

The Educational Roots of the Italian Territorial Divide

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Abstract:

Empirical analysis shows that formal and informal institutions are key factors in explaining why some countries, as well as territories within countries, are more prosperous than others are. After almost 160 years from their formal unification, Italian territories are still quite heterogeneous in terms of socioeconomic performance. We explore and exploit different data sources to assess the roots of this heterogeneity at province level. We seek to contribute to the literature in four ways. First, building on our supposed link quality of institutions-quality of education, our results offer support to the idea that remote measures of people's literacy are a good proxy for the long-lasting effect of institutions and, as such, a predictor of current economic development. Second, we provide estimates confirming expectations about the role of current and remote measures of institutional quality in explaining per capita GDP at province level. Third, we present preliminary empirical evidence on the cyclical nature of the contribution of institutional quality to the economic performance, showing that although this contribution is quite stable, institutional variables play a weaker role in bad times than in good ones. Fourth, we provide evidence of the contribution of entrepreneurship, as main mediator of the link institutions-development, to GDP at local level.

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