



# FORMS OF ENTERPRISE IN 20th CENTURY ITALY

*Boundaries, Structures and Strategies*

Edited by

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## 9. Industrial policy and artisan firms (1930s–1970s)\*

**Giuseppe Maria Longoni and Alberto Rinaldi**

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### 9.1 INTRODUCTION

One of the main differences between Italy and the other major industrial countries concerns the average size of firms. In the 1990s, a remarkable 58 per cent of employees in the Italian manufacturing sector worked in companies with fewer than 50 employees – and 26 per cent in micro-firms with fewer than 10 employees. In contrast, the corresponding figures were only 18 and 4 per cent in the US, 20 and 6 per cent in the UK, 12 and 5 per cent in Germany, 31 and 5 per cent in France, and 47 and 18 per cent in Japan (Giannetti & Vasta 2005).

Some economists identify the reason for the prominent role played by small and medium-sized enterprises (SMEs) in Italy with the events of the 1970s, when the crisis of Fordism and mass production, manufacturing decentralisation and the growth of industrial districts spread industrialisation from the north-west towards the north-eastern and central regions (NECRs) of the country (Brusco & Paba 1997; Bellandi 1999).

Historical research, on the other hand, seeks the long-term roots of the predominance of SMEs in Italy. Cafagna (1989) and Federico (1994a) stress the historically dualistic nature of Italian industry, emphasising the dynamic role of SMEs in traditional sectors, and demonstrating their ability to exploit the comparative advantage of a country with very easy access to labour. These authors underscore the ability of SMEs to maintain their competitive advantage without requiring any form of state intervention, while larger companies operating in oligopolistic sectors with high capital intensity were able to survive only thanks to the state subsidies. This dualistic vision that highlights the existence of two separate components in Italian industry has recently been criticised by Colli (2002a) and by Bolchini (2003), who stress the inter-relations that developed between large and small enterprises and the consequent benefits which they brought for the flexibility and efficiency of the whole system.

The revision of the role of SMEs in Italy's economic history has also

led to a revision of the role of the state. If government policies for SMEs were, in the view of Becattini (1998), either non-existent or insufficient with regard to those adopted for large companies, Weiss (1988), Carnevali (2005), and Spadavecchia (2005) argue that the Italian state played a central role in fostering the post Second World War advancement of SMEs, while Piore & Sabel (1984) and Arrighetti & Seravalli (1997) held that regional and local institutions, rather than the central government, were relevant in the development of Italian SMEs.

This chapter focuses on government policies for artisanship (i.e., for the smallest firms), from 1945 to the 1970s. In 1972, a law transferred most of the competencies with regard to artisan policy to the newly constituted regional governments, thereby marking a major institutional break.

This chapter is structured as follows: Section 9.2 contains various quantitative data concerning the extension of artisan enterprise in Italy between 1937 and 1981. Sections 9.3 and 9.4 examine artisan associations and their demands. Section 9.5 addresses the role of small companies in the analyses of the two major Italian political parties: the Christian Democrat Party (DC)<sup>1</sup> and the Italian Communist Party (PCI).<sup>2</sup> Sections 9.6 and 9.7 investigate the initial measures adopted to aid artisan firms in the years immediately after the Second World War. Section 9.8 deals with the Artisan Act of 1956, which defined the legal framework of artisan firms in Italy. Sections 9.9 to 9.13 discuss the policies adopted in relation to artisan firms subsequent to the approval of the Artisan Act. Finally, Section 9.14 makes some closing remarks.

## 9.2 QUANTITATIVE DATA ON ARTISAN FIRMS

The industrial census of 1937–39 revealed the presence of 815438 artisan firms in Italy, with 1243407 employees (Table 9.1), identified upon the basis of a list of professions established in 1934. Artisan firms accounted for 25.6 per cent of the total number of employees recorded by the census. These firms were prevalent in the sectors of health and social work (84.1 per cent of employees in the sector), clothing and fashion wear (79.7 per cent of employees), tanning, leather and footwear (67.9 per cent of employees) and wood and furniture (63.5 per cent of employees).

The next census, conducted in 1951, defined artisan firms as enterprises 'having a single local facility, engaged in the production of capital goods or the provision of common or artistic services . . . whose proprietor is continuously engaged in the work process or . . . in the training of apprentices'. This definition made it impossible to make a distinction between artisan firms and micro-firms in which, as in artisan firms, the proprietor



*Table 9.1 Artisan firms and employees (1937-81)*

Industry	1937-39			1951		
	Firms	Employees	(a)	Firms	Employees	(a)
Food and beverage	59 135	120 761	21.0	40 650	80 367	19.7
Metallurgy	...	...	...	198	538	0.4
Mechanical engineering	95 493	171 676	20.3	107 942	177 740	19.3
Non-metal minerals	13 025	29 319	14.2	10 439	22 117	11.0
Paper and printing	...	...	...	4614	11 417	8.4
Tanning, leather and footwear	121 058	146 305	67.9	93 492	121 998	61.0
Wood and furniture	115 504	180 104	63.5	101 121	164 614	56.3
Textiles	27 627	36 498	5.8	29 869	41 917	6.5
Apparel and fashion wear	165 881	246 202	79.7	123 833	191 261	76.6
Chemicals and rubber	...	...	...	3892	7890	3.5
Other manufacturing	...	...	...	7010	12 608	23.8
Manufacturing	597 723	930 865	26.7	523 060	832 467	23.9
Agriculture, forestry and fishing	...	...	...	...	...	...
Mining and quarrying	...	...	...	...	...	...
Energy, gas, and water supply	...	...	...	...	...	...
Construction	49 253	78 615	14.1	14 850	31 075	5.9
Transport	106 725	136 011	24.7	47 759	62 570	12.0
Business services	...	...	...	...	...	...
Health and social work	61 737	97 916	84.1	65 038	99 913	71.1
Total	815 438	1 243 407	25.6	650 707	1 026 025	21.9

*Note:* (a) Percentage of artisan firms on total employment of the sector.

*Source:* Istat, Censimenti industriali, 1937-39, 1951, 1961, 1971, 1981.

works as described above, because there was no mention of the capital employed, the type of manufacturing work carried out (series production or limited runs), or the degree of dependence on customers (Zamagni 1979). The number of firms had fallen to 650 707 (-20.2%), the number of employees was down to 1 026 025 (-17.5%), while the percentage of employees in artisan firms with regard to the total number of employees included in the census had dropped to 21.9 per cent.

