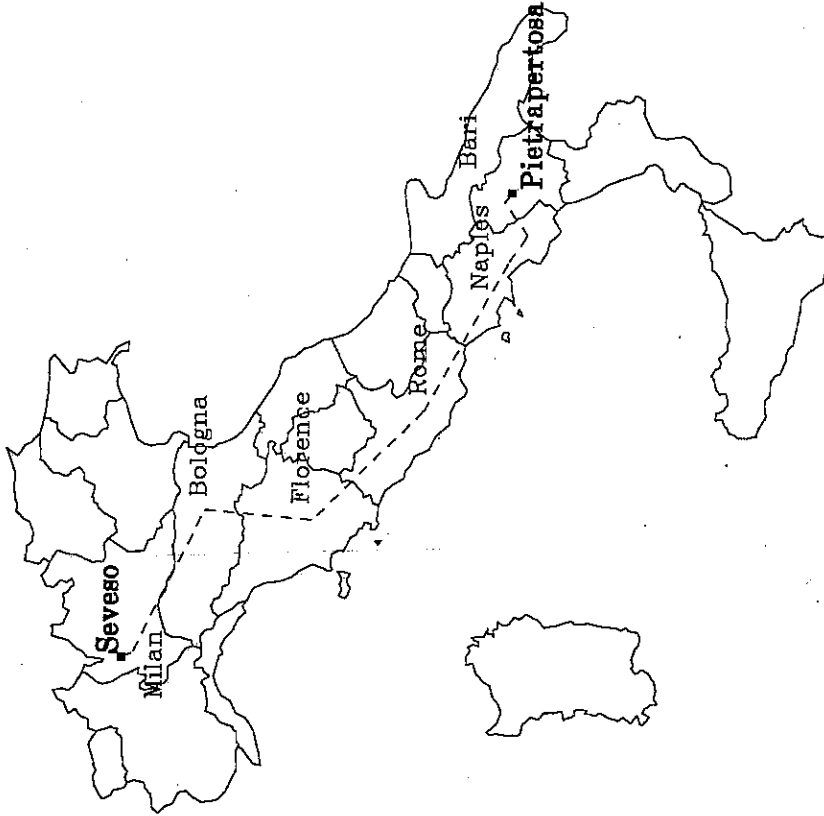


MAKING DEMOCRACY WORK

CIVIC TRADITIONS IN
MODERN ITALY

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Frontispiece. Italy: A Voyage of Inquiry

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With the possible, partial exception of PCI rule, none of these supplementary explanations adds anything at all to our understanding of why some governments work and others do not. The evidence reviewed in this chapter is unambiguous: Civic context matters for the way institutions work. By far the most important factor in explaining good government is the degree to which social and political life in a region approximates the ideal of the civic community. Civic regions are distinctive in many respects. The next question is this: Why are some regions more civic than others?

Tracing the Roots of the Civic Community

OUR INQUIRY into the performance of Italian regional governments in the 1970s and 1980s has pinpointed the unique character of civic life in some regions. Following that thread now draws us deep into the contrasting pasts of Italy's regions. Our story begins with a momentous time of transition on the Italian peninsula nearly a thousand years ago, as Italians were emerging from that obscure era justly termed the Dark Ages. Early medieval Italy, when our story opens, was closer to ancient Rome than to our own times, not only chronologically but also in everyday ways of life. Nevertheless, social patterns plainly traceable from early medieval Italy to today turn out to be decisive in explaining why, on the verge of the twenty-first century, some communities are better able than others to manage collective life and sustain effective institutions.¹

THE CIVIC LEGACIES OF MEDIEVAL ITALY

Although the regional governments were established in 1970 against the backdrop of a national administration that had been highly centralized for a hundred years, the regions themselves had far deeper historical roots. For a millennium and a half, from the fall of Rome until the middle of the nineteenth century, Italy was, in the dismissive words of the Austrian statesman Metternich, merely "a geographical expression," a congeries of many small city-states and semi-colonial dominions of foreign empires. In a world of modernizing European nation states, this fragmentation condemned Italians to economic backwardness and political marginality.

It had not always been so. In the medieval period, Italians had created political structures more advanced than any other in Christendom. Indeed, two strikingly distinctive political regimes, both innovative and both destined to have far-reaching social, economic, and political consequences, appeared around 1100 in separate parts of the peninsula:

Throughout the peninsula during the eleventh century, the time-honoured imperial system of government—Byzantine in the south, German in the north—passed through a time of strain and weakness, ending in virtual collapse, which handed the initiative to local forces. In the south the breakdown of the central government was relatively short-lived and a powerful Norman

kingdom built upon Byzantine and Arab foundations emerged; in the north, on the other hand, the attempts to revive imperial power all ended in failure and local particularism triumphed all but completely. It was in this region, stretching from Rome to the Alps, that the characteristic Italian society of the Middle Ages was free to evolve most fully; here the communes became in effect city-states, so that the area may be conveniently described as communal Italy.²

The new regime in the South, founded by Norman mercenaries from northern Europe and centered in Sicily, was singularly advanced, both administratively and economically. "The great Norman ruler, Roger II, who united Sicily, Apulia, and Calabria in 1130, retained the institutions of his Byzantine and Muslim predecessors, particularly their efficient system of taxation."³ After a period of turbulence, his successor Frederick II re-established his dominion over all Italy south of the emerging Papal States and imposed an enlightened and widely admired "blend of Greek bureaucracy and Norman feudalism, but more fully integrated into a united state than it had been under his predecessors."⁴ In 1231 Frederick issued a new constitution, which included the first codification of administrative law in Europe in seven centuries and foreshadowed many of the principles of the centralized, autocratic state that would later spread across the continent. Frederick's *Constitutiones* represented the monarch's assertion of a monopoly over the provision of justice and public order, as well as an emphatic endorsement of the privileges of the feudal nobility.⁵ In a Hobbesian world of widespread violence and anarchy, as afflicted all of Europe in the early Middle Ages, the imposition of social order was the supreme issue of governance.

Quite remarkably for the times, the Norman kingdom practiced religious toleration and gave freedom of worship to Moslems and Jews. Norman kings patronized an extraordinary flowering of Greek, Arabic, Jewish, Latin, and Italian vernacular arts, architecture, and learning so renowned that from Roger II to Frederick II the court was sometimes termed "a republic of scholars." In 1224 Frederick founded at Naples the first state university in Europe, where candidates were trained for the civil service he had elaborated, building on the foundations laid by Roger in the previous century. "At its zenith Norman Sicily had possessed the most highly developed bureaucracy of any western kingdom."⁶

Economically, the kingdom boasted several flourishing commercial towns, including Palermo, Amalfi, and Naples, Messina, Bari, and Salerno. Frederick enlarged their harbors and established a navy and merchant fleet, although (true to his autocratic mission) he insisted on state monopolies of much of the kingdom's commerce, a policy which would not serve the realm well in the future. A bold soldier-diplomat, a talented

ornithologist, a gifted poet, as well as a creative ruler, Frederick was regarded by his contemporaries as *stupor mundi*, "the wonder of the world."⁷ "By the end of the 12th century, Sicily, with its control of the Mediterranean sea routes, was the richest, most advanced, and highly organized State in Europe."⁸

In its social and political arrangements, however, the South was, and would remain, strictly autocratic, a pattern of authority that was reinforced by Frederick's reforms. His *Constitutiones* reaffirmed the full feudal rights of the barons and declared it "sacrilege" to question the ruler's decisions. "In their comprehensiveness and detail, and above all in their concept of royal authority, Frederick's laws illustrate the singularity of Sicily in western Europe. The *regnum* was held by the Emperor from God himself."⁹ Like his great predecessor Roger II, Frederick had a mystical, semidivine conception of the monarch's role, and his rule rested on awe, coupled with terror and occasional cruelty. When he launched a military campaign against the northern communes, it was, he said, to teach a lesson to those who "preferred the luxury of a certain imprecise freedom to stable peace."¹⁰

Southern towns showed some signs of desire for self-government, but they were soon incorporated within the Norman kingdom and subjugated by a network of central and local officials responsible only to the king. Although the barons, like the townsmen, were controlled by the royal administration, the barons provided the military strength that lay at the core of the regime. Historians debate whether the kingdom is best labelled "feudal," "bureaucratic," or "absolutist," but the best judgment is that it had strong elements of all three. In any event, any glimmerings of communal autonomy were extinguished as soon as they appeared. The civic life of artisans and merchants was regulated from the center and from above, not (as in the North) from within. As Denis Mack Smith concludes,

Sicily was still a fairly rich country where one might have expected a vigorous town life, but in fact she never knew anything like the independent communes which existed in northern Italy; and although this may reflect a simple lack of civic enterprise, it also derived from the fact that the Norman monarchy was too authoritarian and too strong to need to encourage the cities against the baronage. . . . Frederick tied the cities to the state, even though this may have seemed to sacrifice economics to politics. Sicilian history had taught him that prosperity came from a strong kingship, and up to a point he was right: only later events were to show that economic development was arrested in Sicily just when the free maritime communities elsewhere in Italy were becoming adventurous and rich.¹¹

As royal power began to fade after Frederick's death, the southern barons gained power and autonomy, but southern towns and cities did not. As the

centuries passed, the steep social hierarchy came to be ever more dominated by a landed aristocracy endowed with feudal powers, while at the bottom masses of peasants struggled wretchedly close to the limits of physical survival. Between these two social formations covered a small, largely impotent middle class of administrators and professionals. Although southern Italy in the next seven centuries was to be the subject of much bitter contention between various foreign dynasties (especially Spain and France), this hierarchic structure would endure essentially unchanged. The regime remained a feudal monarchy, no matter how enlightened its incumbent, and among Frederick II's successors, enlightenment would turn out to be much rarer than rapacity.

Meanwhile, in the towns of northern and central Italy—"oases amidst the feudal forest"¹²—by contrast, an unprecedented form of self-government was emerging. This communal republicanism gradually came to constitute the major alternative to the manor-based, lord-and-serf feudalism of the rest of medieval Europe. Of this part of Italy, the eminent historian Frederic Lane has written, "From the twelfth to the sixteenth century the feature which most distinguished Italian society from that in other regions in Europe was the extent to which men were able to take part in determining, largely by persuasion, the laws and decisions governing their lives."¹³

Like the autocratic regime of Frederick II, the new republican regime was a response to the violence and anarchy endemic in medieval Europe, for savage vendettas among aristocratic clans had laid waste to the towns and countryside in the North as in the South. The solution invented in the North, however, was quite different, relying less on vertical hierarchy and more on horizontal collaboration. The communes sprang originally from voluntary associations, formed when groups of neighbors swore personal oaths to render one another mutual assistance, to provide for common defense and economic cooperation. "While it would be going too far to describe the early communes as private associations, for they must have been involved in public order from the start, it remains true that they were primarily concerned with the protection of their members and their common interests, and they had no organic connection with the public institutions of the old regime."¹⁴ By the twelfth century communes had been established in Florence, Venice, Bologna, Genoa, Milan, and virtually all the other major towns of northern and central Italy, rooted historically in these primordial social contracts.

The emerging communes were not democratic in our modern sense, for only a minority of the population were full members.¹⁵ Indeed, one distinctive feature of the republican synthesis was the absorption of the rural nobility into the urban patriciate to form a new kind of social elite. However, the extent of popular participation in government affairs was ex-

traordinary by any standard: Daniel Waley describes the communes as "the paradise of the committee-man" and reports that Siena, a town with roughly 5000 adult males, had 860 part-time city posts, while in larger towns the city council might have several thousand members, many of them active participants in the deliberations.¹⁶ In this context, "the success of communal republicanism depended on the readiness of its leaders to share power with others as equals."¹⁷ The executive leaders of the commune were elected according to procedures that varied from town to town.¹⁸ Those who governed the communal republics acknowledged legitimate limits on their rule. "Elaborate legal codes were promulgated to confine the violence of the overmighty."¹⁹ In this sense, the structure of authority in the communal republics was fundamentally more liberal and egalitarian than in contemporary regimes elsewhere in Europe, including, of course, the South of Italy itself.

As communal life progressed, guilds were formed by craftsmen and tradesmen to provide self-help and mutual assistance, for social as well as for strictly occupational purposes.²⁰ "The oldest guild-statute is that of Verona, dating from 1303, but evidently copied from some much older statute. 'Fraternal assistance in necessity of whatever kind,' 'hospitality towards strangers, when passing through the town' . . . and 'obligation of offering comfort in the case of debility' are among the obligations of the members."²¹ "Violation of statutes was met by boycott and social ostracism."²²

Soon these groups, along with other townsmen, began to press for broader political reform, "some system of representation and control which would secure order: 'the tranquil and peaceful state of the city'."²³

During the first half of the thirteenth century the guilds became the backbone of radical political movements which sought the distribution of power within the communes on a wider basis than before. . . . [T]hey appropriated the old name of *popolo* ["the people"] with its powerful democratic overtones. By 1250 the *popolo* had secured a dominant position in the constitutions of the major communes.²⁴

Thus, at the very moment when Frederick II was strengthening feudal authority in the South, political power in the North had begun to diffuse well beyond the traditional elite. For example, "Modena's town council already in 1220 had many artisans and shopkeepers, including fishmongers and clothes-repairers or rag merchants . . . , as well as the alms ways numerous smiths."²⁵ The practices of civic republicanism provided a breadth of popular involvement in public decision making without parallel in the medieval world.

These political changes were part of "the burgeoning of associative life with the rise of communes, guilds, business partnerships, . . . new forms

of solidarity [that] expressed a more vivid sense of equality."²⁶ Beyond the guilds, local organizations, such as *vicinanze* (neighborhood associations), the *populus* (parish organizations that administered the goods of the local church and elected its priest), confraternities (religious societies for mutual assistance), politico-religious parties bound together by solemn oath-takings, and *consorterie* ("tower societies") formed to provide mutual security, were dominant in local affairs.²⁷

The oaths of mutual assistance sworn by members of these associations in all sectors of society sounded remarkably like that of the Veronese guild we cited earlier. In 1196 members of a *consorteria* of Bolognese magnates swore "to help each other without fraud and in good faith . . . with our tower and common house and swear that none of us will act against the others directly or through a third party." The statutes of the *Spade* ["Sword"] *compagnia* (1285), one of many voluntary associations in the neighborhoods of Bologna, recorded that its members "should maintain and defend each other against all men, within the commune and outside it." In each case, these broad commitments were followed by elaborate descriptions of the procedures of the association, including the practical assistance to be provided to members, such as legal aid, as well as procedures for resolving disputes among members.²⁸ "The inevitable conflicts generated within and between these more complex communities called for skilled advocates, mediators and statesmen, and even for a renewed civic morality to prevent the new society from tearing itself apart in internecine strife."²⁹ This rich network of associational life and the new mores of the republics gave the medieval Italian commune a unique character precisely analogous to what (in the previous chapter) we termed a "civic community."

Public administration in the communal republics was professionalized. A corps of experts in municipal government developed remarkably advanced systems of public finance (including a market in negotiable long-term public securities), land reclamation, commercial law, accounting, zoning, public hygiene, economic development, public education, policing, and government by committee, often sharing ideas with colleagues in neighboring cities. Bologna, with its renowned school of law, played the role of "capital of communal Italy, with an informal pre-eminence based not on force or wealth, but on intellectual leadership."³⁰ The figure of the *podestà*, an itinerant, professionally trained jurist-administrator elected for a limited term, came to play a key part in communal affairs.³¹

Covenants and contracts were central to all aspects of life in the republics, and the ranks of notaries, lawyers, and judges burgeoned to record, interpret, and enforce these agreements. Bologna, a town of roughly 50,000 inhabitants, is estimated to have had 2000 professional notaries!³² Such figures could, of course, be seen as an index of the contentiousness

of the republics, but more fundamentally, they signify an unusual confidence in written agreements, in negotiation, and in the law. Nothing signals more clearly the unique contribution of the communal republics than this: At a time when force and family were the only solutions to dilemmas of collective action elsewhere in Europe, citizens of the Italian city-states had devised a new way of organizing collective life.

