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*Giuseppe Maria Longoni and Alberto Rinaldi*

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# INDUSTRIAL POLICY AND ARTISAN FIRMS IN ITALY, 1945-1981

Giuseppe Maria Longoni (University of Milan)

([Giuseppe.longoni@unimi.it](mailto:Giuseppe.longoni@unimi.it))

Alberto Rinaldi (University of Modena and Reggio Emilia and RECent)

([alberto.rinaldi@unimore.it](mailto:alberto.rinaldi@unimore.it))

## ABSTRACT:

This paper shows that after the Second World War the Italian state carried out an artisanship policy (that is, for the smallest firms) of an extent that was unparalleled in Europe. This policy was based on the provision, on the one hand, of lower tax and employers' contributions and welfare benefits at reduced premiums and, on the other hand, of 'substitutive factors': soft loans, services and promotional initiatives by state agencies. Such an artisan policy played a twofold role: partly 'defensive', protecting a segment of marginal firms, and partly 'proactive', prompting modernisation and innovation of more promising firms. The latter were clustered especially in the industrial district of the centre and north-east of the country, whose development turned out to be boosted to a significant extent by state intervention.

Classification-JEL: N24; N44; O25; O38

Keywords: Italy; Industrial districts; Artisan firms; Industrial Policy

## 1. INTRODUCTION

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

Some economists identify the reason for the prominent role played by small and medium-sized enterprises (SMEs) in Italy with the events of the 1970s, when the crisis of Fordism and mass production, manufacturing de-centralisation and the growth of industrial districts spread industrialisation from the north-west towards the north-eastern and central and regions (NECRs) of the country (Brusco and Paba 1997; Bellandi 1999). This process was supported by the 1970 Charter of Workers' Rights,<sup>1</sup> which, by exempting companies with fewer than 16 employees from the ban on “dismissals without just cause”, created a powerful incentive for the development of micro-firms (De Cecco 2001).

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

The revision of the role of SMEs in Italy's economic history has also led to a revision of the role of the state. If government policies for SMEs were, in the view of Becattini (1998), either non-

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<sup>1</sup> The Charter of Workers' Rights was a law enacted by the Italian Parliament in 1970 under the pressure of a massive wave of strikes which granted more rights and protection to workers and unions in factories with more than 15 employees.

existent or insufficient with regard to those adopted for large companies, Weiss (1988), Carnevali (2005), and Spadavecchia (2005) argued that the Italian state played a central role in fostering the post Second World War advancement of SMEs, while Piore and Sabel (1984) and Arrighetti and Seravalli (1997) held that regional and local institution, rather than the central government, were relevant in the development of Italian SMEs.

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

This chapter is structured as follows: Section 2 contains various quantitative data concerning the extension of artisan enterprise in Italy between 1937 and 1981. Sections 3 and 4 examine artisan associations and their demands. Section 5 addresses the role of small companies in the analyses of the two major Italian political parties: the Christian Democrat Party (DC)<sup>2</sup> and the Italian Communist Party (PCI).<sup>3</sup> Sections 6 and 7 investigate the initial measures adopted to aid artisan firms in the years immediately after the Second World War. Section 8 deals with the Artisan Act of 1956, which defined the legal framework of artisan firms in Italy. Sections 9 to 13 discuss the policies adopted in relation to artisan firms subsequent to the approval of the Artisan Act. Finally, Section 14 makes some closing remarks.

## 2. QUANTITATIVE DATA ON ARTISAN FIRMS

The industrial census of 1937-39 revealed the presence of 815,438 artisan firms in Italy, with 1,243,407 employees (Table 1), identified upon the basis of a list of professions established in 1934. Artisan firms accounted for 25.6 per cent of the total number of employees recorded by the census. These firms were prevalent in the sectors of health and social work (84.1 per cent of employees in the sector), clothing and fashion wear (79.7 per cent of employees), tanning, leather and footwear (67.9 per cent of employees) and wood and furniture (63.5 per cent of employees).

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<sup>2</sup> The DC was founded in 1942. The party was, in part, a revival of the catholic Italian People's Party created in 1919 but declared illegal by the Fascist regime in 1925. From 1944 to 1947, the DC joined a national unity government with the other anti-Fascist parties, but broke with its left-wing coalition partners in 1947. From 1948 to 1993, the DC was the largest party in parliament, governing in successive coalitions with the smaller Liberal (PLI), Republican (PRI), and Social-Democratic parties (PSDI), and, after 1963, with the Socialist party (PSI). In the early 1990s, the DC came to grief with the enormous corruption scandal *Tangentopoli*, and, in 1993, returned to its original name, the Italian People's Party, which was defeated by Berlusconi's party *Forza Italia* in the general election in 1994.

