

Issues in Regional Economics: The Economic Thought of Some Italian Authors of the Past

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1 Foreword

Discussion of territorial gaps is of special relevance in regional economics. This explains the stimulus to investigate and identify the economic factors which govern the spatial distribution of economic activity, the attention to the analysis of the processes of territorial development, and the commitment to propose adequate measures to resolve – or at least alleviate – existing difficulties.

In this context, research may focus on crucial issues such as price formation, the level of production, growth and economic development, the employment trend and the distribution of income. What emerges from analysis is the centrality of the choice of location of firms, the lack of homogeneity in the spatial distribution of productive activities, possibilities for the migration of manpower, and the emergence or intensification of territorial disparities. These are problems which signal – more or less evident – differences in income or employment. Observed already in the distant past, these problems exist in many economies, whatever their stage of economic transformation.

In this view, it is interesting to examine specific situations. In order to attempt to formulate interpretations, with the aim of proposing possible solutions. As D'Alauro (1975) points out, albeit in a brief survey, most interpretations of regional theories can be extended to groups of several

regions, to state-regions and to regions which are representative of states. Nevertheless, some approaches adapt better than others to the critical interpretation of given situations (such as backward areas), or offer a more incisive analysis of the evolutionary process which affects the whole system, while providing potential explanatory links.

The region, conceived in its literal sense as a territory in which an organic bond exists between the community and the natural environment, may also be perceived – though inaccurately – as an area which, in a certain sense, stands out from the rest of the territory. However, the concept of region is analysed first according to a general scientific paradigm, and only subsequently according to an economic disciplinary paradigm. It cannot evade the influence of social context, so it is essential to view, within the particular historical setting, both the evolution of analytical study and the development of society.

The conjunction between scientific investigation and the remarkable interest in the environment in which we live was perceived strictly by Italian authors of the past, even the distant past: in this sense they differ from their more accredited British colleagues. In effect, the contributions produced during the ‘golden age’ of Italian economics¹ are significant, and demonstrate an explicit tendency to indicate paths designed to alleviate local problems. Thus contributions emerged from three Italian Schools of thought: the Scuola Toscana, the Scuola Lombardo-Veneta and the Scuola Napolitana. Those from the Scuola Napolitana are particularly worthy of further examination. In view of the ideas they expressed and their interesting projections on the territory. Here, however, we limit ourselves to the significant contribution of Genovesi.

In economic gaps, the qualitative element most responsible for territorial disparities is the efficacy of production. In this context, there is an immediate reference to the theory of comparative costs of Ricardo (1817), in which specialisation is fundamental. The efficacy of production is generally related to the elements which characterise the economy: natural resources, climate, and type of labour force.

However, by limiting commercial relations between countries (areas) only to the moment when gaps arise, this approach leaves a considerable operational void. It can nevertheless be salvaged by restoring relations which encompass every phase of international or interregional trade: from vertical to horizontal, following the distinct modalities in which the various types of trade progress in a complementary fashion, and result in well-defined productive facilities. Fanno’s dynamic version of the theory of

¹ See Bousquet (1960, *Deuxième Partie*); Griziotti Kretschmann (1954, Chaps. XIX and XX) and Molesti (1966, Chap. I; 2003, pp. 11–32).

comparative costs extends this approach, and is capable of following, over time and in space, the evolutionary process which, through trade, creates a strict interdependence between areas at differing stages of development.

On the other hand, the phenomenon of dualism within national borders generated unique forms of analysis. So Italy's 'Southern Problem', despite arousing considerable interest as early as the end of the nineteenth century and the first decade of the twentieth, regained particular vigour after the Second World War, becoming the focus of even greater attention after the fall of the Berlin Wall.² The differences which emerged forcefully at the time of the unification of Italy, and exploded after 1950, signalled a remarkable, enduring disparity between advanced and backward areas, to the extent that this situation came to be known universally as 'the Italian regional gap'.

