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THE NORTH-SOUTH DIVIDE IN ITALY: REALITY OR PERCEPTION?

Abstract. Although the literature about the objective socio-economic characteristics of the Italian North-South divide is wide and exhaustive, the question of how it is perceived is much less investigated and studied. Moreover, the consistency between the reality and the perception of the North-South divide is completely unexplored. The paper presents and discusses some relevant analyses on this issue, using the findings of a research study on the stated locational preferences of entrepreneurs in Italy. Its ultimate aim, therefore, is to suggest a new approach to the analysis of the macro-regional development gaps.

What emerges from these analyses is that the perception of the North-South divide is not consistent with its objective economic characteristics. One of these inconsistencies concerns the width of the ‘perception gap’, which is bigger than the ‘reality gap’. Another inconsistency concerns how entrepreneurs perceive in their mental maps regions and provinces in Northern and Southern Italy. The impression is that Italian entrepreneurs have a stereotyped, much too negative, image of Southern Italy, almost a ‘wall in the head’, as also can be observed in the German case (with respect to the East-West divide).

Keywords: North-South divide, stated locational preferences, perception, image.

1. INTRODUCTION

The North-South divide¹ is probably the most known and most persistent characteristic of the Italian economic geography. The data show how it has characterised the socio-economic landscape of Italy since the beginning of the 20th century.

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¹ As North-South divide, I mean the divide between the Northern (Piedmont, Aosta Valley, Lombardy, Trentino-South Tyrol, Veneto, Friuli-Venezia Giulia, Emilia-Romagna, Liguria) and Central (Tuscany, Marche, Umbria, Lazio) administrative regions, on the one hand, and the Southern regions (Abruzzo, Molise, Campania, Apulia, Basilicata, Calabria) together with the Islands (Sicily and Sardinia), on the other hand. This is the usual, and most popular, meaning of North-South divide in the Italian, scientific and public, debate. The Southern regions and the Islands are also called ‘Mezzogiorno’.

The immense literature about this divide is usually focused on the analysis of its width and of its possible explanatory factors (Cannari and Franco, 2010 and 2011; Daniele and Malanima, 2007; Felice, 2013; Vecchi, 2011; Svimez, 2011; Wolleb and Wolleb, 1990). Geographers, economists, sociologists, and historians have for decades studied and discussed the key reasons that may explain its existence and its persistence.

However, how this divide is perceived, that is to say, how the two macro-regions, Centre-North and South, and the gap between them, are perceived by economic actors has seldom been analysed, notwithstanding its importance. In fact, studying the image of a geographical area is a key step in order to understand, for example, the determinants of the direct investment inflows both at the national and the international level, and to design suitable policies. In addition, studying the perception of a place widens the nature and the range of the explanatory factors of its economic development, opening the explanation not only to the objective location factors (accessibility, agglomeration economies, human capital, amenities, etc.) but also to the subjective factors. Moreover, studying a macro-regional divide by taking simultaneously into account both its real economic characteristics and its perceived characteristics adds further important explanatory elements to understand its nature and its width.

The analysis of the perception of the North-South divide, compared with ‘real North-South divide’, is the fundamental aim of this paper. Making use, on the one hand, of the outcomes of a research study on the stated locational preferences of entrepreneurs recently conducted in Italy (Musolino, 2015 and 2016), which is part of an international line of research on the stated locational preferences of entrepreneurs at the country scale (Meester, 2004; Meester and Pellenburg, 2006; Spilkova, 2007), and, on the other, of the key economic objective data and indicators about the divide, this paper compares the ‘reality gap’ existing in the Italian economic geography with the ‘perception gap’. It tries to observe if they have the same width, and if the two macro-regions are perceived in the same manner; that is to say, if they are seen consistently with their internal real characteristics or not. The paper then also aims to explain why perception and reality differ.

The paper is structured as follows. The first section briefly presents the actual characteristics of the North-South divide in a historical perspective, using the key socio-economic data and the most relevant literature, and discussing the key explanatory factors. The second section illustrates the literature about the perception of the North-South gap, and the relevant outcomes of the research on the stated locational preferences of Italian entrepreneurs, by means of cartograms mapping the average rating of locations. The third section focuses on the results of the comparative analysis of the ‘reality gap’ and the ‘perception gap’, measuring to what extent they differ and how. The fourth section discusses some possible explanatory elements, making use of the qualitative data coming from the same research on Italian entrepreneurs. Lastly, the fifth section draws some concluding remarks.

2. THE 'REAL' NORTH-SOUTH DIVIDE

The North-South divide has been a distinctive feature of the Italian economic development since the beginning of the 20th century. At that time, the gap between the Central-Northern and the Southern regions (Mezzogiorno), expressed in terms of Southern GDP per capita as a percentage of Central-Northern GDP per capita, began to decline below the 'uniformity value' of 100% (Fig. 1). By the 1950s, the gap became so wide that it close to 50% of the GDP per capita in the Centre-North, and it never significantly changed thereafter, ranging from 55% to 60% until the present day.

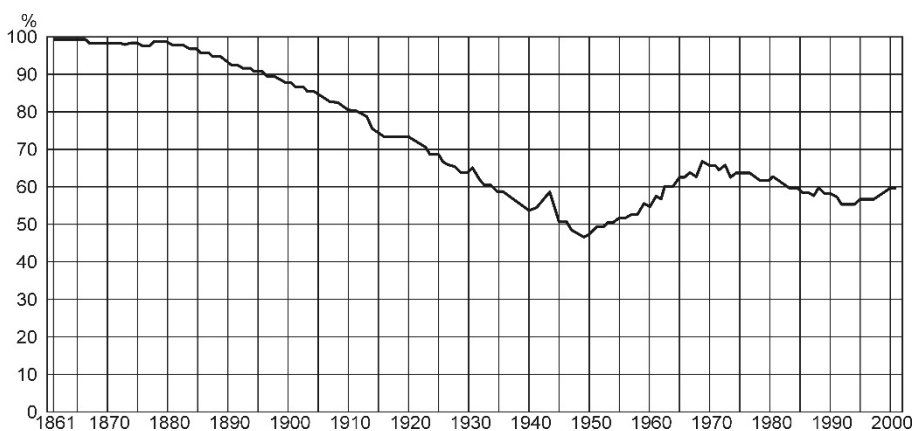


Fig. 1. GDP per capita in Southern Italy as a percentage of GDP per capita in Central-Northern Italy (1861–2004)

Source: author's calculation based on estimates by Daniele and Malanima (2007)

Other key economic indicators also show this long-lasting divide between the Mezzogiorno and Central-Northern Italy. In terms of labour productivity, Southern Italy is 20% below Central-Northern Italy, while in terms of the employment rate the two macro-regions are even farther from each other, about 30% (Cannari and Franco, 2011). Production, productivity, and employment are therefore the main socio-economic issues that summarize and highlight the width and persistence of the cleavage between the economy of Southern Italy and that of the other Italian macro-areas.