The difficulties encountered in recording artisan firms were not overcome even in the subsequent censuses of 1961, 1971, and 1981. In 1961, a total of 746 246 firms were recorded out of the 916 912 firms enrolled at the end of the year in the provincial registers created at the Chambers of

1961			1971			1981		
Firms	Employees	(a)	Firms	Employees	(a)	Firms	Employees	(a)
64959	165090	40.8	34362	96094	25.3	37006	108815	26.0
500	2967	1.6	1513	6457	2.6	907	3622	1.7
134901	357762	25.6	183037	480042	25.2	259220	672121	26.7
12279	45257	14.2	15258	57285	17.3	17128	60747	18.0
7518	30594	19.1	11050	41608	17.8	17067	59440	21.1
63828	103445	46.1	38733	83870	36.6	38892	103124	34.6
96968	222645	58.7	90882	206713	52.1	101790	240742	53.2
36070	76832	13.0	40640	97462	18.0	46751	115646	23.4
113376	211203	62.3	91205	164455	39.5	69776	163454	36.0
5017	14087	4.4	6947	17390	4.3	16114	49201	9.5
10931	27900	22.9	20136	66668	33.3	22498	58868	51.2
546347	1257782	28.2	533763	1318044	24.9	627149	1635780	26.8
...	...	...	16826	37097	33.1	12163	22533	12.9
3117	11837	13.5	2333	8854	12.4	2485	9922	18.0
...	...	...	...	...	...	12	55	0.0
31195	127513	13.9	105883	304225	30.5	261112	617866	51.8
66891	113540	15.3	79240	119027	13.3	113841	167612	14.6
...	...	...	...	...	...	2298	4521	3.0
98696	176233	73.8	139377	229496	50.5	161650	261603	65.1
746246	1686905	26.2	877422	2016743	25.7	1180710	2719892	28.8

Commerce. In 1971, with 877422 firms recorded in the census, the total number of firms enrolled in the provincial registers was 1231525, while, in 1981, the census recorded 1180710 firms, as compared to 1447902 concerns enrolled in the provincial registers.<sup>3</sup>

In any event, the 1951-81 period saw a steady expansion of artisanship: according to the census data, the number of concerns had grown by 81 per cent and the number of employees by 165 per cent, from 1026025 to 2719892 people, accounting for nearly 30 per cent of total employees in 1981.

Some sectors, such as textiles, mechanical engineering, the processing of non-metal minerals, paper and printing, building construction, transport and health and social work grew steadily during the entire 1951-81 period.

Others, including the food sector, wood and furniture, and chemicals and rubber showed growth from 1951 to 1961, followed by a decline during the next decade, and by a new upsurge from 1971 to 1981. Clothing and fashion wear grew slightly from 1951 to 1961 and then dropped in the next two decades, while the tanning, leather and footwear sector reflected a constant decline over the 1951–71 period, which was followed by a period of expansion from 1971 to 1981.

Overall, this period reflected a radical transformation of Italian artisan activities. On the one hand, there was a significant downturn in traditional business activities (tailors, joiners, smiths, shoemakers, etc.), characterised by the production 'by hand and made-to-measure' ranges of goods that modern industry was able to provide at more competitive terms. On the other hand, a series of activities that were complementary to the operations of large industrial concerns emerged, such as machining and subcontracting work in many areas of mechanical engineering, clothing and fashion wear, and woodworking sectors and the crafts industry, building construction, transport, repair services, and health and social work, for which demand was soaring (Pescosolido 1982).

### 9.3 ARTISAN ASSOCIATIONS

Up to the middle of the 1920s, Italian artisan firms relied on a very insubstantial organisation, structured around trade communities on a strictly local basis. Only in 1926 was an independent National Federation of Artisans (NFA) created. Within the NFA, artisans were grouped into 42 craft trade communities and 26 usual trade communities (Zamagni 1979).

The creation of corporations in 1934<sup>4</sup> was accompanied by a restructuring of the system of representation of economic interests into four primary categories: agriculture, industry, commerce, and financing and insurance. Against this background, the NFA was annexed to the Confindustria, the association dominated by the larger firms (Maraffi 1994).

The corporative system was abolished after the fall of the Fascist regime. The fascist associations were dismantled and freedom of association was re-introduced. This allowed artisans to break away from the Confindustria and set up their own independent organisations. Consequently, four nationwide associations were set up between the end of 1944 and the start of 1945. Attempts to create a single national organisation of Italian artisans failed in 1946. In the second half of the same year, there was a split that led to the emergence of two major category confederations: the CNA (National Confederation of Artisan Firms), which was present almost exclusively in the north, and the CGAI (General Confederation of Italian

Artisan Firms), which was active primarily in central and southern Italy (Pesole 1997).

A split of the CGAI in 1948 led to the creation of a third organisation, CIA (Italian Confederation of Artisan Firms), which also attracted the membership of several local associations that had severed their ties with the CNA, while other local associations, including those of Milan, preferred to retain their independence. This state of affairs was accompanied by a barrage of reciprocal accusations: the CIA was targeted because of its alliance with the DC (Christian Democrat Party), the CGAI because of its alliance with the Confindustria, and the CNA because of its ties with left-wing political parties. The CGAI and the CIA merged in 1954, resulting in the creation of the CGIA (Italian General Confederation of Artisan Firms), which, from that time on, consolidated its status as the most representative trade organisation in Italy, although it proved unable to topple the supremacy of the CNA in Italy's traditionally left-wing stronghold regions (Simoncini 1981).

The creation of separate and independent artisan organisations was due to two main motives. On the one hand, the specific nature of the interests to be represented, which were hard to reconcile with the interests of big industrial players, and, on the other, the political vision of the two main Italian parties, the DC and the PCI (Italian Communist Party) – and, albeit to a lesser extent, of the PSI (Italian Socialist Party) and the PSDI (Italian Social Democratic Party) – which were keen to establish themselves as the popular parties of the new democratic political system, were deeply rooted in the community and wished to establish solid ties with broad sectors of the middle classes. The nature of the interests in question justified the emergence of a form of artisan representation that was independent from the Confindustria, while the strategy of the political parties explains the existence of several artisan associations in competition with each other (Maraffi 1994).

## 9.4 THE DEMANDS OF THE ARTISANS

Apart from ideological clashes, the major practical divergence between the CGIA and the CNA concerned relations with the trade unions. The CGIA was in favour of contractual articulation down to individual level, while the CNA was more interested in building an independent collective bargaining area for the artisan sector (Lagala 1992).

In contrast, the demands presented to the government were very similar (Coppa 1976; Pesole 1997). In particular, from immediately after the Second World War, the two confederations lobbied the government for a policy with regard to artisan firms based upon:

1. Facilitations and exemptions:
  - tax relief concessions (on turnover tax and general income tax) and insurance contributions relief (for family allowances and apprentice artisans);
  - the creation of a welfare system for artisans in the form of a public system of compulsory insurance (for sickness, invalidity and old age) with a ratio between benefits and contributions that was to be higher than that offered by private insurance companies to industrial entrepreneurs;
2. Substitutive factors:
  - provision – by specific government agencies – of services and business promotion initiatives that artisan firms, because of their small size, were unable to perform or denied access to on the market at conditions that were comparable to those available to large companies:
  - access to credit;
  - commercial promotion;
  - technical, design and artistic assistance;
  - vocational training.

## 9.5 ARTISAN FIRMS IN THE ANALYSES OF THE DC AND THE PCI

After the Second World War, a favourable view with regard to SMEs was expressed by all the Italian political parties, headed by the two largest ones: the DC and the PCI.

The major governing party, the DC, had a social project that awarded positive value to the *petite bourgeoisie*, seeking to swell their ranks and thereby extend the ideals of economic independence – small firms, skilled craftsmen – throughout society.

In emphasising the role of small ownership, the DC was heir to the very problem that had eventually urged Catholics into the political arena: the struggle to deflect the proletariat from the attractions of socialism. This 'great labour question', as Leo XIII defined it in the *Rerum Novarum* of 1891, 'cannot be solved save by assuming, as a principle, that private ownership must be held sacred and inviolable. The law should, therefore, promote ownership, and its policy should be to induce as many people as possible to become owners' (cited in Camp 1969: 84).

