A Century of Italian American Economics

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The American Chamber of Commerce in Italy (1915-2015)

By

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FOREWORD

PEOPLE AND COMPANIES IN THE U.S. ECONOMY OF THE 20TH CENTURY: AN OVERVIEW

VITTORIA FERRANDINO

The opening of international markets following the Second World War highlighted the diversity between territories at regional and national level in terms of the attractiveness of economic activities, investments and human resources. In this context, an important aspect concerned the entrepreneurial process: businesses and entrepreneurs played a leading role in activating the processes of economic growth in terms of product value, employment and international competitiveness.

In this perspective, the study of entrepreneurial dynamics–who the entrepreneurs are, their training, the path followed for the creation of the company, the conditions of the socio-institutional and economic context in which they acted–becomes essential to understand the influence exerted by the economic and social conditions of the countries of origin as well as by the employment and market opportunities, training, infrastructures and the attractiveness of the destination countries. In this perspective, the entrepreneurial path is linked to the migration process and requires an in-depth study to highlight the relationships between these two phenomena and the effects on the development and territorial competitiveness front.

At the end of the Second World War, the Italians needed food, raw materials and production goods to replace obsolete and destroyed machinery. Almost everything had to be imported from abroad, but the financial resources were missing because the reserves of gold and foreign currency were exhausted, exports were scarce, tourism languished due to the destruction of most of the ways and means of communication. A third of the national wealth had been destroyed, the income of 1945 had halved compared to the pre-war period, the cost of living increased day by day and unemployment was rampant[1].

The measures taken by the fascist government to hinder emigration had lapsed and the new rulers introduced a policy aimed at facilitating and regulating the expatriations, in order to give vent to the spread of unemployment and recover foreign currency in the balance of payments[2].

From 1946 to 1947, the balance of payments deficit had jumped from 5 to 6.8 billion, due to the surplus of imports over exports and the increased cost of maritime transport. Immediately after the war, in fact, imports had recorded a strong development both in relation to food needs and due to the imperative needs of the productive recovery. Compared to the pre-war period, the food balance had shown the most negative trend: in 1938 it had been active for about 70 million dollars, while in 1946 it had presented a liability of about 235 million dollars, mainly due to the strong imports of cereals, sugar and milk. The so-called invisible items traditionally contributed to covering the trade deficit. The proceeds of tourism had suffered a collapse in the early post-war years both due to the lack of means of transport and the prohibitions of expatriation for tourist reasons[3]. The savings of the emigrants managed to cover only 3 percent of the balance sheet revenue.

In order to overcome the crisis, bilateral trade agreements were signed with several countries, and aid was obtained from the International Monetary Fund, from the UNRRA plan implemented by the United States and from the ERP plan. At the same time, initiatives were launched to liberalize trade and facilitate international payments. These initiatives stabilized the deficit in the trade and payments balance, but mainly they served to repair the damage caused by the war and to start the country's economic recovery. The balance of payments deficit disappeared in 1948 (at constant prices, imports had decreased by 8 percent while exports had increased by 58 percent) and there was a surplus of around one billion in

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[1] Istat, "Indagine statistica sullo sviluppo del reddito nazionale dell'Italia dal 1861 al 1956*",* in *Annali di statistica*, series VIII, vol. 9, (Rome, 1957), pp. 162-166; cf. Vera Zamagni, *Dalla periferia al centro. La seconda rinascita economica dell'Italia (1861-1990)*, (Bologna: Il Mulino, 1993), pp. 409 et seq.; Camillo Daneo, *La politica economica della ricostruzione, 1945-49*, (Torino, Einaudi, 1975), pp. 1-7.

[2] Giuseppe Lucrezio Monticelli and Luigi Favero, "Un quarto di secolo di emigrazione italiana", in *L'emigrazione italiana negli anni '70*, (Rome: Centro Studi Emigrazione, 1975), pp. 36-38.

[3] Francesco Masera, "La bilancia dei pagamenti nel dopoguerra", in *L'economia italiana nel decennio 1947-1956,* (Rome: Banco di Roma, 1957), pp. 189-191.

1949[4]. The contribution of the emigrants was scarce, as their remittances managed to cover only 5 percent of the revenues in 1949 and about 4 percent the following year[5].

In the immediate post-war period, the unemployed people of the northern regions and the families of emigrants who had not been able to leave Italy in the war period finally emigrated. Preferred destinations were the European countries. From 1946 to 1948, the number of expatriations almost tripled, rising from 110,000 to 310,000. But in 1950, the departures dropped to 200,000 and the movement took on the characteristics of the first fifteen years of the twentieth century, that is, it was made up mostly of southerners who, not finding work in the regions of origin, left for the transoceanic countries. The northerners, on the other hand, mainly expatriated to Germany and Switzerland to escape a temporary labor crisis[6].