<sup>3</sup> The PCI was founded in 1921; five years later, it was outlawed by the Fascist regime. From 1944 to 1947, it joined a national unity government with the other anti-Fascist parties. After the Second World War, it became the strongest force among the Italian left-wing parties and the main opposition party in Italy, attracting the support of about one-third of voters in the 1970s. At that time, the PCI was also the largest Communist party in the western world. In 1991, the PCI disbanded to form the *Democratici di Sinistra* (Democratic Party of the Left), with membership in the Socialist International, while more radicals members left the party to form the *Rifondazione Comunista Italiana* (the Communist Refoundation Party).



Table 1 – Artisan firms and employees (1937-1981)

Industry	1937-39			1951			1961			1971			1981		
	Firms	Employees	(a)	Firms	Employees	(a)	Firms	Employees	(a)	Firms	Employees	(a)	Firms	Employees	(a)
Food	59,135	120,761	21.0	40,650	80,367	19.7	39,348	103,554	25.6	34,362	96,094	25.3	37,006	108,815	26.0
Metallurgy	...	...	...	198	538	0.4	500	2967	1.6	1,513	6,457	2.6	907	3,622	1.7
Mechanics	95,493	171,676	20.3	107,942	177,740	19.3	134,901	357,762	25.6	183,037	480,042	25.2	259,220	672,121	26.7
Non-metal minerals	13,325	29,319	14.2	10,239	22,117	11.0	12,279	45,257	14.2	15,258	57,285	17.3	17,128	60,747	18.0
Paper and printing	...	...	...	4,614	11,417	8.4	7,518	30,594	19.1	11,050	41,608	17.8	17,067	59,440	21.1
Tanning, leather and footwear	121,058	146,305	67.9	93,492	121,998	61.0	63,828	103,445	46.1	38,733	83,870	36.6	38,892	103,767	34.8
Wood and furniture	115,504	180,104	63.5	101,121	164,614	56.3	96,968	222,654	58.7	90,882	206,713	52.1	101,790	240,742	53.2
Textiles	27,627	36,498	5.8	29,869	41,917	6.5	36,070	76,832	13.0	40,640	97,462	18.0	46,751	115,646	23.4
Clothing and fashion wear	165,881	246,202	79.7	123,833	191,261	76.6	113,376	211,203	62.3	91,205	164,455	39.5	69,776	163,454	36.0
Chemicals and rubber	...	...	...	3,892	7,890	3.5	6,668	21,494	6.7	6,947	17,390	4.3	16,114	49,201	9.5
Other manuf.	...	...	...	7,010	12,608	23.8	9,280	20,493	16.8	20,126	64,228	32.1	22,498	58,868	51.2
<i>Manufacturing</i>	<i>597,723</i>	<i>930,865</i>	<i>26.7</i>	<i>523,060</i>	<i>832,467</i>	<i>23.9</i>	<i>520,736</i>	<i>1,176,246</i>	<i>26.4</i>	<i>533,763</i>	<i>1,318,044</i>	<i>24.9</i>	<i>627,149</i>	<i>1,635,780</i>	<i>26.8</i>
<i>Agriculture, forestry and fishing</i>	...	...	...	...	...	...	...	...	...	<i>16,827</i>	<i>37,097</i>	<i>33.1</i>	<i>12,163</i>	<i>22,533</i>	<i>12.9</i>
<i>Mining and quarrying</i>	...	...	...	...	...	...	<i>3,117</i>	<i>11,837</i>	<i>13.5</i>	<i>2,333</i>	<i>8,854</i>	<i>12.4</i>	<i>2,485</i>	<i>9,922</i>	<i>18.0</i>
<i>Energy, gas, and water supply</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>12</i>	<i>55</i>	<i>0.0</i>
<i>Construction</i>	<i>49,253</i>	<i>78,615</i>	<i>14.1</i>	<i>14,850</i>	<i>31,075</i>	<i>5.9</i>	<i>31,195</i>	<i>127,513</i>	<i>13.9</i>	<i>105,883</i>	<i>304,225</i>	<i>30.5</i>	<i>261,112</i>	<i>617,866</i>	<i>51.8</i>
<i>Transport</i>	<i>106,725</i>	<i>136,011</i>	<i>24.7</i>	<i>47,759</i>	<i>62,570</i>	<i>12.0</i>	<i>66,891</i>	<i>113,540</i>	<i>15.3</i>	<i>79,240</i>	<i>119,027</i>	<i>13.3</i>	<i>113,841</i>	<i>167,612</i>	<i>14.6</i>
<i>Business services</i>	...	...	...	...	...	...	...	...	...	...	...	...	<i>2,298</i>	<i>4,521</i>	<i>3.0</i>
<i>Health and social work</i>	<i>61,737</i>	<i>97,916</i>	<i>84.1</i>	<i>65,038</i>	<i>99,913</i>	<i>71.1</i>	<i>98,690</i>	<i>176,233</i>	<i>73.8</i>	<i>139,377</i>	<i>229,496</i>	<i>50.5</i>	<i>161,650</i>	<i>261,603</i>	<i>65.1</i>
Total	815,438	1,243,407	25.6	650,707	1,026,025	21.9	746,246	1,686,905	26.2	877,422	2,016,743	25.7	1,180,710	2,719,892	28.8

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

Percentage of artisan firms on total employment of the sector.

