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The long and the short of it: The value of the concept of the *longue durée* in the analysis of contemporary economic development and decline

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Abstract

The general Italian economic crisis triggered with the onset of the Eurozone has revealed several structural weaknesses in the economy of the Marche region. It has also revealed how its industrial system based on the small family business sector is actually less of a break with the region's agricultural heritage than previously assumed. Structural continuities between the region's agricultural heritage and its current mode of small business production may impede action to create new forms of economic organization necessary for succeeding in a rapidly changing world economy. At risk is the noteworthy economic equality that has enhanced the regional quality of life since World War II.

JEL Classification: *L60; O14; R11; Z13*

Keywords: *Family firms; Small business; Labor market dynamics; Regional economy; Handicraft sector; Italy.*

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1 Introduction

In social science, we come in the middle of the opera and never see the ending. But this does not stop us from wanting to discuss what has happened and predict how things will turn out. Too much of our lives depend upon having an idea of how economies developed, how well they are working, and a prescription for how our economic institutions and practices might better serve the common good. This last, the notion of the common good, is a normative judgment that will be used to analyze the good and bad in the direction of central Italian economic life.

In this paper, Fernand Braudel's concept of the *longue durée* ("lunga durata") is put to use to explore the degree to which the peoples of a region can become trapped in the understandings and actionable assumptions that historically significant social structures put in play over the course of their lives in the here and now (Braudel, 1984). While falling back on the virtues accurately synthesized from their pasts, people can ignore how these understandings now contain them. They can also mistake a surface change for a structural change, even as the slow-moving phenomena of the *longue durée* carry them along a path they think they know so well.

We examine the development and present problems of the economies of central Italy in light of Braudelian injunction to make secure the understanding of any society's phenomena of the *longue durée*. We will show how persons from all walks of life in the central Italian regions such as the Marche, Umbria, Toscana, and Emilia-Romagna created two interesting though inconsistent beliefs about the meaning of the extraordinary economic success they have enjoyed over the last two generations. On the one hand, people have created what amounts to an origin myth that explains their present-day success. They argue that the *mezzadria* land tenure and agricultural system of sharecropping that governed their regions' economic lives from the 14th Century until the end of the Second World War created a unique historical trajectory for their successful venture into the post-World War II world economy. The mode of production extant under their historical experience of the *mezzadria* enabled them to hone the skills for small-scale production and accumulation based upon collective efforts of patriarchal households and kindred.

On the other hand, the peoples of the regions treat the trappings of their economic success – a considerable success by any measure – as a sign, a bit like homemade cargo, that they have broken with the past of the *longue durée* that they associate with want, privation, and misery. Industrial capitalism, as for many the world over, represents a break from the past. Through their industrial production, the onset of wage labor, and the accumulation of capital by the vast majority of the regions' inhabitants, they believe they superseded a history marked by economic marginalization and peripheral status in the world economy.

We show that the problem with holding these beliefs simultaneously is that the people of the regions do not recognize the degree to which one belief – the continuity between the age-old system of sharecropping agriculture and present day industrialization – is both true and unhelpful for the economic challenges that lie ahead. The "trasformismo" notion, so often noted by quoting the old prince in de Lampedusa's *The Leopard* that one must change in order to remain the same arguably in this case will not work. Instead of believing that the regions' economies have been transformed by industrialization, it is likely better that the regions' peoples (and their policy-makers, politicians, and intellectuals) accept that a break must occur now, rather than be imagined as having occurred in the recent past with post-World War II industrialization. We argue that the regions require a far more radical economic restructuring if current economic stagnation and decline are not to decisively diminish their standard of living and their relative economic equality, as well as consign them to a new periphery composed of southern European states.

2 Valuing Braudel's concept of the *longue durée*

Fernand Braudel's concept of the *longue durée* deserves close attention and more use, if only because the presentism of economic analysis often obscures the enduring social structures that set out as well as limit the potentials for economic actions and institutions. We use Braudel's methodological division of time between that of *longue durée*, which economists now routinely describe as "secular trends", or trends lasting a century or more, and that of the "conjuncture", or a time-sensitive event that creates disturbances in the ordinary flow of the basic structures of human life. Secular trends for Braudel are symptoms of the *longue durée*, the forms of life that endure because they are products of the deep structures of material and economic life. A conjuncture for Braudel signifies a unique historical event that is the result of a collision between the underlying social structures and the unpredictable and chance occurrences that mark human experience. European economists typically use the concept of conjuncture to describe, for example, quarterly economic reports. To oversimplify for a moment, the capitalism is a phenomenon of the *longue durée*, reaching back to the 15th Century, while the Great Depression of 1929-1940 would be a briefer historical conjuncture or specific event in the course of the *longue durée* of capitalism, depending on the time unit of interest in the analysis. There are conjunctures that generate new structures, but clearly Braudel's contribution is to reveal the specific underlying structures of social life that flow through long human epochs (Braudel, 1984, 1993).[1]

The deep structures evinced in the concept of the *longue durée* include basic demography, geography, nutrition, and ecology. Economies for Braudel are describable modes of production governed by social relations of production and exchange. He believes that economic phenomena specifically are marked by longstanding waves of economic growth, secular rises and falls in prices, trade, and the value of both land, labor, and money.

The *longue durée* is a useful heuristic for illuminating a problem that lies in the foreground of social life in central Italy. As with other trans-temporal concepts it should be used with prudence, as Braudel's notion has received significant criticism over the years since he introduced it his incomparable the Mediterranean and the Mediterranean World in the Age of Philip II (1946).[2]

The *longue durée* as a practical historical concept no longer relies on Braudel or the work of his students and successors publishing in the Annales: Economies, Societes, Civilisations.

