



Since we must Build the Country, let's Build Repertoires, Encyclopedias, Dictionaries. The Role of the Liberal Democratic State

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The experience of numerous states, even recently, from the 1960s onwards, demonstrates that certain theorems don't hold up in the face of reality.

Just think of the development and growth of the so-called Asian Tigers, which certainly didn't follow the model based on Ricardo's famous theorem on comparative advantage. Indeed, those who followed them, like Julius Nyerere, failed, and those who didn't, like Lee Kuan Yew of Singapore, determined the growth of their country. But there is an example, important to me, from the 19th century.

The work is partly autobiographical because if as a young man I was interested in Italian history, seeing in the Risorgimento a national redemption after centuries of little importance and marginality, as a mature man I connected the historical development of Italy to economic phenomena or theories present and born elsewhere, even very authoritative theories on the subject of development or international trade, considered valid theorems always and in any case. But all theories must seek, in compliance with the principles of freedom, to create a welfare system or in any case policies that respond to the needs of those who ask the question, as a great liberal of the past Dahrendorf said, **"how is it possible to bring on board those who have been left behind or have fallen off the ship during the voyage"** [1]. Otherwise certain conditions or historical consequences prevent, or make very difficult, the realization of the same theories and in any case the economic structures, economic theories are a

function of people, not vice versa. In the awareness that realism is needed, acting on the basis of existing conditions, whether they are economic or political, because there are no watertight compartments and they all contribute to shaping reality. Many, for example, believe that it would be enough for real wages to decrease and hiring conditions to become more flexible.

This is the Theory.

- The labor market would function and unemployment would decrease.
- But Kant said, "It may be right in theory, but it doesn't apply in practice."
- I'm quoting a thought from Antonio Gramsci in the title of this paragraph.

Why? On the one hand, I will criticize his theses regarding the development of our unification process because they were political theses and historically and economically unfounded. On the other hand, I believe that a state (liberal democratic, not the one Gramsci wanted, of course) in order to be useful to its citizens—that is, to protect them from major economic powers and at the same time promote economic development—must create those structures (economists refer to institutions as a varied complex of norms, customs, habits, and culture) whose presence protects citizens and allows the state to carry out those tasks (protective and otherwise) without falling prey to powers that have conditioned many developing countries.

Italy, despite many contrasts and even opposing theses (born in a Marxist environment and now reproduced by others who claim not to be Marxists), can be an example.

The liberal-democratic state is one that not only protects but also desires freedom. Therefore, it regulates competition with rules that prevent its disintegrating explosion, but never prevents it from expressing itself. Otherwise, society would be condemned to the dullness typical of convents, where the community celebrates its glories and the individual is, as it were, annihilated in an organism that transcends him.

I certainly do not propose a state that looks to certain Hegelian approaches or that is nostalgic for Bismarck and the German federalism of the Reich of 1870 (regarding certain contrasts between a unitary state that would be undemocratic because it pays little attention to local autonomy and a federal state that would be more democratic). Even in the awareness that these are different entities, those represented by the Reich of 1870 and Hitler's Third Reich (which preached "**Ein Volk, ein Reich, ein Führer**").

They don't even want to recall or applaud figures like the mayor of Vienna, Karl Lueger, shortly before the First World War, whose methods and ideas Hitler had sympathy for. I don't even like the methods that are inspired by the nationalization of the masses, by the substitution of a secular liturgy for the religious one with the consequent loyalty that was typical of the Wilhelmine period and of Germany. The federalist Reich, due to the fact that it had a form of state different from the one in force in Italy, was no more democratic than the one that Cavour and his centralist successors introduced in our country. In our country, with all the defects of our system from Crispi to Pelloux, to the weak Saracco, Zanardelli and Giolitti took over through parliamentary channels and against certain liberticidal measures there was a tough fight and parliamentary opposition, the first parliamentary obstructionism in our history, with elections that saw an increase in the votes of the left. Therefore Despite everything, Italy demonstrated through what happened between 1899 and 1900, during the Pelloux government, when the Socialist Party and the Zanardelli-led Liberals opposed the approval of a highly controversial public safety law, and for months proposed amendments, motions, and roll-call votes aimed at delaying the

law's approval as much as possible. In Italy, regarding certain historical controversies, the Court of Cassation, with its ruling of January 20, 1900, also legally concluding the matter, held that Royal Decree No. 227 of June 22, 1899, presented by the Pelloux government, was "comparable to a mere government-initiated bill." For this reason, it concluded, "in accordance with the constitutional norms, and in accordance with constant custom, that bill lapsed with the closure of the session."

Also due to the prolongation of obstructionism until the closure of the session, therefore, the authoritarian attempt failed and, thanks to the opposition in Parliament and in the country, the government resigned, giving rise to the libertarian turn of the Zanardelli government. Is the State, in general, important today? I am not speaking of the State seen from a juridical point of view, with its traditional constituent elements [2]. I am not referring to the State in a more philosophical sense, from Hegel to Gentile, with the political implications and consequences that have arisen. Personally, I believe that it is the most useful means, today despite all its limitations, having become, at least in the West, a liberal-democratic State, of defense or at least aid towards large economic organizations, the means that citizens concretely have [3]. National State or EU-type organizations? History may be a millstone, but it is present and counts [4]. Germany, despite European solidarity, had very advantageous gas supply contracts with the Russian Federation (with discounts of 20%-30%): therefore, it was very reluctant to take measures to impose price caps. But examples of this kind throughout European history are numerous. Regarding gas and related infrastructure, which will be the infrastructure of tomorrow, just as railways were in the 19th century, it will be the work of the (Italian) state if they are built, if they can bring development, for example, to the South and to Italy (according to Eni's CEO, our country is the only one connected to North Africa and can supply Europe) (and if there is a "bottleneck between Campania, Molise, and Abruzzo," as Descalzi told the newspaper *Il Messaggero* on January 24, 2023, or if it can only be overcome by the state, as happened in the 19th century and in Italian history). So I'll start by talking about Italy, which, from a developing country in the 19th century, became a member of the G-7.

Italy, it seems to me, can represent, albeit differently from the Asian Tigers of today, an example of how certain economic

theories are useful but must be put to the test of facts, and how the State is useful for development. A liberal democratic state that defends, with the characteristics specific to each historical era, the rights of citizens. Italy was a developing country and is now part of the G-8 elite, but it is useful to recall its history to verify the importance of the State in its overall positive evolution. Indeed, of the central State, because regionalism has almost been a factor in holding back, at least for balanced development. But before doing so, let's look at some opinions on developing countries and the ways to escape underdevelopment, also connected to world trade.

We are familiar with the theory of convergence and also, with regard to the theory of comparative advantage, the events of some non-European countries [5]. I will attempt to address the history of developing countries, especially from the 1960s to the present, to examine their impact and correlation on trade and between trade and growth. Many developing countries have, over time, since the 1960s, abandoned the model of industrialization based on import substitution to adopt an export-oriented strategy, and this strategy has been successful, especially for East Asian countries. But is this new strategy the only factor?

The characteristics of developing countries are traditionally identified as a history of widespread government control over the economic system, a history of high inflation, weak credit institutions with banks lending funds to finance projects of dubious value or very risky, exchange rates tightly controlled by the government, natural resources or agricultural products constituting a significant portion of exports, and attempts to circumvent government controls that lead to corruption.

But this list, while correct in itself, is a bit like a shopping list. We need to delve deeper. Many aspects of these countries were defined in the 1930s, during the Great Depression. Direct controls on trade and payments were implemented to protect foreign exchange reserves. Many of them were not independent at the time. Then, governments often reorganized labor markets with strict controls on financial markets, price controls, and the nationalization of key industries. State intervention of the wrong kind! They began to develop an industrialization policy based on import substitution. Emerging economies often suffer from declining commodity prices: has China decided to shift

its economy away from investment and manufacturing toward services and domestic consumption?

This in itself generates lower growth, which has fallen from a double-digit rate to an average of 6.5% annually. But the slowdown penalizes commodity prices, and a decline in commodity prices means slower growth for emerging commodity-exporting countries.

They are destined for a decline in the terms of trade and therefore it is difficult for them to approach the more advanced countries, while those with exports and focusing their policies on quality exports (not raw materials), like certain Asian countries, suffer less. Many countries thought, after independence, that state-planned industrialization and urbanization would be the surest way to reach the income levels of the colonizers. But, right or wrong as a policy, many of them realized that There was a decline in their terms of trade and perhaps they needed to divert resources from primary sectors and not limit themselves to import-substituting production. Many relied on capital imports to finance domestic investment. Before the First World War and in the period preceding the Great Depression, developing countries (including the 19th-century United States) received huge financial inflows from richer countries, such as England and France. But Argentina, Australia, Canada, Brazil, Peru, and Indonesia also received them, perhaps the last three directed towards natural resource extraction or plantation agriculture.

After the Second World War, by resorting to debt, developing countries accumulated a high level of debt to the rest of the world: debtors profited because they could increase their capital stock despite low domestic savings, while creditors profited by obtaining higher returns on their savings than they could obtain at home? As long as it lasts, you might say. Especially if these loans finance unprofitable investments, resulting in enormous public debt, foreign debt, and debt not denominated in national currency. What lessons can we learn from the defaults of many emerging countries? At least in recent times (let's not even consider the events in the early 19th century when a number of American states defaulted on European loans taken out to finance the construction of canals)? When a developing country has a current account deficit because it is selling assets to foreigners to finance the difference between its spending and its income,

we have that the sale of these assets forms the loan, the inflow of capital that finances the deficit of the developing country (this can be a financing with securities, securities are sold to foreign citizens; it can be a bank loan, the developing country borrows from commercial banks in developed countries; it can be an official loan, i.e. loans from the World Bank for example; it can be an indirect loan, with a foreign direct investment a company owned by foreign residents buys a subsidiary company or a plant located within the developing country; it can be a portfolio investment in the ownership of companies, i.e. an investor from the industrialized countries buys shares in the companies of a developing country) it can find itself in an extremely difficult situation, which has been called by some as the “**original sin**” [6]. Developing countries borrow in foreign currencies, not their own currency; they borrow in euros or yen, etc. They don’t borrow in their own currency.

Therefore, They Risk Insolvency.

For the United States, a reduction in global demand for US goods often stimulates a transfer of wealth from foreign residents to Americans because US liabilities abroad are predominantly denominated in dollars. For poor countries that must borrow in a major foreign currency, a reduction in demand for exports has the opposite effect. As net debtors in major foreign currencies, a depreciation of the domestic currency leads to a transfer of income to foreigners, increasing the value of the net foreign debt in domestic currency.

The events of the early 1990s, which saw an influx of capital into developing countries, including those in Latin America that were already heavily indebted (these inflows were driven by low interest rates in the United States), with success in East Asian countries at least until 1997, as well as the economic miracle that followed the 1990s crisis in East Asian countries, are emblematic of the rationale for free trade.

Asian economies have a high savings rate, a strong emphasis on education, much higher than, for example, Latin American countries like Brazil, a government with an active role in the allocation of capital among industries, and the opening of foreign branches. If we look at it, at different intervals and spread out over time, these are characteristics that Italy also had in periods of growth. Then a high share of trade in relation to

P.I.L [7]. In some ways, what analysts highlight as weaknesses, namely banking regulation and the legal framework, could be an advantage for European countries. Naturally, and this may also apply to Europe, it is a mistake to open capital markets before introducing a solid system of regulation and supervision of national financial institutions that preserves trust.

Given the macroeconomic trilemma already mentioned in the notes on the EU, (independence of monetary policy, stability of the exchange rate, perfect mobility of capital) a large country like the United States can accept a flexible exchange rate, but a smaller country finds it difficult to sustain the costs of a high volatility of the exchange rate partly because it is more open to international trade, partly because it suffers from original sin. If domestic savings falls below domestic investment, the difference equals the current account deficit, but due to weak financial institutions, national savings in these countries are often modest and they are also poor in capital: the opportunities to build plants with considerable profits, however, could exist, resources can be recovered from abroad even if domestic savings are low. By borrowing from abroad one can fall into original sin or, since the expected profits are not the actual ones, fail to repay the debt and instead experience the mobility of capital of foreign investors. There are certain paradoxes in capital to take into account: I will discuss some of them in relation to Italian history [8]. The global structure of financial flows from rich to poor countries has diverged from what economic theory seemed to predict. That is, a flow of capital, of loans, from high-income, capital-rich countries to low-income, capital-scarce countries.

Robert Lucas believes that income disparities between rich and poor countries, if caused by different capital resources, should have led to investment opportunities in the developing world. This is based on the classic neoclassical approach, which also harks back to the Italian debate over the Mezzogiorno. Why didn’t this happen, and why wasn’t investment much higher in poor countries? Lucas believed the cause lay in the human capital in poor countries, the fragility of property rights, and the stability of governments. All of this implies, perhaps without realizing it, a reevaluation of the importance of the state, for these issues and for trade. In the 19th century, Great Britain had invested about 4% of its annual income abroad in the fifty years preceding the First World War. But how had it invested

it? Was this attitude replicable after the Second World War? British investment was directed towards specific countries to finance their infrastructure, such as railways, that is, towards countries that had waves of European migrants. Therefore, they transferred European knowledge and institutions to the new countries (Ragnar Nurkse).

The beneficiary states were the United States, New Zealand, and Canada. In the 21st century, however, not only does capital not flow from rich to poor countries, but it goes from poor to rich ones [9]. The boom in certain activities in rich countries has stimulated certain phenomena and has increased consumption and real estate investments, generating current account deficits, and China's rapid growth has pushed up commodity prices, allowing relatively poor raw material exporters to record surpluses. This trend has slowed because advanced economies and China have slowed and raw material prices have collapsed. In the second decade of the 21st century, non-oil-producing developing countries again ran deficits and rich countries ran surpluses. But many believe that it's capital itself, regardless of where it's directed, that doesn't seem to play a decisive role in triggering growth.

The countries that have grown the most are those that have relied on domestic savings and had modest current account deficits, if not surpluses. East Asian countries, including China, have high levels of domestic savings (as was the case in Italy, in addition to an excellent level of education or training in general). Many countries with low productivity and capital growth attract financial flows. Because, beyond a weak financial system, stable institutions, at least in the sense of predictable ones, and a legal system that, if not free and respectful of certain rights, is at least calculable, in Weber's sense, are important. High savings also count: China and other Asian countries have large foreign exchange reserves because they receive foreign investment flows, but despite high savings, they still have a current account surplus.

It may be interesting to recall the historical events of Italian economic development, the stages of which often ignore analyses of theories such as comparative costs. - For development and growth in Italy, for example, there is an extensive bibliography [10]. It does not appear that Italy had factors that predisposed

it to achieve comparative advantages. Aside from a certain population density, especially in certain areas, our peninsula has always seemed overpopulated in relation to its natural resources. "Comparative advantage is not discernible in the high-intensity processing of good land, raw materials, energy sources. Despite the ability of families to save and widespread entrepreneurship, the advantage is not discernible even in highly capital-intensive or technologically innovative production. Historically that advantage has consisted in the wide availability, flexibility of use, low cost, and work capacity of the workforce: the toil of men." In 2005, Italy contributed 2.7% of world production, while its 59 million citizens were less than 1% of the world population and two centuries earlier the relative weight of production was similar, when its inhabitants were more than 2% of the world population. Italy reached almost 4% of the product in the 1960s, only to then fall back to values lower than those of two centuries ago. But despite the lack of comparative advantage, the standard of living, before and after The political unification of 1861 has always been higher than the world average: it was 70% higher in 1870, and while global per capita GDP increased eightfold, Italy's increased thirteenfold, with that of Southern Italy also increasing tenfold. This is a clear sign that growth was driven by trade, which was decisive for Italy, but not by comparative advantages.

Only during the first half of the nineteenth century did a phase of capitalist development begin, with the practice of buying and selling labor becoming more widespread, rather than de facto servitude, because it was legally prohibited almost everywhere in the pre-unification states of the eighteenth century. together with the enterprise with the production of goods for the market rather than goods for self-consumption, private property and the contract and concepts such as profit and risk spread. The privatization of land spread in the nineteenth century and circulation was favored by the sales of properties expropriated from the Church and by the privatization of the state lands of the Municipalities: that is, despite the political controversies, development traveled on the basis of public interventions. Italy changed more than others given the conditions of some of its parts, if it is true that in the Kingdom of the South, according to Antonio Genovesi, who believed it was far behind not only foreign nations but many parts of the peninsula, **"if foreigners did not provide us with needles we would be forced to sew**

with fish bones like the Greenlands” [11]. The controversies in Italy on its economic affairs, the exploitation of the north by the south etc... practically date back to the time of unification [12].

Apart from the historical controversies on the defects of the post-unification action which would have determined a North-South gap which did not exist at the time of Unification (“**in Campania the internal product gross, per capita, was slightly lower than that of Lombardy, while in Puglia and Sicily it was similar to the national average....**”) interesting are some statements that are recalled made by Vittorio Daniele that serve to highlight the differences between an archaic economy that depends a lot on geographical conditions and a modern one that ignores them or can operate even by changing them. And for the purposes of a decisive intervention in this sense the observations on what Cavour wanted to be the action (who would have pushed for a state action to create a large Merchant Navy so as not to depend on other fleets, he wanted to reserve the draft of technical personnel, necessary for the strengthening of the fleet to the locals only, so as not to depend on English personnel, he wanted to support the Navigation Company with state subsidies and ensure regular connections with the Americas, the Black Sea, the African and Eastern coasts, indeed to orient trade towards those areas to help the south of Italy more, as well as developing steam and propeller propulsion). The geographical conditions or Climate conditions had a greater impact on the economy than they once did, and starting in the 19th century, they became less and less so.

Vittorio Daniele (p. 57-58) said, “Today, the constraints of physical geography are much less stringent than in the past. Infrastructure, transportation, and efficient communication systems have largely eliminated the barriers of geography and the costs of distance. The current production structure, largely based on manufacturing and services, is largely independent of the constraints of physical geography [today, more so than in the past]. In the past, however, when, especially in some regions, the economy was predominantly agricultural, and the transport of goods was done by cart or sailing ship [the theorem of comparative advantage, as typical of an agricultural world economy or where only the forces of nature dominate?], and infrastructure was poorly developed, the climate, the orography

of the territories and above all the geographical position strongly influenced economic activities”.

The protectionist choice was an obligatory step and accentuated the imbalances between various sectors of the economy and between the various areas, but without, for this reason, being able to speak of a power bloc [13]. The steel industry gained an advantage to the detriment of the mechanical industry, damaged by the rise in the price of steel products. In the textile sector, the protected sectors, wool and cotton, were accompanied by the decline of the silk industry [14].

Would regionalism have been the solution to Italy’s problems?

It could be a hypothesis, which, however, does not take into account, that the agricultural proletariat would have had the same defects, that, for example, Salvemini blamed on the intellectual petty bourgeoisie and that the poor peasants would ask for the same favors and jobs as the others, would have to turn, to get them, precisely to the petty bourgeoisie. However, in the South there was a lack of advanced and prepared regional leaders and, therefore, the federalist perspective was largely utopian [15]. Gaetano Mosca rightly said, replying to Salvemini, who supported the federalist idea, that the agricultural proletariat of the South was not immune from the defects that he attributed to the petty bourgeoisie of the South which had, according to Salvemini, allied itself with the landowners. The agricultural proletariat of the South lacked everywhere a civic sense and a sense of legality, so that the peasants would have behaved like the petty bourgeoisie and federalism would have meant only more bad administration and corruption.

However, at the end of the Giolitti period, with all its contradictions, the Italian economy was such that one of the most important historians (Pescosolido) affirmed that it had gone beyond the point of no return in the process of overcoming underdevelopment, which remained a destiny of many Mediterranean countries, such as Algeria, Tunisia, Libya and the north and the south, before the unification were small countries politically subordinated and economically marginalized and in both senses began to count for something more, in Europe and in the world, after the Unification [16]. Not only the south, but also Piedmont was politically subordinated (perhaps to France) but also Lombardy was (to the Habsburg Empire on which it also

depended for economic choices). Only with the Giolitti era did a marked improvement occur, but economic progress, beyond any past or present controversy, was possible because it affected the entire peninsula. It would have been difficult to achieve, given the international situation at the time, only in one part of the country, or if a part had remained separate and, perhaps, as in the Bourbon era, with low taxes but minimal public spending, meaning nonexistent infrastructure.

