

# The Policy of Regional Development

## A Case-Study: Southern Italy

### 1. The New Policy for the South

After the Second World War, public opinion and Italian political circles showed an unexpected revival of interest in the age-old problem of the backwardness of the South. After the political unification of the country exactly a century ago, the economy of the different Italian regions had not yet been welded together into a homogeneous system. The unification of the internal market, effected by the sudden abolition of customs barriers between the seven states, into which Italy was still divided half-way through the 19th century, did not achieve equality of economic opportunity in the country as a whole. This state of affairs was fairly obvious even thirty years after the political unification. The generation of the *Risorgimento* observed with some bitterness that the Italian economy was developing according to a dualistic pattern, and as early as the end of last century some of the main representative writers of the generation which had made Italy started to raise the "Southern question". These voices were silenced by the outbreak of the First World War. And the "question" was not discussed in the interwar period, when no subjects of political agitation could be openly voiced, but it was brought to the notice of public opinion again immediately after the end of the Second World War.

In the reconstruction of Italy, it became more and more clear that it was not possible to avoid raising, deliberately and openly, the problem of a specific economic policy for the South. In order to define the magnitude of the problem, it may be worth while recalling that the territory of the South covers 41 per cent of the area of Italy and includes 37 per cent of the population (with about 19 million inhabitants). The per capita income of the population of the South was estimated in 1950 as equal to 47 per cent of the

per capita income of the Northern regions. The seriousness of the economic position of the South was aggravated not only by a less generous endowment of natural resources, but also by a higher rate of increase of population — 9 per 1,000 against 6 per 1,000 for the rest of the country. In the economy of the South, the pressure of population on resources is more keenly felt than in all the rest of the country, and arouses the vicious circle of poverty. Hence, the South has all the characteristics of underdeveloped countries as a result of excess population.

Between 1944 and 1949, certain emergency measures were taken to deal with the most elementary organizational deficiencies (e.g. the complete lack of institutions for industrial credit and the shortage of capital, and hence extremely high rates of interest). Following up these measures, the Italian Government, in 1950, approached the "Southern question" from a new angle. The South was regarded as one vast region all of which needed to be re-integrated in the economic circuit of the country.

This "new policy" was initiated by the law of 10 August 1950, No. 646, which set up the "Cassa per il Mezzogiorno" (the Fund for the South) with its own legal status. It was given the task of carrying out a vast plan of extraordinary measures under the control of a "Committee of Ministers for the South" which is responsible for the Cassa to Parliament.

The analysis of this new policy must take as its point of departure a study of its objectives.

## 2. Analysis of the Aims of the "New Policy"

The 1950 law opens up, for the first time in the attempts to assist the South, the possibility of long-term programming of investments. In fact, the law states the responsibility of the State to supply the Cassa with funds for a period of ten years which was extended to twelve and later to fifteen years. Article 1 of this law lays down that the authority delegated to the Committee of Ministers is designed to secure the formulation and execution of a "general plan" of extraordinary works. The same article defines the aim of the plan in the following terms: The extraordinary works making up the plan will be so conceived as "specifically to further the economic

and social progress of Southern Italy". Hence, the plan will be co-ordinated "with the programmes of works prepared by the public authorities".

The next paragraph of article 1 states that "the above plan concerns organic groups of works relating to flood and erosion control in mountain river basins, land reclamation, irrigation, land transformation — also in connection with programmes of land tenure reform, ordinary local roads, plants for the processing of agricultural commodities, and works of tourist interest, as well as the execution of aqueducts and drains and works for out-of-the-ordinary improvements to railways bearing heavy traffic".

In order to carry out this plan as laid down by the Committee of Ministers and to cover the categories of works now called for, the law provided for a total appropriation of 1 billion lire, which was raised to 1,280,000 millions, and subsequently to 2,077,500 millions in annual instalments, the amount of which was fixed but which could be drawn more rapidly in view of the authorization given to the Cassa per il Mezzogiorno to discount on the money market the annual appropriations in future state budgets.

This, very briefly, is the main machinery set up. We must make a thorough analysis of the implications of this machinery.

We may take as our starting point the awareness of the need for an "extraordinary intervention" on behalf of the South.

