples 'fit' within the Italian nation. The Italian state controls 60 per cent of the national gross domestic product, and the south is by far the area in most need. As the economies of the Third Italy have slid downwards along

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with the incomes of their inhabitants, the regions find themselves in competition with the south, which can make greater and more serious claims on the national patrimony. The dilemma for the Third Italians is to attract more state support – something that contradicts their original feel-good claims of having built their economies without extensive state support – without becoming tarred with the south-stigmatizing brush of environments unable to achieve economic flourishing.

PREMISE: A LAND UNIFIED AND POOR

'Plenty of bones, not enough meat', said Fernand Braudel, recalling a geographer's quip about the Mediterranean area. Mountains surrounded it, too often keeping back the rain. The plains between the mountains and the sea were scarce and small, almost oases in an otherwise arid land marked more by spring torrents than great rivers. Despite millennia of human engineering, many peasants before the age of commodity-traded foods would find truth in Virgil's homely injunction that when the grain ran out before a new harvest, 'shake the oak tree of the forests to satisfy your hunger' (Braudel 2002: 12).

The Mediterranean was a land of great variety, but not of plenty, and this heritage was bequeathed to modern Italy. The grand imperial shadow of ancient Rome and the glories of the Renaissance had also obscured the fact that Italy by the time of the Grand Tour might have been an object of upper-class curiosity, but it was a desperately poor land. Its economy had been losing ground steadily vis-à-vis its neighbours throughout the nineteenth century. By 1870, it garnered between 30 and 45 per cent less GDP per capita than its neighbours. Though the Risorgimento unified Italy, the new state inherited a peninsula devoid of the coal and ferrous metals necessary for its catch-up industrialization campaign. Half the population were desperately poor, a third were chronically malnourished, two-thirds of adults were illiterate and life expectancy was 30 years of age. What money there was derived ultimately from land rents, and the landed class exploited 'feudal residues', the remaining privileges of their rank, in squeezing their impoverished dependents (Galisi 2008; Statista 2022; Toniolo 213; Bairoch 1976).

Internal economic differences at unification were not as great as the gaps in subsequent years might suggest. Gross domestic product per capita in the south in 1871 was 80 per cent of that in the rest of Italy, a spread not unlike that between industrial and rural areas in Spain and Austria-Hungary at the time. The national economic map also refused definitive regional shape: the southern regions of Campania, Sicily and Puglia met or exceeded the national per capita average, even as the more northerly Marche, Umbria and

Emilia Romagna did not. Furthermore, the GDP gaps were almost as large between eastern and western regions as they were between north and south (Felice 2017, 2018; Felice and Vecchi 2015).

Italy was poor, but because its people were numerous, unified it became, ipso facto, the eighth-largest economy in the world. The timing was tardy, for the fates of the peninsula's people were joined economically and politically at a moment when Great Britain, the United States and its European neighbours were growing richer via industrialization, and Italy by the admission of its own politicians and intellectuals found itself beginning its own industrial journey far behind the others. The 'bel paese' was beautiful not just for its extraordinary artistic patrimony but for its singular mix of town and country in which the melding of everyday life with patchworks of agricultural plots turned the visible world into a sculpted garden. Food sovereignty would have been possible for some parts of the peninsula if landlords did not extract so much of the surplus through rent and starvation wages. This forced Italy into a game it could not win, for by the end of the nineteenth century, an agriculture not remodelled along strictly capitalist lines and equipped to compete in international markets after unification brought losses instead of profits. Tariffs to protect basic grains promulgated by the new republic lowered Italy's market share and created disincentives among landlords to invest in more production. The population grew, but agricultural output did not grow proportionately, generating hunger at home and mass emigration abroad (Cohen and Federico 2001).

The fiery furnace of industrialization also received no initial blast from unification. Having missed the first round of capitalist industrial expansion led by Britain based on exploiting steam power, building railroads and acquiring colonies, northern Italian firms attracted foreign investment and harnessed hydroelectric power to jump into heavy industry against international competitors with a hefty head start (Toniolo 2013; Barbiellini Amidei, Cantwell and Spadavecchia 2013; Federico and Vecchi 2015; Galisi 2008; Iuzzolino, Pellegrini and Viesti 2013). Protective tariffs provided a national market, and economic growth rates and personal incomes in the new north-west manufacturing centres of Turin, Milan and Genoa soared, while the rest of Italy trailed behind (Cohen and Federico 2001).

In important respects, however, Italy united in 1861 was a peninsula divided – less at first by income strictly than by life chances. For instance, the lifespan of people in Basilicata was significantly shorter than average, while people in Liguria outlived them by almost eight years. Though only 15 per cent of persons over 15 in the south were literate, half of those living in the north-west could read and write. Poverty at an estimated 44 per cent of the population was thickly distributed throughout Italy, but a person in the south was almost one and a half times as likely to be poor than a person

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living in the rest of Italy (Galisi 2008; Toniolo 2013; Iuzzolino, Pellegrini and Viesti 2013).