Thus, at the heart of the DC's analysis, the solutions brought to bear on the labour problem centred on the diffusion of property. In the view of the DC, the small producer was the very symbol of integral society: he was

both employer and labourer; he worked alongside his or her assistants and related to them in a highly personal way. Consequently, in the small firm, the organisation of work was 'more human', the worker's dignity 'better protected, the sense of responsibility and collaboration more keenly developed'. If large firms engendered the class struggle, the smaller units fostered solidarity, thus transcending the capital-labour divide (DC 1968:246).

Moreover, the analysis of the DC was influenced by the views of the Catholic economists of the early 20th century, who had stressed the economic rationality of small firms (Toniolo 1951). The DC never regarded technological progress as a prerogative of the large factory, but maintained that its benefits could also be exploited by small firms (Weiss 1988).

The major opposition party, the PCI, set out its small-firm policy in the immediate post-war years and further developed it at its 8th Congress in 1956 (Togliatti 1964; PCI 1957). According to the PCI, large enterprises are the most efficient way of organising production, but, in some circumstances – and the Italian case was one of them – it may lead to monopoly or oligopoly: both of them tend to limit production in order to maximise profits. Small firms are not – contrary to the DC's thinking – a 'type' of enterprise, by their very nature different from large concerns. Moreover, small firms are not economically efficient. They are, instead, the first stage in the life cycle of capitalist firms, which must either grow or eventually fail. In either case, the presence of small firms opposes the tendency to economic stagnation which stems from the predominance of monopolies. Thus, the expansion of small firms must be encouraged because it facilitates an increase in production, employment and wages, and therefore provides an improvement in the living standards of the working class. This reasoning was intertwined with other considerations regarding the need for the PCI to distract the middle classes from the influence of right-wing forces in order to avoid a possible return to an authoritarian regime. On this basis, small entrepreneurs should become 'strategic allies' of the working class (Brusco & Pezzini 1990).

## 9.6 THE FIRST PROVISIONS FOR ARTISAN FIRMS

### 9.6.1 Tax Relief and National Insurance Discounts

In the first decade after the Second World War, the Italian government decided on a series of measures for artisans. First of all, the rate of turnover tax was reduced from 4 per cent to 1 per cent. With regard to general income tax, prior to the Second World War, artisans were included among recipients of mixed income of capital and labour (class B); in 1946, the

Ministry of Finance decided on the classification of artisan activities in the categories of income from independent professional work (class C-1), which was subject to lower tax rates, provided the following conditions were fulfilled within the firm (Lionetti 1965):

- that the income was obtained mainly from the work of the proprietor and his workforce and not from the capital employed;
- the number of employees were not greater than four, including family members, plus two apprentices.

Since 1948, artisan employers could also pay lower contributions for family allowances for their workers (13 per cent as opposed to 22.5 per cent for industrial firms). For this purpose, a company was considered to be artisan if it met the following requirements (Gualtierotti 1977):

- participation by the proprietor in the manual work performed within the company;
- the exercise of one of the activities included in a specific list prepared by the Ministry of Labour;
- the number of employees limited, no more than five, or no more than three, depending on the type of activity performed, excluding apprentices and members of the family.

This definition of an artisan enterprise was confirmed also by a law of 1955, which exonerated artisan firms from the obligation of paying national insurance contributions for apprentices, which were instead provided by the state (Pesole 1997).

### **9.6.2 The Creation of Artigiancassa**

1947 saw the creation of Artigiancassa (the Artisan Bank), with an endowment fund of 500 million Italian Lire, of which half was provided by the State and 50 million Italian Lire each by the following five banks: Istituto di Credito delle Casse di Risparmio Italiane, Istituto Centrale delle Banche Popolari, Monte dei Paschi di Siena, Banco di Napoli and Banco di Sicilia.

Artigiancassa was created in order to provide credit for artisan firms, either directly or through the banks participating in the capital, and started its activities in 1948 after having solved three key matters (Baccini 2002):

1. Identification of the pool of beneficiaries of loans. For this purpose, an artisan firm was defined as 'based mainly on labour and oriented towards the production of goods', the cost of which should

be 'composed in a significant percentage by the work employed to produce them'. This definition automatically excluded service activities and the repair of products;

2. The type of credit to be disbursed, which it was decided could be both working capital and capital equipment loans;
3. The collateral required for the granting of loans, which were divided into personal securities for operations of working credit, and real securities for capital equipment loans.

From 1948 to 1952, Artigiancassa disbursed 6705 loans for a total of 4.7 billion Italian Lire, 90 per cent of which were medium term. The loans were granted to only 1 per cent of the approximately 650 000 artisan concerns recorded by the 1951 census. And nearly half of the transactions concerned companies located in the Lazio region, home to only 5.3 per cent of Italy's artisan firms, while Artigiancassa's loans were almost non-existent in northern Italian regions, where artisan firms were far more numerous (Baccini 2002).

The problems that emerged in the first five years of activity resulted in the need for a reform of the Artigiancassa in 1952. The reform established the abandonment of the concept of a specialised national institution for lending to artisan firms, prohibiting Artigiancassa from granting new loans. Artigiancassa was transformed into a re-discount institute for the banks participating in the endowment fund and all the credit societies, savings banks, and rural and artisan banks, which were thenceforth authorised to grant medium-term capital equipment loans to artisan firms. In contrast, commercial loans were excluded from the facilitations. In the application of the law, at this point, artisan firms were considered to be those concerns that resulted as such in relation to the terms of the 1948 decree concerning family allowances.

Artigiancassa's endowment fund was increased to 5500 million Italian Lire by means of a government allocation of 5000 million Lire. In addition, a fund of 1500 million Italian Lire was created at Artigiancassa – disbursed in the measure of 300 million Lire each year for five years – for state grants for interest relief on loans to support artisan firms, disbursed by the authorised banks.

The reform introduced four important changes with regard to the previous system (Parrillo 1959):

1. a broader credit offering. The soft loans for artisan firms could now be distributed through a network of banks reaching all parts of Italy, which amounted to 5201 branches in 1954 (66.2 per cent of total bank branches);



2. direct responsibility of the banks involved, which assumed the legal title and risk of the loans subject to the facilitations managed by Artigiancassa;
3. the entry of these banks, involved in the disbursement of short-term loans, into the circuit of medium-term credit. This was a first and important departure from the rule of separation between commercial credit and industrial credit, as ratified by the 1936 banking law;
4. to reconcile the authorisation awarded to these banks to grant medium-term loans to artisan firms with their requirements for liquidity, Artigiancassa was utilised to release frozen assets through re-discounting operations.

### 9.7 ENAPI, ARTISAN PRODUCT MARKET-EXHIBITION, INIASA

*Enapi*, the national agency for artisan firms and small businesses, had been operating since 1919 in the field of technical, commercial and artistic consultancy. Prior to the Second World War, this organisation had at its disposal a good level of technical equipment and a nationwide network of branches provided by the NFA's provincial headquarters.

In 1950, to aid the recovery of the activities of *Enapi*, the state grant was increased from 2.4 to 60 million Italian Lire (Camera dei Deputati 1960), with these increased funds making it possible to create a dedicated pavilion for artisan activities in the main Italian trade fair (the Milan exhibition) right from the first fairs of the post-war years (Longoni 1987).

In the area of commercial promotion, from 1931, the international market-exhibition of artisan products was held in Florence. This event presented the best of artisan production in Italy, as selected by experts specifically designated by the NFA. The organisation of the market-exhibition improved through time, to the point at which the 1940 event hosted 60 thematic presentations plus numerous competitions. After a suspension because of the war, the exhibition was reopened in 1947. From 1950, the exhibition was awarded an annual government grant of 15 million Italian Lire.

