

The economic miracle

Industrial growth



Discover how Ronaldo Piaggio's Vespa turned into a groundbreaking mode of transportation not only in Italy but all around the world

The republic enjoyed economic success for many years. Initial U.S. support, especially food, oil, and [Marshall Plan](#) aid, helped to rebuild basic industries, including steel. The government abandoned the controls that had existed under the Fascists and the attempts at autarky, and all parties and trade unions approved the “reconstruction” program of 1945–47. Prewar industrial production levels were regained by 1948, and production for the [Korean War](#) (1950–53) provided further stimulus to growth. Italy became fully [integrated](#) into European trade and took an increasingly active part in Middle Eastern oil exploration and [engineering](#) development. Until 1964 (and in particular in the boom years of 1958–63) the [country](#) enjoyed an “economic miracle,” with industrial growth rates of more than 8 percent per year. Its most prominent industries, still in the northwestern industrial triangle, produced fashionable clothing (especially shoes), typewriters, refrigerators, washing machines, furniture, plastics, artificial fibres, sewing machines, inexpensive motor scooters (the [Vespa](#) and the Lambretta), and cars (from economical Fiats to luxury makes such as [Maserati](#), Lamborghini, and Alfa Romeo). Italian firms became famous for their combination of elegant design and inexpensive production techniques. An extraordinary network of superhighways was constructed across Italy. The country was transformed in less than two decades from a largely agricultural backwater into one of the

world's most [dynamic](#) industrial nations. Economic success gave politicians additional resources to maintain their political support.

The postwar recovery and subsequent expansion benefited from a stable currency from 1948 onward and from Italy's cheap access to raw materials, especially Middle Eastern oil. The dynamic policies of [Enrico Mattei](#), president of ENI (Ente Nazionale Idrocarburi, the state-owned energy group), were central to this development. The petroleum company AGIP ([Azienda Generale Italiana Petroli](#)), which became a division of ENI in 1953, discovered [natural gas](#) in the Po valley and sold it at low prices to industry. Labour was inexpensive, as rural migrants flooded into the cities, trade unions were weak and politically divided until the late 1960s, regulatory agencies were even weaker, and taxes were low and easily avoidable. All this encouraged investment, especially as businessmen could borrow cheaply from state-owned banks and credit institutes. The IRI, founded under Mussolini in 1933, continued to dominate much of the economy, including not only heavy industry but also telephone service, air transport, and highway construction. The "economic miracle," therefore, did not rest on market principles alone; government agencies played a vital role in it.

Land reform

In agriculture the major postwar change was the land reform laws of 1950, which made it possible for land reform agencies to expropriate large, badly [cultivated](#) estates, mostly in southern or central Italy, improve them, and sell them off to new peasant owners. The aim was to create a settled society of peasant cultivators, but this was achieved only in a few areas, because normally there was not enough land to go around: only 117,000 families actually acquired farms. Landless peasants moved abroad or to the cities instead. A major consequence of land reform, however, was that the reform agencies—run by central politicians in Rome—became economically dominant in many rural areas, controlling, among other things, land allocation, loans, and improvement grants. They thus undermined the traditional power of local landowners and became transmission belts for the political patronage of the Christian Democrats, especially in the south. Mechanization and modernization gradually replaced many of the traditional jobs in the Italian countryside. Seasonal women rice workers disappeared from the north, as did most day labourers and sharecroppers. Smaller, well-managed farms prospered, in part through [EEC](#) subsidies, and rural towns grew.

The south

The major economic problem was still the relatively underdeveloped south, where there was little industry and where per capita income in 1950 was half that of northern Italy. Initial policy stressed land reform and irrigation. For a while it seemed as if southerners were taking control of their own destiny for the first time since the [Risorgimento](#). The huge, organized land occupation movements that swept across the south in 1949 and 1950 involved hundreds of thousands of landless peasants and politicized a whole generation. But the state intervened, sometimes lethally, to end the occupations on behalf of the powerful landowners. Because the land reforms that followed the occupations actually transferred little land to the peasantry and left many of the south's inequities intact, millions of young men and women decided to migrate to the north.