Ecclesiastical authority in the communal republics was minimal, not because religiosity was replaced by secularism, but because Church hierarchy was supplanted by lay associations:

Without attacking the theoretical supremacy of the pope, townsmen tended to regard the church, like their secular governments, as for all practical purposes a local affair. . . . They saw priests not as superior to other men but as primarily the servants of the communities whose spiritual needs they were supposed to meet. . . . This should not be taken, however, as a sign of any decline in religious fervour. The 14th and 15th centuries were, in fact, a peculiarly devout age in the history of Italy, but Italian devotion now took on a special quality. It found expression in spontaneous and local confraternities of laymen for the purposes of performing pious works and devotional exercises together.³³

One result of all these developments was a powerful and unparalleled degree of civic commitment:

Along the banks of the Arno and near the Po, in the Veneto as in Liguria, citizens had a first and fervent allegiance to their own cities, to the local shaping of their own political destinies, and this feeling survived the Renaissance. . . . From the day of the commune's emergence, men had found order and protection by grouping together. As the commune had expanded, the life of urban residents came to turn more and more around the decisions and fortified buildings of local government. The feeling that men had their earthly and family fortunes tied to the fortunes of the commune became such as to arouse the most intense loves and hatreds.³⁴

Intimately associated with the expansion of civic republicanism was a rapid growth in commerce. As civil order was established, bold and ambitious merchants expanded their trading networks, first in the regions around each city-state and then gradually to the farthest reaches of the known world. "These merchants, masters of the commerce of the world, founders of European capitalism, extended their empire of trade from China to Greenland."³⁵ For markets of this complexity to evolve, closely integrated communities of traders were crucial, able to sustain legal or quasi-legal institutions to settle disputes, exchange information, and share risks.³⁶ The prosperity produced by trade helped in turn to shape and sustain the civic institutions of the republics. "Of the ten 'Major Arts' (or

guilds) which largely took over the government of Florence in the thirteenth century, seven were in export trades.³⁷

Mercantile development was vital for the economies of the republics. Its fundamental institutions—markets, money, and law—represented a revival of practices that had been relatively well developed in the classical world. Another economic institution hardly less fundamental than these was, however, quite novel: *Credit* was invented in the medieval Italian republics.³⁸ At the same time that the Norman kingdom in the Mezzogiorno was enjoying a new prosperity based on social and political hierarchy, the civic republicanism of the northern cities laid the foundations for one of the great economic revolutions in world history, comparable (according to some historians) only to the Neolithic emergence of permanent settlements and the later industrial revolution.

"At the heart of this transformation was an exponential increase in credit."³⁹ Earlier epochs, no matter how grand or how mean, had had only the most rudimentary mechanisms for linking savings and investment, and hence their prospects for economic development were limited. Without credit, individual families might accumulate great fortunes, or the state might enforce savings through taxation and invest in massive public works, like the pyramids or the Parthenon, but until some means of efficient intermediation between individual savers and independent investors could be devised, the immense power of private capital accumulation could not be harnessed to economic growth. For this momentous social invention to succeed, the unique context provided by the communal republics proved crucial.

Unlike the wealth of the Sicilian kingdom, based on land, the growing prosperity of the northern Italian city-states was rooted in finance and commerce.⁴⁰ Banking and long-distance trade depended on credit, and credit, if it were to be provided efficiently, required mutual trust and confidence that contracts and the laws governing them would be impartially enforced. (Etymologically, "credit" derives from *credere*, "to believe.") For reasons we shall explore more fully in the next chapter, the institutions of civic republicanism, the networks of associations, and the extension of solidarity beyond the bonds of kinship that had emerged in the northern communes were crucial for this trust and confidence to flourish.

In this rich civic soil sprouted numerous innovations in business practice, which helped generate the affluence, public and private, of Renaissance Florence and her neighbors:

The extension of credit and the increased use of the contract were prominent features of the takeoff in the towns of north and central Italy in the eleventh and twelfth centuries. In Genoa, Pisa, Venice, and a bit later in Florence, new legal strategies for raising capital and creating partnerships were coming

into vogue. Not surprisingly, the bonds of partnership were grafted onto family ties. . . . By the twelfth century, however, more flexible contractual arrangements were being entered into and the contributions of outsiders welcomed. These changes were manifested in the rise of the *compagnia*, the *commenda* [long-distance shipping enterprises], deposit banking, fiduciary money, and letters of credit. In the new practices and organization of business activity, risks were minimized, whereas opportunities for cooperation and profit were enhanced. . . . We can discern a measure of this expanded trust in the decline of interest rates and the rise of deposit and transfer banking. A *collaborative* attitude between borrower and lender was becoming pervasive in the cities of north and central Italy.⁴¹

Through these and other mechanisms, even small savers were enabled to invest in larger commercial enterprises:

The basic fact in the economic history of Europe from the eleventh century onward was that savings were activated for productive purposes to a degree inconceivable in previous centuries. . . . It was the widespread sense of honesty, strengthened by the sense of belonging to an integrated community, quite apart from definite legal obligations, which made possible the participation of all kinds of people with their savings in the productive process.⁴²

In sum, in the communal republics of northern medieval Italy, vast improvements in economic life, as well as in governmental performance, were made possible by the norms and networks of civic engagement. Revolutionary changes in the fundamental institutions of politics and economics arose out of this unique social context, with its horizontal ties of collaboration and civic solidarity, and in turn, those political and economic advances reinforced the civic community.

We must not exaggerate the egalitarianism of the communes nor their success in resolving social conflict and controlling violence. Perhaps as many as half of the population were indigent slum-dwellers.⁴³ Throughout the period the nobility remained an important part of society, even though they were increasingly integrated within, and subordinated to, the life of the republics. Oligarchic families played an essential role in the life of republics like Venice and Florence, even though their power was less untrammelled than in the South. The nobility kept retinues of clients around them. Factionalism was rife. Clan vendettas and violence (including a kind of low-level guerrilla warfare) never disappeared from public life. The battle towers and fortified palaces that still adorn Bologna and Florence recall both the social inequalities and the pervasive insecurity that characterized even the most successful of communes.

Nevertheless, social mobility within the republics was higher than anywhere else in Europe at the time. Moreover, the role of collective solidar-

ity in maintaining the civic order marked the northern cities as *sui generis*. One anonymous chronicler in 1291, for instance, reported laconically, "There was a certain disturbance in Parma, and so four trades, that is, the butchers, the smiths, the shoemakers, and furrriers, together with the judges and notaries and the other trades of the city, took oath together to maintain themselves, and having made certain provisions, all disturbance immediately stopped."⁴⁴

Thus, by the beginning of the fourteenth century, Italy had produced, not one, but two innovative patterns of governance with their associated social and cultural features—the celebrated Norman feudal autocracy of the South and the fertile communal republicanism of the North. "The Italians were the pacesetters in the art of government, and the Italian states generally developed a greater bureaucratic power to intervene in the lives of their citizens, for good or ill, than was to be found in the other states of the time."⁴⁵ In economic and social life, as well as in politics, both the monarchy and the republics had surmounted the dilemmas of collective action and the problems of collective life that still stifled progress elsewhere in Europe. Italy's leading role in Europe could be measured not just politically and economically and artistically, but also demographically: Palermo in the South and Venice and Florence in the North, each with populations over 100,000, were the three largest cities of Europe.⁴⁶

But the systems that had been invented in the North and in the South were quite different, both in their structure and in their consequences. "Two different societies and ways of life here faced other," concludes the historian John Lerner.⁴⁷ In the North, feudal bonds of personal dependence were weakened; in the South, they were strengthened. In the North, the people were citizens; in the South, they were subjects. Legitimate authority in the North was "only delegated [by the community] to public officials, who remain responsible to those with whose affairs they are entrusted."⁴⁸ Legitimate authority in the South was monopolized by the king, who (though he might delegate administrative tasks to officials and might confirm the nobles in their privileges) was responsible only to God. In the North, while religious sentiments remained profound, the Church was only one civil institution among many; in the South, the Church was a powerful and wealthy proprietor in the feudal order.⁴⁹ In the North the crucial social, political, and even religious allegiances and alignments were horizontal, while those in the South were vertical. Collaboration, mutual assistance, civic obligation, and even trust—not universal, of course, but extending further beyond the limits of kinship than anywhere else in Europe in this era—were the distinguishing features in the North. The chief virtue in the South, by contrast, was the imposition of hierarchy and order on latent anarchy.

The pre-eminent social issue of the Middle Ages, the *sine qua non* for all progress, was public order. Theft and plunder were common. Protection and refuge might be provided, as in the Norman kingdom, by an autocratic sovereign or the strongest local baron. Or security could be sought instead through interweaving pacts of mutual assistance among rough equals, the more complex strategy followed in the communal republics. As compared to the rest of Christendom, both regimes produced prosperity and efficient government, but the limits of the southern, hierarchic solution to the dilemmas of collective action were already becoming manifest by the thirteenth century. Whereas a hundred years earlier the South generally had been reckoned no less advanced than the North, the communal republics were now pulling rapidly ahead, and the North's lead would continue to widen for the next several centuries. Gradually the full consequences of the differences in community life and social structure between feudal and republican Italies were becoming manifest.

In the feudal world, a vertical arrangement typically prevailed, where relations between men were dictated by the concepts of fief and service; investiture and homage; lord, vassal, and serf. In the cities, a horizontal arrangement emerged, characterized by cooperation among equals. The *guild*; the *confraternity*; the *universities*; and above all of them, that guild of guilds, the sworn union among all the burghers, the *Commune*, were institutions created by the new outlook and which reflected the new ideals.⁵⁰

During the fourteenth century, factionalism and famine, the Black Death and the Hundred Years War began to undermine the spirit of the civic community and the stability of republican government. The devastation of the Black Death was extraordinary: More than one third of the entire population of Italy—and probably more than half of the urban population—perished during the savage summer of 1348, and this was followed by recurrent epidemics that severely depressed economic activity for more than a century. Nor was political leadership in the communal republics spared: of the Council of Seven elected in Orvieto at the end of June, 1348, six were dead by August—a decimation that was by no means unique. The cathedral of Siena, only half-finished when the plague struck, remained so—mute evidence of how thoroughly the Black Plague sapped civic energies and shattered civic life.⁵¹

Moreover, the clamor of clashes among broader religious and military forces beyond the city walls echoed increasingly within the republics themselves. "The history of the communes could hardly be other than tumultuous, for they were trying to practice government on conciliar principles in a society which remained intensely hierarchical."⁵² Nearly everywhere, Guelphs, Ghibellines, and a hundred other clans struggled in

constant intrigue and often bloody strife. Relying on mercenary armies, individual despots [*signori*] and their families gained political dominance. These new tyrannies were "very long lasting, the medieval *signoria* evolving imperceptibly into the renaissance principate."⁵³

By the beginning of the fourteenth century, more than two hundred years after they had been founded, republican communal governments had begun to succumb to signorial domination, although the despots often continued to pay homage to the forms and ideals of republican government.⁵⁴ A significant exception to this spectacle of decay, however, was provided by a belt of cities extending across north-central Italy from Venice on the Adriatic across Emilia and Tuscany to Genoa on the Tyrrhenian Sea, where republican traditions proved hardier than elsewhere further north.⁵⁵

Just as Minerva's owl of wisdom flies only at dusk, political philosophers began to articulate the essential virtues of the *vita civile* [civic life] of the communal republics only at their demise. The fate of the communes inspired Renaissance political theorists, Machiavelli above all, to reflect on the preconditions for stable republican government, focusing especially on the character of the citizens, their *virtù civile*.

Machiavelli, in a passage of remarkable relevance to our own task of understanding institutional success and failure, argued that republican government (though the most desirable form of government where it could be achieved) was destined to fail where social conditions were unsuitable. In particular, where men lack civic virtue and where social and economic life is organized in feudal fashion, "there has never arisen any republic or any political life, for men born in such conditions are entirely inimical to any form of civic government. In provinces thus organized [like Naples, he added] no attempt to set up a republic could possibly succeed." In his native Tuscany, by contrast, social conditions were so favorable "that a wise man, familiar with ancient forms of civic government, should easily be able to introduce there a civic constitution." Machiavelli's chapter title aptly summarizes what we might term the "iron law of civic community": "That it is very easy to manage Things in a State in which the Masses are not Corrupt; and that, where Equality exists, it is impossible to set up a Principality, and, where it does not exist, impossible to set up a Republic."⁵⁶

The works of Machiavelli, Guicciardini, and others "express a feeling for the particular political community as a concrete and continuing entity that is independent of the men and governments in power at any given time and worthy of human affection, loyalty, and support."⁵⁷ At the core of this ideology of the *vita civile* was the ideal of "the model citizen, governing his own affairs in town and country and dutifully participating in the affairs of the state."⁵⁸

Meanwhile, by the thirteenth century, the Papacy had acquired temporal sway over the territory between the Kingdom of Sicily in the South and the domain of the communal republics in the North. The Pope ruled over these lands as a feudal monarch, appointing princes to fiefdoms in return for fealty, but his control was less centralized and efficient than that of the Norman regime to the south.⁵⁹ Given the somewhat ambiguous temporal authority of the Pope, further weakened during the period of the Avignon papacies between 1305 and 1377, the Papal States encompassed a wide variety of social structure and political practice. In some towns local tyrants resisted Papal interference, while elsewhere "the nobility fought each other, terrorized the countryside, and did as they pleased, and bandits made the region everywhere unsafe."⁶⁰ To the north, on the other hand, the papal territories nominally included several cities with strong communal traditions, such as Ferrara, Ravenna, Rimini, and above all, Bologna.

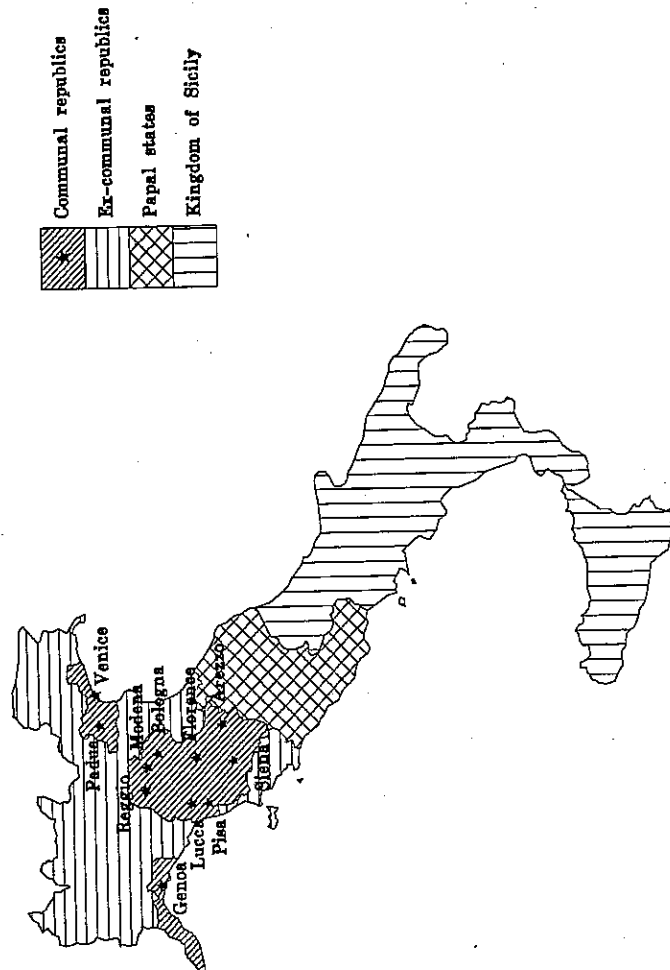
Figure 5.1 shows the various regimes that characterized Italy at the beginning of the fourteenth century.⁶¹ The map clearly reveals four bands across the peninsula, corresponding to differing degrees of republicanism and autocracy. From south to north, they are as follows:

- The feudal monarchy founded by the Normans in the Mezzogiorno;
- The Papal States with their variegated mixture of feudalism; tyranny, and republicanism;
- The heartland of republicanism, those communes which had retained republican institutions into the fourteenth century; and
- The erstwhile republican areas further north that had, by this time, fallen prey to signorial rule.

The parallel between this pattern and the distribution of civic norms and networks in the 1970s, as displayed in Figure 4.4, is remarkable. The southern territories once ruled by the Norman kings constitute exactly the seven least civic regions in the 1970s. Almost as precisely, the Papal States (minus the communal republics that lay in the northern section of the Pope's domains) correspond to the next three or four regions up the civic ladder in the 1970s. At the other end of the scale, the heartland of republicanism in 1300 corresponds uncannily to the most civic regions of today, followed closely by the areas still further north in which medieval republican traditions, though real, had proved somewhat weaker. To determine whether this intriguing correlation represents a genuine historical continuity or merely a curious coincidence, we shall need to scrutinize the evolution of Italian social and political life during the intervening seven centuries.