2.1. Internal differences

However, what is also important to consider is that Central-Northern Italy and the Mezzogiorno are not two internally homogeneous macro-areas, two 'blocks' facing against each other. Both within Central-Northern Italy and within the

Mezzogiorno, the level and dynamism of economic development differs. In Central-Northern Italy, some areas have been the core of Italian economic development since the end of Second World War. This is the case of the *industrial triangle* (Turin – Milan – Genova), which until the 1960s was the leading area in the economic geography of Italy, thanks to a development model based on big firms, heavy industries (metal, machinery, car, shipping industry, etc.), and fordist organisation (Wolleb and Wolleb, 1990). And this is also the case with the ‘Third Italy’ (i.e. ‘Terza Italia’), an area roughly covering Veneto, Friuli, East Lombardy, Emilia-Romagna, Northern Tuscany and Marche, characterised since the end of 1960s by the emergence of the well-known ‘industrial district model’ (Bagnasco, 1977; Becattini, 1989; Brusco, 1982; Garofoli, 1991), which therefore, starting from that time, shifted the core of the Central-Northern economy, and of Italy, south-eastward. Later, after this considerable geographical rebalance, there were no other relevant changes in the economic geography of Central and Northern Italy. The only relevant phenomenon was the growing centrality of the Padana plain, a ‘mega-city region’ combining parts of the areas seen above, thanks to driving forces such as the agglomeration economies and the tertiarisation process (Bramanti *et al.*, 1992; Hall and Pain, 2006).

The spatial patterns in the economy of the Mezzogiorno have appeared to be less changeable in recent decades. Nevertheless, even there, the level and the structure of economic development, and the economic growth rates are not so evenly geographically distributed (Svimez, 2013, Chapter 3.2; Quadrio Curzio and Fortis, 2014).² Abruzzo, Molise, Sardinia and Basilicata have usually been the regions where the level of development is higher than the Southern Italy average, being, in this respect, not so distant from some Central and Northern regions (ISTAT, 2016). On the other hand, Calabria, Campania, and Sicily are the regions that historically have always had the lowest level of development, and the slowest rates of growth. We can also even see an East-West divide in Southern Italy, as the Adriatic side of the Mezzogiorno, in some respects, is more dynamic and developed, being in the nature of a Southern extension of the Third Italy.

2.2. The explanatory factors

If these are the key characteristics, i.e. the economic gap between the Central-Northern the Southern regions, then what are the basic reasons for this gap, its explanatory factors? According to the existing literature, which is, needless to say, wide and immense, the list of factors is long, and includes, as well as several

² The literature about the heterogeneity in the development of the Mezzogiorno starts from the pioneering works by Trigilia (1992) about the socio-economic differences between the Southern provinces.

economic aspects, social, institutional and historical factors (Basile and Mantuano, 2008; Cannari and Franco, 2010 and 2011; Daniele, 2005; Daniele and Marani, 2011; Felice, 2013; Nifo and Vecchione, 2014; Padovani, 2013; Vecchi, 2011; Svimez, 2011 and 2013).

The economic structure is the starting point that should be taken into account in order to depict the real condition of the economy of Southern Italy. The level of industrialisation there has always been rather low compared with Northern and Central Italy, even when, in the 1960s and 1970s, relevant capital-intensive investments – mostly state-driven – were realised (Svimez, 2011). Currently, at a time when manufacturing in Italy has lost much of its importance because of the tertiarisation process and the recent economic crisis, employees in the manufacturing sector in the Southern regions, such as Sicily and Calabria, number about 3% of the total working population, while in Northern regions, such as Emilia-Romagna, this figure is about 14% (Cannari and Franco, 2010).

Internationalisation and innovation are two additional important aspects that can contribute to explain the Southern economy, and its development gap with Central-Northern Italy. The Mezzogiorno accounts for a very small percentage of the export performance of Italy (actually, not surprisingly, given the limited development of the industrial sector highlighted above). All together the Southern regions export only as much as a single Northern region like Piedmont, and less than 40% of the total exports of Lombardy.³ One should also consider that less than 3% of the Italian foreign-owned firms – in terms of employees – are located in Southern Italy (Svimez, 2013). With regard to innovation, relevant analyses show that Southern firms have a lower level of R&D expenditure (0.3% in Southern firms against 0.8% in Central and Northern firms), and a smaller number of Southern firms are able to introduce innovations (Padovani, 2013).

As far as the contextual explanatory factors are concerned, needless to say one of the most important factors that affects the low level of development is accessibility. As Southern Italy is an extremely peripheral region (at least, in the European context), transport and logistics infrastructures and services are fundamental to connect firms to global markets and supply chains. As the EU data about potential accessibility clearly shows, the insufficient endowment of these kinds of infrastructure, and the low efficiency of the existing transport services in the Southern regions, create a relevant gap in terms of accessibility with the Central and Northern regions, and within the European context, for all modes, rail, air and road (S&W, Spiekermann and Wegener, Urban and Regional Research, 2014).

In addition other kinds of infrastructure and services are also lack in Southern Italy, at least in comparison with the Central and Northern regions. For example, in the case of ICTs, the gap emerges when we look at the data regarding the spread of the Internet and of the use of PCs in the Southern firms (Svimez, 2013).

³ See data from dati.istat.it ('Esportazioni trimestrali delle regioni italiane', 2015).

Comparative analyses of public services and institutional factors, such as health, education systems, justice and bureaucracy, also show significant gaps between Central-Northern Italy and Southern Italy (Cannari and Franco, 2010). In the case of the judicial system, the data about regional differences in the length of trials are rather meaningful: in the Southern regions, the length of trials can be even more than four years, while in Northern regions it is usually less than 2 years (Cannari and Franco, 2010). In addition, bureaucracy is less efficient, as data from the Doing Business Survey about costs and time required for some procedures show (World Bank and the International Finance Corporation, 2013).

Last but not least, another contextual factor that affects entrepreneurship and firm growth and expansion in the Mezzogiorno, as some studies have shown (see, for example, Basile and Mantuano, 2008; Daniele, 2005; Daniele and Marani, 2011), is the legal framework,⁴ particularly concerning the presence of organised crime, which is mostly concentrated in three regions: Calabria, Campania and Sicily. Organised crime is a unique and specific problem⁵ of those Southern regions, and its several negative effects on the regular economic activities have been recently studied. In fact, according to several authors (Asmundo and Lisciandra, 2008; Asso and Trigilia, 2011; Bonaccorsi di Patti, 2009), it creates direct and indirect costs for regular firms, such as extortion and constraints in recruiting workers and in applying for public tender contracts (for example, in the building sector). Moreover, by using their criminal power to protect their own 'legal' economic activities, criminal organisations discourage other firms from competing with them (and, therefore, their own firms can therefore operate as monopolies); and, by using illegal financial resources to lower their costs, 'legal' firms under their control can be unfairly competitive on the free market. Intangible effects were also noticed concerning social capital: the presence of organised crime increases local communities' distrust of public institutions.

