

Recent Italian Works on Theories of Economic Development

1. - In Italy, as in other countries, the problems relating to economic development and to the raising of conditions in the underdeveloped areas have for some time been hotly debated by economists.

The vast and varied literature to which this discussion has given rise is mostly unknown abroad. In this note we propose to take a brief look at it. In the first place, we will highlight the problems, which were particularly serious immediately after the war, of unemployment and the inadequate supply of savings and capital. These were frequently discussed in Italy in connection with the applicability of Keynesian theories and policies. Secondly, we will examine the studies which can be linked to the discussion on Point Four. Lastly, bearing in mind the problems created by attempts to put the South of Italy on its feet economically, we will see how the so-called "southern question" fits into the whole complex of issues raised by, and discussed in, recent theories of economic development.

In particular, we will take account of three congresses (Congress on the International Organization of the Economic Development of Underdeveloped

Areas, Rome, 1953; International Study Group on the Underdeveloped Areas, Milano, 1954; VIII Congress for the Study of Industrial Economics and Policy organized by the General Confederation of Industry, Sorrento, 1956); of two volumes of essays; *Teoria e politica dello sviluppo economico*, Roma, 1954; *I problemi dello sviluppo economico con particolare riguardo alle aree arretrate*, Milano, 1956; and of some recent publications.

We have excluded studies concerning the Cassa per il Mezzogiorno and its problems and activities for raising the southern economy, or the scheme for the development of the Italian economy commonly known as the Vanoni Plan.

2. - The first projects drawn up in Italy after the war with the aim of facilitating the absorption of the stagnant mass of unemployed were influenced by Anglosaxon theories of full employment.

The demand that account should be taken of these views was voiced, in 1946, by the Commission for the study of labour problems of the Ministry for the Constituent Assembly; and it gathered strength in Italy with the spread of Keynesian theories (1) and

of attempts to apply policies of full employment. The gist of the discussion in Italy (2) at that time was that the Keynesian theories as such (which had been designed for highly capitalistic countries) were not applicable to the situation in Italy. It was constantly stressed that, unlike the case in economically more advanced countries, the essence of structural unemployment in Italy was a disequilibrium between the low degree of capitalization of the economy and the abundance of unskilled or underemployed labour (especially in agriculture). Accordingly, the application to Italy of the theories of full employment could be profitably examined only when the Italian economy had developed as a result of a policy calculated to increase the volume of savings, expand capital equipment, and train labour force (3). Thus, Italy looked not so much to Keynes as to certain post-keynesians (especially Kalecki) (4) who had sought to apply the corollaries of the General Theory to the special case of the underdeveloped areas.

(1) One of the first to provide an organic exposé of Keynesian theories in Italy was F. DI FENIZIO, in *Studi keynesiani*, Biblioteca dell'Industria, Milano, 1948 (Collection of articles published from 1946 to 1948, *L'Industria*, Milano). In 1953, a book was published in Italy (*Studi keynesiani*) which collected the papers arising out of a series of meetings held at the Institute of Economics and Finance of the University of Rome and devoted to the discussion of Keynesian theories.

(2) F. COPPOLA D'ANNA, "È possibile una politica di full employment in Italia?", *Previdenza Sociale*, July-August 1946; "Economic Progress and Capital Investments", *The Review of Economic Conditions in Italy*,

July 1947. V. MARRAMA, "Some Aspects of Italian Economy and the Theory of Full Employment", in this *Review*, 1947, No. 4. For a thorough survey of the problems of full employment, cf. — by the same author — *Teoria e politica della piena occupazione*, Roma, 1948.

(3) A. MOLINARI, "Future Responsibility of Italian Industry", in this *Review*, April 1947; P. SARACENO, "Elementi per un piano quadriennale di sviluppo dell'economia italiana", *Report to the National Economic Council*, Roma, 1947. The same view was put forward by C. BRESCIANI-TURRONI, in the *Report of the Economic Commission of the Ministry for the Constituent Assembly* - Volume Industry, appendix: Evidence given, pp. 57 et seq. Cf. also, by the same author: "L'economia italiana nel dopoguerra", in *The Review of Economic Conditions in Italy*, 1957.

(4) M. KALECKI, "Three Ways to Full Employment", in *The Economics of Full Employment*, Oxford University, Institute of Statistics, 1947. See MARRAMA, "Some Aspects...", *cit.*

3. - In January 1949, President Truman in his inaugural address enunciated the four basic points of American economic policy. The famous Point Four, which stresses the need for a vast programme of aid to the depressed and underdeveloped areas of the world, gave an impetus, in the countries concerned, to studies on development problems.

In Italy, Point Four was examined with regard to its political and economic implications and to the possibility of its implementation in the light of the experience of the World Bank. Indeed, the prospect was sometimes envisaged of the Bank itself acting as the executive agent. The financing problems, though extremely complex, were not always considered as the key to a development programme. In order

to avoid the risk of the financing going to waste, the need was stressed of giving the underdeveloped countries technical assistance beforehand on specific points, and the means of affording such help discussed (5). Particular attention was given to the tasks and possibilities of credit in supporting land reform, which was considered a prerequisite for the revival of underdeveloped countries (6).

The new problems and the new approaches called for a preliminary clarification of the position of underdeveloped areas throughout the world and of the different types of economic evolution. Hence the criteria which differentiate between the various kinds of underdevelopment were discussed and several development theories examined as possibly throwing light on the Italian economy. There was the point of view which brought out the contradiction between private advantage in particular investments and external economies as a cause of backwardness (Rosenstein-Rodan); the one that stressed the cumulative process as a typical and irreversible factor in underdevelopment (Myrdal); and the thesis that drew attention to bottlenecks and to their special importance in the Italian economy (7). Consideration was also given to the consequences — not always positive — which the industrialization of the underdeveloped countries might have, from the point of view of political and social equilibrium, on the advanced nations (8); and to possible repercussions of foreign aid on the redistribution of income in backward countries, repercussions that are not

in all cases such as to increase savings (9).