We have deliberately retained the expression "extraordinary intervention" which is used in the legislative document. We feel that this choice of expression was not dictated solely by a desire to give a clear warning that the intention was to provide, *and for a period of time fixed beforehand*, for the intervention of a new public body additional to that of the public authorities already in the same fields, in order that the *provisional nature* of the operation should be solemnly confirmed with particular reference to the fears of overlapping responsibilities. This expression, as we see it, also indicates that the provisions of 1950 did not, as might easily be thought today, aim at setting in motion an autonomous process of development of the Southern economy. We consider that the intention of the legislators in 1950 was much more modest. At that time, in fact, there was no great spread of the idea of the programming of investments with the specific aim of creating structural changes capable of producing a "take-off" into development.

In Italy, people began to speak of a real development plan only at the end of 1954 when the Vanoni Plan was drawn up.

We feel, therefore, that the legislators of 1950 did not have in mind the initiation of a "plan of development for the South" or even the implementation of a genuine "development policy" for that region. These interpretations were subsequent to the publication of the law of 10 August 1950, and in a way they acted as a stimulus to the provisions that were added to that law.

As we see it, the objectives incorporated in the law setting up the Cassa are much less ambitious than would appear if this law is regarded as a commitment to follow a specific regional development policy.

The intention of the legislators in 1950, according to the interpretation which in our opinion appears more in accordance with the facts, was to endow the South with a denser and more efficient network of public utilities (roads, reclamation schemes, aqueducts, railways, etc.). This network could be regarded as forming an *infrastructural policy* which certainly may be the first step in a development policy, but could not *per se* form the whole of a development policy.

We have been led to this interpretation not only by the letter of the law setting up the Cassa (which, in its original wording, does not even mention the obligation to follow a *direct* policy of industrial intensification), but also by the fact that there has never been any official commitment to adopt, as an objective of the "plan of extraordinary works for the South", a given rate of increase in income produced in the area covered by the Cassa. Still less has there been a deliberate aim to achieve full employment of the Southern labour force as a result of this plan. In the first years during which the law was applied, the current interpretations of its aims, as set out in the declarations of the authorities implementing it, clearly inclined to the conception of an "extraordinary intervention", with public funds, designed to exercise a propulsive effect on the whole of the Southern economy by the combined action of (a) the multiplier of the additional public expenditure; (b) the "external economies" from which production would benefit, since operations would be in an environment rendered more accessible and serviceable by virtue of the increase in, and greater efficiency of, public utilities. There was in addition a third effect, the one derived from "incentives" to private enterprise which were initially given

in the form of subsidies on capital account or for the reduction of the rates of interest to agricultural enterprises engaged in agrarian transformation, of tax relief (exemption for a period of ten years from the income tax) for new enterprises in the South, and exemption from customs duties and a reduction in the transport rates for imported machinery.

Even when, by means of subsequent provisions (laws of 11 April 1953, No. 298, and of 29 July 1957, No. 634), the range of the incentives was extended to industrial activities and expanded by new concessions to private enterprise, the criterion for this more complex policy did not change: it tended to create conditions which were more favourable to the expansion of private enterprise in such a way as to achieve, by this means, an increase in the rate of expansion of income and employment. There was never therefore any decision as to what extent it was intended to achieve an increase in the rate of expansion, or in how many years it was hoped to obtain full employment. Such precise objectives have never been laid down in the plan of the extraordinary works for the South, even when there was a clearer understanding that this plan was an instrument of a more complex and comprehensive development policy. There is therefore no point in making comparisons between objectives which were never envisaged and results obtained in the various stages of implementation of the plan as it is now being carried out.

The aims of the measures to help the South are therefore to be understood as generic development objectives.

More specifically as regards the Cassa per il Mezzogiorno, the question of the objectives of its action is even more straightforward. The Committee of Ministers gave the Cassa the task of carrying out a plan of extraordinary public works and of looking after the payment to private persons of subsidies which are granted according to clearly defined directives. Even when, as for the aqueducts and for land reclamation and improvements in mountain watersheds, the Cassa has played a direct part in the preparation of the plan, it has acted as a subsidiary body of the Committee of Ministers with which, in accordance with the law, lies the final decision in the selection of projects under the plan. The Cassa, from the institutional point of view, has therefore the task of carrying out in the periods laid down by the law (that is, by the end of 1965) the plan of extraordinary works for which it was made responsible in 1950,

with the subsequent additions to the plan authorized by the various laws passed from 1952 to 1959 on the initiative of the Committee of Ministers. The "sectoral" objectives of these interventions are clear from the composition of this plan.