The next census, conducted in 1951, defined artisan firms as enterprises “having a single local facility, engaged in the production of capital goods or the provision of common or artistic services [...] whose proprietor is continuously engaged in the work process or [...] in the training of apprentices, with or without the assistance of family members and/or other persons”. This definition made it impossible to make a distinction between artisan firms and micro-firms in which, as in artisan firms, the proprietor works as described above, because there was no mention of the capital employed, the type of manufacturing work carried out (series production or limited runs), or the degree of dependence on customers (Zamagni 1979). The number of firms had fallen to 650,706 (-20.2 per cent), the number of employees was down to 1,026,025 (-17.5 per cent), while the percentage of employees in artisan firms with regard to the total number of employees included in the census had dropped to 21.9 per cent.

The difficulties encountered in recording artisan firms were not overcome even in the subsequent censuses of 1961, 1971, and 1981. In 1961, a total of 746,246 firms were recorded out of the 916,912 firms enrolled at the end of the year in the provincial registers created at the Chambers of Commerce. In 1971, with 877,422 firms recorded in the census, the total number of firms enrolled in the provincial registers was 1,231,525, while, in 1981, the census recorded 1,180,710 firms, as compared to 1,447,902 concerns enrolled in the provincial registers.<sup>4</sup>

In any event, the 1951-81 period saw a steady expansion of artisanship: according to the census data, the number of concerns had grown by 81 per cent and the number of employees by 165 per cent, from 1,026,025 to 2,719,892 people, accounting for nearly 30 per cent of total employees in 1981. The sector further expanded in the following two decades: the 2001 census recorded 1,235,158 artisan firms employing 3,250,808 people.

Some sectors, such as textiles, mechanical engineering, the processing of non-metal minerals, paper and printing, building construction, transport and health and social work grew steadily during the entire 1951-81 period. Others, including the food sector, wood and furniture, and chemicals and rubber showed growth from 1951 to 1961, followed by a decline during the next decade, and by a new upsurge from 1971 to 1981. Clothing and fashion wear grew slightly from 1951 to 1961 and then dropped in the next two decades, while the tanning, leather and footwear sector reflected a constant decline over the 1951-71 period, which was followed by a period of expansion from 1971 to 1981.

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<sup>4</sup> The lower number of artisans censused in relation to those registered with the Chambers of Commerce suggests that many artisans worked at home. Being without business premises – the criterion of census taking – they escaped tabulation (Barberis 1980).

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

### 3. ARTISAN ASSOCIATIONS

Up to the middle of the 1920s, Italian artisan firms relied on a very insubstantial organisation, structured around trade communities on a strictly local basis. Only in 1926 an independent National Federation of Artisans (NFA) was created. Within the NFA, artisans were grouped into 42 craft trade communities and 26 usual trade communities, which were subsequently aggregated into 20 national arts (Zamagni 1979).

The creation of corporations in 1934<sup>5</sup> was accompanied by a restructuring of the system of representation of economic interests into four primary categories: agriculture, industry, commerce, and financing and insurance. Against this background, the NFA was annexed to the *Confindustria*, the association dominated by the larger firms (Maraffi 1994).

The corporative system was abolished after the fall of the Fascist regime. The fascist associations were dismantled and freedom of association was re-introduced. This allowed artisans to break away from the *Confindustria* and set up their own independent organisations. Consequently, four nationwide associations were set up between the end of 1944 and the start of 1945. Attempts to create a single national organisation of Italian artisans failed in 1946. In the second half of the same year, there was a split that led to the emergence of two major category confederations: the CNA (National Confederation of Artisan Firms), which was present almost exclusively in the north, and the CGAI (General Confederation of Italian Artisan Firms), which was active primarily in central and southern Italy (Pesole 1997).

A split of the CGAI in 1948 led to the creation of a third organisation, CIA (Italian Confederation of Artisan Firms), which also attracted the membership of several local associations

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<sup>5</sup> One of the most important economic reforms of the Fascist regime was the formation of the corporative system, according to which both employers and employees of the same trade were brought by law under one confederation: the “corporation”. In 1934, twenty-two corporations were formed. The government’s representatives also participated in the corporations, and provided accident, unemployment and health insurance to workers and helped to settle labour disputes. Both workers’ strikes and employers’ lockouts were forbidden.



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

Thus, the representation of Italian artisan firms was once again divided between two large confederations with opposing political and ideological bases, although the two biggest were soon to be joined by two smaller confederations, confirming the pluralistic nature of the trade representation system (Romeo 1979).