In this paper we intend to examine the economic thought of a number of Italian scholars whose contributions, despite originating in distinct historical periods, testify to the value of approaches which are sensitive to local situations, and reveal the scholars' tenacity in seeking feasible proposals. Firstly we focus our attention on the general issues facing a state-region; subsequently we examine the critical elements concerning relations between different economic systems (regions). Finally, we concentrate our analysis on disparities within the same economy.

The underlying message intends to stir consciences, so that measures directed at the depressed areas are effectively capable of producing a recovery in output and employment. The strategies, in the form of adequate support upon which to base the driving force of economic dynamics, should thus aim to eliminate existing differences. Therefore measures must prevent further deterioration in existing imbalances present in backward regions, remove any potential obstacles to clear-sighted intervention by the central authorities, while maintaining the overriding objective of abolishing all forms of waste.

2 Antonio Genovesi's Contribution: Recommendations for the Promotion of Local Development

The spread of the Enlightenment, the decline of mercantilist ideas and the rise of Physiocracy characterised the mid-eighteenth century, a time when complex theoretical approaches were forming and developing, leading to

² It was precisely German reunification which refocused attention on dualistic economies. See Nardi Spiller and Pizzini (2003).

the identification of the Italian Schools of Thought: the Scuola Napoletana, Scuola Toscana and Scuola Lombardo-Veneta.³

The crucial element which linked all the Schools was their analysis of the relevant regional situation. Indeed, each scholar investigated the economic conditions of his own region, proposing structural improvements and socio-economic reforms, as well as offering original theoretical explanations; not infrequently, these were the precursors of the analyses conducted later by the Classical and Neo-Classical Schools.

The dramatic regional situation afflicting the Kingdom of Naples in particular stirred consciences and urged more sensitive souls to try to identify a solution.⁴ The Scuola Napoletana stood out in particular for the originality of its contributions, which drew attention to aspects of disconcerting topical relevance. In this paper we refer specifically to the work of Antonio Genovesi,⁵ a distinguished proponent of this current of thought, precisely because of the references of a regional character which emerge from his work. His theoretical and applied work proved wide-ranging and of fundamental importance; thanks to the depth of his knowledge and his extensive language skills,⁶ he was able to investigate the work of a wealth of scholars.

In the Italian Mezzogiorno between 1749 and 1789, the regional situation was dramatic: agriculture was in a deplorable state, credit was in short supply, and commercial movements were scarce. Vast dominions belonged to large landowners or to the Church. Manufacturing was floundering, and trade was slack. The price of wheat was controlled and the wages of agricultural workers were below subsistence level.

In this desolating situation, Genovesi championed radical reforms, endeavouring to rouse the interest of the people in the economic and political

³ The features common to the writings of authors from these Schools are their special attention to local situations, and the promotion of agriculture to stimulate collective wealth. Furthermore, they showed special interest in the running of public administration, with the aim of achieving more efficient operating results. The Scuola Napoletana included scholars like Genovesi, Filangieri, Galiani, Palmieri and Fuoco. From the Scuola Toscana, the approach of Bandini stands out in particular, and from the Scuola Lombardo-Veneta the contributions of Beccaria, Verri and Ortes. We have already discussed these authors in Nardi Spiller (1991, 2001, 2005).

⁴ See De Luca (1968) and Massafara (1984).

⁵ Antonio Genovesi (Castiglione, Salerno 1713 – Napoli 1769) was ordained in 1737. A pupil of Giambattista Vico, after teaching Metaphysics at the University of Naples, he took the chair of Commerce and Mechanics, the first chair in Economics in Europe, instituted and funded by the Tuscan Bartolomeo Intieri.