To assess the efficiency of the Cassa up till now, one must begin with the analysis of the Cassa's objectives and the means put at its disposal. This is what we will do in the next two paragraphs. We must, however, warn the reader who is interested in the more general aspects of this case that he should turn at once to paragraph 5 in which we attempt to synthesize the effects of the new policy.

### 3. Analysis of the Funds: The Plan of Interventions which the Cassa was Made Responsible for Carrying out.

Taken as a whole, this plan aims at the creation of a network of infrastructures regarded as necessary for the most effective use of local resources. From this point of view, the investments which the Cassa was to carry out speed up the process of fixed social capital formation in the South, and this forms a pre-requisite for "induced" private investments and, as a final consequence, a more active process of social income formation.

Since the plan was spread over four stages, we will show its breakdown in the following table (Table 1) which also indicates the distribution of the funds assigned to the Cassa by the state budget.

This distribution, which is decided by the Committee of Ministers, was effected on the basis of an empirical survey of the deficiencies of public works in the various sectors. In its initial phase, this survey was carried out on the basis of information supplied by public authorities. Subsequently, but previous to the various extensions of the Plan, the survey was carried out by the Cassa itself, and this time, with a more organic conception of the complementarity of the interventions and of their more expedient relative "spread" in time.

The first conclusion which can be drawn from Table 1 is that, from the first to the fourth stage of the plan, by successive variations in the financial appropriations taken as a whole and in the relative shares earmarked for various sectors, the original proportions of the sectoral interventions have been modified. This observa-

tion has two implications: 1) The original plan was not of the necessary magnitude, and the means made available to it were inadequate, to solve the most urgent problems flowing from the lack of infrastructures; 2) as the survey of the structural inadequacies proceeded, the need for a vaster policy stood out more and more

PLAN OF INTERVENTIONS ENTRUSTED TO THE CASSA TABLE 1

Sector	Ten-Year Plan (with funds from the law of 10 August 1959, No. 646)	Twelve-Year Plan (after additional measures as set out in the law of 25 July 1952, No. 949)	Fifteen-Year Plan (after additional measures set out in the law of 29 July 1957, No. 634)	Fifteen-Year Plan (supplemented by the funds from the national loan - law of 24 July 1959, No. 622)
Absolute values (in thousand million lire)				
Agriculture . . . . .	770.0	887.5	1,138.0	1,150.0
Transport and communications . .	90.0	190.0	259.0	259.0
Aqueducts and sewers . . . . .	115.0	177.5	312.0	312.0
Industry . . . . .	—	—	245.0	245.0
Handicrafts . . . . .	—	—	5.0	5.0
Tourism and credit to hotels (a) . .	25.0	25.0	44.5	56.5
Fisheries . . . . .	—	—	5.0	5.0
Vocational schools and training . .	—	—	38.0	(b) 43.0
Institutions of a social character . .	—	—	2.0	2.0
<b>Total . . . . .</b>	<b>1,000.0</b>	<b>1,280.0</b>	<b>2,048.5</b>	<b>(b) 2,077.5</b>
In per cent				
Agriculture . . . . .	77.0	69.3	55.6	55.4
Transport and communications . .	9.0	14.8	12.6	12.5
Aqueducts and sewers . . . . .	11.5	13.9	15.2	15.0
Industry . . . . .	—	—	12.0	11.8
Handicrafts . . . . .	—	—	0.2	0.2
Tourism and credit to hotels (a) . .	2.5	2.0	2.2	2.7
Fisheries . . . . .	—	—	0.2	0.2
Vocational schools and training . .	—	—	1.9	(b) 2.1
Institutions of a social character . .	—	—	0.1	0.1
<b>Total . . . . .</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>(b) 100.0</b>

(a) In 1951, the Ministerial Committee decided to transfer 5,000 million lire from tourism to roads.