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

#### **4. THE DEMANDS OF THE ARTISANS**

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

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

1. Facilitations and exemptions:

- tax relief concessions (on turnover tax and general income tax) and insurance contributions relief (for family allowances and apprentice artisans);
- the creation of a welfare system for artisans in the form of a public system of compulsory insurance (for sickness, invalidity and old age) with a ratio between benefits and contributions that was to be higher than that offered by private insurance companies to industrial entrepreneurs;

2. Substitutive factors:

- provision – by specific government agencies – of services and business promotion initiatives that artisan firms, because of their small size, were unable to perform or denied access to on the market at conditions that were comparable to those available to large companies:
  - access to credit;
  - commercial promotion;
  - technical, design and artistic assistance;
  - vocational training.

## 5. ARTISAN FIRMS IN THE ANALYSES OF THE DC AND THE PCI

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

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

In emphasising the role of small ownership, the DC was heir to the very problem that had eventually urged Catholics into the political arena: the struggle to deflect the proletariat from the attractions of socialism. This “great labour question”, as Leo XIII defined it in the *Rerum Novarum* of 1891, “cannot be solved save by assuming, as a principle, that private ownership must be held sacred and inviolable. The law should, therefore, promote ownership, and its policy should be to induce as many people as possible to become owners” (cited in Camp 1969: 84). In effect, the proletariat could be redeemed not as workers, but by conversion to something else, by restoring all the means of production that are indispensable for conducting one’s own livelihood.

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

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

Moreover, the analysis of the DC was influenced by the views of the Catholic economists of the early 20th century, who had stressed the economic rationality of small firms (Toniolo 1951). The DC never regarded technological progress as a prerogative of the large factory, but maintained that its benefits could also be exploited by small firms. Thus, small enterprises were considered not as an inferior proxy to large companies, but as an essential element for economic development that was to play a central role in the reconstruction of Italy’s economy (Weiss 1988).

These were not the only reasons for the DC to support small firms. In the immediate post-war period, the government’s monetary policy to stabilise the value of the currency was one of the factors that aggravated unemployment and social unrest. The DC could not afford to follow a strictly liberal policy and forego the support of the small entrepreneurs. The need for consensus led it to develop a responsive strategy to provide SMEs with help (Carnevali 2005).

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

## 6. THE FIRST PROVISIONS FOR ARTISAN FIRMS

### 6.1. *Tax relief and national insurance discounts*

In the first decade after the Second World War, the Italian government decided on a series of measures for artisans. First of all, the rate of turnover tax was reduced from 4 per cent to 1. With regard to general income tax, prior to the Second World War, artisans were included among recipients of mixed income of capital and labour (class B); in 1946, the Ministry of Finance decided on the classification of artisan activities in the categories of income from independent professional work (class C-1), which was subject to lower tax rates, provided the following conditions were fulfilled within the firm (Lionetti 1965):

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

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

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

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

### 6.2. *The creation of Artigiancassa*

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

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

1. Identification of the pool of beneficiaries of loans. For this purpose, an artisan firm was defined as “based mainly on labour and oriented towards the production of goods”, the cost of which should be “composed in a significant percentage by the work employed to produce them”. This definition automatically excluded service activities and the repair of products;
2. The type of credit to be disbursed, which it was decided could be both working capital and capital equipment loans;
3. The collateral required for the granting of loans, which were divided into personal securities for operations of working credit, and real securities for capital equipment loans.

From 1948 to 1952, *Artigiancassa* disbursed 6,705 loans for a total of 4.7 billion Lire, 90 per cent of which were medium term. The loans were granted to only 1 per cent of the approximately 650 000 artisan concerns recorded by the 1951 census. And nearly half of the transactions concerned companies located in the Lazio region, home to only 5.3 per cent of Italy’s artisan firms, while *Artigiancassa*’s loans were almost non-existent in northern Italian regions, where artisan firms were far more numerous (Baccini 2002).

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

*Artigiancassa*’s endowment fund was increased to 5,500 million Lire by means of a government allocation of 5,000 million Lire. In addition, a fund of 1,500 million Lire was created at *Artigiancassa* – disbursed in the measure of 300 million Lire each year for five years – for state grants for interest relief on loans to support artisan firms, disbursed by the authorised banks.

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

1. a broader credit offering. The soft loans for artisan firms could now be distributed through a network of banks reaching all parts of Italy, which amounted to 5,201 branches in 1954 (66.2 per cent of total bank branches);
2. direct responsibility of the banks involved, which assumed the legal title and risk of the loans subject to the facilitations managed by *Artigiancassa*;
3. the entry of these banks, involved in the disbursal of short-term loans, into the circuit of medium-term credit. This was a first and important departure from the rule of separation between commercial credit and industrial credit, as ratified by the 1936 banking law;
4. to reconcile the authorisation awarded to these banks to grant medium-term loans to artisan firms with their requirements for liquidity, *Artigiancassa* was utilised to release frozen assets through re-discounting operations.

