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# Introduction

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# INTRODUCTION

Italy is an economically, socially, culturally and gustatorily rich country. As the world's sixth largest economy, its economic clout derives in no small part from the vitality of its small and medium-sized enterprises (SMEs) and its tourist industry. The typical image of Italian society is eminently healthy, tight-knit families connected to large networks of communicative friends. Italy reinvented Western culture during the Renaissance and has remained a vital contributor to the visual arts, architecture, music, literature and fashion. It is one of the great repositories of that which is beautiful in our Western heritage and, according to some, its food and drink are unsurpassed.

This is an admittedly rosy picture. Like most nations, Italy faces real economic and social challenges. In Italy's case, they often arise out of the contradictions inherent in the nation's history and character.

The articles in this volume address some of these contradictions and challenges. The authors are 11 Student Associates of Lehigh University's Martindale Center for the Study of Private Enterprise who visited Italy for ten days in May 2002. They divided their time between Italy's capital, Rome, and the economically vital Veneto region. During their visit, the students met with university professors, regional and federal officials and labor and business leaders. This exposure coupled with considerable research before and after the trip led to this informative series of articles.

Preserving Italy's traditions while functioning as a modern economy often results in social tension. Lori Shuler makes that tension clear in her article on Italian women in the workplace. Italy has an optimal, modern legislative framework for gender equality in the workplace, but in practice, that equality has been elusive. One roadblock lies in resistance to change in the traditional family structure; men may not eagerly share domestic responsibilities and career-oriented women have trouble relinquishing their maternal duties. Other structural inadequacies, such as an underde-

veloped daycare system, exacerbate the problem.

Despite these obstacles, there has been a great increase in participation by women in the workplace in the past 30 years, one of many factors contributing to Italy's low birthrate. Resultant labor shortages, especially in the Veneto and neighboring northeastern regions, have in turn led to a rise in legal and illegal immigration. As a tourist center, Italy has always had a reputation for hospitality. Yet thanks to its history of foreign domination, this welcoming attitude co-exists with an underlying distrust of anyone outside the family or town. Christopher Jewell reviews the labor shortage and the difficulties and opportunities immigration presents.

The shortage of young workers in Italy also has led to problems in the generous social welfare system provided by the state. Andrew Bond explores the resistance to changing Italy's imbalanced pension system and the efficacy of present and future reforms. Brian Quigley tackles another of the Italian government's protective policies in his article on Article 18, a law that makes it difficult for firms with more than 15 employees to lay off employees. This law has a contradictory effect: it discourages workforce flexibility and growth in large industries while encouraging the proliferation of the SMEs that have been the most vital part of the Italian economy.

These SMEs, traditionally family owned and run, also face the challenge of modern values and markets. Their size, structure and reliance on family and regional bonds have, until now, lent them remarkable agility in production and marketing. As Christopher Cunningham reveals, the advent of labor shortages and more extensive global competition have forced these SMEs to consider outsourcing production and adopting new management paradigms. One would expect the younger, more formally educated generation to want to improve what their parents have built. Ironically, he reports that their modern

education has inspired many of them to seek employment outside the context of family business.

The disconnect between education and the needs of the labor market also is apparent in Laura Rheinauer's discussion of reforms in Italian higher education aimed at encouraging more students to finish their university degrees in less time. Some of these reforms also attempt to shape degrees so that they are more in tune with the skills needed in the Italian economy. Given that Italy established the first great universities in the modern world, resistance to this kind of modernization is considerable. Resistance to necessary change also is apparent in the primary education system. Tiffany Fowler reports that fear of privatization coupled with distrust of the government (another interesting contradiction) leads to ineffective and piecemeal reforms, a situation exacerbated by policies that shift with each new government.

One policy that has not shifted with changing governments is Italy's enthusiastic entrance into the EU. Successful integration with the EU has led to increased trade with European partners, especially from the export-driven economy of the northeast. Tyler Tate examines the challenge of improving the antiquated transportation infrastructure so that it can accommodate this new level of economic activity. Italy's banking system, traditionally populated by small, locally based institutions, also has had to adjust to competition from larger EU institutions. Helen Chan examines the banking industry's attempt to enter the broader market while retaining its local focus. Ironically, that local connection has protected

some Italian banks from the volatility of the broader market.

The Italian penchant for personal connection is one of the factors in the relative scarcity of traditional land phone lines in Italy — Italians simply prefer to be outside the home talking to their friends in person. Cell phones, on the other hand, have been a great success with younger Italians. Erika Papaccioli examines the factors behind the strength of the wireless communication market and the contrasting weakness in the Italian market for Internet and e-commerce.

Most of these challenges arise from Italy's successful transition into the modern world, a process that began during Italy's surprising economic boom of the 1960s. Italy's most intractable long-term problem, the economic disparity between its north and south, has a history that dates to Italy's beginning as a unified nation (1870). The problem of the "Mezzogiorno" has myriad contributing factors: the south's geography, its history of feudalism, the Mafia, a lack of civic trust and so forth. Sylvia Ciesluk examines these factors and the persistent hope and plans for improvement.

Italy helped shape the modern world and now faces being reshaped by the modern world. These in-depth, wide-ranging articles are valuable reading for anyone interested in a clearer image of how Italy has adapted and its ability to adapt to the contradictions and challenges it faces in the 21st century.

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