

# **After the Three Italies**

## **Wealth, Inequality and Industrial Change**

**Michael Dunford and Lidia Greco**



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## After the Three Italies

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## Dedication

*For Lotte and Robin (Michael Dunford)*

*To my return to Italy (Lidia Greco)*





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# Series Editors' Preface

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The RGS/IBG Book series publishes the highest quality of research and scholarship across the broad disciplinary spectrum of geography. Addressing the vibrant agenda of theoretical debates and issues that characterise the contemporary discipline, contributions will provide a synthesis of research, teaching, theory and practice that both reflects and stimulates cutting edge research. The Series seeks to engage an international readership through the provision of scholarly, vivid and accessible texts.

Nick Henry and Jon Sadler  
RGS-IBG Book Series Editors.

## Preface and Acknowledgements

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This book is one of the results of a research project (L213252028) funded by the UK Economic and Social Research Council under its 'One Europe or Several?' programme. The project was entitled Regional Economic Performance, Governance and Cohesion in an Enlarged Europe. The aim of the project was to discover whether, as EU integration and enlargement moved ahead, Europe's regional economies were moving closer together, or whether new geographical differences and inequalities were being created. To this end the research concentrated on developed and less-developed areas in four countries: England, Italy, Poland and Slovakia. Aggregate data on the performance of regional economies were collected in each country. A plant-level survey of 482 establishments was also completed, as were 165 interviews with firms and regional development institutions.

The research profited greatly from the support of the Programme Director, Helen Wallace (European University Institute, Florence), the contributions of the main researchers, Jane Hardy (University of Hertfordshire), Ray Hudson (University of Durham), Al Rainnie (Monash University), David Sadler (University of Liverpool) and Adrian Smith (Queen Mary, University of London), and the energy and enthusiasm of two research fellows, Alex Bolland and Brian Haywood (University of Sussex). As far as the Italian research was concerned, a major contribution was made by Ray Hudson who took part in the Italian field work and whose reflections helped shape this volume. In Italy, Gioacchino Garofoli (Università degli Studi dell'Insubria), Anna Giunta and Flavia Martinelli (Università della Calabria), Alfredo del Monte (Università di Napoli Federico II) and Vittorio Nicolardi (Università degli Studi di Bari) made helpful and sometimes vital contributions. A number of other people played helpful roles in setting up and carrying out surveys and interviews: Emanuela Altomare,

Cesare Benzi, Matteo Boemi, Oronzo Catucci, Lesley Dinnen, Fabrizio Guzzo, Caterina Marini, Alessandro Muscio, Michele Santangelo and Vincenzo Sileo.

The idea of writing this particular book emerged in the final year of the project. At that time Lidia Greco took part in some of the interviews in southern Italy, and the two authors co-drafted a report on the Italian research for the End of Project Workshop held in Sussex in April 2002. At the same time both authors had worked for more than a decade on aspects of Italian regional and urban development and shared a concern about the adequacy of the perspectives and interpretations that dominated much of the international literature.

The aims of this volume are threefold. The first is to provide an updated picture of Italy's regional inequalities and to develop more generally applicable methods for documenting and analyzing them. To this end Italy's economic performance, its recent development relative to other European countries and the rest of the world, its internal differentiation and its persistent regional inequalities are all analyzed. The second is to examine the changing territorial division of labour in a number of economic sectors. A disaggregation of trends in regional development permits the identification of the contribution to regional performance of firm performance, which is itself examined in the light of corporate strategies that unfold in the context of wider product and value chains. The third is to help develop a critique of neoliberal theories of convergence and spatial development, to provide a new synthesis of theoretical ideas in economic geography, and to contribute to revitalized political economy approaches to territorial development.

