

The culture of National Accounting and the emergence of the “Southern Question” in Fascist Italy

Introduction

Can we consider the invention of a National Accounting system and the relationship between statistics and business accounting in the Fascist era? With an historical perspective, the awareness of several alternatives and the existence of no specific “better” theory, only the understanding of the reasons and ways in which they emerged, acquiring new links which may be useful in creating a new theoretical insight. This current lecture is studying how this whole process has developed as well as the factors that have conditioned and slowed it down. There is an underlying element which characterizes the Italian case, accompanying its developmental phases and to a certain extent conditioning it- the political context of reference, that is to say the connection between the genesis of the research institutes and Fascism. The Keynesian revolution launched by the research centres took place in Italy without giving way to a liberal democracy as was the case in the United States and in the United Kingdom.

These factors must be regarded in a homogeneous way and must be connected with changes that took place in the most advanced parts of the capitalist world. This lecture is studying the legitimating phase of the research centres in the years of the economic Depression and up to World War II. Centres specialized in economic research originated under the influence of industrialization policies and were promoted through programs and projects during World War I and in the years just after the war. Their role started to be acknowledged in the Thirties, during the world economic crisis. A policy aimed at reforming capitalism was then being adopted that acknowledged the fundamental role that these new centres of economic and statistical studies played in the formation of political decisions. The acknowledgement of such research centres is confirmed during the years 1933-36 when special measures were adopted to get over the economic crisis.

This study is focusing on three particular cases that are relevant in varying ways: the Comit research office in Milan, the research centre of the Bank of Italy and Istat. In all these cases we can note a spirit which was at the same time public but also close to the private sector. Statistical research at that time found Italy was an industrial country. However the census showed that the main structural difference as far as Italy was concerned had to do with the territorial aspect of growth: there was a “Southern Issue”, the gap between north and south was getting worse with the expansion of industrial development. Research institutes were founded in the northern regions of Italy, where productive output was substantially higher. National accounting expands rapidly during the 1940s and 1950s, in the framework of a developed industrial economy, with certain special characteristics. The 30s and 40s of the 20th century witnessed the combination of extreme economic and political events (World Wars, Great Depression), the development of governmental intervention, and intellectual investments (cycle analyses, macroeconomics) that led to the emergence of National Accounting. National Accounting didn’t interest the Fascists at all, but on the other hand it represented the starting point of the formation of the idea of planning as an alternative to “Autarky” and the corporative system. The Promoters of the empirical position tended to contrast it with the economic planning of Fascism and a dictatorial regime, Italy tried to resolve the crisis by militarizing its economy and society.

The origins of the Keynesian Era in Italy

In this lecture I am going to reconstruct the origins of National Accounting and the calculation of the national income. Before starting my thesis, I wish to clarify my methodological framework. I have intended the measurement of reality as a representative development reflected through the historical protagonists and not as objective data acquired once and for ever. Consequently, the enquiry has passed from the

statistical series in themselves to the study of the procedure of measurement and data selection of the census of economic and social realities. The teaching of the INSEE French school (Desrosières, 1993), as well as the approach followed by Skidelski in his monumental autobiography on Keynes, have been very useful. I have searched for the roots of the theory in individual lives and in the historical context, beyond the sphere of intellectual and scientific production. In Italy, the importance of the original approach of the Industrial Census of 1937-39 emerged, of which I will talk more broadly later. This has allowed me to discuss again those opinions which are consolidated in the historiography.

As is known, “l’Etat Keynesian” had its origin in the United States and Great Britain after the Great Depression of 1929 and it spread globally between 1945 and 1975 (Desrosières, 2010). The invention of national accounting offered to liberal democracies an instrument for saving Capitalism and it gave to the United States an incredible weapon to influence the world and become one of the two dominant powers in the post Second World War period. The turning points were 1937 and 1938, which corresponded to the adoption of national income by the North American and Swedish governments, as well as the application of anti-crisis measures. Italy – like other totalitarian regimes such as Germany and Soviet Union – did not apply this innovation, as this reflected a democratic conception of planning. However, at that time, the country made significant steps ahead in the field of theoretical knowledge, even before the fall of Fascism.