During the fifteenth and early sixteenth centuries, further miseries were inflicted on the peninsula, as Spain, France, and the other ascendant pow-

FIGURE 5.1
Republican and Autocratic Traditions: Italy, c. 1300



Sources: *The Times Atlas of World History*, 3rd edition, eds. Geoffrey Barraclough and Norman Stone (London: Times Books, 1989), p. 124; J. K. Hyde, *Society and Politics in Medieval Italy: The Evolution of the Civil Life, 1000-1350* (London: Macmillan, 1973), Map 4; and John Larner, *Italy in the Age of Dante and Petrarch: 1216-1380* (New York: Longman, 1980), pp. 137-150.

ers of Europe fought their bloody dynastic duels in the Italian arena. The demographic and economic consequences of these foreign invasions, together with the devastating plagues and trade disruptions of the previous century, were especially traumatic for the communes of the North. The populations of Brescia and Pavia, for instance, each fell by two-thirds during the early years of the sixteenth century, as a result of repeated assaults and sacking. Not until the nineteenth century would the cities of the North reach once again their medieval population levels. The South, by contrast, escaped much of this destruction. The population of Naples, for example, doubled during the fifteenth century and more than redoubled during the first half of the sixteenth century, becoming (after Paris)

the second largest city in Europe. Contrary to the population flows of the twentieth century, many northerners migrated southwards during the sixteenth century, drawn by the relative prosperity of the South, coupled with the dismal downfall of the North. In the first half of the seventeenth century, just as the glimmerings of economic revival began to appear, new waves of epidemics swept across Italy. In 1630-31 and again in 1656-57, up to half of the population of the cities of the Center and North perished from the plague.⁶²

By the seventeenth century, all the cities of central and northern Italy had ceased to be republican or even, in many cases, independent. The collapse of communal republicanism led to a kind of "re-feudalization" of the Italian peninsula. Mercantile and financial innovation was replaced by a preoccupation with land ownership and parasitic indolence. Local conflicts, factional struggles, and convoluted conspiracies signified the dissolution of the social fabric, just as the other states of Europe were moving toward national unity.⁶³

Throughout Italy, North and South, autocratic politics were now embodied in patron-client networks. However, among the northern heirs to the communal tradition, patrons, no matter how autocratic, still accepted civic responsibilities—a usage echoed in our expression "patron of the arts." Careful anthropological reconstruction of this epoch in the life of a central Italian hill town has confirmed that although the local gentry monopolized political power, they also subsidized civic life by endowing hospitals and roads, local choirs and bands, and even municipal offices and the salaries of town clerks. The ethic of mutual responsibility persisted in the northern countryside, as well, as, for example, in the *aiutarella*, a traditional practice of work exchange among neighbors.⁶⁴ Thus, despite the spread of inequality, exploitation, and factional conflict, the northern heritage of communal republicanism, although no longer embodied in political institutions, was transmitted in the form of an ethic of civic involvement, social responsibility, and mutual assistance among social equals.

Patterns of authority in the North were no longer so distinct from the feudal structures of the Mezzogiorno. Nevertheless, something of the glorious experience of the communes, and of the intense economic activity that civic engagement had generated, survived in the Po Valley and Tuscany, so that these regions would be more receptive to the first breezes of renewed progress, first cultural and then economic, that whispered along the peninsula in the second half of the eighteenth century. Despite the social and economic gloom provoked by several centuries of foreign depredation, pestilence, and domestic strife, the ideal of the *vita civile* persisted in the regions of communal republican traditions.

Meanwhile, the medieval heritage of governance in the South provided

an enduring contrast. Frederick II's sovereign had offered a solution of a sort to problems of collective action, but this solution was soon corrupted by the proverbial effects of absolute power: King and barons became predatory autocrats. Government remained feudal and autocratic, tempered only by episodic, ephemeral rebellion. Authoritarian political institutions were reinforced by the tradition of vertical social networks, embodying power asymmetries, exploitation and dependence, in contrast to the northern tradition of horizontal associations, joining rough equals in mutual solidarity. Patron-client politics in the South was more personalistic, more exploitative, more transitory, less "civil."

By the eighteenth century, "the Kingdom of Naples, with its two sections, one on the mainland and the other in Sicily, was by far the biggest State in Italy with its five million inhabitants, but for a long time it was possibly also the worst administered, the most routine-bound and negligent."⁶⁵ As had been true in the earliest medieval period, and as remains true today—contrary to a common misapprehension—the South was no less urban than the North during much of this period.⁶⁶ In 1791 Naples' population was twice that of Rome, three times that of Milan, four times that of Turin or Florence; but Naples was "a grotesque parasite, many of whose inhabitants were royal employees, priests, domestic servants, and beggars. She lived on the back of a desperately overworked, desperately poor, peasantry, who were given no civic rights."⁶⁷ In the southern cities, the power of the nobility remained paramount, with "little of that mingling of nobles and townsmen so characteristic of society in the north."⁶⁸

In the North the aristocracy's power, which had long been challenged, was already beginning to erode. By contrast, "in the south 'during the first decades of the eighteenth century the political jurisdictional and economic power of the barony [was] still virtually intact.' There, the process of overthrowing feudalism was particularly slow: at the end of the century the power of the barons was still extremely strong."⁶⁹ The gulf between rulers and ruled was exacerbated in the Mezzogiorno by the fact that virtually all the successive dynasties that controlled the South were alien. From 1504 until 1860, all of Italy south of the Papal States was ruled by the Hapsburgs and the Bourbons, who (as Anthony Pagden has recently described in detail) systematically promoted mutual distrust and conflict among their subjects, destroying horizontal ties of solidarity in order to maintain the primacy of vertical ties of dependence and exploitation.⁷⁰

Despite the eclipse of communal republicanism in the North after the fourteenth century, as the democratic revolutions that were to sweep Europe in the nineteenth century approached the Italian peninsula, the discerning observer could detect the continuing regional differences of culture and social structure that had appeared in the medieval era seven centuries earlier. As we shall see, those enduring differences would pow-

erfully condition how the various regions would respond to the new challenges and opportunities that loomed ahead, as Italy achieved national unification.

CIVIC TRADITIONS AFTER UNIFICATION

The nineteenth century was a time of unusual ferment in the associational life of much of Western Europe, particularly among the so-called "popular" classes—that is, the great bulk of the population. Older forms of organized sociability, such as the medieval guilds and religious societies, had gradually lost vitality over the preceding centuries, and were mere remnants from that earlier age when they had genuinely engaged popular interests and passions. Winds of change, spawned by the French Revolution, now swept away much of this moldering social underbrush. Inspired by the astringent doctrine of *laissez faire*, liberal governments in France, Italy, and elsewhere abolished guilds, dissolved religious establishments, and discouraged the revival of any similar social or economic "combinations." To enforce this new order, officials in France and Italy kept close surveillance over (and often tried to suppress) even such innocuous signs of organized sociability as workmen's drinking clubs.

This attempted eradication of association—the contemporary background, incidentally, against which Tocqueville was writing his enormium of associationism in America—was not borne lightly in the villages and towns of the continent. Soon, the first stirrings of the industrial revolution made the creation of new forms of organized social and economic solidarity even more urgent. To the ancestral hazards of illness, accident, and old age were now added the unaccustomed perils of unemployment and the unpleasant anonymity of the new industrial centers. Nor were those who remained on the land immune to novel ills, as the agricultural panics of the second half of the century made plain. In a time of turbulence and uncertainty many people sought aid and solace in organized camaraderie. Like a verdant second growth following a forest conflagration, new and more vital associations began to spring up to replace those that had decayed or been destroyed earlier in the century.

This "great surge in popular sociability" (in the words of the eminent French social historian Maurice Agulhon) arose in France in the first half of the nineteenth century.⁷¹ It was manifested in Masonic lodges and *cerceles*, in popular drinking clubs (*chambree*) and choral societies, in religious fraternities and peasant clubs, and most especially in mutual aid societies, created to provide self-help insurance against the costs of sickness, accidents, old age, and burial. Many of the associations had extremely detailed written statutes, "remarkable for their preoccupation

our simple findings imply that, to the extent that we have overlooked the "real" cause(s) of economic development (call that Factor X), then Factor X must be more closely correlated with civic traditions than with prior economic development. Once established, affluence may reinforce "civic-ness," while poverty probably discourages its emergence, in an interlocked pair of vicious and virtuous circles. Our evidence argues, however, that the "economics → civics" loop in these interactions is not dominant. Civic norms and networks are not simply froth on the waves of economic progress.

During the last ten centuries—and particularly in the last several decades—Italy has undergone massive economic, social, political, and demographic change. Millions of Italians migrated from one region to another, more than nine million of them (or roughly one-fifth of the entire population) in the fifteen years after 1955.¹⁶⁵ During the first century after Unification, regions leapfrogged one another in the socioeconomic rankings. Regions with a relatively industrial economy in 1970 had not necessarily been the industrial regions a century earlier, and regions with good public health in 1970 had not been the healthier ones in 1870.

Despite this whirl of change, however, the regions characterized by civic involvement in the late twentieth century are almost precisely the same regions where cooperatives and cultural associations and mutual aid societies were most abundant in the nineteenth century, and where neighborhood associations and religious confraternities and guilds had contributed to the flourishing communal republics of the twelfth century. And although those civic regions were not especially advanced economically a century ago, they have steadily outpaced the less civic regions both in economic performance and (at least since the advent of regional government) in quality of government. The astonishing tensile strength of civic traditions testifies to the power of the past.

But *why* is the past so powerful? What virtuous circles in the North have preserved these traditions of civic engagement through centuries of radical social, economic, and political change? What vicious circles in the South have reproduced perennial exploitation and dependence? To address such questions we must think not merely in terms of cause and effect, but in terms of social equilibria. To that task we turn in the next chapter.

CHAPTER 6

Social Capital and Institutional Success

DILEMMAS OF COLLECTIVE ACTION

Collective life in the less civic regions of Italy has been blighted for a thousand years and more. Why? It can hardly be that the inhabitants prefer solitary and submissive squalor.¹ Foreign oppression might once have been part of the explanation for their plight, but the regional experiment suggests that self-government is no panacea. One is tempted to ask in exasperation: Have people in these troubled regions learned nothing at all from their melancholy experience? Surely they must see that they would all be better off if only everyone would cooperate for the common good.²

David Hume, the eighteenth-century Scottish philosopher, offered a simple parable that captures the essential dilemma that confounds rational public-spiritedness:

Your corn is ripe to-day; mine will be so to-morrow. 'Tis profitable for us both, that I shou'd labour with you to-day, and that you shou'd aid me to-morrow. I have no kindness for you, and know you have as little for me. I will not, therefore, take any pains upon your account; and should I labour with you upon my own account, in expectation of a return, I know I shou'd be disappointed, and that I shou'd in vain depend upon your gratitude. Here then I leave you to labour alone; You treat me in the same manner. The seasons change; and both of us lose our harvests for want of mutual confidence and security.³

Failure to cooperate for mutual benefit does not necessarily signal ignorance or irrationality. Game theorists have studied this fundamental predicament under a variety of guises.

- In *the tragedy of the commons*, no herder can limit grazing by anyone else's flock. If he limits his own use of the common meadow, he alone loses. Yet unlimited grazing destroys the common resource on which the livelihood of all depends.
- A *public good*, such as clean air or safe neighborhoods, can be enjoyed by everyone, regardless of whether he contributes to its provision. Under ordinary circumstances, therefore, no one has an incentive to contribute to providing the public good, and too little is produced, causing all to suffer.
- In the dismal *logic of collective action*, every worker would benefit if all

struck simultaneously, but whoever raises the strike banner risks betrayal by a well-rewarded scab, so everyone waits, hoping to benefit from someone else's foolhardiness.

• In *the prisoner's dilemma*, a pair of accomplices is held incommunicado, and each is told that if he alone implicates his partner, he will escape scot-free, but if he remains silent, while his partner confesses, he will be punished especially severely. If both remained silent, both would be let off lightly, but unable to coordinate their stories, each is better off squealing, *no matter what the other does*.

In all these situations, as in Hume's rustic anecdote, every party would be better off if they could cooperate. In the absence of a credible mutual commitment, however, each individually has an incentive to defect and become a "free rider." Each rationally expects the other to defect, leaving him with the "sucker's payoff." "These models are . . . extremely useful for explaining how perfectly rational individuals can produce, under some circumstances, outcomes that are not 'rational' when viewed from the perspective of all those involved."⁴

This quandary does not arise from malevolence or misanthropy, although those sentiments may be fostered by its grim denouement. Even if neither party wishes harm to the other, and even if both are conditionally predisposed to cooperate—I will, if you will—they can have no guarantee against renegeing, in the absence of verifiable, enforceable commitments. Worse yet, each knows that the other faces the same predicament. "It is necessary not only to trust others before acting cooperatively, but also to believe that one is trusted by others."⁵ In such circumstances, each finds cooperation irrational, and all end up with an outcome no one wants—unharvested corn, overgrazed commons, deadlocked government.

The principal problem for Hume's farmers is the absence of credible sanctions against defection: How can each be confident that the other will keep his word in the face of temptation to shirk? More complex contexts, like modern government (or modern markets), bring the added complication of monitoring: How can one agent know whether another did in fact make a "good faith effort" to keep his word, in the face of multiple uncertainties and countervailing pressures? Both accurate information and reliable enforcement are essential to successful cooperation.

The performance of all social institutions, from international credit markets to regional governments to bus queues, depends on how these problems are resolved. In a world of saints, perhaps, dilemmas of collective action would not arise, but universal altruism is a quixotic premise for either social action or social theory. If actors are unable to make credible commitments to one another, they must forgo many opportunities for mutual gain—ruefully, but rationally.

Hobbes, one of the first great social theorists to confront this perplexity, offered the classic solution: third-party enforcement. If both parties concede to the Leviathan the power to enforce comity between them, their reward is the mutual confidence necessary to civil life. The state enables its subjects to do what they cannot do on their own—trust one another. "Everyone for himself and the State for all," as Pietr Kropotkin, the Russian anarchist, skeptically characterized the guiding principle of modern society.⁶

Sadly, the solution is too neat. North puts the problem succinctly:

In principle, third-party enforcement would involve a neutral party with the ability, costlessly, to be able to measure the attributes of a contract and, costlessly, to enforce agreements such that the offending party always had to compensate the injured party to a degree that made it costly to violate the contract. These are strong conditions that obviously are seldom, if ever, met in the real world.⁷

Part of the difficulty is that coercive enforcement is expensive: "Societies which rely heavily on the use of force are likely to be less efficient, more costly, and more unpleasant than those where trust is maintained by other means."⁸ The more basic problem, however, is that impartial enforcement is itself a public good, subject to the same basic dilemma that it aims to solve. For third-party enforcement to work, the third party must itself be trustworthy, but what power could ensure that the sovereign would not "defect"? "Put simply, if the state has coercive force, then those who run the state will use that force in their own interest at the expense of the rest of society."⁹

History has taught southern Italians the improbability of the Hobbesian solution to dilemmas of collective action. "The classic providers of institutions—monarchs—sometimes provided institutions that were welfare enhancing; but they also provided institutions that led to economic decline."¹⁰ In the language of game theory, impartial third-party enforcement is not generally a "stable equilibrium," that is, one in which no player has an incentive to alter his behavior.

In the classic prisoner's dilemma and related dilemmas of collective action, by contrast, defection *is* a stable equilibrium strategy for all parties. "'Defect' is the unique best reply, not only to itself, but *all* strategies, pure or mixed."¹¹ However unfortunate the consequences for all concerned, defection remains rational for any individual.