THE TWO ITALIES

Once neighbours, now one country divided anew by economic inequality, Italy became an exemplar of combined and uneven development in its classic formulation, pushed together politically and connected to different and highly variable domains of the expanding pre-First World War world capitalist economy. Intellectuals decried the growing economic gap and its negative consequences for the people in the south. So alongside uneven development grew, or perhaps festered is a better word, a discourse about southern disadvantage both anticipated and real that is a principal bequest of the unification and central to the politics of today's republic (Trotsky 2008; Dunford and Greco 2006; Petrusewicz 1998; Moe 1998).

State-making contributed greatly to reifying differences among peoples and tying their attributes, social and asserted to be physical, to economic success and failure. Italy in 1870 was like a Russian doll: inside the new state were various older sovereigns and their possessions, and inside each of these was a mix of territories administered as provinces. Soon the state was to assimilate the concepts of regions that would subordinate provinces to cultural and statistical descriptions. The new kingdom desired to know its new subjects and their communities as completely as possible and instituted modern data gathering that incorporated all the information about the population it could assemble while subjecting what it learned to statistical analysis. As was the case in other nations afflicted with a potent mix of statistical zeal and retrograde Social Darwinism, the data were packaged to create a centre and periphery, in this case two Italies, north–south, good–bad. Even when the data showed a more heterogeneous human geography, they were ignored in favour of the cultural stereotypes (Patriarca 1998).

Though provinces had borne the actual administrative burdens of the various pre-unification states, Pietro Maestri, the kingdom's first chief statistician, added a layer of larger regions to the new national map. Regions were defined by the historical traces of their pasts and were described effectively as homogeneous cultural communities that possessed varying degrees of social vitality, as measured by fertility, longevity and *male* population growth. From ranking the vitality of peoples, racist characterizations of them were just a step away, though executed separately by other scholars interpreting Maestri's data. Italian criminologists, Cesare Lombroso notably among them, created criminal stereotypes based on the belief that Italy was historically composed of different races, and those whose descendants lived in the south (one word – no longer a collection of regions) were markedly inferior to other races resident in the peninsula. Italy divided into a cultural hierarchy of regions thus provided a good enough reason for its poverty and high level of economic inequality (Patriarca 1996; Gibson 1998).

Though there is no causal link, there was a sequence. After attaching social stigma to poor regions, the new state moved to accentuate the process of combined and uneven development that left so much of Italy economically behind as a consequence of supporting the industrialization of the north. First, successive governments pursued economic nationalism, passing tariffs that protected Italian industry and did so without much regard for the reciprocal negative effects of tariffs on agriculture as a whole. They discouraged foreign participation, prevented foreign takeovers and awarded state contracts only to Italian firms. The Banca d'Italia worked in tandem with elected government by bailing out the steel industry and facilitating the mergers of competitors in shipping and arms. Second, the state fully subsidized and purchased the arms and equipment with which Italy fought the First World War, creating a state-monopoly alliance that beefed up Italian industrial capacity significantly. Third, the fascist regime became part owner and financier of last resort for big business during the Great Depression under the Istituto per la Ricostruzione Industriale (IRI), eventually accounting for 45 per cent of Italy's industrial and banking capital. With the US Marshall Plan, after the Second World War, it was more of the same: big northern business came first (Castronovo 1980); Iuzzolino, Pellegrini and Viesti 2013.

Thus, the economic inequality apparent among different parts of the peninsula, however placed with prejudice into regions, was nonetheless real and hardly an accident. The state at the end of the Second World War had begun reporting census data for four discrete regions: North, Centre, South and the Islands. But by 1958, it had folded the Islands into the South, and henceforth stuck for the most part with 'Three Italies'. There was good reason because already by 1951, the interregional gap was enormous. The northern industrial triangle's GDP per capita was one and a half times that of northeastern and central Italy and three times that of southern Italy (Cohen and Federico 2001).

The 1947 Italian Constitution in a concession to Catholic progressives and the lay left included extensive provisions for the establishment and operation of the regions, though none of the new regions was identical with the pre-war folk-fictive assignations, and a succession of governments dominated by the Christian Democrats (DC) put off the implementation until 1970 (Jansen 2017; Desideri 2014). Instead the Christian Democrats under the leadership of Alcide De Gaspari instituted in 1950 the Cassa per il Mezzogiorno, a major intervention to implant infrastructure and force-feed industrialization to the south. No doubt, as Paul Ginsborg (1990) and Gabriella

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Gribaudi (1980) claim, the Cassa figured in DC plans both to pacify a region rife with peasant political resistance and to dominate it politically. Yet during the first twenty years the fund was run by technocrats applying the standard development remedies of the era: they invested in infrastructure and subsidized the relocation of Italian heavy industry to the south. The results were initially good: the southern economy grew at the same rate as the rest of Italy during the ‘miracle’ post-war period and southern GDP per capita and personal income began to catch up for the first time with the rest of Italy. The great plants for steel, chemicals, petrochemicals and autos, however, did not stimulate the growth of local suppliers and spin-off firms that typically cluster around large industrial enterprises, and critics of the Cassa derided them as ‘cathedrals in the desert’. The 1971 inclusion of regional governments in Cassa planning and operations turned it into a clientelist captive of the DC. Economic growth stumbled badly after 1975, and the chasm between north and south expanded once more and is now wider than it was at the time of unification. And in a case of very bad timing, Italy’s revised plan for the south ran into the macroeconomic crisis triggered by the collapse of the Bretton Woods exchange rate system, the 1973 oil embargo and stock market crashes that rocked the world (Felice and Lepore 2011; Martinelli 2009; Papagni et al. 2021; Felice and Vecchia 2015; Iuzzolino, Pellegrini and Viesti 2013).