As far as all the institutional factors (legal framework, government effectiveness, bureaucracy, regulatory quality, etc.) are concerned, the recent study by Nifo and Vecchione (2014), focused on the construction of an institutional quality synthetic index at the provincial scale (Italian NUTS 3 provinces), provides clear evidence on the lower level of the institutional environment in Southern Italy.

⁴ As regards the legal framework, also figures regarding the incidence of informal work are quite revealing: informal labour units are about 20% of the total labour units in Southern Italy, while in Central and Northern Italy they are about 9% (Cannari and Franco, 2010).

⁵ Although in the last few decades its expansion in other Italian regions has been observed, particularly in regions such as Lombardy, Emilia-Romagna, Piedmont and Liguria, where the *mafia* have expanded its illegal activities, such as drug dealing, and they have concentrated most of their investments in legal economic activities.

3. THE NORTH-SOUTH DIVIDE IN THE PERCEPTION OF ENTREPRENEURS

The perception of the socio-economic North-South divide, in particular as concerns the attractiveness for potential investments, is an issue that has rarely been addressed by geographers and economists in Italy. In fact, most of the empirical evidence concerns the analysis of the North-South divide in real socio-economic terms, as seen in the previous section.

Broadly speaking, studies on the perceived attractiveness of Italy at the macro and micro-territorial scale (macro-regions, regions, provinces, cities, etc.) are lacking in the previous literature (Musolino, 2016). The studies about perceived attractiveness that have been conducted in Italy concern either the entire country (American Chamber of Commerce in Italy, 2013; Annushkina and Dubini, 2004, 2007; IPSOS, 2008), or some important cities (Osservatorio Marketing Territoriale, 2010) or macro-regions, such as the Mezzogiorno (Fondazione Nord-Est, 2002; GPF and ISPO, 2005). The studies on the Mezzogiorno are therefore the only ones conducted until now that implicitly cast light on the perception of the North-South divide.

The research by GPF and ISPO (2005) targeted the national and international business community, in order to explore their level of knowledge, their perception and their evaluation of the Mezzogiorno as a potential location for investments. Interestingly, the research highlighted that the Mezzogiorno, even if scarcely known, is seen, by both Italian entrepreneurs and those coming from countries very far from Italy, as an area that considerably differs from the rest of the country. The business community perceives it as an area which is unfavourable as a potential location for investments because of the lack of infrastructure, efficient public services and sufficient human capital. The evaluation in terms of security was also not favourable.

The relevance of this negative factor (lack of security) is even more evident in the surveys on entrepreneurs from North-Eastern Italy (Friuli, Veneto, Trentino-South Tyrol) by Fondazione Nord-Est (2002). They consider that such a factor is the most important obstacle for potential investments in Southern Italy, followed by the habits and the culture of Southern people (this latter point, however, is regarded as less important for interviewees who already have business relations with Southern regions). Another relevant element emerging from the research by Fondazione Nord-Est is the ability to perceive the regional and local differences within the Mezzogiorno economy. In particular, highly educated, young and adult entrepreneurs, who lead big firms, are able to see these differences.

The study focusing on the stated locational preferences of Italian entrepreneurs (Musolino, 2015 and 2016) is therefore the first study of the perceived territorial attractiveness of Italy at different scales, and therefore of the perception of the North-South divide.

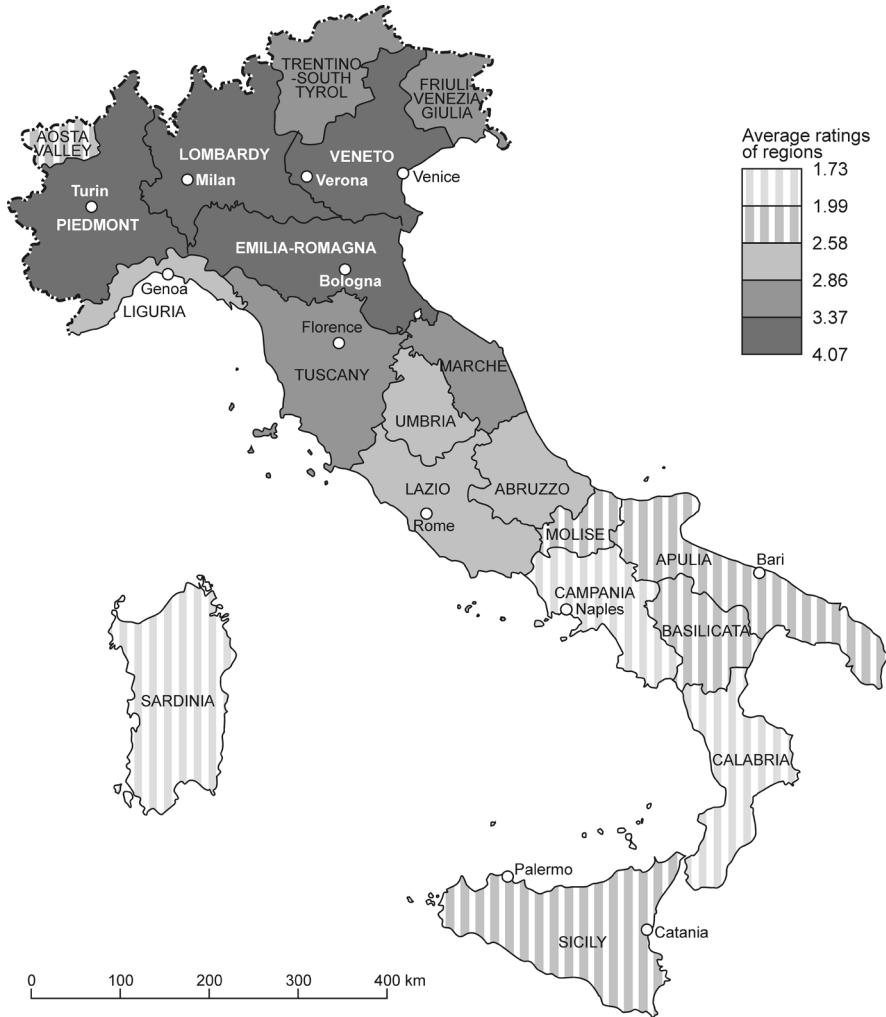


Fig. 2. Average ratings of Italian NUTS 2 regions, as places where to hypothetically locate investments (5-point ordinal scale: 1 – very unfavourable, 2 – unfavourable, 3 – neutral, 4 – favourable, 5 – very favourable; arithmetic mean: 2.92)