(5) C. BRESCIANI-TURRONI, "Il problema delle aree depresse ed il finanziamento dello sviluppo economico", *Bancaria*, January 1950. V. MARRAMA, "La Banca Mondiale e lo sviluppo economico dei Paesi arretrati", *L'Industria*, No. 4, April 1949. For fiscal problems and economic development, see S. STEVE, "Fiscal Policy and Italy's Economic Development", in this *Review*, 1950.

(6) G. U. PAPI, "Le développement de l'agriculture et la condition indéclinable du développement économique", *Revue de la Faculté des Sciences Economiques*, University of Istanbul, July 1949. I. GASPARINI, "Sviluppo economico e ruolo dell'agricoltura", *Banca e Credito Agrario*, Sassari, 1953.

(7) "Il problema dello sviluppo delle economie arretrate", *La Comunità Internazionale*, October 1950. P. SARACENO, *Lo sviluppo economico dei Paesi sovrappopolati*, Roma, Ed. Studium, 1952, pp. 163. G. CERRIANI SEBREGONDI, "Considerazioni sulla natura della teoria delle aree depresse", *Cultura e Realtà*, No. 3-4, 1951. By the same author, "Le développement harmonisé: notes pour une théorie", *Economie et Humanisme*, March-April 1954.

(8) C. GINI, "Sviluppo delle aree depresse ed avvenire delle civiltà occidentali", *Rivista di politica economica*, August-September 1951; "The Plans for the Development of Depressed Areas and the Supremacy of the Western World", in this *Review*, No. 17, 1951. The author is strongly critical of the indiscriminate application of Truman's point IV and, in particular, of its extension to tropical and equatorial lands. This controversial article gives a radical assessment of the dangers of development for the supremacy of the Western peoples and Western civilization.

(9) V. MARRAMA, "Riflessioni sullo sviluppo economico dei Paesi arretrati", *Giornale degli Economisti*, January-February, 1952.

4. - In these years, specific problems were discussed in the relevant publications throughout the world. In particular, attention was paid to the

so-called direct investments of a colonial nature by developed countries in underdeveloped ones. It was contended that these investments, which are designed solely to control the economy of the backward countries, contributed, if at all, only very indirectly to their development (Singer) (10). In other words, the question was raised of the economic effects of colonialism on the development of both colonizing and colonial countries.

To this category belongs an important Italian work; *La teoria economica della colonizzazione* (Torino, Einaudi, 1952, pp. 387) by M. Fanno, which deserves particular attention.

Fanno's work stands apart in present-day economic writing in Italy, although linked to the economic-sociological point of view of A. Loria, whose publications are fairly well known abroad (11). Fanno assembles and modifies some of his earlier contributions (12), and sets out to analyse in economic terms the phenomenon of colonization and of colonial expansion abroad; from there, he proceeds to the phenomenon of capitalistic development.

Fanno accepts the ricardian theory of comparative costs, but undertakes a dynamic study of the system of international trade, and of the development of the colonial system. He starts from the assumption that two propulsive factors are constantly changing the difference between the comparative costs: the increase in population and the rise in savings. With this approach, he analyses and seeks to find a formula for the evolution

of the economic phenomena of colonization and to explain the political superstructures which correspond to them.

In Fanno's opinion, the ultimate objective of the dynamics of population and savings is the splitting up of the world economy into a number of partially closed systems which tend to be stationary.

Although it is largely formulated in terms of sociology, Fanno's theory constitutes a serious effort to explain one aspect of the evolution of the capitalist system in dynamic terms, which are valid on the hypothesis that population and savings continue to increase at the same time and that the only way in which the system reacts to a tendency towards diminishing returns is by means of the balance trade. From the point of view of methodology, the theory forms a bridge between the older economic-sociological theories, which, although going back to the classical school, are derived from positivism, and modern theories.

(10) There is a comprehensive exposé of these theories under "Backward economies" by C. NAPOLEONI, in the *Dizionario di Economia politica*, Milano, Comunità, 1956.

(11) A. LORIA, *La constitution sociale*, Paris, 1901; *Synthèse économique*, Paris, 1913. On Loria's thought, see LEE BENSON, "Achille Loria's Influence on American Thought", *The Journal of Political Economy*, 1927.

(12) See a careful bio-bibliographic article on M. FANNO, *Giornale degli Economisti*, November-December 1955. On the *Teoria economica della colonizzazione*, see *The Economic Journal*, September 1952. On the subject of economic development, see by the same author "Considerazioni sullo sviluppo dei sistemi economici", May-June, 1956; *Giornale degli Economisti*, and "Risparmio,

investimento, occupazione operaia e sviluppo dei sistemi economici", *Risparmio*, December 1957.

5. - In his book, Fanno does not make any reference to the particular situation of Italy where, as a result of well known historical events, the North and the South have followed different paths, with the result that the transformation did not take place simultaneously in the country as a whole. The latest theoretical developments have been obliged to take account of this situation, which has produced the historical southern question and the very rich literature on the subject.

In general, it may be said that the new theories of economic development have come into contact with the literature on the southern question in three phases:

(a) A first phase showing a typically historical approach to the southern question that began with the unification of the country and gradually disappeared as the twentieth century progressed. It is asserted that it was characterized by a lack of any attempt to effect a synthesis with the then current dynamic theories (the dynamics of the classical economists; the German historical school; J. B. Clark; American institutionalism and so on) (13).

(b) In the second phase, the emphasis was on empirical research and other types of study aimed at providing a solution of the question on both politico-social and economico-financial lines; in this phase the new trends were to have been partly accepted. There

was, for instance, an examination of future economic development in terms of the modern theory of undiluted industrialization or of industrialization tempered by intensive agricultural development (14).

(c) A final phase, which is still proceeding, is defined as programming or realization and is regarded as the putting into practice of recent studies, including those occasioned by the work of the Cassa per il Mezzogiorno (15).