THE THREE ITALIES AND HOW THEY GREW

The Italian economy in the ‘economic miracle’ years had had a great run – as had the rest of the world economy. But as profits ran down, workers protested and wages caught up, big Italian business took money off the table, disinvesting, squeezing its workers with Taylorism, then switching to ‘quality circles’ and worker involvement while trying to break unions, and outsourcing as many tasks as possible to non-union small firms that had shot up throughout the Industrial Triangle. Alongside these freighted manoeuvres, small businesses were sprouting all through the north-eastern and central regions of Italy, and in their geography began to form industrial districts that specialized in specific, often traditional product lines, and often for export. The relationship between these phenomena was not necessarily direct, a matter of different markets and different labour processes. They coincided, however, with the 1970 passage of the Statuto dei Lavoratori, Italian labour’s bill of rights that finally superseded fascist legislation then still on the books. The great compromise embedded in the law was that it did not apply to firms with fewer than fifteen workers, and thus cheaper, structurally peripheral and unprotected labour became a desirable commodity throughout Italy, but most especially in structuring the labours of the new industrial districts (Ghezzi 2020).

The two parts of Italian capitalism, petty and monopoly, were related. Massimo Paci's *Mercato del Lavoro e Classi Sociali in Italia* (1973) offered a compelling unified theory of Italian capitalism as a whole in which Italy's petty capitalist small-firm economy not only served Italian monopoly capitalist outsourcing, but also undermined worker unrest by dividing the working class and its unions between core and periphery workers, and absorbed cheaply surplus labouring populations such as women, former rural migrants to the big cities and young and old people expelled from the mature industrial sector in times of economic crisis. Paci argued that a particularly pronounced dualism afflicted the Italian economy, in part because the northern capitalist core, historically weak relative to northern Europe and under the thumb of American imperialism, could not pull the rest of the economy to full-employment prosperity. This necessitated the creation of a peripheral sector throughout the economically marginal areas of the nation that delivered substandard incomes from highly exploited and irregularly employed workers. Workers in the peripheral sector were precarious, moving in and out of the reserve army of labour like the air in an accordion – labour like air rushed in when the economy expanded and was expelled out and back into the ranks of the unemployed or under-employed when the economy contracted (Castronovo 1976, 1980; Paci 1973).

There was a geographical dimension to this decentralized economy. Arnaldo Bagnasco in *Tre Italie: La Problematica Territoriale dello Sviluppo Italiano* (1977) advanced the hypothesis that central and north-eastern Italy constituted a social formation just as specific as those of the north and south. After proposing that the small-firm environments were not evolutionary barnacles attached to modern Italian capitalism but a part of Italian economic development, Bagnasco demonstrated the likelihood that there were indeed not two but three clusters of related regions, each cluster with an empirically discernible way of life and standard of living distinct from the other two. Bagnasco plotted regional data for conventional measures such as personal income and per capita consumption and showed that the best fit for at least these two variables supported his hypothesis that if one broke Italy into three regional blocs instead of two, a truer picture of Italy's economic geography emerged. This 'Third Italy' comprising central and north-eastern regions included Trentino-Alto Adige, Veneto, Friuli-Venezia Giulia, Emilia Romagna, Toscana, Umbria and Marche.

In addition to personal income and per capita consumption, Bagnasco plotted regional data for a variety of other variables. Some, like the uniformity of criminality and divorce rates within Italy's three parts, suggested differing degrees of Durkheimian societal cohesion at the regional levels. Others, like the proportion of homeowners and the ratio of home space to persons, could also have referred to standard of living. He also plotted the days lost per region because of labour–management conflicts, and the proportion of votes gathered in the 1972 political elections by the Christian Democratic and Communist parties. With the last measure, Bagnasco hoped to indicate that the newly anointed 'Third Italy' had retained its basic pre-development political and cultural orientations, and that these provided additional social support for development. His colleague Carlo Trigilia extended the hypothesis, arguing that the most important aspect of Third Italian politics was regional dominance of one great party or the other. Recalling the aphorism of Deng Xiaoping, it didn't matter if the cat was red or white, so long as it caught the mice: what one needed, Trigilia argued, was a unified political culture to mobilize regional resources for development (Bagnasco 1977; Trigilia 1986; Bagnasco, Pini and Trigilia 1981).

Some data plots were much less successful in marking discrete boundaries for the three Italies. Low non-food consumption was true of the centre-north-east as well as the south, while families in both the north and centre-north-east enjoyed less overcrowding in their homes than families in the south. Both the north and the south had fewer hospital beds per population than did the centre-north-east; scholastic success was comparable in the north and the centre-north-east, while the south lagged behind. Albeit with significant overlap, six of the eight southern regions had more homeowners than the national average, as compared with two and three in the cases of the centre-north-east and north respectively. Family size found the north on the low end, some of the centre-north-east on the low end, and some of it sharing the high end with the south (Bagnasco 1977). Despite arguing for the specificity of the central-north-eastern regions as a social formation, Bagnasco in syntony with Paci nonetheless maintained that much of the Third Italy's productive forces belonged to Italy's diffused, peripheral economy (ibid.).