The reduction of 1950 had started slowly the previous year and had been recorded mainly in the direct flow to Belgium and Switzerland where, due to the excessive emigration in the previous two years, the available jobs were exhausted, so the governments were forced to put a brake on that movement. Emigration to the United States also decreased, due to a production crisis in the manufacturing and extractive industries[7].

From 1950 to 1975, there were significant changes in the traditional currents of Italian emigration. The expatriation of the southerners joined that of the north by increasing the seasonal and temporary exodus to European countries. Compared to the first years of the century, there was great-

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[4] The reduction in imports was mainly due to the loss of the accumulation of speculative stocks of industrial raw materials because, as was emphasized in the annual report of the Bank of Italy, the previous monetary speculation among the determining elements of their size, the stocks were reduced to a level sufficient for the actual needs of the industry, a requirement that the growing ease of supply had contributed to keeping low; the largest exports were instead attributable to finished products and industrial semi-finished products, the weight of which within the same period, compared to 1938, increased respectively from 36 to 48 percent from 20 to 28 percent, while that of food products fell from 34 to 20 percent. Thus, for export, a trend was configured which, as we shall see, would also characterize our trade balance in the future (Banca d'Italia, *Relazione 1948*, in Pasquale Galea, *Tra ricostruzione e sviluppo*, in Andrea Leonardi, Alberto and Pasquale Cova, Pasquale Galea, *Il Novecento economico italiano, Dalla grande guerra al "miracolo economico" (1914-1962),* (Bologna: Moduzzi, 1997), pp. 248-249).

[5] Istat, *Indagine statistica sullo sviluppo del reddito*, pp. 253-259; id., *Sommario di statistiche storiche dell'Italia, 1861-1975,* (Rome: 1976), p. 179.

[6] Istat, *Sommario di statistiche storiche dell'Italia, 1861-1975*, pp. 65-66.

[7] Alvio Fontani, *Gli emigrati. L'altra faccia del «miracolo economico»*, (Rome: Editori Riuniti, 1962), p. 147.

er convenience in emigrating to Europe, where social insurance for workers had improved and the prices of some foreign currencies had increased compared to the Italian lira. The emigration of young people under the age of thirty, directed to European countries, increased and that of mature men with the age of over 50 decreased. The reverse occurs for expatriates in the transoceanic countries. The number of returns increased[8].

The causes of emigration after 1950 are numerous, but at least three must be remembered: the search for a stable and better-paid job, for which the handicraft agricultural activities were abandoned, the greater use of female labor paid with low wages and mainly the type of industrial development adopted in Italy after the war, which essentially concerned the production of goods to be exported abroad, i.e. those of the chemical and steel industries, characterized by the high intensity of capital and low labor[9]. Permanent emigration to transoceanic countries contracted as a result of immigration restrictions introduced in the United States of America, Canada and Australia, as well as the frequent monetary, economic and political crises of Latin American countries.

Meanwhile, however, the sedimentation of arrivals during the first half of the twentieth century had produced some important social stratifications. The first was that of the descendants of the migrants of the great migration, who arrived between 1880 and 1920, a group that had emancipated itself from its ethnic environment thanks to university studies and that had achieved prestigious positions in the administration of the State, in the army, in the courts, and in the political world. The second collected those who were arriving in those years, who began to acquire a niche specialization, trying to fulfill their American dream with the ownership of pizzerias, bars and grocery stores, but also becoming framers, barbers, workers specialized in the construction of galleries[10].

The start-ups of Italian origin in the United States was particularly important at a time when the liberalization of trade, promoted by the Italian

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[8] Francesco Balletta, *Le rimesse degli emigrati italiani (1861-1975),* (Naples: Arte Tipografica, 1976), pp. 238 et seq.; Matteo Gomellini and Cormac O Gràda, “Le migrazioni”, in *L’Italia e l’economia mondiale dall’Unità a oggi*, ed. Gianni Toniolo, (Venice: Marsilio, 2013), pp. 377-378.

[9] Augusto Graziani, *Mercato interno e relazioni internazionali*, in *L’Italia contemporanea (1945-1975*), (Turin: Einaudi, 1975), pp. 312 et seq.