(13) It is not possible here to give even a very brief list of the literature on the southern question. We will therefore confine ourselves to mentioning works which give an overall picture or can be used for reference:

For a conspectus of the historical evolution of the problem and an anthology of writings on the subject: B. CAZZA, *Antologia della questione meridionale*, Milano, Comunità, 1950, pp. 462; M. ROSSI-DORIA, G. Fortunato, *Antologia dei suoi scritti*, Bari, Laterza, 1948, pp. xii, 276.

Works which give a wealth of information: G. ARIAS, *La questione meridionale*, Bologna, 1919, 2 Vols. C. BARBAGALLO, *La questione meridionale*, Milano, Garzanti, 1948, pp. 295. F. VÖCHTING, *Die italienische Südfrage*, Berlin, Duncker und Humboht, 1951, pp. 680. C. RODANÒ, *Mezzogiorno e sviluppo economico*, Bari, Laterza, 1954, pp. 495.

(14) A. MOLINARI, *Future Responsibilities of Italian Industry*, op. cit. For the general problems of the South, cf. by the same writer "Southern Italy", in this *Review*, No. 2, 1949.

Also on industrialization: G. CENZATO and S. GUIDOTTI, *Il problema industriale del Mezzogiorno*, Milano, 1946. SVIMEZ, *Contributi allo studio del problema industriale del Mezzogiorno*, Roma, 1948; *Effetti di un programma di investimenti nel Mezzogiorno*, Roma, 1951 (contains an analysis of the multiplier effects). P. SARACENO, *Premesse culturali di una politica di sviluppo economico del Mezzogiorno*, Palermo, CEPES, October 1955.

For the thesis advocating agricultural development, see: M. ROSSI-DORIA, *Riforma agraria ed azione meridionalistica*, Bologna, Ed. Agricole, 1948, pp. viii, 299; and *Dieci anni di politica nel Mezzogiorno*, Bari, Laterza, 1958, pp. xxxvi, 412. Various authors: *Problemi dell'agricoltura meridionale*, Napoli, Istituto Editoriale del Mezzogiorno, 1953, pp. xx, 936.

For the financial aspects of development in the South, see P. SARACENO, "Public Expenditure, Savings and Foreign Loans in the Development of South Italy", in this *Review*, 1949.

For the explanation of the underdevelopment of the South in terms of marxist theory, see, as a synthesis: A. LUGARELLI, "Profilo storico della questione meridionale", *Movimento Operaio*, December 1949-January 1950. See also V. VITELLO, "Marx e lo sviluppo economico", *Società*, October 1956.

In addition, as fundamental works of political significance: G. DORSO, *La rivoluzione meridionale*, Torino, 1925; second edition, Torino, 1945. A. GRAMSCI, *La questione meridionale*, Roma, 1951 (the work includes five writings from 1921-1922).

(15) This approach is well represented in the article by G. DI NARDI, "Precettistica intuitiva e valutazione econometrica per lo sviluppo delle aree depresse", *Banca Nazionale del Lavoro Moneta e Credito*, 1952, second quarter. Di Nardi maintains that discussions and programmes for the recovery of the South should now adopt the more refined and complex techniques of econometric models of economic development.

For the policy of the Cassa per il Mezzogiorno, see the *Proceedings* of the Naples Congress, 1952, and the *Proceedings* of the Second Naples Congress, 1953, published in Rome in 1952 and 1954 respectively by the Cassa. In the *Proceedings* of the Congress, cf. especially the overall account given by Professor Saraceno.

For a discussion of Professor Saraceno's paper and for a critical assessment of the possible application of an analysis using the multiplier, cf. V. LUTZ, "Development Problems in Southern Italy: The Second Conference of the Cassa per il Mezzogiorno", in this *Review*, 1954.

What is the attitude to the southern question of the supporters of the new approach?

A significant affirmation recurs in these writings on the development of the South based on the new theories: "The old literature on the southern question is no longer of any help in solving the problems of the South; the contributions to the discussion by these great minds will always remain a monument of erudition, but nowadays more complex tools are required if we are to get to the bottom of the problems and to work out a sound programme of development" (16).

Naturally, this kind of assertion clashes with the traditional Italian conception of the southern question. This opposition is due in the first place to the fact that many of the southern scholars have not realized the gulf between the classical literature on the South and the studies on the more complex tools called for today, and have not identified the events and forces responsible for the divorce. In the second place, the new programmes to be carried out, which are no longer inspired by the classical conception of the southern question, have sometimes been received with a certain scepticism since, while seeming to initiate decisive changes, they have not, owing to other circumstances, been able to effect radical transformations.

Nevertheless, anyone reading the new literature on the South is obliged to admit that one positive result has been achieved by it. The new approach makes a strong appeal to the realistic side of scholars' minds and

in fact they have now completely abandoned their tendency to deal with, and solve, the southern problem in terms of climate, race, general sociological factors, and purely demographic considerations; and also dropped the slogans of individual political and social trends in the past (free trade and protection, opposed to each other as abstract concepts; corporativism, and so on) or of particular ideologies (theological, sociological-positive, idealist, and so on) (17).

From the perspective of the new theories, the southern question has been formulated anew against a wider international background and in general economic-social terms as the story of a crisis which concerns the whole country and which is constantly on the tapis. The upshot of this debate is that the southern question is becoming a part of the new international issue of the underdeveloped countries.

Half way between the old and the new points of view lies the work of a Swiss scholar, Friedrich Vöchting who has devoted a great deal of his writing to Italian economic and social problems. In his studies on the South (18) an interesting link of present-day southern problems is to be found not with the most recent theories or with the classical approach which is gradually being re-exhumed, but with the romantic and protectionist concepts of the nineteenth century which were at that time common in backward countries. Vöchting's work, and the discussion to which it has given rise, has brought into the limelight a whole complex of analysis

and criticism which might be termed neo-protectionism, or regional protectionism.