[1] The work over the past thirty-odd years of Immanuel Wallerstein and Giovanni Arrighi, among others, was the result of common work at the Fernand Braudel Center of Binghamton University, State University of New York had relied greatly upon Braudel's fundamental notion of the *longue durée*. See Wallerstein (1975, 1980); Arrighi (1994).

[2] For investigation and critique of Braudel, see Lai (2000). Lai presents a thorough explication and critique of Braudel's theory of structural history and time, while, with sympathy, noting some of the difficulties of applying Braudel's fuzzy concepts to a method that does not simply rely on Braudel's genius. Others have directly criticized the absence of a theory of power and a theory of social change. See Hunt (1986); Santamaria and Bailey (1984). Jean Heffer (2001) argues that Braudel's view of the slow-moving substructure of society may have been better suited for describing agricultural societies and works less well after societies become industrialized.

Newer work by Nobel economist Robert Fogel and historian David Fischer also stresses the durability of long-term trends. Fogel notes how economic inequality is actually instantiated in the body in measurable ways such as height. Fogel's analysis of time series data in Britain shows for instance that the only in the last quarter of the 20th Century have ordinary people in England caught up with the average height of the nation's upper classes. Using Ohio National Guard data on native-born whites that reaches back into the 1860s, he is able to show how the rise in American personal income has led to a significant rise in average height. He notes, too, as do many, that the rise in average life expectancy is a long-term secular trend, in which well being often lags by generations behind the rise in personal incomes. He concludes that chronic conditions as well or sub-optimal biological capacities have important effects on society's overall labor power, and thus on the degree and speed with which they can produce more economic growth (Fogel, 2000).

David Fischer argues that there have been transnational inflationary periods typically lasting for at least 100 years beginning with the great inflation of the 14th Century in Europe. He notes that the entire world economy consisting of all nations has been caught up in an inflationary wave since the last decade of the 19th Century. This may seem counter-intuitive today, as we have seen relatively steady prices for the last decade, and even deflationary fears. But note how the strains of resources and the resumption of inflation in raw materials and public goods including everything from environmental costs and repairs to public schools and the provision of water throughout the world are pushing the inflation indexes quietly — or not so quietly in the case of oil — upward. This triggers more supply-side development to be sure, but the secular trend taken as a whole is upward. It also can accelerate the general fiscal crises of the state, a world-wide phenomenon documented in different decades since the seventies in rich and poor nations alike (O'Connor, 1973).

Fischer, as does Braudel, imagines these underlying shifts in economy and society as waves, not cycles. They begin and they end: each wave shares features with prior waves, but has distinctive and perhaps novel features. Fischer (1996, p. 273-7) quotes Mark Twain saying: "History doesn't repeat itself, but it rhymes."[3] This would likely encapsulate Braudel's view as well.

3 The complicated story of central Italian economic success and decline: the case of the Marche region

To explore in some detail the rise and present difficulties faced by the largely industrial economies of central Italy, and to assess the value of the concept of the *longue durée*, we shall use the Marche region as a proxy for the several regions that comprise the area. We begin with a short description of the Marche region. It consists of 1.541 million people residing in 9,401 square kilometers of territory divided into 239 municipalities, resulting in a population density of 164 per square kilometers (SIS Regione Marche, 2013). Its industrial development for the most part was laid out in manufacturing areas that form geographically distinct districts of the type that Alfred Marshall described in the first part of the century as an efficient way of matching the efficiency of scale available to large, vertically integrated firms. The severe global crisis of the past few years has had a significant negative effect in the Marche region that has

[3] Public and private indebtedness has most recently been blamed for the 2008 world financial crisis by Reinhart and Rogoff (2009).

Table 1: *Percentage weight of mechanics, wood furniture, leather-footwear, textile-clothing sectors in total manufacturing in terms of no. of companies, value added, employment and exports, Marche (2012)*

Sector	No. of Companies	Value Added	Exports	Employment
Mechanics	24	40	37	43
Leather-footwear	21	17	19	20
Wood furniture	14	17	20	6
Textile-clothing	12	7	10	6

Source: SIS Regione Marche (2012).

extended to all of its production sectors. This crisis has found in the Marche a production system that has long had the character of structural weakness.

Looking at the breakdown by "Pavitt" technology[4] levels of manufacturing Marche highlights the prevalence of low-tech firms (65%) with a minimal presence of those high-tech (5.3%) (Favaretto, 2011). In the Marche region the vast majority of businesses and manufacturing employment is concentrated in four areas: mechanics (particularly complete kitchens and accessories, machine tools, and white goods), footwear and leather goods, wood furniture, textiles and clothing. As shown in Table 1, the mechanics is the sector with the highest incidence for all indicators considered (number of companies, value added, employment and exports), followed by leather-footwear, wood furniture and textiles-clothing.

Via this form of industrialization based upon cooperating as well as competing small firms, the Marche is one of the most industrialized regions in Italy (Marche is the region with the highest weight in Italy of manufacturing in total employment). In the last 20 years the manufacturing connotation of the Marche region has remained unchanged. It has not changed the weight in terms of employment in the manufacturing sector (31.6% in 1993, 31.2% in 2010), unlike what has happened in the rest of the country and, in particular, in regions with a similar production structure such as Veneto, Emilia Romagna and Toscana where the weight of the manufacturing sector has decreased in favor of an increase of the service sector (Table 2).

This phenomenon has not led to the increase of innovative services in support of manufacturing: the percentage of the advanced services on the total turnover in manufacturing is among the lowest in Italy (Cucculelli, 2005, see Table 3).

Even with regard to the weight of employment in high-tech sectors on total employment, Marche is among the last region in Italy; the same occurs for all the indicators of expenditure on research and development (Table 3). In other words, the regional manufacturing cannot benefit easily from the presence of an advanced service sector that could favor the 'quantum leap' needed to overcome a crisis like the current one (Goffi, 2013).