[10] The third, completely distant from the world of Italian Americans, could be that of managers, finance experts, entrepreneurs, scientists and contemporary cultural operators, transnational subjects, who could work in New York as in London, Paris or Shanghai. (Maurizio Molinari, *Gli italiani di New York*, (Rome-Bari, Laterza, 2011), pp. 150 et seq).

government in the immediate post-war period, also under the impulse of the conditions that the United States had placed at the basis of several aid programs, encountered some opposition from some Italian producers who did not share the rapid implementation. The different positions reflected the specificity of interests of the different business sectors. On the one hand, in fact, the representatives of small and medium industry lined up in the more traditional sectors, from textiles to light mechanics, who based their wide possibilities of use of the low-cost labor factor on their competitiveness on international markets; on the other, however, there were representatives of large industry, in favor of maintaining protectionist barriers. And outside of the individual industrial sectors, always in line with the particular interests of its sector, Confcommercio also ruled in favor of greater trade liberalization, which expressed a strong opposition to the quota of imports.

Meanwhile, in the United States, between the 1890s and the 1920s, a real "managerial revolution" had been implemented. Owners-entrepreneurs, in the steel sector or the production of agricultural machinery, telecommunications and electricity, had created innovative businesses by investing in organizational structures made up of salaried managers. The founders of the most successful companies, founded after the end of the Civil War, were ready to retire from business by moving away from the active management of the company. They were succeeded, in positions of strategic responsibility, by wage managers who had been recruited years earlier to collaborate in the construction of the innovative company that they were now controlling. In this way, the entrepreneurial limit that Marshall placed on company growth was exceeded, when he underlined the limits of a "clogs to clogs in three generations" model[11].

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[11] The first generation would have seen an entrepreneur-owner of exceptional ability to found a successful business. Subsequently, control would pass to the second generation, composed of descendants who may not show the same ability as the founder, generating a slowdown in the growth of the company or even stagnation. The third generation would eventually have terminated any link with the innovative genius of the first one and the company would inevitably have gone into decline. This perspective was essentially based on two principles: first, that the essence of the innovative enterprise lay in entrepreneurial action; secondly, that the coincidence between ownership and control was a necessary condition for the unfolding of the entrepreneurial action. Marshall refused, in fact, to recognize that the problem of reproducing the original innovative thrust could be solved through the separation between ownership and control of the company (Cf. Alfred Marshall, *Industry and Trade. A study of Industrial technique and business organization* (London: Macmillan, 1919). The latter, however, became the essence of what Alfred Chandler called the "managerial revolution" of the American industri-

Thorstein Veblen in *The Theory of Business Enterprise* identified a strong conflict in the organization of the modern business between technicians and professional scientists of great ability and great production potential on the one hand and businessmen, oriented towards profit, on the other[12]. The latter monitored scientists and engineers to keep price levels high and maximize profits. Thanks to Veblen, for some time, a political movement led by Howard Scott, known as *Technocracy*, an economic and political project that should have given free rein to the productive energies of engineers and other technicians, reducing the importance of commercial interests, thrived in the United States. However, it did not survive. The American colleges and universities of that time were controlled rather rigidly by the commercial interests of companies that imposed themselves through the boards of directors. The teachers' opinions were examined with great attention to look for possible elegies, which were defined as anything that opposed the needs perceived by large commercial companies[13].

In the twentieth century, the separation of ownership and control in many of the most important American corporations translated into a powerful incentive for brilliant young people, in general Wasp, to aspire to an executive career. In a country that exalted the virtue of individual entrepreneurs, the complete separation of ownership and control was essential in transforming these independent yeomen into organization men. As large American companies expanded, they diversified their business. In general, large American companies, characterized by high levels of profitability, paid substantial dividends to shareholders, while still maintaining sufficient profitability to invest, including a considerable share of R&D.

In 1950 there was a significant increase in research and development spending, both from the federal side and from the private industry. The total amount of expenditure doubled, in real terms, between 1953 and 1959, continuing to grow, again in real terms, between 1959 and 1982. In order to ensure a certain distribution capacity, industrial companies also had to make complementary investments, in sales staff, commercial branches and advertising[14].

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al enterprise (Cf. Alfred D. Chandler, *Scale and Scope. The Dynamics of Industrial Capitalism*, (Cambridge, MA: Harvard University Press, 1990)).

[12] Thorstein Veblen, "The Theory of Business Enterprise", in Marco Marini, *La teoria dell'impresa*, (Milan: FrancoAngeli, 1970).

[13] John Kenneth Galbraith, *Storia della economia, Passato e presente*, (Milan: Rizzoli, 1997), pp. 193-194.

[14] William Lazonick, "Innovazione e integrazione sociale nell'impresa moderna", in *Annali di storia dell'impresa*, 15-16, 2004-2005, pp. 240-251.