The listian theory of the development of backward countries — all too long forgotten — has thus returned to the scene in the work of a German economist. List's influence on Vöchting is so profound as to influence enormously his views about the economic policy now being followed in order to assist the South. Given the results achieved by Germany since 1870 in developing its industry, Vöchting cannot help considering the measures so far adopted for the South as inadequate. If these measures are to be satisfactory, they must, in his opinion, be supplemented by a different economic policy, *i.e.* by regional protectionism which he defines as follows: a heretical conclusion that the same means should be followed for the same ends, *i.e.* that customs barriers might be set up within a country behind which a series of selected industries, suited to the environment and intended above all to meet the needs of local consumption, might arise and expand (19).

This view is naturally contested by the advocates of recent theories of economic development.

(16) G. DI NARDI, article quoted in note (15).

(17) For these old conceptions of the southern question, cf. B. CAZZI, "Antologia...", *op. cit.*

(18) In addition to *Die italienische Südfrage*, referred to in note (13), see, by the same author in this *Review*, "Considerations on the Industrialization of the Mezzogiorno", No. 46, 1958.

(19) F. VÖCHTING, "Industrialization or Pre-Industrialization of Southern Italy", in

this *Review*, 1952, No. 21. The article by G. DI NARDI, "Precettistica intuitiva...", quoted in note (15) also sets out his case against Vöchting. The argument turns on whether it is better to start the development of the South with a substantial programme of industrialization backed by public works, and end by strengthening agriculture (as Vöchting contends); or whether fixed social capital should be got ready and an active policy adopted to improve agriculture, and, as a final stage, to speed up the construction of industrial plants (Di Nardi).

In advocating the heretical expedient of regional protectionism, Vöchting is not alone. This proposal was not entirely rejected by the European Economic Commission itself (*Economic Survey of Europe since the War. A Reappraisal of Problems and Prospects*, 1953) which, at that time, put it forward for some of the backward areas, including Italy. But this policy, while it is understandable in the case of such unitarian states as Greece and India would mean setting up a superregional unit for the South and one for the North and Centre.

However, the thesis advocating regional protectionism has found a supporter, at least in respect of the Sicilian Region, in G. MIRABELLA. He has expounded his views in *Caratteri positivi e negativi della partizione territoriale delle industrie*, Palermo, 1951.

6. - The new doctrines were tackled and discussed, with growing concern for the problems of economic policy, at the three Congresses to which we have already referred: the Rome Congress (1953); the one at Milan (1954); and the one at Sorrento (1956).

The Rome Congress (25-28 May 1953) (20) on the international organization of the economic development of underdeveloped areas was opened by a paper by Professor G. U. PAPI, "The Theory of Economic Development" which stresses the new aspects of the development problem, and contrasts them with the lines laid down,

which are still of great interest, by the classical economists. A vital dynamic factor is the increase in population which, by constantly altering the balance of the economy, gives rise to situations which call for increasing doses of state intervention. It is the economist's task to define the degree of productivity of state investments designed to form sufficient social capital at any given moment to make industrialization possible. For Papi, the aim of development should be not only an increase in income but also full employment.

Professor Rodenstein-Rodan replied to that paper with an address on "Capital needs for development and how to satisfy them", in which he set forth his theory of the three indivisibilities which hamper development. There is first the minimum of development and of synchronization of development needed in industry to satisfy demand; the second concerns the formation of capital, and implies not only a minimum of fixed social capital, but also its precedence in time over productive investments; the third is that of the supply of savings.

In 1954 Italian studies on the problem of development pivoted on the work of the International Study Group on Underdeveloped Areas, held at Milan from 10 to 15 October, and on the research of the Institute for Economics and Finance of Rome University, and collected in *Teoria e politica dello sviluppo economico* (Milano, Giuffrè, 1954, pp. iii, 569).

The Milan Congress was opened by a paper by Professor G. U. Papi: "Fattori determinanti dello sviluppo eco-

nomico". The speaker, with reference to his theory of the relations between trend and cycle, brought out the factors which determine development, elaborated a neoclassical theory of the formation of underdeveloped areas and, intervening in the debate on development policy, insisted on the development of the agricultural sector and on the expansion of international trade as prerequisites of industrialization.

Another paper at this Congress (21) was by Professor F. Virro, "Lo stato presente della dottrina delle aree arretrate e il caso dell'Italia". This was the first draft of an essay which appeared in its final form in *Problemi dello sviluppo economico con particolare riguardo alle aree arretrate* (Milano, Soc. Ed. Vita e Pensiero, July 1956, pp. 430) to which we will be making a specific reference.

The Sorrento Congress (6-8 October 1956) was devoted to the subject of how to finance national economic development, and was focused on three main papers (22).

Prof. F. di Fenizio's paper brings out which are the basic factors for economic development. His paper covers: statistical data on economic development and growth in Italy from 1950 to 1955; measurement of the marginal ratio between capital and net product; the problem of economic development without inflation; statistical data on the accumulation of savings in Italy, and an analysis of the Italian situation on the basis of his assumptions; indications as to concrete possibilities of development in Italy (23).

Prof. V. Travaglini's paper on the sources and limits of finance for economic development examines the general co-ordinates of the problem of financing development and the limits within which practical solutions can be found.

Travaglini considers that stability is an inherent attribute of economic growth (defined as the increase in the real national product per caput). Sources and limits of finance must be compatible with this process of balanced expansion.

Prof. G. Di Nardi's paper dealt with means for development. In it he surveys the objectives of an investment policy for Italy. He considers these should be:

(a) attainment of a rate of development sufficient to achieve within a decade the employment of the available labour;

(b) levelling down of the disparities between the rate of development in the different regions;

(c) guarantee that development will proceed regularly so as to avoid substantial fluctuations.

The investment policy likely to achieve these objectives is determined by the type of investment (which are divided into those with an immediate yield and those with a delayed yield); and by the relation between the rate of development permitted by the full utilization of capital and the rate necessary to achieve full employment. If the first rate is lower than the second, there will be a danger of underemployment, and it will be necessary to speed up development, and intervene by expanding immediate

yield investments which absorb a higher proportion of labour; in the opposite case, it will instead be expedient to direct the choice towards the delayed yield investments, thus delaying the flow of income to a later period.