Such investments, however, required unified work and direction, also because they were faster, without local pressures to which a federalist approach would have been more sensitive. Referring to the post-World War II Italian experience, there was a convergence between the various territorial zones in the 1950s, 1960s, and up until the early 1970s. From 1975 and throughout the 1980s, there was a reversal of this trend. Today, even ignoring the recent crisis from 2008 onwards, the data are worrying. In Italy today, too little attention is paid to the growth of human capital; schools are seen as a place where teachers are paid, while in the recent past, after unification and even after World War II, perhaps even with emphasis, education was given a central role: this attracted the best minds to teaching and created skills and opportunities for students, especially the most disadvantaged [17].

First of all, taking the so-called Asian Tigers as an example, the development of human capital is important, and they have paid much attention to it, while, for example, in South America, it has not.

The latest economic news in Italy signals persistent, asphyxiated growth, almost zero. What to do? Dust off our actual economic traditions?

For this reason, referring to and verifying the relevance of the discussion on the IRI can be useful.

It is generally said that in Italy, we have oscillated between Keynesian and liberal practices. In reality, like many states, including the US and Britain at one time, and now China, ours is neo-mercantile.

Central to this was the work of a technocracy formed in the 1930s, within the IRI (Italian Institute for Industrial Reconstruction).

Today, for example, isn't China doing the same thing we did? Indeed, it does so in an environment of less freedom. Can't we simply speak of China as a form—not of liberalism/free market—but of an updated form of mercantilism?

Throughout history, many, almost all, countries have gone through this. Even the US. Even England, in the 18th century, was accused of economic nationalism and imperialism due to the legislation enacted by Parliament: it even waged wars against the Netherlands in the 17th century, against France (the Seven Years' War, 1756-1762), and beyond. These wars ensured its dominion of the seas, secured vast markets, and created and maintained trading companies, like the Netherlands and France, in defiance of liberal policies. Not to mention the nineteenth-century trade and protectionist policies of the United States and Germany, with their strong state presence. China does much the same.

It maintains a trade surplus with strict import controls and openness to foreign markets, along with various regulations that allow Western producers to set up businesses there, albeit with the presence of local entrepreneurs. It favors its own exports and hinders imports. Politically, it is closer to Colbert and Louis XIV, also due to its freedom of thought and the repression of religious phenomena, once Huguenot, now Catholic, the administrative organization once based on French intendants now on a new form of mandarinat from the year 2000. What's liberal about it? It does, with a few centuries' delay, what others did in the 17th and 18th centuries and the USA in the 19th century.

At least initially, the IRI and the Cassa per il Mezzogiorno didn't function badly. Indeed It must be taken into account that the overall losses that fell on the State following the banking crisis, due to subsidies to banks and failing businesses, amounted to 11.5 billions [18]. It was avoided with an instrument that also brought utility, preserving a productive apparatus, both banking and industry, in sectors where private capital was absent, fueling a financial market, albeit small, with the issuance of bonds, creating a governance that, through civil law transactions, in addition to using flexible instruments and with little or no bureaucracy, managed, in this early period and up until the economic miracle of the 1960s, to escape the constraints of bureaucracy and low politics [19].

We must start from the assumption that the capitalist revolution consists in the differentiation of the social system into a political system and an economic system, each with its own autonomy and logic, but intimately and inextricably interconnected.

Simplifying the Scheme Provided By Angus Maddison, a British Economist, the Development of Capitalism is Influenced by Three Variables[20].

- The first is the structure of international relations, and in particular the relationship between the dominant capitalist power and the other capitalist powers. For example, modern capitalism has always had a global hub: the Netherlands, then England, and finally the United States of America.
- The second variable is the relationship between classes and social groups. Here, the hub of the system is the ruling class and large capitalist enterprises.
- Finally, the third variable concerns the technological-productive hub of the system: the dominant type of its technical organization and its energy base.

These three hubs ensure the system's balance and prosperity, and when their ability to perform their function weakens, latent crisis conditions arise, which external shocks, partly occasional and partly caused by these very crisis conditions, transform into manifest crisis.

According to this framework, therefore, historical periods characterized by prosperity and crisis can easily be divided. Humanity has already experienced numerous crises throughout history, including economic ones. One of the most studied is the Great Depression, the economic and financial crisis of 1929 that disrupted the world economy with profound social and political repercussions.

Following this approach, the first of the three points above is central to international trade. Evidently, the approach to the law of "comparative advantage" and "absolutely free" trade is linked to considerations pertaining to international relations and relationships. Traditionally, three approaches have clashed (or met) in this area. The first, mercantilism, is the theory associated with the rise of the modern sovereign state, born during the 16th

and 17th centuries, which subordinates economic activity to the primary objective of building a strong state.

The economy is an instrument of politics, a pillar of political power: the international economy is primarily a battleground between opposing national interests, rather than a terrain of cooperation and the pursuit of mutual benefit. The strengthening of the state, the growth of state power, and politics taking precedence over economics were historically linked to the acquisition of precious metals, which in the 16th century was considered the main route to national wealth. They were then combined with the creation of a vast overseas empire (Holland and Great Britain), the creation of a trade surplus, and, finally, when Great Britain embarked on the path of industrialization, the creation of local industries and the adoption of protective policies that helped develop those industries.

The second, economic liberalism, criticizes the total dominance and political control over economic affairs, contests the subordination of the economy to politics, and assigns rational man a leading role on the assumption that there is faith in progress and that every exchange results in a gain for all parties involved. The economy is a complex of principles and a system for organizing economic growth and individual well-being, and the market economy is governed by its own laws and mechanisms, which are an intrinsic aspect of the production and exchange process.

An example is the law of "comparative advantage" (discussed in greater detail in the footnote) enunciated by David Ricardo, according to which free trade, that is, commercial activities conducted independently of national borders, is destined to bring benefits to all parties involved because it enables specialization, which in turn increases efficiency and productivity [21].

The individual is seen as the protagonist as a consumer and a producer; individuals behave rationally in the pursuit of their economic interests, and the market is a positive-sum game. Individuals, rational and selfish, that is, eager to improve their condition, create not a zero-sum game, as in the mercantilist conception, but a positive-sum one. The third, Marxism, is based on a materialist conception and, for the purposes of international relations, gave rise to the well-known theory of dependency.

In developing countries, capitalist growth does not take root in the same way that early capitalism took hold in Western Europe or North America: it creates a form of dependence in developing countries. Underdevelopment was by no means a condition that characterized all countries in the past; rather, a system whose underdevelopment is a deliberate product of Western development has been imposed on developing countries.

The state is important, however: it is no coincidence that the two international currencies par excellence of the last two centuries, the pound and the dollar, have been backed by the largest and most feared armies and navies in the world. Militarily advanced and strong countries also have the ability to offer (or impose) a guarantee to support the value of their currency. The relationship between money and power emerges from a historical comparison of the major currencies of the last two centuries: the pound and the dollar, and how the former was replaced by the latter. The geopolitical motivations supporting the dominant currency are evident: especially in a fiat money regime. The pressure to print money came from politics, both for war and to fight poverty domestically. Both are capital-consuming activities, not investments that guarantee a return. Can the money supply be inflated?

But a natural limit emerges to the amount of funds a society can devote to war or welfare: in a fiat money environment, these funds can initially expand uncontrollably because the negative consequences are only seen much later. And a strong state can use its international position to support its currency. For liberals modernization theory the Third World should follow the same path already taken by the developed countries of the West: a gradual transition from a pre-industrial, agricultural society to an industrial society characterized by mass consumption.

This can be achieved by overcoming archaic and outdated institutions with different values: there is a traditional sector rooted in rural areas and an emerging modern sector concentrated in the cities.

The two sectors are isolated, and the traditional sector serves as a reservoir for the other. It is necessary to produce an increase in investments in the modern sector and in relation to the

relationship with developing countries, market relations with developed countries have repercussions positively impact, in terms of growth, the economies of developing countries. Foreign trade is a decisive factor for the growth of the modern sector. Investments in developing countries by multinationals bring modern technologies and the professionalism these countries need. From the opposition of these three theories, briefly described, we gradually emerge, at the end of the 1980s and the beginning of the 1990s, with a partial and modified return of mercantilist ideas. The mercantilist theses on development create a sort of compromise between the liberal theses and those of the dependency theorists. The former emphasize the integration of the world market as a factor capable of promoting development; the latter advocate almost a decoupling from the world market.

The Mercantilists Represent a Middle Ground.

Raul Prebisch and Gunnar Myrdal in particular have analyzed the issue [22].

Within the institutionalist tradition, which I identify with, and which has a strong connection to Keynesian theory, the work of Gunnar Myrdal has been fundamental. He is famous, as stated in the citation for his Nobel Prize in Economics, for “his fundamental analyses of the interdependence of economic, social, and institutional phenomena.”

Regarding the development of states, after highlighting the limitations of the classic liberal approach, which saw integration into the world market and unrestricted trade as a means of redemption for developing countries, and highlighting the contradictions of the Marxist line (which advocated decoupling developing countries from world trade and the capitalist system that produced dependence), criticizing the theorem of comparative advantage (as recently highlighted by Robert Jackson and Georg Sorensen), which liberals believed would have led to economic development in Third World countries, he contributed to highlighting the need for industrialization in those countries.

The typical export goods of those countries, generally agricultural products, were losing value on world markets, while the prices of imported goods, mostly industrial or high-tech products, were increasing.

It was necessary for the countries of the South to develop industrialization, even if it would have entailed high comparative costs in the initial phase. After all, isn't the success of the so-called Asian Tigers and Japan largely due to the role played by the state in creating production structures?

Broadening the scope of analysis from the field of economic development between states and arriving at the role of the state in the economy, along these lines, we can reach the conclusion that market forces are essential, but the role of the state cannot be minimal, and one cannot rely on simple deregulation. Market forces produce market failures, and many are there for all to see. The opposite risk is bureaucratic failure, as has been said, that is, excessive regulation and excessive bureaucratic costs? Certainly [23].

But the answer is, on the one hand, that there are no irrefutable arguments to support the thesis that state intervention in the economy is by definition counterproductive, and the fact that this often happens is not sufficient evidence to condemn any type of intervention. On the other hand, interventions must be variable and adaptable depending on the countries involved and the various historical periods. However, the benefits that should have resulted from the application of the theory of comparative advantage have often been absent. There has been a decline in the terms of trade for traditional exports from the South. That is, export goods continued to lose value on world markets, while prices of imported products, generally industrial and highly technological, were stationary or increasing.

A developing country earned less for its exports of raw materials and had to pay more for the imports of manufactured goods: the terms of trade, in fact, worsened. It was necessary to promote the industrialization of the South, even if in the initial phase the new industries would have found themselves operating at a high comparative cost.

The neo-mercantilists advocated a compromise between the liberals and the Marxists who preached a decoupling from international trade with largely unrealistic hypotheses. Some East Asian countries and Japan followed this approach [24].

From a real point of view and from the point of view of what is

happening in geopolitics, the development of Asian countries, understood as a whole, from Israel and the, from Saudi Arabia and the United Arab Emirates to India and Japan, passing through the so-called The Asian Tigers highlights the ever-increasing trade and economic relations (which become political) between Asian states that are tending to distance themselves from the US and the West.

But these are economic relations that are increasingly, or rather always, directed by states rather than by corporate initiatives, as if the states were absent.

Nowadays, all the countries in the area are diversifying their relations: the Arabs detest Israel but are increasingly collaborating with it to contain Iran. Saudi Arabia provides aid to Pakistan but courts India as an energy market and relies on its workforce. Turkey is increasingly carrying out commercial and political actions directed towards other Asian countries, and even Israel is doing so, and was once considered the sentinel of the West. But all the commercial relations of these Asian states are "governed" by governments in a logic close to 2000s-style mercantilism.

I've discussed value chains involving Western companies, but despite what I've said, the development of Asian countries is characterized (in addition to being a neo-mercantilist development characterized by an aggressive import substitution strategy and government-backed international expansion) by increasingly being an intra-Asian exchange and no longer with the West, an exchange that creates globalization rather than free trade, which has regional connotations in the sense of being Asian (for example, over 60% of ASEAN trade takes place within Asian borders), with societies based on relationships rather than rules and institutions.

Aside from the consideration that Asia is no longer a producer for the West, keeping costs low and profits high, it is the West that produces for Asia, which has technological and research development that attracts investment and a growing middle class that attracts Western products and sales of both technology and consumer goods. From a more theoretical perspective, mercantilists also advocate a sort of compromise in the relationship between state and market economics. While

liberals, in general, envision freedom for market forces and believe in a minimal role for the state, mercantilists, on the one hand, counter that market efficiency has numerous flaws and there are no irrefutable arguments to support the thesis that state intervention in the economy is always counterproductive.

Indeed, the fact that it is sometimes counterproductive is not sufficient evidence to affirm that it is always so. On the other hand, they cite examples, such as South Korea and Taiwan, of a positive role for the state in creating production structures. The state can create so-called “bureaucratic failure,” but also, by leaving excessive room for market forces, can create market failures and negative side effects, such as excessive pollution or the creation of monopolies.

The problem then shifts to what constitutes a proper balance between state and market. The answer could be, and is similar to our topic regarding the usefulness of comparative cost theory, the observation that state-market relationships work when a local industry exists in a country, which, for example, acts as a counterbalance to the power of so-called multinationals. This requires a government hosting these multinationals, or at least a state that is not weak and lacking in authority, so as not to oversee economic activity. Strong and authoritative institutions exist. In fact, regarding the relationship between developing countries and multinationals, often reviled as devils, often seen as engines of development, they can help a state grow, but under certain conditions: multinationals can tend to dominate a country. But in states with strong institutions, with a certain local industrial base, this domination is more difficult to achieve, and the work of multinationals can be channeled toward technological development. But the Southern states, like any state, should possess a high level of political and administrative capacity, traditions, including legal ones, to provide adequate regulations. This also includes human capital, in the sense of adequate education and training.

While in East Asia, the local industrial base and political and administrative capacity exist, in the Southern countries, sub-Saharan Africa, these conditions are less present. The problem, both for state-market relations and for a profitable return on comparative cost theory, therefore shifts: it lies in the authority and political-administrative quality of a state. Some emphasize

in today’s world no longer American or Chinese leadership strength, but rather the strength of Asia with the new values it brings, including cultural and religious values, which create a shift in traditional economic parameters.

The Asian economic zone, from the Arabian Peninsula and Turkey to Japan and New Zealand, now represents 50% of global GDP and two-thirds of global economic growth. Between 2015 and 2030, middle-class consumption will increase by \$30 trillion, while Western economies’ contribution will be just \$1 trillion: the bulk will come from Asia.

Asia produces and exports, as well as imports and consumes, more goods than any other region in the world, and Asians trade and invest more among themselves than with Europe and North America. Asia holds the majority of the world’s foreign exchange reserves and is home to 60% of the world’s population, ten times more than Europe and twelve times more than North America. All of this has implications not only economically (the global financial crisis was not global because Asian growth rates have continued to rise over the past decade, and the profits of many Western companies, starting with Apple and Amazon, depend significantly on sales in Asia) but also culturally. Westerners sell products to China, recruit software engineers in India, buy oil in Saudi Arabia, vacation in Japan and Indonesia, recruit nurses in the Philippines, host Korean construction crews, offer apprenticeships in the United Arab Emirates, and so on, defying the theory of comparative advantage.

But above all, there is a tendency to become more Asian: Asianization assimilates previous eras, and Asians are pursuing a neo-mercantilist industrial policy rather than a free market, in which government and businesses collaborate to gain increasing market shares.

Industrial policy aligned with their cultural and religious concepts (Confucianism and beyond).

Are we sure that certain theorems and comparative advantages are applicable and applied in a different cultural and religious environment that emphasizes and privileges other values, partially or entirely different from the Enlightenment and the liberal ideas of the Enlightenment? Asia is bureaucratic and

multilateral, with institutions that rival those of the West. Many countries have Western parliamentary systems but have adopted technocratic mechanisms to prioritize and pursue social well-being, creating an Asian synthesis that does not replace but rather modifies the Western past (or so they believe it to be), rooted in the English language and the pursuit of scientific excellence and technological innovation.

But they present themselves as a new model, as new models, and just as the United States and the Europeans before them (in the 19th and 20th centuries) shaped the world, Asians, with Asianization, are now doing the same thing, distancing themselves, also because they probably never considered certain ideas completely their own, including some economic ones, such as that of comparative advantage.

Certainly, in Asia (ranging from Arabia to Japan) there is no dominant and hegemonic state, despite the Chinese presence, but neither was there one in Europe (despite the 19th-century British presence worldwide), while, for the most part, after the Second World War, that is, for 50 years, there was a hegemonic American presence.

Asian commercial penetration in Africa (evidenced by the trade between Asia and Africa that grew by almost 2,000% between 2002 and 2012), beyond the controversies over China's neo-colonial stance or otherwise, is not limited to Chinese action alone.

For example, India, Nigeria's main trading partner, has a strong presence, with Indian companies investing in the country by taking advantage of the \$10 billion credit system implemented by the Indian government.

Japan, through its development financing activities, namely through the Japan International Cooperation Agency (JICA), has implemented \$40 billion in development and infrastructure programs with Africa: Japan and India enjoy a better reputation in Africa than China.

But in any case all these commercial interventions and developments, not only in the countries mentioned but also in others, for example the Arab countries, are all characterised by

a strong "state" presence, a state-type guidance, a presence of what we would call industrial policy, which perhaps rather than aiming only at the exploitation of Africa in a neo-colonial sense, as many say, creates, instead, a sort of new Marshall Plan on a continental scale, which serves both parties, which implements economic reforms without political reforms (according to a Chinese approach) but which, like the increasingly powerful trade between Asia and Latin America, starts by purchasing (for example Japan towards Brazil) raw materials and exporting finished products, but then, both in Africa and in Latin America, develops with a transfer of technical and managerial know-how (in Brazil the phenomenon is more evident) so much so that, to remain in Brazil, but the phenomenon tends to extend, the South American country has transformed its enormous bilateral trade deficit with China into A \$12 billion surplus

In fact, Brazil currently has a trade surplus with all Asian countries, with the exception of Korea. All this is the result of industrial policy, not the pure and simple application of "comparative advantage," which was important at the beginning of trade relations between Japan and Brazil, as it was at the beginning of Asia-Latin America or Asia-Africa relations, but these relationships then evolved through the transfer of know-how between states.

To conclude, let us return to an ancient controversy, which demonstrates once again, with regard to southern Italy, the importance of a virtuous state, which, I repeat, can be combined with Keynesian investments, as Keynes saw them, beyond certain off-the-cuff jokes about holes to be dug and then filled, which critics always propose.

After writing History of the Kingdom of Naples, Benedetto Croce was accused of having denied the existence of the Southern Question [25].

This belief by critics, both from the neo-Bourbon left and right, was drawn from that work. Croce states that the idea of a sort of geographical curse by which the South, afflicted by ancient poverty, must always remain poor, was a fatalistic idea, contradicted by historical experience.

There is no historical or environmental determinism, because

sometimes adverse natural conditions can impede development, but in other cases they stimulate it in other, unplanned and different directions. We could also consider the effect that certain technological innovations can have, such as the cultivation of vegetables or citrus fruits in greenhouses in Holland, and for this reason certain economic approaches derived from the theory of comparative advantage generally capture a moment but fail to grasp evolution. Croce added that the Southern Question had to be considered as a set of problems affecting the living conditions of the Southern population and therefore had to be addressed technically, case by case, on the specific terrain of each problem. The problem of the South had to be seen in a context where there was little room for many of the more widely accepted general approaches of his time, which started from ideological or political positions and did not take into account that conditions and the state of affairs can evolve. In many cases, these were general theses of a political nature, with political undertones and programs of the right or left. The attitude toward Croce's work is a sign of a more general attitude, from both the right and the left, which is reflected in much economic doctrine, which, to say the least, tends to photograph a moment, fails to make historical connections, and makes a priori criticisms based on abstract principles, perhaps based on the need for the absence of the State, which, on the contrary, could be a subject that changes the state of affairs. It changes it for the better.