Source: author's elaboration based on data from the web questionnaire survey (225 usable questionnaires)

This study was based on a web questionnaire survey of entrepreneurs leading firms with more than 20 employees, belonging to a certain range of economic sectors.⁶ The key element of the electronic questionnaire was an interactive map

⁶ They were selected industrial and services sectors. In order to be included in the survey, entrepreneurs had to satisfy three basic criteria: first, being capable to make a wellfounded judgment on the

of Italy showing the spatial units to be rated (administrative NUTS 2 regions and NUTS 3 provinces). Respondents had to evaluate each region and, optionally, each province, as a possible location for their hypothetic investments on a five-point ordinal scale ('very unfavorable'; 'unfavorable'; 'neutral'; 'favorable'; 'very favorable'). About ten thousands entrepreneurs participated to the survey, which was conducted between January 2010 and July 2011. The return was 645, of whom 225 properly filled out the questionnaire, making them usable for analysis.

This study highlighted and confirmed that there is a wide gap between the Central-Northern regions and the Southern regions, not only in real terms but also in terms of perception (Fig. 2). The geographical hierarchy from North to South is clear: Lombardy, Veneto, Emilia-Romagna, Piedmont, Tuscany and other Central-Northern regions are at the top of the ranking, with an average score above the neutral value of 3, while all the Southern regions score less than 3, and are in the lower part of the ranking. Some of them, like Sicily, Campania, Sardinia and Calabria, score even less than 2, and their position is at the bottom.

As the average figures concerning the macro-regions show (Tab. 1), it can be observed that Southern Italy definitely turns out to be the least attractive macro-region in Italy, very far from the average level of attractiveness of the Central (about 1 point) and the Northern (by almost 1.5 points) macroregion.

Table 1. Average ratings of Italian macro-regions

Macro-region	Arithmetic mean of NUTS 2 data
Northern Italy	3.42
Central Italy	3.05
Southern Italy	2.11

Source: author's elaboration based on data from the web questionnaire survey (225 usable questionnaires).

The statistical analyses based on the data collected by the web questionnaire survey give the impression that the North-South divide is strongly and unambiguously marked on the mental maps of Italian entrepreneurs (Musolino, 2015 and 2016).

locational environments in the study area; secondly, having an interest, even hypothetic, to evaluate an alternative location; thirdly, having the power to take decisions about the location of the plants (that is to say, who can decide about the location of the firm by themselves). The use of these criteria limited the range of industrial and services sectors part of the research population. For example, firms belonging to sectors with a strong locational constraint, such as activities bound to the land (mining, agriculture, etc.), were kept out, as entrepreneurs working in these sectors do not have any interest in evaluating alternative and different locations, and therefore they do not satisfy the second criteria.

In fact, on the one hand, the multivariate variance analysis, which analyses the statistical significance of the differences in the average ratings of regions by group of entrepreneurs (divided by sector, firm size, export orientation, place of residence, sex, age, education level), indicates quite clearly that almost all kinds of entrepreneurs substantially share the same image of Italy. Consequently, they share the perception of a wide macro-regional gap (Central-Northern regions vs. Southern regions). Only in the case of the analysis of the ratings by place of residence (the average ratings of regions given respectively by Northern, Central and Southern entrepreneurs) did differences turn out to be statistically significant for several regions: Southern entrepreneurs, for example, tended to give a higher mark to their own macro-region of residence (Southern Italy). Nevertheless, interestingly, although statistically significant, these differences do not imply changes in the macro-regional hierarchy: Southern entrepreneurs still evaluate the Central and Northern regions better than the Southern ones.⁷ This means that the perception of a gap between Central and Northern regions, on the one hand, and Southern regions, on the other, always remains, independently of the macro-regions in which the firm is located.⁸

On the other hand, the principal component analysis, aimed at investigating what are the main spatial patterns (location factors) which underlie the entrepreneurs' mental maps, showed that, even if there are other underlying spatial patterns in the mind of entrepreneurs (like the centre-periphery dichotomy based on the Padana region, and "Third Italy" based on the industrial district model), the North-South divide is definitely and undoubtedly the most important one. In fact, considering that three different rotations were carried out with three to five components, this pattern is always represented in the first component.

4. PERCEPTION VS. REALITY

4.1. 'Reality gap' and 'perception gap'

Is the way entrepreneurs perceive and evaluate the macro-regions and regions in Italy consistent with their real economic situation? In particular, is there a coincidence between the regional and macro-regional gaps in the mental maps of

⁷ This outcome is anomalous if compared with the results coming from other similar surveys conducted in other countries (Meester, 2004). It implies that Italian entrepreneurs have a lack of a locational self-preferences, reinforcing the idea of the strength and the influence of the North-South divide (Musolino *et al.*, 2016).

⁸ Southern entrepreneurs probably are much more informed than others about the real disadvantages and advantages offered by the various locational environments in Southern Italy, although they are also as aware as others of the greater attractiveness of the Central and Northern regions.

entrepreneurs, and the regional and macro-regional gaps in real economic terms? That is to say, is the North-South divide in terms of perception as wide as the North-South divide in real terms?

In order to address these questions, first we need to identify the satisfactory and relevant indicators that can measure the ‘perception gap’ and the ‘reality gap’. If the findings coming from the research on the stated locational preferences of Italian entrepreneurs clearly give the opportunity to measure the former gap, then the indicators regarding ‘real’ regional economic development previously presented and discussed can clearly catch and measure the latter gap.⁹ Taking those indicators into consideration, and focusing on those whose statistics are available at the European level, three representative indicators¹⁰ have been identified and chosen in order to measure the ‘reality gap’: GDP per capita; labour productivity; and the Regional Competitiveness Index (RCI).

The first indicator (GDP per capita), although apparently a rough indicator for measuring the real economic condition of a geographical area,¹¹ and its ‘real attractiveness’, still remains a key fundamental economic indicator, in particular when it is used not only for analytical but also for policy purposes. The second indicator (labour productivity) typically provides information about the efficiency of an entire regional or local economic system, implicitly encompassing both internal and external economies.¹² Therefore, it is another indicator that might synthesise and represent the real locational advantages, that is the ‘real attractiveness’ of an area. The third indicator – RCI – is a composite indicator conceptualised and constructed by Annoni and Dijkstra (2013), which groups and synthesises several indicators concerning relevant ‘real’ locational factors, and which is widely used and recognised in the relevant literature.