To carry out this policy, substantial state interventions are needed (state loans, supported by a policy modifying the rate of interest and ensuring monetary stability) of a kind capable of influencing the flow of public investments. As regards the manipulation of private investments, Di Nardi examines the significance of a policy of incentives and checks of a fiscal or credit nature, and he discusses the scope and effectiveness thereof in Italian economic life (24).

(20) *Atti del Convegno*, published by the Società Italiana per l'Organizzazione Internazionale, Padova, Cedam, 1953.

(21) The papers and communications of the International Study Group on Backward Areas are published by the Centro Nazionale per la produzione e la Difesa Sociale, Milano, 1954.

Foreign contributions, i.e. papers by Hoffman, Kaldor, and Krishnamurti, are mentioned here for the sake of completeness only.

For a synthesis of the problems discussed at the Milan Congress and for the conclusions arrived at, see G. MAZZOCCHI, "I risultati del Convegno di Milano sulle aree arretrate", in *Problemi dello Sviluppo Economico...*, *op. cit.*

(22) The papers and speeches at the Sorrento Congress (VIII Congress for the Study of Industrial Economics and Policy organized by the General Confederation of Industry) were collected in the *Rivista di Politica Economica*, October-November 1956.

(23) See also F. DI FENIZIO, "Il sistema economico", *L'Industria*, 1957, pp. 128, Part II (cf. the chapter V on economic development).

(24) On problems of economic development in general, see also the numerous articles by G. DI NARDI (1956-1957), among which a paper delivered at the Congress held by the European Coal and Steel Community on European Unity and the Italian South (Bari, 1956), in the *Rassegna Economica del Banco di Napoli*, No. 3. See also by the same author, "Progresso tecnico, sviluppo e stabilità dell'economia", *ibid.*, 1958.

7. - These three Congresses were preceded and accompanied by extremely interesting studies by foreign economists: a methodological and statistical research by Colin Clark on the increase in real income per man-hour in Italy from 1901 to 1953 (25); and two very stimulating essays by V. C. Lutz, on the main features of Italian economic development in recent years (26) and on the connection between economic growth and capital accumulation. According to V. C. Lutz, the Italian case is a mixed one, to which neither the growth models of the fully advanced economy nor those of the predominantly primitive one adequately correspond (27).

Among the other various contributions by Italian economists, are to be mentioned a study by F. Vito on the influence of the expansion of population on economic evolution (28); a research by G. Demaria bringing out the faster rate of industrial development per caput of non-European and Soviet European countries, and stressing the danger of relative economic stagnation in Western Europe (29); two articles of a methodological character by G. Del Vecchio (30) and one by V. Marrama on the total and cumulative effects of investments on

income, on its redistribution and on the balance of payments in underdeveloped countries (31).

(25) C. CLARK, "The Development of the Italian Economy", in this *Review*, 1954.

(26) "Some Characteristics of Italian Economic Development 1950-1955", in this *Review*, 1956.

(27) "The Growth Process in a Dual Economic System", in this *Review*, 1958. This excellent essay has been critically discussed by L. SPAVENTA, "Dualism in Economic Growth", in this *Review*, 1959.

(28) In *Rivista Internazionale di Scienze Sociali*, October 1954.

(29) In *Giornale degli Economisti*, July-August 1954.

(30) "Osservazioni teoriche sul problema delle aree depresse", in *Giornale degli Economisti*, July-August 1954; *ibid.*, July-August 1955.

(31) In *Bancaria*, July 1954.

8. - The volume *Teoria e Politica dello Sviluppo Economico*, Milano, Giuffrè, 1954, pp. 569 (a collection of studies based on a series of meetings at the Institute of Economics and Finance of the University of Rome) opens with a general introduction by Prof. G. U. Papi which has the same title as the collection. Here again Papi applies his theory of economic cycles (32) to the case of economic development. Basing himself on the premise that rises in entrepreneurs' real income which cause expansion are obtained as a result of certain events (improvement of means of transport or of production in general, abolition of tariffs, supply of credit on favourable terms) which affect important branches of production, Papi shows that the accumulation of negative effects prevents certain coun-

tries or areas from exploiting the circumstances conducive to growth. These economies then suffer the consequences of a disproportion in the factors of production as compared with the optimum combination from the technical point of view. All this ends in a weighting of costs (inevitable entrepreneurial errors, more substantial increases in production risks, very elastic market demand, greater tendency to inflation, growing rigidity of the economic structure and so on), which adds an additional burden to the country's or area's original incapacity to take part in the upward swing of the cycle.

What is the answer? In order to bring backward, underdeveloped or depressed areas up to the level of economic progress achieved by other more advanced economies, internal and external economies must be created for the concerns operating there up to a point at which the extra costs are cancelled out. In any case, Papi emphasizes that the main factor in the revival of world trade (which is essential if development is to be carried out in the stages recommended) is the investment of capital in hard currencies to help put the depressed areas on their feet; and he stresses the need for private investment, and not only by the state, in selected aspects of production and indeed in the implementation of public works as well.

In conclusion, Papi works out guiding principles for concerted action between the participating countries and puts forward schemes designed to make possible a greater volume of international trade.

The introductory essay is followed by sixteen others. Three are devoted to the historical evolution of development doctrines.

A. Gambino shows that the classical economists, from Adam Smith to Stuart Mill, placed development at the centre of their theory. They single out work and saving as the vital factors. This point was particularly stressed by Ricardo with his dynamic approach and his debate with Malthus. Gambino dwells on these basic contributions but brings out the aspects that show where their point of view is out of date, especially as regards the spread of economic development from one country or region to another (33).