Yet, as others have observed, this theory proves too much, for it *underpredicts* voluntary cooperation. To Hume's very example of uncooperative neighboring farmers, for example, we must counterpose the *aituarella* long practiced by sharecroppers in central Italy or the practice of barn-raising on the American frontier, which are all the more puzzling in

orative institutions elsewhere seem to work more effectively. Why? To resolve this puzzle, some hard-nosed theorists recently have turned to what Robert Bates terms "soft" solutions, such as community and trust: "In a world in which there are prisoner's dilemmas, cooperative communities will enable rational individuals to transcend collective dilemmas."¹⁹

SOCIAL CAPITAL, TRUST, AND ROTATING CREDIT ASSOCIATIONS

Success in overcoming dilemmas of collective action and the self-defeating opportunism that they spawn depends on the broader social context within which any particular game is played. Voluntary cooperation is easier in a community that has inherited a substantial stock of social capital, in the form of norms of reciprocity and networks of civic engagement.²⁰

Social capital here refers to features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions:

Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. . . . For example, a group whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish much more than a comparable group lacking that trustworthiness and trust. . . . In a farming community . . . where one farmer got his hay baled by another and where farm tools are extensively borrowed and lent, the social capital allows each farmer to get his work done with less physical capital in the form of tools and equipment.²¹

Spontaneous cooperation is facilitated by social capital. An instructive illustration of this principle is a type of informal savings institution found on every continent called a *rotating credit association*. A rotating credit association consists of a group "who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation."²² Rotating credit associations have been reported from Nigeria to Scotland, from Peru to Vietnam, from Japan to Egypt, from West Indian immigrants in the eastern United States to Chicanos in the West, from illiterate Chinese villagers to bank managers and economic forecasters in Mexico City. Many U.S. savings and loans reportedly began life as rotating credit associations.²³

In a typical rotating credit association, each of twenty members might contribute a monthly sum equivalent to one dollar, and each month a different member would receive that month's pot of twenty dollars to be used as he or she wished (to finance a wedding, a bicycle, a sewing machine, or new inventory for a small shop).²⁴ That member is ineligible for subse-

light of the compelling logic of collective action. "We should ask why uncooperative behaviour does not emerge as often as game theory predicts."¹²

This question has engaged the creative energies of many scholars in recent years. Game theorists generally agree that cooperation should be easier when players engage in indefinitely repeated games, so that a defector faces punishment in successive rounds. This principle is fundamental to further theorizing in this field. (It is so widely recognized that one version of it is known as the Folk Theorem.)¹³ Other conditions internal to the game itself that can favor cooperation, theoretically speaking, are that the number of players be limited, that information about each player's past behavior be abundant, and that players not discount the future too heavily. Each of these factors is important. They seem to imply, however, that impersonal cooperation should be rare, whereas it seems to be common in much of the modern world. How come?¹⁴

One important line of research, exemplified by the work of economist Oliver Williamson, has emphasized the role of formal institutions in reducing "transaction costs" (that is, the costs of monitoring and enforcing agreements), and thus in enabling agents more efficiently to surmount problems of opportunism and shirking.¹⁵ As we noted in Chapter 1, Elinor Ostrom has recently demonstrated the value of this approach by carefully comparing cooperative attempts to manage common-pool resources, such as grazing grounds, water supplies, and fisheries. Why, she asks, have some institutions succeeded in overcoming the logic of collective action and others failed? Among the principles of institutional design suggested by her comparisons are that the boundaries of the institution be clearly defined, that affected parties participate in defining the rules, that violators be subject to graduated sanctions, that low-cost mechanisms be available for resolving conflicts, and so on.¹⁶

This version of "the new institutionalism" leaves open, however, a crucial question: How and why are formal institutions that help surmount collective action problems actually provided? It would seem that the participants themselves cannot create the institution, for the same reason that they need it in the first place, and an impartial "lawgiver" is as problematical as an impartial Hobbesian sovereign.¹⁷

We cannot write a contract (i.e., a constitution) to abide by our constitution without falling into an infinite regress of such contracts. Formal mechanisms of social control should archetypically be subject to free riding, as ruling cliques whittle away at the constitution, otherwise well-meaning citizens let their neighbors bear the costs of policing these usurpers, and scofflaws cheat on their taxes and run traffic lights.¹⁸

Scofflaws, shirkers, and ruling cliques do afflict many societies, of course, as citizens in the less civic regions of Italy can testify. Yet collab-

quent distributions, but is expected to continue making regular contributions until all members have had a turn at receiving the pot. Rotating credit associations vary widely in size, social composition, organization, and procedures for determining the payout. All combine sociability with small-scale capital formation.

Rotating credit associations, however convivial their meetings, represent something more than social entertainment or altruism. Clifford Geertz reports from Java, for example, that the *arisan* (the term literally means "cooperative endeavor" or "mutual help") reflects "not so much a general spirit of cooperativeness—Javanese peasants tend, like many peasants, to be rather suspicious of groups larger than the immediate family—but a set of explicit and concrete practices of exchange of labor, of capital, and of consumption goods which operate in all aspects of life. . . . Cooperation is founded on a very lively sense of the mutual value to the participants of such cooperation, not on a general ethic of the unity of all men or on an organic view of society."²⁵

Rotating credit associations clearly violate the logic of collective action: Why shouldn't a participant drop out once he has received the pot? Seeing that risk, why would anyone else contribute in the first place? "A rotating credit association obviously cannot function unless all members continue to keep up their obligations."²⁶ Yet rotating credit associations flourish where no legal Leviathan stands ready to punish defection.

The risk of default is well recognized by participants, and organizers select members with some care. Thus, a reputation for honesty and reliability is an important asset for any would-be participant. One important source of reputational information, of course, is previous participation in another rotating credit association, and acquiring a sound reputation is one important side-benefit of taking part. Both reputational uncertainty and the risk of default are minimized by strong norms and by dense networks of reciprocal engagement. So strong can be the norm against defection that members on the verge of default are reported to have sold daughters into prostitution or committed suicide.²⁷

In a small, highly personalized community, such as an Ibo village in Nigeria, the threat of ostracism from the socioeconomic system is a powerful, credible sanction. In the more diffuse, impersonal society of contemporary Mexico City, by contrast, more complex networks of mutual trust must be woven together to support rotating credit associations. Vélez-Ibañez has described a flourishing array of Mexican rotating credit associations extending along social networks, based on *confianza* (generalized reciprocity and mutual trust). "*Confianza* links will be both direct and indirect and will vary in quality and density. In many cases, members must trust in the trust of others to complete their obligations, since they know little about them. As one informant put it, 'mutual trust is lent.'²⁸

Social networks allow trust to become transitive and spread: I trust you, because I trust her and she assures me that she trusts you.

Rotating credit associations illustrate how dilemmas of collective action can be overcome by drawing on external sources of social capital, for they "use pre-existing social connections between individuals to help circumvent problems of imperfect information and enforceability."²⁹ Like conventional capital for conventional borrowers, social capital serves as a kind of collateral, but it is available to those who have no access to ordinary credit markets.³⁰ Lacking physical assets to offer as surety, the participants in effect pledge their social connections. Thus social capital is leveraged to expand the credit facilities available in these communities and to improve the efficiency with which markets operate there.

Rotating credit associations are often found in conjunction with cooperatives and other forms of mutual aid and solidarity. In part, this is because all these forms of voluntary cooperation are fed by the same underlying stock of social capital. As Ostrom reports of small-scale common-pool resources (CPR), such as Alpine meadows, "When individuals have lived in such situations for a substantial time and have developed shared norms and patterns of reciprocity, they possess social capital with which they can build institutional arrangements for resolving CPR dilemmas."³¹

Mutual aid practices, like rotating credit associations, themselves also represent investments in social capital. The Javanese *arisan* "is commonly viewed by its members less as an economic institution than a broadly social one whose main purpose is the strengthening of community solidarity." In Japan, too, "the *ko* is but one of several traditional forms of mutual aid common in Japanese villages, including exchange labor partners, reciprocal gift giving, communal house raising and repairing, neighborly assistance in death, illness, and other personal crises and so forth. Thus, as in rural Java, the rotating credit association is more than a simple economic institution: it is a mechanism strengthening the overall solidarity of the village."³²

As with conventional capital, those who have social capital tend to accumulate more—"them as has, gets." "Success in starting small-scale institutional institutions enables a group of individuals to build on the social capital thus created to solve larger problems with larger and more complex institutional arrangements. Current theories of collective action do not stress the process of accretion of institutional capital."³³

Most forms of social capital, such as trust, are what Albert Hirschman has called "moral resources"—that is, resources whose supply increases rather than decreases through use and which become depleted if *not* used.³⁴ The more two people display trust towards one another, the greater their mutual confidence.³⁵ Conversely:

Deep distrust is very difficult to invalidate through experience, for either it prevents people from engaging in the appropriate kind of social experiment or, worse, it leads to behaviour which bolsters the validity of distrust itself. . . . Once distrust has set in it soon becomes impossible to know if it was ever in fact justified, for it has the capacity to be *self-fulfilling*.³⁶

Other forms of social capital, too, such as social norms and networks, increase with use and diminish with disuse.³⁷ For all these reasons, we should expect the creation and destruction of social capital to be marked by virtuous and vicious circles.

One special feature of social capital, like trust, norms, and networks, is that it is ordinarily a public good, unlike conventional capital, which is ordinarily a private good. "As an attribute of the social structure in which a person is embedded, social capital is not the private property of any of the persons who benefit from it."³⁸ Like all public goods, social capital tends to be undervalued and undersupplied by private agents. For example, my reputation for trustworthiness benefits you as well as me, since it enables us both to engage in mutually rewarding cooperation. But I discount the benefits to you of my being trustworthy (or the costs to you of my being untrustworthy) and thus I underinvest in trust formation.³⁹ This means that social capital, unlike other forms of capital, must often be produced as a by-product of other social activities.⁴⁰

Trust is an essential component of social capital. As Kenneth Arrow has observed, "Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence."⁴¹ Anthony Pagden recalls the insights of a shrewd eighteenth-century Neapolitan economist, Antonio Genovesi:

In the absence of trust, [Genovesi] pointed out, "there can be no certainty in contracts and hence no force to the laws," and a society in that condition is effectively reduced "to a state of semi-savagery." . . . [In Genovesi's Naples] bonds and even money, since so much of it was false, were no longer freely accepted and the Neapolitans were reduced to the condition of the savages described by Genovesi who will only give with the right hand if they simultaneously receive with the left.⁴²

In the civic regions of Italy, by contrast to Naples, social trust has long been a key ingredient in the ethos that has sustained economic dynamism and government performance.⁴³ Cooperation is often required—between legislature and executive, between workers and managers, among political parties, between the government and private groups, among small firms, and so on. Yet explicit "contracting" and "monitoring" in such

cases is often costly or impossible, and third-party enforcement is impractical. Trust lubricates cooperation. The greater the level of trust within a community, the greater the likelihood of cooperation. And cooperation itself breeds trust. The steady accumulation of social capital is a crucial part of the story behind the virtuous circles of civic Italy.

The trust that is required to sustain cooperation is not blind. Trust entails a prediction about the behavior of an independent actor. "You do not trust a person (or an agency) to do something merely because he says he will do it. You trust him only because, knowing what you know of his disposition, his available options and their consequences, his ability and so forth you expect that he will *choose* to do it."⁴⁴ In small, close-knit communities, this prediction can be based on what Bernard Williams calls "thick trust," that is, a belief that rests on intimate familiarity with *this* individual. In larger, more complex settings, however, a more impersonal or indirect form of trust is required.⁴⁵ How does personal trust become social trust?

NORMS OF RECIPROcity AND NETWORKS OF CIVIC ENGAGEMENT

Social trust in complex modern settings can arise from two related sources—norms of reciprocity and networks of civic engagement.⁴⁶ Social norms, according to James Coleman, transfer the right to control an action from the actor to others, typically because that action has "externalities," that is, consequences (positive or negative) for others. Sometimes externalities can be captured through a market exchange, but often they cannot. Norms arise when "an action has similar externalities for a set of others, yet markets in the rights of control of the action cannot easily be established, and no single actor can profitably engage in an exchange to gain rights of control."⁴⁷ Norms are inculcated and sustained by modeling and socialization (including civic education) and by sanctions.⁴⁸

An example may clarify: Novembers here are windy, and my leaves are likely to end up on other people's yards. However, it is not feasible for my neighbors to get together to bribe me to rake. The norm of keeping lawns leaf-free is powerful in my neighborhood, however, and it constrains my decision as to whether to spend Saturday afternoon watching TV. This norm is not actually taught in local schools, but neighbors mention it when newcomers move in, and they reinforce it in frequent autumnal chats, as well as by obsessive raking of their own yards. Non-rakers risk being shunned at neighborhood events, and non-raking is rare. Even though the norm has no legal force, and even though I prefer watching the Buckeyes to raking up leaves, I usually comply with the norm.

Norms such as those that undergird social trust evolve because they lower transaction costs and facilitate cooperation.⁴⁹ The most important of these norms is reciprocity. Reciprocity is of two sorts, sometimes called "balanced" (or "specific") and "generalized" (or "diffuse").⁵⁰ Balanced reciprocity refers to a simultaneous exchange of items of equivalent value, as when office-mates exchange holiday gifts or legislators log-roll. Generalized reciprocity refers to a continuing relationship of exchange that is at any given time unrequited or imbalanced, but that involves mutual expectations that a benefit granted now should be repaid in the future. Friendship, for example, almost always involves generalized reciprocity. Cicero (a native, by the way, of central Italy) stated the norm of generalized reciprocity with admirable clarity: "There is no duty more indispensable than that of returning a kindness. All men distrust one forgetful of a benefit."⁵¹

The norm of generalized reciprocity is a highly productive component of social capital. Communities in which this norm is followed can more efficiently restrain opportunism and resolve problems of collective action.⁵² Reciprocity was at the core of the "tower societies" and other self-help associations that eased the security dilemma for citizens in the northern communal republics of medieval Italy, as well as the mutual aid societies that arose to address the economic insecurities of the nineteenth century. The norm of generalized reciprocity serves to reconcile self-interest and solidarity:

Each individual act in a system of reciprocity is *usually* characterized by a combination of what one might call short-term altruism and long-term self-interest: I help you out now in the (possibly vague, uncertain and uncalculating) expectation that you will help me out in the future. Reciprocity is made up of a series of acts each of which is short-run altruistic (benefiting others at a cost to the altruist) but which together *typically* make every participant better off.⁵³

An effective norm of generalized reciprocity is likely to be associated with dense networks of social exchange. In communities where people can be confident that trusting will be requited, not exploited, exchange is more likely to ensue. Conversely, repeated exchange over a period of time tends to encourage the development of a norm of generalized reciprocity.⁵⁴ In addition, certain sorts of social networks themselves facilitate the resolution of dilemmas of collective action. Mark Granovetter has stressed that trust is generated and malfeasance discouraged when agreements are "embedded" within a larger structure of personal relations and social networks.⁵⁵

Personal interaction generates information about the trustworthiness of other actors that is relatively inexpensive and reliable. As the folk theorem from game theory reminds us, ongoing social relations can generate

incentives for trustworthiness. In addition, continuing relations "often become overlaid with social content that carries strong expectations of trust and abstention from opportunism. . . . Prisoner's Dilemmas are . . . often obviated by the strength of personal relations."⁵⁶ The embeddedness approach predicts that the mix of order and disorder, of cooperation and opportunism, in a society will depend on the pre-existing social networks.

Any society—modern or traditional, authoritarian or democratic, feudal or capitalist—is characterized by networks of interpersonal communication and exchange, both formal and informal. Some of these networks are primarily "horizontal," bringing together agents of equivalent status and power. Others are primarily "vertical," linking unequal agents in asymmetric relations of hierarchy and dependence. In the real world, of course, almost all networks are mixes of the horizontal and the vertical. Even bowling teams have captains, while prison guards occasionally fraternize with inmates. The actual networks that characterize an organization may be inconsistent with the ideology that inspires it.⁵⁷ Nominally similar groups may have different types of networks. For example, all religious groups blend hierarchy and equality, but networks within Protestant congregations are traditionally thought to be more horizontal than networks in the Catholic Church.⁵⁸ Nonetheless, the basic contrast between horizontal and vertical linkages, between "web-like" and "may-pole-like" networks, is reasonably clear.

Networks of civic engagement, like the neighborhood associations, choral societies, cooperatives, sports clubs, mass-based parties, and the like examined in Chapters 4 and 5, represent intense horizontal interaction. Networks of civic engagement are an essential form of social capital: The denser such networks in a community, the more likely that its citizens will be able to cooperate for mutual benefit. Why, exactly, do networks of civic engagement have this powerfully beneficial side-effect?