As far as the examination of Italian regional inequality is concerned, it is important to recall that the overturning in the 1990s of the post-WWII political order, the restructuring of interest group representation, the implementation of a series of administrative and policy reforms and the process of European integration created hopes of more successful economic and political development. In the field of regional studies, the exceptional growth of industrial districts in the centre and northeast of the country, innovative regional policy reforms, which replaced the top-down approach of the previous 40 years with a more democratic and participative bottom-up approach, and the evidence of economic vitality in some parts of the south renewed the hope that Italy's deep-rooted regional divisions might diminish.

A careful analysis of quantitative and qualitative data suggests however a more qualified picture. Although territorial inequalities have started to diminish in the recent past, wide territorial inequalities remain. These inequalities are primarily macroterritorial and are determined by a divergence in employment rates rather than in productivity. The scale of

contemporary inequality is in part a consequence of the fact that in 1974–96 Italy experienced sharp increases in territorial inequality, reversing earlier processes of catch-up and convergence: the economics and politics of excellence rewarded and strengthened successful regional economies, while unsuccessful economies were weakened and discouraged, often on the grounds that the result would be a faster increase in aggregate wealth.

At the same time the Italian economy has lost momentum. Although Italy continues to occupy an important economic position vis-à-vis other advanced European countries, it confronts a number of serious challenges. Tight Euro-zone financial controls and strict constraints on macroeconomic management have constrained growth, while the end of currency devaluations relative to its European partners has exposed some of the structural weaknesses of Italy's economic apparatus. At present, profitability and growth are suffering from the country's specialization in traditional sectors and its dependence on slow-growing markets.

What this analysis of regional inequality and economic performance highlights is the existence of a wide range of regional trajectories on the one hand and the interdependence and unevenness of Italy's economic geography on the other. In much of the recent geographical literature, however, these central features of Italy's economic geography are frequently overlooked and are no longer considered as something requiring explanation. Often this literature is characterized by region-centred approaches and a concern with what happens inside regional economies. Consequently, little attention is paid to the study of unequal economic development, socioeconomic inequalities and the role of power relations in shaping the space economy. Instead, accounts of the Third Italy, and also of the development of southern districts, addressed just one aspect of the structure and development of the space economy. Additionally, some of this literature implicitly assumes that areas that are more developed offer role models for areas that are less developed. A similar idea is an explicit aspect of neoclassical convergence models. As these models, with their expectations of catch-up, prevailed until recently, the economic literature also was difficult to reconcile with the reality of widening inequalities.

The existence of these gaps between models/theories and reality suggests that there is a need for a more systematic account of regional inequalities that considers the relationships between development and underdevelopment. If development and underdevelopment are interconnected, it follows that, instead of a single pathway of modernization and development, there are multiple pathways, and that, alongside mechanisms that equalize development, there are mechanisms that make it more unequal. More radical versions of this thesis suggest that, in capitalist societies, development and underdevelopment are two sides of the same coin. An implication of these

ideas is that the central object of analysis should be the shifting map of areal differentiation and the shifting mosaic of uneven development.

In this volume, the analysis of regional inequality accordingly opens the way to the elaboration of a more comprehensive approach to regional economic development. To this end elements of different theoretical approaches are synthesized into an alternative and new conceptual framework. The aim is to disclose the nature of variations in regional development as the outcome of complex and geographically differentiated political and economic processes.

More specifically, the framework seeks to identify the connections between comparative regional development, the underlying territorial division of labour and the mechanisms that shape it. The idea is that one can connect the changing trajectories of Italy's regional economies and the associated changes in inequality with the changing position of Italian enterprises in European and international divisions of labour, and that one can combine quantitative evidence of regional performance with quantitative and qualitative evidence of firm performance and industrial change.

In the perspective that we suggest, the profit-seeking firm is the central economic actor in the explanation of industrial change. Nonetheless, the firms' external environments and their network relations with other firms are also considered. Networks exist at a regional level. In contrast to the new regionalism, however, more attention is paid to interregional relationships and international networks. In addition, whilst acknowledging the fundamental profit-seeking nature of enterprises, the approach adopted recognizes that institutional variables, primarily the institutional environment in which companies operate, affect corporate economic performance. This institutional environment comprises not just other firms but also a set of institutional, political and cultural conditions.