P. Sylos Labini compares the approaches and conclusions of Marx and Schumpeter (34).

F. Pitigliani concentrates on those theories recently worked out in capitalist-countries which aim at devising methods for the measurement of development itself (Colin Clark, Kuznets, Easterlin, Harrod, Domar, etc.).

Then come four essays on the factors which determine development.

M. De Luca defines what he considers the essential determinant of the development of backward areas. De Luca defines the limits, in his view, of the usefulness of capital resources flowing from advanced to backward countries, and he picks out the growth and bringing-up to date of organizational ability as the essential prerequisite of the development of backward economies.

V. Marrama also discusses the factors determining economic develop-

ment in the backward areas. He demonstrates the fallacy of putting on the same footing the factors making for development in advanced countries and those of backward countries, and brings out the basic differences. A scrutiny of the more important currents of thought in this field shows that, in addition to capitalization, which is a development common to all countries, the factor which is vital for the development of backward areas is the stable and increasing capacity to import and to use imports for productive purposes.

By examining a few aspects of development theory, M. Resta shows that the concept of economic development must in each case be related to the economic structure of a country (taking structure to mean the proportion of a given type, and as from a point in time, between the factors of production available). According to Resta, the theory of development can be assimilated to one of the macrodynamics of long term productivity, and is linked to the structure of the economic system, although the contrary might be deduced from certain attitudes in contemporary literature.

In an analysis of capital formation in backward areas F. Caffè examines the case for the priority given to fiscal methods (as a means of generating forced savings) by recent economists proposing to survey the possibilities of forced creation of capital in underdeveloped countries without causing inflation. He examines a scheme of this kind put forward by Nurkse and sees an omission in it, since the latter does not take account

of the external consumption diseconomies which may arise where the measures compulsorily limiting consumption are confined to a section of the economy and do not affect it in its entirety.

The other studies in this volume may be divided into three groups. The first deals with state, investments and finance as they affect development (G. Della Porta, V. Selan, G. Gera). The second tackles problems of credit and foreign trade (A. Salvi, F. Clementi).

The third contains essays on political and organizational questions especially as regards the economic development of the South of Italy.

C. Arena regards the South as an integral part of a more developed economy (both being within the same political organization) which is undergoing rapid and intensive economic development in every sector. This creates problems which are hard to solve in the short run but will give greater long term benefits. On the basis of this contention, Arena sets out a few conclusions of his on what the Cassa per il Mezzogiorno is now accomplishing.

The Association for the Development of Industry in the South (S.V.I.M.E.Z.) defines the tools needed for the long term planning of the economic development of the South of Italy, and describes the efforts made to apply input-output analysis to long term economic planning in that region. There is a brief description of recent developments in the use of this analysis.

G. P. Malagodi writes on the psychological and political factors in economic development.

(32) G. U. PARI, *Escape from Stagnation. An Essay on Business Fluctuations* (in English), London, P. S. King and Son, 1933, pp. viii, 165.

(33) Cf. on development problems, by the same author: A. GAMBINO, "Sviluppo economico e politico del credito per il Mezzogiorno d'Italia", *Banca Nazionale del Lavoro Moneta e Credito*, 1st and 2nd quarter, 1955: "Le banche quali strumento dello sviluppo economico", *Il Risparmio*, March 1956; *La politica creditizia e lo sviluppo del Mezzogiorno*, Milano, Giuffrè, 1957, pp. 47.

(34) By the same author, on development problems: "Monopoli, ristagno economico e politica keynesiana", *Economia Internazionale*, November 1954; "Prezzi relativi e programmi di sviluppo", *Giornale degli Economisti*, 1957.

The essays collected by the Institute for Economic Sciences of the Catholic University of Milan (35) have taken into consideration several common requirements that have originated in a common conception of the problems analysed. These requirements, sometimes in the form of true and proper methodological rules, are presented in the introductory synthetic study by F. Vito (36).

Vito's theory of the backward areas is put forward as a general methodological directive emphasizing the need to investigate in every aspect of the economic life of underdeveloped countries, the distorting factors of the competitive system or of further increases in the power of monopolies which, unlike the case in advanced economies, can exercise a specially intense influence in backward societies.

Though Vito is concerned with the general factors made responsible for the existence of backward areas, he peculiarly considers the case of the South of Italy. In the light of Vito's approach, the preliminary question is whether the South is to be regarded as a backward area or a society in process of development but not yet sufficiently developed; in other words, whether it can be counted among those areas which have risen above the minimum level of backwardness and for which it is permissible to speak of economic development parallel to that of more advanced countries.

According to Vito, the South cannot be classified as a backward area, either in theory or practice. On the contrary, it is an area of retarded development, which forms part of a developed country. The situation in the South should therefore be considered from the perspective of a comparative survey of development and not of that of backward areas. The investigation then turns to the more general reasons for the slower rate of development of the South as compared with the North.

In tackling this complex and highly controversial problem, Vito confines himself to working out a line of attack, a methodology, and leaves it to the numerous other economists represented in this volume to examine individual aspects of the problem or inquiries into particular points.

His methodology (which is an extension of that adopted by J. M. Clark in his research into cyclical fluctua-

tions) may be termed the search for strategic factors, *i.e.* factors which take on decisive importance in determining a given event. Surveys of this kind have been carried out in particular by the Committee for Economic Development of the Social Sciences Research Council in a study on Canada, the Soviet Union and Italy (37). The American scholars have concentrated on periods in which the countries in question developed rapidly in relation to either the immediately preceding period or to the subsequent one, and have tried, in each case, to isolate the strategic factors responsible for that development, taking account of the distinction between development properly so called and the cyclical phases of expansion.

The model as applied to Italy has made it possible to study both the evolution of the country as a whole and the divergences between the South and the nation. The survey brought out once again the fundamental data of Italian economy which tend to paralyse development, *i.e.* the unfavourable ratio of resources to population. Given these structural characteristics, the following strategic factors emerge as forces loosening the hold of these shackles: foreign trade; emigration; state expenditure.