Secondly, after identifying the relevant subjective and objective indicators, in order to compare the ‘perception gap’ and the ‘reality gap’ in Italy, we have to take into consideration also the data concerning other European countries for which all

⁹ The use of both subjective (qualitative) and objective (quantitative) indicators is a question that has been taken into consideration in the literature about attractiveness, as this topic by nature can be interpreted both in subjective and objective terms (Musolino, 2016). For example, the studies by Dwyer and Kim (2003) on the attractiveness of tourist destinations, or the study by Baldazzi *et al.*, (2016) aimed to construct a synthetic indicator of tourist attractiveness of the Italian NUTS 3 provinces, have addressed the question of the combined use of both objective and subjective indicators. However, as far as I know, until now there are no studies which tried to compare the measures provided by the two types of indicators.

¹⁰ In order to comprehend the several economic dimensions and aspects that can refer to the concept of ‘reality gap’, we assumed that it is necessary to identify more than one indicator.

¹¹ See, for example, Costanza *et al.*, (2009) for the criticisms to the GDP, and Oulton (2012), for considerations about its validity.

¹² As concerns the key role played by productivity in the analysis of competitiveness, see, for example, the fundamental contribution by Martin (2003), who underlined that ‘productivity is seen to lie at the heart of the analysis of competitiveness’ (pp. 2–37).

these indicators are available at the regional scale: the Netherlands and Germany.¹³ In fact, we cannot directly compare the width of the ‘perception gap’ with the width of the ‘reality gap’ in Italy, but instead we have to do that indirectly, when making a comparison with these countries, as the two kinds of indicators, the one concerning the ‘perception gap’ and the ones concerning the ‘reality gap’, are different in their nature. The average ratings of places coming from the survey on the stated locational preferences of entrepreneurs are based on qualitative data, while GDP, labour productivity, and RCI are based on quantitative data. This substantial difference means that in the first stage it is necessary to compare the ‘perception gap’ in Italy with the ‘perception gap’ in the Netherlands and Germany; and in the second stage, we have to compare the ‘reality gap’ in Italy with the ‘reality gap’ in the other countries. Only after that, it is possible to evaluate, indirectly, whether in Italy the ‘perception gap’ is as wide as the ‘reality gap’.

Therefore, as can be seen from Tab. 2, given the different nature of the data, in order to measure the gap in terms of perception we used the distance between the highest and the lowest average mark assigned to the locations/regions in each of the three countries. And then, for measuring the gap in terms of reality for two of the three indicators taken into account, we used the ratio between the highest and the lowest value.

It is clear that the ‘reality gap’ is quite similar in all three cases. As concerns, for example, the GDP, in each country the most developed region scores a GDP per capita about two times higher than the GDP scored by the least developed region. Only in the case of labour productivity do the differences between the three countries turn out to be slightly more evident, as the lowest gap is registered in Italy while the biggest is registered in the Netherlands. On the contrary, the ‘perception gap’ is remarkably different. In Italy, it turns out to be much wider than in Germany, while the Netherlands registers the smallest ‘perception gap’.

This means that in Italy the ‘perception gap’ between the richest (Northern) and the poorest (Southern) region is wider than the ‘reality gap’, when these indicators are examined comparatively with the two other countries. Therefore, we can also claim that Italy shows a very peculiar, anomalous (i.e. wider) gap in terms of perceived attractiveness.

¹³ Germany and the Netherlands are the only other countries where a survey on the stated locational preferences of entrepreneurs, following the key same methodological guidelines, has been realised so far (Musolino, 2015; Meester, 2004; Pellenbarg, 2012). Therefore, the findings coming from the surveys conducted in these two countries have been assumed to be comparable with those coming from the Italian survey. This is why the comparative analysis conducted and presented in this paper were not extended to other countries. Clearly, the geography of regional economic development in Italy is more similar to the German case than to the Dutch case. In fact, both countries, Italy and Germany, share a very important macro-area factor: the East-West divide, in Germany, and the North-South divide, in Italy. Therefore, they can be easily compared. However, relevant regional development gaps can be observed also in a small country like the Netherlands. Then, as data about ‘perception gap’ are available also for this country, it makes sense to extend the comparative analysis to the Dutch case.

Table 2. ‘Perception gap’ (difference between highest and lowest average rating) and ‘reality gap’ (ratio between highest and lowest value of GDP per capita, labour productivity, RCI – Regional Competitiveness Index)

Country	Italy	Germany	the Netherlands
‘Perception gap’ ^a			
Highest	Lombardy: 4.07	Frankfurt a. M.: 3.48	Utrecht: 2.86
Lowest	Calabria: 1.73	Flensburg: 1.77	Winschoten: 1.42
Distance highest-lowest	2.34	1.71	1.44
‘Reality gap’			
GDP per capita [EUR] ^b			
Highest	Lombardy: 32,800	Oberbayern: 39,300	Groningen: 43,000
Lowest	Calabria: 16,400	Brandenburg-N.: 18,700	Flevoland: 24,300
Ratio highest-lowest	2.0	2.1	1.8
Labour productivity [EUR] ^c			
Highest	Aosta V.: 69,200	Hamburg: 75,800	Groningen: 106,200
Lowest	Calabria: 47,200	Chemnitz: 44,500	Friesland: 53,600
Ratio highest-lowest	1.47	1.70	1.98
RCI ^d			
Highest	Lombardy: 0.01	Darmstadt: 1.05	Utrecht: 1.36
Lowest	Sicily: – 0.96	Mecklemburg-V.: 0.09	Friesland: 0.48
Distance highest-lowest (absolute value)	0.97	0.96	0.88

Sources: ^a Italy: own elaborations based on data from the web questionnaire survey at the NUTS 2 scale; Germany: Meester (2004); the Netherlands: Musolino (2015); ^b EUROSTAT (2012); ^c Ratio between gross value added at basic prices and employment; data from EUROSTAT database (<http://ec.europa.eu/eurostat/data/database>) for 2013; ^d Annoni and Dijkstra (2013).

As a consequence, it also means that in Italy there must be other factors at work which affect the perception of entrepreneurs, which is unrelated to the real socioeconomic condition of regions and provinces. Some factors probably belonging to the cultural and psychological spheres, or related to the role of external agents, such as the media, are probably so relevant that they can influence the entrepreneurs’ points of view and their evaluation of the locational environments.

4.2. Greater homogeneity in perception than in reality

Is the way how entrepreneurs perceive places located in, respectively, Central-Northern and Southern Italy, consistent with the real socio-economic heterogeneity of these macro-regions? In other words, is the variability of the stated locational preferences within the Italian macro-regions, consistent with the variability of their local economies?

