

Augusto Graziani, *Mercato, struttura, conflitto. Scritti su economia italiana e Mezzogiorno*, ed. by A. Giannola, SVIMEZ, il Mulino, Bologna, 2020.

The seventieth anniversary of the “Cassa per il Mezzogiorno” foundation has sparked renewed interest in the problems of development in southern Italy. These problems have been aggravated by the pandemic, although the strategies set out in the Recovery Plan offer new opportunities in the context of an overall redefinition of the southern question. This discussion therefore comprises both past and present, an essential combination to devise lines of intervention to support the structural changes that need to be undertaken. This collection of 25 of Augusto Graziani’s essays, in three parts, edited by Adriano Giannola, fits into this context. Graziani was Professor of Political Economy and Economic Policy at the University of Catania, at Naples Federico II, and at Sapienza University in Rome and was one of the most renowned “Southernists” of the post-war era. In this volume, his writings have been ordered by Adriano Giannola, president of the Association for Industrial Development in Southern Italy (SVIMEZ). They reflect Graziani’s commitment to the analysis of southern Italian society and its connection with the evolving national framework. In this way, a scenario emerges in which the South is seen as the great unresolved issue for Italy. Giannola highlights this aspect in the introductory pages, observing that “Augusto Graziani’s analysis of the Italian economy is a treasure

of economic culture, rich in content, stimuli, bright provocations always illuminated by a solid system of ideas that is the result of tested yet updated thinking” (p. 16). Thus Graziani’s research combines two different aspects, only apparently alternatives one to the other. First, the “heroic stage” of Italian development, up to the country’s acquisition of the status of one of the world’s most advanced economies. Second, the persistence of unresolved problems, which have grown more complex over time and which concern a third of the country, by land area. These processes have unfolded in the context of an open economy, so that Italy has also been affected by competitive challenges – and opportunities – deriving from the international scenario. The policies for forced modernization in southern Italy can be read in this light. However, these theses were only partially accepted by economic theory; indeed they created harsh contrasts involving Graziani himself, in particular when these strategies were interpreted as a “source of distortion.”

The dualistic nature of the Italian economy emerges from Graziani’s very earliest writings. In the essay *The distances between the two Italies* (1960), it is evident that despite the massive public investment allocated in the first decade of the *Cassa per il Mezzogiorno*, “the gap between North and South has not narrowed, if anything it has slightly widened” (p. 51). The explanation lies in the capital-output ratio, given that investment in southern Italy is oriented towards agriculture and public works, while in the Center-North it is industry-directed. Yet this should not foster the notion that investments in southern Italy are unproductive: “Investments in land improvement and public works,” Graziani notes, “are an *obligatory step* for every country in the process of economic evolution” (p. 55).

But if this is a necessary step, it is still just the first step to development. Graziani staunchly supports this idea, as in his book *The turning point of industrialization* (1956), which focuses on post-war support for underdeveloped areas in Britain. In that case development policies were linked to industrialization, but the southern Italian scenario was quite

different: "There are no single depressed areas here, but a very wide region to revive" (p. 64). The industrialization issue became central in Graziani's thinking in the course of the controversy that saw him opposed to Vera Lutz in the early 1960s. In his article "Public works are not enough" (1961), while emphasizing the very positive results achieved in strengthening southern agriculture, Graziani formulated the thesis that development in the South was "a technical impossibility" and that the entire South could not "be saved" so the only solution was "to favour emigration" (pp. 91-92). Studying economic history, however, one can see how industry can sometimes produce an abrupt break with underdevelopment. Graziani pursued this project tenaciously. When, in the early 1960s, he sought to take stock of the first decade of "extraordinary intervention" in the South (*Development policy in Southern Italy: lessons from an experience*, 1963) he recognized that the development policies taking shape around the world in those decades had a lot to learn from the very dynamic Italian experience. The most important lesson was that government measures had to be framed in the broader national economic context: "An exclusively regional policy cannot achieve full effectiveness" (p. 142). He also pointed out that redistributive policies were not to be taken for granted except in phases of expansion. Territorial imbalances – as Graziani noted in *Dualism and economic development* in 1963 – are a typical feature of all rapidly developing economies. The only way to counter them is to promote capital accumulation: a process which in Graziani's view was taking place in Italy in those years, and whose final goal was "full employment in all sectors" (p. 160). The general tone of his books on the first phase of "extraordinary intervention" was, clearly, very optimistic, even though he was aware of a gap that remains unchanged to this day. The same optimism can be found in his contribution *The development of an open economy* (1969), which emphasized that openness to international demand, a fundamental factor in modernization, imparts dynamism to the industrial apparatus. However, it can also accentuate dualism between different productive sectors. From this point of view, economic