To summarize, this volume offers, first, an analysis of regional performance. In seeing regional performance as the outcome of the shifting relative weight of centrifugal (equalizing) and centripetal (unequalizing) forces, it provides an alternative to standard theories of catch-up. Second, it examines the role of firm performance in shaping regional performance. In doing so, it examines some of the micro-foundations of regional performance. Third, it centres explanations of the geography of industrial change on an analysis of profit-seeking in the context of wider value chains and institutional configurations. In doing so, it aims to insert a recognition of the role of profit-seeking into a theory of corporate conduct that is less rudimentary than those of mainstream economics.

As with any joint work, there was a division of labour in the preparation of this volume. Michael Dunford was primarily responsible for chapters 2–4 and 6–8. Lidia Greco was primarily responsible for chapters 5 and

most of 9. The conclusion and this preface were jointly written. All the chapters were discussed together and developed or edited in the light of these discussions.

The authors wish to thank a number of people who played important roles in the preparation and publication of this volume. Franco Chiarello, Nick Henry, Ray Hudson, Benito Giordano, Roger Lee, Diane Perrons, Francesco Prota and three anonymous referees provided valuable comments on the script and/or were involved in helpful discussions of different parts of this work. Hazel Lintott (University of Sussex) drew many of the illustrations. Debbie Seymour carefully copyedited the script, while Angela Cohen and Jacqueline Scott saw the book through its various stages of production. The authors owe, finally, a special debt of gratitude to Ray Hudson for his role in initiating the collaboration that made this book possible.



# Abbreviations

---

ASI	Area di Sviluppo Industriale (Industrial Development Area)
CEEC	Central and Eastern European Countries
CGIL	Confederazione Generale Italiana del Lavoro (General Confederation of Italian Workers)
CIG	Cassa Integrazione Guadagni (Temporary Layoff Wage Compensation Fund)
CIGS	Cassa Integrazione Guadagni Straordinaria (Special Layoff Wage Compensation Fund)
CIPE	Comitato Interministeriale per la Programmazione Economica (Interministerial Committee for Economic Planning)
CIPI	Comitato Interministeriale per la Programmazione Industriale (Interministerial Committee for Industrial Planning)
CNA	Confederazione Nazionale Artigiani (National Craft Confederation)
CSF	Community Support Framework
CSI	Consorzio di Sviluppo Industriale (Agency for Industrial Development)
CISI	Centro Integrato per lo Sviluppo dell'Imprenditorialità (Integrated Entrepreneurship Development Centre)
CISL	Confederazione Italiana Sindacati dei Lavoratori (Italian Confederation of Workers' Unions)
DC	Democrazia Cristiana (Christian Democratic Party)
DS	Democratici di Sinistra (Left Wing Democrats)
DIA	Direzione Investigativa Antimafia (Central Anti-Mafia Investigation Agency)