## **7. *ENAPI*, ARTISAN PRODUCT MARKET-EXHIBITION, *INIASA***

*Enapi*, the national agency for artisan firms and small businesses, had been operating since 1919 in the field of technical, commercial and artistic consultancy. Prior to the Second World War, this organisation had at its disposition a good level of technical equipment and a nationwide network of branches provided by the NFA's provincial headquarters. Overall, during those years, the work of the organisation was focused on supporting exhibition and training activities locally.

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

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

In the field of vocational training, *Iniasa* (the national body for vocational training in the artisan sector) was set up in 1952. By the mid-1960s, *Iniasa* had opened 124 vocational training centres that offered many courses, including courses for technical draughtsmen, fitters-assemblers,

lathe operators, maintenance fitters, radio and television repair technicians, and electricians (Zamagni 1979).

## 8. THE 1956 ARTISAN ACT

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

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

- Had to be organised and function with the professional work, including manual labour, of the proprietor or the members of proprietor's family;

Could have employees:

- if no series work was undertaken: up to ten employees (including family members) plus ten apprentices;
- if series production work was undertaken or the company provided transport services: up to five employees (including family members) plus five apprentices;
- if the company operated in the sector of artistic work, traditional work, or tailored clothing: no limit on the number of employees, but a maximum of 20 apprentices.

Thus, the 1956 Act defined artisanship not as a professional category, but as a legal regime, the membership of which entitled the proprietor to a wide variety of benefits. Unlike the German and French legislation, in which the artisan qualification was defined upon the basis of lists of trade activities, the 1956 Italian law defined artisan enterprise upon the basis of a maximum number of persons employed.<sup>6</sup> Furthermore, the Italian system was the only system in Europe in which the prospective artisan required no certification of expertise, thus ensuring ease of entry to the sector.

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<sup>6</sup> Without prejudice to the specified size requirements, the qualification of "artisan" could be applied to one-man businesses, general partnerships, limited partnerships and co-operatives, provided the majority of partners were artisans. This system differed from that adopted in West Germany, where the size of the enterprise was at the discretion of its promoter and an artisan firm could even be a joint-stock company (Barberis 1980).

An approach based upon the de-limitation of the size of artisan firms was preferred because it would facilitate the multiplication of small firms rather than their growth in size and concentration.<sup>7</sup>

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

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

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

## **9. THE WAIVING OF CLAUSES OF THE ARTISAN ACT**

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

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<sup>7</sup> In contrast, the 1953 German Artisan Act imposed no size limitation but specified obligatory training and qualifications for those desiring to be registered as artisans. Such measures were clearly aimed at limiting newcomers to the area of artisanship (Weiss 1988).



Acceptance of this demand was slow in coming, because wariness in granting excessive facilitations to industrial companies that could be included in the ranks of the entities which benefited from the legislation for artisan firms was diffused among parliamentary groups. This is why the clause concerning family allowances was waived only in 1965, while the clause regarding general income tax was waived only partially in 1968 with the specific creation of a new definition of an artisan firm, which was broader than that of the 1946 decree, but more restrictive than that of the 1956 Artisan Act. This law was abrogated by the tax reform of 1974, which removed all differences between artisan entrepreneurs and other businessmen (Gualtierotti 1977).

## 10. OBLIGATORY HEALTH INSURANCE

In 1956, a few months after enactment of the Artisan Act, the legislator agreed to another of the principles for which artisan associations were lobbying: obligatory health insurance.<sup>8</sup> This provision ratified the creation, in all Italian provinces, of a mutual sickness fund for the proprietors of artisan firms, as defined by the Artisan Act, and the members of their families. In addition, a national federation of mutual funds for artisans was set up (*Federmutue*), with the attribution of regulatory and co-ordinative functions with regard to the activities of the provincial mutual funds. Artisans were granted hospital, specialist (diagnostic and treatment) and obstetric assistance, although generic and pharmaceutical assistance were excluded. The following provisions were then passed in order to meet the costs stemming from the application of this law:

- an annual government contribution of 1,500 Lire for each person covered by the fund;
- an annual contribution of 1,000 Lire to be paid by each assisted person, of which 700 Lire for the provincial mutual fund and 300 Lire to be paid to *Federmutue* for the creation of a national solidarity fund to be divided among the individual provinces;
- a possible supplementary amount for each artisan, to be decided by the provincial mutual fund, taking account of the economic capacity of individual artisan firms, to cover any higher costs of the health assistance offered.

In the following years, the state contribution was gradually increased. At the end of the 1960s the amount had risen to 3,000 Lire per assisted person, plus the 1,675 million Lire paid directly to the *Federmutue* (Gualtierotti 1977).