The attribution of structural causes ultimately deriving from the economy seemed a reasonable general explanation, but as investigators dug into the details of specific Third Italy areas of economic growth, they realized that there was more to the story, and found traces of autochthonous origins. They uncovered proto-industrial and early industrial specializations in traditional goods such as textiles, clothing, shoes, furniture, ceramic tiles, jewellery, eyeglasses and knitwear, along with production of new inventions such as motorbikes and farm machinery. They found clusters of small towns producing all or parts of the same goods led by up to a third of the resident household heads running small firms comprised of their families, relatives and nearby neighbours, who enjoyed good relations with their workers. They found women's, typically wives', wealth behind apparently

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exclusively male-run firms. The popular social origins of the entrepreneurial stratum were probed, prompted often by the fact that the jump from the peasantry to industry was adjudged a great leap indeed (Blim 1990; Ghezzi 2007; Fontefrancesco 2013; Yanagisako 2002; Corner 1993; Holmes 1989; Ramella 1984; Krause 2018).

ENTER INDUSTRIAL DISTRICTS

Even as sociologists provided highly structural accounts of the Third Italy within an overall pattern of economic dualism, and anthropologists uncovered varied historical and social settings for development, beginning in 1979, Giacomo Becattini, an economist at the Università di Firenze, introduced Alfred Marshall's concept of industrial district to account for the phenomenon, while self-consciously playing the role of sociologist in adding culture as the key leavening agent for the industrial districts' ascent. After Becattini rooted people's economic actions in a functionalist community or social solidarity, perhaps more on the order of Tonnies than Durkheim, he argued that a system of homogeneous values was embedded in the local social metabolism, constituting a kind of 'chemistry' that connected people to the community and to its economy. It also resulted in a rather frictionless account of entrepreneurs and of their workers, whose interests were said to be largely identified with their bosses (Becattini 1979, 1989; Tonnies 2001; Trullen 2010; Marcon 2020).

The notion that small businesspeople were entrepreneurs and entrepreneurs were heroic actors was soon attached to the Third Italy narrative. Joseph Schumpeter's concept of the entrepreneur as a risk-taker and a destroyer of archaic forms of capitalism was enjoying a comeback generally, especially after the economic crises in the 1970s of large firms, and the onset of the widespread adoption of information technologies suggested that an extensive process of creative destruction was underway (Mazzucato 2015; Capussela 2018; Mullan 2017). The small firm owners, many of whom came from peasant backgrounds, often specifically sharecropper origins in central Italy, combined risk with thrift, skill with practical knowledge of how to market their craft, and a determination to build a life for themselves and their families that reflected the best values of their communities. Demanding but generous, 'moral' bosses, they got along well with their workers, often extending to them some of the protections ordinarily reserved for family (Blim 1990).

The image of the sharecropper as a property-sharing candidate member of the petty bourgeoisie has been around since Sismondi and John Stuart Mill. Both believed that a connection to property through sharecropping – if

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not possession of property itself – still fostered a moral responsibility that was demonstrably unlike that of landless labourers, who were thought to be shiftless, resentful and prone to dishonesty (Sismondi 1815; Mill 1974).

The historical prevalence of sharecropping in central and northern Italy combined with the rise of small and medium-size enterprises suggested a formal homology between the 'family firms' of the two, a claim made very clear in a pioneering analysis in 1980 by Massimo Paci. His analysis was less a celebration of the value of tradition in making the modern world than a set of reflections on the petty authoritarianism of family heads, the heavy burdens of work on all household members, but most especially women and children, and the development of an ethic of savings that bordered on the obsessive. The unspoken allusion was to Max Weber's sectarian capitalist, driven to work incessantly at almost any cost. However, others saw, in contrast to constant labour struggles in the north, that the Third Italy offered industrialization without social fractures, 'industrializzazione senza fratture', in the apropos phrase coined by the eminent Marche economist Giorgio Fua, which was also famously lampooned as 'industrializzazione senza fatture', industrialization without invoices, a reference to the widespread fiscal evasion undergirding the Third Italy (Paci 1980, 1992; Fua and Zacchia 1983).