If the analyses conducted above demonstrate that the ‘perception gap’ and the ‘reality gap’ do not have the same width, then another aspect that can cast light on the inconsistency between perception and reality as concerns the North-South divide, is the variability in the level of regional and local economic development within the macro-regions. By conducting a comparative analysis of the variance of the data concerning perception coming from the survey about entrepreneurs’ stated locational preferences, and the variance of the indicators concerning ‘real’ regional and local economic development, we can realise that in each macro-region the geographical variability of the perception does not fit the geographical variability of reality. This comparative analysis can be conducted at both the regional and the provincial level, and for all three macro-regions (North, Centre, and South).

As far as perception is concerned, the first (simple) analysis concerns the distance between the highest average mark and the lowest average mark at the regional scale. In Northern Italy, the difference between the average mark assigned to Lombardy, the best-rated region, and the one assigned to the Aosta Valley, the worst one, corresponds to 1.49; in Southern Italy this difference (between Abruzzo and Calabria) is equal to 0.86. The standard deviation of the average mark assigned to regions in Northern Italy is equal to 0.508, while in Southern Italy it is 0.273 (Tab. 5).

When scaling the analysis at the provincial level, that is, analysing the variability within regions (Tab. 3), it turns out that the standard deviation of the average ratings given to provinces belonging to the same region in Northern Italy is usually higher than the same value calculated for the Southern regions. In fact, while for regions like Lombardy, Piedmont, Veneto and Emilia-Romagna the standard deviation of the average ratings given to their provinces ranges from 0.07 and 0.09, in the big Southern regions it ranges from 0.01 and 0.02 (only for Sicily does the standard deviation turns out to be 0.05).

The lower variability in the perception of the micro-geographical areas (provinces) within the Southern regions is also confirmed by the analysis of the share of respondents who opted to rate each province, by region (Tab. 4). Respondents show a higher propensity to give an evaluation to the provinces of the most important Northern and Central regions (Piedmont, Lombardy, Veneto, Emilia-Romagna, Tuscany) than to the provinces of the big Southern regions (Sicily, Campania, Apulia). Again, in other words, it seems that entrepreneurs probably have a much less detailed, much less refined image of Southern Italy than of the Centre and Northern Italy (i.e. the ‘depth’ of their space perception differs from one mac-

ro-region, and region, to another, probably because of their poor knowledge of Southern Italy).

Table 3. Differences between provinces, by region (standard deviation of the average ratings)

Northern Italy		Central Italy		Southern Italy	
Piedmont	0.07	Tuscany	0.04	Abruzzo	0.02
Lombardy	0.08	Umbria	0.01	Molise	0.00
Trentino-South Tyrol	0.02	Marche	0.02	Apulia	0.02
Veneto	0.09	Lazio	0.10	Basilicata	0.00
Friuli Venezia-Giulia	0.04			Campania	0.02
Liguria	0.03			Calabria	0.01
Emilia-Romagna	0.07			Sicily	0.05
				Sardinia	0.02

Source: author's elaboration based on data from the web questionnaire survey (225 usable questionnaires).

Table 4. Share of the respondents who opted to rate each province, by region (% of total respondents) and macro-region

Northern Italy		Central Italy		Southern Italy	
Piemont	17.3	Tuscany	15.1	Abruzzo	6.2
Lombardy	16.4	Umbria	4.4	Molise	1.8
Trentino-South Tyrol	5.8	Marche	7.6	Apulia	8.0
Veneto	16.0	Lazio	15.1	Basilicata	3.1
Friuli Venezia-Giulia	5.8	Average	10.6	Campania	8.9
Liguria	7.6			Calabria	5.3
Emilia-Romagna	14.2			Sicily	10.7
				Sardinia	4.4
Average	11.9	Average	10.6	Average	6.1

Source: author's elaboration based on data from the web questionnaire survey (225 usable questionnaires).

Figures presented in Tab. 3 and 4 provide a picture of the geographical differences which does not correspond with the reality, in particular with regard to Southern Italy. In fact, from these figures Southern Italy emerges as a rather homo-

geneous and flat space, in terms of the stated preferences landscape, if compared with Northern and Central Italy. But, as also seen previously, there is considerable empirical evidence on the heterogeneity in the level and in the characteristics of economic development in Southern Italy which clearly describe a different situation (Quadrio Curzio and Fortis, 2014). And several reports about its socio-economic system frequently and implicitly highlight its variety (Svimez, 2013).

Table 5. Differences among regions (NUTS 2), by macro-region, in terms of stated locational preferences, GDP per capita and competitiveness (RCI) (standard deviation)

Region	Survey on stated locational preferences ^a	GDP per capita [EUR] ^b	RCI ^c
Northern Italy	0.508	2963	0.109
Central Italy	0.247	3020	0.186
Southern Italy	0.273	2173	0.138

Sources: ^a author's elaboration based on data from the web questionnaire survey (225 usable questionnaires); ^b data at market prices (dati.istat.it for 2013); ^c Annoni and Dijkstra (2013).

If we take again the most popular and important 'real' economic statistics at the regional scale into account, for example the GDP per capita at the regional level (Tab. 5), we can observe that there are gaps between the Southern regions, apparently not much different from those surveyed in Northern Italy. The standard deviation in Northern Italy is 2963; in the Centre it is 3002; and in Southern Italy it is 2173. Moreover, considering the RCI, another indicator already used in the previous paragraph, it can even be seen that the standard deviation in Southern Italy is higher than in Northern Italy: in the former it is 0.138, while in the latter it is 0.109.

5. WHY THESE INCONSISTENCIES BETWEEN PERCEPTION AND REALITY?

The explanatory factors behind the stated locational preferences of entrepreneurs in Italy, and therefore behind the perceived North-South divide, have been explored by two qualitative analyses.

On the one hand, there is the content analysis of two open questions contained in the electronic questionnaire of the web survey of Italian entrepreneurs, which enables the explanatory factors to be identified and ranked. The electronic questionnaire contained in fact two open questions where the respondents were asked to provide an explanation of the rating they gave to four provinces randomly extracted by the

software (two of the best-rated provinces and two of the worst-rated provinces). By means of the content analysis, in particular thanks to a technique called ‘category counts’ (Stone *et al.*, 1966; Rositi 1988), the answers to the two open questions were transformed from a qualitative into a quantitative variable.¹⁴

On the other hand, there is the thematic analysis of the direct semi-structured interviews conducted with experts in the field of the attraction of direct investments, which enable an in-depth analysis to be carried out on how and why explanatory factors affect the views, the attitudes, and the perception of entrepreneurs.¹⁵ Thematic analysis in fact enables the most frequent themes and the sub-themes within data to be identified and analysed. It makes use of direct quotations, in order to provide clear evidence on the sense and the meaning of a theme in the discourse of the interviewees (Braun and Clarke, 2006).

These analyses provide a considerable amount of evidence to reflect on the explanation of the inconsistencies between perception and reality that were observed above.