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DPS	Dipartimento per le Politiche di Sviluppo e Coesione (Treasury Department for Development and Cohesion Policies)
EC	European Community
ECE	Eastern and Central Europe
ECSC	European Coal and Steel Community
EDF	Electricité de France
EEA	European Economic Area
EFTA	European Free Trade Association
EI	Intervento Straordinario (Extraordinary Intervention)
ENI	Ente Nazionale Idrocarburi (National Hydrocarbons Agency)
ESF	European Social Fund
EU	European Union
EU15	First 15 European Union Member States
EVC	European Vinyls Corporation
FDI	Foreign direct investment
FDY	Fully drawn yarn
FI	Forza Italia (Go-Ahead Italy)
FIAT	Fabbrica Italiana Automobili Torino
FIM	Federazione Italiana Metalmeccanici (Italian Metal-Mechanical Workers' Federation)
FIOM	Federazione Italiana Operai Metalmeccanici (Italian Federation of Metalworkers)
FISMIC	Federazione Italiana Sindacati Metalmeccanici ed Industrie Collegate (Italian Federation of Unions for Metal-Mechanical and Related Industries)
FOY	Fully oriented yarn
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GEPI	Società di Gestione delle Partecipazioni Industriali (Agency for the Management of Industrial Shareholdings)
GRP	Gross Regional Product
GSP	Generalised System of Preferences
ICE	Istituto Commercio Estero (Institute for Foreign Trade)
IMI	Istituto Mobiliare Italiano (Italian Institute for Short-Term Credit)
INPS	Istituto Nazionale di Previdenza Sociale (National Social Security Agency)
IRI	Istituto per la Ricostruzione Industriale (Institute for Industrial Reconstruction)

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ISTAT	Istituto Centrale di Statistica (Central Statistical Office)
LN	Lega Nord (Northern League)
MAP	Mobilità di Accompagnamento alla Pensione (early retirement mobility allowances applicable to employees who would otherwise be eligible to receive a pension within a maximum of three to four years)
MDI	Diphenylmethane di-isocyanate
MSI	Movimento Sociale Italiano (Italian Social Movement)
NAFTA	North Atlantic Free Trade Agreement
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturer
OPEC	Organisation of Petroleum Exporting Countries
OPT	Outward processing traffic/trade
PDSI	Partito Social-Democratico Italiano (Italian Social Democratic Party)
PET	Polyethylene terephthalate
PIT	Progetti Integrati Territoriali (Integrated Territorial Projects)
PLI	Partito Liberale Italiano (Italian Liberal Party)
POR	Programma Operativo Regionale (Regional Operational Programme)
POY	Partially oriented yarn
PPS	Purchasing power standards
PP.SS.	Partecipazioni Statali (State Holding Companies)
PRI	Partito Repubblicano Italiano (Italian Republican Party)
PSI	Partito Socialista Italiano (Italian Socialist Party)
PTA	Purified terephthalic acid
PVC	Polyvinyl chloride
R&D	Research and development
SATA	Società Automobilistica Tecnologie Avanzate (Advanced Technology Automotive Company)
SEECs	South-East European Countries
SIR	Società Italiana Resine
SME	Small and medium-sized enterprise
SPI	Società per la Programmazione Industriale (Agency for Industrial Planning)

TDI	Toluene di-isocyanate
UGL	Unione Generale del Lavoro (General Union of Workers)
UIL	Unione Italiana Lavoratori (Union of Italian Workers)
UILM	Unione Italiana Lavoratori Metalmeccanici (Union of Italian Metal-Mechanical Workers)
UTE	Unità Tecnologica Elementare (Elementary Technological Unit)
VCM	Vinyl chloride monomer
WMAD	Weighted mean absolute deviation
WTO	World Trade Organisation
WWII	World War II