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<sup>8</sup> Up to that time, there existed only voluntary forms of insurance operating in accordance with the model of mutual benefit associations (Pesole 1997).

The number of assisted persons increased steadily from 1,461,000 in 1957 (Istat 1960: Table 141) to 4,463,000 in 1977 (Istat 1979: Table 55) when artisan firm proprietors joined the newly created national health system and the provincial mutual funds were abolished.

## **11. OBLIGATORY INSURANCE FOR INVALIDITY, OLD AGE AND WIDOWHOOD**

In 1959, artisans and the members of their families were also granted obligatory insurance for invalidity, old age, and widowhood. The minimum monthly pension was set at 5,000 Lire, an amount that was lower than that of blue-collar workers. The minimum pension age was set at 65 for men and 60 for women, compared to the 60 years of age for other categories. The management costs were to be met by the contributions of the insured parties (600 Lire per month) plus the aid of the state, in the amount of 2.5 billion Lire.

In the 1960s, in response to pressure exerted by the artisan associations, minimum pension amounts were gradually increased, reaching 13,200 Lire per month in 1968, while the state contribution was increased to 4 billion Lire annually. In addition, the contributions of the insured parties increased, reaching 1,200 Lire per month in 1965 (Gualtierotti 1977).

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

## **12. ARTIGIANCASSA: 1953-1981**

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

- an extension of the credit facilitations for the formation of the stocks of raw materials and products required for the firm's production cycle, which could not exceed 20 per cent of the loan agreed for capital equipment, or the value of plant;<sup>9</sup>
- authorisation was also granted to allow private banks to work with *Artigiancassa*. With this measure, the entire Italian banking system was authorised to grant soft loans to artisan firms;
- the extension of the maximum duration of the re-discount applied by *Artigiancassa* from two to five years, freeing banks still further from the risks associated with frozen assets.

A subsequent law of 1958 increased the endowment fund of *Artigiancassa* from 5,500 to 10,500 million Lire. Moreover, this law established that the net profits resulting from the financial

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<sup>9</sup> This figure was increased to 30 per cent in 1964.

statements of *Artigiancassa*, after deducting a rate of 20 per cent to be allocated to the reserve fund, were to be disbursed to the banks participating in the endowment fund, up to an amount equivalent to 4 per cent of the stake held by each of them. In this manner, from 1958 onwards, the state was awarded a dividend on its stake in the endowment fund, which was destined to integrate the interest relief grant fund. This measure was extremely important because it established the interest relief grant fund upon a permanent basis, while the 1952 law had financed it for only five years (Parrillo 1959).

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

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

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

Overall, from 1953 to 1971, *Artigiancassa* assisted 207,777 artisans with subsidised credit worth 786 billion lire, about 30 per cent of which also benefited from the discounting operation (Table 2).

The proportion of artisans benefiting from soft loans over the period was just above 14 per cent of the artisans registered with the provincial Chambers of Commerce (Table 3). Both in absolute terms and in relation to the size of its artisan sector, the NECRs benefited most from state support: by 1971, this area accounted for 41 per cent of all concerns and almost 60 per cent of beneficiaries. Firms located in the Northwest were also favoured in loan distribution (27 per cent of concerns and 32 per cent of beneficiaries) whilst the backward South was clearly penalised (32 per cent of concerns and only 9 per cent of beneficiaries). Thus, there is a clear correlation between the areas receiving the largest proportion of loans and the regions in which small firms flourished and multiplied (Weiss 1988).

In the 1972-81 period, there were a further seven state allocations into the endowment fund, which stood at 853.5 billion Lire in 1981. These were integrated by 11 allocations to the interest relief fund, for a total of 1,825 billion Lire, and by five allocations to the central guarantee fund for a total of 4.5 billion lire, bringing the fund up to 12.2 billion Lire. The maximum amount of each

loan was increased to 25 million Lire in 1975 and to 60 million in 1978, in line with rising costs of machinery and of a rate of inflation in double figures (Baccini 2002).