The results of the content analysis show that the North-South divide (Fig. 3), as perceived by entrepreneurs interested in finding a hypothetical location for their investments, is mostly dependent on four explanatory factors: transport and logistics services, geographical location (together, they can be implicitly referred as ‘accessibility’), agglomeration economies (composed of closeness to suppliers and markets, and level of industrialisation), and the presence of criminal organisations (such as the *mafia* and the *camorra*). The role of the three of these factors can be understood in both a positive and a negative sense. In fact, as concerns, for example, transport and logistics services, on the one hand, they explain why entrepreneurs perceive location in Northern Italy to be so advantageous; but, on the other hand, their lack, or anyhow their insufficient endowment (or their inefficiency) explains why they evaluate the location in Southern Italy so negatively. As far as organised crime is concerned, entrepreneurs highlight its presence and its – negative – influence only in the Southern locations, this indicating that this factor is something typical only of that macro-region.

¹⁴ The ‘category counts’ technique identifies some keywords in the text of each answer, counts, and defines a certain number of thematic categories based on them. One hundred and twenty respondents answered the two open questions, but only 107 gave complete and valid responses. The respondents used 279 keywords regarding positive location factors, and 254 keywords regarding negative location factors. The aggregation of these keywords resulted in 11 categories. For further details, see Musolino (2015).

¹⁵ I conducted nine direct semi-structured interviews between July 2013 and February 2014, with consultants, representatives of local, regional and national bodies devoted to implementing policies to attract investments, representatives of manufacturers’ associations, experts on the issue of firms’ locational choices, and institutional investors. Interviews were conducted on the basis of an outline, including the basic figures and tables presenting the key results of the questionnaire survey. I asked their opinion on the average ratings of regions and provinces, and we discussed on the key subjective and objective factors that could explain the territorial patterns visible in the maps.

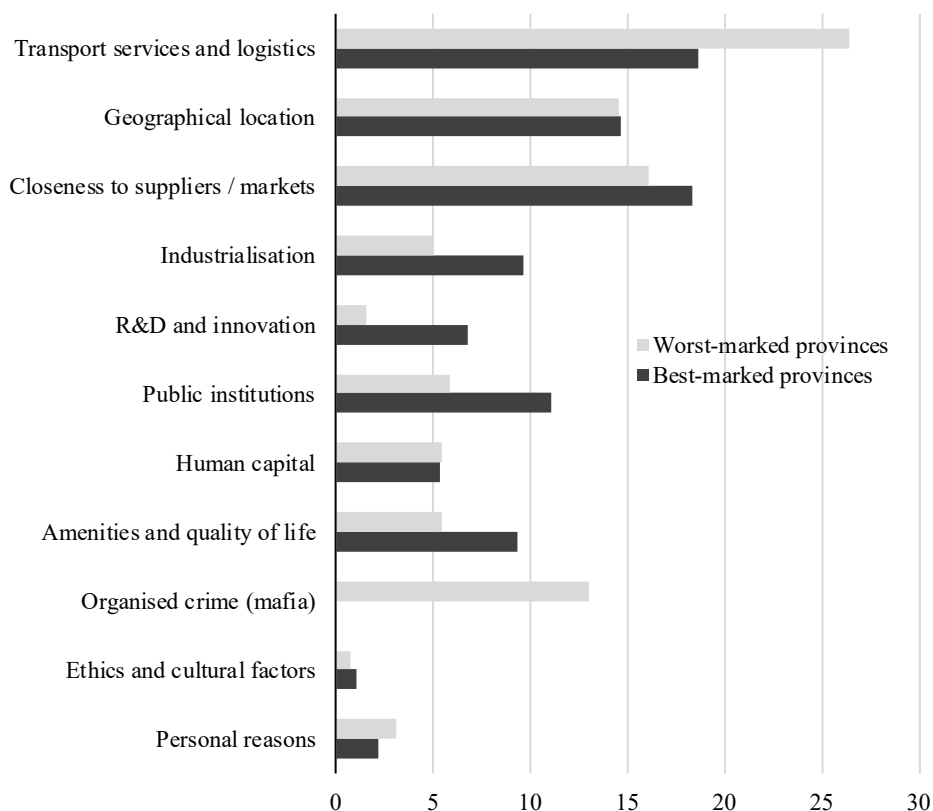


Fig. 3. Location factors mentioned as an explanation for the ratings given to four Italian NUTS 3 provinces, two of the worst – and two of the best-marked provinces (percentage values)

Source: author's elaboration based on data from the web questionnaire survey (225 usable questionnaires)

The thematic analysis, in its turn, allows light to be cast on the functioning of these factors: that is to say, on how these driving forces affect the perceived attractiveness of the Italian macro-regions.

Firstly, taking accessibility and agglomeration economies into account, what the experts explained is that these factors are strongly interrelated, and affect the perception of entrepreneurs on the basis of a typical circular cumulative causation mechanism. In fact, the high density and proximity of economic activities, firms and services (suppliers and customers), and of people (the consumers' market), located in Northern Italy, and in particular in the Padana region, together with the considerable endowment of infrastructure, in particular transport infrastructure, create external economies (locational advantages) which attract and favour the

location of new businesses and the growth of the existing ones. This phenomenon suggest to further strengthening and developing the network of transport infrastructures and services, thereby causing the restart of the virtuous circle. On the other hand, the lack of these factors in Southern Italy does not create enough locational advantages that can be perceived and appreciated by entrepreneurs, and therefore does not activate any cumulative mechanisms. Rather, it might activate a vicious circle.

Secondly, the interviewees also consider that the central geographical location significantly contributes to make Northern Italy, especially the Padana region, an ideal place to start a new business. Indeed, Northern Italy, in particular Lombardy, is geographically very close to the most important European countries, which is different from Southern Italy that is rather peripheral, and far from the European economic core areas.

Lastly, as far as the role played by the fourth important factor (organised crime) is concerned, experts underlined that this is the main element which creates, more than any of the other factors, a kind of stereotype and prejudice against the Italian Mezzogiorno (and even against all Italy!). They pointed out that from the very beginning it prevents investors from taking the Southern regions into consideration. As vividly said by one of the interviewees:

Many investors tend to say: more Southern than Rome, we do not take any place into consideration... the main reasons why they do not value the characteristics of the locational environments more Southern than Rome is the question of organised crime. Given that, all Southern regions are involved...

That is to say, from the initial stage of the locational decision-making process, this key (negative) location factor induces investors to exclude all those Southern areas from the range of the places where they would consider locating a new plant, notwithstanding the possibility to obtain financial subsidies. As in fact said by another interviewee:

I remember the case of a multinational company that decided to insert in its shortlist a Central region instead of a Southern region, notwithstanding that in the former financial incentives amounted to 15%, and in the latter to 30%...