During the period after the First World war, several studies and measurements were conducted in order to combat the high cost of living for the benefit of the workers, and in the most important industrial cities statistical urban planning offices were installed. At that time, the most advanced studies were conducted in the big northern cities like Milan and Turin, however cities such as Florence, Rome and Naples were also part of that process. At that time the Liberal statistical tradition became open to

Socialism as the most advanced statisticians were looking for solutions to regulate the contradictions of the industrial system, and had in front of their eyes the crisis of the liberal democracies and the apparent success of the anti-capitalistic revolution of the Soviets. A relationship of collaboration established between the reformists Ugo Giusti, Alessandro Schiavi, Giovanni Montemartini and Filippo Turati and the most advanced young researchers of the Russian revolution like Carlo Rosselli, Piero Sraffa, Raffaele Mattioli or Alessandro Molinari. The statistics offices of industrial cities prepared interventions suited to face contingent phenomenon (inflation, increase in the cost of living, unemployment and housing problems) and they suggested some structural reforms (territorial planning, public control of municipal services etc.). This trend however didn't manage to generate democratic reforms, and it was broken when Mussolini came to power, although it remained as an important thread in the debate between the two wars.

The modernisation of statistics in Italy derived from nationalism and from Mussolini's regime. The most important protagonist of this process was the statistician Corrado Gini, as was shown in the recent volume by Jean Prévost (2008). He was the first president of ISTAT (Central Institute for Statistics) from 1926 to 1932 during which time public statistics were put under the control of the State and became an instrument of the regime. Despite the ideologically closed context, the debate around the birth of a system of national accounting found its place, taking its cue from the examples of Great Britain and the United States. Between the two wars, notwithstanding Fascism, some centres of democratic culture survived, taking part in the debate regarding the evolution of the capitalistic system. However historical research was seriously held back. The weight of an ethical-political tradition rooted in idealism was still strong. The period between the two wars was moulded around Mussolini's biography and although his presence was certainly important, the dynamism of the productive sphere and of the economic culture

have been underestimated. In Turin, Luigi Einaudi was compelled to abandon all his public roles, but kept an important role as an educator and a central figure of economic thought. The social reform was published until 1932 and even afterwards Einaudi continued to participate actively. In Milan, Giovanni Demaria's Bocconi University was particularly active with the magazine «il Giornale degli economisti e rivista di statistica» (The Economist Journal and Statistics Magazine), taking part in the international debate on all the main topics. Between the two wars this journal was directed by Giorgio Mortara, Jewish and fascist and the Head of Economic Statistics, who displayed neither a 'central planning' nor liberalist position. At that time, in Milan, the young researchers of the circle emerged which had been forming in the Twenties in direct contact with the changes in business and the problems derived from the economic crisis. I am referring to Raffaele Mattioli and to Ezio Vanoni, Libero Lenti, Ferdinando Di Fenizio, Carlo Rosselli, Guglielmo Tagliacarne, Alessandro Molinari and also Paolo Baffi. They were the makers of a cognitive revolution which gave an instrument for the definition of a politics of structural reform. They were the representatives of an elite class of competent and expert people, who accompanied the course of Italian development from the Thirties to the Sixties. In the South of Italy the most active centre was the city of Naples, where the philosopher Benedetto Croce was living. At the University of Naples, the Jewish economist Alessandro Graziani taught, who participated in the international debate and who responded to the questions posed by the updating of the economic theory coming from changes in civil society and business.

At the beginning of the Thirties, the instruments of periodic measurements were inadequate in respect to the cognitive tasks of reality, which derived from the transformations taking place in world economy. Italy could count on the data published in «Prospettive economiche» (Economic prospective), the review directed by the statistician Giorgio Mortara, professor at Bocconi University, and immediately after – in

importance – by the «Movimento commerciale dell'Italia» (Commercial Movement of Italy) of the Banca commerciale italiana (Comit). The theme of the calculation of economic and social accounting found its first appreciation within the frame of economic reformation following the fall of mixed banks, with the creation of “Istituto per la Ricostruzione Industriale” (IRI – Institute for Industrial Reconstruction) in 1933, an institute for public law founded to support the enterprises affected by the Depression, as well as the start of a policy of renewal of the productive system. One of the first initiatives by Raffaele Mattioli, as Comit's managing director was the reinforcement of the Study Office. At the head he appointed Antonello Gerbi, who kept his post until the summer of 1938, when he was compelled to abandon it because of the Racial Laws. In the study office Ugo La Malfa, Giovanni Malagodi, Raimondo Craveri and Guido Carli were employed. In that circle they used to read the democratic thinkers, and they deepened their knowledge of Keynes's writings, of the English Labour Party and the American New Deal. In that environment the debate on consumption was introduced. In these discussions the responsible people from of the centres of statistic measurement and business planning of the big enterprises also took part: Libero Lenti of Snia Viscosa, Ferdinando Di Fenizio of Montecatini, Ferruccio Parri of Edison, Pasquale Saraceno for IRI, Guglielmo Tagliacarne of the Chamber of Commerce of Milan and Mario Saibante of Confindustria. The interest of business were matched to those of Italian population, and the increase in the level of business production and efficiency should have brought an improvement in the levels of life and social wealth. The premises for planning policy were laid, operating in a corporative context of a closed economy, deprived of any adversarial democratic dialectic.

