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The Growth of the Italian Economy, 1820–1960. *By Jon Cohen and Giovanni Federico.* New York: Cambridge University Press, 2001. 133 pp. Illustrations. Cloth, $40.00; paper, $13.00. ISBN: cloth 0-521-66150-1; paper 0-521-66692-9.

Reviewed by Giandomenico Piluso

As Jon Cohen and Giovanni Federico observe in their conclusion to this book, "Italy has managed, in spite of the odds, to become one of the world's richest and economically most advanced countries" (p. 107). Although Italian modern economic growth can be regarded as a real success story, it is not easy to obtain a complete and critical picture of its main features over the long term. Two recent contributions on Italian economic development written by Gianni Toniolo, *An Economic History of Liberal Italy, 1850–1914* (1990), and Vera Zamagni, *An Economic History of Italy, 1860–1990* (1993), are now followed by Cohen and Federico's concise and exhaustive account of the rhythms, sectors, and policies of Italy's structural economic changes. They offer a critical review of the very broad literature produced by economic and business historians in the last decades. They discuss the huge historiography generated by an original and relatively short process of growth and structural change, focusing on an achievement accomplished "against all odds" (p. 46) in less than a century. Cohen and Federico—and this is perhaps the book's outstanding feature—consider and review a literature that is both up-to-date and extensive. This monograph takes into account a variety of factors: macroeconomic processes; national accounts estimates; different models of growth provided by economists and historians for the explanation of Italian structural change; economic policies pursued by Italian governments; the timing and sectors of the industrialization process; and both the causes and the limits of the strong economic growth that took place after World War II until the early 1960s.

Cohen and Federico consider an extended period, from the early nineteenth century—when Italy was a backward and poor country—up to the "economic miracle" of the postwar decades; during this time, Italy successfully transformed its economic and social structures, thus managing to reduce the gap that separated it from the major industrialized countries. Although they affirm that their book is essentially a concise review, emphasizing historiography more than history, Cohen and Federico actually shape an original picture of Italy's modern economic growth. First, they choose to focus on macroeconomic processes. For example, when they treat industrial growth—sectors, technologies, firms' sizes and concentration, strategies—they prefer to focus on "the more quantitative work on industrial development" (p. 47) rather than adopting a Chandlerian approach—typically, a microeconomic one— that could explain some Italian features (such as the relatively small size of firms and the importance of state-owned enterprises).

Cohen and Federico offer a stimulating picture of Italian economic growth over the long run. They observe that the Italian economy achieved success in terms of growth and structural change only in the 1950s, while former boom periods were unable to reduce the gap that separated Italy from the main industrialized countries to any significant degree. On the contrary, regional differences in per capita income and productivity widened between the 1860s and the 1940s. As they suggest, a "faster growth may have helped narrow the gap between the North and the South" (p. 108). This slow growth can be explained by the dismal performance of agriculture, even though new research suggests that in the second half of the nineteenth century, this sector grew more rapidly than previous estimates indicate. Nevertheless, the small amount of fertile land led to the massive emigration that occurred before World War I. Emigration was a short-term answer to a poor land-to-labor ratio; industrialization was, of course, the right answer in the long run (pp. 41–5).

Italian industrialization has been characterized by distinct cycles of rapid growth and stagnation or slow development, lacking the "big spurt" that economist Alexander Gerschenkron described as occurring in Italy between 1896 and 1914. Cohen and Federico substantially agree with the reconstruction provided by Luciano Cafagna and Franco Bonelli, based on a gradual long-term growth, although they differ from these scholars in their belief that world trade did not have a strong influence on national growth. Cohen and Federico instead correct the traditional wisdom concerning the fascist period. Following Gianni Toniolo's suggestions, they propose, on one hand, that during the interwar decades, the Italian economy remained structurally the same and, on the other, they hold that, although autarchy did lead to a misallocation of resources, Fascist economic policies nevertheless promoted innovation and scale economies. However, Italy's economy radically changed its structure and "finally joined the league of industrial nations" only during the 1950s (p. 87).

Cohen and Federico examine recent research on industrial structures. New studies downplay the conventional dualism, which maintains that industrial enterprises are of two distinct sizes, small and large businesses, with the latter strongly supported by industrial policy and largely dependent on imports of foreign capital, energy, and technology. In fact, Italian governments' industrial policies supported large firms with tariffs, subsidies, and, when necessary, bailouts, but "much of industry was simply unaffected by the duties" (p. 111). Although Italian firms were not able to develop new technologies, they generally succeeded in adapting foreign technologies to the national context; moreover, some large firms (such as Fiat and Pirelli) managed to become competitive on the international scene, gaining scale economies and capabilities. However, many of the most successful industries were based on a number of small firms grouped in the countryside, which benefited from institutional and social interactions typical of specialized districts. Gerschenkron's theory about the key role played by German-style mixed banks seems to have been revised. According to recent studies—most prominently, those by Antonio Confalonieri—it is difficult to claim that these banks pursued a clear strategy of developing new industries and supporting new firms. The issue of the effective results and costs of state intervention is still open and calls for further investigation.

One chapter is dedicated to macroeconomic policies. Cohen and Federico emphasize the impact of international capital flows on Italy's balance of payments and on the lira's exchange rate. However, fiscal dominance cannot explain the relatively high inflation that occurred, at least prior to 1940. The authors argue that a stable monetary and fiscal policy after World War II fostered the strong development that occurred during the 1950s, but still more relevant was another set of conditions: high rates of capital formations depending on high revenues, favorable taxes, and open international markets. The role of the state is contrasted sharply: both the failed reform of public administration and the absence of the rules and institutions necessary to facilitate the performance of efficient markets required by an industrialized country have been very costly errors for Italy (p. 105).

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