(b) The funds for vocational training include 8,500 million lire from American agricultural surpluses (law of 28 December 1957, No. 1349); but the funds exclude 5,000 million lire already provided for vocational training from various receipts of the Cassa.

sharply — a policy which would extend the interventions from the field of infrastructures to more extensive support of private enterprise.

If one looks at the second part of Table 1 which contains the percentage shares of the funds allocated to sectoral interventions, it will be seen in the first place that, despite the substantial increase in the funds allocated to agriculture (rising from 770,000 to 1,150,000 million, i.e. about 50 per cent), the relative share of the funds earmarked for this field decreases from 77 to 55.4 per cent, while the shares of the other sectors increase, and, from the third phase on, there are new sectors of intervention, as a result of the grant of subsidies to industry, handicrafts, and fisheries and the extension of direct intervention to school building and to vocational training. For the first time, moreover, the intervention of the Cassa, as extended by the Law of 29 July 1957, No. 634, addresses itself to the development of "institutions of a social nature" which is the first concrete sign of direct interest in the "human factor".

In order to assess the adequacy of the funds at the disposal of the Cassa, we must analyse the infrastructures to which they are allotted. This analysis can be based on the data in Table 2.

It will be seen from Table 2 that the relative weight of the infrastructures has fallen from 89 to 75.3 per cent between the first and the fourth formulations of the plan, and that during the same time the share of "incentives" has doubled (rising from 11 to 22.5 per cent), while interventions have been introduced which deal with the human factor, even if only with the modest share of 2.2 per cent out of the total of the resources. These interventions indicate the beginning of a policy which is more alive to the vastness of the problems raised by the acceleration of the development of backward regions.

Table 2 also shows that, despite signs that a vaster horizon has been opened up to the Cassa, that body is still wedded to the creation of infrastructures which absorb three-quarters of its funds. This fact indicates the enormous need for investments in the basic sectors, for which moreover the funds allocated to the Cassa are insufficient. This inadequacy was realized even when the plan entrusted to the Cassa was in its original form. The Committee of Ministers was therefore obliged to make a choice both in order to ensure the most effective distribution of the funds between the various sectors and to select the works to be financed within the framework of each sector.

This selective process entailed the formulation of criteria which we will try to define for the various sectors.

TABLE 2

DISTRIBUTION BY SECTOR OF FUNDS ASSIGNED TO THE CASSA  
(in thousand million lire)

Type of intervention	Ten-Year Plan (with funds from the law of 10 August 1950, No. 646)		Twelve-Year Plan (after additional measures as set out in the law of 25 July 1952, No. 949)		Fifteen-Year Plan (after additional measures as set out in the law of 29 July 1957, No. 634)		Fifteen-Year Plan (supplemented by the funds from the national loan - law of 24 July 1959, No. 622)	
	Amount	%	Amount	%	Amount	%	Amount	%
<i>Infrastructures</i>								
Roads . . . . .	90.0	9.0	115.0	9.0	166.0	8.1	166.0	8.0
Railways and ferries . .	—	—	75.0	5.9	93.0	4.5	93.0	4.5
Aqueducts and sewers . .	115.0	11.5	177.5	13.8	312.0	15.2	312.0	15.0
Land reclamation and flood erosion control . . . .	380.0	38.0	478.0	37.3	650.0	31.7	662.0	31.9
Land reform . . . . .	280.0	28.0	280.0	21.9	280.0	13.7	280.0	13.5
Tourist works . . . . .	25.0	2.5	25.0	2.0	40.0	2.0	51.0	2.4
<i>Total . . . . .</i>	<i>890.0</i>	<i>89.0</i>	<i>1,150.5</i>	<i>89.9</i>	<i>1,541.0</i>	<i>75.2</i>	<i>1,564.0</i>	<i>75.3</i>
<i>Incentives to private initiative</i>								
Subsidies for land improvement . . . . .	110.0	11.0	129.5	10.1	188.0	9.2	188.0	9.0
Credit for improvements . .	—	—	—	—	20.0	1.0	20.0	1.0
Industry . . . . .	—	—	—	—	245.0	12.0	245.0	11.8
Fisheries . . . . .	—	—	—	—	5.0	0.2	5.0	0.2
Handicrafts . . . . .	—	—	—	—	5.0	0.2	5.0	0.2
Credit to hotels . . . . .	—	—	—	—	4.5	0.2	5.5	0.3
<i>Total . . . . .</i>	<i>110.0</i>	<i>11.0</i>	<i>129.5</i>	<i>10.1</i>	<i>467.5</i>	<i>22.8</i>	<i>468.5</i>	<i>22.5</i>
<i>Other interventions</i>								
Schools . . . . .	—	—	—	—	14.5	0.7	14.5	0.7
Vocational training . . . .	—	—	—	—	23.5	1.2	28.5	1.4
Interventions of a social nature . . . . .	—	—	—	—	2.0	0.1	2.0	0.1
<i>Total . . . . .</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>40.0</i>	<i>2.0</i>	<i>45.0</i>	<i>2.2</i>