In the field of vocational training, Iniasa (the national body for vocational training in the artisan sector) was set up in 1952. By the mid-1960s, Iniasa had opened 124 vocational training centres that offered many courses, including courses for technical draughtsmen, fitters-assemblers, lathe operators, maintenance fitters, radio and television repair technicians, and electricians (Zamagni 1979).



## 9.8 THE 1956 ARTISAN ACT

We have seen that, in 1926, artisans had been classified in 42 communities of craft trades and 26 communities of usual trades. This provision was repealed with the downfall of the Fascist regime, thereby leaving Italy without any form of legal code governing artisan activities. This legislative vacuum was only partially filled by the provisions concerning general income tax in 1946 and family allowances in 1948.

However, a comprehensive law on the judicial status of artisan firms was approved only in 1956, voted in by all political parties, after overcoming the resistance of the MPs linked to the Confindustria and to the trade unions. The 1956 Act established an extension of the legal definition of an artisan firm that was unequalled in Europe. Specifically, an artisan firm:

- Had to be organised and function with the professional work, including manual labour, of the proprietor or the members of the proprietor's family;
- Could have employees:
- if no series work was undertaken: up to ten employees (including family members) plus ten apprentices;
- if series production work was undertaken or the company provided transport services: up to five employees (including family members) plus five apprentices;
- if the company operated in the sector of artistic work, traditional work, or tailored clothing: no limit on the number of employees, but a maximum of 20 apprentices.

Thus, the 1956 Act defined artisanship not as a professional category, but as a legal regime, the membership of which entitled the proprietor to a wide variety of benefits. Unlike the German and French legislation, in which the artisan qualification was defined upon the basis of lists of trade activities, the 1956 Italian law defined artisan enterprise upon the basis of a maximum number of persons employed. Furthermore, the Italian system was the only system in Europe in which the prospective artisan required no certification of expertise, thus ensuring ease of entry to the sector. An approach based upon the de-limitation of the size of artisan firms was preferred because it would facilitate the multiplication of small firms rather than their growth in size and concentration.<sup>5</sup>

However, the law retained the proviso that the criteria that it established for the definition of an artisan company could not be applied for purposes of tax regulations or with reference to family allowances, which continued to be governed by the previous legislation.

The reason why it took 11 years from the end of the Second World War to pass the Artisan Act lies in a change in the DC's policy, which was a consequence of the poor results achieved by the party at the 1953 general election. According to the new leader, Amintore Fanfani, the lacklustre election result was mainly due to the organisational weakness of the party and the fact that it was poorly rooted in Italian society. In order to muster its forces, the party would have to maximise its penetration in civil society, breaking away from its dependence on its traditional backers – the Catholic organisations, the traditional southern Italian clientele and the Confindustria – which restricted the level of support available from other social strata. Thus, the DC had to find the ability to stand on its own feet from an organisational standpoint, seeking less binding sources of finance, and reducing the level of conditioning by traditional power structures (Mattina 1991).

In this scenario, the party became more willing both to accept the demands of artisan associations and to find ways of strengthening their organisational structure. The adoption of particularly generous criteria for the recognition of the status of artisan firm was a measure that served to strengthen artisan associations, by extending their potential membership. In effect, in the presence of associations which specialised in representing the interests of artisans, extensively located throughout the whole of Italy and securely linked with the political parties that supported the new facilitated regime for artisan enterprise, membership of the Confindustria became far less attractive for micro businesses (Maraffi 1994).

## 9.9 THE WAIVING OF CLAUSES OF THE ARTISAN ACT

The passing of the Artisan Act was welcomed by the artisan associations (Pesole 1997). However, they went on to lobby law-makers to waive the clauses concerning tax and social security regulations in such a way that the definition of an artisan firm could be applied across the board to all effects and purposes.

Acceptance of this demand was slow in coming, because wariness in granting excessive facilitations to industrial companies that could be included in the ranks of the entities which benefited from the legislation for artisan firms was diffused among parliamentary groups. This is why the clause concerning family allowances was waived only in 1965, while the clause regarding general income tax was waived only partially in 1968 with the specific creation of a new definition of an artisan firm, which was

broader than that of the 1946 decree, but more restrictive than that of the 1956 Artisan Act. This law was abrogated by the tax reform of 1974, which removed all differences between artisan entrepreneurs and other businessmen (Gualtierotti 1977).

## 9.10 OBLIGATORY HEALTH INSURANCE

In 1956, a few months after enactment of the Artisan Act, the legislator agreed to another of the principles for which artisan associations were lobbying: obligatory health insurance.<sup>6</sup> This provision ratified the creation, in all Italian provinces, of a mutual sickness fund for the proprietors of artisan firms, as defined by the Artisan Act, and the members of their families. In addition, a national federation of mutual funds for artisans was set up (*Federmutue*), with the attribution of regulatory and co-ordinative functions with regard to the activities of the provincial mutual funds. Artisans were granted hospital, specialist (diagnostic and treatment) and obstetric assistance, although generic and pharmaceutical assistance were excluded. The following provisions were then passed in order to meet the costs stemming from the application of this law:

- an annual government contribution of 1500 Italian Lire for each person covered by the fund;
- an annual contribution of 1000 Italian Lire to be paid by each assisted person, of which 700 Italian Lire was for the provincial mutual fund and 300 Italian Lire to be paid to Federmutue for the creation of a national solidarity fund to be divided among the individual provinces;
- a possible supplementary amount for each artisan, to be decided by the provincial mutual fund, taking account of the economic capacity of individual artisan firms, to cover any higher costs of the health assistance offered.

In the following years, the state contribution was gradually increased. At the end of the 1960s the amount had risen to 3000 Italian Lire per assisted person, plus the 1675 million Italian Lire paid directly to the Federmutue (Gualtierotti 1977).

The number of assisted persons increased steadily from 1461000 in 1957 (Istat 1960: Table 141) to 4463000 in 1977 (Istat 1979: Table 55) when artisan firm proprietors joined the newly created national health system and the provincial mutual funds were abolished.

### 9.11 OBLIGATORY INSURANCE FOR INVALIDITY, OLD AGE AND WIDOWHOOD

In 1959, artisans and the members of their families were also granted obligatory insurance for invalidity, old age, and widowhood. The minimum monthly pension was set at 5000 Italian Lire, an amount that was lower than that of blue-collar workers. The minimum pension age was set at 65 for men and 60 for women, compared to the 60 years of age for other categories. The management costs were to be met by the contributions of the insured parties (600 Italian Lire per month) plus the aid of the state, in the amount of 2.5 billion Italian Lire.

In the 1960s, in response to pressure exerted by the artisan associations, minimum pension amounts were gradually increased, reaching 13200 Italian Lire per month in 1968, while the state contribution was increased to 4 billion Lire annually. In addition, the contributions of the insured parties increased, reaching 1200 Italian Lire per month in 1965 (Gualtierotti 1977).

The number of pensions paid out increased steadily: from 32 517 in 1960 (Istat 1963: Table 114) to 610 652 in 1981 (Istat 1985: Table 17).