An OECD study on "small businesses, entrepreneurship and local development in the Marche region" (Potter *et al.*, 2010) identifies additional weaknesses of the regional production system:

- the focus on an export-led development and traditional industries has led to a lack of

[4] Pavitt's Taxonomy categorizes mostly large industrial firms along trajectories of technological change according to sources of technology, requirements of the users, and appropriability regime. The taxonomy aims to classify innovation modes according to different sectoral groups and the flow of knowledge between such groups. See Pavitt (1984).

Table 2: *Macro-sector composition in terms of employment, Marche, Veneto, Emilia Romagna Toscana (years 1993-2010)*

Region	Agriculture		Industry		Constructions		Services	
	1993	2010	1993	2010	1993	2010	1993	2010
Veneto	6.1	3.2	34.2	27.9	6.9	8.3	52.8	60.6
Emilia Romagna	7.3	4.1	31.4	26.8	6.2	6.9	55.2	62.3
Toscana	3.4	3.6	26.5	19.0	7.3	9.0	62.9	68.5
Marche	6.4	2.8	31.6	31.2	4.5	7.8	57.5	58.2

Source: Goffi (2013).

Table 3: *Some economic indicators in Marche, Emilia Romagna, Toscana and Veneto*

Region	R&D exp.	R&D empl.	R&D exp. % GDP	R&D empl. 1000 inhab.	Hi-tech empl. %	% Turnover Adv. Serv.
Veneto	8.0	9.6	0.7	4.9	4.7	4.0
Emilia Romagna	9.6	10.2	0.8	5.4	4.1	7.8
Toscana	6.6	6.5	0.5	4.3	3.3	2.2
Marche	1.5	2.0	0.3	3.3	3.2	0.3

Source: Istat data (2008, 2009, 2011), Eurostat data (2008), Cucculelli (2005).
Notes:

1. Research and development expenditure on the total research and development expenditure in Italy (Source: Istat data, 2009).
2. Percentage of employed in "research and development" on the total research and development employed in Italy (Source: Istat data, 2009)
3. "Research and development" expenditure (% of GDP) (Source: Istat data, 2008)
4. Percentage of employed in "research and development" per 1000 inhabitants (Source: Istat data, 2008)
5. Percentage of employment in high-tech sectors on total employment (Source: Eurostat data, 2008)
6. Percentage of the turnover in advanced services on the total turnover in manufacturing in Italy (Source: Cucculelli, 2005)

attention to services and non-basic sectors (health, education, design, logistics, and business services);

- the skill levels among SMEs and entrepreneurs are generally low;
- there is a lack of capacity to absorb innovation, which is a common problem for SMEs;
- there are low levels of foreign investment (the high density of entrepreneurs contrasts with the scarcity of foreign direct investments)
- multi-level governance arrangements lack synergy (fragmentation of public support services);
- weak regional marketing (outside Italy, the name Marche is almost not known).

Another major problem is the lack of infrastructure. Both indexes of economic infrastructure (Alampi and Messina, 2011), and physical infrastructure (such as accessibility by road, rail and air, and also indicators of road and rail networks; Bronzini *et al.* (2012)) show that the Marche region lags behind the developed Central and Northern regions of the country.

The introduction of the Euro in 1999 for commerce and in 2002 for consumption, as well as its growing strength against the dollar and the yen have priced many local producers out of their markets, and exaggerated price differences between Italian producers and new market entries from Eastern Europe and Asia, particularly China. Gone is the tactic of competitive devaluation from the Italian national repertoire of quick fixes for declining world market shares.[5]

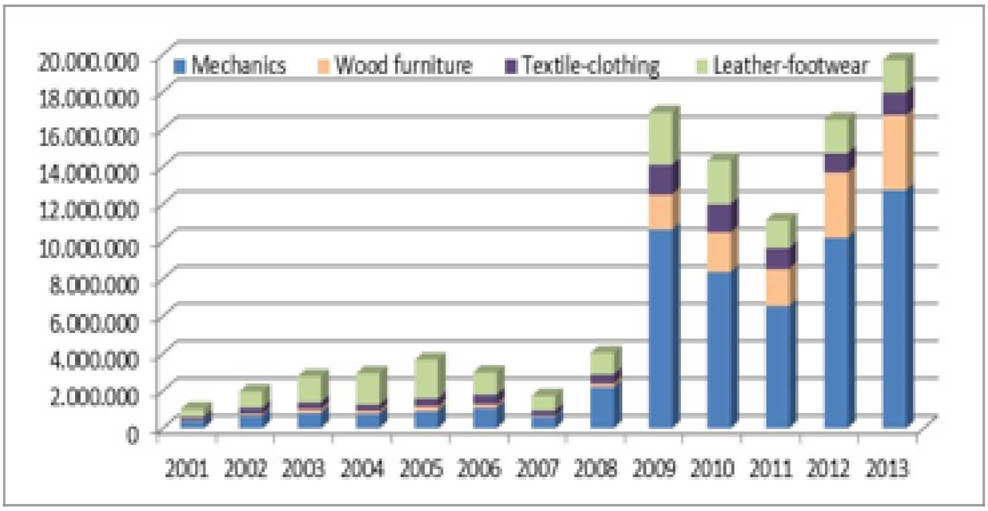
In line with our earlier discussion of long waves, it is also probably true that producers in the last decade have suffered from a relatively stable price environment. Inflation, as Fischer argues, has been the producer's friend in last quarter of the 20th century. In an inflationary environment, producers can move their prices higher, making money on prior purchases of their inputs, including labor at lower prices, while being able to price their output at higher prices. As long as producers can keep ahead of the inflationary trend, and they do not encounter price competition, they are winners. It is also favorable to *rentiers* who see their land prices go up, though less so for those with investments in bonds and other inflation-sensitive financial instruments. In contrast, inflation as a general rule is the worker's enemy. Unless either acute labor shortages or union contracts intervene, and their wages can outpace inflation, they lose. As central banks tighten credit, they lose again. Thus, the current deflationary environment weighs heavily on Marche business people as it does on producers throughout the Euro-area.