In Croce's time, there were general discussions about the alleged racial inferiority of Southerners, or about geographical determinism. The conclusion was to affirm that Croce was an exponent of the class of landowners and the wealthy who governed liberal Italy and who denied the existence of the Southern problem: he did so because he was a landowner, a rich man, and therefore intellectually and emotionally distant from the problems of the peasant classes, incapable of understanding the difficulties of those who lived in poverty in the South.

A thoroughly political thesis on the history of Italy, Croce, when he referred, as mentioned, to the need to address the Southern question technically, on the ground of each problem, case by case, not only did he not want to deny the existence of the Southern question, of the conditions of underdevelopment, but rather believed that answers should be sought in technical and in-depth analyses of the various problems. Croce, certainly, made a

distinction between an intellectual class, which especially in the 18th century, was the bearer of a European-level culture, and the property-owning class of southern Italy, from which much of the political class originated, which was at a much lower level than the great southern culture. This could, in the 18th century, have been a source of pride for the South, but it was overshadowed by the traditions linked to the political class, the social structure, and the urban or provincial bourgeoisie. Even today, some argue that the backwardness of the South, in an era of consolidated democracy, depends (also) on the choices of southerners, the bourgeoisie and the working classes, civil society and political society.

Francesco Compagna, founder of the magazine *Nord e Sud*, and Rosario Romeo intervened in the controversy and, beyond defending Croce, they argued against "scarfoglismo", against his heirs, against a certain "Bourbonism" or reactionary character of post-World War II Neapolitan culture, because they harked back to a different tradition: the tradition of southern intellectuals, even if they were a minority, crushed, or threatened to be so, as had happened in the last two centuries, by two phenomena: the deafness of the peasant masses, today we would call popular, impenetrable to the most modern currents and an instrument of conservatism, then mobilized by the Communist Party and therefore excluded from the list of forces available for a battle for democracy and real economic development that was not purely vindictive and class-based, looking back, to Gramsci, so to speak, and his revolutionary intentions. On the other side was the presence of a landed bourgeoisie, incapable of transforming itself into a ruling class aware of a collective interest.

Regardless of how things have changed today compared to the years of Compagna and Romeo and, before that, of Croce, for my purposes it is important to note that even today there are many, even those who highlight that underdevelopment also depends on the wrong choices of the southern political class elected and voters, that the speech of Compagna and Romeo, in defending Croce, deliberately misunderstood, highlights the relationship between the history of the South and the southern action, for which on the one hand it is necessary to resume the tradition that southern Italy could boast and which is the heir of those minorities who fought for a renewal of the South. Who contributed to the creation of the national state and to bring the

South into the unification process. It is necessary to reiterate the affirmation of the process of national unity as a positive fact and of the unitary state as an indispensable premise for dealing with the southern problem. The left often claims a third-worldist position as the solution to the southern problem, which opens up to the The path out of the depression lies not in the South, but in reuniting with the countries of the Mediterranean depression. Southerners are urged to make common cause with the Mediterranean world, but it often seems that this is done in an attempt to be not the last wagon of development, as has been said, but the first of underdevelopment, placing themselves at the head of the Mediterranean countries against industrial Europe. Europe must behave at least as it did with East Germany, and Italy must behave in transfers and efficiency as West Germany did. However, the awareness, as Compagna and Romeo said, is that the nation state is the main instrument for overcoming the Mediterranean depression, and national unity is the basis from which the southerners' action can draw the necessary ideas, strength, and economic resources. Italian unity was not in the interests of any European power, and none of them truly wanted it: not only Austria, but not even England and France.

Overcoming these obstacles was not easy, especially in a context in which the economic forces driving unification were weak and there was little complementarity between the different regions, between North and South—at least less than that which existed between the 14th and 16th centuries. With the Connubio, Cavour did not carry out a transformist operation. Transformism is a maneuver that tends to assimilate the opposition forces into those of government, without substantially changing the political direction, substantially decapitating the opposition, all with a conservative focus. But with the Connubio, Cavour formed a centrist majority, but the operation was not conservative in nature; it did not aim to maintain the existing structure, but to bring center-left figures into government to accentuate reformist policies and the drive for unity, radically changing the political landscape.

The centrist majority, then as very often afterwards, avoided the opposition between revolutionary forces and reactionary forces and prevented a possible clash between them from being resolved not in an alternation of government but in an alternative system, that is, in a civil war (Romeo). It was a structure that

better stimulated and allowed political discussions and passions to be expressed. Even before unification, the political and parliamentary struggle in the Savoy Kingdom was very present, with notable limitations to royal power beyond the formal aspects of the Statute: it is enough to remember during the first war of independence against Austria the frequent discussions and political conflicts to the point of producing six ministerial compositions led by five prime ministers, the clash after the defeat of Novara between Vittorio Emanuele II and the parliament that opposed the ratification of the peace treaty, a clash that led to the “**Moncalieri Proclamation**”, to the dissolution of the Chamber but (with the survival of the Statute, despite a crisis that will last four years and will pass from three elections for three short legislatures) it will come to formalize the positions for which the moderate liberals, but not conservatives, asked for the consolidation of the representative regime, the republican left (Depretis) and that of more democratic tendencies (Valerio) posed the problem of reconciling democracy and monarchy .

Unthinkable aspects (and modern) in the rest of Italy but, I would say, also in Europe.

Italian unification was an event that changed the balance of continental power achieved in 1815, based on the political and military fragmentation of Italy and Germany.

Between the second half of the 15th century and the early 16th century, the great nation-states (France, Spain, England) had consolidated, and there had been the absence of a unitary state in Germany and Italy, despite the existence of strong, clear, and unifying linguistic and cultural nations. This proves, one might say, that such characteristics are a prerequisite for political unity and a political will for unity, but are not sufficient.

In Italy, a sentiment toward such unity arose after the Napoleonic era and, at any rate, after the 18th century. The lack of political unity between Germany and Italy long left (and even fueled) the struggle for hegemony over continental Europe in the hands of France, Spain, and the Habsburg Empire, with England ensuring no one gained the upper hand.

Not even France wanted Italian unity: in reality, Cavour insinuated himself into the rivalries and ambiguities of France

and England, turning them, fortunately, to his advantage. Cavour's skill was to insert himself into the midst of events, becoming the guarantor of them and of the solutions being implemented, in order to allow and secure acceptance for their realization. For this reason, too, discussing other ways in which unification could have been achieved is largely pointless because it fails to take into account the international situation in which it had to operate and its limitations. In most Central and Eastern European regimes, the fundamental individual freedoms present in France and England continued to be excluded (with many limitations due to aristocracy, wealth, and the political situation, especially in France under Napoleon III).

In that part of Central and Eastern Europe, there was no form of parliamentary representation through which citizens could share legislative power with the sovereign, and no form of legitimacy of power based on popular sovereignty was recognized. In Italy, the process, despite all the limitations of the era, was different. The words and attitudes of Cavour, who introduced a check after the Calabian crisis (in 1855) (at least a reduction in royal power in favor of parliament), were significant compared to those of Bismarck in those years. Otto von Bismarck, speaking to the Finance Committee of the Prussian Parliament on 30 September 1862, upon taking office as Chancellor, said: "Germany does not look to Prussia's liberalism but to its power; Bavaria, Württemberg, Baden can abandon themselves to liberalism, and this is the reason why no one will assign them the role attributed to Prussia; Prussia must preserve and concentrate its power for the an opportune moment, which has already eluded it several times; the borders of Prussia—established by the Congress of Vienna—are not conducive to a healthy and vital state; it is not with speeches and resolutions of majorities that the great problems of our time are decided. This was the mistake of 1848-49, but with blood and iron."

On the contrary, Cavour stated, writing to the Countess of Circourt in December 1860, "For my part, I have no faith in dictatorships, especially civil dictatorships. I believe that with a parliament, many things can be accomplished that would be impossible with absolute power. Thirteen years of experience have convinced me that an honest and energetic ministry, which has nothing to fear from revelations from the tribune and does not allow itself to be intimidated by the violence of the parties,

has everything to gain from parliamentary struggles. I have never felt weak except when the Chambers were closed. On the other hand, I could never betray my origins, deny the principles of a lifetime. I am a son of liberty: it is to it that I owe everything I am. If it were necessary to draw a veil over its statue, I would not be the one to do it. If one could persuade Italians that they needed a dictator, they would choose Garibaldi and not me. And they would be right. The parliamentary path is longer but safer. To address the issue of development, given that Italy, a medium-sized power, was far from many other countries, as were the so-called Asian Tigers or China thirty or forty years ago, state action became central to catch up, as will be said, in the competition between first-comer and second-comer countries.

The "**Extraordinary Intervention**" inaugurated with the establishment of the Cassa per il Mezzogiorno and in contrast with the revolutionary proposals of Marxist historiography and with the laissez-faire and consequent slowness of the Einaudi-style liberal right (**Pescosolido**) provided a decisive impetus, considering that the so-called laissez-faire approach was not necessarily going to determine that development because capital could go where it was more abundant and not where it was less. Romeo recalls how "it was vain to hope that industry would naturally move to the South, when the laws of the market economy will finally decide that the time has come." "It was the extraordinary intervention that created the phenomenon he recalls as a childhood memory from Pescosolido, quadrupling water consumption per capita and decreasing the percentage of homes without sanitation and electricity from 30-40% to 3.4% of the total, causing the infant mortality rate to plummet. In Cassino, he recalls Pescosolido, in the 1950s, almost all homes lacked running water, over 50% lacked electricity and sanitation, and many places were inaccessible by road. Only thanks to interventions by the Cassa does the historian personally see the evolution from the conditions he had witnessed as a child. Only in 1960 had the situation become comparable to that of today; the arrival of Fiat was due to subsidies from the Cassa: would the same result in terms of speed have been achieved by relying on the spontaneity of market mechanisms, he wonders, given that capital could go where it is already abundant? Of course, some, many, negative effects. The extraordinary intervention had them. There have been some responses to the criticisms of the extraordinary intervention (it should be remembered that

spending on the South had a multiplier effect on the economy of the center-north; the extraordinary spending was more than additional, as it should have been, replacing the ordinary spending; between 1951 and 1973, says Saraceno, the Cassa's spending was equivalent to only 0.5% of national income), but they could be considered unconvincing. However, once the extraordinary intervention and its effects were eliminated, there were no better results than those achieved with the old recipe. "The stagnation of income and the frightening collapse of investment and employment, unless the underground economy is expanded to a completely unrealistic extent, still present a South that Not only is it clearly unable to keep pace with the Center-North, but it is again losing significant ground. Already in the first five years of the 1950s, following the publication a few years earlier of two works, one by Emilio Sereni ("**Capitalism in the Countryside**") and the other by Antonio Gramsci ("**Risorgimento**"), a controversy arose among historians, pitting Rosario Romeo against a whole series of Marxist historians.

Romeo argued that in the more advanced agricultural areas of Central and Northern Italy, where capitalism had advanced before unification, the formation of a series of small, self-sufficient peasant estates would have blocked the market rather than developing it.

The problem, as will be discussed, was to create an original accumulation of capital rather than to compete with countries at a more advanced stage of industrial development and perhaps try to expand the demand for secondary goods that our industry was not yet capable of producing at competitive prices. Capital accumulation was the prerequisite for the emergence of a modern industrial system. Therefore, in order to close the gap with first-comer countries, second-comer countries like Italy were forced to implement capital accumulation and industrialization that was all the more intense and rapid, the greater the delay. They could not rely on the spontaneity that had governed early English industrialization. Instead, it was necessary to force the accumulation process by making use of surrogate agents, the most important of which were the state, banks, and private capital. But above all, the state, whose role was, and was, irreplaceable. The development of certain Asian Tigers today demonstrates this, as does the state's work in creating those public goods, education, codes, and the regulatory and judicial system that

are essential to prevent a state from becoming a "servant" of multinationals or economic giants. Many criticisms have been leveled at the Italian development process. Many of them did not take into account international constraints, existing economic and social conditions. But we must start from the assumption that each country must deal with the reality (including its own specifics) of time and history. Asian countries today exploit and have exploited existing historical conditions (globalization, free movement of capital, US-China power relations, etc.): each state's actions are based on the historical conditions existing within it. Just as Italy has done. But what certain economists and intellectuals often fail to understand (perhaps in other guises, but still intellectuals with characteristics of a long-ago Actionist or Marxist background, even if the latter have changed their minds about the 1861 unification process, supposed liberals or federalists) is that development requires the state, which can then often act based on existing domestic and international conditions and not on rationalistic economic manuals or theories.

In reality, Italy's development has followed neither the criteria of Ricardo's theory of comparative costs, nor probably even the observations regarding the problems highlighted by Myrdal and others who have focused on the prices of raw materials and the prices of manufactured goods, a comparison between the two types of prices that would have penalized developing countries [26].

For Italy, the observations of Rosario Romeo are still relevant. In his polemic against the thesis of Gramsci and Sereni, referring to the concept of original or primitive accumulation, developed by Marx and the theories of development of Robinson, Nuske, Gerschenkron, on the one hand he believed that a network of small self-sufficient peasant properties, which would have been formed with an agrarian revolution hoped for by Gramsci, far from accelerating the formation of the market, would have blocked it and caused it to regress. In addition to creating damage to the most advanced agricultural areas existing at the time of Unification in the Center and North, where the Revolution would have spread, and on the other hand, as also argued by Alexander Gerschenkron (although he placed greater emphasis on the role of the banks), in order to bridge the gap with the first-comer countries, second-comer countries like Italy were forced to implement capital accumulation and industrialization that was

all the more intense and rapid, the greater the delay. Therefore, it was not possible to rely on the spontaneity that had governed the first English industrialization, but it was necessary to force the pace of the accumulation process by making use of surrogate agents, the most important of which were the state, the banks, and private capital. The priority was not to expand the demand for secondary goods that industry would not be able to produce at competitive prices, but to implement a process of capital accumulation to be used to create the essential prerequisites for the birth of a modern industrial apparatus.

According to Romeo, the state, banks, and private capital played a decisive role, competing with each other. The state prevailed, and Gerschenkron argued that it prevailed over the banks.

Romeo is Probably Right

Personally, I broaden the concept of the state and understand “state” not only as direct intervention in the economy but also as a factor that includes the formation of a legal framework and an organization that allows avoiding the typical phenomena of many developing countries, the subordination of entire countries to the will of dominant foreign private or public economic apparatuses. The state nevertheless played a decisive role as an accelerator of capital accumulation, which occurred primarily in agriculture. The state was the major agent of capital accumulation, which occurred primarily in agriculture but which consisted not simply in the formation of a capital surplus, but also in its simultaneous use in productive investments. In our country, the state acted as a major agent, both in the creation of a high-quality legal framework, with its institutions and universities, and in accelerating the accumulation of capital, which occurred primarily in agriculture and the creation of a surplus for investment in productive investments and the construction of large-scale infrastructure.

During the first twenty years after unification, there was a certain increase in agricultural production and exports, and therefore in profits and incomes, despite a containment of wages favored by population growth. However, investments also led to both greater infrastructure and an increase in positive life indicators. With increased taxation, public debt, the sale of ecclesiastical assets, and the introduction of legal tender, the state was able to withdraw a huge and growing amount of capital from the

countryside and invest it in the construction of infrastructure and public works, which were essential prerequisites for the launch of a process of industrialization in the 1980s.

The state, therefore, forced the pace and extent of capital accumulation for productive purposes. This was its historical, political, and economic merit (Pescosolido). The state became a key player in the development process, curbing consumption and increasing productive investment, as demonstrated by a series of historical statistics from both the nineteenth century and ISTAT. “An agrarian revolution would not only have eliminated capitalist agriculture in central and northern Italy, but would also have reduced overall savings due to the almost certain increase in consumption by small-scale farmers and the reduction in the productive capacity of capitalist agriculture in the north and south, which a division of the latifundium lands in southern Italy would certainly not have compensated for.” (Pescosolido) Regarding the territorial aspect, the area of the Milan-Turin triangle, Genoa, and the few Venetian offshoots, was where industrialization was born (leaving aside statistical findings). (related or not to the existence of a big spur), and the limits of the agricultural-commercial development model began to be broken and large-scale industry emerged. Subsequently, in the Giolitti era, with the discovery of new energy sources, the advent of a new credit structure, and a favorable international economic climate, the process of the 1880s consolidated into a true industrial revolution that gave rise to a fully-fledged industrial society in Piedmont, Liguria, and Lombardy.

But it all began with the formation of the prerequisites for development created between 1861 and 1880 and then their implementation, primarily though not exclusively by the state, which occurred between 1880 and 1887 through the action of the state and the historical right and left. Italian history, but also the foreign experience of many developing countries, demonstrates, in my opinion, the centrality and irreplaceability of the state. A liberal democratic state, of course, as mentioned in the introduction. A state that, to remain in Italy, with the increase in taxation and public debt, the sale of ecclesiastical and state property, and the introduction of legal tender, after unification took a growing amount of capital from the countryside (where there were also classes favorable to the ruling class of the time) and employed it in an unprecedented effort, among the most

intense in our history, in the construction of public works and infrastructure (especially railways), which were the indispensable prerequisites for the process of industrialization. A state that formed the codes and which, with continuous action, even after the Second World War, with the first Cassa del Mezzogiorno and the first IRI, before both degenerated, created the conditions for not only industrial but also civil development with projects such as aqueducts, etc. This work was interrupted at a certain point, partly due to a misunderstanding of European-style “state aid,” and was interrupted precisely because of the development of the South, when the central government was replaced by the regions. Moreover, according to the principle that historical conditions must be taken into account, we must never forget that the young Kingdom of Italy, engaged in the Third War of Independence, due to nineteenth-century globalization, had to pay a premium of 700 basis points on its debt in 1866 compared to the consols, the bonds issued by the Treasury of London, the world’s financial center: a gap that exceeds the spread that our Italian Republic faced in the financial crisis of 2011-2012, and therefore many decisions are explained.

Instead, the English model was erected, or still is, as a typical ideal, and on its basis ours was judged to be deviant, even when Keynes was definitively accepted in England. But in reality, the English model itself doesn’t exist (of liberalism, with almost no role for the state). It’s just that certain particular historical conditions existed in England and couldn’t be reproduced elsewhere. In Italy, for example, industrial development occurred later, that is, during an era in which the socialist movement was quite present and widespread, unlike in England, where much of the industrial revolution occurred before trade unions existed, thus offering enormous advantages and enormous opportunities for entrepreneurs to accumulate wealth.

In the United States, the situation was still different, with vast spaces and land available and a scarce workforce. But the state nevertheless played a significant and decisive role, starting with trade. And it probably played a similar role in this field in England itself.