⁶ He was an expert on the Greek and Latin authors, as well as Esprit, Jarrich, Montesquieu, Hobbes, Hume, Law and Shaftesbury and others. On Genovesi's thought see Nardi Spiller (2001, 2006).

problems. By virtue of his specialist training, he perceived the need to ground his analysis on the data and information available, in the light of physical and historical events. Hence he took an organic approach, which was corroborated by evidence. It reflected regional experience, was backed up by quantitative data on the physical resources and the principal economic indicators, and was evaluated in the light of the socio-political situation.⁷

In his analysis, Genovesi went as far as to postulate two separate stages of development. In the first stage, a country can emerge from poverty thanks to improvements in agriculture, due to subsequent population growth.⁸ In the second, more advanced stage, social wellbeing and economic force, which can be achieved even on an international scale, are made possible by the increase in manufacturing as a 'second source of a nation's comforts and powers' and the flourishing of trade, the 'third source' of wellbeing.⁹

In effect, although Genovesi deemed the population to be the power and the principal wealth of an economy, he linked the demographic trend to the capacity to support households of the productive activities responsible for generating wealth. Therefore the population level was strictly related to the quantity of land available for agriculture, and the dynamics of manufacturing and commercial activities, which needed to grow in synergy.¹⁰

In Genovesi's vision, given the considerable problems experienced by agriculture, the development of manufacturing¹¹ could represent a valuable source of wealth. It is however a bidirectional relationship: just as flourishing agricultural activity could lead to a prosperous manufacturing sector, so the decline of manufacturing activity could bring down agriculture with it and suppress population growth. Indeed, it is thanks to an industrious manufacturing sector that an economy is able to satisfy the needs of the

⁷ See Pii (1979, pp. 334–343), who emphasises the influence of Montesquieu on the Neapolitan author. On the organic approach of eighteenth century Italian authors see Molesti (2006).

⁸ In this contest, Genovesi went beyond the pessimistic Malthusian vision since, generally speaking, he did not fear population growth. In fact, countries with colonies and those surrounded by sea had nothing to fear, since the former could fall back on colonisation and the latter could encourage navigation and trade. Only states which did not possess colonies, or which were not surrounded by sea needed to take preventive action (such as celibacy) or repressive action (such as wars) to balance production with the potential food supply. For further analysis see Genovesi (1766, Tomo X, p. 128).

⁹ Cf. Genovesi (1766, Tomo X, pp. 30–44).

¹⁰ Cf. Genovesi (1766, Tomo X, p. 75).

¹¹ Cf. Genovesi (1766, Tomo X, p. 79).

community,¹² permitting growth and a consequent increase in the demand for raw materials and food.¹³

Genovesi's vision of luxury is of singular importance. Despite condemning exorbitant luxury, Genovesi did not consider it an inhibiting factor per se. Indeed he perceived luxury as a potential means by which to multiply states of dissatisfaction and to encourage progress, provided that such progress were fuelled by domestic production, otherwise it would result in dangerous outflows of currency – benefiting only other economies. This embryonic idea led to the Keynesian principle of effective demand. Conversely, Genovesi was distressed by waste, which he considered a path towards further vices.¹⁴

Trade, analysed in its various forms and through its various channels of distribution, captured Genovesi's attention in so far as it represented as a route towards territorial expansion. Indeed, he believed that commercial movements should not be obstructed, and that the state should only regulate tariffs and customs duties.¹⁵ On the domestic market, when barriers have fallen, trade relations are free to develop and become organized. Already in this vision there is evidence of careful consideration of local development.

If Genovesi was substantially a mercantilist and protectionist in terms of manufacturing – he considered it impossible to preserve and consolidate manufacturing without adequate tariff protection¹⁶ – he was a free trader in agriculture. On the other hand, the problem of food production, which was so alarming at that time in the south of Italy, should not be restricted. He effectively distanced himself from the most orthodox forms of mercantilism,¹⁷ observing that a state may be content not only with limited riches of gold and silver and gems, but also with nothing (Genovesi 1766, *Opuscoli*, Tomo IX, *Ragionamenti intorno all'uso delle grandi ricchezze per riguardo all'umana felicità*, p. 267).

Genovesi considered a negative trade balance to be detrimental, and believed that every nation should depend as little as possible on others. He explicitly urged nations to develop manufacturing activities using raw

¹² The distinction made by Genovesi includes primary needs, comforts, secondary needs and finally pleasures. To each type of satisfaction corresponds a type of art: the primitive arts, the art of comfort and the art of luxury. See Genovesi (1765, Tomo VIII, Chap. I, pp. 270–274).