*Table 2 Loans granted by Artigiancassa, 1953-1981 (millions of lire)*

	Subsidised loans		Discounted loans		State guaranteed loans	
	No.	Amount	No.	Amount	No.	Amount
1953	270	416	172	257		
1954	1836	2 804	822	1 274		
1955	2658	4 288	1870	2 961		
1956	2966	4 763	1751	2 825		
1957	4393	7 330	3294	5 414		
1958	6483	12 036	4023	7 284		
1959	7900	16 451	3696	7 424		
1960	10 532	25 189	5048	12 099		
1961	15 069	38 994	2458	5 671		
1962	15 396	42 156	3592	8 888		
1963	14 682	45 137	4454	12 629		
1964	12 398	38 787	3368	9 862		
1965	8 699	27 073	5413	16 356		
1966	5 572	17 905	2315	7 169	55	144
1967	18 494	70 652	5373	20 992	665	2 756
1968	24 263	120 009	5039	24 198	1634	8 648
1969	19 625	104 330	3298	17 095	1944	11 215
1970	16 525	92 631	2837	16 069	1387	8 732
1971	20 016	114 591	4668	26 416	1684	11 031
1972	25 969	182 549	3911	26 467	2323	17 909
1973	40 540	312 197	3989	31 783	4494	37 462
1974	17 796	148 745	3437	30 596	2386	21 496
1975	30 983	319 574	6898	64 793	4007	43 385
1976	47 052	605 985	8688	105 743	6399	83 671
1977	52 290	683 126	9336	128 354	7773	106 119
1978	49 447	659 085	6841	97 310	8116	117 821
1979	54 095	735 616	8014	116 393	8531	128 107
1980	79 065	1 246 976	13 151	197 015	11 186	190 039
1981	61 475	1 327 831	16 679	344 817	9416	216 958

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

Table 3 Regional distribution of artisan proprietors and firms financed by Artigiancassa, 1953-1971.

Region	Firms financed (1953-1971)	Artisan proprietors*	% of regional firms financed
Piedmont	7.8	8.6	12.9
Valle d'Aosta	0.1	0.2	3.2
Lombardy	22.2	15.3	20.5
Liguria	2.0	3.2	8.7
<i>Total Northwest</i>	<i>32.1</i>	<i>27.3</i>	<i>16.6</i>
Trentino-Alto Adige	0.6	1.5	5.9
Veneto	11.9	7.7	22.1
Friuli-Venezia Giulia	1.7	2.2	10.8
Emilia-Romagna	19.0	10.1	26.7
<i>Total Northeast</i>	<i>33.2</i>	<i>21.5</i>	<i>21.9</i>
Tuscany	8.9	8.0	15.8
Marches	8.5	3.4	35.4
Umbria	2.5	1.6	23.3
Lazio	5.6	6.2	12.9
<i>Total Centre</i>	<i>25.5</i>	<i>19.2</i>	<i>19.0</i>
Abruzzi	1.4	2.3	9.0
Molise	0.4	0.7	7.8
Campania	1.8	6.0	4.2
Apulia	1.7	5.6	4.2
Basilicata	0.2	1.0	3.1
Calabria	1.2	2.8	6.1
Sicily	2.3	10.9	3.0
Sardinia	0.2	2.6	0.9
<i>Total South</i>	<i>9.2</i>	<i>32.0</i>	<i>4.1</i>
<i>Total Italy</i>	<i>100.0</i>	<i>100.0</i>	<i>14.2</i>

Source: Weiss (1988, Tables F-G).

\* Artisan concerns registered with provincial Chambers of Commerce on 31 Dec. 1970.

The increased state funding enabled *Artigiancassa* to expand its activity considerably: from 1972 to 1981, it granted 485,712 new soft loans (more than twice as much as in the 1953-71 period) amounting to 6,222 billion Lire (eight times as much as in the 1953-71 period), one sixth of which also benefited from discounting operation. If, in the 1962-71 period, *Artigiancassa* had granted an average of 15,567 loans per year, in the 1972-81 period, the loans trebled to 48,571.

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

However, in the 1970s, firms located in the centre-north – and especially in the NECRs – continued to receive a larger proportion of funds than their southern counterparts, even though the

gap had diminished at the end of the decade (Table 4). This meant that the flourishing of micro-firms in industrial districts in the years of the crisis of fordism had been supported by generous state funding.

Table 4 Regional distribution of artisan proprietors and firms financed by Artigiancassa, 1973, 1978.

Region	1973		1978	
	Firms financed	Artisan proprietors*	Firms financed	Artisan proprietors**
Piedmont	10.0	8.5	14.2	9.1
Valle d' Aosta	0.2	0.3	0.0	0.3
Lombardy	25.2	15.8	17.7	17.1
Liguria	2.1	3.2	2.2	3.2
<i>Total Northwest</i>	<i>37.5</i>	<i>27.8</i>	<i>34.1</i>	<i>29.7</i>
Trentino-Alto Adige	1.9	1.4	0.8	1.6
Veneto	14.0	8.0	10.8	8.9
Friuli-Venezia Giulia	1.0	2.2	0.6	2.3
Emilia-Romagna	20.5	10.0	19.5	10.1
<i>Total Northeast</i>	<i>37.4</i>	<i>21.6</i>	<i>31.7</i>	<i>22.9</i>
Tuscany	9.0	8.0	9.1	8.0
Marches	5.3	3.5	6.2	3.6
Umbria	2.4	1.5	2.6	1.5
Lazio	2.4	6.6	2.8	6.5
<i>Total Centre</i>	<i>19.1</i>	<i>19.6</i>	<i>20.7</i>	<i>19.6</i>
Abruzzi	1.1	2.2	1.4	2.5
Molise	0.2	0.6	0.7	0.6
Campania	0.7	5.7	1.8	5.8
Apulia	2.0	5.3	4.8	5.3
Basilicata	0.4	0.8	1.4	0.8
Calabria	0.5	2.6	1.7	2.3
Sicily	0.7	11.1	1.1	10.5
Sardinia	0.4	2.6	0.7	n.a.
<i>Total South</i>	<i>6.0</i>	<i>31.0</i>	<i>13.5</i>	<i>27.8</i>
<i>Total Italy</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: Baccini (2002, Tables A.11-A.12).