### 9.12 ARTIGIANCASSA: 1953–81

The enactment of the 1956 Artisan Act was followed by a series of provisions that extended the operative assignments of Artigiancassa. A law passed in the same year provided for:

- an extension of the credit facilitations for the formation of the stocks of raw materials and products required for the firm's production cycle, which could not exceed 20 per cent of the loan agreed for capital equipment, or the value of plant;<sup>7</sup>
- authorisation was also granted to allow private banks to work with Artigiancassa. With this measure, the entire Italian banking system was authorised to grant soft loans to artisan firms;
- the extension of the maximum duration of the re-discount applied by Artigiancassa from two to five years, freeing banks still further from the risks associated with frozen assets.

A subsequent law of 1958 increased the endowment fund of Artigiancassa from 5500 to 10 500 million Italian Lire. Moreover, this law established that the net profits resulting from the financial statements of Artigiancassa, after deducting a rate of 20 per cent to be allocated to the reserve fund,

were to be disbursed to the banks participating in the endowment fund, up to an amount equivalent to 4 per cent of the stake held by each of them. In this manner, from 1958 onwards, the state was awarded a dividend on its stake in the endowment fund, which was destined to integrate the interest relief grant fund. This measure was extremely important because it established the interest relief grant fund upon a permanent basis, while the 1952 law had financed it for only five years (Parrillo 1959).

Over the following 12 years, there were a further five state allocations into the endowment fund, which stood at 103.5 billion Italian Lire in 1971. These were integrated by 12 allocations to the interest relief fund, for a total of 200 billion Italian Lire.

With regard to loan value, the maximum amount of each loan was initially set at 5 million Italian Lire to then be increased to 10 million in 1966 and to 15 million in 1971, in line with rising costs of installation and equipment.

These provisions were integrated in 1964, by the creation of a central guarantee fund at Artigiancassa – fed by a state allocation of 1.4 billion Italian Lire – which facilitated loans in the absence of sufficient securities covering up to 70 per cent of individual bank loans. There were a further three allocations between 1966 and 1969, bringing the fund up to 7.65 billion Italian Lire (Baccini 2002).

Overall, from 1953 to 1971, Artigiancassa assisted 207 777 artisans with subsidised credit worth 786 billion Italian Lire, about 30 per cent of which also benefited from the discounting operation (Table 9.2).

The proportion of artisans benefiting from soft loans over the period was just above 14 per cent of the artisans registered with the provincial Chambers of Commerce. Both in absolute terms and in relation to the size of its artisan sector, the NECRs benefited most from state support: by 1971, this area accounted for 41 per cent of all concerns and almost 60 per cent of beneficiaries. Firms located in the Northwest were also favoured in loan distribution (27 per cent of concerns and 32 per cent of beneficiaries) whilst the backward South was clearly penalised (32 per cent of concerns and only 9 per cent of beneficiaries). Thus, there is a clear correlation between the areas receiving the largest proportion of loans and the regions in which small firms flourished and multiplied (Weiss 1988).

In the 1972–81 period, there were a further seven state allocations into the endowment fund, which stood at 853.5 billion Italian Lire in 1981. These were integrated by 11 allocations to the interest relief fund, for a total of 1825 billion Italian Lire, and by five allocations to the central guarantee fund for a total of 4.5 billion Italian Lire, bringing the fund up to 12.2 billion Italian Lire. The maximum amount of each loan was increased to 25 million Italian Lire in 1975 and to 60 million in 1978, in line

Table 9.2 *Loans granted by Artigiancassa, 1953–81 (millions of Italian Lire)*

	Subsidised loans		Discounted loans		State guaranteed loans	
	No.	Amount	No.	Amount	No.	Amount
1953	270	416	172	257		
1954	1836	2804	822	1274		
1955	2658	4288	1870	2961		
1956	2966	4763	1751	2825		
1957	4393	7330	3294	5414		
1958	6483	12036	4023	7284		
1959	7900	16451	3696	7424		
1960	10532	25189	5048	12099		
1961	15069	38994	2458	5671		
1962	15396	42156	3592	8888		
1963	14682	45137	4454	12629		
1964	12398	38787	3368	9862		
1965	8699	27073	5413	16356		
1966	5572	17905	2315	7169	55	144
1967	18494	70652	5373	20992	665	2756
1968	24263	120009	5039	24198	1634	8648
1969	19625	104330	3298	17095	1944	11215
1970	16525	92631	2837	16069	1387	8732
1971	20016	114591	4668	26416	1684	11031
1972	25969	182549	3911	26467	2323	17909
1973	40540	312197	3989	31783	4494	37462
1974	17796	148745	3437	30596	2386	21496
1975	30983	319574	6898	64793	4007	43385
1976	47052	605985	8688	105743	6399	83671
1977	52290	683126	9336	128354	7773	106119
1978	49447	659085	6841	97310	8116	117821
1979	54095	735616	8014	116393	8531	128107
1980	79065	1246976	13151	197015	11186	190039
1981	61475	1327831	16679	344817	9416	216958

Source: Baccini (2002: Table A.7).

with rising costs of machinery and of a rate of inflation in double figures (Baccini 2002).

The increased state funding enabled Artigiancassa to expand its activity considerably: from 1972 to 1981, it granted 485 712 new soft loans (more than twice as much as in the 1953–71 period) amounting to 6222 billion Italian Lire (eight times as much as in the 1953–71 period), one sixth of

which also benefited from the discounting operation. If, in the 1962–71 period, Artigiancassa had granted an average of 15 567 loans per year, in the 1972–81 period, the loans trebled to 48 571.

According to the provincial registers created at the Chambers of Commerce, between 1961 and 1971, the number of artisan concerns increased by 314 613 units. In the same period, Artigiancassa granted 155 670 loans. Thus, the number of loans – a proxy of the firms financed – was equivalent to 50 per cent of the overall sectoral growth in this period. For the 1971–81 period, the proportion was much higher: the sector grew by 216 377 units while the number of loans granted increased, as we have seen, to 485 712, which is equivalent to 225 per cent of total sectoral growth for the decade. As a result, the proportion of artisan firms that had benefited from one or more soft loans jumped from just above 14 per cent in 1971 to 46 per cent in 1981.

However, in the 1970s, firms located in the centre-north – and especially in the NECRs – continued to receive a larger proportion of funds than their southern counterparts, even though the gap had diminished at the end of the decade (Baccini, 2002).

### 9.13 ENAPI AND THE ARTISAN PRODUCT MARKET-EXHIBITION: 1950–81

The 60 million Italian Lire yearly state grant decided in 1950 was soon found to be insufficient to relaunch Enapi. At the end of the 1950s, the agency had fully funded office in just 14 provinces out of 92; in six provinces, Enapi merely had an office with token remuneration of 25 000 Italian Lire per month, in 15 provinces it had offices with no form of remuneration, while it had no offices at all in the remaining 57 provinces (Camera dei Deputati 1960).

In relation to this situation, Parliament voted in 1960 to increase the annual state grant from 60 to 300 million Italian Lire. The new resources were mainly employed to strengthen the agency's peripheral organisation by creating regional centres and a mobile training centre which was to be used to deliver assistance to artisans nationwide by means of direct visits to their workshops.

The result was a significant increase in the development of the agency in the mid-1960s. Beneficiary firms of the technical assistance service – principally for technical testing of machinery and building works – increased from 10 860 in 1962, to 17 992 in 1964. In contrast, commercial assistance involved 1950 firms in 1962, and 8867 in 1964: in this year, the service was offered to 1247 exhibitors at international trade fairs and exhibitions, and



2403 exhibitors at Italian trade fairs and exhibitions, while a further 4438 companies were placed in contact with foreign businesses. In addition, collection centres were set up for artisan company products in Modena and Cosenza, and showrooms in Munich, Paris, Montreal and Zurich. Lastly, design and artistic assistance was provided for 2100 companies in 1962 and 4864 in 1964.