- Networks of civic engagement increase the potential costs to a defector in any individual transaction. Opportunism puts at risk the benefits he expects to receive from all the other transactions in which he is currently engaged, as well as the benefits from future transactions. Networks of civic engagement, in the language of game theory, increase the iteration and interconnectedness of games.⁵⁹
- Networks of civic engagement foster robust norms of reciprocity. Compatriots who interact in many social contexts "are apt to develop strong norms of acceptable behavior and to convey their mutual expectations to one another in many reinforcing encounters." These norms are reinforced by "the network of relationships that depend on the establishment of a reputation for keeping promises and accepting the norms of the local community regarding behavior."⁶⁰

• Networks of civic engagement facilitate communication and improve the flow of information about the trustworthiness of individuals. Networks of civic engagement allow reputations to be transmitted and refined.⁶¹ As we have seen, trust and cooperation depend on reliable information about the past behavior and present interests of potential partners, while uncertainty reinforces dilemmas of collective action. Thus, other things being equal, the greater the communication (both direct and indirect) among participants, the greater their mutual trust and the easier they will find it to cooperate.⁶²

• Networks of civic engagement embody past success at collaboration, which can serve as a culturally-defined template for future collaboration. "The cultural filter provides continuity so that the informal solution to exchange problems in the past carries over into the present and makes those informal constraints important sources of continuity in long-run social change."⁶³

As we observed in Chapter 5, the civic traditions of northern Italy provide a historical repertoire of forms of collaboration that, having proved their worth in the past, are available to citizens for addressing new problems of collective action. Mutual aid societies were built on the razed foundations of the old guilds, and cooperatives and mass political parties then drew on the experience of the mutual aid societies. The contemporary Italian environmental movement draws on these earlier precedents. Conversely, where no prior example of successful civic collaboration exists, it is more difficult to overcome barriers of suspicion and shirking. Faced with new problems requiring collective resolution, men and women everywhere look to their past for solutions. Citizens of civic communities find examples of successful horizontal relationships in their history, whereas those in less civic regions find, at best, examples of vertical supplication.

A vertical network, no matter how dense and no matter how important to its participants, cannot sustain social trust and cooperation. Vertical flows of information are often less reliable than horizontal flows, in part because the subordinate hands information as a hedge against exploitation. More important, sanctions that support norms of reciprocity against the threat of opportunism are less likely to be imposed upwards and less likely to be acceded to, if imposed.⁶⁴ Only a bold or foolhardy subordinate, lacking ties of solidarity with peers, would seek to punish a superior.

Patron-client relations, for example, involve interpersonal exchange and reciprocal obligations, but the exchange is vertical and the obligations asymmetric. Pitt-Rivers calls clientelism "lopsided friendship."⁶⁵ Furthermore, the vertical bonds of clientelism "seem to undermine the hori-

zontal group organisation and solidarity of clients and patrons alike—but especially of the clients."⁶⁶ Two clients of the same patron, lacking direct ties, hold nothing hostage to one another. They have nothing to stake against mutual defection and nothing to fear from mutual alienation. They have no occasion to develop a norm of generalized reciprocity and no history of mutual collaboration to draw on. In the vertical patron-client relationship, characterized by dependence instead of mutuality, opportunism is more likely on the part of both patron (exploitation) and client (shirking). The fact that vertical networks are less helpful than horizontal networks in solving dilemmas of collective action may be one reason why capitalism turned out to be more efficient than feudalism in the eighteenth century, and why democracy has proven more effective than autocracy in the twentieth century.

Kinship ties have a special role in the resolution of dilemmas of collective action. In some respects bonds of blood are comparable to horizontal ties of civic engagement, but family is more nearly universal. It is no accident that family firms and close-knit ethnic minorities (Jews in Europe, overseas Chinese in Asia, and so on) have been important in the early stages of the commercial revolution. However, networks of civic engagement are more likely to encompass broad segments of society and thus undergird collaboration at the community level. Ironically, as Granovetter has pointed out, "strong" interpersonal ties (like kinship and intimate friendship) are less important than "weak ties" (like acquaintanceship and shared membership in secondary associations) in sustaining community cohesion and collective action. "Weak ties are more likely to link members of *different* small groups than are strong ones, which tend to be concentrated within particular groups."⁶⁷ Dense but segregated horizontal networks sustain cooperation *within* each group, but networks of civic engagement that cut across social cleavages nourish wider cooperation. This is another reason why networks of civic engagement are such an important part of a community's stock of social capital.

If horizontal networks of civic engagement help participants solve dilemmas of collective action, then the more horizontally structured an organization, the more it should foster institutional success in the broader community. Membership in horizontally ordered groups (like sports clubs, cooperatives, mutual aid societies, cultural associations, and voluntary unions) should be positively associated with good government. Since the organizational realities of political parties vary from party to party and region to region (vertical in some places, horizontal in others), we should expect party membership as such to be unrelated to good government. Membership rates in hierarchically ordered organizations (like the Mafia or the institutional Catholic Church) should be negatively associated with good government; in Italy, at least, the most devout church-

goers are the least civic-minded.⁶⁸ All these expectations are consistent with the evidence of this study, as we saw in Chapters 4 and 5.⁶⁹ Good government in Italy is a by-product of singing groups and soccer clubs, not prayer.

This interpretation of the beneficial effects of civic networks is in some respects contrary to other theories of political and economic development. In *The Rise and Decline of Nations*, Mancur Olson, building on his own seminal explication of the logic of collective action, argues that small interest groups have no incentive to work toward the common good of society and every incentive to engage in costly and inefficient "rent-seeking"—lobbying for tax breaks, colluding to restrain competition, and so on.⁷⁰ Worse yet, in the absence of invasion or revolutionary change, the thicket of special interest groups in any society grows ever denser, choking off innovation and dampening economic growth. More and stronger groups mean less growth. Strong society, weak economy.

Just as Olson laments the economic effects of associationism, some students of political development argue that a strong, well organized, and exuberant society impedes the effectiveness of government. Joel Migdal, for example, has recently argued:

social structure, particularly the existence of numerous other social organizations that exercise effective social control, has a decisive [negative] effect on the likelihood of the state's greatly expanding its capabilities. . . . The major struggles in many societies, especially those with fairly new states . . . are over whether the state will be able to displace other organizations in society that make rules against the wishes and goals of state leaders.⁷¹

In short, more and stronger groups mean feeble government. Strong society, weak state.

The evidence and the theory of our study contradict both these theses. Historically, we argued in Chapter 5, norms and networks of civic engagement have fostered economic growth, not inhibited it. This effect continues today. Over the two decades since the birth of the regional governments, civic regions have grown faster than regions with fewer associations and more hierarchy, *controlling for their level of development in 1970*. Of two regions equally advanced economically in 1970, the one with a denser network of civic engagement grew significantly faster in the ensuing years.⁷² Similarly, as we saw in Chapter 4, civic associations are powerfully associated with effective public institutions. The theory sketched in this chapter helps explain why social capital, as embodied in horizontal networks of civic engagement, bolsters the performance of the polity and the economy, rather than the reverse: Strong society, strong economy; strong society, strong state.

HISTORY AND INSTITUTIONAL PERFORMANCE: TWO SOCIAL EQUILIBRIA

In all societies, to summarize our argument so far, dilemmas of collective action hamper attempts to cooperate for mutual benefit, whether in politics or in economics. Third-party enforcement is an inadequate solution to this problem. Voluntary cooperation (like rotating credit associations) depends on social capital. Norms of generalized reciprocity and networks of civic engagement encourage social trust and cooperation because they reduce incentives to defect, reduce uncertainty, and provide models for future cooperation. Trust itself is an emergent property of the social system, as much as a personal attribute. Individuals are able to be trusting (and not merely gullible) because of the social norms and networks within which their actions are embedded.⁷³

Stocks of social capital, such as trust, norms, and networks, tend to be self-reinforcing and cumulative. Virtuous circles result in social equilibria with high levels of cooperation, trust, reciprocity, civic engagement, and collective well-being. These traits define the civic community. Conversely, the absence of these traits in the *uncivic* community is also self-reinforcing. Defection, distrust, shirking, exploitation, isolation, disorder, and stagnation intensify one another in a suffocating miasma of vicious circles. This argument suggests that there may be at least *two* broad equilibria toward which all societies that face problems of collective action (that is, *all* societies) tend to evolve and which, once attained, tend to be self-reinforcing.

The strategy of "never cooperate" is a stable equilibrium, for reasons that are well explicated in standard accounts of the prisoner's dilemma.⁷⁴ Once trapped in this situation, no matter how exploitative and backward, it is irrational for any individual to seek a more collaborative alternative, except perhaps within the immediate family. The "amoral familism" that Banfield observed in the Mezzogiorno is, in fact, not irrational, but the only rational strategy for survival in this social context.⁷⁵ Actors in this social equilibrium may well realize that they are worse off than they would be in a more cooperative equilibrium, but getting to that happier equilibrium is beyond the power of any individual.

In this setting, we should expect the Hobbesian, hierarchical solution to dilemmas of collective action—coercion, exploitation, and dependence—to predominate. This oppressive state of affairs is clearly inferior to a cooperative outcome, for it dooms the society to self-perpetuating backwardness. Nevertheless, it is preferable to a purely anarchic "state of nature," as has also been clear to southern Italians from medieval to mod-

ern times. This Hobbesian outcome has at least the virtue that it is attainable by individuals who are unable to trust their neighbors. Minimal security, no matter how exploitative and inefficient, is not a contemptible objective for the powerless.

The difficulty of solving dilemmas of collective action in this Hobbesian equilibrium means that society is worse off than in a cooperative outcome. This shortfall is probably even greater in a complex industrial or postindustrial context, where impersonal cooperation is essential, than a simple agricultural society. As Douglass North, an astute theorist of economic history, has observed, "the returns on opportunism, cheating, and shirking rise in complex societies."⁷⁶ Thus, the importance of social capital (to inhibit opportunism, cheating, and shirking) increases as economic development proceeds. This may help explain why the gap between the civic North and the uncivic South has widened over the last century.

Authoritarian government, patron-clientelism, extralegal "enforcers," and the like represent a second-best, "default" solution: Through them, individuals can find some refuge from the war of all against all, without pursuing the impossible dream of cooperation. Force and family provide a primitive substitute for the civic community. This equilibrium has been the tragic fate of southern Italy for a millennium.

Given an adequate stock of social capital, however, a happier equilibrium is also attainable. Assuming that prisoner's dilemmas are iterated or interconnected (as they are in a civic community), "brave reciprocity" is also a stable equilibrium strategy, as the game theorist Robert Sugden has recently shown: "Cooperate with people who cooperate with you (or who cooperate with people like you), and don't be the first to defect." Sugden shows, specifically, that in what he calls "the mutual-aid game" (a formalization of the implicit bargaining that underlies mutual aid societies, cooperatives, rotating credit associations, Hume's game of the two farmers, and so on) cooperation can be sustained indefinitely. To be sure, even in an indefinitely repeated mutual-aid game, "always defect" is also a stable equilibrium, but if a society can somehow move toward the cooperative solution, it will be self-reinforcing.⁷⁷ In a society characterized by dense networks of civic engagement, where most people abide by civic norms, it is easier to spot and punish the occasional "bad apple," so that defection is riskier and less tempting.

Sugden's analysis leads to the conclusion that both "always defect" and "reciprocate help" are contingent conventions—that is, rules that have evolved in particular communities and, having so evolved, are stable, but that might have evolved otherwise. In other words, reciprocity/trust and dependence/exploitation can each hold society together, though at quite different levels of efficiency and institutional performance. Once in either of these two settings, rational actors have an incentive to act consistently

with its rules. History determines which of these two stable outcomes characterizes any given society.

Historical turning points thus can have extremely long-lived consequences. As the "new institutionalists" have emphasized, institutions—and we would add, the social settings that condition their operation—evolve through history, but they do not reliably reach unique and efficient equilibria.⁷⁸ History is not always efficient, in the sense of weeding out social practices that impede progress and encourage collective irrationality. Nor is this inertia somehow attributable to individual irrationality. On the contrary, individuals responding rationally to the social context bequeathed to them by history reinforce the social pathologies.

Recent theorists of economic history have dubbed this feature of social systems "path dependence": where you can get to depends on where you're coming from, and some destinations you simply cannot get to from here.⁷⁹ Path dependence can produce durable differences in performance between two societies, even when the formal institutions, resources, relative prices, and individual preferences in the two are similar. The implications of this point for economic (and political) development are profound: "If the process by which we arrive at today's institutions is relevant and constrains future choices, then not only does history matter but persistent poor performance and long-run divergent patterns of development stem from a common source."⁸⁰

Douglass North has illustrated this point by tracing the post-colonial experiences of North and South America to their respective colonial legacies.⁸¹ After independence, both the United States and the Latin republics shared constitutional forms, abundant resources, and similar international opportunities; but North Americans benefited from their decentralized, parliamentary English patrimony, whereas Latin Americans were cursed with centralized authoritarianism, familism, and clientelism that they inherited from late medieval Spain. In our language, the North Americans inherited civic traditions, whereas the Latin Americans were bequeathed traditions of vertical dependence and exploitation. The point is not that the preferences or predilections of individual North and South Americans differed, but that historically derived social contexts presented them with a different set of opportunities and incentives. The parallel between this North-South contrast and our Italian case is striking.⁸²

Using the term "institution" in a broad sense to mean "the rules of the game in a society," North points out that institutional patterns are self-reinforcing, even when they are socially inefficient.⁸³ First, it is almost always easier for an individual agent to adapt to the existing rules of the game than to seek to change them. Indeed, those rules tend to induce the rise of organizations and groups with a stake in their inefficiencies. Second, once development has been set on a particular course, organizational

learning, cultural habits, and mental models of the social world reinforce that trajectory. Cooperation or shirking and exploitation become ingrained. Informal norms and culture change more slowly than formal rules, and tend to remold those formal rules, so that the external imposition of a common set of formal rules will lead to widely divergent outcomes. All of these hypotheses are consistent with the deep continuities traced in Chapter 5.

Each chapter in this book has begun with one question and ended with another. Chapter 2 began with "How did the new regional institutions affect the practice of politics?" and ended with "How successful was each institution at governing?" Chapter 3 answered that question, leading us naturally to ask "Why were some so much more successful than others?" Chapter 4 traced differences in performance to differences in civic engagement, which in turn raised the question, "Where did those differences in civic-ness come from?" Chapter 5 traced those differences to distinctive traditions that have endured for nearly a thousand years, posing the puzzle, "How could such differences have proved so stable?" Chapter 6 has explicated the vicious and virtuous circles that have led to contrasting, path-dependent social equilibria.

This explanation, however persuasive, poses starkly yet another question: "Why did the North and South get started on such divergent paths in the eleventh century?" The hierarchical Norman régime in the South is perhaps readily explained as the consequence of conquest by an unusually effective force of foreign mercenaries. More problematical and potentially more interesting are the origins of the communal republics. How did the inhabitants of north-central Italy first come to seek collaborative solutions to their Hobbesian dilemmas? The response to that question must await further research, not least because historians report that the answer seems lost in the mists of the Dark Ages.⁸⁴ Our interpretation, however, highlights the unique importance of trying to pierce those mists.

Social scientists have long debated what causes what—culture or structure. In the context of our argument this debate concerns the complicated causal nexus among the cultural norms and attitudes and the social structures and behavioral patterns that make up the civic community. Quite apart from the ambiguity of "culture" and "structure," however, this debate is somewhat misplaced. Most dispassionate commentators recognize that attitudes and practices constitute a mutually reinforcing equilibrium.⁸⁵ Social trust, norms of reciprocity, networks of civic engagement, and successful cooperation are mutually reinforcing. Effective collaborative institutions require interpersonal skills and trust, but those skills and that trust are also inculcated and reinforced by organized collaboration. Norms and networks of civic engagement contribute to economic prosperity and are in turn reinforced by that prosperity.

Linear causal questions must not crowd out equilibrium analysis. In this context, the culture-vs.-structure, chicken-and-egg debate is ultimately fruitless. More important is to understand how history smooths some paths and closes others off. Douglass North summarizes the challenges ahead:

Path dependence means that history matters. We cannot understand today's choices (and define them in the modeling of economic performance) without tracing the incremental evolution of institutions. But we are just beginning the serious task of exploring the implications of path dependence. . . . Informal constraints matter. We need to know much more about culturally derived norms of behavior and how they interact with formal rules to get better answers to such issues. We are just beginning the serious study of institutions.⁸⁶

LESSONS FROM THE ITALIAN REGIONAL EXPERIMENT

The twentieth century is ending, as it began, with high aspirations for extending the benefits of democratic self-government to ever larger numbers of men and women.⁸⁷ What factors will affect whether these hopes will be realized? Our study has explored both the power of institutional reform as a strategy for political change and the constraints on institutional performance posed by the social context. Twenty years after the establishment of regional government in Italy, what have we learned from this experiment in building new institutions of democracy?