¹³ Cf. Genovesi (1766, p. 89).

¹⁴ See Genovesi (1765, Tomo VII, Chap. X, pp. 222–273) and Genovesi (1766, pp. 129–130).

¹⁵ On trade in particular see Genovesi (1766, pp. 44 ff.); Genovesi (1765, Tomo VII, Chap. XIII, p. 322).

¹⁶ Cf. Genovesi (1766, p. 83).

¹⁷ As Fusco very rightly points out, (1988, pp. 615–616), Genovesi's scheme goes back to the 'new mercantilism', since the vision is mainly projected on the Neapolitan situation.

materials of which the territory had an abundant supply, and to sell the products where there was a shortage, or where the supply of raw materials was insufficient to allow manufacturing.¹⁸ From these considerations emerged the pivotal argument underlying the theory of comparative costs, later revised by Fanno as we analyse below.

Genovesi viewed the labour force, which originates from the population, as the powerhouse of the economy. Man has a natural bent for hard work and sacrifice, which induces him to work in order to survive. Hence work should first be defined in a moral rather than in an economic sense.

Genovesi was particularly attentive to the problems afflicting his region on a daily basis, and was fully aware that only by elevating the individual would it be possible to face and even overcome crucial difficulties. In fact, he was conscious that culture is the vital instrument with which to civilize peoples: his vision was a precursor to Romagnosi's approach (1832): not only had Genovesi already perceived as much in his 'threefold perfection' (moral, economic and political), culture also became the essential condition for attaining ever higher levels of global economic development.

In his various writings, Genovesi underlined the role of learning, long before the widespread recognition of the need for public education programmes in national orders, of which the prime objective was the achievement of progress and the happiness of the people. Identification of the role of culture as a driving force behind economic development was undoubtedly significant, and even more so in the light of the subdued interest in the theme demonstrated by the relevant institutions even in later times.¹⁹ Nevertheless, it was necessary for knowledge (Genovesi entrusted education even to the laity), or what in modern terms we would define 'training human capital',²⁰ to go hand in hand with the sound acquisition of ethical principles.

In Genovesi's vision, the civilizing of the people brought an improvement in economic conditions, hard work being the fruit of a 'civil and domestic education', to which the apparatus of government and the family contributed. Indeed Genovesi considered that the difference between a barbarian and a civil society lay in the ignorance of the former and the

¹⁸ On this point cf. Genovesi (1766, p. 79).

¹⁹ On the importance of education cf. Genovesi (1765, Tomo VII, Chap. VI, pp. 160–169; 1766, pp. 231–304).

²⁰ With specific reference to the contribution of Genovesi, Perrotta (1995, p. 89) underlines how, in the Neapolitan author's vision, by linking the evolution of social consumption with that of social work, the two processes become interdependent. The interpretation of economic progress as a driving force of civil progress, with a reciprocal relationship of cause and reinforcement, which leads us to identify accumulation in the growth of human social capital, follows on from here.

knowledge of the latter. An ignorant people was at the mercy of its own needs, while amongst knowledgeable people, use of intellect and 'human brains' became an invaluable device for higher quality and better organised work.²¹

In order to ensure a more reliable model, competences were to be certified by particular Schools which attested to the unique knowledge of the acquired 'art'. Here we can infer a close relationship between vocational training and the territory. Genovesi's combination of education and vocational training demonstrates how the two are strictly complementary: man not only becomes the vehicle for development, but may also be conditioned by development itself.

3 Fanno's Analysis of Potential Comparative Advantage

Trade, a central issue in the question of development, concerns both theoretical and practical aspects. International relations, as well as determining flows of goods and capital, and promoting international investment, could also be a suitable way to mitigate population growth through emigration. In past experience, colonisation represented a potential outlet for rising demographic pressure, as Genovesi, Ortes and Verri observe. After all, economies could have traded excess factors of production with those in short supply: however due to inherent difficulties at that time, this was not feasible, so it was more immediate to contemplate the exchange of goods.