Enapi developed a collaboration with CNR (the Italian National Research Council), which, in 1967, had resulted in the opening of a research centre for the ceramics sector in Faenza, while similar initiatives were being developed for the textiles, wood, metals and marble sectors (Senato della Repubblica n.d.; Lionetti 1965).

In 1967, the annual state grant to *Enapi* was increased to 600 million Italian Lire. This extra funding enabled the agency to speed up its programmes, which concerned applied research, the design of shared services for groups of companies, the development of the most suitable urban planning solutions for artisan firm settling, and incentives for the creation of models and prototypes by artisan companies (Camera dei Deputati 1967).

In 1972, the annual state grant to *Enapi* was increased to 1200 million Italian Lire (Camera dei Deputati 1973), but, in 1978, the agency was closed down as a consequence of the transfer of most competencies on artisan policy to the regional governments.

On another tack, as already stated, the artisan production market-exhibition had re-opened in Florence in 1947, drawing some 600 exhibitors. In the following years, the event evolved significantly and it opened its doors to international markets as from 1952. The pavilions were extended and renovated, with the result that, in 1958, the number of exhibitors had increased to 2230, including many foreign companies (Camera dei Deputati 1958).

In 1967, the market-exhibition drew 3400 exhibitors from 37 countries. To facilitate further development of the event, it was decided to transfer it to a new, larger site on the outskirts of the city in 1973. However, the construction of the new pavilions and the annexed service facilities took many years and was completed only at the end of the 1970s (Camera dei Deputati 1977).

## 9.14 CONCLUSIONS

This chapter argues – in opposition to Becattini (1998) and in agreement with Weiss (1988) – that the Italian state carried out an artisanship policy on a scale that was unparalleled in Europe. This policy was based upon the provision, on the one hand, of lower tax, and employers' contributions and

welfare benefits at reduced premiums, and, on the other, of 'substitutive factors': soft loans, services and promotional initiatives by state agencies.

However, we diverge from Weiss's view that government action on behalf of artisans was not in response to the demands of pressure groups, but was independently conceived and conducted by the biggest governing party – the DC – as a coherent implementation of its ideologically based social project, which aimed at extending small ownership in the country. In contrast, we argue – in accordance with Arrighetti & Seravalli (1997) – that the action of artisan associations played an important role in shaping the actual scope of artisan policy.

In fact, as already stated, it took some 11 years from the end of the Second World War for the Artisan Act to be passed, and even afterwards the effective extent of the facilitations to be granted to the artisan sector was still the subject of discussion. It follows that, rather than a pre-ordained policy of the DC, the chain of events involved a gradual extension of regulations that assisted the sector in response to the insistent demands from the artisan associations, with the government always taking care to enlist the parliamentary support of the main opposition party (PCI).

Some scholars (e.g., Baccini 2002) have observed that, contrary to other European countries, Italian artisanship policy did not foster the growth of firms, but, instead, provided incentives to remain small, since it was a condition in order to qualify for state benefits not to exceed the size-limits established by the Artisan Act. They have suggested the presence of a relationship between the prevalence of SMEs in the Italian economy and the presence of an articulated system of state facilitations for small companies.

We hold that artisan policy had a twofold effect: partly protecting a stratum of marginal firms and partly fostering the modernisation of a segment of artisan firms.

In fact, several facilitations – such as state participation in national insurance contributions on the hiring of apprentices and obligatory insurance for sickness and invalidity, old age and surviving dependents – were made available to all artisans without distinction, while others – those concerning general income tax and family allowances – were explicitly reserved for smaller and, presumably, more disadvantaged businesses. These can therefore be considered as measures aimed principally at defending a stratum of small firms.

On the other hand, the provision of 'substitutive factors' was selective and served to stimulate innovation. These include the soft loans of Artigiancassa, which, until 1971, were awarded to just 14 per cent of artisans. The majority of these loans were disbursed in the more developed areas of the country, specifically the NECRs, where small businesses were particularly dynamic, while only a minimum proportion were allocated

to the backward South, which had a significant concentration of small marginal concerns. In the 1970s, Artigiancassa's loan provision became more extensive, reaching 46 per cent of Italy's artisan firms active in 1981, but also in this decade the centre-north was clearly favoured in credit disbursement. Likewise, only a minority of artisan firms, selected from among those that presented the best possibilities for development, benefited from the promotion services provided by *Enapi* and the Florence market-exhibition.

## NOTES

- \* We wish to thank Claudio Pavese, Chris Phillips, Anna Spadavecchia and the participants in the session 'Competition and the State' of the 2007 ABH and CHORD Conference for their helpful comments. This work was jointly planned by the authors, and the following division should be considered for official purposes only: Giuseppe M. Longoni is responsible for Sections 9.1 to 9.5 and Alberto Rinaldi for the remainder.
1. The DC was founded in 1942. The party was, in part, a revival of the Catholic Italian People's Party created in 1919 but declared illegal by the Fascist regime in 1925. From 1944 to 1947, the DC joined a national unity government with the other anti-Fascist parties, but broke with its left-wing coalition partners in 1947. From 1948 to 1993, the DC was the largest party in parliament, governing in successive coalitions with the smaller Liberal (PLI), Republican (PRI), and Social-Democratic parties (PSDI), and, after 1963, with the Socialist Party (PSI). In the early 1990s, the DC came to grief with the enormous corruption scandal Tangentopoli, and, in 1993, returned to its original name, the Italian People's Party, which was defeated by Berlusconi's party Forza Italia in the general election in 1994.
  2. The PCI was founded in 1921; five years later, it was outlawed by the Fascist regime. From 1944 to 1947, it joined a national unity government with the other anti-Fascist parties. After the Second World War, it became the main opposition party in Italy, attracting the support of about one-third of voters in the 1970s. At that time, the PCI was also the largest Communist party in the western world. In 1991, the PCI disbanded to form the Democratici di Sinistra (Democratic Party of the Left), with membership in the Socialist International, while more radical members left the party to form the Rifondazione Comunista Italiana (the Communist Refoundation Party).
  3. The lower number of artisans censused in relation to those registered with the Chambers of Commerce suggests that many artisans worked at home. Being without business premises – the criterion of census taking – they escaped tabulation (Barberis 1980).
  4. The most important economic reform of the Fascist regime was the formation of the corporative system, according to which both employers and employees of the same trade were brought by law under one confederation: the 'corporation'. In 1934, 22 corporations were formed. The government's representatives also participated in the corporations, and provided accident, unemployment and health insurance to workers and helped to settle labour disputes. Both workers' strikes and employers' lockouts were forbidden.
  5. In contrast, the 1953 German Artisan Act imposed no size limitation but specified obligatory training and qualifications for those desiring to be registered as artisans. Such measures were clearly aimed at limiting newcomers to the area of artisanship (Weiss 1988).
  6. Up to that time, there existed only voluntary forms of insurance operating in accordance with the model of mutual benefit associations (Pesole 1997).
  7. This figure was increased to 30 per cent in 1964.