\* Artisan concerns registered with provincial Chambers of Commerce on 31 Dec. 1973.

\*\* Artisan concerns registered with provincial Chambers of Commerce on 31 Dec. 1978.

### 13. **ENAPI AND THE ARTISAN PRODUCT MARKET-EXHIBITION: 1950-1981**

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

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

The result was a significant increase in the development of the agency in the mid-1960s. Beneficiary firms of the technical assistance service – principally for technical testing of machinery and building works – increased from 10,860 in 1962, to 17,992 in 1964. In contrast, commercial assistance involved 1,950 firms in 1962, and 8,867 in 1964: in this year, the service was offered to 1,247 exhibitors at international trade fairs and exhibitions, and 2,403 exhibitors at Italian trade fairs and exhibitions, while a further 4,438 companies were placed in contact with foreign businesses. In addition, collection centres were set up for artisan company products in Modena and Cosenza, and showrooms in Munich, Paris, Montreal and Zurich. Lastly, design and artistic assistance was provided for 2,100 companies in 1962 and 4,864 in 1964.

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

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

In 1972, the annual state grant to *Enapi* was increased to 1,200 million Lire (Camera dei Deputati 1973), but, in 1978, the agency was closed down as a consequence of the transfer of most competencies on artisan policy to the regional governments.

On another tack, as already stated, the artisan production market-exhibition had re-opened in Florence in 1947, drawing some 600 exhibitors. In the following years, the event evolved significantly and it opened its doors to international markets as from 1952. The pavilions were extended and renovated, with the result that, in 1958, the number of exhibitors had increased to 2,230, including many foreign companies, while the level of turnover had risen from the initial 150 million to 3 billion Lire (Camera dei Deputati 1958).

In 1967, the market-exhibition drew 3,400 exhibitors from 37 countries, while many more applications were rejected due to a shortage of space. To facilitate further development of the event, it was decided to transfer it to a new larger site on the outskirts of the city in 1963. However, the construction of the new pavilions and the annexed service facilities took many years and was completed only at the end of the 1970s (Camera dei Deputati 1977). In order to allow the project to be undertaken, the exhibition took out a 25 year loan (Camera dei Deputati 1971) in 1967, which

was repaid thanks to an increased annual state grant of 150 million Lire in the same year (Camera dei Deputati 1967) and of 300 million Lire in 1972 (Camera dei Deputati 1974).

#### **14. CONCLUSIONS**

This paper argues – in opposition to Becattini (1998) and in agreement with Weiss (1988) – that the Italian state carried out an artisanship policy on a scale that was unparalleled in Europe. This policy was based upon the provision, on the one hand, of lower tax, and employers' contributions and welfare benefits at reduced premiums, and, on the other, of “substitutive factors”: soft loans, services and promotional initiatives by state agencies.

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

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

Some scholars (for example, Baccini 2002) have observed that, contrary to other European countries, Italian artisanship policy did not foster the growth in the size of firms, but, instead, provided incentives to remain small, since it was a condition in order to qualify for state benefits not to exceed the size-limits established by the Artisan Act, and they have suggested the presence of a relationship between the prevalence of SMEs in the Italian economy and the presence of an articulated system of state facilitations for small companies, constituting an emblematic case of what Sabel and Zeitlin (1997: 20) referred to as “the reciprocal relation between the constitution of actors and the formation of the context in which they make their choices”.

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



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

On the other hand, the provision of “substitutive factors” was selective and served to stimulate innovation. These include the soft loans of *Artigiancassa*, which, until 1971, were awarded to just 14 per cent of artisans. The majority of these loans were disbursed in the more developed areas of the country, specifically the NECRs, where small businesses were particularly dynamic, while only a minimum proportion were allocated to the backward South, which had a significant concentration of small marginal concerns. In the 1970s, *Artigiancassa*’s loan provision became more extensive, reaching 46 per cent of Italy’s artisan firms active in 1981, but also in this decade the centre-north was clearly favoured in credit disbursement. Likewise, only a minority of artisan firms, selected from among those that presented the best possibilities for development, benefited from the promotion services provided by *Enapi* and the Florence market-exhibition.

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