The satisfactory progress of the Italian economy up to the first world war is explicable in terms of the concurrence of strategic factors. In the first decade of the present century, exports amounted to about 15 per cent of the national income, and the figure for emigrants was still better. It absorbed half, and sometimes over

half, of the increase in the working population.

After the wave of restrictions on migration overseas and the slump in international trade during the depression in the thirties, the two strategic factors became less important. In the course of that decade, the former contracted by 40 per cent, and the latter by 75 per cent. After the last war, exports rose again to about 15 per cent of income (stimulated by foreign help) while emigration remained at a relatively modest level. In these circumstances, the development problem, which is dominated by the need to augment the domestic volume of employment, makes it necessary to rely above all, on the factors of foreign trade and public expenditure (foreign trade, as is known, becomes particularly important, because, too, every increase in investment tends to cause, in the first place, the importation of foodstuffs and raw materials needed to satisfy the increased demand on the part of the labour employed, and in addition to cut down exports, also as a result of increased consumption of the goods concerned).

The effect of the strategic factors provides a partial answer to the question of the retarded development of the South as compared with the country as a whole. The drop in emigration affected the South in particular, both because it increased concealed unemployment and because it reduced the flow of savings from those who had already emigrated. And for the South too, the main emphasis must be on the factors now operating, *i.e.* foreign trade and state expenditure.

And full weight must be given to the strategic factors which, within the general development of the country, may, at particular points in time, have cooperated in some measures in narrowing the gap between the two Italies.

A monograph by S. Lombardini deals with investment policy in the South and with the analytic study of the interdependence in space and time of investments which has governed the yield.

The study by G. Mazzocchi shows that the South is in a relatively favourable position as regards the possibility of autofinancing private business and that in really backward areas it is not possible to rely on this form of savings (38).

N. Andreatta deals with a very controversial question. It is that of the technologies which will give a certain margin of manoeuvre to a policy of intervention in a backward area and hence a chance to influence an important strategic factor. Some maintain that a backward economy calls for backward technologies; others, on the contrary, feel that more advanced technologies (indeed automation) are indicated. This is an important problem in underdeveloped countries, given their low elasticity of supply of skilled labour. Andreatta tries to break out from the limitations of the two contrasting positions.

A number of essays in the volume under discussion are devoted to the analysis of capital accumulation.

F. Feroldi is primarily concerned with voluntary saving and with strengthening credit arrangements (39).

C. Brasca deals with the forms of forced saving obtained by fiscal measures.

Two essays discuss whether, in a development programme, the first step is to encourage capital formation in agriculture or whether it is preferable to rely on industrial development. Both essays are written with reference to the Italian economy.

E. Calcaterra comes out against the prevailing thesis of the industrialization of the South with the contention that agricultural development would make possible the complete absorption of the present labour surplus and that it would call for a more modest amount of investment than would industrial development.

C. Bonato deals with the economic and social aspects of the mechanization of agriculture in Italy. He takes a line somewhat closer to the accepted view and, while admitting that certain transformations in the productive arrangements would be able, in certain zones of intensive agriculture, to increase the demand for labour, considers that, at bottom, it is essential for the progress of agriculture in Italy to place greater emphasis on non-agricultural activity (and especially on industry), which should absorb that part of the rural population rendered redundant by the mechanization of agriculture (40).

F. Duchini deals with the Marxist theory of capitalistic development and reviews the ways in which Italian marxists have applied it to problems of economic evolution.

(35) Other authors, *I problemi dello sviluppo economico con particolare riguardo alle*

aree arretrate, Milano, Società Editrice Vita e Pensiero, 1956, pp. 430.

(36) This volume includes two other studies by F. VITTO, "Popolazione e sviluppo economico", "Il progresso economico, obiettivo di politica economica". See also, by F. VITTO, "Il finanziamento dello sviluppo economico", *Rivista Internazionale di Scienze Sociali*, January-February 1957; "Che cosa accade della distribuzione dei redditi quando l'economia si sviluppa?", *Vita e Pensiero*, February 1957; "Gli aspetti politici dello sviluppo nelle aree arretrate", *Rivista Internazionale di Scienze Sociali*, May 1957.

(37) *The Economic Development of Canada of the Soviet Union and Italy*, Social Science Research Council, Washington, 1957.

(38) See also, by the same author, "L'aspetto istituzionale della distribuzione del reddito in una fase di sviluppo economico", *Rivista Internazionale di Scienze Sociali*, July-August 1957.

(39) See also by F. FEROLDI, the previous volume *Formazione del capitale e politica creditizia nello sviluppo economico*, Milano, Giuffrè, 1954, pp. vii, 118.

On the problems of saving, capitalization and monetary stability in the development process, see: G. DELL'AMORE, *La raccolta del risparmio in rapporto allo sviluppo economico*, Milano, Giuffrè, 1957, pp. 40. A. GRAZIANI, "Capitale, progresso economico e instabilità", *Giornale degli Economisti*, August 1957.

(40) On the problems of agriculture in economic development, see also L. GASPARI, "Sviluppo economico e ruolo dell'agricoltura", *Banca e Credito Agrario*, Sassari, 1953; E. CALCATERRA, *L'agricoltura nello sviluppo delle economie arretrate*, Milano, Giuffrè, 1955, pp. 153; G. ORLANDO, *La produttività del lavoro agricolo e lo sviluppo delle aree arretrate*, Roma, Istituto Nazionale di Economia Agraria, 1957, pp. xiv, 176.

9. - An important work on underdevelopment is the book by V. MARRAMA, *Saggi sullo sviluppo economico dei paesi arretrati*, Torino, Einaudi, 1958, pp. xi, 396 (41).

Marrama sets out to define, from the point of view of theory and

economic policy, the strategic and key factors of the process of economic development in the backward countries. His essay is highly critical of certain trends of thought (the emphasis on abstract models, the theory of development still based on the concept of equilibrium and not on that of cumulative principle) and is supported by a wealth of direct experience and by an appropriate documentation.