Another distinctive feature of the American industrial enterprise was the clear separation between the managerial hierarchy and the worker base. Unlike the specialist skills found in British industrial districts, U.S. skilled workers were characterized by considerable mobility between businesses, sectors and regions. Their skill enabled the demand for very high wages. The innovation of high-scale companies depended not only on continuous progress in process technologies, but also on the intervention of semi-skilled workers in charge of keeping the production flow constant regardless of how monotonous this work could be. A solution could have been a fully automated factory, dreamed by many of the managers of the sectors involved in mass production, but which was concretely reached only towards the end of the twentieth century and not on the basis of the American model but the Japanese one. What eventually succeeded in integrating workers into the system of large American companies was not "Taylorism", but the prospect of secure long-term employment, although the continuous investments in new technologies went in the direction of a weakening of the contents of skills. During the boom of the 1920s, the main U.S. mass producers started offering their workers job security and thus began to obtain worker cooperation in achieving higher levels of productivity[15].

The general crisis of the thirties, however, also led the most solid companies to lay off their workers. The political result was the unionization of the workers' workforce, which ended up institutionalizing the division already existing between management and workers. The main success of unionism in U.S. mass corporations was long-term job security for workers. In return, the unionized workers accepted unilateral control by management over the organization of work and technological change. The more enlightened capitalists hoped to control workers through the concept of "guided democracy". They insisted on the importance of a paternal concern for the American worker, along with arbitration schemes and appeals for "responsible leadership". The new industrial leaders recognized that the workers' complaints were justified and that many of their demands were legitimate, admitting that the workers' stability and security needs were not too different from those of the industrialists. In 1900 progressive industrialists like George Perkins and financiers like J.P. Morgan had formed the National Civic Federation. The fundamental principle of

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[15] Richard C. Levin, Wesley M. Cohen and David C. Mowery, *R & D Appropriability, Opportunity, and Market Structure: New Evidence on Some Schumpeterian Hypotheses,* in *The American Economic Review,* vol. 75, No. 2, Papers and Proceedings of the Ninety-Seventh Annual Meeting of the American Economic Association (May, 1985), pp. 20-24.

the federation was that the world of work, like that of business, had to be fully encouraged to organize its interests and gather strength to participate fully in the new corporation-era society.

Any strategy in the interest of enlightened capitalism in the first place required a great improvement in working conditions which, in the factory, was still extremely dangerous. There were also the problems of incentives, alienation and loss of community sense caused by the large size and impersonality of the factory. In addition, the workers, huddled in the slums and ghettos that had formed in the center of the city, continued to complain about appalling living conditions. For newcomers from Europe and the American countryside, housing in urban areas was deplorable and very expensive, whether it was three-storey wooden buildings, real traps during fires, or blocks of flats divided into apartments or barracks single family. Gas, water, electricity, health services, transportation were poor quality for immigrants, who in 1900 constituted the largest part of the industrial workforce, as well as enduring these living conditions, found themselves facing a further type of exploitation: the cultural drive towards the fastest possible Americanization. All the ethnic groups that arrived in the United States, Italian and Greek, Poles, Russian, Jews, were first considered as potential terrorists, who had to be saved by the Americans. Previous generations had identified the main cultural adaptation agent in the political party; in the first half of the twentieth century, particular emphasis was placed on the school. Social progress meant vigorous Americanization: widespread literacy, technological education, elimination of child labor, cultural conformism and stimulation of the working class of a consumerist attitude towards goods produced by the gigantic American industrial machine. As American businessmen continued to form monopolies and oligopolies, and while farmers began their organizational revolution, industrial workers also began to adapt their roles to the needs of corporate capitalism. American workers generally ignored the socialist alternative and apparently accepted their duties, thereby contributing to the impression of a people exceptionally capable of creating and enjoying wealth[16].

In the decades following the Second World War, the American managerial enterprise continued to remain the most formidable mass producer in the world, however focused on production methods that would have less and less been based on a unionized and well-paid workforce, but on the whole despecialized and relatively poorly educated. The result was that American industrial companies entered the second half of the twentieth

[16] J. L. Thomas, "La stabilizzazione dell'economia americana", in *Storia degli Stati Uniti d'America,* v. 3, *La nascita di una potenza mondiale: gli Stati Uniti dal 1877 al 1920*, (Bologna: Il Mulino, 1988), pp. 15-50.

century with a managerial organization capable of developing new technologies, establishing agreements with their unionized workforce to ensure its use at high level[17]. The technological revolution produced structural changes in the workforce and negatively influenced the unions. In the immediate post-war period, workers' organizations had continued their advancement that began under the New Deal. As early as 1953, the number of union members had reached almost 18 million, 28 percent of the non-agricultural labor force, three million more than in 1946. Later, while automation reduced the number of workers' jobs unions, especially in the automotive industry, coal mines and railways, had increasing difficulties in maintaining their incisiveness.