policies must be carefully designed to avoid distortions that could be reflected not only in production but also in consumption, with separation between luxury consumption and subsistence consumption. These issues were the main topic in the report *The South and the Italian economy in recent years*, presented at the conference of the Luigi Einaudi Foundation in Turin in the spring of 1967. On that occasion Graziani recalled how the South could be seen as the ultimate test bench for the whole Italian economy. Indeed “prolonged and efficient development” of the national economy could only be attained through a coordinated effort by the whole country to push industrialization in the South. These “efforts” were to become more intense between the end of the sixties and the start of the seventies. As Graziani noted in *The South in the Italian economic framework* (1979), it was in those years that industrial investments in Southern Italy shifted from complements to substitutes for those in the North. Yet the grave social problems have remained unchanged, first of all the tragedy of unemployment.

If on the one hand, the Mezzogiorno has seen the birth of a new industry and of unprecedented economic might, on the other it has retained its poverty, structural unemployment and dependence on the rest of Italy.

However, in Graziani’s view persistent unemployment in the South cannot be traced to mistaken economic policies: in fact, unemployment is worst in the areas where development investments have not been made. At the same time, it is quite clear that the economic effort was compromised by many distorting elements.

The Southern economy lives mostly thanks to transfers from other regions, mainly in the form of public funds, obviously under the control of the state bureaucracy, which in southern regions has acquired even greater power than it enjoys in other parts of the country (pp. 276-277).

Despite the many gains that Graziani clearly highlighted, the main problem remains unsolved: “That of setting in motion in southern regions an efficient and continuous development mechanism.” This in

turn determines “the lack of self-sufficiency of the southern regions” (p. 281), which constituted the focus of Graziani’s essay *The industrial development of the South: problems and prospects* (1973). However, he also pointed out that the problems did not justify any pessimistic tone, especially as regards economic planning, which remains the key tool for territorial equalization. This optimistic tone was abandoned, however, in the essay *Is it possible to relaunch the industrialization of the South?* (1997), published when organized crime and corruption were rampant. However, Graziani argued, to denounce these problems in gutter-press fashion meant adopting a “class-based and racist standpoint,” although of course he did not advocate denying “the existence of degradation” (p. 315). This degeneration was caused by the termination of industrialization and the explosive growth of subsidies, which have produced “a social structure that is ruptured, on the one hand, and now hostile to development” on the other (p. 331). Graziani focused on this shift in his essay *The Mezzogiorno and the Italian economy* (1989). In his analysis the change came between the seventies and the eighties, when owing to the decline in investment and the restructuring of industrial production, the flow of migrants from the South became dispensable for the industries of the North. Thus in southern Italy “a policy of subsidies took over in order to avoid a decline in income, due to the absence of new productive capacity” (p. 337). Another source of concern was the distribution of the population in the South itself, given the exodus from the countryside. “An uninterrupted increase in metropolitan areas” was under way, to the point that population was now largely urbanized, but without an industrial sector that could serve the demand for jobs. The consequence is the expansion of a service sector marked by precariousness and inefficiency: “There is every reason to consider the decline of industrial investment in the South as an economic problem of particular gravity” (p. 349). In other words we have “modernization without development,” whose symptom is the clear imbalance between public and private consumption, which yields a distorted image of the changes that have taken place in southern society.

Looking at private consumption alone (food, clothing, furniture, cars, etc.), the North-South gap would appear to be contained within reasonable limits. But it returns with full force if we consider public services. Public administration, school equipment, kindergartens, urban transport, hospitals and long-term care facilities are so many instances of public structures that display acceptable efficiency in the Center and the North and totally unsatisfactory in the South (p. 352-353).