R. Dahrendorf. For a New Liberalism. Laterza. 1993, p. 96.

R. Dahrendorf. For a new liberalism. Laterza. 1993.

P. Caretti and U. De Siervo, Constitutional and Public Law,

3rd ed., Turin, Giappichelli, 2017, “**an entity that places itself in a position of supremacy over all subjects (the people), individual and collective, who live in a specific spatial area (the territory of the State), claiming the originality of its own power (sovereignty)**” G. Jellinek, The General Doctrine of the State. Italian translation of the 2nd German edition [by] Modestino Petrozziello; with an introduction and additional chapters by Vittorio Emanuele Orlando, Milan, Società editrice libraria, 1921, p. 370. G. Jellinek, Allgemeine Staatslehre, 3rd ed., Berlin, Häring, 1914 [1900], p. 183. R. Carré de Malberg, Contribution to the General Theory of the State: Especially After the Data Fournies by French Constitutional Law, Paris, Sirey, 1920, p. 7. Costantino Mortati, Institutions of Public Law, 6th ed., Padova, Cedam, p. 67. On the process of nationalization of the masses, see G.L. Mosse. The Cultural Origins of the Third Reich. Il Saggiatore. 2008; G.L. Mosse. The Nationalization of the Masses. Political Symbolism and Mass Movements in Germany (1815-1933) Il Mulino. 2009; G. L. Mosse. Racism in Europe. Laterza. 2010. On the characteristics of the liberal-democratic state and the relationships between liberalism and democracy, freedom and equality, and how liberalism has modified, and has been modified and shaped by, the concepts of democracy in a modern synthesis that abandons Hegelian myths and certain statism, see G. Bedeschi. History of Liberal Thought. Laterza Publishers, 1992, pp. 33-44, and N. Bobbio. Liberalism and Democracy. Franco Angeli. Milan, 1986, pp. 27-30. Surveillance capitalism, as it has been called, the world of Google, Facebook, etc. which extracts data, maps your behaviors to predict and determine your behaviors and commercialize the extracted data, is different from the capitalism we are used to seeing. The old capitalism started, as Zuboff recalls, from the principle of freedom and ignorance, so many people, acting individually, in ignorance and without a coordinated plan, pursuing their own interests, did the collective one. But at least initially, out of respect for the individual from which it started, theoretically opposing of course the mercantilist state, it was respectful of the individual. cf. S. Ruboff. Surveillance Capitalism. The Future of Humanity in the Era of New Powers. Mondadori. 2026; F. Foer. The New Strong Powers. How Google, Apple, Facebook and Amazon Think for Us. Longanesi. 2017. pag. 223-235, regarding the democratic concerns that Internet giants generate, which are not addressed as were AT&T or IBM, etc., in the tradition represented, for example, by the

positions of Justice Brandeis.

Delors said some time ago that Europe needed a soul. On another occasion, discussing the EU, he added, “The EU: an unidentified political object.” Why such a negative judgment, at least full of doubts? cf. article of April 5, 2021, article in Domani by Franco Bruni. Rosaria Rita Canale. The trilemma of European economic policy, in *Economia e politica* of May 21, 2012.

P. R. Krugman, M. Obstfeld, M.J. Melitz. *International Economics. International Monetary Economics*. Pearson, 2019, p. 409. 442 et seq.

P. R. Krugman, M. Obstfeld, M. J. Melitz. *International Economics. International Monetary Economics*. cit. 2019, p. 423.

P. R. Krugman, M. Obstfeld, M. J. Melitz. *International Economics. International Monetary Economics*. cit. 2019, p. 432; World Bank. *The East Asian Miracle. High Performing Asian Economies*. HPAE With regard to regional or inter-state imbalances in income distribution and the possible development of a State, various theories (Keynesian, neoclassical) are compared. Let us first look at the Keynesian approach. If the links between different regions are limited, if the regions are essentially closed economies, there is no convergence towards the same level of income. Indeed, the differences remain. The principle of effective demand applies: businesses will only produce what they expect will be demanded. Therefore, if demand is low in a region, businesses in that area will produce little and distribute little income; this will fuel little demand and therefore will not be able to stimulate further production. Insufficient demand is, at the same time, the cause and effect of reduced production and reduced income. We find ourselves in a situation of underemployment, also known as a poverty trap. Low demand = Low production = Low income = Low demand... Only an exogenous shock, an external cause, for example an increase in demand from outside, can help us escape from this poverty trap. Naturally, the productive apparatus must be able to satisfy increasing demand. For Keynesians, in addition to an exogenous shock to increase insufficient demand, there must also be interventions to adjust the productive apparatus. An exogenous shock is nothing other than an economic policy intervention, even by the state or political authorities. Keynesians consider this essential to allow a region to emerge

from its condition of underdevelopment. There cannot be only policies aimed at increasing demand, but also policies that must overcome production limits, because such limits could become an obstacle. The neoclassical view stems from the approach expressed by the law of diminishing marginal returns. See P.A. Samuelson, W. D. Nordhaus, C. A. Bollino. *Economics*. McGraw-Hill. 19th edition. 2009. pp. 100-102; Paul Krugman and Robin Wells. *Microeconomics*. Zanichelli. Second Italian edition based on the third American edition. 2013. pp. 304. To address imbalances between regions or states, theoretically, almost ideally, in a situation where technology and knowledge are available to all (a public good), in a situation where there is freedom of movement for production factors and goods, in this situation any factor will be employed where its marginal return is highest. Therefore, capital should go to the areas or regions where there is less of it, for example, Southern Italy. But theory is often not reality.

R. Nurkse. *International Investment to-day in the light of nineteenth-century Experience*. *Economic Journal* 64, December 1954, pp. 744-758; R. Lucas Jr. *Why Doesn't Capital Flow from Rich to Poor Countries?* *American Economic Review* 80, May 1990, pp. 92-96; L. Alfaro, Sebnem Kalemli Ozcan, V. Volosovych highlight the scarcity of capital flows due to poor institutional quality. *Why Doesn't Capital Flow from Rich to Poor Countries? An Empirical Investigation*. *Review of Economics and Statistics* 90, May 2008, 347-368. (ed.) Gianni Toniolo. *Italy and the World Economy from Unification to Today*. Marsilio. 2013; (ed.) Gianni Toniolo. *Italy and the World Economy from Unification to Today*. “The First Globalization and Its Repercussions” by Harold James and Kevin H. O’Rourke, and “The Golden Age and the Second Globalization” by Nicholas Crafts and Marco Magnani.; Gianni Toniolo. *Economic Growth 1861-2011* in edited by Gianni Toniolo. *Italy and the World Economy from Unification to Today*. Marsilio. 2013; Pierluigi Ciocca and G. Toniolo. - edited by - *Economic History of Italy*. Vol. I. Interpretations. Laterza. 1999 in particular the essay by S. Fenoaltea. *The economic development of Italy in the long term. Reflections on three failures*; Pierluigi Ciocca. *Rich forever? An economic history of Italy (1796-2020)* Bollati Boringhieri. 2020.p 26 et seq.p.159 for the development in the Giolittian era where Italian industry, with nuclei of 250 employees, i.e. about a thousand and in some In cases of a thousand employees, about

a hundred, it was able to imitate, adapt, develop, and spread among its companies activities that incorporated both product and process innovations. For the problem of public debt, see L. Teodoldi, A. Volpi. History of the public debt in Italy from the Unification to the present. Laterza 2021. Citations in N. Moe. A paradise inhabited by devils. National identity and images of the South. The anchor of the Mediterranean. Naples. 2004. 83 and 85; on the analyses of Genovesi and other Neapolitan economists, see The South at the end of the 18th century and the South at the beginning of the 19th century. Laterza. 1992, according to which Naples appeared to many foreigners as “a paradise inhabited by devils.” Gianni Toniolo. Economic growth 1861 - 2011 and the entire volume, edited by Gianni Toniolo. Italy and the World Economy from Unification to Today. Marsilio. 2013 on the post-unification controversies and the dispossession of the South in favor of the North (see the recent E. Di Rienzo. Post-unification brigandage as a historiographical problem. D’Amico publisher. 2020, pp. 52-62. See Daniele. The divided country. North and South in the history of Italy. Rubbettino publisher. 2019; John A. Davis. Changing perspectives on Italy’s path towards the 20th century. in - edited by Pierluigi Ciocca and Gianni Toniolo - Economic history of Italy. Interpretations. Laterza. 1999, pp. 199-240.; P. Ciocca. Rich forever? cit. p. 75.

G. Sabbatucci and V. Vidotto. The contemporary world from 1848 to today. Laterza. 2005, pp. 153.

G. Bedeschi. The Factory of Ideologies. Political Thought in Twentieth-Century Italy. Laterza. 2002. p. 42.

G. Pescosolido. National Unity and Economic Development. Laterza. 1998. p. X-XI; for economic policy during Giolitti’s time, with the notable results achieved despite objective limitations and the lack of modernly organized political forces, the preponderance of certain interests that could not be touched, especially in the South, to maintain certain majorities, see M. L. Salvadori. Giolitti. A Controversial Leader. Donzelli Editore. 2020. p. 4-12, 21; in particular, Luciano Cafagna and Alberto Aquarone argued for the correctness, with regard to Giolitti’s policy, for example, of the necessity, regardless of any doctrinal position, to favor industrial, but more generally economic, development, of the protectionist option, p. 194.

See for Italy. A. Monti. For a history of contemporary law. Pacini 2021. P. 145-150 with the importance given to commercial law

in the so-called fundamental university education.

E. Felice. Rise and decline. Economic history of Italy. Il Mulino. 2015. pp. 212, 241, 295; (edited by Gianni Toniolo. Italy and the world economy from unification to today. “The first globalization and its repercussions” by Harold James and Kevin H. O’ Rourke. p. 82 ff. and “The golden age and the second globalization” by Nicholas Crafts and Marco Magnani. p. 108 ff.; for a reconstruction of the legal and economic events in general see R. Costi. The banking system. Il Mulino. p. 50 ff. and Gianni Toniolo “Italian economic growth, 1861-2011, pp. 5 et seq., in Italy and the World Economy from Unification to the Present. Marsilio cit; P. Ciocca. History of the IRI. Vol. VI: The IRI in the Italian Economy. Laterza 2015; D. Fausto. Essays on the History of Financial Economics. Franco Angeli. 2015. pp. 450-466 on the economic and banking crisis that led to the creation of the IRI, pp. 485 for an assessment of the IRI and public enterprises; V. Castronuovo. Economic History of Italy. From the Nineteenth Century to the Present. Einaudi 2013. pp. 199 on the collapse of the 1930s, pp. 204 on the eclipse of mixed banking, pp. 217 on public intervention which is destined to “have a lasting impact on the organization of production and trade and therefore modify the rules of the market economy” A. Pavarin.

Public enterprise between planning and market in the debate of Italian economists between the 1950s and 1960s in Studi e Note di Economie. Year XVII, No. 1-2012, pp. 29-71). Castronovo recalls (Valerio Castronovo. Economic History of Italy. cit. p. 210) “the guiding ideas of an organizational nature - Jung observed - are these: Italy can bear the weight of a few banking organizations of a national nature. The State cannot ignore them and must take care of them permanently. This should not be shocking because no one dreams of nationalization and permanent control. Instead, the limits of private initiative must be established and the interdependence between banking interests and collective interests must be taken into account: in this regard I am also referring to the flexible mentality that the regime has shown”.

A. M. Banti. The Contemporary Age. From the Eighteenth-Century Revolutions to Imperialism. Laterza. 2010, p. 299 and by D. Mack Smith. The Italian Risorgimento. History and Texts. Laterza. 1999, p. 494. Was Unification the Work of a

Few? One could respond as Luigi Salvatorelli said in *Pensiero e azione del Risorgimento* that “the political part always falls to the minorities, since the majority has other things to do; it has the task of daily work, of ensuring the continuity of life, without which the higher work of the minority could not exist. For Maddalena to be there to light the lamp of the spirit, Marta must take care of the household chores. Everything depends on what the relationship is between the minority that leads and the majority that follows: of persuasion or coercion, of intimate participation or passive adhesion, in the light of conscience or in the darkness of ignorance” (L. Salvatorelli. *Pensiero e azione del Risorgimento*. Piccola Biblioteca Einaudi. 2011, p. 111; on the debates relating to a federalist path in the Italian Risorgimento process. see S. Rogari. *The Age of Globalization. History of the Contemporary World from the Restoration to the Present Day*. Utet. second edition. 2014, p. 31-35 and p. 56-59; on the development of trade and the globalization of markets with the predominant role of France and England from 1870 to 1914, France and England in the role of exporters of manufactured goods and capital to the world, while the enormous areas of colonial dominion were suppliers of raw materials of agricultural or mineral origin and the United States alone in the contemporary role of exporter of foodstuffs and manufactured goods, with a parallel development, from the economic point of view, of a dual nature for Italy because the development of a customs protection on the crops favored the most backward agriculture in the South, while the export of wine, oil and citrus fruits was hit, causing a blockage of the economic development of the South and a consequent expulsion from the labor market of millions of agricultural workers who took the path of emigration, see p. 230-231 and p. 337-338 on the economic dependence and oligarchic domination of many Latin American countries that suffered because there was no comparison between the price of their agricultural goods or raw materials that they exported and that of imported manufactured goods, furthermore the control of the price of the exported product was in the hands of large companies that managed the export and when the raw material for export was rich, as in the case of oil, the companies managed to exercise control over the local oligarchies and keep transfers to the producing country low, local oligarchies that monopolized the wealth produced by mining and agriculture as happened, for example, in Bolivia, where Simon Patino was the sole owner of all the tin mines; see G. Bedeschi, *The Masters of*

Liberalism in Republican Italy, Rubbettino editore 2021, p. 16-25 on the Marxist-Togliattian Gramscian interpretation of Italian history immediately after the Unification; see for the North-South controversy the recent P. Ippolito Armino. *The Fantastic Kingdom of the Two Sicilies. A Brief Catalog of Neo-Bourbon Imposters*. Laterza, 2021, pp. 76-101. Abhijit V. Banerjee and Ester Duflo. *A Good Economy for Difficult Times*. Laterza, 2020, pp. 240-315, 2 pp. 360-363, where it is reevaluated. Even the EU's Common Agricultural Policy, which is generally frowned upon by laboratory economists, G. Ruffolo. *La qualità sociale*, Laterza, Rome, 1990, p. 139.

Entire encyclopedias have been written about the famous law of comparative advantage, conceived by David Ricardo and which is the basis of trade, and it has been both praised and criticized, especially because it is said to have a static and ahistorical vision. In my opinion, it does not take into account the developments in technology and science today, thanks to which, despite the so-called natural conditions, even vegetables and tomatoes can be grown in Holland and Iceland. In this country, it seems that the vegetables and tomatoes grown there, in greenhouses, are very good because they use very pure water. However, all economics textbooks explain the law of comparative advantage; for example, Martin Ford gives a simple and effective description. Later, we will look at the more classic one by Samuelson in his well-known textbook. Jane is a very good person and a prominent neurosurgeon, but during her breaks from studying she took cooking classes and became a skilled cook. Tom is an ordinary person who would never enter an operating room to perform surgery, but he is a good cook, albeit less skilled than Jane.

Therefore, Tom cannot compete with Jane either as a cook or as a surgeon: Jane has an absolute advantage in both fields. But she cannot dedicate herself to both. The two can reach a mutually beneficial agreement. The theorem of comparative advantage answers in the affirmative. Jane could hire Tom as a cook, or at least use Tom's services and dedicate herself solely to surgery. Although, by dedicating herself to cooking, she would achieve better results than Tom. Jane should do as indicated because she would have more time and energy to devote to the activity in which she excels and is more profitable: neurosurgery. The reason is that one must dedicate oneself to the work, specialize

in it, and especially specialize in that one of all the abstractly possible jobs in which one is less skilled than other people. This will allow others to specialize in turn and earn a higher income. For Tom, the job where he is least scarce is that of a cook; Jane is better and luckier because the job at which she is least scarce is an activity she performs excellently and has a very high market value.

In practice, the theory of comparative advantage justifies specialization, as well as trade between individuals and states. Often, however, these examples seem to be constructed *ex post*, looking not only retrospectively at the aptitudes and abilities of individuals but also having, and could be constructed based on social circumstances, a ranking of values: for example, cooking, based on historical experience and the social structure of the Middle Ages, could have been more important than neurosurgery, then unknown and which developed as a result of historical, social, and scientific innovations and changes, not solely due to the merit of individuals or states. Various imponderable factors have dynamically contributed to these changes. But as Warren Buffet said, he had the talent for allocating capital but nothing else. The ability to use this talent depended on the society into which he was born. Had he been born into a tribe of hunters, he would not have been strong and would not have had the talent suited to the particular society: it is the society that “valued my talent and gave me a good education to develop it and created laws and a financial system that allowed me to do what I love, and so I made a lot of money. The least I could do is help pay for it all.”

The income earned on the market often depends on many factors beyond the control of those who earn it: for example, consumer preferences, legal protection of property rights, the state of technological advancement. Many famous footballers would have been “poor wretches” in the 19th century. The decline in income for a certain category of workers may be due to changing consumer preferences, not to lesser merit or changed social structures. Therefore, it is emphasized that the social context Economic inequalities not only directly influence the outcome of a given individual effort, but also the level of that individual effort itself. We are not only responsible for a society’s low regard for a particular talent we possess, but individual effort itself can be considered partly determined beyond the

individual’s merit and will. Individual destiny is thought to be the result of two components: circumstances, which do not depend on the individual’s will (genes, family environment, consumer preferences, etc.), and merit or effort. A just society should eliminate inequalities that depend on circumstances (i.e., luck; even having attended certain schools can be such and not solely the result of merit) while maintaining those that are the result of individual effort.

That is, we must distinguish how much of a given income depends on circumstances and how much on merit. Of course, this distinction is difficult to make. Furthermore, we must move from “individual” examples at the microeconomic level to relationships between states, which from a historical perspective can change the terms of the question. The principle in question, expounded by Adam Smith, was taken up by David Ricardo in his book *Principles of Economic Policy and Taxation* (1817), who used the example of two goods (wine and clothing) and two countries (England and Portugal) to demonstrate how both could benefit from open trade and specialization based on comparative advantage. Ricardo’s entire analysis started from the assumption that production required only labor and that all workers were identical: therefore, the economy became richer and everyone benefited. If there is capital, in addition to labor, things get more complicated. Paul Samuelson, in particular, in a 1941 essay, sets out the classical system of reasoning on international trade. Some goods require a relatively greater input of labor than others, and a relatively smaller input of capital; for example, a handmade carpet is different from a car built by a robot. If two countries have access to the same production technologies for both goods, it will be obvious that the country with a relative abundance of labor will have a comparative advantage in the production of the labor-intensive good.

We should expect a labor-rich country (but one might ask whether they probably all are at the beginning of the development process) to specialize in the production of labor-intensive goods and abandon capital-intensive ones (perpetuating a *de facto* situation, one might add). The result should be an increase in the demand for labor compared to when there was no trade or when there were greater restrictions. But trade, one might reply, has, in fact, always existed, and was conducted taking into account the technology existing in the various eras, which is also subject to

evolution and development. However, the reasoning continues by saying that, conversely, in a country with a relative abundance of capital, the price of capital should rise and wages should fall when it begins to trade with another country with a greater abundance of labor. Given that countries with an abundance of labor are usually poor (here we are photographing a moment in a country, and, in any case, throughout history the criterion of abundant labor equals poverty has not always been true), and that workers are generally poorer than their employers (another assumption that is not always true, but let's leave it at that), it follows that liberalizing international trade should help the poor in poorer countries and inequality should decrease.

In rich countries, the opposite should happen: the wages of American workers should be damaged and Chinese workers should benefit. According to Samuelson, American workers should not necessarily lose out because free trade would increase GNP, that is, it should increase the pie: even American workers can improve their situation if society taxes them. People who have profited from free trade are distributed among those who have lost. But one might ask, who are the ones who have profited and should be taxed? Workers in poor countries? They're unlikely to be taxed. Consumers in rich countries? That is, should they, who would have benefited, cancel them out through higher taxation? But at the same time, both workers in rich countries, and perhaps producers in rich countries, who have been harmed by free trade to the benefit of workers in poor countries or consumers in rich countries, are themselves consumers, who would also suffer the disadvantages of free trade from "**Compensatory**" taxation. Is the Samuelson-Stopler theorem (as it's called) stated above true? One implication is encouraging: that opening up trade should increase GDP in all countries, and inequality should decline in poor countries. In rich countries, however, inequality could increase, at least before the government takes appropriate action. In fact, it's been noted how data often contradicts theories, even those expressed by illustrious economists. As in this case.