## Chapter One

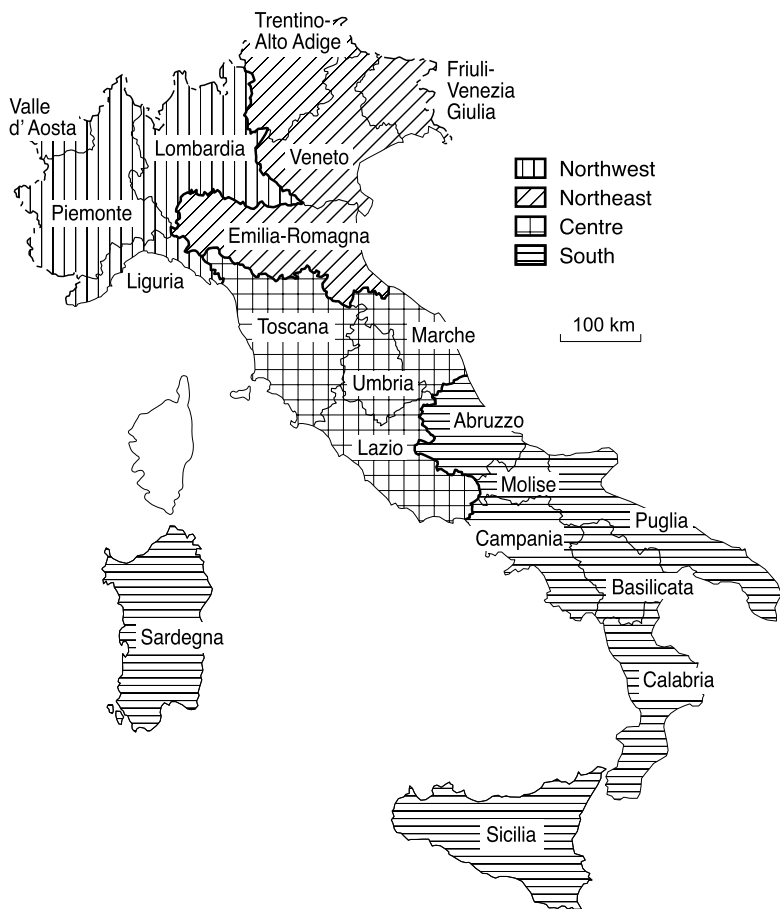
# Introduction: Growth, Inequality and the Territorial Division of Labour

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### Areal Differentiation and Development Models

Italy is a country with long-standing and deep-seated regional inequalities. Until the 1980s, most attention was paid to the development divide that separates the Mezzogiorno from the centre-north (Figure 1.1 noting that the Mezzogiorno comprises the southern regions of Abruzzo, Molise, Basilicata, Puglia, Campania, Calabria, Sicilia and Sardegna and, in some definitions, the south of Lazio and Figure 1.2 which identifies the underlying relief including the Alps in the north, the Po valley and the Appenine chain which stretches through the centre of Italy). Of course there are differences within each territorial entity no matter how small it is, and every place is ultimately unique. The reason for grouping places into regions and making generalizations about them is that, in spite of their differences, the places grouped together have certain characteristics in common. The areas comprising the Mezzogiorno, for example, all shared characteristics of economic backwardness, even if economic structures, the degree of backwardness and the particular causes of relative underdevelopment differed.

In 1977, the publication of Bagnasco's *Tre Italie (Three Italies)* resulted in a further distinction between the metropolitan economies of the northwest and the rest of the centre-north (centre-northeast). The northwest was made up of four regions: Piemonte, the Valle d'Aosta, Lombardia and Liguria. Centred on the three cities of Turin (Piemonte), Milan (Lombardia) and Genoa (Liguria) that comprise the apexes of Italy's industrial triangle, these areas were the heartland of Italy's largest industrial enterprises. The centre-northeast, or Third Italy, conversely was made up of regions that were more rural, whose leading urban centres were smaller and which were characterized by economies in which SMEs played a larger role (Trigilia, 1992; Garofoli, 1991; Becattini, 1990).



**Figure 1.1** Italy's territorial units and regions.

The distinction between the Three Italies is evident in Figure 1.3. This figure records demographic growth on the horizontal axis and manufacturing jobs per resident on the vertical axis for the Census years from 1951–2001 for ten groups of regions. The groups comprise regions with similar trajectories. All three metropolitan areas in the northwest (Piemonte, Lombardia and Liguria) started out with a large number of manufacturing jobs per resident. The centre-northeast had a moderate share, while the Mezzogiorno and Lazio had a small share. The metropolitan areas saw significant population growth until 1971 or 1981 but then decline set in. The areas of the Third Italy, conversely, saw very limited population growth but very strong increases in manufacturing jobs per resident. In the