## PART III

In search of an identity: struggling with the  
context

## 10. 'Leaping frogs' in the demography of manufacturing firms (1911–71)\*

**Lucia Castellucci and Renato Giannetti**

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### 10.1 INTRODUCTION

In business and economic history, there are basically two traditions of research on the dynamics of industrial firms. The first one emphasises the role of 'clusters of technological innovations' (henceforth CTI) which 'punctuate' the time arrow of economic history, as in Schumpeter (1939). According to this tradition, early in the history of an industry, when the technological cluster starts, uncertainty is very high while barriers to entry are very low, and new firms are the major innovators and the key factor in industrial evolution. Later, as the industry develops and eventually matures, according to a 'technological trajectory', economies of scale, learning curves, barriers to entry and financial resources become important in the competitive process (Chandler 1990; Freeman & Louça 2001). According to this tradition, start-ups and faster-growing entrants are more innovative, and tend to grow rapidly and to be persistent during the life-cycle of the technologies which they adopt. In contrast, the second research tradition emphasises the role of market competition between new entrants and incumbents as the key factor of the creative 'innovation and destruction' mechanism which continuously reshuffles the leading firms (Bartelsman et al., 2004). This tradition of research supports the idea of the unstable, transitory nature of the leading firms, and describes this dynamic as 'leaping frog competition' (henceforth LFC) (Sutton 2002).

Both the research traditions emphasise that new firms grow rapidly, but this points to rather different features. In the case of the CTI traditions, new firms enter new markets thanks to their capacity to exploit technological advantages, and the life-cycle or the trajectory of the technology involved, select the more adept technological advantages, and grow, consolidate in the market and persist. According to the LFC tradition, new firms enter new or older markets and they prevail according to their capacity to generate profits by competing with incumbent firms in specific markets via new products or processes.

In the historiography of Italian firms, the dynamics of industrial evolution has generally been described according to a CTI view. Technology is the crucial dynamic factor of industrial evolution and of economic growth, but the Italian firms have not been able to consolidate their growth. The observed turbulence of big firms, for example, is described as a *tara d'origine* (hereditary defect) instead of a Schumpeterian process of creative destruction. For example, the cases of Perrone (Ansaldo), Bondi (Ilva) and Gualino (Snia), between the two World Wars, those of the *homines novi* of the mechanical and household consumer goods production (Borghesi, Zanussi, etc.), in the age of the 'economic miracle' in the 1950s and 1960s, the unsuccessful innovators of the 1980s (Gardini, De Benedetti, Schimberni, etc.), the 'brave captains' (Colaninno, Gnutti, etc.) in the wave of liberalisation in the 1990s, have all, most often, been described as shrewd and forward financiers – ready to seize the speculative opportunities of markets, but equally ready to withdraw in front of the difficulties rising from managing complex organisations – rather than entrepreneurs with a Schumpeterian flavour (Valli 1977; Castronovo 1980; Amatori & Colli 1999; Giannetti & Vasta 2006). Only the more recent literature more akin to the LFC approach is less critical, particularly for what concerns the medium-sized firms of the *Made in Italy* marque (Quadrio Curzio & Fortis 2000a; Colli 2002b; Coltorti, 2006): these firms operate often in traditional sectors, are young, rapidly growing firms, are not particularly innovative in the CTI sense, but compete successfully in the markets that they enter.

The purpose of this chapter is, firstly, to identify the Italian 'leaping frogs' (hereinafter LF) – i.e., the firms which expand more in specific periods of Italian history – and, secondly, to verify if they show the stylised features of the CTI tradition or of the LFC tradition, in general, or in any historical phase.

This paper is organised as follows. In Section 10.2 we introduce the definition of LF and Sections 10.3–10.10 illustrate the variables used for the analysis. Section 10.11 provides a classification of LF based on cluster analysis. Finally, in Section 10.12, we present conclusions.

## 10.2 THE 'LEAPING FROG' FIRMS

This section deals with the Italian LFs by using a sample chosen from the Imita.db.<sup>1</sup> It is made up by a sample of 90 manufacturing firms which show a high rate of growth – by classes of assets – in four stages of the Italian economic history (1911–20, 1921–36, 1950–63, 1964–71), traditionally adopted by the Italian economic historians.

The chapter takes into account nine variables (survival and size of firms after the leap; age; sector to which the firm belongs; technological intensity; maturity of product; profit (i.e., ROE, or rate of Return On Equity); concentration; ownership (public or private, and if a business group owns the firm). In the first part, we compare them with the population of firms in the complete data set and, secondly, we use cluster analysis to identify eventual similarities among LFs. In order to identify the LFs, we adopt a methodology already used in another work on Italian firms (Giannetti & Velucchi 2006), which provides a classification of the firms in eight size classes, in which the size variable is represented by total assets.

The main characteristic of the above-defined classes is that each contains 12.5 per cent of the firms, in which the extremes of the interval for each class changes from one period to another, because of the changes that intervene in the distribution of the firms. Upon the basis of this classification, the number of 'leaps' made by the firms which survive each stage has been calculated; it is defined as the difference of the class that it belongs to in the first and last year of each period. The number of leaps (LP) has been determined in a proportional manner, compared to the total number of firms surviving each period, which differs very much from phase to phase: 378 in 1911–20, 594 in 1921–36, 1173 in the period 1950–63, and 2823 in 1964–71. Afterwards, we drew respectively 10, 15, 30 and 35 firms from each of the four periods, equivalent to 2.5 per cent of the survivors in the first three phases, and to 1.5 per cent of the fourth. In order to identify the 90 LFs for each period, the firms with the highest number of leaps were then examined: more than two leaps in the period 1911–20; from four to six leaps in the period 1921–36; and from five to seven leaps in the two final periods 1950–63 and 1964–71. This difference in the lower limit depends on the remarkable variety in the number of leaps made by each firm within each period.

The analysis of the mobility between the initial and final year of each stage shows that the leaps backwards or the permanence within the same class (negative leaps or none) are quite frequent in 1911–20, where they represent 94.4 per cent of the total; they diminish notably in 1921–36 (32.5 per cent), and between 1950 and 1963, when they reach the minimum share of 14.1 per cent and then rise again to 44.1 per cent from 1964 to 1971.

Within the group of LFs, in order to select a pre-established number for every stage, the changes in assets between the first and final year of every period have also been considered. With regard to the first, third and fourth period, the classification by number of leaps substantially coincides with the one obtained upon the basis of the rate of the change of assets; this allows us to select, as LFs, all the firms that showed a greater number of leaps and a higher rate of change of assets. For the period 1921–36, however, we made a choice between firms, comparing the number of leaps

by size classes and change of assets, both in relative and absolute terms. Therefore all the eight firms that carried out six leaps in the period were selected, six being the highest number in that stage. To complete the 15 LFs selected for this phase, six firms with five leaps were also taken into account. Furthermore, a firm that registered four leaps was also included, instead of a firm which registered five, because both the absolute and the relative change of the assets of this firm were much higher. It registered four leaps, from the fourth to the eighth size class, i.e., classes with wider intervals compared to the first ones. This marked difference in relative and absolute change of assets means that this firm was more dynamic, both compared to the firm which carried out five leaps, and to the other two firms showing four leaps.