In effect, a function of international trade is to restore equilibrium in the distribution of factors of production, so that each area is endowed with the combination of factors corresponding to its stage of development. Here, the theory of comparative costs demonstrates its validity when the availability of factors in varying proportions in different countries is reflected in prices, and hence in distinct production costs.

Comparative costs expressed as days of labour thus become potential monetary costs, that is to say marginal monetary costs, and, according to the theory of perfect competition, prices. No longer constant, comparative costs become equivalent to average unit prices. Recourse to the Ricardian principle of comparative costs to explain colonialism, an innovative approach adopted by Fanno²² in 1906, can be justified in the light

²¹ Cf. Pii (1979, p. 342).

²² Marco Fanno (Conegliano Veneto-Treviso 1878 – Padova 1965), having been driven away from teaching at the University of Padua by racial laws, achieved international fame thanks to his studies on colonisation, on money and on business cycles.

of its adaptation to a dynamic interpretation of foreign trade in general, and more specifically to trade between the mother country and the colonies, since movements of two classes of goods (manufactured goods against agricultural and mineral products) can be considered trade in two goods.²³

The classical model was thus adopted by Fanno, who however made some substantial changes. The immobility of factors of production changed from absolute to relative (though their mobility was lower than that of goods and services), to the extent that the transfer of men and capital was often a *necessary preparatory condition* for trade in goods and services (Fanno 1952, p. 18, author's own italics).

Gaps, previously considered stable over time, became variable in the new version, explaining the emphasis on potential comparative advantage, the dynamic element in the approach. Given the change in the availability of factors, the cost of the traded good changed. This cost, no longer measured in days of labour, was the outcome of a set of quantitative and qualitative factors which intervened in the dynamics of production. As a result, the relative mobility of factors of production transformed potential gaps into actual gaps, stimulating a process of structural transformation, with subsequent changes in the difference in comparative costs.

The innovative aspect Fanno introduced was dynamization, which, going beyond the classical assumption of gaps which were stable over time, examined their origins and their potential evolution (Manfredini Gasparetto 1987, p. 7).

The dynamic version of the theory of comparative costs was well suited to explaining trade between distinct areas. Trade, which was not confined to periods of wide gaps in the Ricardian interpretation, encompassed every stage of international trade, both in quality and positive and negative quantities. This made it possible to investigate interdependences between the long-term development process and the structure of trade. The assumption of a favourable gap, which was analysed as it emerged and as it evolved, was linked on the domestic side to structural motivations, and on the external side to demand. This extension of the approach was significant: its application involved trade between developing countries²⁴ and more developed economies. This explains the decision to expand activities

²³ Trade was feasible even for more than two goods. This case was examined by Marshall (1923, pp. 323–324), and resolved by Graham (1923) and Fanno (1924). Fanno was well aware of the influence of transport costs on the volume of trade and the power of commercial penetration exerted by gaps in comparative costs (Fanno 1952, p. 38).

²⁴ The dynamic version of the theory of comparative costs denied all forms of specialisation unless there were sufficiently wide gaps in comparative costs. Therefore excluding its possible application to developing countries didn't not seem reasonable, as Manfredini observes (1972, p. 22).

linked to local conditions and resources. Here, the relative mobility of factors of production, an adaptation of Ricardian immobility, explained the historical state of trade relations between the mother country and the colonies.

Fanno (1952) grounded his analysis on cases in which specialisation and hence trade were advantageous. After all, it was not specialisation which impoverished economically dependent areas, but rather the insistence on production which was no longer competitive and countered the original advantage. This explained the renewed importance of the theory of comparative costs, which was capable of interpreting the dynamics of the principal economic phenomena, namely unequal distribution of resources and the resulting imbalance in the distribution of income. Each favourable or unfavourable position was transitory – whereas its respective duration was not.

The variability of gaps is the key to understanding the developmental stages of each area or nation: from primary to secondary economy and subsequent transformations. Within this operational framework, and in relation to decisions which concern the entire nation the choice of a free trade or a protectionist policy depends simply on the size of the differences in comparative costs, which, when they level off, exclude the possibility of specialisation and hence of trade, calling for protectionism or rather a differentiated policy of protection for emerging industries (Manfredini Gasparetto 1987, p. 54).