### 3.1. Agriculture

The area of the reclamation districts selected as suitable for action by the Cassa covers 72.8 per cent of the area of the regions

coming within that organization's terms of reference. The Cassa was to modify the agricultural structure of an area of 9,500 million hectares. The first rough calculation shows that the 662,000 million lire earmarked for public works designed to benefit agriculture give an average investment of just under 70,000 lire per hectare. This fact proves the need to concentrate the interventions. In the choice between a concentrated and diffuse application of the funds, concentration inevitably wins — and in the zones with the most immediate capacity for productive development. This consideration determines the objectives of the "Fifteen-Year Plan for Agriculture". That plan sets out to effect the land and agrarian transformation of 1.7 million hectares out of the 9.5 million which are affected by the Cassa's action. The area which will be irrigated when the plan has been completed will extend to about 400,000 hectares which, added to the 51,000 hectares (approximately) which were irrigated at the beginning of 1949, should cover the whole irrigable area of the South (1). The Cassa's plan also includes the transformation of the productive arrangements for dry farms in 1 million hectares and the transformation of farms in the mountains in an area of 300,000 hectares.

The environmental deficiencies which the plan of the Cassa is designed to eliminate are:

- 1) The protection of improvements in the valleys by means of the control of the streams in each watershed (flood control and reforestation in the hills, construction of dams and artificial reservoirs for the collection and distribution of water for irrigation and for the production of electric power);
- 2) Provision of the services necessary to step up agricultural production such as roads, service centres, electric mains and wind-breaks;
- 3) Subsidies and finance to encourage the creation of capital equipment for the processing of agricultural products.

From the economic point of view, these objectives amount to making possible the increase in the productivity of the resources

(1) From the volume *Statistiche sul Mezzogiorno d'Italia, 1861-1953*, by Svimez, Table 161, p. 186, it will be seen that, as of 1 January 1949, the irrigable area of the South was estimated at 452,515 hectares. At that date, on only 11.2%, or 50,788 hectares of this total, had works been carried out.

devoted to agriculture by the construction of works of general interest to the community, the direct cost of which would not be borne by any private person.

### 3.2. Aqueducts

The plan for the construction of aqueducts has been, on various occasions, extended in order to adjust it to the objective which it was intended, right from the beginning, to achieve *i.e.* to carry drinking water to all the communes of the South. In the first stage, because of an incomplete assessment of the water resources, the plan was limited to the construction of 16 large groups of aqueducts which were to serve a total population of 5.3 million with an overall expenditure of 67,600 million lire. Since, however, even then people had some idea of the inadequacy of this programme, the original plan drawn up by the Committee of Ministers assigned 105,000 million lire to aqueducts; for it could be foreseen that, after a subsequent survey of the needs and potential sources of water, the plan would have to be expanded. As it was, even after the first studies carried out by the Cassa, the appropriation decided on by the Committee went only a small way to provide the finance needed to realize the Plan's aims.

After the law of 25 July 1952, No. 949, it was planned to assign another 40,000 million lire to the construction of aqueducts, and again, with the entry into force of the law of 29 July 1957, No. 634, the total appropriation for aqueducts was raised to 283,000 million lire. With these funds, a programme was drawn up which was designed to provide a reasonable water supply in 2,600 communes in the South, in such a way that the Southern population would have regular drinking water not only for its present needs but also for future expansion in view of the foreseeable rise in population up to the year 2000 (2).