Mussolini welcomed and in a certain way endorsed the analysis of statisticians who put forward a policy of reduction of iniquities and, at the same time, tried to use it in order to give consent to his regime. He claimed the myth of the “great proletarian” Italy,

proposing a third way between capitalism and communism, individualism and collectivism, imposing therefore a direction which was anti-liberal and yet anti-capitalist. At the same time, he welcomed the request of a reinforcement of the central bank, as was happening in Great Britain and in the United States. In this way, he gave space to study initiatives on national income for introducing an economic policy suited to the conditions of Italy, as a developing country. In 1935, after the invasion of Ethiopia and the subsequent economic sanctions, Italy declared the objective of autarchy, which is to say economic self-sufficiency. The turning point was the Bank Law of 1936. The issuing institution was acquiring power of currency production and so participated in the discussion on economic policy. For this end, it was decided to create a Study Service which would have allowed a contact with the real economy. The project was created by Giorgio Mortara who recruited in this new organization his assistant at Bocconi, the future governor. Within the Study Service a restricted group of scholars was formed, committed to research and there the culture of Comit continued its influence.

The first commitment of Baffi at the Study service office was the preparation of a form of measurement for credit based on the economic category of debtors, which acquired effective relevance only in the second World War after the end of the regime. The most important work in those years was the publication of two volumes on the transformations of the Italian economy from 1931 to 1936. The research updated the data of the «Movimento commerciale» (Commercial Movement), which had ended in 1932 and introduced some elements of national income, which were scarcely employed though, in such a closed economic system. The elaboration of economic data was accompanied by an intense correspondence between the amministratore delegato della Comit, Mattioli, the governor of the Bank of Italy, Azzolini, and the statistician Mortara, the economic scientist responsible of the work. Ugo La Malfa coordinated the work of the Commerciale and Banfi and directed the group from the Bank of Italy. The volumes

were published in Autumn 1938, but all the references to Mortara were taken away, after the anti-Jewish laws that sent him into exile. At the end of 1939, the Institution for issuing currency equipped itself with another relevant instrument to calculate the national accounting, the National Institute for Corporative Finance, which had another office in respect to the one of the Study Service. There, the first attempts for calculating the national income were discussed, produced by private researchers with the data of the Minister for Corporation, as numbers on added value were not available. The minister of Finance, Paolo Thaon Di Revel, on the basis of these evaluations, founded a study commission for preparing a fiscal reformation, with the presence, among others, of Ezio Vanoni. Aside from the Bank of Italy two other institutions were operating: Cnr and Istat. We will discuss more widely later this latter institution. The concept of national accounting was promoted in Italy too, by the business culture of large enterprises. The first attempts were accompanied by polemic and criticism, which put into question the possibility of a generalised process, based on sample measurements. We will return to these elements toward the conclusion of this lecture.

Alessandro Molinari, the empiric method and the industrial census of 1937-39

In Italy, the measurement of national income took place in the Second World War and was made possible – as far as the most important component of the added value of industrial production was concerned – thanks to the industrial and commercial Census in 1937-'39, linked to the statistician, Alessandro Molinari 1898-1962. (Misiani, 2007). Alessandro Molinari grew up in Milan, taking part in the intellectual life of the anarchic movement, his father, Ettore Molinari, was an anarchist and professor of chemistry who also taught at the Bocconi University. Alessandro Molinari elaborated an idea of liberal and socialist planning. He adopted an empiric point of view to analyse the problems of

