

L'impresa italiana nel novecento [Italian business in the twentieth century]. *Edited by Renato Gianetti and Michelangelo Vasta*. Bologna: Il Mulino, 2003. Index, notes, bibliography, appendix, tables. Paper, €30.00 ISBN: 88-150-9496-2. [Note: The English version, *Evolution of Italian Enterprises in the Twentieth Century*, is forthcoming (mid-2006).]

Reviewed by Jon S. Cohen

In this important collection of original essays, the authors, a group of young, accomplished Italian economic historians, provide a quantitative account of changes in the structure, behavior, and performance of Italian industry over the course of the twentieth century. The authors touch on all the major themes in the literature, including growth and structural change, technological innovation, and concentration and collusion. It has taken the group, spearheaded by Renato Giannetti and Michelangelo Vasta, ten years to produce this volume and, one would guess, the work has just begun. Their effort has paid off handsomely: the quality of the chapters is uniformly high and the results, on the whole, are compelling. The major findings, in a nutshell, run as follows. Italian industry has been, and remains, less concentrated than many would have us believe, although (an important caveat) collusive behavior among industrial groups is the rule, not the exception. Small firms in traditional sectors dominate the industrial landscape—think Armani, not IBM—and even among the largest firms, there is a tendency to converge down, not up, in size. Italian industry has been slow to adopt the technology of the second industrial revolution and has been even slower to jump on the information technology and telecommunications bandwagon. The authors focus, for the most part, on description in this volume. One hopes that they will turn next to explanation.

In the introductory chapter, Giannetti and Vasta provide a first-rate summary of the vast literature on the composition, size, market power, performance, ownership, and strategy of industrial firms in Italy during the twentieth century. A few broad themes are worth highlighting. Industry in Italy, it seems, came in two sizes: very large and very small. Large, capital-intensive, relatively efficient firms dominated most modern sectors,

especially in producer goods, and were able to control output, set prices, and earn monopoly profits. The vast majority of firms, on the other hand, operated in traditional sectors; they were small, labor intensive, technologically backward, and, in the bigger scheme of things, relatively insignificant. More recently, small and medium-sized firms have received greater attention and more respect. Small firms may sacrifice scale economies, but they gain considerably in flexibility and responsiveness to markets. The state is thought to have been an important player throughout: it provided (for better or worse) protection, markets, assistance in times of crises, and, in the late 1930s, became, almost by default, a major player. Neither large nor small firms have been willing and/or able to invest much in research and development. The research results presented in the volume do less to alter the conventional wisdom than to put it on a sound, quantitative footing.

In Chapter Two, Giovanni Federico employs industrial censuses between 1911 and 1996 to trace changes in structure, capital intensity, establishment size, composition of the workforce, and hours worked. Two results stand out. First, although employment in producer-goods industries increased much more rapidly than in consumer-goods sectors, it appears that, as late as 1981, Italian producers remained modest users of modern technology. Second, average plant size, never large to start with, has followed a downward trend, even among the country's largest firms. In Chapter Three, Giannetti makes use of a sample of firm-level data drawn from the *Società italiane per azione: Notizie statistiche* [Italian corporations: Statistical information] between 1908 and 1972 to examine, among many other things, industrial concentration and firm size. Others have used these data, but Giannetti brings a new level of methodological and technical sophistication to their analysis. While concentration does go up over time, industry in Italy was, by the usual measures (concentration ratios), relatively competitive. There was, moreover, considerable turbulence among the largest two hundred firms (a form of industrial musical chairs) and, in keeping with Federico's results, an overall tendency for the very largest in the group to shrink in size. In Chapter Four, Giannetti and Vasta, relying again on the data in the *Notizie statistiche*, dig deeper into the history of the largest two hundred firms. They reconfirm the presence of turbulence at the top and, in

general, note the smallness of even the largest Italian firms compared with those of the United States, Britain, and Germany.

In one of the most interesting chapters, Leonardo Bargigli and Vasta use network analysis to examine issues of ownership and control. To make a long and complex story short and simple, the authors show that if estimates of concentration (or, perhaps more accurately, collusion) are based on industrial groupings (as measured by interlocking directorates and the like) instead of firms, then Italian industry turns out to be more concentrated and less competitive than it would otherwise appear. The results raise two questions (which the authors do not attempt to answer). First, what factors gave rise to this type of collusive activity? And, second, what impact, if any, did it have on firm behavior?

In Chapter Six, Vasta, in a highly original piece of research, employs data from the *Notizie statistiche* to estimate the profitability of Italian firms, using as his profit measure return on equity. Although some are likely to quibble with his method and his measures, he does manage to produce a credible and consistent long-term profitability series—a singular accomplishment and an invaluable resource for other scholars. His key result: a positive link can be shown to exist between size, maturity, and technological intensity. He makes no attempt to sort out causality.

In an ingenious effort to quantify and aggregate information contained in firm-level studies, Federico and Pier Angelo Toninelli construct a survey instrument that they then employ to query the microsources. Although, as the authors note, their sample is both too small and too biased to be considered representative, their results warrant attention. They arrive at the following conclusions: Modern forms of organization were slow to be adopted in Italy. The preparation of managers has been inadequate by international standards. Capital markets have, at best, been inefficient. And, finally, Italian firms appear unwilling to make sustained investments in research and development.

In the final substantive chapter, Alberto Rinaldi traces the interconnections among companies on the basis of the presence on boards of directors of the top twenty “big linkers” between 1913 and 1972. Although it is difficult to say exactly what such linkages mean—do big linkers foster collusion, ensure access to credit, provide

managerial input?—the relationships are often suggestive. Close connections appear to exist between private and public-sector firms and between financial institutions and the rest.

The volume raises as many questions as it answers, which is, perhaps, exactly what it should do. Why are Italian firms reluctant to invest in research and development? Why is collusion so widespread, and how does it affect behavior and performance? What explains the level of turbulence among the top two hundred firms? Is the proliferation of small-scale firms a sign of health or a manifestation of serious market imperfections? Thanks to the prodigious effort of these scholars, others now have a whole new research agenda to pursue.

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