For manufacturing in the Marche region, the sixties, seventies, and for the well positioned the early eighties were relatively good times, as their markets had not yet matured, and further growth was possible. The particularly inflationary tendency of the Italian economy helped, though sometimes producers found themselves whipsawed as the weak Italian Lira forced them into paying higher prices for imported inputs. Workers, if they worked in factories, were at least in theory covered under national labor contracts that contained the '*scala mobile*', the escalator clause that raised wages annually to accommodate an increase in the cost of living, and there was plenty of extra work. The national contract provisions were honored in the breach until labor shortages and expanded export production became incentives for working within the accepted boundaries of labor contracts. Many of the region's workers did not benefit fully from these guarantees, as the bulk of the labor force worked for artisans who were excluded from the effects of national contracts, and by widespread fiscal evasion and illegal labor practices practiced by employers that in effect left workers with the option of working more hours to make more money.

But workers also exited work at relatively early ages, thanks to the relatively liberal pensionable age requirements of the state system. Though the monthly amount never came close to approximating their prior take-home pay, households treated pensions as an integral part of their collective income, to be supplemented by continuing illegal work of pensioners and the wages of family members still in the labor market, legally or illegally in the case of undocumented homeworkers. Thus, the supply of workers dropped, even as demand for their products softened, and began to decline. Wage premiums were paid typically under the table to the highly skilled workers who remained and who were expected to be more efficient and more attentive to quality. Immigrant workers replaced retirees, particularly in doing the dirtiest jobs in the manufacturing process. Together, these shifts in the labor market and its operation disguised the growing difficulties of the industries.

[5] This is essentially a consensus view of the recent decline of the Italian economy and the proximate causes. See Nardozzi (2004) and Rossi (1998).

Figure 1: *Evolution of the number of temporary layoff hours ('cassa integrazione guadagni') in the mechanics, wood furniture, textile-clothing, leather-footwear sectors in the Marche region from year 2001 to 2013*



Source: processing based on Inps data.

Decline has been uneven, with some manufacturing industries doing better along with many doing worse. The early years of the 2000s decade were characterized by crisis in the textile-clothing and leather-footwear sectors, then in 2008 began the current serious economic crisis that has affected first mechanical and wood furniture sectors, up to spread to all sectors. By analyzing the evolution of the number of temporary layoff hours ('*cassa integrazione guadagni*', Figure 1), it can be observed that the crisis of the last five years has greatly affected the entire productive system, and especially mechanical and wood furniture sectors.

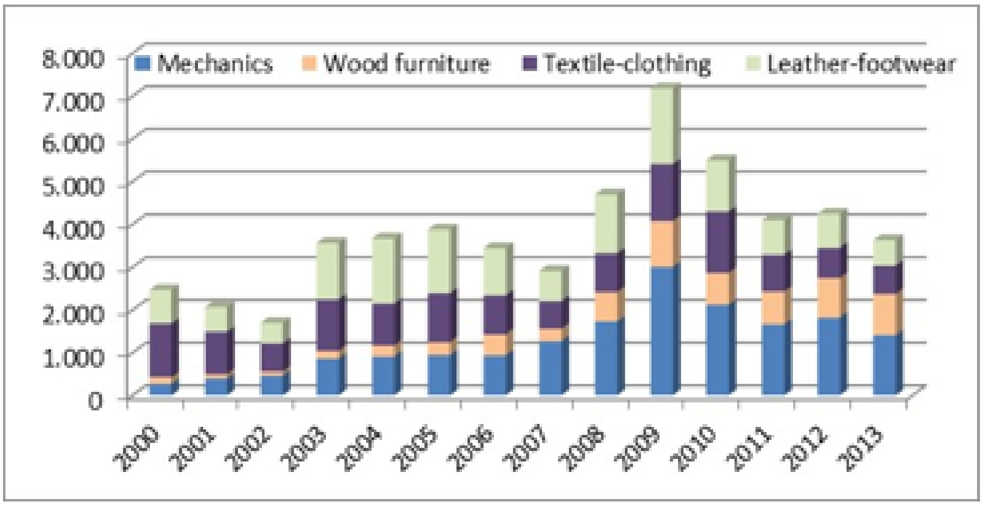
By examining the evolution of the number of workers receiving indemnity for permanent layoff ('*indennità di mobilità*', Figure 2), the situation seems to be less dramatic than that of the temporary layoffs. According to the Labour Market Observatory of the Marche region data, 2009 was the year of the peak of the number of workers receiving indemnity for permanent layoff and this growth is due to all sectors.

In particular, the micro firms have lived the crisis dramatically: their number has dropped since 2008 in the Marche region (Figure 3) and they have lost employment and profitability (Goffi and Dini, 2013).

Italian inflation, despite the constraints of the European common currency and attempts at cross-national economic cooperation, has run higher than EU rates. This, in turn, has made economic recovery all that more difficult. The common currency effectively handcuffed producers from increasing their prices dramatically and lowered their profits, now quoted in the strong – not the weak – Euro.