The criterion adopted in the programming of the works in the plan can be defined as the most effective utilization of water resources in the sense that an effort has been made to replace a large number

(2) The communes included in the geographical area in the South number 2,493, while those in all the territories within the Cassa's terms of reference — which, as readers are aware, also extend to a part of Lazio, the Marche and the Tuscan islands — number 2,677.

of little aqueducts by a few large groups designed to serve the same number, and even a greater number, of communes by a more rational use of the water and with substantial economies in the plant and administration of the aqueducts themselves.

### 3.3. *Communications and Transport*

The Cassa was made responsible for looking after local roads. The shortcomings of the roads of the Southern region at the time when the plan was drafted will be clear from the following data: In 1950, only 13 per cent of the total length of provincial roads (2,900 kilometres out of 21,600) in the South had protective surfaces. The corresponding figure for the regions in the Centre and North was as high as 52 per cent (3).

The first objective of the plan in the communications sector is the improvement of existing roads. The appropriation of funds in this sector, too, underwent substantial variations. According to the plan in its present form, 82,000 million lire are assigned to road improvements by which it is reckoned to raise to over 61 per cent (*i.e.* to 13,256 kilometres out of a total of 21,600) the length of roads which has been macadamed. The improvements include straightening of bands and the widening of roads which contribute to the reduction of travelling time, and speed up traffic.

At the same time, the projected construction of about 2,500 kilometres of new roads, for which an appropriation of 85,000 million lire has been inserted in the plan, will give a denser road network in the South, partly because of the foreseeable increase in traffic.

The plan has been extended, too, to cover the railway network of the Southern region and sea connections with the islands of the region.

In 1952, 75,000 million lire were appropriated for railway works on a considerable scale; and subsequently in 1957 this appropriation was increased by a further 17,400 million lire.

(3) Fuller details on the South's need for roads at the time when the Plan was drawn up are given in the *Report to Parliament* of the chairman of the Committee of Ministers for the South, Rome, 1960, p. 15.

### 3.4. *Works of Touristic Interest*

In this sector, too, the knowledge of the works necessary for the touristic development of the zone and of the local artistic patrimony called for the supply of funds which could not be and has not been met to the extent required if this sector is considered alone. After a comparative evaluation of the needs of the various sectors of public works, an initial appropriation of 30 milliards was assigned to this sector and was subsequently raised to 51 milliards. For the utilization of this appropriation, true and proper programmes were drawn up only for Campania and Sicily, while for the other regions the Committee of Ministers reserved to itself the power of deciding case by case on the demands made by the local authorities.

### 3.5. *Subsidies to Private Enterprise*

Table 2 shows that 22.5 per cent of the funds available for the execution of the Cassa's plan went on "incentives to private enterprise" and that another 2.2 per cent was allocated to measures to cultivate the human factor.

The grant of subsidies to various forms of private activity (private land improvement, industrial plant, handicrafts and fisheries) is not governed by a plan in a strict sense of the word, but is decided in the light of criteria established by the Cassa in collaboration with the Ministerial Committee. These subsidies, by their very nature, cannot be planned beforehand. The subsidies are given to private persons who apply for them, provided the projects conform to the conditions governing the grant of the subsidies.

The extent of the funds allocated to the various sectors, as will be seen from Table 2, has been determined on the basis of estimates of the probable expansion of private investments induced by the execution of the plan of public works. The estimate is more plausible in the case of agriculture, since it is assumed that production will be transformed by the public works programmed in the various types of districts, the average investments in which have been estimated. For the other sectors (industry, handicrafts and fisheries), the forecast of the amount of private investment which will benefit from the Cassa's assistance is much more uncertain, since it is linked with the investment decisions which will be taken by private entre-

preneurs. Failing a plan for such investments, the allocation of subsidies in these sectors is based on the experience of the amount in the past of the respective sectoral investments, spread over a period of years in the light of the forecast of the increase in requests for subsidies which the incentives themselves and the growing industrialization will bring about.