In 1960 the number of white-collar workers surpassed that of workers for the first time. The professionals, surveyors, technicians, clerks and salespeople, who made up the so-called white-collar workers, proved difficult to organize. Those employed in companies that had advanced "capitalism of well-being" programs, such as IBM for example, tended to be on the management side rather than the manpower side. Women, an important part of white-collar workers, did not always consider themselves permanent employees and, even when they did, they tended to consider union associations as a men's matter. Most state and government administrations denied civil servants the right to strike and some even prohibited the right to join trade unions. A further difficulty was posed by the movement of industry to traditionally low-union areas such as the South or the Southwest, where laws prohibiting the union monopoly of hiring were widespread[18].

For the United States, which dominated the world economy after the Second World War, the golden age was not so revolutionary. It simply continued the expansion of the war years which were favorable years only for the United States. They had suffered no damage, had increased their gross national product by 2/3 and by the end of the war their industrial production represented almost 2/3 of the world industrial production. Furthermore, thanks to the size and progress of the American economy, its results during the golden age were not as impressive as the growth rate of other countries, which started from a more modest base[19]. Between 1950

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[17] Cf. David Mowery and Nathan Rosenberg, *Il secolo dell'innovazione: Breve storia della tecnologia americana*, (Milan: Egea, 2001).

[18] John Kenneth Galbraith, *The New Industrial State*, (Princeton: Princeton University Press, 2007); Maldwyn Allen Jones, *Storia degli Stati Uniti*, (Oxford: Oxford University Press, 1983), pp. 527-528.

[19] Paola Zapelloni Felli, *L'economia mondiale tra crisi e benessere 1945-1980*, (Milan: Hoepli, 1989), pp. 30 et seq.

and 1973, the American economy grew slower than the economy of any other industrial country, with the exception of Great Britain, and its growth was not greater than that achieved in the most dynamic past periods of its development. In all other industrial countries, including Great Britain, golden age broke all previous records. In fact, for the United States, that was, economically and technologically, an era of relative setback, rather than progress. The productivity gap per hour of work between the American economy and that of other countries decreased and, if in 1950 the national per capita wealth was double that of France or Germany, five times higher than that of Japan and half larger than the British one, the other states were catching up fast and continued to approach American levels in the nineteen seventies and nineteen eighties[20].

In the nineteen seventies, inflation eroded real wages and the recession threatened job security. The use of tens of thousands of workers not integrated into the company's internal learning processes was the weakness of the American innovative business model, which will become crucial in the face of international competition. In 1971, American corporations owned 52 percent of the world's foreign direct investment stock. Until the early nineteen sixties, this massive presence of the United States was an evident proof of their economic power and had its justification in the reasons that usually induce the company to move part of its production base outside the borders: lower labor costs, proximity to places of supply of raw materials, tax breaks, opportunities to circumvent protectionist barriers and conquer markets, possibility to fully exploit the cycle of a product. Thanks to the flow of profits of multinationals abroad, the United States not only received important help in financing its hegemonic position, but were able also to achieve other important political and economic objectives. First of all, the USA influenced the localization of production activities and technical development worldwide in the manufacturing sector, exerting a not insignificant weight on the balances of payments of the various countries and on the international division of labor; secondly, the USA reinforced the idea of a liberal political-economic order focused on development, as well as, through the transfer of U.S. techniques and free-entrepreneurial traditions, it propagated the concept that economic growth and cooperation were now destined to take the place of old national rivalries.

Finally, thanks to the presence of its companies in the extractive industry sector, the USA not only controlled access to oil and many other raw materials, but somehow imposed their cheap availability for the entire

[20] Angus Maddison, "Growth and slowdown in advanced capitalist economies: techniques of quantitative assessment", *Journal of economic literature*, vol. XXV, (June 1987), p. 650.

industrial world[21] The role of the multinationals was however destined to change with the expansion of their range of action. From a symbol of the American technical-productive supremacy, they became the testimony of the industrial decline of the motherland and, at the same time, the tool that allowed to hide this decline. Unable to sustain the growing European and Japanese competition with their production on American soil, U.S. companies were increasingly responding to the challenge of the "periphery" with the foreign investment policy, increasing the internationalized production sector at the expense of the national one. By increasing their business abroad, U.S. companies managed to obtain a flow of financial resources that they could hardly have obtained with local investments. Between 1950 and 1970, gross income from American private investment abroad increased dramatically from 1,500 to 8,700 million dollars annually. But the price paid for this flow of resources was the aging and shrinking of the American production base, its lack of technical renewal in key sectors, the rise in unemployment, the crisis of the trade balance[22].