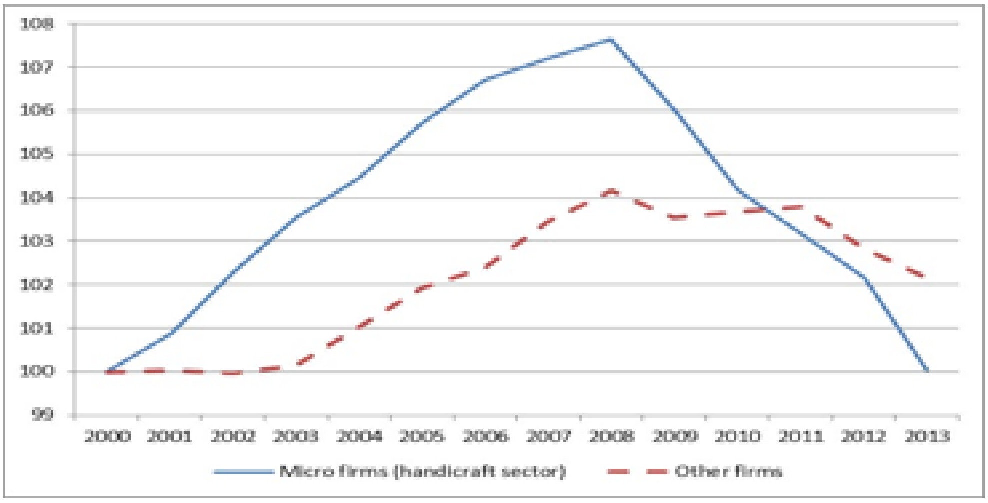
What we might call bad habits, now destructive habits, have been carried forth too. Entrepreneurial initiative has been bottled and kept within households and extended kin networks. Antagonistic relations inside families over the survival of family firms and the distribution of family capital – a very different matter than the externalize family against family "familism" hypothesized by Edward Banfield, continues to create social tensions (Banfield, 1958). Secondary organizations concerned with community life and health came after economic success, not before, in contrast to Robert Putnam's argument that "social capital" as a function of the

Figure 2: *Evolution of the number of workers receiving indemnity for permanent layoff ('indennità di mobilità') in the mechanics, wood furniture, textile-clothing, leather-footwear sectors in the Marche region from year 2000 to 2013*



Source: processing based on Sil JobAgency Labour Market Observatory of the Marche region data.

Figure 3: *Evolution of the number of micro firms/other firms in the Marche region from year 2000 to 2013, fixed base index numbers (base index year 2000)*



Source: processing based on Infocamere Movimprese data.

density of secondary social organizations was the key to economic development in postwar Italy, a rather highly qualified claim in the Italian data he analyzed. The doubts posed by the latter have not prevented him from offering "social capital" of this sort a panacea for correcting under-development (Putnam, 1993), but it might well caution the observer again not to pose cultural heritage arguments as a panacea in economic revival.

Investment is extremely low, bank loans the usual source of capital, and the resulting rate is below the regional average and dropping since the turn of the century. The predilection for using up cheap labor rather than investments in machinery and technology has led larger manufacturers to outsource production to Eastern Europe and to set up new shops and factories in North Africa. Much of the relocation to these countries, however, has the sole objective to significantly reduce production costs (cheap labor) in order to offer the same products at the most competitive prices on the same market, with negative effects on domestic employment (Paradisi, 2004).

The fall in investments, especially from the small businesses in the region, is one of the main reasons for the loss of competitiveness, not only on the local market but also on foreign markets (Goffi and Dini, 2013). However, the fall in investment seems to play the major role in the increasing competitive difficulties, because it amplifies the problem of declining employment. It implies lack of generational succession, a lower entry of entrepreneurial young talents and a weaker capacity to attract qualified and specialized figures. This means that whether there will be future opportunity of investing in new technologies or other innovations, it may be impossible to fully enhance them due to the unavailability of adequately trained human factor (Goffi and Dini, 2013).

Other reasons are the largely underutilized production capacity, the reluctance to work in synergy with other businesses, the incidence of abnormal financing costs as a result of the credit crunch, and the need to give credit to their customers and clients, in addition to rising cost levels due to low bargaining power (Dini, 2013).

A kind of corporate and managerial revolution as well as new and larger amounts of capital are needed, but structural factors intrude again. The pioneer generation is retiring, and poorly educated. The birth rate is zero, and immigrant labor, often much more educationally qualified than the natives and constituting 22.5% of the hiring of workers (Osservatorio Mercato del Lavoro Regione Marche, 2014), is deployed diffidently. Immigrants are viewed as cheap labor, not future managers or entrepreneurs (Pavolini, 2004). Children of Marche entrepreneurs with better educational qualifications than their parents can learn the financial aspects of the business (training in accountancy is highly diffused among their children), but the children often do not know the business as a whole, and given their white collar backgrounds are not disposed to do so. Often, after a trial in the family firm, they seek opportunities elsewhere, as instances perhaps of blocked opportunities at home and aspirations for independence outside the family take a serious toll on the capacity for industrial renewal (Carboni, 2007).

It is also true that the transfer of power to the children remains limited; it is more as an employer-employee relationship than a real succession in the management (Cucculelli, 2004). This is due to the high degree of individualization of the management by the company founder. This is a missed opportunity for the local productive system, as the innovation associated with the inclusion of the children could be a real moment of change in the management by starting new paths of development for the company: the junior entrepreneur would have a theoretical training, knowledge of the market and its risks, moreover could count on a network of protection at different levels – financial, operational and managerial (Cucculelli, 2004).

Italian economists attack these regional economies for “dwarfism”, meaning that the small firm size dooms them to marginalization eventual failure (Nardozzi, 2004). Indeed small firm size may now be a disadvantage, surely in labor-intensive manufacturing; but it is less clear that small size is necessarily detrimental to firms with high capital to labor ratios, or conversely those highly sophisticated labor and little capital.

Family businesses remain the mainstay, a risky strategy given that it assumes that the heirs have the necessary management skills for challenging times. Professional managers are suspected; few arrive and fewer stay (Blim, 2007). The family control of ownership structures is in many cases the almost total and this often means less innovations: incremental innovations and improvements are often preferred to drastic innovations, new products, the creation of new areas of business and more sophisticated management practices (Cucculelli, 2009).

4 The *mezzadria* as a classic structure of the *longue durée*

Now that we have a decent picture of postwar industrial success and indicators of its stagnation and decline, using the Marche region as our proxy for central Italy as a whole, it is useful to turn back to the past and gauge the importance of the *mezzadria*, the agricultural land tenure and sharecropping production system that dominated central Italian regional economies for almost 700 years.