As an ethnographer living in one of the Marche region's shoe-producing towns during the 1980s, it was apparent to me that there were both few fractures and few invoices to be found. It was a beehive of small-scale manufacturing, and factories, workshops, garages, houses, and even people, tablecloths and bedsheets smelled of leather and glue. Ten to twelve hours a day, five days a week, and half a day on Saturday – and then a couple of months after the season's orders were filled of no work and no pay – everyone able from the age of 12 on was involved in making shoes. There were a few stabs at elegance *alla moda*, but for the most part, the production consisted of serviceable, a bit stylish, medium-priced shoes for the middle classes of northern Italy and northern Europe. It was easy and in fact impossible not to admire the effort and enormous hustle of firm owners and workers, and equally impossible not to learn over time that some owners drove workers relentlessly, cheated them on wages and social security payments and evaded income taxes. Almost everyone in the town – historically either sharecroppers or poor artisans working largely at the whim of the tiny landed class that sat atop them – had generations of privation to make up for, transforming real wages (finally) and firm profits into family homes and decent lives with meat served at Sunday lunch (along with the regional first course requirement of *tagliatelle al ragù* or the local lasagna) on nice tablecloths, perhaps afterwards a stroll to visit the deceased in the town cemetery, a game of *bocci* ball and an evening pizza at the town tavern. The money from shoes created consumption, surely much needed, but not much capital. The family had need of the firm and its monies as much as the firm relied upon the family for its labour. The Gini levels of inequality in the regions, unlike in the rest of Italy where inequality levels closely resemble those of the United States, reached as low as Sweden's – an enlightened social planner's dream – and without resort to the redistribution instruments of the state (ISTAT 2021).

REGIONAL RHETORICS OF DEVELOPMENT

The sparse accumulation of capital was no secret, yet a realization of its implications was forestalled perhaps because the regions of the Third Italy (excluding the few major cities) and their people (as well as their politicians, who profited thereby), while proud of their achievements thus far, still had much catching up to do (Jansen 2017). Parliament in 1977 granted regions authority over their economic development and planning, and this in practice transformed the regional political apparatuses into sponsors and advocates of their local economies and local university researchers into policy protagonists. Regions had been handed operation of the national healthcare system, and later responsibility for public education, and both increased the possibilities for local political patronage. Assumption of local economic development, however, created the opportunity for regions to benefit businesses directly that were in effect political patronage multipliers, because helping firms survive and thrive put owners at the disposition of local politicians, but also generated goodwill among their workers.

The rhetoric of regional advancement was supported by the formation of an elite triangle that sought to steer the local economies and consisted of businesses organized into professional associations; politicians building governing majorities by currying the favour of business interests; and academic analysts, many if not most natives of their respective regions also swept up in the project of economic advancement, and often recipients of regional research monies. In the symbolic sphere connected with marketing and tourism, the elite promoted the region or its industrial districts as brands. The products of Emilia-Romagna's Motor Valley, the home of Italy's famous race car industry, for instance, are boosted with museum and factory tours, car races and car festivals under the patronage of the region. The region of Umbria runs an export-import service expressly for its ceramics producers. The Marche region in cooperation with its shoe industry hosted the San Remo Music Festival's annual press gala. These are exemplars of the number and scope of marketing and promotion activities of the district-laden regions.

Regions also offered direct aid to businesses. They sanctioned property acquisitions by municipalities for industrial parks and consortia for

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supporting data collection, marketing, apprenticeships and technological innovation, and they created governmental offices dedicated to sustaining business growth. The Italian parliament and Council of Ministers also passed five different laws and decrees to support industrial district growth between 1991 and 1999 (Bersani and Letta 2004). Both the interested regions and the Italian state stood behind business.

A pro-growth consensus sealed over the cracks of doubt that surfaced among reports by experts from time to time. The need for investment, capital-deepening, scaling up the size of firms, developing a brand, hiring or training professional managers – all were suggested at meeting after meeting of the guiding triangle at the seats of regional power. Messengers from the relevant governing *giunta*, academe and the political parties spread throughout the regions' peripheries where most of the production was taking place. The ho-hum reaction they received was in part based upon the myth they were creating: namely, that the population, with its native capacity for ingenuity and hard work, had lifted the people from penury, and in so doing, had created a new industrial model. So why, they asked, should we stop now, especially when our families still need the firms' support for economic and social advancement?

Hardscrabble and struggle had been transformed by Italian scholars into a model, and one that would stir economic policy networks worldwide.

MIT DISCOVERS THE THIRD ITALY

By the early 1980s, contemporaneous with the early work of Becattini and Sebastiano Brusco, an economist at the Università di Modena e Reggio Emilia, the Third Italy was on its way to acquiring mythic status (Brusco 1982). Economist Michael Piore and political scientist Charles Sabel of Massachusetts Institute of Technology, with funding from the German Marshall Fund in 1979, visited industrial districts throughout the Third Italy and concluded that they had found an alternative economy that could pull the West out of the slump that followed the Yom Kippur War, the oil embargo and stagflation, and had killed off the 'trent'anni gloriosi' (Piore and Sabel 1981; Sabel 1982; Brusco 2022). Their subsequent book, *The Second Industrial Divide: Prospects for Prosperity* (Piore and Sabel 1984), was ultimately cited, according to Google Scholar, 18,773 times, while Arnaldo Bagnasco's *Tre Italie*, which had put the concept of the Third Italy into circulation, was cited only 2,864 times. Few scholars read or followed Italian social science, perhaps to their shame, it must be said, but in contrast, the explosion of interest prompted by Piore and Sabel was indeed remarkable. It awakened interest in small and medium enterprises, petty entrepreneurship and the new computerized technologies that could enable firms to compete successfully in segmented and uncertain world markets. When mixed with Becattini's reprise of the virtues of industrial districts, the scholarly literature ballooned. Researchers poured into the regions to discover their 'secret sauce', even as others took their measure of petty commodity production around the globe to discover whether these areas too had found a way to make money while remaining small. The emergence of regional science, the renewal of economic geography, the conceptual rediscovery of the category of 'small and medium enterprises' (SMEs) by international development agencies and the emphasis of the European Union on strengthening local development all contributed to copious energies devoted to uncovering or constructing a model that would help the Third Italy grow in Italy and in other regions around the world (Isard 2003; Granovetter 1984; Storper and Scott 1992; Holmes 2000).