The intense dynamics of change to which many economies are subject²⁵ gives rise to a succession of equilibria and disequilibria, causing economic fluctuations around an upward trend in progressive economies.²⁶

From Fanno's perspective, the approach based on the theory of comparative costs and integrated into the theory of development, or even the general theory of state economic planning became the theory of international trade,²⁷ in which colonisation constituted a special case. Indeed, while colonisation could reflect the needs of a given stage of development, this was no longer the case when colonisation could be replaced by free trade.

The dynamic version of the theory of comparative costs was strikingly realistic, and became the guiding principle of the development process,

²⁵ Development and population growth have a decisive impact on the evolution of the composition of demand, according to Engel's law. Cf. Manfredini (1979, p. 68).

²⁶ By progressive economy, Fanno (1947) means an economy in which output and income tend to grow at a rate which, for ease of analysis, is assumed constant. On Fanno's cyclical model, see Nardi Spiller (1993).

²⁷ Recourse to the principle of comparative advantage as a suitable mechanism for interpreting the realization of international trade can be found, among others, in Leontieff (1966) and Tinbergen (1967).

not only for economies striving to enter the international economic circuit, but also for regions wishing to become part of the domestic economy before entering the world market, hopefully in an authoritative manner.

At a regional level, Fanno's emphasis on the relationship of interdependence between less developed, more backward areas and more advanced areas, expressed a fundamental precept: the need to pursue ever closer and more interdependent forms of cooperation.²⁸

The model is still of significant validity, even though its application and full implementation is disrupted by artificially accelerated development processes, and by the deviant behaviour of the inside agents (Manfredini 1972, p. 99).

Nevertheless, it captures the essential features of dynamics, which are of prime importance in the various stages of structural transformation affecting the country in question. Other approaches which focus analysis on only one central factor (technological gaps, economies of scale, factors in different quantities and qualities, transport costs, etc.) are surpassed by the dynamic hypothesis which, by emphasising the difference in the content of labour, automatically explains the different cost of the goods. This links up with the development of the interpretation of the contribution of human capital.

We nevertheless believe that a development strategy which takes regional vocations into account, while essential in the short term, is even more essential in the longer term, and becomes an inescapable criterion of political strategy.

4 Regional Disequilibria and the Role of the State in Giuseppe Di Nardi's Thought

Private enterprise, the importance of which has already been underlined by Say (1803), de Saint-Simon (1821–1822), Marshall (1890), aims to achieve the highest possible yields from the factors employed by the rational structuring of production. In turn, the policy makers play a significant role in modern economies, given the importance of public services and strategies relating to social and economic aspects of the nation, which are fundamental in generating and safeguarding national income. The state therefore absolves an important function in production, not only as a producer of goods and services, but also in its capacity to influence output decisions, by means of legislation, regulation, fiscal pressure and subsidies. In this way, it can change the behaviour of private firms, even radically.

²⁸ Cf. Manfredini (1982, p. 83).

Di Nardi²⁹ focussed on this relationship, and exploited also Einaudi's contributions, highlighting as early as 1942³⁰ – and subsequently underlining in his writings – the relevance of the state as a crucial productive input. In effect, the function of the state in economic processes is constant where intervention is designed to maintaining social cohesion, but becomes variable if state intervention is in the form of support. The dynamics of the economy 'impose' this role on policy makers, and policy decisions should derive not from arbitrary political judgements but rather from the effective needs of society, one of main issues being unemployment.

From Di Nardi's viewpoint (of Keynesian origin) it follows that policy makers should take concrete action to ensure full employment, which cannot be achieved by spontaneous market forces, and cannot be maintained autonomously, as cyclical fluctuations effectively demonstrate.³¹ If the construction of public works envisaged as a way to obtain electoral consensus cannot be justified, it is nevertheless a central instrument of economic stability. State intervention should not only consist of direct measures, but should play an integrative role to ensure that full employment is reached.