The *mezzadria*, the sharecropping system that characterized economic life in central Italy from the 14th Century until forty years ago, is a phenomenon of the *longue durée* made to order for our thought experiment here. The degree of *mezzadria*'s impact on the area in question is incontrovertible, for the vast majority of men and women who created the industrial districts of the central Italian regions came directly from its farm yards and fields. Thus no tortuous argument connecting the sharecropping and the new industrial economy is necessary.

As an object of study, the *mezzadria* has provided enormously interesting grounds for understanding the retardation and final rise of capitalism in central Italy. For students of the historical development of capitalism, the reasons why the Italian city states failed to produce robust capitalist development and slid into the capitalist backwaters by the 16th Century are as important as understanding why post-round head England did instead. Sergio Anselmi (2001) has noted that in the late 15th and the 16th Centuries, the *mezzadria* that had been previously mutually beneficial for landlords and former serfs in stabilizing local economies after the Black Death, yielded a process of "re-feudalization" along the same lines as afflicted concurrently Eastern Europe. Both regions from this perspective shared the fate of being sidelined from the capitalist main event, and were henceforth treated as tributaries to accumulation elsewhere. Emilio Sereni (1968), instead, argued that the *mezzadria* was a hybrid institution that added the capitalist requirements of contracts, efficiency, and profit to a previously feudal mode of production. The *mezzadria* was thus a transitional phase in the development of capitalism in Italy that nonetheless blocked further capitalist development of agriculture.

As Sergio Anselmi, perhaps the premier postwar scholar of the Italian *mezzadria* notes with some irony, 700 years is one very long transition. To be sure, the institution's features cut both ways. It was a commercialization of classical feudal social ties of subjection of the peasant to provide honor for the owner. Contracts recovered from the mid-16 Century, for instance, included included clauses dedicated to "honors and gifts", that listed by number the items that the peasants had to serve up at specific times every year for the landlord's table. Sharecroppers had to provide fire wood for the landlord's town house, and periodically clean his stables. These provisions lasted as *mezzadria* contract boiler-plate until the end of World War II.

Having established the premise that *mezzadria* system of land tenancy figured as the regions' dominant economic institution for seven centuries, sun-setting only finally in 1984 with complete elimination of the possibilities of striking new sharecropping contracts, it is important to analyze its social relations of production in some detail. Not only are they formally homologous with those that drove the dramatic post-Treaty of Rome industrial development, but that it was precisely the same social relations of production that drove the successful industrialization. The postwar population of sharecroppers created the human link. They enacted a seamless transition from agriculture to industry by transforming their households into goods producing firms, lowering the costs of reproduction by keeping a productive base on the land, and putting profits into the advancing the collective welfare of their cooperating kin.

5 The "great transformation" or the saga thereof

A fair summary using Braudel's terms would suggest that the Marche region's postwar development, a proxy for central Italian development as a whole, is the product of many determinations. They collided to create a rather opportune conjuncture of rapid and successful economic growth. Yet, there are deeper local structural determinations that both constrained and enabled the transformation. First, the modest agricultural endowments, the division of land into tiny plots, sharecropping land tenure, small town, semi-autonomous *comune* structures governed by a few large nobile families – all of these were obviously factors of the *longue durée* (Anselmi, 1987). They surely contributed to the petty commodity orientation. Second, the social relations of production rooted in households, the congruence between firms and households, and joint strategies of consumption and accumulation, fit like gloves the industrial patterns of production and labor that emerged in the sixties and endured through the late nineties (Blim, 1990; Paci, 1982).

The saga of the industrial transformation, as it was viewed, grew up almost immediately alongside the phenomenon. The organic intellectuals of the region (here we confine ourselves to the Marche region), whether left, center, or right, praised the rise of industrialization as the deliverance of the region from centuries of privation and frequent misery. The most famous economist of the region, Giorgio Fuà, a neo-Riccardian and *protégé* of the industrial genius Adriano Olivetti, called it "industrialization without social fractures", by which he underscored the seamlessness with which the region converted its surplus and low-productivity agricultural labor into valued-added industrial labor and thereby created economic success. He headed the region's most important university economics department, founded the region's first master of business program (MBA) and an institute for business management, and set loose a score or more of colleagues and students often with the aid of OECD research monies to investigate, document, and create a model of the new industrial order (Fuà and Zacchia, 1983).

As with Fuà, so Massimo Paci directed the efforts of the region's principal sociology department to the same ends. The picture presented by Paci was darker and less celebratory than that painted by Fuà. Despite some differences between the Fuà and Paci groups, there was sufficient personnel overlap and faculty cooperation that each was aware of the other's work, though it could be said that for every sociologist cited by the economists, there were ten economists cited by sociologists (Paci, 1982, 1983).

Soon enough, MIT social scientists that had encountered Italian sociologists at Harvard Center for European Studies in the late seventies traveled to the central Italian regions in the early 1980s to wonder at and bear witness to what they hypothesized was the evolution of a genuinely "post-Fordist" system of production. The principals, Suzanne Berger, Michael Piore, and Charles Sabel, launched articles and several important books using the central Italian case as an example of a new economy emerging as mass production industries stalled and industrial decline set in (Berger and Piore, 1980; Sabel, 1982; Piore and Sabel, 1984).