After Saddam Hussein's invasion of Kuwait in 1991, the cost of oil imports for India skyrocketed, and many Indian emigrants in the Middle East returned home, stopping sending money to their families and creating a shortage of foreign currency. India turned to the IMF for help. While China, Mexico, Brazil, and Eastern Europe had long ago decided that the market should determine

what to produce, this was not the case in India, which was highly dirigiste. The IMF pushed for an agreement that would grant India the money it needed, but on the condition that it open its economy to international trade. Import and export licenses were abolished, and tariffs were reduced from 90% to 35%. It was thought that disaster would ensue, and the industry that had grown up sheltered from the tariffs would suffer. Instead, the economy suffered modest effects, and after a decline in 1991-1992, GDP returned to growth as it had in the 1985-1990 period, at a rate of 6% for the period 1992-2004, before leaping to 7.5% and stabilizing at that rate. Could India prove the theory correct? Is the fact that growth took a decade to accelerate after 1991 a disappointing result? In reality, there is no real solution. What would have happened without the removal of trade barriers is anyone's guess. Inequality has increased significantly, and the same phenomenon is found in South Korea, China, and Vietnam.

It is equally clear that extreme state control, which was a common trait in these countries before liberalization, significantly curbed inequality, to the detriment of growth. India, which liberalized trade while a similar country did not, may have grown because it was ready for the transition and would have grown faster than the other country chosen as a comparison even without the changes in trade policy. It's difficult to trust the results because there can be a million different reasons for making comparisons between countries. In poor countries, inequality decreases when trade opens up. This is one of Samuelson and Stopler's assumptions. But do economic experts really care about how the pie is divided and not limit themselves to general statements, especially about the effects of trade in rich countries and its possible negative impact on workers? At least for poor countries, trade openness, contrary to what Samuelson and Stopler claim, causes low-skilled workers to lose out to more skilled ones. In their somewhat timeless vision, there is a single wage for every worker with the same skills. A worker's wage does not depend on the sector or region in which they work, but only on them.

The Pennsylvania steelworker who loses his job because of foreign competition should immediately move to wherever he can find work, Montana or Missouri, putting fish on the table or manufacturing fishing boats. After a brief transition, all workers with the same skills would earn the same amount. It has been noted that if this were true, "the only legitimate comparison to

assess the impact of trade would be the entire economy.” Nothing would be learned by comparing workers in Pennsylvania with those in Montana because they would all earn the same wages, and if one believed the assumptions of the theory, it would be very difficult, if not impossible, to verify it because the only observable impact is that which occurs at the level of the entire country. There are many problems and pitfalls when making comparisons between countries or using them as case studies, as I mentioned above. In fact, in addition to wage stickiness and low mobility, wages do not automatically equalize, even within the same country there are different economies, and changes in trade policy affect these sub-economies, and not always in the same way. Some demonstrations and empirical research by scholars (Petia Topalova) have highlighted, sparking hostility and even boycott from many authoritative academics, how trade increases poverty. While Topalova did not mean to argue that everyone was harmed by trade liberalization, some areas (those most affected by international trade) were less effective than others in reducing poverty, and its reduction was, if anything, correlated with trade liberalization rather than caused by it. Her study demonstrated that, in India, inequality had not increased across the country, but had increased more in the districts most affected by international trade.

According to traditional theory, the benefits of trade derive from the reallocation of resources. There are differences between more or less exposed districts, and in fact, resources (workers and capital) do not move easily: if they did, wages would be more or less the same everywhere. Yet, there is a limited reallocation of resources. But if we acknowledge that people and money don't follow opportunities, how can we believe international trade is positive? Workers are slow to move, not only from one place to another but from one job to another. Loan stickiness also exists, meaning seemingly flawless bank balance sheets suddenly appear on the verge of disaster. Bankers, to avoid being held accountable for their decisions, either fail to make them or delay them, thus leaving future lending to others, unless the loans are on the verge of default. At that point, bankers extend new loans to allow repayment of old ones, hoping to postpone bankruptcy. Loan stickiness, which exists just as worker stickiness exists, allows companies that should be liquidated to survive. But this means that it's difficult for new businesses to raise capital, especially during the period of uncertainty that accompanies, for

example, the liberalization of international trade, because agents are reluctant to take on new risks. Unfortunately for theorists, stickiness exists in the real world, and if theory doesn't account for it, what's the point? Krugman calls for an unbanning of international trade, but he does want initiatives like strengthening the social safety net. Therefore, Krugman is right when, with an empirical and realist spirit, he concludes by saying, **“Whoever worries about free trade is right, and deserves a little respect.”**

The truth is that the international economy is largely made up of issues that arise from the interactions of sovereign states: political, or at least political-economic, issues. See N. G. Mankiw. *Essential Economics*. Zanichelli. 2020. Sixth Italian edition based on the seventh American edition. p. 43. P. R. Krugman, M. Obstfeld, M. J. Melitz. *International Economics*. International Monetary Economics. 2 Eleventh edition. Pearson. 2019. M. Ford. *The Jobless Future: Technological Acceleration and Intelligent Machines*. Il Saggiatore. 2017, p. 87; P.A. Samuelson, W.D. Nordhaus, C.A. Bollino. *Economics*. Nineteenth edition. McGrill. 2009. In particular on comparative advantage, see pages 657 and following. See P. Krugman and R. Wells. *Essential Economics*. Zanichelli, third Italian edition based on the fourth American edition. 2018, pp. 30 and 490 ff.; P. Krugman and R. Wells. *Microeconomics*. Second Italian edition based on the third American edition. Zanichelli. 2013, pp. 32 and 202; same authors. *Macroeconomics*. Second Italian edition based on the third American edition. Zanichelli. 2013, pp. 32 and 121, with reference to international trade and the Heckscher-Ohlin model; P. A. Samuelson and Wolfgang F. Stolper. *Protection and Real Wages*, *Review of Economic Studies*, IX, 1, 1941, pp. 58-73; P. A. Samuelson. *The Gains from International Trade Once Again*. *Economic Journal*, LXXII, 288, 1962.p.820-829, also available at <http://doi.org/10.2307/2228353>; Pinelopi K. Goldberg and Nina Pavcnik. *Distributional Effects of Globalization in Developing Countries*, in *Journal of Economic Literature*, XLV, 1, 2007, p.39-82). Abhijit V. Banerjee. *Globalization and all That*, in Abhijit V. Banerjee, Ronald Bènabou and Dilip Mookherjee (eds.) *Understanding Poverty*. Oxford University Press. New York. 2006.v. (ed.) J. Sidney Pollard. *Contemporary economic history*.

The Mill 2021, p. 268 for the expansion of Commerce and p. 282-283 for problems in certain areas of Latin America, Africa,

and the Middle East); see Abhijit Vinayak Banerjee, Esther Duflo. *A Good Economy for Hard Times*. Laterza. 2020. pp. 82 ff. with numerous examples from developing countries that demonstrate how reality differs from theory and how many exporting companies need intermediaries and other parties who can enable the marketing of certain products, regardless of their quality or price. For a historical, and therefore dynamic, view, in any case in relation to the changing historical conditions of each country, see C. M. Cipolla. *Introduction to Economic History*. Il Mulino. 2003; C. M. Cipolla. *Easy History of the Italian Economy from the Middle Ages to Today*. Mondadori. 2017, according to which Italy cannot afford not to produce goods that please the world, beyond our borders, and we succeeded very well from 1000 to 1500. Italy has only marble and generally has nothing in the way of natural resources and goods, unlike England which had wool and today oil: therefore it must export; J. Diamond. *Guns, Germs and Steel: A Brief History of the Last Thirteen Thousand Years*, original title *Guns, Germs and Steel: The Fates of Human Societies*. Einaudi 2014. A. Graziani. *The Italian Economy: 1945-1970*. Il Mulino. 1972, p. 34; P. Bairoch. *World Economy and History. Myths and Paradoxes*. Garzanti. 1996; D. S. Landes. *The Wealth and Poverty of Nations. Why Some Are So Rich and Others So Poor*. Garzanti. 2013, p. 283; The United States has a long protectionist tradition.

E. Scarpanti. *The Great Crisis and Global Imperialism*. Quaderni del Dipartimento di Economia Politica. Università degli Studi di Siena. No. 590. Aprile 2010. p19 on the advantages, seigniorage, or otherwise that allow the United States to live beyond its means and somehow direct the world's financial flows; R. Prebisch. *The Economic Development of Latin America and Its Principal Problems*. New York. United Nations. 1050; G. Myrdal. *Economic Theory and Underdeveloped Regions*. London. Duckworth. 1957; edited by S. Pollard. *Contemporary Economic History*. Il Mulino 2021. p. 55 ff. p. 187 ff.

R. Jackson and G. Sorensen. *International Relations*. Egea. 2014. p. 217. For a general perspective on the development of backward countries, see C. Trigilia. *Economic Sociology*. II. *Contemporary Themes and Paths*. Il Mulino 2009, pp. 67 et seq. on the modernization and development of backward areas and related theories of modernization, dependence, and the new comparative "political economy," particularly not only

for its exposition of the different types of development between Russia, China, and the Middle East. etc., but above all because it rightly highlights the relationship, which is also proven in Italian economic history, between the role of the state, the state apparatus, its efficiency, and economic development. P. Khanna. *The Asian Century?* Fazi Editore. 2019, pp. 114 ff., pp. 149, pp. 220-225, pp. 19-47, which highlights not only China's strength but that of the entire world. J. Toye. *Dilemmas of Development: Reflections on the Counterrevolution in Development Theory*. Oxford Blackwell. 1987; A. Amsden. *Asia's Next Giant: South Korea and Late Industrialization*. New York: Oxford University Press. 1989; H. Chang. *The East Asian Development Experience: The Miracle, the Crisis, and The Future*. London: Zed Books. 2006.

Italy used, at the limit according to the known techniques, not very fertile, the land had supported about 13.5 million people and the demographic ceiling was reached in the first half of the 14th and 17th centuries. Then plagues, famines, malnutrition limited the number and on both occasions the per capita consumption rose again. In the eighteenth century, the needs of a growing population could barely be satisfied, no longer held back by catastrophes. The decisive factors were the management of water, land reclamation, reduction of forests, cereal cultivation combined with livestock farming, the spread of crops such as rice and corn and a highly intensified application of work. That is, the union of what today we would call private interventions and public interventions.

In the nineteenth century, our society was characterized by landless laborers ready to perform their work for minimal wages. There were more people, but also food shortages, rising prices even for non-food products: given the need to import - manufactured goods and also primary products - it became essential to increase exports. At the time of Unification, with regard to primary energy sources, which traditionally consisted of firewood and plant food for humans and animals, energy was derived from wood fuels, while fossil fuels, which became important at the beginning of the twentieth century, were essentially all imported. with a dependence on foreign countries (in terms of comparative advantages) that exceeded 80% by 1970. Italy from 1700 to 1815 was characterized by phenomena of proletarianization and a worsening of the standard of living

of the working classes, with wealth concentrated among the nobility, the state property, and the clergy.

Only during the first half of the nineteenth century did a phase of capitalist development begin, with the expansion of bought and sold labor, rather than *de facto* servitude, which was legally prohibited almost everywhere in the pre-unification eighteenth-century states. Along with the enterprise producing goods for the market rather than goods for self-consumption, private property and contracts spread, as did concepts such as profit and risk. The privatization of land spread in the nineteenth century, and circulation was favored by the sale of properties expropriated from the Church and the privatization of municipal state property: that is, despite the political controversies, development was based on public intervention. Naturally, the panorama was very fragmented and despite the importance of agriculture, the presence of a semi-agricultural workforce, in many parts of the peninsula illiterate but inexpensive, which added the harvest from the fields to the salary, the economy ceased to be characterized by being half agricultural already at the end of the nineteenth century. In the 1911 census, the tertiary sector had the same weight in added value as agriculture and in the 1930s agriculture was overtaken by industry.

Despite the absence of evident comparative advantages for one sector or the other. If in the period between the two world wars a notable contribution was provided by the agricultural-food sector, regarding the structure of trade, (between a quarter and a third of the total), silk began to lose importance and between 1950 and 1975 the importance of silk production and the agricultural-food sector, for export purposes, decreased. Mechanics accounted for over half of exports and in the following thirty years the Made in Italy was characterized by other sectors, industrial activity aimed at consumer goods for people and the home (textiles-clothing, leather-footwear, wood-furniture, with peaks of excellence), medium-light mechanical activity, chemical products and precision instruments, also electrical materials, office machinery, information services. An evolution that goes beyond the paradigms of comparative advantage that would have tended to anchor the economy to an agricultural-food sector: but then, all economies begin with that sector. However, relative to Italy, the entire country was underdeveloped (in 1861 the ratio between English and Italian steel production had become around 120 to 1, while at the end of the eighteenth century it was only 3 to 1).

The cost of a ton of coal in central Sicily was eight times that of an English mine. In light of this European-scale comparison, the internal North-South industrial divide was partially eroded, resulting in a pattern of underdevelopment.

This was not due to any particular industrial development in the pre-unification South, as envisioned by certain neo-Bourbon literature, but rather to the modest scale of development even in the North's productive structures. The North had advantages in terms of human capital (education) and infrastructure, more so than in terms of per capita agricultural or industrial Gross Domestic Product. These advantages—education, infrastructure, and the development of credit systems—made the difference after Unification. Regarding illiteracy, the rates in Piedmont, Lombardy, and Liguria approached those of the Habsburg Empire, at 40-50% (in Prussia and Scotland they were lower, at around 20%, and in Sweden at 10%), but Tuscany itself recorded a rate of 74%, Veneto 70%, and in the South the rates were similar to those of Russia. Such investments, however, required unified work and direction, also because they were faster, without local pressures to which a federalist approach would have been more sensitive. With reference to the Italian experience of the post-World War II period, there was a convergence between the various territorial zones in the 1950s, 1960s, and up until the early 1970s. Gianni Toniolo. Introduction. in, edited by, Gianni Toniolo, Italy and the World Economy from Unification to Today. Historical Series of the Bank of Italy. Marsilio Editore. 2013, p. 42; Federico Caffè. Lessons in Economic Policy. Bollati Boringhieri. 2008, reprinted 2017, p. 97 on the characteristics of the Italian industrial structure. Gianni Toniolo. Introduction. edited by, Gianni Toniolo, Italy and the World Economy from Unification to Today. Historical Series of the Bank of Italy. Marsilio Editore. 2013, p. 40 Carlo Cottarelli. The Seven Deadly Sins of the Italian Economy. Feltrinelli. 2018, p. 123. F. Farina. The Welfare State. History, Politics, Economics. Luiss University Press. 2021. The most recent works on Croce are E. Cutinelli-Rendina. Benedetto Croce. A Life for the New Italy. Vol. I. Nino Aragno Editore. 2022; P. D'Angelo. Benedetto Croce. The Biography. I. The Years 1866-1918. Il Mulino. 2022; on the polemics of Francesco Compagna and Rosario Romeo against the right-wing and left-wing approaches to the history of Southern Italy, see R. Romeo. Italy: Industrial Democracy. From the Risorgimento to the Republic. Le Monnier. 1986, pp. 151-

155; for judgments on the faults of the Southern ruling class, see E. Felice. *Rise and Decline. Economic History of Italy*. Il Mulino. 2018; and for the State's failures, see M. Esposito. *Fake South. Why prejudices about Southerners are Italy's real drag*. Piemme Editore, 2020, pages 56-67, and on the funds allocated to the South, where extraordinary funds effectively replace national funds. Healthcare spending, for example, is much lower per capita in the South than in the North, as are staffing levels. Pages 107-112 on the situation of schools and education in the South, whose results depend heavily on the local and environmental context.

G. Pescosolido, interview with R. Romeo. *Cavour and his and our time*. *Le Lettere*. 2011, pages 24-25, 31, 32; A. Stramaccioni. *Right and left in contemporary Italy 1796-1992*. Editori Riuniti University press. 2016 pages 107-114. A. P Taylor. *Bismarck. The man and the statesman*. Laterza. 2004 pages 49-65. A. M. Banti. *The contemporary age. From the eighteenth-century revolutions to imperialism*. Laterza. 2010 pages 299 and D. Mack Smith. *The Italian Risorgimento. History and texts*. Laterza 1999 pages 494. One of the criticisms of the pre-fascist unitary state was its elitist nature. This is true, but this characteristic must be placed in its historical context and cannot be abstracted from the situations of other states during the same period to provide a complete and fair assessment. In the nineteenth century, all societies were, so to speak, notable and elitist. Even, in some ways, the United States was. Popular support for unification, however, was real. Certainly, the period of liberal Italy, particularly Giolitti's, cannot be considered a golden age, despite significant economic and industrial development successes. However, it nevertheless presents characteristics partly in common with other countries and partly different for the better. Even those, like Gaetano Salvemini, who expressed strong criticism of Giolitti later changed their opinion, as evidenced, among other things, by a work by Norberto Bobbio (N. Bobbio, *Dal fascismo alla democrazia, I Regimi, le ideologie, le figure e le culture politici*, edited by Michelangelo Bovero. Baldini & Castoldi, 1997, p. 249, Note 14). During the Giolitti era in particular, but also partly earlier, the non-propertied classes were involved through social policies, and this occurred in a different manner than what was happening, for example, in a recently unified state like Germany, during the same period.

In Italy, this process was carried out through liberal governments based on parliamentary systems and in which the opposition did not propose, especially in the period of transformism, alternative strategies to the policies of the governing majorities. In Italy, legislative initiative and laws were the essential characteristics of Parliament, even if in a more centralised framework than, for example, Great Britain (E. Bartocci, *Le Politiche Sociali nell'Italia Liberale, 1861-1919*, Donzelli, 1999, pp. 69-70). Gaetano Salvemini, partially rectifying previous judgments in 1949, wrote in the Introduction to William Salomone's *L'età giolittiana*: "Pre-fascist politicians were responsible for many blunders, bad actions, ill-advised initiatives, missed opportunities, waste, extravagances. Not all the problems that required a solution were addressed.

The solutions were not always the best, nor the methods used the most appropriate. But has there ever been in the history of a country that solved all its problems at once, and without mistakes, and in which all politicians were luminaries of intelligence and morality? If one judges the work of pre-fascist Italian politicians by the standards of ideal perfection - this is the method of the "**reformers**" - there is not one who should not be sent to the gallows. But if one adopts the historian's method, that is, if one compares, for Italy, the starting point (1870), with the point of arrival (1922), and if one takes into account the poverty of Italian resources, in comparison with the riches of other countries, one is forced to conclude that no country in Europe made so much progress in such a short time." (G. Bedeschi. *La Fabbrica delle Ideologie*, Laterza, pp. 338-339).

The real difference between Italy and the rest of Europe in terms of elite participation or closure toward the masses and in elections, besides the hostile presence of the Church that hindered participation, was the level of education. During the Giolitti era, new energy sources, a new and improved international economic climate, and new credit structures favored development, but the Giolitti boom had its foundations and its initial beginnings in the period 1861-1887, when a process of modernization of civil structures had taken place thanks to the stimulus and shift toward productive employment promoted by the state. Gerschenkron, who also differed from Romeo in his emphasis on the role assigned to the banks, denied the Marxist approach. The mixed bank played a role, but the mixed banks' management and capital

remained the same as before, when the banks had failed. If anything, times had changed, and above all, Crispi and Sonnino had restored the state budget with appropriate fiscal measures. Remittances from emigrants, infrastructural development, and the importance of the southern market, opened up thanks to railway infrastructure—that is, state action—allowed development in the North after 1887. Indeed, capital flowed where it already existed, and sacrifices were imposed on the South after 1887. The role of the State, despite its shortcomings and defects, was overall the most important factor in initiating the industrialization process, more important than that of joint banks or foreign capital, which also played a significant role, especially the banks. In the first post-unification years, rising agricultural prices, for twenty years, ensured positive foreign trade trends. From 1887, protectionism was also motivated by the end of the favorable trend of rising grain prices, following American competition, which brought agricultural production in the main European countries to its knees. The protectionist turn was an acknowledgement that Italian industrialization was failing, that a great power could not renounce it in the age of imperialism, just as it could not renounce an independent armament capacity.