This explains the dual importance of support in state intervention: to alleviate states of economic inequality and to attempt to remove existing forms of unequal spatial distribution of economic resources (as in the case of dualistic economies³²), the crucial aim being to limit income disparities at a nation level. Manoeuvring public expenditure becomes crucial to the achievement of such complex objectives, and its effects spread thanks to the multiplier principle. The results of state intervention should always be evaluated in the light of the advantages and the yields which can be obtained³³ at both a local and a national level.

When the autonomous variation of any one component of aggregate demand triggers, through the multiplier, an expansion in output and hence in employment, it is also true that the increase in the level of production

²⁹ Giuseppe Di Nardi (Spinazzola-Bari 1911 – Roma 1992) contributed to the theory of monopoly, oligopoly, and general equilibrium. He dedicated special attention to the price system, and developed an approach to the mixed economy in which he underlined the propulsive and regulatory action of policy makers.

³⁰ This theme was treated in greater depth by Di Nardi (1952, Chap. 2; 1956). See also Papi (1956).

³¹ Di Nardi's approach, which referred specifically to economic fluctuations, is analysed thoroughly in Nardi Spiller (2007).

³² The data about the Italian gap have discussed in Tagliacarne (1963–1970); Istituto G. Tagliacarne (1965, 1970–1975, 1980–1990, 1991–1999); Svimez (2000–2007) and in Felice (2007).

³³ The relevance of the cost effectiveness of public expenditure is very effectively treated in the pioneering analysis of Jevons (1888).

induces a rise in related investment, which contributes to further income growth, explaining the importance of the acceleration coefficient. Interaction between the accelerator and the multiplier undoubtedly increases income significantly, but in a dualistic situation it is essential to consider whether the increase benefits disadvantaged areas or whether, on the contrary, it is directed towards advanced areas, thus producing results which differ from expectations and from the decisions taken.

In fact, programme of economic development implemented in backward regions will not only benefit these regions if the proposed measures extend to the developed areas. There is therefore a hidden danger, which should not to be underestimated. The expansionary measure could well go beyond the established ambit, exceed its presumed scope and 'overflow' into other channels. Intervention therefore may benefit areas which, by their very nature, do not require additional intervention, and may even give rise to a series of dysfunctions, while the zones which were originally the designated recipients of appropriate measures are faced with a shortfall in the benefits initially anticipated.

State intervention should not be implemented in the normal course of gradual changes in situations. The industrial world is constantly subjected to numerous stimuli: phenomena of conversion or restructuring caused by price dynamics, technological progress, the creation of separate goods, the discovery and exploitation of new sources of – strategic or non-strategic – raw materials. Substantially, the natural progression in the dynamism of modern industry does not call for specific measures.

The situation changes radically if the problems acquire social relevance when they explode onto the scene, resulting in a rapid fall in the production of goods for which the market contracts, and bottlenecks in the sectors in which there is a growing demand. The adjustment times are conditioned by the rigidity of the factors available (Di Nardi 1960, p. 239), so that regional differences may originate or be accentuated, with adverse consequences for both production and consumption (Graziani 1969, p. 46). As a result, certain areas or entire regions may to be labelled as 'depressed' or 'backward'. Various types of state intervention may be planned, and should always be based on the principle of cost efficiency. Measures may include concessions to reduce the cost of investment, special credit facilities, a reduction in the tax burden, the creation of external economies, or training and retraining of human capital.³⁴

³⁴ Specific attention is given to the implementation of policy measures aimed at creating new activities in Di Nardi (1960, pp. 240–265).

We do not entirely agree with the emphasis on the process of industrialisation which captured the attention of Di Nardi,³⁵ even though it reflects a vision which was widely held at that time. In fact we believe that the original vocation of a specific region should be given overriding priority, so as not to violate its intrinsic socio-economic fabric. Thus for the Italian Mezzogiorno, a targeted strategy should give priority to the agricultural, environmental, cultural and artistic, and tourist structures, and should establish industrial activities which are strictly coherent with these sectors. The construction of expensive and deplorable ‘cathedrals in the desert’ or unproductive (certainly not in the Keynesian sense!) structural apparatus should be avoided.