For at least ten centuries, the North and the South have followed contrasting approaches to the dilemmas of collective action that afflict all societies. In the North, norms of reciprocity and networks of civic engagement have been embodied in tower societies, guilds, mutual aid societies, cooperatives, unions, and even soccer clubs and literary societies. These horizontal civic bonds have undergirded levels of economic and institutional performance generally much higher than in the South, where social and political relations have been vertically structured. Although we are accustomed to thinking of the state and the market as alternative mechanisms for solving social problems, this history suggests that *both* state and markets operate more efficiently in civic settings.

This civic equilibrium has shown remarkable stability, as we saw in Chapter 5, although its effects have been disrupted from time to time by exogenous forces like pestilence, war, and world trade shifts. The contrasting, Hobbesian equilibrium in the South has been even more stable, though less fruitful. Mutual distrust and defection, vertical dependence and exploitation, isolation and disorder, criminality and backwardness, have reinforced one another in the interminable vicious circles traced in

this chapter and the previous one. People in Bologna and Bari, in Florence and Palermo, have followed contrasting logics of communal life for a millennium or more.

When the regional reform was introduced in 1970, therefore, the new institutions were implanted in very different social contexts. As we learned in Chapter 4, civic regions were characterized by a dense network of local associations, by active engagement in community affairs, by egalitarian patterns of politics, by trust and law-abidingness. In less civic regions, political and social participation was organized vertically, not horizontally. Mutual suspicion and corruption were regarded as normal. Involvement in civic associations was scanty. Lawlessness was expected. People in these communities felt powerless and exploited. They were right.

These contrasting social contexts plainly affected how the new institutions worked. As we saw in Chapter 3, objective measures of effectiveness and subjective measures of citizen satisfaction concur in ranking some regional governments consistently more successful than others. Virtually without exception, the more civic the context, the better the government. In the late twentieth century, as in the early twelfth century, collective institutions work better in the civic community. By the 1980s, the North has also attained great advantages in physical and human capital, but those advantages are accentuated and in part explained by its longstanding edge in social capital.

This is one lesson gleaned from our research: *Social context and history profoundly condition the effectiveness of institutions.* Where the regional soil is fertile, the regions draw sustenance from regional traditions, but where the soil is poor, the new institutions are stunted. Effective and responsive institutions depend, in the language of civic humanism, on republican virtues and practices. Tocqueville was right: Democratic government is strengthened, not weakened, when it faces a vigorous civil society.

On the demand side, citizens in civic communities expect better government and (in part through their own efforts), they get it. They demand more effective public service, and they are prepared to act collectively to achieve their shared goals. Their counterparts in less civic regions more commonly assume the role of alienated and cynical supplicants.

On the supply side, the performance of representative government is facilitated by the social infrastructure of civic communities and by the democratic values of both officials and citizens. Most fundamental to the civic community is the social ability to collaborate for shared interests. Generalized reciprocity (not "I'll do this for you, because you are more powerful than I," nor even "I'll do this for you now, if you do that for me now," but "I'll do this for you now, knowing that somewhere down the

road you'll do something for me") generates high social capital and underpins collaboration.

The harmonies of a choral society illustrate how voluntary collaboration can create value that no individual, no matter how wealthy, no matter how wily, could produce alone. In the civic community associations proliferate, memberships overlap, and participation spills into multiple arenas of community life. The social contract that sustains such collaboration in the civic community is not legal but moral. The sanction for violating it is not penal, but exclusion from the network of solidarity and cooperation. Norms and expectations play an important role. As Thompson, Ellis, and Wildavsky put it, "Ways of life are made viable by classifying certain behaviors as worthy of praise and others as undesirable, or even unthinkable."⁸⁸ A conception of one's role and obligations as a citizen, coupled with a commitment to political equality, is the cultural cement of the civic community.

Where norms and networks of civic engagement are lacking, the outlook for collective action appears bleak. The fate of the Mezzogiorno is an object lesson for the Third World today and the former Communist lands of Eurasia tomorrow, moving uncertainly toward self-government. The "always defect" social equilibrium may represent the future of much of the world where social capital is limited or nonexistent. For political stability, for government effectiveness, and even for economic progress social capital may be even more important than physical or human capital. Many of the formerly Communist societies had weak civic traditions before the advent of Communism, and totalitarian rule abused even that limited stock of social capital. Without norms of reciprocity and networks of civic engagement, the Hobbesian outcome of the Mezzogiorno—amoral familism, clientelism, lawlessness, ineffective government, and economic stagnation—seems likelier than successful democratization and economic development. Palermo may represent the future of Moscow.

The civic community has deep historical roots. This is a depressing observation for those who view institutional reform as a strategy for political change. The president of Basilicata cannot move his government to Emilia, and the prime minister of Azerbaijan cannot move his country to the Baltic. "A theory of change that gives priority to ethos can have unfortunate consequences. . . . It may lead to minimizing efforts at change because people are believed to be hopelessly enmeshed in an ethos."⁸⁹ More than one Italian regionalist told us privately that publicity about our results might unintentionally undermine the regional reform movement. One able reformist regional president in an uncivic region exclaimed when he heard our conclusions: "This is a counsel of despair! You're telling me that nothing I can do will improve our prospects for success. The fate of the reform was sealed centuries ago."⁹⁰

The full results of the regional reform, however, are far from an invitation to quietism. On the contrary, a second lesson of the regional experiment is (as Chapter 2 demonstrates) that *changing formal institutions can change political practice*. The reform had measurable and mostly beneficial consequences for regional political life. As institutionalists would predict, institutional changes were (gradually) reflected in changing identities, changing values, changing power, and changing strategies. These trends transpired in the South no less than the North. In both South and North, the new institution nurtured a more moderate, pragmatic, tolerant elite political culture. In both South and North, the reform altered old patterns of power and produced more genuine subnational autonomy than unified Italy had ever known. In both South and North, the reform itself generated pressures, both inside and outside the government, in support of further decentralization. In both South and North, the regional government is generally regarded by community leaders and ordinary voters as an improvement over the institutions it replaced—certainly more accessible and probably more effective. The regional reform allowed social learning, “learning by doing.”⁹¹ Formal change induced informal change and became self-sustaining.

The new institution has not yet lived up to the highest expectations of its optimistic advocates. Factionalism and gridlock, inefficiency and simple incompetence, still plague many regions. This is especially so in the South, which was much less well positioned than the North to take advantage of the new powers. Both North and South have made progress in the last twenty years, but compared to the North, the southern regions are no better off today than they were in 1970. Compared to where the South would be today without the regional reform, however, the South is much better off. That is the view of most southerners.

Has the reform also begun to reverse the vicious uncivic circles that have trapped the Mezzogiorno in backwardness for a millennium? We cannot say, for the final lesson from this research is that *most institutional history moves slowly*. Where institution building (and not mere constitution writing) is concerned, time is measured in decades. This was true of the German Länder, it has been true of the Italian regions and of the communal republics before them, and it will be true of the ex-Communist states of Eurasia, even in the most optimistic scenarios.

History probably moves even more slowly when erecting norms of reciprocity and networks of civic engagement, although we lack the benchmarks to be sure. For convenience's sake, we might date the founding of the communal republics and the Norman kingdom, and thus the start of Italy's civic split between North and South, in (say) the year 1100. But it seems highly unlikely that surveys of nobles, peasants, and townspeople in 1120 would have detected the initial stages of the North-South division.

Two decades are time enough to detect the impact of institutional reform on political behavior, but not to trace its effects on deeper patterns of culture and social structure.

Those concerned with democracy and development in the South should be building a more civic community, but they should lift their sights beyond instant results. We agree with the prescription of the Italian economic historian Vera Zamagni, who urges local transformation of local structures rather than reliance upon national initiatives:

It is a dangerous illusion to believe that the Mezzogiorno can be changed from outside *despite* its existing political-economic-social structure. . . . Beyond any doubt, the temporal perspective required for such a political and cultural revolution is long. But it does not seem to us that the path taken so far, with the results it has produced, has been any shorter.⁹²

Building social capital will not be easy, but it is the key to making democracy work.

improved. But all four regions have civic traditions that (as we shall see in Chapter 5) predate the Communist party by centuries. (If there is a causal link between civic-ness and Communist strength, it must run from the former to the latter.) In a multiple regression framework, both the Civic Community Index ($\beta = .76$, $T = 9.19$, $p < .0000$) and the number of years of PCI government ($\beta = .31$, $T = 3.73$, $p < .002$) are significant predictors of our Index of Institutional Performance. On the other hand, controlling for civic-ness, PCI involvement in government is unrelated to citizens' satisfaction with their regional government.

87. In 1985 the PCI entered the government of Calabria, the least civic of the twenty regions, and between 1984 and 1989 the PCI participated in the regional government of Sardinia, also relatively uncivic, but our evaluations of performance did not encompass this period.

Chapter 5 Tracing the Roots of the Civic Community

1. The historical overview of Italian civic life in this chapter cannot pretend to be a comprehensive account of eight rich centuries of Italian history. Our story begins in the eleventh century primarily because the character of social and political life in the Dark Ages between the fall of Rome and 1000 remains in many respects obscure. Most unfortunate from the point of view of the theoretical argument we pursue here, the origins and prehistory of the northern communes are still shrouded in mist. J. K. Hyde, *Society and Politics in Medieval Italy: The Evolution of the Civil Life, 1000-1350* (London: Macmillan, 1973) observes that "significantly, no historian has succeeded in proving the continuance of civic institutions from late Roman to medieval times for any city north of Rome. . . . To try to catch a glimpse of an emergent Italian commune is a frustrating experience, so often the evidence seems to come just too soon or just too late" (p. 14, p. 49). See also Daniel Waley, *The Italian City-Republics*, 2nd ed. (New York: Longman, 1978), pp. 1-8. We are grateful to the distinguished Italian medievalist Richard Goldthwaite for encouraging our historical inquiries and for cautioning us about missteps along the way, although he bears no responsibility for mistakes that remain.

2. J. K. Hyde, *Society and Politics in Medieval Italy*, p. 38. The division between the Norman kingdom in the South and the communal republics in the North corresponds in many respects to the boundary between the Byzantine and Roman Catholic domains in the preceding epoch. Whether this parallelism reflects real and enduring regional traditions even deeper than those discussed in this chapter is an important question for future research.

3. *The Times Atlas of World History*, 3rd edition, eds. Geoffrey Barraclough and Norman Stone (London: Times Books, 1989), p. 124.

4. Harry Hearder, *Italy: A Short History* (New York: Cambridge University Press, 1990), p. 69.

5. John Larner, *Italy in the Age of Dante and Petrarch: 1216-1380* (New York: Longman, 1980), pp. 27-28.

6. Hyde, *Society and Politics in Medieval Italy*, p. 119.

7. Larner, *Italy*, pp. 16-37.

8. *Times Atlas of World History*, p. 124.

9. Denis Mack Smith, *A History of Sicily: Medieval Sicily: 800-1713* (New York: Viking Press, 1968), p. 54; Larner, *Italy*, pp. 28-29.

10. Larner, *Italy*, p. 31.

11. Denis Mack Smith, *History of Sicily*, pp. 55-56. See also Giovanni Tocaccio, *The Struggle for Power in Medieval Italy: Structures of Political Rule* (New York: Cambridge University Press, 1989), p. 191 and pp. 237-244.

12. Pietr Kropotkin, *Mutual Aid: A Factor of Evolution* (London: Heinemann, 1902), p. 166.

13. Frederic C. Lane, *Venice and History* (Baltimore: Johns Hopkins University Press, 1966), chapter 32, "At the Roots of Republicanism," p. 535.

14. Hyde, *Society and Politics in Medieval Italy*, p. 57. See also Larner, *Italy*, p. 86, and Tobacco, *Struggle for Power in Medieval Italy*, esp. p. 188 and pp. 203-204.

15. Lauro Martines, *Power and Imagination: City-States in Renaissance Italy* (Baltimore: Johns Hopkins University Press, 1988), p. 148, estimates that between 2 and 12 percent of communal inhabitants were enfranchised, but Larner, *Italy*, p. 122, reports that one in five males had political rights in Florence, and Waley, *Italian City-Republics*, pp. 51-54, implies even higher participation rates.

16. Waley, *Italian City-Republics*, pp. 29-31, 51-52.

17. Lane, *Venice and History*, p. 524.

18. For a useful overview of the governmental institutions of the republics, see Waley, *Italian City-Republics*, pp. 25-54.

19. Marvin B. Becker, *Medieval Italy: Constraints and Creativity* (Bloomington: Indiana University Press, 1981), p. 60.

20. At least since the eighteenth century, *laissez faire* economists and politicians have been deeply skeptical about the social and economic effects of guilds. Recently, Mancur Olson has restated this argument in his stimulating book, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven: Yale University Press, 1982): "Although they provided insurance and social benefits for their members, the guilds were, above all, distributional coalitions that used monopoly power and often political power to serve their interests. . . . [T]hey also reduced economic efficiency and delayed technological innovation." (p. 125) Although this is not the place for a comprehensive evaluation of the social consequences of the medieval guilds, our argument in this book suggests that whatever their other, more deleterious effects, the guilds marked an important stage in the development of horizontal social networks that contribute favorably both to governmental and to economic performance. For a related argument on the positive functions served by guilds, see Charles R. Hickson and Earl A. Thompson, "A New Theory of Guilds and European Economic Development," *Explorations in Economic History* 28 (1991): 127-168, and Avner Greif, Paul Milgrom, and Barry Weingast, "The Merchant Guild as a Nexus of Contracts," unpublished manuscript (Stanford, California: Hoover Institute, 1992).

21. Kropotkin, *Mutual Aid*, p. 174.

22. Larner, *Italy*, p. 196.

23. *Ibid.*, p. 113.

but he makes clear that this distinction applies specifically to the contrast between northern and southern Italy.

51. Philip Ziegler, *The Black Death* (London: Penguin, 1970), pp. 40-62; Hearder, *Italy: A Short History*, pp. 98-99.
52. Hyde, *Society and Politics in Medieval Italy*, p. 107.
53. *Ibid.*, p. 142.
54. Lerner, *Italy*, p. 146, notes that "the very need felt for the ratification of the *signore's* more important acts of state in general councils suggests a mentality which held fast to the principle that 'what touches all, should be approved by all.'" See also Perry Anderson, *Lineages of the Absolutist State* (London: Verso, 1974), p. 162.
55. See the useful map in *The Times Atlas of World History*, p. 124, on which Figure 5.1 is in part based. See also Hyde, *Society and Politics in Medieval Italy*, Map 4, and Lerner, *Italy*, pp. 137-150.
56. Niccolò Machiavelli, *The Discourses* (London: Penguin Books, 1970), ed. Bernard Crick, trans. Leslie J. Walker, Book I, Chapter 55, p. 243, p. 246.
57. Bouwsma, "Italy in the Late Middle Ages and the Renaissance," p. 1142.
58. Hyde, *Society and Politics in Medieval Italy*, p. 8, citing Matteo Palmieri's *Della Vita Civile*, published in the 1430s. On Italian political thought in this period, see especially J. G. A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton: Princeton University Press, 1975).
59. Lerner, *Italy*, p. 51.
60. Bouwsma, "Italy in the Late Middle Ages and the Renaissance," p. 1139.
61. Strictly speaking, the Sicilian and continental portions of the southern kingdom had been split between the Aragon and Angevin dynasties in 1282, but they would later be reunited as the Kingdom of the Two Sicilies. Excluded from the map are some peripheral areas—Sardinia, western Piedmont, and Trentino—that in this epoch looked more closely toward Spain, France, and Germany, respectively.
62. Hearder, *Italy: A Short History*, pp. 131-132, p. 136; Waley, *Italian City-Republics*, p. 17, and Cipolla, *Before the Industrial Revolution*, p. 162, p. 262.
63. Carlo Tullio-Altan, in *La nostra Italia: Arretratezza socioculturale, clientelismo, trasformismo e ribellismo dall'Unità ad oggi* (Milan: Feltrinelli, 1986), pp. 31-35. Following Max Weber, Tullio-Altan, a distinguished Italian sociologist, attributes the eclipse of communal republicanism, and the socioeconomic progress it had spawned, to the Counter-Reformation, which shielded Italy from the influence of the Protestant ethic that linked individual salvation and social responsibility. A fuller historical account would obviously also have to take account of the shift of trade routes from the Mediterranean to the Atlantic, among many other factors.
64. Sydel F. Silverman, *Three Bells of Civilization: The Life of an Italian Hill-Town* (New York: Columbia University Press, 1975), pp. 93-95; Silverman, "Agricultural Organization, Social Structure, and Values in Italy: Amoral Familism Reconsidered," *American Anthropologist* 70 (February 1968): 9.
65. Maurice Vaussard, *Daily Life in Eighteenth Century Italy*, trans. Michale Heron (New York: Macmillan, 1963), p. 17.