In Italy, the stress on the cooperation between workers and their bosses in the Third Italy, importantly without union intervention for those who wished for a non-union world, soon attracted special interest. The Third Italy discovery of 'functional familism' also began to repair the wounds that Edward Banfield in *The Moral Basis of a Backward Society* (1958) had famously inflicted on Italians for prizing family interests over social interest, which were subsequently re-inflicted by Robert Putnam (1993), who had elevated social trust, a virtue seen as the essential glue to post-war success, and had claimed that trust declined the further down the Italian peninsula one went. Thus, the Third Italy, which had shared the ancestral experience of local self-government, in obvious contrast to the south that Banfield thirty-odd years before had blamed for its backwardness, shined as an exemplar of how forms of interclass and inter-caste trust had survived and contributed to economic success. The rediscovery of trust in the Third Italy floated many boats, including those that had objected to Banfield in the first place, and those that believed that the Italian south had been wrongly stigmatized by the American analyses (Trigilia 2012).

The central and north-east regions heavily promoted their small and medium-sized industries. The European Union refusal to countenance further direct government aid to industries in the Italian south provided an opening for Third Italy politicians in Rome to redirect EU and Italian funds to support their regions' economic development. The Italian parliament appropriated funds in 1992, 1995 and 1996, providing each region with an amount based upon population size and various development variables for regional economic development. Nimble regions, mostly those located in the Third Italy, generated hundreds of projects, and the funds disbursed easily exceeded those that found their way to the south. The shift of southern development support to the centre and northern regions also reflected the

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growing political strength of northern separatist parties often entangled as allies in the various Berlusconi governments (Dunford and Greco 2006).

The Third Italy regions understood that the protean generation of entrepreneurs that had performed its economic miracles was passing away, and that the industries in which they were strong faced stiff competition in export markets from Asia. They were diligent, commissioning studies from local economists and sociologists and instituting study centres within their bureaucracies that boosted the quality and quantity of data available to policymakers, as well as policy advocates in the regional offices of the Camera di Commercio, the Confindustria and the cooperative and artisan associations. They subsidized local government efforts to encourage new industries with land and tax incentives. With EU funds, they provided seed money for small business development by young people, women and residents originally of foreign origin with 'innovative' ideas. New entrepreneurs and new industries, the latter mostly in services, were solutions designed to work around the old industry entrepreneurs and throw some money at the groups who had been economically marginalized in the first round of development.

THE MODEL IN ACTION

By 1980, every region of the Third Italy had bested the national average for personal income as a direct result of small-scale industrialization. By 1997, however, the north-east regions continued to thrive while the economies of the central regions, Emilia-Romagna, Toscana, Umbria and Marche, had stagnated. By 2020, in terms of GDP per capita, the configuration of two of the three Italies – the south remaining at the bottom of the wealth hierarchy among the twenty regions – had changed considerably. Liguria and Piedmont, conventionally considered part of the 'first Italy', had effectively dropped out of the wealthy club, while Emilia-Romagna and Trentino-Alto Adige had joined Lombardia at the top. The shifts occurred over the course of a general decline in the Italian economy, a trend that persisted after the worldwide recovery from the 2008 great recession. In eleven years, Italy, having exceeded the EU per capita GDP average at 106 per cent in 2010, dropped to 95 per cent of the EU mean by 2021. No region escaped this decline: some lost wealth but still met or exceeded the EU mean. Southern regions, however, slumped significantly, none surpassing 71 per cent of the EU mean by 2020; Calabria and Sicilia reached a little over half (Eurostat 2020; Brida et al. 2014; Blim and Valles Codina 2017).

The economic rearrangement of the Italies is no longer like Caesar's nifty Gallic three. The new drivers of the economy, designated here as the 'first' Italy, have shrunk, now consisting of the three regions of Lombardy, Emilia-Romagna and Trentino-Alto Adige, with perhaps Veneto as a cadet member. Their economies are responding to the by-now common global stimuli of finance, technological innovation, information and the production of luxury goods when possible. Their economic basis has also changed: the leaders are no longer all big or small firms, but a mix of the two. In Emilia-Romagna, for instance, big firms abound, either through direct investment in plants and equipment or via subsidiaries they have bought out from among local firms. The remaining regions of the Third Italy are slumping a bit southward, making common cause with Abruzzo while avoiding a tumble into the domain of the south. The plenitude of literature by now makes it plain that capital in a capital-scarce country is lacking, technological innovation is slow, managerial talents are minimal and a qualified labour force for breaching the barriers to innovation is lacking (Brioschi, Brioschi and Canelli 2002; Hadjimichalis 2006; Dunford and Greco 2006; Carabelli, Hirsch and Rabellotti 2009).