These features make it difficult, if not impossible, to give an adequate summary of it. We will therefore confine ourselves to an analysis of his methodology, his conception of the factors making for backwardness and to summarizing his conclusions.

Firstly, Marrama defines underdevelopment by means of the two indexes pro-capite income and the concentration of income — thus emphasizing an equitable concept of economic development.

In the second place, it may be said, condensing Marrama's thought to a very schematic form, that backwardness (as compared with the progress of developed countries) stems from three types of scarcity which emerge from an analysis of the three strategic factors, *i.e.*: (a) absolute scarcity of savings; (b) relative scarcity of that type of savings (foreign currency) which can be used abroad; (c) scarcity of the part of the last type of savings which can be effectively used for productive purposes.

Capital formation in backward countries is hampered by the first scarcity — the lack of savings which is due to the low level of national income and the high propensity to

consume, and is aggravated by the low productivity of investments. Marrama discusses the capital-income ratio in backward countries and comes to the conclusion that it is higher than in advanced countries (*i.e.* it corresponds to a lower yield).

Actual capitalization depends on the concrete possibilities open to the backward countries to import capital goods from the industrialized countries. Now, according to Marrama, this capacity shows (and would seem also to be bound to show in future): (a) violent short term fluctuations; (b) a regular long term decline because of the constant deterioration in the terms of trade of the backward countries, due to the fact that in the main, they export raw materials and foodstuffs, which in course of time become less valuable, and import industrial products, the value of which grows higher and higher. Chapter V of the book is, in any case, a useful statistical historical complement to Vito's observations (discussed above) which came to the same conclusion.

Moreover, the small amounts of savings in the backward countries can not only not be transformed into capital goods (since conditions in these countries are steadily deteriorating) but to a large extent cannot even be effectively capitalized, and are spent in unproductive ways.

The author thus comes back to the classical principle which distinguishes between productive and unproductive investments and which is opposed by him to the criterion of those economists who, following in Keynes's footsteps, regard all investments as

productive. And, basing himself on empirical data, he traces the channels, often unsuspected, by which scarce savings, which could be used to feed the country's import capacity, are frittered away in: (a) import of capital goods for unproductive investments at home; (b) import of luxury consumer goods; (c) tourist expenditure abroad; (d) flight of capital; (e) hoarding of gold and hard currency.

Lastly, Marrama's analysis leads him to put forward certain general measures, while under no illusion as to their effectiveness in practice. These are examined in detail and as forming an interrelating whole:

(1) industrialization to replace imported goods, with special emphasis on industries producing consumer goods and simple capital goods;

(2) reform of the agrarian structure — *i.e.* land reform in the strict sense, agrarian credit and commercialization of farm produce, with appropriate combinations of measures in the three fields;

(3) intensification of international transfers of capital, with special stress on transfers of state funds either repayable or as grants, and greater contributions in this respect from Western Europe;

(4) short term stabilization of the markets for raw materials, especially in the case of those commodities which are traded between backward and advanced countries.

(41) By the same author: "Problemi e metodi di analisi economica e di progetti scientifici di sviluppo", *Rassegna Economica*

del Banco di Napoli, No. 3, July-September 1956; "Sviluppo economico, produttività del capitale e programmi d'investimento", *Studi Economici*, September-October 1957.

10. - Other works on the theory and policy of development published in Italy in 1958-59, and not previously mentioned, are as follows, grouped under five headings:

(a) General theory:

C. GINI, "Progresso o decadenza? Considerazioni introduttive", *Rivista di Politica Economica*, May 1959; "Progresso o decadenza? Il dominio della tecnica", in the same Review, June 1959. N. ANDREATTA, *Distribuzione del reddito e accumulazione del capitale*, Milano, Giuffrè, 1958. M. TALAMONA, *Aspetti e problemi dello sviluppo economico*, Milano, Ed. Mondo Economico, 1958, pp. 194. G. U. PAPI, *Economia Internazionale, Trattato Italiano di Economia*, Torino, U.T.E.T., 1959. (The first two chapters treat of the economic development of a country or of a region, and the factors that can favour to hamper this development. The Author, resuming his preceding studies, links the theory of economic development to the theory of the cycle, which he examines in Chapters III-X). G. CASTELLINO, "La scelta degli investimenti nei programmi di sviluppo economico", *L'Industria*, No. 1, 1959. A. GRAZIANI, "Teorie e modelli di sviluppo economico", *Giornale degli Economisti*, Nos. 1 and 2, 1959.

(b) Population problems with a bearing on development:

G. MORTARA, "Previsioni sull'incremento della popolazione del mondo"

L'Industria, January-March 1958. A. DE MARCO, "Controllo delle nascite e sviluppo economico", *Civiltà Cattolica*, February, 1958.

(c) Economic policy and development:

P. SARACENO, *Initiative privée et action publique dans les plans d'industrialisation des régions sous-développées*, Istanbul, University of Ankara, 1958. A. MOLINARI, "Effects of the Policy for the Development of Southern Italy on the National Economy", *The Review of the Economic Conditions in Italy*, Roma, 1959.

(d) Sectoral problems:

F. VIRO, "L'agricoltura del Paese in fase di sviluppo", *Rivista Internazionale di Scienze Sociali*, January-February 1958. A. A. PENNACCHIETTI,

"Agriculture, Economic Development and the Common Market: Italian Problems", in this *Review*, 3rd quarter, 1959. A. PEDONE, "Produttività agricola e industrializzazione della prima fase di un progresso di sviluppo economico", *Rivista di Politica Economica*, April 1959. I. GASPERINI, "Le fonti di energia nello sviluppo economico", *Economia Internazionale delle Fonti di Energia*, Nos. 4-6, 1958.

(e) Financial and foreign trade problems:

A. AMATO, "Pressione fiscale, sviluppo e progressività del sistema tributario", *Rivista di Politica Economica*, December 1958. F. VENTRIGLIA, "The Industrial Credit Policy in Southern Italy", *The Review of Economic Conditions in Italy*, 1959.

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