24. Hyde, *Society and Politics in Medieval Italy*, p. 80.
25. Hearder, *Italy: A Short History*, p. 76.
26. Becker, *Medieval Italy*, p. 36, footnote 32.
27. Lerner, *Italy*, p. 114. Tobacco, *The Struggle for Power in Medieval Italy*, p. 222, reports that by the beginning of the thirteenth century, Florence boasted 150 private defensive towers.
28. Waley, *Italian City-Republics*, pp. 97, 114.
29. Hyde, *Society and Politics in Medieval Italy*, p. 83.
30. *Ibid.*, p. 95.
31. Waley, *Italian City-Republics*, pp. 32-36.
32. *Ibid.*, p. 13.
33. William J. Bouwsma, "Italy in the late Middle Ages and the Renaissance," in *The New Encyclopedia Britannica: Macropaedia* (Chicago: Encyclopedia Britannica, 1978), vol. 9, p. 1134.
34. Martines, *Power and Imagination*, p. 111.
35. Lerner, *Italy*, p. 189.
36. John Hicks, *A Theory of Economic History* (New York: Oxford University Press, 1969), Chapters 3-4.
37. Hicks, *Theory of Economic History*, p. 40.
38. *Ibid.*, Chapter 5.
39. Becker, *Medieval Italy*, p. 19.
40. Crafts and small manufactories were also important to the economies of the communal republics. The wool industry, for example, sustained a third of the Florentine population. However, these activities were not unique to the Italian city-states, whereas Italians had more nearly a monopoly in long-distance commerce and finance. By the 1290s, for instance, London hosted no fewer than 14 Italian bank branches and Paris 20. See Lerner, *Italy*, pp. 187, 189.
41. Becker, *Medieval Italy*, pp. 85, 177 (emphasis in original). See also Janet Coleman, "The Civic Culture of Contracts and Credit: A Review Article," *Comparative Studies in Society and History* 28 (1986): 778-784.
42. Carlo M. Cipolla, *Before the Industrial Revolution: European Society and Economy, 1000-1700*, 2nd edition (London: Methuen, 1980), pp. 198-199. See also Hyde, *Society and Politics in Medieval Italy*, p. 71.
43. Lerner, *Italy*, p. 198.
44. *Ibid.*, p. 115.
45. Hyde, *Society and Politics in Medieval Italy*, p. 94.
46. Bouwsma, "Italy in the late Middle Ages and the Renaissance," p. 1134. Lerner, *Italy*, p. 183, and Hyde, *Society and Politics in Medieval Italy*, p. 153, give a slightly different list of the largest Italian cities, moving Milan and Genoa ahead of Palermo, but all agree on Italy's pre-eminence in Europe.
47. Lerner, *Italy*, p. 29.
48. Bouwsma, "Italy in the Late Middle Ages and the Renaissance," p. 1136.
49. Lerner, *Italy*, p. 160, reports that "by the middle of the sixteenth century the Church in the north and centre of the peninsula owned only 10-15 percent of the land, whereas in the south it still retained 65-75 percent."
50. Cipolla, *Before the Industrial Revolution*, p. 148. Cipolla in this passage is describing the difference between feudal and communal patterns across Europe,

66. During the heyday of the communal republics, the North was more urban than the South, but this has not been the case throughout history. Leaving aside the historic southern metropolises of Naples, Palermo, and Rome, a large fraction of southern peasants traditionally lived in "agro-towns," commuting daily to the fields. As we noted in Chapter 4, note 83, in contemporary Italy, the South is more urban than the North.

67. Harry Hearder, *Italy in the Age of the Risorgimento: 1790-1870* (New York: Longman, 1983), p. 126.

68. Bouwsma, "Italy in the Late Middle Ages and the Renaissance," p. 1139.

69. Gianni Toniolo, *An Economic History of Liberal Italy: 1850-1918*, trans. Maria Rees (New York: Routledge, 1990), p. 38, quoting P. Villani, *Mezzogiorno tra riforme e rivoluzione* (Bari: Laterza, 1973), p. 155.

70. Anthony Pagden, "The Destruction of Trust and its Economic Consequences in the Case of Eighteenth-century Naples," in *Trust: Making and Breaking Cooperative Relations*, ed. Diego Gambetta (Oxford: Blackwell, 1988), pp. 127-141.

71. Maurice Agulhon, *The Republic in the Village: The People of the Var from the French Revolution to the Second Republic*, trans. Janet Lloyd (New York: Cambridge University Press, 1982), esp. pp. 124-149.

72. *Ibid.*, pp. 131-132.

73. *Ibid.*, p. 128.

74. *Ibid.*, pp. 157, 302.

75. *Ibid.*, p. 150.

76. In 1859-60 the Piedmontese monarchy, after a complicated diplomatic chess game, annexed most of the Italian peninsula, and Victor Emmanuel II was proclaimed king of united Italy in 1861. Venetia was added in 1866 and finally Rome in 1870, the date generally treated as marking the achievement of Unification. Later, Triestino and Trentino-Alto Adige were won in the 1919 Treaty of Versailles. For more details, see Hearder, *Italy in the Age of the Risorgimento: 1790-1870*.

77. See Kent Roberts Greenfield, *Economics and Liberalism in the Risorgimento: A Study of Nationalism in Lombardina, 1814-48* (Baltimore: Johns Hopkins University Press, 1965) for a treatment of Lombard liberals in this respect, as well as Raymond Grew, *A Sterner Plan for Italian Unity: The Italian National Society in the Risorgimento* (Princeton: Princeton University Press, 1963).

78. Carlo Trigilia, "Sviluppo economico e trasformazioni sociopolitiche dei sistemi territoriali a economia diffusa," *Quaderni della Fondazione Giangiacomo Feltrinelli* (Milan) 16 (1981): 57.

79. See Martin Clark, *Modern Italy 1871-1982* (New York: Longman, 1984), pp. 76-77, and Maurice F. Neufeld, *Italy: School for Awakening Countries: The Italian Labor Movement in Its Political, Social, and Economic Setting from 1800 to 1960* (Ithaca, New York: New York State School of Industrial and Labor Relations, Cornell University, 1961), pp. 60, 175-176. Fraternal ethnic associations that sprang up among American immigrant groups in the nineteenth century also often served as mutual aid societies. See Michael Hechter, *Principles of Group Solidarity* (Berkeley: University of California Press, 1987), pp. 112-120.

80. Neufeld, *Italy: School for Awakening Countries*, pp. 176-177.

81. *Ibid.*, p. 177.

82. Clark, *Modern Italy*, p. 76.

83. Denis Mack Smith, *Italy: A Modern History* (Ann Arbor: University of Michigan Press, 1959), p. 243.

84. Neufeld, *Italy: School for Awakening Countries*, p. 185.

85. *Ibid.*, p. 64.

86. Clark, *Modern Italy*, p. 87, p. 107; see also Paul Ginsborg, "Family, Culture and Politics in Contemporary Italy," in *Culture and Conflict in Postwar Italy: Essays on Mass and Popular Culture*, eds. Zygmunt G. Baranski and Robert Lumley (London: Macmillan, 1990), p. 29.

87. Compare Chapter 4, pp. 107-109.

88. Clark, *Modern Italy*, p. 142.

89. Donald H. Bell, "Worker Culture and Worker Politics," *Social History* 3 (January 1978): 1-21.

90. Samuel H. Barnes, *Representation in Italy: Institutionalized Tradition and Electoral Choice* (Chicago: University of Chicago Press, 1977) presents systematic evidence supporting this interpretation.

91. See Sidney G. Tarrow, *Peasant Communism in Southern Italy* (New Haven: Yale University Press, 1967), esp. pp. 239-241 and pp. 300-342, and Luigi Graziano, "Patron-Client Relationships in Southern Italy," *European Journal of Political Research* 1 (1973): 3-34. After the Fascist parenthesis, former *popolari* activists, such as Alcide de Gasperi, founded the Christian Democratic (DC) party, which became the dominant political force in Republican Italy. Unlike the *Partito popolare*, however, the DC drew much of its electoral support from patron-clientelist networks in the Mezzogiorno.

92. Sydel F. Silverman, "Agricultural Organization, Social Structure, and Values in Italy," p. 9.

93. Ginsborg, "Family, Culture and Politics," pp. 28-29.

94. As quoted in Piero Bevilacqua, "Uomini, terre, economie," in *La Calabria*, eds. Piero Bevilacqua and Augusto Piacanica (Turin: Einaudi, 1985), pp. 295-296.

95. Denis Mack Smith, *Italy: A Modern History*, p. 35.

96. Some scholars emphasize agricultural landholding patterns as the crucial variable that explains mores, politics, social relations, and economics in Italy. See, for example, Silverman, "Agricultural Organization, Social Structure, and Values in Italy" and (more generally) William Brustein, *The Social Origins of Political Regionalism: France, 1849-1981* (Berkeley: University of California Press, 1988). While not denying all significance to this factor, we doubt that it can account for the civic continuities we describe, in part because traditional landholding patterns in Italy vary in complex ways that are at best imperfectly correlated with those continuities (see Clark, *Modern Italy*, pp. 12-18), in part because of the unique role that Italian cities have played in establishing and maintaining those continuities, and in part because the postwar land reforms in the Mezzogiorno seem to have had little impact on its political culture as described here. See Michael A. Korovkin, "Exploitation, Cooperation, Collusion: An Enquiry into Patronage," *European Journal of Sociology* 29 (1988): 105-126.

97. Paul Ginsborg, *A History of Contemporary Italy: Society and Politics*

Chapter 6
Social Capital and Institutional Success

1. If proof were needed, our own surveys found bitter dissatisfaction with public life and private prospects in these regions. The notion sometimes expressed by outsiders that southerners enjoy their backward state—that they prefer the kind of public life they have—is contrary not merely to common sense, but also to empirical evidence.
2. Jeff Frieden, Peter Hall, and Ken Shepsle deserve credit for posing the questions that stimulated this chapter, but bear no responsibility for the results.
3. David Hume, (1740), Book 3, Part 2, Section 5, as quoted in Robert Sugden, *The Economics of Rights, Co-operation and Welfare* (Oxford: Basil Blackwell, 1986), p. 106.
4. Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (New York: Cambridge University Press, 1990), p. 6. For useful introductions to the burgeoning formal literature on dilemmas of collective action, see Ostrom, as well as Robert H. Bates, "Contra Contractarianism: Some Reflections on the New Institutionalism," *Politics and Society* 16 (1988): 387-401.
5. Diego Gambetta, "Can We Trust Trust?" in *Trust: Making and Breaking Cooperative Relations*, ed. Diego Gambetta (Oxford: Blackwell, 1988), p. 216 (emphasis in original).
6. Piotr Kropotkin, *Mutual Aid: A Factor of Evolution* (London: Heinemann, 1902), p. xv.
7. Douglass C. North, *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990), p. 58.
8. Gambetta, "Can We Trust Trust?" p. 221.
9. North, *Institutions, Institutional Change and Economic Performance*, p. 59.
10. Bates, "Contra Contractarianism," p. 395.
11. Robert Sugden, *Economics of Rights, Co-operation and Welfare*, p. 105 (emphasis in original). Sugden is here discussing an anonymously iterated prisoner's dilemma, but the same point applies to a one-round prisoner's dilemma.
12. Gambetta, "Can We Trust Trust?" p. 217, note 6.
13. D. Fudenberg and E. Maskin, "A folk-theorem in repeated games with discounting and with incomplete information," *Econometrica* 54 (1986): 533-554; strictly speaking, the folk theorem holds that "always defect" is not a unique equilibrium in the repeat-play prisoner's dilemma, as it is in one-round games. See also Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984) and Michael Taylor, *Anarchy and Cooperation* (London: Wiley, 1976).
14. North, *Institutions, Institutional Change and Economic Performance*, p. 12.
15. Oliver E. Williamson, *Markets and Hierarchies: Analysis and Antitrust Implications* (New York: Free Press, 1975) and Williamson, *The Economic Institutions of Capitalism* (New York: Free Press, 1985).
16. Ostrom, *Governing the Commons*.
17. Bates, "Contra Contractarianism."
18. Stephen Cornell and Joseph P. Kalt, "Culture and Institutions as Public

- Goods: American Indian Economic Development as a Problem of Collective Action," in *Property Rights, Constitutions, and Indian Economics*, ed. Terry L. Anderson (University of Nebraska Press, 1990), p. 33, citing James Buchanan, "Before Public Choice," in *Explorations in the Theory of Anarchy*, ed. Gordon Tullock (Blacksburg, Virginia: Center for the Study of Political Choice, Virginia Polytechnic Institute, 1972); Jack Hirshleifer, "Comment on Peltzman," *Journal of Law and Economics* 19 (1976): 241-244; and Douglass C. North, "Ideology and Political/Economic Institutions," *Cato Journal* 8 (Spring/Summer 1988): 15-28.
19. Bates, "Contra Contractarianism," p. 398. See also Robert H. Bates, "Social Dilemmas and Rational Individuals: An Essay on the New Institutionalism" (Duke University, unpublished manuscript, 1992).
 20. On the concept of social capital, see James S. Coleman, *Foundations of Social Theory* (Cambridge, Mass.: Harvard University Press, 1990), pp. 300-321, who credits Glenn Loury with introducing the concept. See Glenn Loury, "A Dynamic Theory of Racial Income Differences," in *Women, Minorities, and Employment Discrimination*, eds. P. A. Wallace and A. Le Mund (Lexington, Mass.: Lexington Books, 1977), and Glenn Loury, "Why Should We Care about Group Inequality?" *Social Philosophy and Policy* 5 (1987): 249-271. For practical applications of the concept of social capital, see also Elinor Ostrom, *Crafting Institutions for Self-Governing Irrigation Systems* (San Francisco: Institute for Contemporary Studies Press, 1992). For a related discussion, see Robert H. Bates, "Institutions as Investments," Duke University Program in Political Economy, Papers in Political Economy, Working Paper 133 (December 1990). The argument that social capital facilitates cooperation in domestic society is parallel to important respects to the thesis of Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), that international regimes facilitate cooperation in the world political economy.
 21. Coleman, *Foundations*, p. 302, p. 304, p. 307.
 22. Shirley Ardener, "The Comparative Study of Rotating Credit Associations," *Journal of the Royal Anthropological Institute of Great Britain and Ireland* 94 (1964): 201.
 23. See Ardener, "Comparative Study of Rotating Credit Associations"; Clifford Geertz, "The Rotating Credit Association: A 'Middle Rung' in Development," *Economic Development and Cultural Change* 10 (April 1962): 241-263; and Carlos G. Vélez-Ibañez, *Bonds of Mutual Trust: The Cultural Systems of Rotating Credit Associations among Urban Mexicans and Chicanos* (New Brunswick, NJ: Rutgers University Press, 1983). Timothy Besley, Stephen Coate, and Glenn Loury, "The Economics of Rotating Savings and Credit Associations," *American Economic Review*, forthcoming 1992, model rotating credit associations formally.
 24. Vélez-Ibañez, *Bonds of Trust*, reports a rotating credit association among prisoners in a Mexican jail, to provide marijuana, although we know of no evidence that this is the origin of the term "pot."
 25. Geertz, "The Rotating Credit Association," p. 244.
 26. Ardener, "Comparative Study of Rotating Credit Associations," p. 216.