### 10.3 THE TURBULENCE OF THE LFS

The first variable that we evaluate in order to answer the question of whether the dynamics of the Italian LFs can be explained mainly by a CTI approach or by the LFC one, is represented by their turbulence. In the CTI representation, the stage of rapid growth should lead to the stabilisation of the LF, while, in the LFC representation, the mechanism of 'creative destruction' should show not only cases of stabilisation, but also cases of size decrease or of the exit of the LF firms from the market. Among the LFs of the first period (1911–20), 60 per cent continue to grow, by one or two size classes, after the 'leap' stage, but 40 per cent of the firms did not survive before the end of the following period. In the next phase (1921–36), the situation is rather different: the majority of firms (53.3 per cent) survived, maintaining the same size class of the leap period; 6.7 per cent of firms continue to grow, moving on to a higher size; 26.7 per cent of the firms decreased by one or two classes, while only 13.3 per cent of the firms did not survive at all.

Compared to the previous period, the LFs survive longer, but, in the

*Table 10.1 Size mobility of the 'leaping frogs': number of leaps*

Phase	Average number of leaps
1911–20	2.8
1921–36	5.5
1950–63	6.2
1964–71	6.0
Total	5.6



meantime, are unable to maintain their growth. In the third period (1950–63), 50 per cent of the LFs maintain the position compared to the period in which they ‘leaped’, 6.7 per cent went up one size class; 16.6 per cent decreased by one size class, but, compared to the previous period, mortality doubles: 26.7 per cent of LF disappear before 1971. The mortality of LFs increased even more in the fourth phase, with 65.7 percent of LFs not surviving in 1982.

So, generally speaking, we can observe high turbulence among LFs: on average, about 50 per cent of the LFs exit, according to a process of a LFC type.

#### 10.4 THE AGE OF THE LF

Age is one of the features generally taken into consideration to investigate the dynamics of firms, according to the hypothesis – common to CTI and LFC – that young firms are more able to exploit specific competitive advantages and grow more (Table 10.2).

In the first period, the average age of an LF is around four years and the firms are young. Only one exceeded 10 years, the Fabbriche Riunite Gallettine Biscuits e Affini. In the two central periods, the average age of the LF is between 12 and 13 years, but the distribution appears to be relatively polarised; for example, between 1921 and 1936, UTET was 68 years old, Cotonificio Udinese, 38 years old, Fabbriche Riunite, 29, Amido Glucosio Destrina and Bergomi 16 years, while the other ones are less than 10 years old.

In the phase 1950–63, 17 firms are more than 10 years old, the majority of them being between 10 and 20 years old. This means that LF firms, during this phase, leap probably thanks to the high rate of the aggregate economic growth of the period.

We can furthermore observe how the rise of the average age in the second and third period is accompanied by a higher number of ‘stable’ firms, which survive and maintain the same size class in the phase following

*Table 10.2 ‘Leaping Frogs’: average age*

Phase	Average age
1911–20	4.4
1921–36	12.5
1950–63	12.7
1964–71	3.7

the 'leap'. In the second phase, the LFs aged over 10 years and stable are: UTET, Cotonificio Udinese, Fabbriche Riunite Amido Glucosio Destrina and Bergomi; in the third one, they are San Quirico Industria Petrolifera, ICIC, SIR, FIAM, ORI, Guigoz and Aspera.

## 10.5 THE SECTORAL COMPOSITION

The sectoral distribution of firms is the third variable that we consider. According to a CTI approach, the successful firms are usually in the emerging, new industrial sectors; this condition is not crucial in the LFC tradition, in which new firms have higher potential growth due to their ability to compete independently from the novelty of the sector which they enter.

In order to check this feature, we compare the sector which the LFs belong to in the final year of each stage, with the sectoral composition of the manufacturing sector as a whole (10.3).

The LFs of the first stage (1911–20) were mainly in food (40 per cent) and chemicals (30 per cent), while the remaining LFs were equally distributed (10 per cent) among electrical equipment, cars and other means of transport. Considering the whole manufacturing sector, these sectors cover, 17.9 per cent and 12.8 per cent respectively. The larger share of food in the LFs, in comparison with the manufacturing sector, is coherent with a CTI approach, because the large share of food is due to a firm in the sugar sector (*Saccarifera Genovese*), which had a major business feature: high scale, managerial organisation and publicly arranged cartel organisation. The composition of 'leaping' in this phase was, therefore, coherent with the representation of it as 'the Second Industrial Revolution', characterised by science-based sectors, such as chemicals and electricity, and by large firms.

In the second period, the composition of the LFs is more akin to the manufacturing sector as a whole. Among the LFs, the foods category maintains the highest share, followed by textiles and by other means of transport (both at 13.3 per cent). The other LFs are distributed among six sectors: leather, publishing, chemicals, non-metallic minerals, metallurgy, and electrical equipment (all at 6.7 per cent). In this period, the weight of the food sector is also mainly due to one firm, *Anonima Cereali*, which possessed features similar to those of the sugar sector already observed in the earlier stage. In this phase, the LFs still have a high share, albeit smaller than in the previous phase, in the new sectors, in comparison with the manufacturing sector as a whole, as they do in other means of transport.

Table 10.3 'Leaping frogs' by sector: sector distribution compared to total manufacturing firms (%)

Manufacturing sectors	1920		1936		1963		1971	
	LF	Manufacturing firms	LF	Manufacturing firms	LF	Manufacturing firms	LF	Manufacturing firms
Foods products and beverages	40.0	17.9	33.3	15.6	16.7	13.3	14.3	12.1
Textile	0.0	19.0	13.3	19.7	10.0	11.4	8.6	9.8
Wearing apparel	0.0	2.1	0.0	2.2	0.0	2.0	2.9	2.9
Tanning and dressing of leather, bags and footwear	0.0	2.5	6.7	2.2	0.0	1.6	2.9	1.2
Manufacture of wood and wood products	0.0	2.0	0.0	1.4	6.7	2.0	0.0	2.0
Pulp, paper and paper products	0.0	2.5	0.0	3.2	0.0	4.4	2.9	3.4
Publishing and printing	0.0	3.4	6.7	3.7	3.3	3.5	0.0	3.3
Coke and refined petroleum products	0.0	0.5	0.0	2.2	3.3	2.4	0.0	1.9
Chemicals and chemical products	30.0	12.8	6.7	13.5	13.3	12.2	14.3	11.5

Table 10.3 (continued)

Manufacturing sectors	1920		1936		1963		1971	
	LF	Manufacturing firms	LF	Manufacturing firms	LF	Manufacturing firms	LF	Manufacturing firms
Rubber and plastic products	0.0	0.0	0.0	0.6	0.0	3.0	2.9	3.8
Non-metallic mineral products	0.0	8.9	6.7	9.2	3.3	9.1	5.7	10.4
Basic metals	0.0	6.1	0.0	5.2	3.3	5.2	2.9	4.7
Fabricated metal products	0.0	4.3	6.7	4.5	6.7	6.7	5.7	8.0
Machinery and equipment	0.0	2.8	0.0	4.1	20.0	10.3	17.1	11.5
Electrical machinery and apparatus n.e.c.	10.0	3.1	6.7	3.3	10.0	3.9	2.9	3.7
Radio, television and communication equipment	0.0	0.3	0.0	0.7	3.3	1.5	5.7	1.6
Medical, precision and optical instruments	0.0	0.5	0.0	1.7	0.0	1.7	0.0	1.3
Motor vehicles, trailers and semi-trailers	10.0	1.6	0.0	1.1	0.0	1.5	2.9	1.9
Other transport equipment	10.0	7.3	13.3	3.6	0.0	2.0	8.6	1.9
Total	100.0	-	100.0	-	100.0	-	100.0	-