In the early nineteen seventies, the United States had become more of an investor country abroad than an exporter of goods produced internally. The foreign production of the American subsidiaries was four times greater than the export from the United States, without considering that a substantial share of these exports in the strategic sector of manufactured goods was actually represented by transfers from the American section of a multinational company to a foreign section. With the progressive weakening of the United States' position in the world economy, the profits made by multinationals abroad began to play an increasingly strategic role. Thanks to the investment and loans contracted on foreign financial markets, especially on the Euro-dollar market, the foreign branches of large U.S. companies were able to maintain their own strength and fuel a constant flow of profits to the United States. Since the early nineteen sixties, it was mainly these profits that compensated for the loss of productivity of the American national industry and the deterioration of its ability to replace declining exports with those of an innovative nature. The growth of foreign investments continued to represent a response to the crisis of the American industrial apparatus as a whole, as well as the attempt to recover

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[21] Eric John Hobsbawn, *Il secolo breve, 1914-1991:l'era dei grandi cataclismi,* (Milan: Rizzoli, 1997), pp. 471 et seq.; Robert Gilpin, *U.S. power and multinational corporation. The political economy of foreign direct investment*, (New York: Basic books, 1975), pp. 17 et seq. (however, a first version of the book appeared in 1971 as a study by the Commission on International Trade and Investment).

[22] Stephen Hymer, *Le imprese multinazionali*, (Turin: Einaudi, 1974), pp. 37 et seq.

that surplus of the balance of payments, necessary to face the imperial hegemony and its expenses and that the now lost commercial supremacy was no longer capable of ensuring[23].

The welfare of American families, however, conveyed the image of a rich and advanced country. In the nineteen sixties, the income of the average family more than doubled compared to the Great Depression and, despite the recession of the nineteen seventies, real disposable income continued to increase. In the nineteen seventies, for the first time, Americans spent less than half of their income on food, clothing, housing and services. As early as 1976, the number of families who owned two cars was higher than the number of families who owned none. Yet, in this theoretically classless society, there was a huge inequality between the rich and poor. According to the line of poverty from the census office (in 1970, for a family of four who didn't live on income from agriculture, it was \$3,968), the proportion of Americans living in poverty had fallen from 22 to 11 percent from 1959 to 1974. However, this meant more than 25 million people were officially classified as poor. Poor Americans were naturally not to be compared to the miserable masses of India, Latin America or Africa: they did not suffer from hunger, few lacked a home, almost everyone had a TV, many had a car. Their poverty consisted of being consistently a lower class in the world's most prosperous nation. The poor whites were numerous especially among the farm laborers and the tenants of the Deep South. However, while the poor whites were mainly elderly geographically dispersed, the poor negroes and the other minorities were made up of young people and lived in masses[24].

The history of the twenty years after 1973, as Hobsbawm argues, is that of a world that has lost its points of reference and that has slipped into instability and crisis. Only in the nineteen eighties, however, it becomes clear how hopelessly the foundations of the golden age had crumbled. For many years, the economic difficulties were considered only "recessions", although it was admitted that they were "the most serious for fifty years now"[25]. Moreover, it was the same evolutions of the production model that made centralized control of large macroeconomic variables more difficult. The segmentation of the market and its progressive sophistication made room for productions that focused on specialization rather than on the volume of production[26].

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[23] Gilpin, *U.S. power and multinational corporation,* pp. 157 et seq.

[24] Jones, *Storia degli Stati Uniti*, pp. 526-527.

[25] Hobsbawn, *Il secolo breve, 1914-1991,* p. 471.

[26] Michael Stewart, *The age of interdependence. Economic policy in a shrinking world*, (Cambridge, MA: MIT Press, 1984).

With a “third industrial revolution”, or even a “fourth” one, produced by a new crucial complex of innovations (microelectronics, information technology, telecommunications)[27], while it is difficult to specify which organizations may emerge, it is clear that the change necessary for businesses has the same characteristics as that caused by mass production technologies a century ago[28].

In this context, thinking about the role of Italian companies in the USA, being able to bring together two very different entrepreneurial cultures remains the main concern of public and private institutions, given the particularity of the American market, an extremely diversified market, with countless subgroups of reference consumers and, consequently, with lifestyles, ways of acting, history, culture, commercial uses, very different rules and laws even though within the same geographical area[29].