On the other hand, Di Nardi’s reasoning is entirely convincing when, thanks to the introduction of a distinction between investments with immediate or deferred returns,³⁶ he lays the foundations for a shrewd investment policy. In effect, investments with immediate returns generate rapid growth in productive capacity, while those with deferred returns, despite increasing the capital stock, do not result in an instant rise in the productive capacity of the system.

The government authority is therefore bound, after clearly defining the problem, to take the necessary action to remove any obstacles to potentially coordinated and harmonious development.³⁷ This is an arduous task: as well as making a reliable evaluation in the first place, the intervention may not result in the desired development, and might even cause marked imbalances. For example, the onset of inflationary dynamics³⁸ may induce domestic firms to relocate in order to benefit from the lower cost of labour or lower costs in the strictest sense. Firms may also want to take advantage of a less changeable, less oppressing tax system and avoid from the succession of traps and snares which prevent enterprise.³⁹

³⁵ When Di Nardi (1977, p. 329) referred to ‘the myth of generalised development’, he meant the power of governments, international organisation, and programmers in general, to eliminate dualistic development through industrial expansion, modifying the economic structures dominated by the primary sector as a result.

³⁶ Investments with immediate returns produce instant growth in productive capacity, while those with delayed returns, despite increasing the capital stock, do not give rise to an instant increase in the productive capacity of the system.

³⁷ As Di Nardi (1957, p. 74) pointed out, balanced development represented a utopian state which cannot be achieved, either at a political or a private level. Nevertheless, it constituted an ideal to strive for, when support was given to economic activity developed in advance by certain productive sectors of the economy, to encourage the absorption of temporary excess production.

³⁸ See the essay by Di Nardi (1970) which is still very meaningful.

³⁹ We have already expressed our views on this problematic issue, which may lead to remarkable forms of localisation competition in Nardi Spiller (2004).

Nevertheless, the existence of socio-economic gaps is likely to lead to regionalism, which may appear in two forms: a manifestation of the ideological principle, or an expression of political reality. In the latter case, extreme territorial claims may be advanced, often with counterproductive results. In turn, there may be special appeals for internal protectionism, a decisive force in the formation of local self-government. This was harshly criticised by Di Nardi (1967, p. 289), both as tangible evidence of the failure of national unity, and in so far as this type of administration would take the nation back to its earlier state. Today, the effects of local autonomy would not be limited to the domestic context, but would spread to European community level, where which national sovereignties – a tangible regulation mechanism – are destined to play a progressively limited role.

5 Final Remarks

The contribution of Italian scholars outlined here reveals a specific interest in the investigation of real phenomena in a given historical period, within the context of the development process.

Already the Italian authors of the eighteenth century, who could be identified by their School, strived to study economic conditions in their regions, in order to formulate measures which would produce economic improvements and stimulate economic and social reforms. There were many pioneering theoretical contributions: the role of the division of labour in Beccaria, the theory of the value of producer goods and the discrepancy between demographic trends and resources in Ortes, the production of wealth in Genovesi and his striking emphasis on training the individual.

Similarly Fanno, who goes back to the traditional framework of comparative costs, felt the need to adhere to reality. Ricardo's approach – the pivot of international trade as a plausible explanation for the take-off of certain areas – assumes a limited temporal dimension, which is resolved in Fanno's version. This theory, which is rendered dynamic by the variability of the disparities, explains structural transformations at every stage of development, while respecting interdependences with development in other regions.

In the context of theories of economic development, specific attention has been dedicated to backward areas, the most striking example of which is the Italian Mezzogiorno. The dualistic gap is analysed also by Di Nardi who, despite going back to the Keynesian scheme, highlights with great clarity its potentially limited efficacy and waste of resources.

An underlying theme emerges from this complex analytical framework, which links the various contributions: the centrality of the human factor, within a distinctive regional dimension. The role of human resources takes priority over that of material resources, and the importance of forming an ethical conscience is crucial: these are fundamental aspects which, by driving the system, go beyond the automatisms of theoretical principles.

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