Researchers now often reckon on Four Italies, the fourth possibly consisting of the north-eastern regions of Veneto and Friuli-Giulia Venezia, once lumped together with the north-eastern region of Trentino-Alto Adige and the central regions of Emilia-Romagna, Toscana, Umbria, Marche and Lazio (Felice and Vasta 2015; Dunford and Greco 2006; Associazioni Cristiani Lavoratori Italiani 2017).

THE RHETORICS OF ITALIAN DEVELOPMENT AND A POLITICAL DEPARTURE

In Italy as elsewhere, more than one rhetoric controls the board of any set of social actions, and they are often proffered insistently and raised in public significance through persuasion. The regions, despite their arguably historically suspect status, became a fount of rhetoric devoted to political contestation and capture. The Third Italy, concept and reality, became a highly generative notion that highlighted the connections between petty capitalism past and present in a heretofore marginal swathe of the country, as well as helping to stake a claim to greater consideration in the political economy of the nation. The identification of the regional concentration of small and medium enterprises as instances of Marshall's concept of industrial districts rationalized, even legitimated their business activities within an acceptable economic theory. Together, with actors contriving to act in unison, a way of life was helped along.

Yet there was a snake in the garden. Regionalism, the post-war dream state of Communists and progressive Catholics of more direct democracy, combined with the belief in a more egalitarian economic order enabled by

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industrial districts throughout the centre and locally guided economies, was one potential outcome, but not the only outcome. An autonomist regional nationalism triggered by resentment of state redistribution of resources to other regions, perceived economic decline and fear of added local welfare burdens via immigration could – and did – arise. The Lega Nord, with its elective roots stretching back to 1983, became a national party in 1991 and a party of government with Berlusconi in 1994. It fashioned itself as the representative of the people that work, the support base for entrepreneurial Italy and the protector of Italian virtue in the face of what it claimed were the decadence of the south and the dangers of immigration. Its rhetoric consisted of 'beggar thy neighbour' on a grand scale, a call to eliminate state redistribution of revenues to the south and to end state interference with the affairs of business, particularly of the small, entrepreneurial character (Huysseune 2006; Zaslove 2011). It is one of the subnational autonomist movements that have emerged across Europe as a response to the growing power of the European Union and the subordination of nation states to the EU's will, which also includes obeying a mandate to pass more authority and monies down to the regions throughout Europe, something that the Lega, despite its originally anti-European views, conveniently overlooks (Holmes 2000; Berti and Sondel-Cedarmas 2022).

The rhetoric of the Lega, once northern nationalist, then regional autonomist and now nationalist in its project to save Italy, now proposes itself generally as the answer to diminished sovereignty, declining standards of living and the imagined threat of immigration to a properly Italian way of life. It advocates for lighter regulation and lower taxes for small and medium-size businesses, as well as a flat income tax for all citizens (Passarelli and Tuorto 2022). Voters throughout the Third Italy and its industrial districts in the 2018 political elections backed the Lega in unprecedented numbers. People throughout regions unconnected and uninvolved with northern strivings for autonomy, and many who on an interpersonal level found the Milanese and the German-speaking mountain populations among other northerners haughty and disdainful, voted for the Lega in significant numbers. Roughly 20 per cent of central region voters in 2018 chose the Lega, up from 1 percent in 2013. Among the electors in the north-eastern regions closer to the Lega's geographical base, the Lega scored between 19 per cent and 32 per cent of the vote, also a great improvement over their 2013 results (Albertazzi, Giovannini and Seddone 2018).

In the 2020 regional elections, the left, the Five Star Movement and Forza Italia were net losers; the Lega and Fratelli d'Italia were significant gainers across regions. Their gains were most notable in the 'old' Third Italy regions of Emilia-Romagna, Veneto, Toscana and Marche. In the Marche, a 'red' region since 1995, the two parties of the right polled 41 per cent and formed a government headed by a neofascist with the votes of Forza Italia. This followed the 2019 election in Umbria of a governor backed by the Lega (Vampa 2021).

The Fratelli d'Italia holds a position farther right than the Lega's and embraces its direct lineage to fascism without apology. The party head, Giorgia Meloni, shares many of the Lega's first premises, but is more strident in her disdain for sexual minorities (she wants a constitutional amendment banning gay marriage), her support for a Christian Europe (zero tolerance for immigrants often stereotyped as infidels) and for the rights of nations to ignore or modify EU policies (Hungary and Poland) (Barbero 2022). In April 2022, Fratelli d'Italia overtook the Partito Democratico as the largest political party in Italy; in the September 2022 general election it placed first with 26 per cent of the vote.

The shift to the political right in what might now be called the once and future Third Italy is synchronized with trends national and international now working their way through the world. Defensive localism and resentment towards state redistributive efforts sped along by economic unpredictability and decline, as well as increased economic inequality, are currently powerful and widespread social forces. This sort of hostility towards outsiders is indeed deeply ironic for a society where regions market themselves, to take a slogan from the region of Tocana, as 'beautiful everywhere', or in the words of Umbria, 'the green heart of Italy'. The province of Macerata in the Marche region fashions itself as a place of 'infinite beauty', an obvious reminder that it can claim Giacomo Leopardi, Italy's greatest romantic poet, for its own. However, the province is also the place where a neofascist sporting an Italian flag and giving the fascist salute upon arrest gunned down six African immigrants while racing his Alfa Romeo through the streets of the Macerata city centre in 2018 (Povoledo 2018).