1900's. He graduated in 1920 from Bocconi University with a Thesis on the Soviet economy and his teachers were the liberal Luigi Einaudi and the socialist-reformist Alessandro Schiavi. Later he acquired world-wide renown as a statistician who was the director of the labour office at the municipality of Milan. The monthly bulletin «Città di Milano. Bollettino municipale mensile di cronaca amministrativa e di statistica» shows that until 1924 he was well known for his left-wing political stance. From 1929 to 1945 he was the general director of the ISTAT and in 1948 the general director of the Association for the development in the Southern Industry, lo sviluppo dell'Industria del Mezzogiorno (SVIMEZ). At Istat he was recruited by its president Corrado Gini who was the author, in the Twenties, of the first attempt to define a criteria to measure the wealth of the States among the Society of Nations. Notwithstanding that Alessandro Molinari was not a fascist, il Duce personally approved his important nomination. Mussolini knew Alessandro Molinari from the time when Mussolini himself was a socialist and, living in poverty in Milan, was often fed at the home of Ettore Molinari. Alessandro Molinari introduced at Istat a voice from the most advanced industrial socialism of Lombardy and an idea of planning connected to territorial analysis. He is the most important interpreter of the direction of empiric and reformist Lombardi socialism, which considered that statistics have the duty to represent economic and social dynamism, as well as to reduce the contradiction between the omnipotence of technical means that 1900s had at disposal and its dramatic inability to reach all its goals without paying a price out of proportion. He had a relevant role in keeping a direct channel between the non-conformist environment of Bocconi and the Cambridge circle. He was the interlocutor of Piero Sraffa, who collaborated with the Study office of Milan until he moved to Great Britain (Naldi, 2000). In the post war period he introduced the theory of "Development Areas" and the "Unemployment Areas" (Meynell, 1960) within the debate about the industrial development in Mezzogiorno

(Southern Italy).

He had an extraordinary élan in the field of economic investigation from 1936 to 1939, in an ideological framework where cultural elements deeply discordant were combined. In the previous four years this effort was being prepared, during which time the criteria of evaluation and the updating of the technical guidelines of the Institute were laid. In particular, it has to be mentioned the programme for introducing machines which could have helped the operations of the perusal of the censuses; secondarily, the programme for centralization of the functions of economic measurement in the main institute of national investigation; thirdly, the methodology of statistics was updated, according to a planning policy.

The general census of the population in 1936 represented the starting point of that phase, presenting for the first time a radiography of the demographic structure from which emerged, aside from the general data, a regional articulation divided into “statistic areas” representing the structure of Italy. This criteria was applied after the end of Fascism, in the regional plans of Schema Vanoni.

The industrial and commercial census of 1937-39 permitted the acquisition of all the data which were necessary to measure the business system, with each enterprise distinguished according to its size and geographic location on the national territory. In preparation for the census Molinari formed a team with his same ideals and goals, including the statisticians Pietro Battara and Eugenio Rienzi. The census posed the problem of the calculation of the index of productivity and of the added value, wanting to give a macroeconomic vision without renouncing the goal of giving a representation of the territorial articulation. The foundations for the construction of national income were laid, following a path which took into account the experience of democratic countries. The census of 1937 was inspired by industrial censuses realized previously in Germany and in the United States. The calculation of the monetary value included some

technical and organization difficulties, which were partially resolved by practical expedients to be adopted transitorily and not to be repeated in the future. The first problem concerned the difficulty of measuring the different productive fields at the highest level of their production. Organizational difficulties led to the division of the measurement into different time frames, with the commitment to conduct several censuses in the future for the same date, using technical expedients that allowed to portray also the seasonal productive sectors. The second practical expedient for the industrial census was to distinguish between enterprises – the large ones – which did not tend to have any interest in giving false information concerning taxation from the artisanal businesses, which could instead have had an interest in giving not true indications. For those later enterprises a system of deductive tests was introduced.

Two elements that decision deserve to be underlined, the former is the trust in big business, which is common to all Reformism, from the Thirties to the Sixties, well summarised in the Fordist model. The second most remarkable fact was the awareness of the need to assume a critical approach, independent from the policy of Confindustria. The census caused the tendency of Italian business to divide into sectors and territorial concentration to emerge, to which a legislation against monopoly should follow, an utterly unrealistic hypothesis during Fascism. Moreover, the adoption of a territorial-areas approach allowed the understanding of the dualistic character of the Italian development model. In particular, the Southern Question raised, in terms of gap of productivity and occupation. This statement is confirmed by the correspondence between Molinari and the experts of Milan circles, Mattioli and the socialist Basso and Morandi, followed outside Italy by Nenni and Sraffa.