On the international scene, only England remained liberal, but it was seeing its share of international trade decline, but Italy was not England's equal in competitiveness. In fact, all of Italy was backward at the time of unification. In England, there were more than ten new “industrial” cities with over 100,000 inhabitants compared to the 18th century, and more than half of the English population worked in industry. In Italy, however, agriculture accounted for between 60 and 70% of total employment, with many in Italy working in tertiary or secondary sectors, and artisans working from home. In 1874, the number of workers employed in industry in the strict sense did not reach 400,000 units out of a population of 28 million inhabitants and in 1861, 450,000 spindles were installed for spinning cotton against the approximately 30 million in England. Around 30,000 tons of iron were produced, while in England around 3,700,000 tons were produced, a level that the whole of Italy, without distinction between north and south, with iron and steel hubs located in the south or in the north, would reach in 1953. The irrelevance of industry in the strict sense throughout Italy was clear, in the north, no less than in the south, with all due

respect to the nostalgic Habsburg-Lega supporters of the north and the neo-Bourbon supporters of the south. As Pescosolido recalls when Habsburgs and Northern League supporters speak of a major industrial presence in Northern Italy at the time of Unification, we should recall the complaints Lombard and Venetian industrialists made in Vienna against competition from Moravian wool products and Bohemian steel products. The North-South divide was especially pronounced in terms of civil development, infrastructure, and illiteracy. It was quite pronounced in terms of production relations, especially in the countryside, but less pronounced in terms of agricultural and industrial production. Some have estimated a per capita GDP gap of around 30%, but others believe it could not have exceeded, or even slightly, 10%. If anything, the North-South divide began to widen primarily due to the growth and dynamism of the North, which undoubtedly existed more than the inertia of the South.

The differences between Northern and Southern Italy, rather than in terms of per capita GDP, were in terms of infrastructure and social capital (illiteracy), which constituted constraints on subsequent economic development between the two zones. Only Piedmont had a European-level pace of track. The first railway had been built to connect Naples and Portici, but in 1860 the Kingdom of the Two Sicilies had only 100 km of track, compared to over 700 km in Piedmont and 14,000 km in England. By 1887, Southern Italy had already made up for its railway lag compared to 1861: the large islands had 893 km of track in 1886, and They had none in 1861; continental Southern Italy, which had about 184 in 1861, had 2,698 in 1886, meaning the South as a whole had gone from 7.3% to 33.2% of the total railway network. It's always astonishing how many municipalities lacked road access on the eve of unification: about 280 out of 330 in Sicily, about 1,600 out of 1,800 in continental Southern Italy. Southern Italy was isolated not only from the rest of Italy but also from within. What market could it develop? The cost of a ton of coal in central Sicily was eight times that of an English mine. In light of this comparison on a European scale, the internal North-South gap in the industrial field partly lost consistency in a set of underdevelopment. Not because of a particular industrial development of the pre-unification South dreamed of by certain neo-Bourbon literature, but rather because of the modest dimensions of the development of the northern productive structures.

The North had advantages in terms of human capital (education) and infrastructures more than in terms found in the gross domestic product per capita agricultural or industrial. These advantages, education, infrastructures, development of credit systems made the difference after the unification. Regarding illiteracy, the Piedmontese, Lombard and Ligurian rates were close to those of the Habsburg Empire of 40-50% (in Prussia and Scotland they were lower, around 20%, in Sweden 10%) but Tuscany itself had a rate 74%, Veneto 70%, and in the south there were rates similar to those in Russia. The southern revolt, therefore, beyond all the recent controversies, was determined by a more onerous tax system than the Bourbon one (which led to only 100 km of railway), the crisis of certain productions due to economic liberalism and lesser trade protections (which were necessary due to the higher costs of southern companies, also given the aforementioned infrastructure situation), but above all by an atavistic struggle, preceding unification, between peasants and gentlemen, because a section of the bourgeoisie or landowners had appropriated state lands over the centuries at the expense of poor peasants, arousing hatred and discontent. In light of what has been said so far, it can be assumed that following unification, especially after the Giolitti era, Italy was a medium power. An excellent result compared to the insignificance it had been when there were so many small states.

R. Romeo. Italy Industrial Democracy. From the Risorgimento to the Republic. Le Monnier. 1986. pages 176 -184 for the effects of the tariff both on the steel and mechanical industries and for the protection of agricultural interests which, despite the problems it may have caused in the countryside and the related emigration, allowed the country, the only Mediterranean country, to create **“a large industrial apparatus and a highly developed urban civilisation”**, as well as the consequent increase in productivity in the Giolitti era; G. Pescosolido. Agriculture and industry in united Italy. IV. ed. Laterza. 2004; G. Pescosolido. Nation, economic development and the southern question, cit. pag. 95-122 which highlights how the thesis, which focuses more on the action of mixed banks for the purposes of development, which is typical of Gerschenkron, as an alternative to the state-agricultural one of Romeo, is to be questioned: not that the action of mixed banks was not relevant, but it was to a decidedly lesser extent than that of the state; G. Pescosolido. Rosario Romeo. A liberal-democratic historian in republican Italy. ed. Laterza.

2021. pag. 179, for the words of P. Sylos Labini (see Between the Risorgimento and Capitalism, interview by P. Bonetti, in The Legacy of Rosario Romeo in Historiography and Moral Life, pp. 15-16) cited by G. Pescosolido. Rosario Romeo. A Liberal-Democratic Historian in Republican Italy cited p. 181 also for his opinion on the effects of the agrarian revolution on the reduction of overall savings; G. Federico.

The Historiography of Italian Economic Development in the Last Thirty Years in The Historiography of Contemporary Italy. Proceedings of the Conference in Honor of Giorgio Candeloro. Pisa 9-10 November 1989, edited by C. Cassina. Giardini. Pisa 1991, pp. 209-240; R. Romeo. Industrial Democracy in Italy From the Risorgimento to the Republic. Mondadori, 1987; G. Carocci, Il Risorgimento Newton Compton, Rome 2006, p. 21, who, despite being criticized by Romeo for previously expressing a different opinion, later stated, speaking to Depretis, **“It is highly probable that, as Rosario Romeo argued many years ago, from an economic perspective, the agrarian reform imposed in France by the Revolution, the creation of a widespread class of small landowners, would have been more of a brake than a stimulus to development.”**; G. Bedeschi, La fabbrica delle ideologie, Il pensiero politico nell'Italia del Novecento, Laterza editori, 2002, p. 2-83 and 306-ff.

R. Romeo, Risorgimento e capitalismo, Editori Laterza, 2008, with a foreword by G. Pescosolido, p. 47 and 48 for the beneficial effect, albeit a convoluted, laborious, and more delayed process, that national unification also had on the South. P. Ciocca. Rich. Poor. History of Inequality. Einaudi, 2021, p. 35, and p. 96-97 for inequality between and within countries with a historical analysis. R. Romeo. Italy: Industrial Democracy. From the Risorgimento to the Republic. Le Monnier, 1986, p. 65-67 and on the difference with Great Britain. p. 114; D. S. Landes. The Wealth and Poverty of Nations. Why Some Are So Rich and Others So Poor. With an appendix **“The Italian case”**. Garzanti. 2013 (p. 567), where he notes regarding the real conditions that each country must overcome “it is no coincidence that the major European industrial powers of the 19th and 20th centuries were Great Britain and Germany, both rich in coal and therefore naturally devoted to heavy industry. Italy, on the other hand, had to overcome this major obstacle of the lack of raw materials.

The Role of State

As Paul Collier stated (Poor and abandoned. A new economy for the places left behind. there must be a community, a State and moral constraints. The selfish and individualistic homo oeconomicus does not exist (the Nobel Prizes for economics awarded to Richard Thaler, Daniel Kanneman, Elionor Ostrom, none of them economists but who demonstrate that other social sciences can bring innovations to economic science, innovations of method and perspective). With the exception (as Collier says, Aristotle already said, perhaps that makes law as I have always known because the law is pro heteron, it regulates relationships with others that are inevitable, even before and more than right or wrong,) for a tiny minority of psychopaths, we have evolved to belong to a community, a community of place and a community of work. Within them we worry about what others think of us (a concept already known to Adam Smith). This is the glue that leads us to behave well towards others. The glue for society sustainable, to avoid a brutal world where selfish instincts are unchecked.

The existence of a community also presupposes the presence of a state (the author, recalling the Somali episode depicted in the well-known film *Black Hawk Down*, notes how all libertarians, rather than wanting to live in Somalia, a stateless society and place, want to live in New Zealand where a state exists). The state is necessary because in a world of 8 billion people, the fruits of economies of scale are reaped, but they depend on the presence of effective states. Without them, the libertarian dream would become a pitfall, a return to the prehistoric world, where many communities became extinct before adapting. At the same time, a state that merges with a community requires moral constraints: as individuals, we need the glue of communities, no matter how we live among them. But a stateless community is doomed, and communities and states can merge, but without moral norms, these mergers are catastrophic, as recently happened with Nazism.

Thus, a topic arises that many might consider only partially economic, but in reality, from a methodological perspective, it is fully economic. It is also the topic addressed by several economists and others, both in the fields of happiness, relational goods, and civil progress (for example, Leonardo Becchetti, Luigino Bruni, Stefano Zamagni. *Principles of Economics*. A

Text of Civil Economics, as well as the thinking of Amartya Sen, Daniel Kanneman, etc.).

The cultural contrast is well-known between those who advocate for a minimal state and view justice as a matter of rights rather than results, and those who place greater value on the maximum well-being of the less fortunate members of society because anyone could be part of that group and advocate greater state intervention for redistribution. Nozick, in his famous work, takes the former approach, and Kenneth Minogue, for example, in a well-known work, expresses his skepticism toward those who would abolish poverty and those who conceive of freedom as meaning that governments should provide welfare for the poor. He expresses skepticism toward the view that tends to undermine self-confidence and promote self-pity, a typically liberal mentality. Minogue criticizes those who view people as mere victims of social circumstances who must be helped by a superior class of managers and redistributors. He criticizes the view he calls liberal, which sees a collection of the weak and suffering rather than a collection of self-governing individuals. He believes that we fall victim to a sort of social imagination that separates society into classes and categories rather than representing society as a collection of subjects endowed with self-governance and the capacity for choice. According to the liberal view, those who suffer belong to an abstract class, dividing society into classes and categories, but one cannot, he concludes, develop empathy for an abstraction. The best way to govern would be to leave people free to pursue whatever projects and lifestyles they choose.

In reality, one might argue, there is a considerable amount of abstraction in this vision. Minogue himself cannot deny that the utilitarian system, the conception that was born with Bentham, also reinforces the ideas of those who think that a government cannot limit itself to maintaining peace but must concern itself with guiding or “**educating**” the desires of individuals in directions that “**will tend to facilitate peace and social cooperation**” [27]. But beyond the discourses developed by Rawls on justice as fairness, different from those of Nozick, of justice as a question of rights, an increasing dose of so-called public goods is necessary to move from the disorder of the late Middle Ages, for example, to the Renaissance, as Krugman notes [28]. Now it is also necessary to overcome serious economic

crises, such as that of 2008 or the 1930s, where unemployment or the individual tragedies of many individuals depended and depend only in (minimal) part on their choices, but rather on factors that they cannot govern, let's say macroeconomic.

However, on which they have little influence, at least in modern societies. The events of the American A.I.G. that would have caused systemic crises had there not been state intervention, the events linked to the crises of American parbanking institutions, such as Lehman Brothers, resolved in one way, or Northern Rock or Bear Stearns, resolved in another way, demonstrate that, today, things are much more complicated and intertwined, and autonomous individual choices, and above all, decisions governed by a single individual, are difficult to make. The financial phenomenon that developed in 2008 demonstrates how certain visions are strongly reminiscent of eighteenth-century society. In 2008, following the well-known events, a financial contagion phenomenon occurred that is so powerful that it has caused drama for those affected, almost without their responsibility.

While the directors of Lehman Brothers or A.I.G., etc., may deserve, under certain conditions, at least moral punishment, others do not. The vicious cycle of deleveraging means that A financial institution under pressure seeks to sell its assets to raise liquidity. By selling assets quickly, it often has to sell them at a discount. Contagion arises from other financial institutions holding similar assets, whose prices decline due to the "at all costs" selling. The decline in prices triggers a vicious spiral. The decline in the prices of these assets harms other financial institutions, causing their creditors to stop lending. Financial institutions are in turn forced to sell their assets at all costs to raise liquidity and avoid bankruptcy, fueling the decline in prices. In the months following the Lehman collapse, this phenomenon became evident, not only undermining the system, but demonstrating that allowing a culprit, such as Lehman, to fail, while it may be fair, is not responsible.

The prices of a wide range of assets held by financial institutions, from corporate bonds to student loan securitizations (they were the ones who simply wanted to study at a prestigious university and pay for Lehman) collapsed under the pressure of a wave of selling. Similarly, if the US government bailed out the

insurance company A.I.G. by exposing itself to \$182 billion, if the British government bailed out Northern Rock bank by guaranteeing all deposits regardless of their size, or if the Irish government assumed a similar burden not only on deposits but on all liabilities of national banks, Sweden did the same in 1991, if the US government acquired approximately 140 banks in 2009, it was not a resurgence of socialism, but the consequences of a different behavior: due to A.I.G.'s relationships with other financial institutions and companies, the non-payment of insurance policies, the so-called "**bankruptcy laws**" (or "**bankruptcy laws**"), etc. and credit default swaps, which insured an investor who bought a bond, meaning he would pay the insurance company if the bond issuer didn't pay, would have had devastating effects.

All those like Minogue, who hold a view opposed to those so-called liberals (who err on the side of excess because they believe they can shape reality), with an excessively stoic spirit, believe that it's better, since we can't control all events, to take things philosophically—I don't mean accepting the inevitable, but worrying only about what can be changed. Being responsible only for what we feel and think is right in purely interpersonal relationships, but, without overdoing constructivism, in making plans, since the actions of others now also influence each of us, to resign ourselves to accepting events, a certain inevitability, that fate plays an important role, and limiting ourselves to formal justice without significantly changing the conditions, is reductive.

These topics cannot be explored too far, as they involve notions of legal philosophy that go beyond my scope. We could begin with Aristotle, his concepts of equality and justice, which trace the distinction between distributive and commutative justice to him; the former governs public relationships (distribution of honors and public wealth), the latter private relationships (exchange of goods). We could then reach modern theories of justice, but the topic would be too broad. Perhaps it is sufficient to recognize that theses that hark back to times when there were relatively few people, with more limited relationships than today, with the associated demographic growth and increased and complicated exchanges (see the deleveraging case cited), must take into account that the theory of the individual who can govern himself must be tempered, without overdoing it

with constructivism. State intervention can take forms that are respectful of the individual and cost-effective, without excessive interventionism. But without turning it into a myth or something to be rejected a priori.

My effort is to see how there can be forms of welfare and/or the pursuit of well-being that are as non-invasive as possible for the individual and cost-effective for the public sector. However, I remain aware that, beyond theory, public intervention in the economy has always been present, and despite assertions of principle, it was so even when laissez-faire was advocated. State intervention was very present then, even in the US through protectionist customs policies, and through policies in England as well, to support and promote domestic producers, not just products. The Supreme Court clearly stated this in 1853.

Moreover, defining a public good is difficult, at least difficult to provide once and for all, because concepts change over time, even those relating to what constitutes a public good. Just city walls? If public goods, as Krugman says, enabled the Renaissance, such as the construction of solid walls, the justice system, and so on. Today, they are also something else, and so the concept of well-being has evolved. It has also changed with demographic changes and increases, which constitute a “variable” that cannot fail to impact theories and concepts that, referring to the individual, always have a certain anarchic flavor. The United States is often called the country of great contradictions. And of great contrasts. Great contrasts and theoretical divergences are presented.

A well-known contrast concerns the attitude toward justice and the welfare state. The demands they pose. In this regard, related and relevant are the so-called public goods consisting of education, justice, sewer systems, and so on. These goods, called “public” by economists, constitute elements of economic development and toward which there are, indeed, different attitudes and contrasts. In his book, “**A Theory of Justice**,” John Rawls discussed how to decide on economic and social policies. He argued that one must imagine an individual behind a veil of ignorance about their own identity—that is, unaware of whether they are rich or poor, black or white, healthy or sick, etc.—and that this veil of ignorance defines the meaning of justice. It’s a matter of reviving the old adage that consists of not doing to others what you wouldn’t want done to you if you were in their

place.

People would, in this case, choose policies that place the greatest value on the well-being of the less fortunate members of society. After all, anyone could be part of that group (the so-called veil of ignorance). Does this justify a generous welfare state, as ultra-liberals have accused Rawls? No, it depends on a cost-benefit analysis, it depends on the type of intervention. In some cases, the state can and/or must intervene directly; in others, it can do so indirectly; in still others, it can push (even with gentle nudges or by prefiguring and presenting certain architectures of choices and solutions, taking psychology into account) toward certain solutions. Traditionally, Rawls is contrasted by Robert Nozick, with his book, “**Anarchy, State, Utopia**,” in which he argues that justice is a matter of rights, not outcomes.

That the state has no right to require high-income individuals to support low-income citizens. That the state should be merely a minimal presence, a night watchman, etc., with very limited public spending. It would be too long to expound the various theses on justice, and it would be inappropriate to elaborate on the contrast between Rawls and Nozick, about which so much has been written. For example, according to Sen and Nussbaum, by placing such great emphasis on primary goods, Rawls neglects the diversity of human beings in their needs and abilities to utilize these goods. Against Rawls, in particular, there are those who emphasize the protection of rights and liberties. If theories of justice have rejected utilitarianism mainly because of the lack of attention it pays to the issue of equality, Rights theories, on the other hand, emphasize the lack of attention paid to the protection of fundamental rights and freedoms (the main exponent of rights theory is none other than the American philosopher Robert Nozick).

Therefore, an action is just if it respects certain rights. According to Nozick, it is not only utilitarianism that pays little attention to respecting fundamental rights: Rawls’s theory of justice is also flawed by the same flaw. It envisages state intervention in the redistribution of wealth in order to avoid social inequality, but any state redistributive intervention (including taxation) must be considered illegitimate. It violates fundamental individual rights, first and foremost the right to property. Because of this fundamental role attributed to the freedom to own private goods,

Nozick's theory is called "**libertarianism**" to distinguish it from traditional liberalism. Nozick breaks with the tradition of classical and modern philosophy, and in a certain sense also with postmodern philosophy. Neither liberal nor Marxist, he reduced the question of justice to a question of the violation of rights. For Nozick, distributive justice intervenes in people's lives to correct inequalities, but in this way, individual rights are sacrificed in the name of society and its equilibrium. Nothing can force people to be protected or to sacrifice themselves for others. Furthermore, the redistribution of goods must be voluntary.

Nozick argues that the individual must be an end, not a means used by society: "**Every person deserves what he gets, unaided by his own efforts.**" Only in this way can the most fortunate and capable in society cooperate with the less fortunate. In the final part of the book, Nozick outlines an anarcho-utopian framework of undeniable beauty, in which every person is free to self-determine and, at the same time, not to determine themselves at the expense of another. But aside from a dose of latent anarchy in this approach, the assertion that justice is a matter of rights, not of results, while theoretically true, even convincing, is true "**in the laboratory.**"

Nozick has received a lot of criticism. Let's first look at two concrete examples. A 2019 study published in "**The Quarterly Journal of Economics**" found that children from wealthy families are ten times more likely to become inventors than children from families in the bottom half of the income distribution. The researchers attributed this gap to environmental factors, not differences in innate ability, demonstrating that children from low-income families who achieved high grades in math, a subject highly predictive of adult inventing, were still far less likely to become inventors than wealthier children with similar grades. The conclusion they drew is that there are many lost Einsteins, who could have made an enormous contribution if they had been able to realize their potential: poverty and the surrounding environment (this is where public intervention matters) limit people born to do great things. In Montgomery, Maryland, in the early 2000s, the housing authority randomly assigned families to several public housing units, some of which were located in affluent neighborhoods with quality schools. At the same time, the county invested seriously in the poorest schools, allocating significant funds to fund interventions such as

reducing class sizes and training teachers. This gave researchers the opportunity to determine whether poor students fared better in lower-poverty schools or in higher-poverty schools with more resources.