The special [Southern Development Fund](#) (Cassa per il Mezzogiorno), established in 1950, financed roads, schools, electrification, water provision, and [land reclamation](#). After 1957 it began to invest in industrial development as well, helped by a government policy that directed the expansion of state firms southward and by credit and tax breaks for private investors. Other agencies were founded to develop specific sectors. Promising areas of the south were selected for industrial development, and key plants were built there, together with the necessary [infrastructure](#). The result was the establishment of a number of large, capital-intensive plants—for example, steelworks and heavy engineering at [Taranto](#) and oil refineries at Porto Torres—that were hugely expensive, often produced nonmarketable goods, and employed little local labour. These factories quickly became known as “cathedrals in the desert.” Although a few areas did take off (notably the Puglian coast north of Bari), the industrialization policy soon faced widespread [criticism](#). Northerners resented having to pay for it, and southerners could see little benefit, especially as small firms received few incentives. The environmental costs were also enormous. Funding was gradually shifted, therefore, to subsidizing labour costs—especially [social security](#) contributions—and training and, by the 1980s, to making selective grants available for small and medium projects. The fund spent \$20 billion between 1950 and 1980, but it did not industrialize southern Italy. Southern unemployment remained at three times the northern rate, and wages were still 40 percent below the national average.

The south did benefit, however, from some of the fund’s original activities, such as providing decent roads, clean water, much improved health services, and secondary schools, as well as [eradicating](#) malaria. It also received many state welfare benefits—often derived from friendly politicians in need of votes—and subsidies to agriculture. The social impact of automobiles, television, and processed foods was as great in southern Italy as elsewhere. The south also benefited from emigrants’ remittances as large-scale migration to western [Europe](#) and the northern cities resumed from 1950 onward. More than three million people, mostly able-bodied young men, left the south between 1955 and 1970. Some rural areas became seriously depopulated, whereas [Rome](#) and many of the northern cities virtually doubled in size, with the immigrants being crowded into bleak housing estates on the outskirts or into improvised shantytowns.

Italy from the 1960s

Beginning in the 1960s, Italy completed its postwar transformation from a largely agrarian, relatively poor [country](#) into one of the most economically and socially advanced countries of the world. One consequence of these changes was that [migration](#) from the south slowed after 1970 and, by the 1980s, even reversed, as jobs became scarcer in northern Italy and northern [Europe](#). Other [demographic](#), economic, technological, and cultural changes transformed Italian daily life and fueled social unrest. After the [Cold War](#) ended in 1989, pressures for political and economic reform, European economic unification, and [globalization](#) exposed Italy to a new range of challenges.

Demographic and social change

In general, population growth in Italy had slowed dramatically by the 1960s. The [birth rate](#) in the north had already been low in the postwar years and dropped below replacement level in the

1970s in most northern and central regions. Even in the south, birth rates fell sharply after 1964. By 1979 there were only 670,000 live births in all of Italy and by 1987 some 560,000. Italians had one of the lowest birth rates of any industrial country by the 1990s, and there was a growing tendency toward families having only one child and adults remaining single.

The reasons for the dramatic decline in births are complex. Contraception became readily available after 1971, and most Italians were now urbanites living in apartments and thus not in need of a large number of children to help till the soil. [Women](#) were now better-educated. Girls in general began going to secondary schools only in the 1960s, and by 1972 there were a quarter-million female graduates. They could now pursue satisfying careers or at least readily find gainful employment that gave them financial independence from men and [alternatives](#) to lives as homemakers and mothers. In 1970, following a campaign led by the Radical Party and opposed by the church and [Christian Democrats](#), Italy's first [divorce](#) law was passed. It was confirmed in a nationwide referendum (called by the Christian Democrats) in May 1974 by 59.1 percent of the voters—a real victory for [secular](#) groups against church and Christian Democratic dominance of society. In 1975 many antiquated provisions in [family law](#) were altered or abolished, and in 1981 another referendum confirmed by 67.9 percent of the vote the 1978 law permitting abortion. Meanwhile, civil marriage became more common (almost 12 percent of all marriages by 1979), as did unmarried cohabitation.

Legal contraception, divorce, and abortion provided dramatic evidence of a more secularized society. Regular [church](#) attendance fell sharply, from about 70 percent in the mid-1950s to about 30 percent in the 1980s. The membership of [Catholic Action](#) fell to about 650,000 by 1978, about one-fourth of its figure in 1966, and in the late 1960s Catholic trade unions allied with their [erstwhile](#) Communist rivals. Broadcasting in 1976 ceased to be a state monopoly dominated by the Christian Democrats. Furthermore, many church-controlled charities, especially at the local level, were taken over by regional governments in 1977 and 1978 and run as part of the state welfare system by political appointees. Although the Christian Democrats still held most government posts, Italy by the 1980s was indeed markedly “de-Christianized,” as Pope [John Paul II](#) said. In 1985 a new [concordat](#) that recognized many of these changes was ratified by the Vatican and (significantly) a government led by the Socialist [Bettino Craxi](#). [Roman Catholicism](#) ceased to be the state religion, religious instruction in schools became voluntary, and the state stopped funding priests' salaries.