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[27] Jeremy Rifkin, *La Terza Rivoluzione Industriale: Come il "potere laterale" sta trasformando l'energia, l'economia e il mondo*, trans. Paolo Canton, (Milan: Arnoldo Mondadori Editore, 2011).

[28] Cf. Fiorenza Belussi, ed., *Nuovi modelli d'impresa, gerarchie organizzative e imprese rete*, (Milan: FrancoAngeli, 1992).

[29] For this purpose, the work carried out by Valentina Sgro offers interesting reflections and it can be an important reference point for further development of Italian-American business relationships.

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I alone bear the responsibility for all the errors and weaknesses that this book may suffer.

CHAPTER ONE

THE FOUNDING OF THE AMERICAN CHAMBER OF COMMERCE IN ITALY

1.1. Trade relationship between Italy and the United States in the early twentieth century

From the mid-nineteenth century to the First World War the world economy experienced an unprecedented development that affected the most advanced countries and had effects in many areas of the planet. Industrial production developed further, especially in the metals and chemicals sectors, oil became the new energy source, electricity became widespread, modern means of transport developed and international trade doubled in less than fifteen years. In this period, the European and American economies were profoundly transformed, industry became the most important sector and the bourgeoisie assumed the role of dominant class[1].

In the United States of America the growth of foreign trade was affected by the protectionist policy pursued to allow its industrial apparatus to contain and reduce competition from the most economically developed countries. That country, however, could count on a huge internal market that continued to be, as in the nineteenth century, the main driving factor for its development[2]. In fact, in 1913 the United States' share of international trade, despite being around 10 percent, was decidedly modest in relation to internal trade and not comparable to that of two large European countries, such as Great Britain and Germany. Foreign trade was a limited part of the entire U.S. trade movement, but its weight on world trade was growing.

With the outbreak of the First World War, American exports to the Allies increased and soon the United States became a crucial reservoir of food resources, energy and industrial raw materials, weapons and ammuni-

[1] Ennio De Simone, *Storia economica. Dalla rivoluzione industriale alla rivoluzione informatica* (Milan: Franco Angeli, 2018), pp. 87-88.

[2] Arnaldo Testi, *Il secolo degli Stati Uniti* (Bologna, Il Mulino, 2008), p. 84.

tion, as well as credits to finance purchases. As Great Britain and France, even Italy became dependent on supplies from the United States for wheat, steel, armaments and basic necessities[3]. In 1914, the surplus of American exports on imports was 435 million U.S. dollars, but after the war, in 1919, this value had increased by almost nine times, reaching 3,855.4 million. When the United States realized that the war would be prolonged, they adopted some measures to address the growing demand: resource inventory, estimate of needs, conversion of peace industries into war industries, establishment of central purchasing and distribution commissions for raw materials, standardization, control of profits and prices, labor policy and government participation in the production and transport of goods. Furthermore, the war increased the U.S.'s economic primacy over the other industrialized countries. Thanks to loans of 13 billion dollars to the Allies, the United States replaced Britain as the main creditor nation of the world capitalist system. The U.S. dollar became the new strong currency competing with the British pound, and the financial stock market of New York became as important as that of the City of London[4].

During its three years of war, Italy strengthened its relations with France and Great Britain and, in the decisive last year of the conflict, especially with the United States. In particular, after the defeat of Caporetto[5], the U.S. apparatus of humanitarian aid and propaganda was much more involved in Italy. Despite repeated requests for military intervention also on the Italian front, the United States did not send combat troops to Italy because Wilson preferred to concentrate efforts on the French front. The pressures from Italy were joined by those of the Italian American communities on the Wilson administration, in an explosion of nationalism that the war had contributed to spread among the residents of the *Little Italies*, who, until then, had shown a poor identification capacity with the motherland. In contrast with this past, on the other hand, about 65,000 immigrants who had retained Italian citizenship and who were therefore called up when the conflict broke, left to join the Italian armed forces to contribute to the war effort of their native country[6].

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[3] Lucia Ducci, Stefano Luconi, and Matteo Pretelli, *Le relazioni tra Italia e Stati Uniti. Dal Risorgimento alle conseguenze dell'11 settembre* (Rome: Carocci, 2012), p. 51.

[4] Testi, *Il secolo degli Stati Uniti*, p. 98.

[5] Mario Silvestri, *Caporetto, una battaglia e un enigma* (Milan: Rizzoli, 2006), p. 3.