The results were striking. Students from poor families who attended low-poverty schools significantly outperformed those who attended high-poverty schools with "**state-of-the-art educational interventions.**" Even when we increase funding (of course, they must be. Although the results of poor schools (and others) are increased, we cannot make them similar in terms of outcomes. This is because public (and non-public) intervention matters, but what matters is the environment in which the child lives, and the environment depends on factors beyond the individual or innate factors. What matters is the environment, the circumstances, the public intervention, and its quality—all things that are independent of the individual. Martin Luther said, after all, that "the largest rivers have the smallest sources," and the Latin poet Ovid significantly stated that "**Few rivers rise from large sources; very many swell by gathering water.**"

Suffice it to say that, first and foremost, his idea of a minimal state requires not only that the state itself respect individual freedom to an unprecedented degree, but also that the population respect the freedom of others to a high degree. This is the utopian project of every libertarian ideology, a cultural revolution that begins with the individual. Respectable, but utopian, also because to educate such an individual requires an efficient, widespread state educational culture. Generally speaking, for a balanced reconciliation of individual and collective needs, public goods are essential.

The relationship between law and economics is also essential for development, as several economists note [29]. However, beyond estimates, the development of public goods—that is, the construction of defensive walls against marauders, militias for self-defense, but also the administration of justice and literacy—contributed to these results. Florence had a high level of literacy and mathematical proficiency, and a good justice system for its time. These elements were not irrelevant to the birth of the Renaissance. The presence of certain public goods (education, law and order institutions, etc.), adapted to the various eras—public goods as a category cannot be static and immobile,

ignoring innovations, discoveries, historical changes, and life itself—is necessary for the development and flourishing of trade. In the 18th century, the conditions of these public goods in Italy were much worse than those of other states, and this fact is not irrelevant to the economic conditions of Italy at the time.

It is highlighted how the collapse of the Roman Empire destroyed a civilization, a high level of economic and well-being, precisely because a series of public goods, such as education, road maintenance, an administrative apparatus, etc., were lost (**“The dismemberment of the Roman state and the end of centuries of security were the fundamental factors in the destruction of the advanced economy of ancient times”**), were lost. (**“Even at this low bureaucratic level, a Roman official had to be able to issue a clean and proper receipt, and the transporter in question probably made use of such a written document if stopped during the journey to verify his customs position. Surely the complex Roman economy also needed the written word to function.”**). During the Roman Empire, for example, education was quite widespread (as also attested by the Pompeii excavations or other minor clues such as some projectiles from the time of Augustus which had inscriptions against the enemies, testifying that the enemies, in order to be frightened, were presumed to know how to read) and so were other public goods which ensured prosperity and allowed the development of trade, as it will be in the Renaissance. In the Middle Ages not even the kings knew how to read [30].

Often political problems are addressed in a theoretical way, without considering the real data, the life of the citizens. Therefore the clashes become distorted. The principle of competition which is the master today, in addition to not taking into account that more than perfect competition there is monopolistic competition and the vision of Joan Robinson with his book **“The Economics of Imperfect Competition”** and Edward Chamberlain with his book **“The Theory of Monopolistic Competition”** which date back to the 1930s, but it is not said that the principle of competition is always, in any historical circumstance, the best choice, for the effects it produces. On the one hand, we must recognize the imperfections of human nature and the consequent impossibility of deducing economic theories or economic policy recipes from a priori reasoning.

On the other hand, we must rehabilitate those (Ferdinando Galiani and in general the Neapolitan and Scottish Enlightenment) who identified the relevance of the specific circumstances of each concrete situation for economic policy reasoning. The opinion that in times of economic crisis, the application of antitrust rules must undergo changes is increasingly widespread [31]. Historically, a brake on antitrust was placed at the time of the Great Depression and the New Deal. In Italy, a prominent jurist argued, during the Great Depression, that American antitrust law was too extreme and noted how President Roosevelt was modifying it. The Supreme Court also intervened in several rulings along similar lines [32,33]. At the time, rather than developing general corporate political tendencies, attempts were made to intervene in specific sectors and with specific regulations, demonstrating that certain principles can be subject to various types of derogations, whether general or specific.

Until the current crisis, in Europe, antitrust law has not had to deal with serious recessions, but only sectoral or limited ones, and at times “crisis cartels” have been permitted, i.e., agreements made on the condition that they were supported by a sector restructuring program aimed at trying to re-establish the balance between supply and demand. European antitrust law can provide solutions for company or sector crises, but does not specifically provide for situations of general crisis. For mergers, i.e., individual transactions between companies, derogating from antitrust principles requires the acquired company to be in an actual and irreversible state of crisis, and it must be proven that any solution more favorable to competition is practically unfeasible. Liberal ideology does not even address the issue of a “crisis cartel.” But precisely in the United States, following the latest crisis, the State intervened to save companies, directly in the banking sector but also indirectly in other sectors (the intervention against A.I.G. was dictated by the awareness of the consequences that its bankruptcy could have on industrial companies as well).

However, in economic problems, which must be addressed dynamically and by looking at the interrelationships that the solutions present, nothing can be made absolute. Competition principles, even empirically, even following empirical verification, must be subordinated, at least coordinated, with macroeconomic constraints and adapted or waived if they lead

to instability, depression, deflation, etc [34]. Fingleton, director of the UK Office of Fair Trading, hopes that antitrust authorities will be flexible and pragmatic. The rules in question should be suspended in banking and financial markets where stability and fostering financial flows are a priority. However, they should not be suspended where financial flows exist.

In cases of true emergency, state aid should intervene. But even the solution of distinguishing whether financial flows are interrupted or not in order to provide for exemptions or suspensions is contradictory. If certain rules have caused certain crises, they should be reconsidered. If the crisis exists and is not their fault (in some cases, certain liberalizations were the cause of the crisis), but exemptions are needed to overcome it, these must be implemented without distinctions that would cause distortions and negative consequences.

In times of crisis, can credit and financial markets, whose companies would be temporarily protected to prevent the crisis from spreading, function and select the companies to finance because they are characterized by greater long-term efficiency?

Can concentrations between companies, in times of crisis, be an answer to the problems?

Is the EU's position (proof of the lack of alternative solutions, proof of the fact that demand would have shifted in favor of the acquiring company anyway) useful for authorizing concentrations?

Would it be more useful to use the criterion established for banks only by Article 20, paragraph 5 bis of Law 287/90, which permits banking concentrations even when they create dominant positions but guarantee the stability of the system (this is a value ordered above in case one wants to identify one)? Probably. Concentrations are permitted when they are "a reasonable alternative to the pure and simple loss of production capacity" [35]. To answer these questions, we can begin by noting that in times of crisis and declining demand, the companies that are likely to suffer most from the contraction in demand, and therefore destined to receive less financing, are not necessarily the least efficient or least innovative. Favoring state aid over a "crisis cartel" solution, aside from the consequences for public

debt, can strengthen political and clientelist ties. Hostile, in times of crisis, to temporary collective economic agreements or exemptions from antitrust rules seems to be based on ideological assumptions that ignore specific situations or empirical evidence.

An agreement between companies, once the storm passes, among other things, to restore the "**sacred**" conditions of competition that are so cherished, would be a much weaker obstacle than the political exchanges that public subsidies, state aid, can create. The competition referred to is, in a broad sense, a market situation with wide freedom of access to business activity, the possibility of free choice for buyers (in particular, consumers) and, in general, the possibility for each person to seize the best opportunities available on the market, or propose new opportunities, without impositions by the State or constraints imposed by coalitions of businesses [36].

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Is Planning a solution?

Professor Brancaccio calls for global planning, especially in terms of controlling capital movements, and, at least in the vision of greater control of capital movements, refers to "**financial repression**", that is, a regulatory, institutional and political framework that "*puts the beast of speculation and the freedom of movement of capital back in a cage [37]. Regimes of financial repression were prevalent in the 1960s and 1970s, and some traces of them can still be seen today. It is enough to remember*

Article 65 of the Treaty on the Functioning of the European Union: it establishes that it is possible to impose controls on capital movements even within the Eurozone. But the issue of capital controls goes far beyond the uncertain fate of the single currency. Returning to the discussion of capital controls would be a first sign of a turning point, proof of the fact that we are finally developing an economic policy that is up to the enormity of this crisis".

The state can no longer limit itself to a purely negative function (guaranteeing the rules of coexistence among individuals, each endowed with their own sphere of freedom) but must play a more interventionist role in the social and economic spheres: ensuring a whole series of infrastructures and services in a complex society like the industrial one and seeking to alleviate the conditions of the most disadvantaged classes.

In many writings by liberal thinkers, Green and Ritchie, the individual, who has always been the fulcrum of liberal thought, fades into the background and is increasingly conceived as a function of the community, a distinction is made between political freedom and social freedom, and it is argued that the liberal state has ensured the former but not the latter.

John Dewey, who, not coincidentally, wrote in the years after 1929, as Brancaccio now writes after 2008, preached a new liberalism that aimed to create a social organization that would control industry and finance, so that they would serve the economic and cultural liberation of humanity. He believed that the cause of liberalism would be lost for a long time if it did not prepare to socialize the productive forces and establish a socialized economy. Despite the good intentions, it is legitimate to doubt the liberal character of Dewey's liberalism. The distinction - opposition between formal equality and substantial equality must be put into practice in the concreteness of the provisions, as well as the version that preaches that the same opportunities must be ensured for all. First of all, this is a need that can be satisfied in a completely free society, that is, in a society in which individuals can affirm their potential in all fields (economic, professional, cultural, political) without encountering constraints and conditioning. Where there are state regulations that protect from the power of large organisations and economic forces in general, where the merit that Pericles

indicated as the only reason for distinction between men can be valid, where the merit that means “**Talent Plus Commitment**” can be valid [38]. “But planning is not the means to achieve the objective of equal opportunities and furthermore one must not exaggerate in the affirmations because chance exists and not everything is programmable. The normative approach known as distributive justice, in the sense of equality of opportunity, also has drawbacks, and not everything can be resolved through planning or programming.

Individual destiny is thought to be the result of two components: circumstances, which do not depend on the individual’s will (genes, family environment, consumer preferences, etc.), and merit or effort.

A just society should eliminate inequalities that depend on circumstances (i.e., luck; even having attended certain schools can be such and not solely the result of merit), while maintaining those that are the result of individual effort. That is, we must distinguish how much of a given income depends on circumstances and how much on merit. Of course, this distinction is difficult to make. But it follows that in a society, if inequality arises from positions of privilege and is passed down from generation to generation, highly progressive taxes should be applied, because income inequalities are largely unjust. Low social mobility between generations would indicate that inequality does not reflect only individual merit, but is dependent on positions of privilege that have no ethical justification.

The equal opportunity approach would require significantly progressive taxation, not only on income but also on wealth, and the revenue could be used to increase opportunities for those in lower social classes. But this approach is flawed for two reasons. On the one hand, on the basis of a presumed ethical approach, which in itself means relying on a value judgment determined in an “arbitrary” way, reasons of efficiency are sacrificed (because people might stop working or paying taxes if they became very high and it is convenient, more than fair, a questionable criterion that of justice, to pursue such an attitude, given that equity is important but it is not the only value and often not even the preeminent one: this is a possible question that I will develop later and in a note referring to some experiments that economic science has conducted on the topic of equity and its importance

for people) which means that the system often not only does not even achieve the ethical goals it wants to pursue but, if taxpayers do not behave in the desired way, as indicated above, perhaps it means that the ethical assumptions or value judgments that are intended to be pursued are also wrong. Equality of (imposed) results? Ensuring equal opportunities (also starting point, as is often said) means checking where we start: every starting point can already be a final result, and the pursuit of equalizing starting points can lead to equalizing results. Can equalizing the initial starting point lead to a society that imitates Sparta? Illustrious economists have argued that majorities (and the resulting concept of social well-being) are not fixed entities but also variable based on how the issue is presented, if one wants to identify a majority [39].

But let’s Delve Deeper into the Concept of Equality of Opportunity. First of all, when do we start? Someone (Granaglia) has rightly asked the question of what equality of opportunity is and how it can easily be identified with equality of results, with pure and simple egalitarianism: we should distinguish between a “before” and an “after.” Inequalities before are unacceptable, while those after can be. But how can we distinguish, and when does the “**before**” begin? Under certain conditions? Which ones? Even assuming an equal start, is it possible to eliminate the lottery of life and clearly separate the before from the after?

Many factors come into play, including those dictated by chance or environmental factors, as we saw in the studies I highlighted in response to Nozick. But even assuming that the differences in the social lottery can be compensated for without establishing a Spartan state, we are not equal from the perspective of the genetic or natural lottery.

Most people don’t know how to play soccer like Messi and don’t have Gates’s boldness and entrepreneurial prowess.

It’s impossible to assume that their results depend solely on the social context, which under certain conditions, perhaps even respecting the principle of freedom, could be changed or guided. It’s certainly a matter of reducing inequality due to circumstances, but also of equality of ability. The first would require removing all obstacles that consist of random factors, that is, those that do not depend on voluntary choice but on “**circumstances**,” such

as, but not limited to, being gifted or not: a broad program, one might respond, echoing De Gaulle.

But even if it were possible, without restricting freedom, the program becomes impossible if one considers the profound difficulty of distinguishing between choices and circumstances. This is why the concept of equality of opportunity leaves me skeptical, and it seems to me that those who invoke it do so, more than anything else, either to refer to general and therefore generic principles or to actually desire equality of outcomes without saying so.

In the knowledge that often living at a different subway stop can determine one's fate. Can we manage all opportunities, or rather seek to increase the pie and eliminate or mitigate only the most glaring examples of lack of opportunity?

The “poor”'s chances of escaping poverty depend greatly on the education they receive at an early age. The education system can bridge gaps between social classes, if it works. In 2003, the University of Pittsburgh, examining early childhood intervention programs, noted the benefits for every dollar spent in subsequent years. Other research (Brooking Institution) has found that if adequate preschool education were guaranteed to every American child, the gross domestic product could grow by 2%. Recent research has highlighted how targeted investments in tourism in Jamaica have doubled GDP, but targeted investments in advanced education in Singapore have doubled its GDP 18-fold, both countries starting from an identical GDP in 1960.

From a political perspective and for the maintenance of a social fabric, the presence of inequality is not that relevant. What is important is that it does not assume a configuration in which an elite plays and learns, that is, lives completely separate from the population. Because they will not feel any bond of community, of citizenship, with the rest of the population. When I was a boy, the classical or scientific high school where the son of a professional, an entrepreneur and a worker often found themselves together in class was a common gymnasium Citizenship. Some phenomena denounced by Stiglitz in the US, such as de facto completely separate environments (schools or neighborhoods), are negative not so much for purely economic reasons as for the emergence of a shared sense of citizenship,

of community. Many phenomena are independent of politics, or at least politics has little influence. It's true that the wealthy have collected an ever-increasing share of the national income. Average income may have increased, but what matters in these discussions is median income. That is, the income of the person in the middle of the distribution. It has not seen an equal increase and, in America, has remained unchanged for more than forty years. However, income distribution is affected both by the growth of the service economy (once it accounted for about 20% compared to 80% for manufacturing) and by the failure to use the tax system to offset the growth of inequality resulting from the growth of services.

Indeed, service jobs are, on average, lower paid than those they replaced in manufacturing, and furthermore, they cannot be automated in the same way and are not suitable for unionization. Many service workers (retail workers, personal care workers, etc.) are also forced to increase their working hours to escape poverty. In many cases, employers impose longer hours rather than spread the workload across a larger number of people because this solution would entail additional training and management costs for the employer, not to mention paid vacation and sickness insurance. Hiring fewer employees and subjecting them to longer hours is more cost-effective than spreading the workload across multiple workers, who must also pay social security contributions. These problems exist, but some cannot be solved by policy, such as expanding the service economy.

Personally, I believe a more serious problem than a lack of planning is, on the one hand, that it is impossible to attempt to interfere in personal life beyond a certain level, and on the other, that a more achievable task for the state, rather than having utopian pretensions, could be to try to regulate and intervene—one might say in economic terms—on macroeconomic conditions, or at least act with the desire to bring about improvements, without rationalistic, optimal pretensions. Precisely with the intervention that some states have undertaken, for example, at the time of our unification, that is, taking into account historical conditions and acting within those limits. It must be taken into account that geopolitics matters more than, or beyond, the economy.

A state that is capable of intervening in certain situations will be able to do so taking into account, as has always been the case,

political and not just economic conditions. If the state doesn't intervene, no one is capable of doing so, even if theoretically it would be desirable for the market or a group of people to do so. In practice, they simply can't do it; they are incapable of intervening. That is, if we want to talk about general problems, only the state or a group of states, and not the market as a whole, can address the situation. On the eve of the 2007 financial crisis, total global financial assets stood at \$230 trillion, equal to four times global GDP (then about \$55 trillion). This includes traditional assets (stocks, bonds, banking). To these traditional assets, over \$600 trillion in financial derivatives had to be added. In total, over \$800 trillion, 15 times global GDP. Therefore, no state or individual can ignore the markets. This is the task of the state(s), that is, macroeconomic interventions and regulations rather than microeconomic ones.

Furthermore, we cannot simultaneously have hyperglobalization, meaning the absence of restrictions on capital transfers, democracy, and national sovereignty. Professor Brancaccio begins with Dani Rodrik's so-called globalization trilemma, which states that between democracy, full openness to the movement of capital and goods, and the autonomy of national economic policy, only two out of three options can be combined, and therefore we must choose which to sacrifice with regard to the EU. In Europe, the hope was to combine democracy and full openness to trade by delegating economic policy to a supranational authority. But on the one hand, this establishment of this authority has remained halfway there, and above all, this authority lacks full democratic legitimacy. Professor Brancaccio believes that to resolve this dilemma, it is necessary to introduce forms of control over capital movements and thus mend the rift between the functioning of economic policy and the democratic mechanisms, however imperfect, inherited from our twentieth-century forefathers. The problem is clearly linked to concerns about the level of democracy in our societies; it is not limited solely to economic aspects such as capital controls or even planning.

Referring to Dani Rodrik, as I said, complete freedom of movement of goods and capital creates democratic problems because public authorities cannot lower interest rates or tax profits—that is, implement economic policy—due to the threat of capital flight abroad (which has always existed in Italy, but

could be replicated despite the repressive apparatus).

But rather than proposing the plan as a remedy to the situation, why not revisit Keynes?

Not the Keynes who seemed to have a somewhat intellectual preference for the Soviet experiment, but a more practical Keynes.

For Brancaccio, and a certain left-winger, referring to Keynes would be a sort of “petty bourgeois” solution. Indeed, he admits that there could be a struggle, entirely internal to the capitalist class, between large and small capitals.

But the latter are destined to succumb to the trend toward the centralization of capital and the increase in interest rates relative to profit rates, which will benefit rentiers over workers and lead to greater insolvency for the latter, that is, those who rely primarily on income over wealth.

Referring to Keynesian hypotheses for the defense of small, small capital, to halt this process with expansionary monetary and fiscal policies, greater capital controls (without resorting to planning), forms of repression, or better or more stringent financial regulation, are, for Brancaccio, futile solutions.

Keynesian solutions could (are) not revolutionary but reactionary; they would not affect the central aspect of the difference between the average interest rate on loans and the rate of income growth (the Keynesian solution should lead, to an effective defense of small, middle-class investors, to keeping the interest rate steadily below the growth rate with various monetary and fiscal interventions).

The Keynesian line, entirely internal to the capitalist class, which values the role of the central banker who somehow manages the interest rates that remunerate capital, keeping the interest rate lower than the rate of income growth, should prevent the insolvency of weak capital compared to the strong, and should prevent the centralization of capital in ever fewer hands, a destructive phenomenon for intermediate social groups.

But they are destined to lose this fight, despite the fact that such Keynesian policies and approaches (even with the help of

central bankers on the monetary side and politicians on the fiscal side) can implement a sort of “helicopter money for the petty bourgeoisie rather than for the people.” They are destined to lose because the rate of capital growth is higher than that of income and will tend to concentrate power in a few hands and cause a downward convergence of weak capital in favor of stronger capital. So, is a “Plan is Freedom” solution (Brancaccio style) better than a Keynesian one, albeit one with prudent monetary and fiscal policies like those outlined above?

I don’t think so.

A structural reform increases productivity through two channels. First, low-productivity sectors lose labor.

Second, high-productivity sectors expand and employ more labor.