Economic stagnation and labour militancy in the 1960s and '70s

After 1963, when the [Socialist Party](#) entered government, an increasing number of political appointments were made in the firms and agencies of the [public sector](#), and [trade unions](#) became more powerful. Soon inflation began creeping up once again, as governments printed money to pay for higher wages and welfare. Many firms had to be rescued by the IRI at public expense, the [balance of payments](#) deteriorated, and the official economy began to slow down, although the black-market economy of domestic textile workers and self-employed artisans, among others, continued to flourish.

This economic slump led to the “hot autumn” of 1969, a season of strikes, factory occupations, and mass demonstrations throughout northern Italy, with its epicentre at Fiat in [Turin](#). Most

stoppages were unofficial, led by workers' factory committees or militant leftist groups rather than by the (party-linked) trade unions. The protests were not only about pay and work-related matters but also about conditions outside the factory, such as housing, transport, and pensions, and they formed part of a more general wave of political and student protest, including opposition to the [Vietnam War](#).

The stoppages forced employers to grant large pay raises—at least 15 percent—and factory councils were set up in nearly all major plants. Often, migrant urban newcomers were at the head of the struggles. In 1970, legislation—the Statute of the Workers—ratified these developments and established rights never before codified in law. In 1975 most pay scales were indexed to inflation on a quarterly basis for wage and salary earners, thus guaranteeing the big pay raises of the previous few years. Jobs too were virtually guaranteed in the official economy, and trade unions became influential on a host of planning bodies. The firing of workers became extremely difficult in many sectors.

Labour militancy continued throughout most of the 1970s, often led by unofficial “autonomous” unions. Many firms therefore chose to restructure themselves into smaller units employing part-time or unofficial workers on piece rates, who could be dismissed easily and did not enjoy guaranteed wages. This was particularly true in the areas of textile production and light [engineering](#). Unemployment rose sharply, especially among the young. By 1977 there were one million unemployed people under age 24. Inflation continued, aggravated by the increases in the price of oil in 1973 and 1979. The budget deficit became permanent and intractable, averaging about 10 percent of the [gross domestic product](#) (GDP), higher than any other industrial [country](#). The lira fell steadily, from 560 lire to the U.S. dollar in 1973 to 1,400 lire in 1982.

Student protest and social movements, 1960s to '80s

Student protests in Italy had also begun to take off in 1967, and the movement continued right through the 1970s. Universities, from [Pisa](#) to [Turin](#) to [Trento](#), were occupied, lecturers and schoolteachers were challenged in the classroom, and [alternative](#) lifestyles began to dominate youth [culture](#). A whole generation was radicalized. Students challenged both the church and the Communist Party, as well as the [ubiquitous](#) consumer society and the traditional power of the family. One of the slogans of the movement was “I want to be an orphan.” However, after an initial phase of creativity and democratization, the movement fell under the shadow of various small and ideological groupings who often used violence to communicate their message.

A new group of student movements emerged in 1977, known collectively as *autonomia* (“autonomy”). The best-known of these, Autonomia Operaia (“Worker Autonomy”), took a more violent approach. Other branches of the movement, such as those calling themselves “Metropolitan Indians,” were more creative and interesting. This time, the movement saw the traditional left as an enemy. Trade union leaders were shouted down and attacked. Ritualistic and violent demonstrations occurred in 1977, and some of the followers of the movement carried guns. The state arrested most of the leaders of the movement in 1979, while others fled abroad to

escape trial. The *autonomia* reemerged in the 1980s and addressed environmental issues; squatted in vacant buildings, partly to protest the shortage of affordable housing; and set up alternative spaces known as “social centres.”

The feminist movement also invigorated society in the mid-1970s, making its arrival in Italy later than in most other Western countries. Feminists challenged the rigid Catholic [morals](#) of society and a legal system that gave women little defense against male oppression, rape, or even murder. The feminists also challenged the male dominance of politics right across the spectrum and even within the far-left political movements. The great victories in the referendums of the 1970s and '80s on divorce and abortion would have been impossible without the agitation of the feminist movement.

Even the church began to open up to social and cultural change. The [Second Vatican Council](#) (1962–65), called by the reformist Pope [John XXIII](#) and [implemented](#) by his successor Pope Paul VI, provided a framework for the partial liberalization and democratization of the church. This process of liberal reform and the hopes that it raised for a transformation of the church declined, however, with the succession of the more [conservative](#) Pope [John Paul II](#) in 1978.