The census gave reliable information about three indexes of the productive cycle: the technical unity (*esercizio*), the local unity (*stabilimento*), the juridical economic unity (*ditta* or *impresa*). The most important data to calculate production was the

“esercizio”, formed by the industrial works belonging to one, and only one, of the 283 subclasses of the industrial activities classification. The technical unities were indispensable to calculate the added value and to guarantee a rational division of the industrial activities in the productive cycle according to the technology used. It was possible to analyse the characteristic of the diverse management ramifications and their modifications in time. For each subclass of the industrial activity classification a special questionnaire of measurement was prepared, called “questionario di esercizio” containing inquiries common to all business and a variable part, concerning the raw and auxiliary materials, the ingredients, the products and the by-products, the plants and the characteristic machines. It was possible, in fact, that the same establishment contained one or more “esercizi” (ex. mills and pasta factories). Finally, for the artisanal businesses, more concise questionnaires were used. The industrial census checked, as was done previously but only with major details, the structural data regarding the dimension of the businesses at the moment of the census: general information on it, staff, force of motion, means of transport, plants and machines etc... Secondly, it gave quantitative data which were more detailed concerning the working cycle along a whole year called *anno di censimento* (*year of census*). This point marks the passage toward a survey to calculate productivity and undoubtedly represents a novelty in the history of Italian statistics. In detail, the census measured the value of each raw material, auxiliary materials and various ingredients applied in the year of the census; all the finished products and by-products made or obtained in the same year; the monthly fluctuation of the labour and the salaries corresponded overall to the workers and, moreover, the consumption of fuel, electric power etc... and finally the unsold raw materials, products and by-products at the beginning and at the end of the year of the census.

In contrast to the rhetoric of the Règime, Istat told about a nation deeply involved in the process of modernisation, marked by the stability or probably by the increase of

the gap between the productive levels of industry and agriculture, which mirrored the difference between North and South. In the survey the first signs of economic acceleration guided by the industrial and commercial sector, accompanied by a marked tendency to concentration. At the same time, the data of the census showed the signs of a territorial gap between Northern Italy and “Mezzogiorno”. With this position, a contrast between the image and stereotype built by Fascism and the quantitative reality founded on empiric measurement was made explicit. While the Regime proclaimed the end of the “questione meridionale” (Southern issue), the data gave back an Italy different from what was represented. There was a difference of productivity in the southern regions to which structural unemployment corresponded, this offered a prospective of success for a policy of industrialization (Lenti, 1943). This was a sign which was counter to the directions of the majority of the Confindustria. Because of the war the perusal of the industrial census was suspended, while the general census of agriculture planned for 1942 did not take place. Molinari’s line was taken back and updated once Italy left the closed system of corporatism, within the discussions around the application of the Marshall plan.

Conclusion

In conclusion, a few considerations around the Italian national income. The construction of it followed a complex and adversarial path, starting with the history of industrial census in 1937-39 and ending in the middle of the Sixties. This dynamic reflected the contrasts within international debate, but also the discussion about the role of political parties in public life and about the nature of democracy in Italy. The main factors determining the outcome are fundamentally four. The drive coming from the international events regarding the Cold War, the adhesion of Italy to the Western block – in particular to the Bretton Woods deals, the management of ERP support – until the

origin of the process of European integration. Secondly, ISTAT, which contributed to the formulation of national income, interpreting the drive to a quantitative adaptation and introducing elements of econometrics, but losing elements of empiricism and pragmatism used by the liberal and socialist economic school of Einaudi and Molinari. The third fundamental actor is represented by the Bank of Italy, which interpreted a role of integration and supplying, elaborating the first economic accounts in May 1948 and arriving, in the Sixties, to the elaboration of a national system of accounting, in order to defend an economic policy based on the balance between saving and expense. What is the place reserved to the analytical and empiric path of the industrial census of 1937-39 in the history of Italian income? This approach was assumed by the democratic forces in the conclusions of the Economic Commission of the Minister of “Costituente” and was developed in the works of public and private institutions like the Parliament and Svimez. In those studies the meeting between the liberal position of Luigi Einaudi and the reformist Alessandro Molinari was accomplished. In this way, an original vision of national income was reached, based on the acknowledgement of the primary importance of the civil society on political parties.

The necessity of favouring an investigation of a territorial and of a zone system of articulation was introduced, as a boundary to the direction of general planning. This direction was contrasted by the determinist and dogmatic thought, expressed first by the policy of public intervention, and after by the domain of absolute trust in finance and markets. At present, after the 2007 crisis, would not Einaudi’s teaching contribute to enrich the debate on governmental policy which currently dominates the international scene?

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