Both processes must occur if reforms are to increase the economy’s overall productivity.

But if aggregate demand is depressed, the second mechanism operates weakly or not at all.

Why?

Facilitating the hiring of labor or starting new businesses has little impact on the actual increase in employment when companies already have excess production capacity and are having difficulty finding customers.

In the end, we only achieve the first effect, which is an increase in unemployment.

Let’s analyze this contrast between demand-side economic policies and supply-side economic policies.

Some say that income is determined by demand, i.e., consumption and investment in general.

Therefore, if private investment decreases, the government must compensate for the decline by increasing public investment or the central bank must reduce interest rates; if private consumption decreases, the government must reduce taxes or increase certain transfers to support household income, i.e., consumption, etc.

Demand is supported.

Others, on the other hand, say that we need to act on the supply side because income is determined by the so-called factors of production, i.e., businesses.

Translated into simple terms, we need to take measures that favor: productivity, competition, and the reduction of business costs.

This favors a supply with lower costs, which would benefit consumers, who would benefit.

Regardless of the merits of one approach or the other, the fundamental flaw of the second approach (the supply side) is that the effects, even if positive, are very slow.

Given equal effectiveness and final results, supply-side policies (even if they were better, which remains to be seen) predict longer recessions and slower recoveries because it takes time for the measures to take effect.

Assuming they are effective, because it’s not easy to convince those who directly pay the cost of a recession to wait patiently, confident in a future full of benefits.

It’s not easy: if these supply-side policies, aimed at reducing business costs, focus primarily on wages or forms of bargaining, thus increasing precarious employment; if, as the great economist Samuelson said, the 20% price reduction on grocery items (for consumers) isn’t necessarily a compensation if there’s higher unemployment (and therefore lower wages, lower consumption, and lower taxes) at Walmart because production has moved to China where costs are lower.

A 20% reduction in certain prices does not necessarily offset wage losses.

However, around the 1980s, greater emphasis was placed on policies that reduced costs (often with predominant, if not exclusive, damage to wage labor), increased productivity, and promoted competition (often selectively focusing on certain, perhaps marginal, sectors, and neglecting other factors, in order

to encourage their growth).

Supply-side policies, on the other hand, must exist, but not in opposition to others and must be selective, but in the right way. Not only, for example, in favor of capital and only to reverse the balance of power in the labor market, because otherwise, realistically, they will ultimately fail and be rejected.

Furthermore, we must be aware that such policies have a problematic aspect.

It is quicker (and encounters less resistance) to shift the AD curve (of aggregate demand) to the right (i.e., to increase it) than to shift the AS curve (say, the cost curve) downward (i.e., to decrease them). This means that, given equal effectiveness and final results, supply-side policies lead to longer recessions and slower recoveries. Time matters not only in politics but also in economics, and measures that are wrong from the point of view of temporal effectiveness are just as bad as if they had not been adopted, even if they were right in theory. In short, the short term of aggregate supply policies tends to not be so short and to be confused with the long term, so it is not easy to convince those who personally pay the cost of an economic recession that it is worth waiting patiently, trusting in the promise of a future full of advantages.

In the knowledge that the two policies must coexist, that with supply-side policies alone, the so-called long period of prosperity might not even arrive and in any case even if it were not a phoenix it could not be expected, that expansionary Keynesian policies cannot be limited to a single country but should be concerted, I focus on an aspect that is transversal to supply and demand, because in addition to pertaining to the rights of each individual, which should come before the economy because they are often statements of civilisation to which other considerations should yield, above all because it is an aspect that is the foundation of capitalism [40].

Max Weber was among the first, perhaps the leading exponent, to emphasize that the essential prerequisite of modern capitalism is rational law. According to Weber, it makes the law calculable, that is, it gives greater predictability to relationships between individuals engaged in economic activity and between these

individuals and public administration—a factor of great importance, especially for the possibility of undertaking economic activities that require a significant investment in fixed capital. This prerequisite, prevalent in the West, is the product of a rational state with two essential characteristics: it is founded on a legal system that regulates the modalities of access to political power and its exercise, and it employs a body of specialized officials who are also subject to the law, both in their recruitment and in their activities.

It employs a law, often of Roman origin, that is important not so much for its content as for the “legal formalism” that constitutes, or constituted, an important antidote to a justice system oriented in a substantive sense and therefore exposed to arbitrariness and non-calculability. A phenomenon increasingly present today that favors not only arbitrariness but also allows the infiltration of power groups of various kinds and responsibilities.

Justice, its correct, efficient, and effective functioning is (would be) the main supply-side reform. But by pertaining to rights, it also overcomes this distinction.

Let's take an example [41].

The industrial revolution ultimately had positive effects, but before the balance was restored, due to the decline in employment in agriculture and artisanal activities, the transition was long.

Workers cannot move to new tasks in an instant, and the benefits of the first industrial revolution, which began in the second half of the eighteenth century, were felt in productivity and wages only in the second half of the nineteenth century.

At the beginning of the nineteenth century, the so-called Engels' pause was valid, that is, the increase in production per worker exceeded the growth of real wages.

Jobs can be swept away and/or inequality can increase.

And what effects will the Fourth Industrial Revolution have?

Will it be more powerful than the first three? Will it also be faster?

Will many jobs change their nature, or will many simply disappear?

Certainly, if new technologies replace the workforce rather than complement it or enter the field, the profits can go to those who own the capital.

(1). E. Brancaccio. It won't be a gala dinner. Crisis, catastrophe, revolution. edited by Giacomo Russo Spena. Meltemi Linee. 2020. p. 82, p.119,152. In proposing his solution, the author is very (too) concerned with opposing Keynes, finding him to be a political obstacle. He opposes him almost more than he opposes the so-called neoliberal theories. Does he find Keynes to be a political obstacle, as he may have been in the 1930s when he tried to save capitalism from other, worse consequences? So is Brancaccio's approach, apparently economic, tainted by a political intent and prejudice? You cannot have hyperglobalization, i.e., the absence of limitations on capital transfers, democracy, and national sovereignty at the same time. This is a well-known statement.

Rodrik (see D. Rodrik. Intelligent Globalization. Laterza, 2015) has argued that hyperglobalization, democracy, and sovereignty do not go hand in hand.

1. If all restrictions on capital movements are eliminated, democracy and national sovereignty will not hold up. Or at least, they can conflict with the absolute freedom of movement of capital.
2. Because if a measure is taken (legislative or otherwise inherent to a democratic or political process) that the markets do not want, capital will go abroad.
3. If it goes abroad, to retain it, interest rates must be raised. This way, savers will be rewarded more and will be persuaded to stay at home or even attract more savings.
4. Thus, often and in any case, unfortunately, we end up in recession because capital will leave anyway (even if only partially), and by raising interest rates, loans for businesses will cost more.

The markets, if they can move capital freely, will keep you in check. Indeed, with the Bretton Woods system, restrictions on capital movements could be placed.

But there's a problem of realism, beyond questions of principle. Because markets can punish you very painfully even if the Bretton Woods constraints were reinstated.

Furthermore, trade has increased significantly since the Bretton Woods era. Then, in Europe, with a single currency, how would we do it? Would we leave the euro?

Regarding the issue of equality of opportunity, do people actually care about fairness? Is it an absolute value?

Several experiments demonstrate that people value fairness, but only up to a certain point. Not as significantly as some rhetoric claims. This occurs primarily in concrete behaviors, not in official statements. They value fairness, but they only go so far to defend it: they are resolute in punishing unfair offers when the cost of punishment is low, but they are less willing to do so if it becomes very costly. If the cost becomes excessive, the preference for fairness will fade into the background. Does fairness matter? An economic experiment (called an ultimatum game) presents a situation in which the proposer sets a "take it or leave it" price and the responder must decide whether to accept or reject it. In practice, many economic decisions repeat this pattern: the monopolist determines the price, the oligopolist proposes a collusive agreement, and, more generally, any negotiation situation in which there is a "**take it or leave it**" offer. Many responders in the ultimatum game reject unfair offers, leaving themselves and their counterparts with a null payoff.

But this can mean that Do people care about fairness?

Little is known, for example, about whether individuals continue to care about fairness if the price increases significantly. Economics makes a prediction: individuals should demand more fairness when the price is low, so they can punish perceived unfair behavior at a lower opportunity cost. Since the 1980s, the ultimatum game has been a very popular experiment in laboratory economics.

Despite all the limitations that come from applying experiments that should be replicated in real life to a laboratory, it has been used with students and even Indians in Peru. The participants were brain-scanned during the game. It has been observed that proposers typically offer about 40% of the money entrusted to

them, and responders decline about 16% of the offers.

Low offers are much more likely to be rejected than high offers. In the ultimatum game, rejecting a positive offer entails a monetary cost, and if behavior changes as the cost increases, the issue has significant economic significance. Respondents will be willing to reject unfair offers when the cost of the decision is low, but will find it more difficult to do so when the sums at stake are high. That is, many might be willing to refuse an offer of 1% of ten dollars, but not many would refuse 1% of a million. In some cases, researchers visited poor villages in India. This allowed them to test behavior with significant stakes without the sums involved becoming astronomical for the researchers. Of course, one could argue that the results cannot be transferred to more sophisticated contexts, but the sums at stake were, for the participants, significant.

The ultimatum game was conducted by varying the stakes by a factor of 1,000, so as to explore the game with stakes of 20, 200, 2,000, and 20,000 rupees. At the time, these sums corresponded to 0.41, 4.10, 41, and 410 dollars, or 0.31, 3.15, 31.5, and 315 euros, respectively. The significance for participants was clear when considering that the daily income in these villages was 100 rupees (i.e., 2.05 dollars). The results for the four stake levels, i.e., the different percentages of distribution of the sum, are that for the lower stakes, the proportions of offers are higher than for the higher stakes.

The proposers noted that it is more difficult for a responder to reject an unfair offer in the experiment with the highest stakes (20,000 rupees), given that the average offer is just over 10% of the total sum. What happens to these low offers when the stakes are high? Will they be rejected? The rejection rates show that offers less than or equal to 20% of the total sum provide an answer. Although participants rejected low offers when the stakes were low, very few rejected them when the amount at stake was significant. When the offerors made very low offers, when the stakes were high, almost no one rejected the offer. In the case of 20,000 rupees, for example, only one in 24 offers lower than 20% was rejected. This is a very low rejection rate, considering that the average offer for that group was just over 10% of the stake. And it was much lower than the 40-50% rejection rates observed for lower-stakes offers. But these findings are not enough to

demonstrate the importance that fairness has (or rather, it does not, or could not have) for people.

Let's see what happens when inequality and poverty are pitted against each other, despite so much data. Let's consider a society divided between just two types of people, the rich and the poor, and two possible scenarios. In the first scenario, the rich half of the population has a per capita income of \$50,000, while the poor each earn \$1,000. In the second scenario, the income of the rich is \$5,000 and that of the poor is \$500. Which society would you prefer to live in? The answer can also be influenced by non-economic factors, but suppose you are only interested in the average level of income and not its distribution. In this case, comparing the two situations is straightforward. The first scenario, according to a simple calculation, in which the average income is \$25,500, prevails over the second, in which the same value only reaches \$2,750. But suppose you are interested in Equity of distribution. In this case, the only thing that matters is the extent of inequality. Then we realize that the first scenario is worse than the second. In fact, in the first situation, the ratio between the income of the rich and that of the poor is 50, while in the second scenario the ratio is only 10. If equity is what matters, the second scenario is preferable. But the society is poorer, even if more egalitarian, but in greater poverty. Very often, inequality is given more importance because it is associated with poverty and a low standard of living.

However, the first scenario, despite having much more inequality, also presents much less poverty, while in the second situation each poor person has an income of \$500, regardless of the fact that the economy as a whole presents a more equal distribution. Relying solely on inequality, even if one were only interested in the well-being of others and the level of poverty, would be wrong. The first scenario presents simultaneously greater inequality and less poverty, and it is a serious mistake to rely solely on the measurement of inequality, starting from the assumption that greater equity equals less poverty. (...) K. Arrow. *Social Choices and Individual Values*. Milan. Etas. 2003; P. Krugman, R. Wells, K. Graddy. *Essential Economics*, cit. p. 260; M. Magrini. *The Habitat of Teenage Geniuses in Il Sole* 24 Ore, Sunday, May 19, 2013, Nova section.; J. E. Stiglitz. *The Price of Inequality*, Einaudi, p. 113-114, says the author after examining some data on the criminal records of repeat offenders

among whites and blacks. **“These findings may represent important barriers for blacks trying to become economically self-sufficient, since approximately one in three spends some time in prison over a lifetime.”**

He then discusses social differences. **“Health statistics, for example, are significant: in 2009, life expectancy at birth for blacks was 74.3 years, compared to 78.6 for whites.”** Source: National Center Statistics. The Condition of Education. 2003, p. 47 in P. Krugman and R. Wells. Microeconomics. Zanichelli. 2013, p. 477-479; J. E. Stiglitz. The Price of Inequality: How Today's Divided Society Threatens Our Future. Einaudi. 2013, p. 121; p. 45-46, notes 61, 62, and 65 for statistical and bibliographical references, p. 113 note 50 for racial discrimination related to criminal records and different employment opportunities for whites and blacks with criminal records; FBI, Crime in The U. S, 1991-2010. Uniform Crime Reports see: usdoj.gov/cjis/ucr/crimeinteu.s/2010/crime-in-theus-2010/tables/10tbl01.xls; FBI Uniform Crime Reports see <http://www.ucrdatatool.gov/index.cfm>, which show an increase in homicides in the 1970s, a slight decline in the 1980s, and a peak in 1991; Paul Krugman and Robin Wells. Microeconomics. Zanichelli. Second Italian edition based on the third American edition. 2013. pages 480-482; Joseph E. Stiglitz. The price of inequality. cit, pages 55 and 114, 121. See D. Acemoglu, D. Laibson, J. A. List. Principles of political economy. Theory and empirical evidence. Second edition. Pearson. 2020, p. 492-495, for the emphasis given to equity, and p. 593 for the contrast inequality vs. poverty; Steffen Andersen, Seda Ertac, Uri Gneezy, Moshe Hoffman, and John A. List, “Stakes Matter in Ultimatum Games.” American Economic Review 101, no. 7(2011), p. 3427-3439.

In addition to what has been indicated for the experiments conducted with ultimatum games, for which it would appear that fairness is not a value considered absolute and this aspect influences the concepts of equality and inequality of opportunities (or outcomes), a controversy has developed in the USA originating from several conflicting articles, one by Professor Mankiw defending the 1%, the other by Professor Solow. The controversy is part of the broader issue of how to configure a tax system that takes into account efficiency and equity (see Mankiw, N. Gregory, Matthew Weinzierl, and Danny Yagan. 2009. “Optimal Taxation in Theory and Practice.” Journal of Economic

Perspectives, 23 (4): 147-74. in Italian Mankiw, N. Gregory, Matthew Weinzierl and Danny Yagan. 2009. **“Optimal Taxation in Theory and Practice.”** Journal of Economic Perspectives, 23 (4): 147-74; Mankiw, N. Gregory. 2013. **“Defending the One Percent.”** Journal of Economic Perspectives, 27 (3): 21-34. in Italian Mankiw, N. Gregory. 2013. **“Defending the One Percent.”** Journal of Economic Perspectives, 27 (3): 21-34 “). Indeed, one might imagine a society with perfect economic equality. But then, one day, this egalitarian utopia is disrupted by an entrepreneur with an idea for a new product. Think of the entrepreneur as Steve Jobs developing the iPod, J.K. Rowling writing her Harry Potter books, or Steven Spielberg directing his blockbuster movies. The new product makes the entrepreneur much richer than everyone else.

How should the entrepreneurial disruption of this previously egalitarian outcome alter public policy? Should public policy remain the same, because the situation was initially acceptable and the entrepreneur has improved it for everyone? Or should government policy makers deplore the resulting inequality and use their powers to tax and transfer to distribute the gains more fairly? This thought experiment by Prof. Mankiw describes what has happened to US society in recent decades. Since the 1970s, average incomes have grown, but the Growth has not been uniform across income distribution. Gregory Mankiw then wrote an article titled **“Defending the One Percent”** where the one percent naturally refers to the super-rich. In his defense, Mankiw used numerous—and quite disparate—arguments. Among these is the thesis, actually implied rather than explicitly stated, according to which the super-rich are largely entrepreneurs like Steve Jobs, that is, creators of innovations that bring great benefits to humanity. Mankiw's arguments—and, in particular, the one just mentioned—have seemed unconvincing to many and, to some, even based on unstated premises, dubious assumptions, and not innocent omissions.

Among these is Nobel Prize winner Robert Solow, one of the greatest living economists, who took pen to paper and sent a vitriolic letter to the Journal of Economic Perspective, which was published, along with Mankiw's reply, in the latest issue of the journal. Solow starts from the title of Mankiw's article and observes that the 1 percent is in the best position to defend itself, so external aid must be subjected to careful scrutiny. And

the very severe examination he makes of Mankiw's arguments leads him to identify 6 critical points. Among these points is the one according to which all the super-rich, or almost all of them, are socially useful innovators. Solow, not very convinced by this thesis, recalls that many super-incomes are generated in the financial sector thanks to activities with respect to which, he writes, I can "swallow the term innovation, but socially productive innovations, no thanks". cf. And Granaglia. Equality of opportunity: yes, but which one? Laterza .2023, the author rightly asks the question of what equality of opportunity is and how it can easily be identified with equality of results, with pure and simple egalitarianism.

(2). Pericles remains an example of what is meant by democracy. The commemoration of the deceased in front of relatives is an opportunity to say what a democracy is. He says "Yes It is called democracy, because in its administration it is qualified not by reference to the few, but to the majority. The laws regulate private disputes in such a way that everyone is treated equally, but as for the reputation of each individual, the prestige enjoyed by those who have achieved success in some field is not achieved based on their social status but by virtue of merit. The essence of democracy: equal treatment and merit.

(3). But some historical examples, in this regard, might give pause for thought. Lasting prosperity is being called into question, not by chance, for China precisely because of and after the examination of its legal system. The importance of the role of law is highlighted by the reflections of Moisés Naím, who, precisely with regard to China, said in *Il Sole* on November 28, 2010: "You would let yourself be judged by a court in Russia or China.

(4). A. Scaletti. Lessons on Efficiency, Effectiveness, and Economics. [http://www.economia.uniparthenope.it/modifica_docente/scaletti/ECONOMIA_CORPORATE_-\)CFU_-AA_2008-2009_LEZ_03.PDF](http://www.economia.uniparthenope.it/modifica_docente/scaletti/ECONOMIA_CORPORATE_-)CFU_-AA_2008-2009_LEZ_03.PDF): Mom wants to cook a pizza for dinner. Let's evaluate her efficiency and effectiveness. She buys a kg of flour, tomatoes, and yeast. To evaluate efficiency, we need to look at the reference parameter, which can be the results obtained in the past (number of pizzas with the same amount of resources) by her mom or by the competition (a competitor could be her mother-in-law), or it can be a production parameter (for

example, a recipe). For production efficiency, if mom usually makes two pizzas with the same amount of resources, she will be inefficient the times she makes a lower number.

But if she makes more than two pizzas, she will certainly be efficient, but that doesn't necessarily mean she's effective. Indeed, if the recipe, for example, called for half a kilo of flour, half a can of tomato paste, and half a yeast, the mother will be inefficient if she uses a greater amount of resources or all of those available. She will be efficient if she uses fewer resources. She might be ineffective because the recipe prescribed specific quantities to achieve a good result.

Discussions about justice often ignore whether the pizza is good. Equally, if, according to market prices, 1 kg of flour costs 1 euro, half a can of tomato paste costs 0.90 euro, and half a can of yeast costs 0.50 euro, the mother will be inefficient whenever she pays a higher price for the same amount of resources [42-202].

But if the mother manages to pay less, she will be efficient, but that doesn't necessarily mean she's effective, because the lower price compared to the market could indicate poor quality of the products purchased.

Even in this case, many, in discussions about justice, ignore whether the pizza is good.

The certainty of court decisions, for example, is a value for a business.

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