[6] The trade relations between the two countries were governed by the Treaty of 26th February, 1871, applied on 17th November of the same year, so that Italian goods in the United States and North American goods in Italy enjoyed the most

Tab. 1.1. – *Italian imports from the USA from 1911 to 1920, in lire*

Year	Raw materials for industries	Semi-finished materials for industries	Manufactured products	Food and live animals	Total
1911	277,993,525	64,195,289	44,021,393	29,070,113	415,280,320
1912	340,221,362	90,245,471	51,173,375	33,706,688	515,346,896
1913	324,273,569	85,893,332	52,673,032	59,882,204	522,722,137
1914	297,408,383	82,068,051	39,415,334	23,955,162	442,846,930
1915	610,063,559	302,689,613	126,260,767	710,190,217	1,749,204,156
1916	983,218,275	762,596,831	658,808,285	1,009,986,379	3,414,609,770
1917	1,456,294,820	2,238,376,654	1,234,690,277	1,262,459,225	6,191,820,976
1918	1,341,653,018	2,250,791,732	1,360,119,472	1,687,988,355	6,640,552,577
1919	1,739,959,593	1,320,117,480	1,252,870,473	3,037,428,260	7,350,375,806
1920	3,489,007,329	1,313,699,004	1,153,224,139	2,732,690,865	8,688,621,337

Source: Ministry of Finance, Directorate General of Gabelle, Treaties and Customs Legislation Office, *Movimento commerciale del Regno d'Italia,* for the years 1911-1920.

As a result of the war, the Italian economy became increasingly linked to the U.S. economy, as shown by the import-export data between Italy and the United States from 1911 to 1920. In that period Italian imports from the United States increased, from just over 415 million lire to over 7 billion. The main products imported in 1915 included cotton, hard coal and oats, in the «raw materials for industries» category; mineral and resin oils, cast iron, copper and brass among the «semi-finished materials for industries»; petroleum, fabrics and other wool products in the «manufactured products» category; wheat, flour, fresh and preserved meat in the «food» category. With regard to Italian exports to the USA, there is less sustained growth with the exception of the last two years. In fact, in 1919 the value of Italian products exported overseas reached almost 640 million lire, compared to just over 242 million two years earlier. Besides raw materials, semi-finished and finished products, such as silk, hemp and jute fabrics, a considerable part of total exports is represented by foodstuffs

favored nation treatment (Ducci, Luconi, and Pretelli, *Le relazioni tra Italia e Stati Uniti*, pp. 55-56; Italian Ministry of Finance, Directorate General of Gabelle, Treaties and Customs Legislation Office, *Movimento commerciale del Regno d'Italia nell'anno 1915, parte seconda, volume II*, (Rome, 1917), p. 1459).

Tab. 1.2. – *Italian exports to the USA from 1911 to 1920, in lire*

Year	Raw materials for industries	Semi-finished materials for industries	Manufactured products	Food and live animals	Total
1911	37,690,105	61,745,764	32,253,050	115,540,954	247,229,873
1912	39,724,229	72,454,009	28,450,520	121,309,027	261,937,785
1913	32,787,918	72,826,306	29,996,427	132,280,996	267,891,647
1914	35,613,974	64,202,637	32,616,197	130,029,211	262,462,019
1915	33,239,807	102,334,204	36,095,896	111,688,709	283,358,616
1916	55,453,509	101,573,179	39,856,658	118,285,106	315,168,452
1917	46,932,816	76,403,525	42,309,231	76,852,222	242,497,794
1918	36,116,359	35,941,616	28,842,182	68,298,508	169,198,665
1919	95,291,405	334,814,438	49,301,568	159,307,835	638,715,246
1920	192,130,670	380,228,425	117,771,103	218,859,365	908,989,563

Source: Ministry of Finance, Directorate General of Gabelle, Treaties and Customs Legislation Office, *Movimento commerciale del Regno d'Italia,* for the years 1911-1920

Tab. 1.3. – *Import and export between Italy and the United States from 1911 to 1920, in current lire*

Year	Italian imports from the USA	Italian exports to the USA	Deficit
1911	415,280,320	247,229,873	168,050,447
1912	515,346,896	261,937,785	253,409,111
1913	522,722,137	267,891,647	254,830,490
1914	442,846,930	262,462,019	180,384,911
1915	1,749,204,156	283,358,616	1,465,845,540
1916	3,414,609,770	315,168,452	3,099,441,318
1917	6,191,820,976	242,497,794	5,949,323,182
1918	6,640,552,577	169,198,665	6,471,353,912
1919	7,350,375,806	638,715,246	6,711,660,560
1920	8,688,621,337	908,989,563	7,779,631,774

Source: Ministry of Finance, Directorate General of Gabelle, Treaties and Customs Legislation Office, *Movimento commerciale del Regno d'Italia,* for the years 1911-1920.