The risks of an economy subsidized from the outside and the limits of modernization are recurring topics in Graziani's overall analysis of the "extraordinary intervention." While rejecting an all-encompassing analysis and acknowledging the progress made, his contribution *Subsidized economy and productive economy* (1984) warns of the diffusion in public opinion of the idea "of the South as a region dependent on the rest of the nation, an authentic ball and chain for the entire national economy" (p. 367). And as the century came to a close, the situation did not look as if new features were present, as Graziani himself had noted in his work about the development of organized crime. In his essay *The social bloc of the South* (1997) he went further, speaking of a "reflux of ideas" to the point of denying "the existence of a southern question" and proposing "instead of past interventions, specific sectoral and territorial measures" (p. 377). Yet the southern crisis was "becoming extremely serious," the most worrisome aspect being the fall in the number of workers in large industrial plants. What was gradually coming into being was *The country without smokestacks* (1998) which, after the end of the extraordinary intervention in 1992, had become "an immense degraded laboratory," because it was "in a subordinate position in the great hierarchy of world industry" (p. 387). This perspective, however, did not seem to worry the theorists of small business like Giacomo Becattini, whom Graziani criticized in his 1998 article *Focus on the South*. Becattini argued that the South was in an ideal position to "repeat, with some variations, the history of industrial development from many eras and many countries" (p. 392). Graziani differed, however, starting from a simple but essential point: "When un-

employment reigns, the art of getting by is born, and this alone can explain the high birth rate of small businesses in the South" (pp. 393-394). From his perspective, the crisis of the Bagnoli steel plant (*Italsider and the economy of Naples*, 1989) represented the epilogue of the dream of southern modernization, also "in terms of higher standards for public life, more efficient administration and progress in social services" (p. 404). The end of the century also represented an increasingly close encounter with the European context. On these aspects, Graziani firmly opposed policies whose only objective was to go along with current trends. The danger, as he noted in *The Economy of the South in the international context* (1999), is that between the Maastricht Treaty and the competitiveness constraints posed by the globalization of markets, "the industrial South is increasingly marginal" (p. 413): a territory whose industrial plants have no future vision and which fall into the "poor segments of processing" (p. 424). This situation has worsened since the advent of the euro (*The Euro: An Italian Perspective*, 2002). It was evident that "The European Monetary Union has destroyed all possibility of independent management of the national exchange rates of the participating countries" (p. 428). Money and the credit system are primary elements of Graziani's analysis of strategies to impart impetus and stability to a productive apparatus in the stages of formation and consolidation (*Money and economic process*).

This brings us to the last section of the volume, in which Graziani outlines profiles of various friends and colleagues with whom he worked in harmony or criticized in a frank and respectful way. This harmony is most clearly felt in the section dedicated to Manlio Rossi-Doria (*Economics and society in Rossi-Doria's thought*, 1989), especially in the thesis that "material progress is not necessarily accompanied by corresponding civil progress" (p. 479). In Pasquale Saraceno, he valued his moral integrity and the merit of having made Svimez not only an authoritative documentary center but also "an entry vehicle for foreign economic thought in Italy" (p. 506). Diverging opinions are found in his assessment of Giacomo Becattini: as regards Becattini's stress on

small businesses, Graziani feared that “together with the loss of large size, advances in industrial technology too will be lost” (p. 516). This is an element, actually, that involves the entire Italian industrial apparatus. Finally, even sharper differences can be seen in his essay on Vera Lutz, even though conflicting ideas did not prevent the rigorous and respectful analysis of her thought.

The overall picture underscores the importance of Augusto Graziani’s contribution to reflection on Southern Italian economic development. He was a man of his time, so inevitably some of his thinking is no longer applicable to today’s reality. But Graziani’s work remains valid in linking political economy to a project for transformation in the complicated situation of southern Italy. And it is exactly this aspect that is missing in today’s thinking about Southern development policy. From this perspective, the volume may serve to resuscitate the debate on the “southern question.” Above all, it escapes that sort of “presentism” that obliges one to simply accept reality as it is. This intellectual distancing springs from historical knowledge, as history is rich in transformations, unpredictability and passion. All these elements can lend new life to projects for change in the environments in which people conduct their lives.

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