The legend began to grow, aided in no little measure by the Cambridge, Massachusetts connections that grew throughout the eighties and into the nineties. Perhaps it's best to call what transpired the writing of the new economy's origin myth. Putting the ideological fetishism for small batches, numerically controlled machines, together with flexible, Prodhounian friendly labor, the key to the myth was that the value of the central Italian experience grew out of the soil of the *mezzadria* experience. The facts as presented and the connections between the agricultural and industrial systems were used to show the one-off "genius" of the local people embedded in a history that promoted small, agile firms, just-in-time manufacturing, corporatist industrial relations, and the enormous elasticity that household production provided for the new way. The key move in the myth was that local history had generated the social solidarity necessary for the common good, even admitting that behind the smiling faces presented to customers and researchers alike there was waging a cut-throat struggle competition among themselves in a hellbent scramble for wealth (Becattini, 2000).

According to the myth, however, the local culture, in short, had re-charged its ethos of sacrifice, familism and calculation, and reinvigorated minute forms of patriarchal control in an industrial context which, as seen above, brought great prosperity. The Protestants had come to central Italy, and not a moment too soon. National economists and political figures had begun to worry about a national political catapult into anarchy and terrorism on the political side, and a growing industrial dry rot they associated with the Neapolitanization of the Italian economy. Weber was cited for the ethos; Alfred Marshall was cited for the theory of industrial districts.

6 The saga hits the snag of industrial restructuring and decline restructuring

It was a good story, but it was too well told, and too convincing by half. Its advocates had hit upon some real intellectual bedrock: yes, the industrialization was in fact a continuation – not a break – from the celebrated mode of production based on the *mezzadria* that had long ago become the anchor of central Italian society over the *longue durée*. And for all the talk of novelty, the historical threads being weaved provided some guarantee of its rooted and likely durability, the latter key to its gospel of good times through family solidarity, discipline, and social cooperation. New firms continued to be founded, even after the series of market shocks that occurred in the eighties and early nineties.

The story's success becomes now a problem, and the point of the argument. Regional entrepreneurs, policy-makers, and politicians have caught themselves on the horns of a dilemma. On the one hand, they believe that the central regions have broken through the stultifying system of the past, and their regions have passed into a modern industrial society based on world markets, nimble and niche-seeking production, and information-based management that will render still possible their small and beautiful economies. This is their break with the past: they have moved out of a system that confined them to inferiority and peripheral status in the world economy since the 16th Century. They are modern, and given the praise their model has received over the past 30 years, why shouldn't they believe it?

On the other hand, as informants, scholar, politicians, and entrepreneurs have argued that the new industrial economy had grown out of the *longue durée* agricultural economy. In the fundamental sense argued above, the new economy was a continuation – not a break – with the old one.

As facile as all of us can be, it is not that unusual a move to argue both at the same time. "We will sail forward guided by our rich and unique history, but open to the new challenges the world demands of us in the future ...". As so many Italians say, all the world is but one town, though in this case, with possibly less than pleasing results for the local central Italians. The world has become one "town", a global village that augurs against them and their model now.

In a sense, treating industrialization and its success since 1958 as the beginning of a new secular trend could create a kind of societal voluntarism. Even now young Italian scholars are taking up the theme of the return to the spontaneity that they have read back into the historical record, true or not. It does suggest a high degree of under-estimation of the degree to which drastic, counter-structural actions are necessary to guarantee sufficient economic growth with sufficient innovation and change so that the wonderful quality of life that is theirs now can be sustained in the future.

In a summary and elaboration of the economic stagnation and decline described in the essay's opening, the flaws of their *modus operandi* have become all too apparent. Their industrial sectors are too often in the production of traditional, low technology goods. Firms are tiny, defensively kin-controlled; owners resist incorporation, and thus deprive themselves of capital investment through stock issuance. Despite the cries of local economists to capital-deepen and forsake consumer goods for capital goods in their original specialties – shoe machines instead of shoes, for instance – they hang on by paying low effective wages and outsourcing.

Their version of a successful economy, however bathed in the slow riverine flows of the *longue durée*, is an anachronism, the truth of which is concealed in their two-sided, Janus-faced reasoning of break and continuity. Bewitched by the continuity with the past, convinced by the onslaught of economic well being that so many in central Italy have experienced since the sixties and more that they have broken with the impecunious, backward pasts, politicians, policy-makers, and the organic intellectuals of the regions have yet to consider whether the "true" rupture or break is the next step they may needs take in rebuilding their regional economies.

The peoples of central Italy and their organic intellectual guides, no less than their business class, can surely not be faulted for their "both-end" strategy. How does one change without the back-bracing comfort of continuity? As the stagnation and in many cases industrial decline described above have set in, the saga that was once a celebratory account comfortably resting upon the slow-moving and grateful structuring of the *longue durée* has been fastened to the grand search for industrial renewal. They search for new industrial life in a business environment thoroughly suffused with a "seize the local advantage" theory of development made widely available by the Harvard Business School management guru Michael Porter (1998). The children of the first generation Marche entrepreneurs, now managers of the family businesses, know the mantras of modern management as well as anyone: be nimble, find niches, total quality improvement, and just-in-time production are their watchwords too.

Comforting words, though, are not consciousness. Improvisation is not policy. And economic equality is not a virtue arrived at by accident. Consider that the regional Gini indexes, which is a ratio of the actual distribution of income compared with a theoretically equal distribution of income. In its expression, one equals complete income inequality, and zero represents complete economic equality. The central Italian regions of the Marche, Umbria, Toscana, and Emilia-Romagna regions that have participated in the same phase of small-scale industrial development after World War II have Gini quotients hovering between 0.257 and 0.269 in 2011.[6] These central Italian regions in effect seem to have reached more income equality then the southern and northern Italian regions (for reference purposes, consider that the Sicilia Gini

[6] See http://dati.istat.it/Index.aspx?QueryId=4836.

Index is 0.305, Campania 0.323, Lazio 0.294, Piemonte 0.282).