27. *Ibid.* On the importance of reputation in rotating credit associations, see Michael Hechter, *Principles of Group Solidarity* (Berkeley: University of California Press, 1987), pp. 109-111.
28. Vélez-Ibañez, *Bonds of Mutual Trust*, p. 33. On trust, intermediaries, and networks, see Coleman, *Foundations of Social Theory*, Chapter 8.
29. Besley, Coate, and Lounsbury, "Economics of Rotating Savings and Credit Associations."
30. In fact, their lack of feasible alternatives itself may increase their credibility as participants in the rotating credit society. We are indebted to Glenn Loury for this observation.
31. Ostrom, *Governing the Commons*, pp. 183-184.
32. Geertz, "The Rotating Credit Association," p. 243, p. 251.
33. Ostrom, *Governing the Commons*, p. 190.
34. A. O. Hirschman, "Against Parsimony: Three Easy Ways of Complicating Some Categories of Economic Discourse," *American Economic Review* Proceedings 74 (1984): 93, as cited in Partha Dasgupta, "Trust as a Commodity," in *Trust*, ed. Gambetta, p. 56.
35. See the account of the "live and let live" norm in trench warfare in Axelrod, *Evolution of Cooperation*, p. 85.
36. Gambetta, "Can We Trust Trust?" p. 234 (emphasis in original).
37. "The more extensively persons call on one another for aid, the greater will be the quantity of social capital generated. . . . Social relationships die out if not maintained; expectations and obligations wither over time; and norms depend on regular communication." Coleman, *Foundations of Social Theory*, p. 321.
38. Coleman, *Foundations of Social Theory*, p. 315. See also Ostrom, *Crafting Institutions*, p. 38: "Social capital is not automatically or spontaneously produced." Robert E. Lucas, Jr., "On the Mechanics of Economic Development," *Journal of Monetary Economics* 22 (1988): 3-42, emphasizes the "external" (or public good) features of human capital. Hechter, *Principles of Group Solidarity*, distinguishes between "public goods" (which are characterized by jointness of supply and nonexcludability) and "collective goods" (which may be to some degree excludable). At least initially, some kinds of social capital may be characterized by excludability; medieval Italian tower societies, for example, did not defend nonmembers. However, as Hechter points out (p. 123 *et passim*), from informal groups that arise initially to produce collective goods may emerge formal groups that produce genuine public goods: Eventually, the civic order fostered by tower societies and the communes they spawned was enjoyed even by nonmembers.
39. See Coleman, *Foundations of Social Theory*, p. 317, and Dasgupta, "Trust as a Commodity," p. 64.
40. Coleman, *Foundations of Social Theory*, pp. 317-318.
41. Kenneth J. Arrow, "Gifts and Exchanges," *Philosophy and Public Affairs* 1 (Summer 1972): 357.
42. Anthony Pagden, "The Destruction of Trust and its Economic Consequences in the Case of Eighteenth-century Naples," in *Trust*, ed. Gambetta, pp. 136-138, citing Antonio Genovesi, *Lezioni di economia civile* (1803).
43. Mark H. Lazerson, "Organizational Growth of Small Firms: An Outcome

of Markets and Hierarchies?" *American Sociological Review* 53 (June 1988): 330-342, reports that personal trust among managers and between workers and management is essential to the high productivity of small firms in Emilia-Romagna.

44. Dasgupta, "Trust as a Commodity," pp. 50-51 (emphasis in original).

45. Bernard Williams, "Formal Structures and Social Reality," in *Trust*, ed. Gambetta, p. 8, p. 12. Glenn Loury has pointed out to us that reliance on personal trust presumes that individuals differ in their trustworthiness, whereas social trust presumes that the structure of the situation is more important than personal character.

46. Compare James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press, 1989), p. 27.
47. Coleman, *Foundations of Social Theory*, p. 251.
48. March and Olsen, *Rediscovering Institutions*, p. 27; Robert Axelrod, "An Evolutionary Approach to Norms," *American Political Science Review* 80 (December 1986): 1095-1111.
49. North, *Institutions, Institutional Change and Economic Performance*, pp. 36-45. See also Kenneth Arrow, *The Limits of Organization* (New York: Norton, 1974), p. 26; and George Akerlof, "Loyalty Filters," *American Economic Review* 73 (1983): 54-63, as cited in Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (November 1985): 489.
50. Marshall Sahlins, *Stone Age Economics* (Chicago: Aldine-Atherton, 1972) uses "balanced" and "generalized;" Robert O. Keohane, "Reciprocity in International Relations," *International Organization* 40 (1986): 1-27, draws a closely related distinction between "specific" and "generalized" reciprocity. It is important to distinguish the strategy of reciprocity (tit-for-tat) from the norm of reciprocity, although the two are sometimes empirically related. Our interest here is primarily the norm. See also Axelrod, *Evolution of Cooperation* and "An Evolutionary Approach to Norms."
51. As cited in Alvin W. Gouldner, "The Norm of Reciprocity: A Preliminary Statement," *American Sociological Review* 25 (April 1960): 161.
52. Ostrom, *Governing the Commons*, p. 200, p. 211. Ostrom (p. 38) is skeptical, however, about explanations in which norms are treated as unobservable, "in-the-mind" variables.
53. Michael Taylor, *Community, Anarchy and Liberty* (New York: Cambridge University Press, 1982), pp. 28-29 (emphasis in original). See also Gouldner, "The Norm of Reciprocity," p. 173.
54. Keohane, "Reciprocity in International Relations," p. 21.
55. Granovetter, "Economic Action and Social Structure." He distinguishes his "embeddedness" approach from both an "oversocialized" conception of human action, in which action is wholly determined by roles and norms, and an "undersocialized" conception (more common in simple game theory), in which atomized actors are unconstrained by social relations. On networks and trust as capital assets that undergird social exchange, see also Albert Breton and Ronald Wintrobe, *The Logic of Bureaucratic Conduct*, (New York: Cambridge University Press, 1982), pp. 61-88.
56. Granovetter, "Economic Action and Social Structure," pp. 490-491.

57. See Robert Michels' study of the German Social Democratic party, *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy* (New York: Dover, 1959).

58. This distinction and its broader consequences were emphasized, of course, by Max Weber. "To Weber, a religion that is congregational is organized in small, self-managed groups of believers. . . . Congregational forms of organization underscore the equality of believers, drawing all into participation and encouraging equal access to religious knowledge through a common reliance on the Bible." Daniel H. Levine, "Religion, the Poor, and Politics in Latin America Today," in *Religion and Political Conflict in Latin America*, ed. Daniel H. Levine (Chapel Hill: University of North Carolina Press, 1986), p. 15.

59. On interconnectedness—the same players playing several parallel games simultaneously—as distinct from iteration—the same players repeating the same game sequentially—see James K. Sebenius, "Negotiation Arithmetic: Adding and Subtracting Issues and Parties," *International Organization* 37 (Spring 1983): 281-316; and James Alt and Barry Eichengreen, "Parallel and Overlapping Games: Theory and an Application to the European Natural Gas Trade," *Economics and Politics* 1 (1989): 119-144. On the effects of "multiplex" interpersonal relations (ties that encompass more than one sphere of activity) in easing dilemmas of collective action, see the excellent paper by Michael Taylor and Sara Singleton, "The Communal Resource: Transaction Costs and the Solution of Collective Action Problems" (University of Washington, unpub. ms., 1992).

60. Ostrom, *Governing the Commons*, p. 206.

61. On trust, networks, and information, see Coleman, *Foundations of Social Theory*, chapter 8.

62. David Knoke, *Political Networks: The Structural Perspective* (New York: Cambridge University Press, 1990), pp. 68-69.

63. North, *Institutions, Institutional Change and Economic Performance*, p. 37. For an analogous argument that "culture provides a repertoire of capacities from which varying strategies of action may be constructed," see Ann Swidler, "Culture in Action: Symbols and Strategies," *American Sociological Review* 51 (1986): 273-286, quotation at p. 284.

64. Compare Coleman, *Foundations of Social Theory*, pp. 286-287.

65. Julian Pitt-Rivers, *The People of the Sierra* (London: Weidenfeld and Nicolson, 1954), p. 40.

66. S. N. Eisenstadt and L. Roniger, *Patrons, Clients, and Friends: Interpersonal Relations and the Structure of Trust in Society* (New York: Cambridge University Press, 1984), pp. 48-49.

67. Mark S. Granovetter, "The Strength of Weak Ties," *American Journal of Sociology* 78 (1973): 1360-1380, quotation at p. 1376 (emphasis in original).

68. In other historical or social settings, engagement in Catholic groups may have more civic implications, depending on the social and organizational realities in those contexts. On the contrast in Latin America between the hierarchical vision of the "institutional Church" and the communal, egalitarian vision of the "popular Church," see Daniel H. Levine, *Religion and Politics in Latin America: The Catholic Church in Venezuela and Colombia* (Princeton: Princeton University Press, 1981), and the case studies in *Religion and Political Conflict in Latin America*, ed.

Levine. In Italy, our theory suggests, membership in the more egalitarian groups within the Church (the *comunità di base*) should be positively correlated with civic-ness and with institutional performance, but we have found no relevant data to test this hypothesis.

69. Lacking micro-level information on status and power within secondary associations in various parts of Italy, we are forced to assume that across all regional social ties within, say, soccer clubs are equally horizontal and thus equally effective as social capital. In fact, we suspect that soccer clubs and other voluntary associations are socially more hierarchical in the less civic, less successful areas for evidence on precisely this point, see Caroline White, *Patrons and Parisians: A Study of Politics in Two Southern Italian Comuni* (New York: Cambridge University Press, 1980), pp. 63-67 and pp. 141-145. If this is so, then the actual link between horizontal networks and institutional success is probably even stronger than our data show.

70. Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagnation, and Social Rigidities* (New Haven: Yale University Press, 1982).

71. Joel S. Migdal, "Strong States, Weak States: Power and Accommodation in *Understanding Political Development*, eds. Myron Weiner and Samuel Huntington (Boston: Little, Brown, 1987), pp. 391-434, quotation at pp. 399-398. Earlier students of political development also argued that social mobilization and mass political participation reduce the stability and effectiveness of governmental institutions. The best-known exposition of this view (though not the most extreme) was Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968). For a useful overview of recent work, see Joan M. Nelson, "Political Participation," in *Understanding Political Development*, eds. Weiner and Huntington, pp. 103-159, esp. pp. 114-115. Clarify the difference between this theory and ours will require greater attention to distinction between horizontal and vertical networks.

72. Regressing gross regional product per capita (GRP) in 1987 jointly on G in 1970 and civic community in the 1970s, for 1970 GRP $\beta = .64$, $p = .00$ while for civic-ness $\beta = .35$, $p = .017$ (adj. $R^2 = .92$). The data are too fine to rule out alternative theories, but the facts are clear: Regions that were rich in 1970 were still rich in 1987, but in the interim the richest had grown more slowly while the most civic had grown more rapidly.

73. The Italian language reflects this intimate connection between trust and gullibility. An honest, decent, well intentioned person is described as *dabbene* but a credulous fool is labeled derisively *dabbennaggine*. We are indebted to Federico Varese for this reference.

74. "A stable equilibrium is defined for a community of individuals who play some game repeatedly against one another. To say that some strategy *I* is a stable equilibrium in some such game is to say the following: it is in each individual's interest to follow strategy *I* provided that everyone else, or almost everyone else does the same." Sugden, *Economics of Rights, Co-operation and Welfare*, p. 19-31. For a technical specification of the circumstances under which "never cooperate" is a stable equilibrium in an iterated prisoner's dilemma, Sugden, *Economics of Rights, Co-operation and Welfare*, p. 109.

75. Edward C. Banfield, *The Moral Basis of a Backward Society* (Chicago

The Free Press, 1958), p. 85. Complete exit from this infernal social setting is one alternative, of course, and once long-distance travel became feasible, emigration became common.

76. North, *Institutions, Institutional Change and Economic Performance*, p. 35.

77. Sugden, *Economics of Rights, Co-operation and Welfare*, pp. 104-127, p. 162. Strictly speaking, Sugden's proof that "always defect" is a stable equilibrium in the indefinitely repeated game requires the reasonable assumption that players may very occasionally make "mistakes," that is, defecting when they intended to cooperate or vice versa. As Sugden acknowledges, much of his argument rests of the work of Michael Taylor, *Anarchy and Cooperation* (London: Wiley, 1976) and Axelrod, *Evolution of Cooperation*. For a related game (that does not, however, involve a repeated prisoner's dilemma) with two stable equilibria in which "if everyone expects everyone to be honest then everyone will be honest, and if everyone expects everyone to cheat a little then everyone will cheat a little," see Dasgupta, "Trust as a Commodity," pp. 56-59. The theories explored here imply that "always defect" and "reciprocate help" are stable equilibria, but they do not exclude the possibility that other stable equilibria may also exist.

78. March and Olsen, *Rediscovering Institutions*, pp. 55-56 and p. 159.

79. Most work by economic historians so far has focused on technology, rather than institutions, but many of the key issues are parallel. See Paul David, "Chio and the Economics of QWERTY," *American Economic Review* 75 (1985): 332-337; W. Arthur Brian, "Self-Reinforcing Mechanisms in Economics," in *The Economy as an Evolving Complex System*, eds. Philip W. Anderson, Kenneth J. Arrow, and David Pines (Reading, Mass.: Addison-Wesley, 1988); and North, *Institutions, Institutional Change and Economic Performance*, pp. 92-104. North's splendid book is directly relevant to the issues discussed in this chapter and the preceding one.

80. North, *Institutions, Institutional Change and Economic Performance*, p. 93.

81. *Ibid.*, pp. 101-102; pp. 112-117.

82. Not all historians would agree with this interpretation of Latin American history, for there are numerous possible confounding variables, but it is a plausible one. The Italian case is even more powerful analytically because more variables are "controlled" in the intra-Italian comparison, because the North-South divergence in Italy has endured much longer than the inter-American one, and because the Italian divergence has persisted and even grown despite a century under a single national government.

83. North, *Institutions, Institutional Change and Economic Performance*, Chapters 10-12.

84. See Chapter 5, note 1. Another issue worth further detailed investigation, theoretically speaking, is why the damping of cooperation in the aftermath of the Black Death, foreign invasions, and other social and economic disruptions of the fifteenth century did not completely destabilize the civic equilibrium and tip northern society into a series of vicious circles that might have extinguished its civic traditions.

85. See, for example, Michael Thompson, Richard Ellis, and Aaron Wildav-

sky, *Cultural Theory* (San Francisco: Westview Press, 1990), p. 21: "Values and social relations are mutually interdependent and reinforcing. Institutions generate distinctive sets of preferences, and adherence to certain values legitimizes corresponding institutional arrangements. Asking which comes first or which should be given causal priority is a nonstarter." See also Ronald Inglehart, "The Renaissance of Political Culture," *American Political Science Review* 82 (1988): 1203-1230, who emphasizes the reciprocal linkages among political culture, economic development, and stable democracy. An older idiom traced institutional performance to "civic virtue," and our emphasis on civic community echoes that approach. Classically, "the republic made the virtuous individual and the virtuous individual made the republic." (Richard Vetterli and Gary Bryner, *In Search of the Republic: Public Virtue and the Roots of American Government* [Towata, N.J.: Rowman and Littlefield, 1987], p. 20.) In our terms, the civic community is a self-reinforcing equilibrium. For a thought-provoking distinction between political cultures based on "covenant" (voluntary agreement among equals) and hierarchical politics based on conquest, see Daniel J. Elazar, "Federal Models of (Civil) Authority," *Journal of Church and State* 33 (1991): 231-254.

86. North, *Institutions, Institutional Change and Economic Performance*, p. 100, p. 140.

87. Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman, Okla.: University of Oklahoma Press, 1991).

88. Thompson, Ellis, and Wildavsky, *Cultural Theory*, p. 2.

89. Silverman, "Agricultural Organizations, Social Structure and Values in Italy," p. 18. One manifestation of this problem can be seen in the literature on the culture of poverty and the underclass in America. See, for example, E. Banfield, *The Unheavenly City: The Nature and Future of Our Urban Crisis* (Boston: Little, Brown, 1970); Charles Valentine, *Culture and Poverty: Critique and Counter Proposal* (Chicago: University of Chicago Press, 1968); Oscar Lewis, "The Culture of Poverty" in *On Understanding Poverty: Perspectives from the Social Sciences*, ed. Daniel Moynihan (New York: Basic Books, 1968).

90. On the issue of whether trust and cooperative social relations can be "created," or merely "found," see Charles F. Sabel, "Studied Trust: Building New Forms of Cooperation in a Volatile Economy," in *Readings in Economic Sociology*, eds. Frank Romo and Richard Swedberg (New York: Russell Sage, 1992), and Charles F. Sabel, "Flexible Specialisation and the Reemergence of Regional Economies," in *Reversing Industrial Decline? Industrial Structure and Policy in Britain and Her Competitors*, eds. Paul Hirst and Jonathan Zeitlin (New York: Berg, 1989), pp. 17-70.

91. John Friedmann, *Planning in the Public Domain: From Knowledge to Action* (Princeton: Princeton University Press, 1987), pp. 185-223.

92. Vera Zamagni, *Industrializzazione e squilibri regionali in Italia: Bilancio dell'età giolittiana* (Bologna: Il Mulino, 1978), p. 216 (emphasis in original).