Selling beauty is hard, even in less defensive and uncertain times than these. Italy is the fifth most popular world tourism destination, and visitors in the pre-pandemic year of 2019 numbered 65 million. Regions blessed with beauty and burdened with industrial decline have latched on to tourism as the new economic engine that could facilitate their transition to postindustrial service economies. The problem with tourism is obviously not numbers; it is remunerative occupations. The Italian tourism industry employed 2.7 million people in 2022, which amounts to 12 per cent of total employment (Statista, 2024; ISTAT 2023). These workers in 2022 made 65 per cent of the average Italian hourly wage, the latter itself so low that it only meets the EU average if all members including from Eastern Europe and the Balkans are added (Statista 2023; Trading Economics 2024). The state and the regions have tried to raise the value added by tourism with the hope that higher wages will trickle down to workers. High net worth foreign nationals

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have been encouraged to buy rural housing and estates, develop agribusinesses in commodities such as wine and operate spacious rural properties with farmland attached that are grouped as *agriturismo*, agricultural tourism, an experience for the tourist that mixes the great rural outdoors with adventures in tasting local food and recipes. Subsidies were offered to start-ups, and after an uncoordinated twenty-year effort, there are a goodly number – twenty thousand establishments hosted three million guests in 2021 (Statista 2023a, 2023b). The future of tourism as an adequate replacement for manufacturing is as yet unclear.

THE 'COSTS' OF RHETORIC: A CONCLUSION

Words do have consequences, and the concepts we lift up with them do too. Put together in a discourse of persuasion, they affect what people think and do. In the case of the modern economic development of Italy, its miracle years and the subsequent bumpy ride precipitated a flood of words, concepts and statistics, all of which traded on the underlying success of its people in creating goods and services that brought forth a better life. Astute agents ranging from entrepreneurs and trade associations to academics and government officials at all levels, though especially at the regional level for our purposes here, shaped a robust discourse supporting the virtues of local economic development via industrial districts while simultaneously seeking government aid for their growth. Though the rhetorical project succeeded, and government monies flowed into the districts, it was not entirely successful in convincing owners and workers in the districts to upgrade and in effect to transform their labours from hardscrabble to handsome, internationally competitive firms. The regional solidarity rhetoric praised the model while disguising serious shortcomings in many local economies throughout the regions.

The rhetoric highlighting the Third Italy was perhaps the most ambitious and successfully presented after the prior developmental focus on the Cassa per il Mezzogiorno. The Third Italy project in part redirected Italy's regional economic attentions away from the south, an outcome unwarranted by the facts. Since the global crisis of 1974, the south has reported little or no growth and has dropped further behind the rest of Italy in GDP per capita and personal income (Papagni et al. 2021). It suffers from poor public healthcare, lower education attainment levels and continued out-migration north and abroad (Associazioni Cristiani Lavoratori Italiani 2017). In contrast with the industrious, 'small but beautiful' Third Italy, the south is yesterday's news. Its limited growth, based upon big, lumbering heavy-industrial complexes and the subsequently shopworn theory of 'development poles', has disenchanted planners, politicians and academics. They have half-heartedly advocated small business development, the 'Third Italianization' of the south (Iuzzolino et al. 2013).

The regional economic development project and its praise of petty entrepreneurship (and union-less worker compliance) dovetailed nicely with a justification for the neglect of the dire conditions of the south. First, the newly empowered and richer regions outside the south have camouflaged their 'beggar thy neighbour' stance with the Bunyanesque aphorism of 'every tub on its own bottom', that is, their contention that it is right and proper for each region to support its own economies to the exclusion of supplying funds for others through taxes. Second, Italy's national economic troubles have encouraged reactionary political forces in the north and centre to advance arguments for decoupling, in effect, their regions from the state and from the regulatory reach of the European Union. Their constituencies want less and fewer taxes, an end to income subsidies for the unemployed and underemployed, and a strong central state for only one reason: to stop immigration (Huysseune 2006; Jansen 2017; Zaslove 2011; Hadjimichalis 2018).

Rhetorics and the projects to which they are attached come and go, often becoming untethered from the material reality from which they arose and exposed by their mismatch with the facts. And any post hoc analysis risks becoming as dated as the rhetorics themselves. So, with a touch of irony, it can be reported that according to the bank Intesa Sanpaolo, which monitors district economic activity, 98 out of 158 industrial districts that the bank follows had, with a bit of help from inflation, returned to their pre-COVID 2019 sales levels by the end of the third quarter of 2021 (Intesa Sanpaolo 2022). Have we here a cup two-thirds full, and a model partially redeemed? Hard to say, but its rhetorical costs cannot be deduced from the regional economies' bottom line. For all the good that the Third Italy did for many of Italy's citizens, it also encouraged a careless disregard for those who did not reap its benefits, and its celebratory rhetoric became a justification for a rejection of national responsibility for the country's problems, which dwell in the Third Italian regions as well.

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