The new rupture or break centers on an organizational model that incorporates firms, applies capital to the production of products, and elaborates as well as develops the production processes and human technologies attached to their industries old and new. Producer services, technological research and diffusion, high technology capital goods that can be built with small, highly qualified labor forces, and the creation of international university centers for learning and innovation are some of the initiatives that may be useful in the job ahead.[7]

But the need to consider new economic directions with knowledge of both the wealth accumulated and achievement of much-needed economic well being do not necessarily cause people involved to think big. They cannot know if industrialization was just a happy conjuncture. This would suggest that they must not assume that history is destiny in either sense. Other structural transformations enclose their success in a series of envelopes with long term implications for the region's future, as noted above. Moreover, changes such as the rise of China, the introduction of the Euro, the EU opening to the East – all of these are conjunctural novelties that could well harden into durable structures that would govern their room for maneuver. Surely, this suggests a need for boldness, a kind of self-conscious effort to act as if they were an independent regions or a sovereign state. As regions, though policy is necessarily constrained by the Italian state, the renewed emphasis on regional development via EU intervention provides some counter-force.

Some economic redevelopment strategies in effect have become off-the-shelf items. That is, regions and states worldwide are seeking to encourage the location and relocation of new industries and firms. Though studies show that competitive bidding between states and regions in the United States can be costly and counter-productive, this seems to me to be half the story. There is nothing hurtful in promotion, trade missions and the like. The Marche region has undertaken region- to-region aid programs with counterparts, and one would expect that aid will lead to trade as well. Also, while United States regional competition may be problematic, though the manufacturing re-awakening of the U.S. South via automobile production might suggest that winning states do make gains, other nations seek to become one of the wealthiest and top high tech centers in the European Union by hustling U.S. high tech firms. Costa Rica has lifted its economy and given it a life beyond tourism by attracting a Motorola chip plant, which in turn stimulated an industrial complex of suppliers and sub-contractors. Development economists like Dani Rodrik routinely advised governments to profit by attracting and building a high tech economy, based particularly on informatics (Uchitelle, 2007).

The nettlesome problem, to be sure, is why do businesses finally relocate in one place versus another?[8] The answer is that one must make the why; it is not a given. Whether a break and its transformative effects will endure is not foreseeable. Another secular trend is that the Marche region along with its central Italian neighbors and after the 16th century Italy too, formed classic peripheral areas to the economic motors of production that produced modern capitalism in Northern Europe.[9] Even today, taking Italy as a whole, there is renewed evidence

[7] Trigilia (2005) and Carboni (2005) describe the necessary new shape of local development in rich and suggestive detail.

[8] See Storper and Walker (1991) for a wise and sharply argued critique of classical geographic industrial location theory.

[9] Anselmi (2001) places the Marche Region precisely in the Wallerstein paradigm from the 16th century to the postwar period. Carboni (1990), on the other hand, refers back to Braudel's concept of the *longue durée* to discuss the historical factors that affected the development of informal labor in peripheries of European economies including Italy.

that the nation is slipping again into a peripheral or at best semi-peripheral orbit within the European and the larger world communities. This puts voluntarism, spontaneity, and true grit so often attributed to the successes of Italian regional development up against a tough historical foe.

The regions have assets. The Marche region, for instance, does now have deep and widely dispersed manufacturing skills and an ample labor force of semi-skilled workers with extensive work experience. As in the case of the Marche where a third of the households heads in the Marche region have engaged in some sort of small business or independent activity, there is an entrepreneurial wellspring that might support innovation. Regions now have bonding authority, and education and welfare policies are being slowly devolved from Rome to the regional level. Universities are now autonomous, and the Politecnica in the Marche region among others is trying to create the institutions necessary to support new products and technological innovations for new economic directions.

7 Conclusions

But enormous risks lie ahead, the most important of which is losing the highly satisfying and easily documented well being experienced by the people of the regions. The key to local well being in this case is economic success to be sure, but just as central in my view is the remarkably high level of economic equality characteristic of the central Italian regions (and not at all true for the rest of Italy).

Making a break, finally, with economic system of the *longue durée* precisely risks triggering the economic inequality all too prevalent in societies that break free of household models of production and accumulation; that substitute great assemblages of capital and capital goods for artisan skill and know-how; and that give way to the uncertain fates of the managerial innovations that accentuate workplace inequalities, and ultimately wage inequalities. There are ways to synthesize past and present, but they need to start from the socially shared desire for relative economic equality and satisfaction rather than from re-tuning the centuries-old mode of production that they have been cashed out industrially over the past generation. The present model, even put back on its feet in ways yet unforeseen, seems unlikely to generate the surplus necessary for a good life. If the key is protecting the regions' salubrious economic equality, then new efforts require dramatic increases in education, training, and income support, else the working class and the petty bourgeois artisan stratum be left behind and slowly impoverished relative to their neighbors. They require highly specific regional interventions to sponsor economic activities with a promise of success and that also put to work the educated new generation whose futures have been cut adrift by industrial over-concentration and now economic stagnation and in many cases decline.

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Il breve e lungo periodo: il valore del concetto di "*longue durée*" nell'analisi dello sviluppo economico contemporaneo e del declino

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Sommario

La crisi economica italiana che ha avuto origine con la nascita dell'Eurozona ha rivelato varie debolezze strutturali dell'economia nelle Marche. Ha anche evidenziato come il suo sistema industriale basato su piccole imprese familiari non possa essere considerato in discontinuità con il passato agricolo della regione, come in precedenza ipotizzato. Le continuità strutturali tra patrimonio agricolo della regione e il suo sistema produttivo attuale basato sulla piccola impresa possono ostacolare nuove forme di organizzazione economica necessarie per aver successo in un'economia mondiale in rapida evoluzione. A rischio è la stessa uguaglianza economica che ha migliorato la qualità della vita regionale dopo la Seconda Guerra Mondiale.

Classificazione JEL: *L60; O14; R11; Z13*

Parole Chiave: *Imprese familiari; Piccole e medie imprese; Dinamiche del mercato del lavoro; Economia regionale; Artigianato; Italia.*