In particular, capital-intensive investments are those that are more likely to be kept far from Southern Italy. This kind of investment, infact, clearly requires a higher level of security than other kinds of investments in new plants.

All these factors, and in particular the presence of the mafia, with its specific and unique influence on the perception of entrepreneurs, are elements that can explain not only the width of the perception gap, but also the greater homogeneity of the perception of Southern Italy (in comparison with the perception of the Northern Italy).

6. CONCLUSIONS AND POLICY IMPLICATIONS

In conclusions, we can state that the image that entrepreneurs have of the North-South divide roughly corresponds to the real economic geography of Italy. While this reflection is true, actually it is also evident that in some respects how the divide is perceived is not consistent with its 'real' socio-economic characteristics.

One of these inconsistencies concerns the width of the 'perception gap', compared with the width of the 'reality gap': the former turned out to be bigger than the latter. Another inconsistency concerns the level of variability in the perceived attractiveness of the Southern regions and provinces. It turned out to be lower than the variability of the ratings given to both the Northern and Central regions and provinces, notwithstanding, according to key 'real' economic indicators, that they seem to be equally heterogeneous.

The final impression is that entrepreneurs have either a limited knowledge of Southern Italy, or little interest in it. Consequently, they have an oversimplified and generalised image of this macro-area. Or, they might also have a sort of 'mental barrier' against Southern Italy, a kind of 'wall in the head', as observed in some studies concerning the German case (Maseland, 2014), and as emerged from the thematic analysis of the direct interviews. In trying to understand the underlying motives of this characteristic of the mental maps of entrepreneurs, the explanatory analyses focus in particular on the role played by accessibility and agglomeration economies, and by the presence and the influence of the *mafia*. These key location factors might contribute to increase the entrepreneurs' perceived distance from Southern Italy as a whole, and to create a sort of stereotyped image of it, and therefore a prejudice about its effective ability and convenience to host their hypothetical investments.

The policy implications of these findings are rather intuitive. On the one hand, policies should aim at removing the objective factors that limit the attractiveness of Southern Italy; on the other hand, they should 'correct' and strengthen its image.

As far as the first kind of policies are concerned, needless to say, policies for improving the accessibility of the Mezzogiorno regions and provinces should be one of the pillars of the strategy for investment attraction. It means investing in transport infrastructure and services, in order to reduce the travel time along the North-South axis and to interconnect and better integrate the internal Southern regions and provinces. Together with policies for increasing accessibility, industrial policies for supporting individual firms and clusters should be another pillar of the strategy for increasing territorial attractiveness, again particularly in Southern Italy and in the peripheral regions. Such policies can in fact have effects on the entrepreneurial density and on the intensity and quality of relationships between firms, which is a key location factor. Third, policies aimed at addressing locally specific factors, such as the presence of organised crime in Southern Italy, are

also assumed to be very important (in this case, apparently we are not in the field of the economic development policies, but in the area of the security and safety policies). It is, in fact, fundamental that any potential investor can have trust in a guaranteed legal framework in order to plan and implement his investments, and manage his business safely. Defeating organised crime is probably the key question that should be addressed in order to overcome the prejudiced view of Southern Italy discussed above.

On the other hand, fighting against the prejudicial view that affects the Mezzogiorno means defining and implementing adequate territorial marketing policies, aimed purposely at modifying the wrong knowledge of, and judgement about, the real territorial attractiveness of places. In order to do that, it is important to improve the knowledge of the actual locational advantages of each Southern region in the rest of the country and abroad, formulating targeted marketing policies which can make visible and promote the image of those Southern areas (regions, provinces, cities) which perform better (for instance, are not extremely afflicted by the presence of organised crime), distinguishing them from the ones that perform worst.

The central government and the Southern regional governments should improve and coordinate the governance for FDI attraction policies, investing for example in the creation of a new brand platform for Southern Italy, and its regions, possibly inspired by the experience of other countries and regions in Europe.¹⁶

First, at the central government level, the long-term place branding strategy should aim to position the macro-region as an attractive macro-region in relation to its unique core values, such the geographical centrality in the Mediterranean Sea, the natural landscape, the historic, artistic and cultural heritage, and the quality of life. Part of the place branding strategy at the central government level can be not only usual communication tools such as public relations, advertisements and commercial, but also the hosting of preminent international events that can boost the image of the Mezzogiorno at the global scale, as recently happened in the case of Milan with the 2015 EXPO (Alferj and Favazzo, 2016; Dell'Acqua *et al.*, 2016), and as it might happen soon in Matera, Basilicata, which will be the 2019 European Capital of Culture.

Secondly, at the regional and local government level, each Southern region, and each Southern locational environment, should better identify its own 'model' of attractiveness, and then its own brand platform: that is, its specific mix of territorial tangible and intangible assets, qualities, and location factors that make it positive, unique, appealing and attractive, strengthening its reputation. Examples of territorial 'models' for investment attraction in Southern Italy could be found in Catania, place of the 'Etna valley', specialised in the electronics supply chain

¹⁶ See the examples of place-branding strategies at the national and the regional scale defined and implemented in the Baltic Sea countries (Andersson, 2010).

owing to the presence of one of the plants of ST-Microelectronics (Avola *et al.*, 2013), or even in Apulia, in sectors like renewable energies and mechatronics (Prota, 2013). Matera itself, with its strong specialization in tourism, culture and agri-food can represent an interesting model.

Place-branding at the national and sub-national level of course should be coordinated with the recent creation of the Special Economic Zones in some port areas in Southern Italy (for example, Gioia Tauro in Calabria, and Salerno in Campania), the new policy for investment attraction designed by the central government for Southern Italy (Svimez, 2017).

However, it is also important to point out that the results presented in this paper, broadly speaking, also raise questions about the role of the media, and about the way they deal with the facts concerning the Mezzogiorno. Moreover, they also indicate the need for a cultural change in business community and, broadly speaking, in public opinion, in the direction a greater awareness and deeper knowledge of the objective conditions and characteristics of the most peripheral and least-developed Southern regions.

Further research therefore should develop first in the field of the measurement of the 'perception gap', extending its application to other cases and refining the methodological approach here used, taking into consideration methodologies used in the studies about 'place branding' (see, for example, the instrument for measuring customer-based place brand equity for a place defined by Bose *et al.*, 2016). Secondly, the role of the media should be better investigated following again the literature developed in other fields, such as the works by Mastrorocco and Minale (2016) on the effects of media on the perception of people, in particular as concerns to the role played by the Mafia on the voting behavior in Italy. Therefore, future research necessarily should involve other social sciences, like sociology, anthropology, and psychology, and other fields in geography, like cultural geography.

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