#### 4. The Stages of Implementation of the Plan

The Cassa, according to the law in force, must be wound up by 1965. The mandate received by it in the document setting it up is to carry out the 15-year plan entrusted to it. The execution of the plan consists of a number of phases of which the first is the annual extract (from the general plan) of the works which the Cassa proposes to carry out in each of its financial years. The annual programming corresponds to the need to regulate the stages of implementation of the plan. The groups of works included in the plan involve a choice as regards the timing of their implementation. This choice is unavoidable not only for reasons of efficiency in view of the relative degree of urgency of the needs which the works are intended to meet, but also because of the different degree of progress in the study of the various related groups of works taken as a whole and in their constituent parts. By means of annual programming, the Cassa chooses the works which every year it puts out for detailed planning — and the subsequent stages of execution.

The execution of the plan is then carried further by the issue of authority to prepare projects and by the preliminary studies which this involves. Then comes a stream of projects submitted to the Cassa by the executive agencies in the area concerned (reclamation associations for works relating to agriculture; provincial authorities for roads; Public Works — civil engineering — and bodies administering aqueducts for works on aqueducts and drains; provincial tourist organizations for works in that field). The projects thus collected are sifted by the Cassa and then submitted to the Board for approval or sent back to the originating bodies for the necessary alterations. After approval by the Board of the Cassa (and a favourable opinion from the Higher Council of the Public Works Department for projects of over 100 million lire) comes the procedure for putting out to tender (governed as to time and modalities by precise legal provisions). Once the contract has been awarded,

the local body which submitted the project and organized the tender is empowered to commission the work and, lastly, the authorization is given to the firm whose bid was accepted to begin work.

Now begins the actual execution of the works included in the plan, but it cannot be said that at that stage everything has been settled. In the course of the works, disagreements may arise which delay execution. The interpretation of the project may at times appear doubtful in view of unforeseen difficulties raised by the nature of the site or any other aspect of the physical environment. In such cases, it is essential to study the modifications of the original projects, and hence the suspension of the work in hand may be decided on until the variations proposed are approved. The works are finished with the final approval which the Cassa obtains from officials of the Ministries concerned, and with the declaration of completion which entails the transfer of administration and maintenance to the public authorities who, in accordance with the arrangements in force, are obliged to assume responsibility for the upkeep of public works.

These data will give an idea, however rough, of the stages and procedures by which the Cassa's plan is carried out. As in the case of all public investments, in Italy and in any other civilized countries, the expenditure of public money has to conform to a certain procedure which, however much it may be simplified or accelerated, cannot be cut out, and invariably delays or slows down the administrative machinery. When this type of expenditure is used as an instrument of economic policy, it is some time in making itself felt. In order not to lessen the momentum imparted by the policy-making bodies, at least the plans of the projects should be ready so that the work can quickly be put out to tender.

The Cassa's plan was not made up of projects which had reached that stage. In numerous cases, even the projects which had already been worked out needed considerable revision, and usually the details of the works were sketchy. The Cassa had to study and elaborate the outlines of the groups of works indicated in the plan. This fact, and the consciousness of the procedures which have to be followed, from the reconnaissance stage to the actual execution of the works, will help us to understand the organizational effort which the Cassa had to make when it set to work, and the complexity of its daily task. During the first nine financial years, the Cassa has had to put in shape and sift 10,401 projects for public works to a total value



of 1,087,000 million lire, to which must be added 114,751 projects for works in the private sector (to a total of 258,500 million) submitted to it for approval in connection with an application for subsidies.

#### 4.1. For Infrastructures

An evaluation of the rate of progress of such a complex mass of work may be expressed in various ways. The main point to establish is how the Cassa advanced towards the various targets set for the plan. This analysis would call for a detailed examination of the state of implementation of the various groups of works and of the mark left by them, to date, on their environment. We do not think that the present study is the right place for such an analysis. The physical data of the works carried out by the Cassa are public knowledge (4), and the state of implementation of the works is detailed every year by the Cassa in the reports on its budget with all the information regarding the technical progress of the various complexes of works.

An overall evaluation of the degree of implementation of the plan can be obtained by comparing the appropriations for the plan and the amount of contract awards. This comparison is made in Table 3, from which it will be seen that, at the end of the ninth financial year, contracts were 61.1 per cent of the appropriations for public works in the plan.

The first nine financial years cover 60 per cent of the fifteen-year period fixed by the plan. If, however, it is remembered that the actual creation of the Cassa began in October 1950, and that over half of the first financial year was taken up by the material operations of setting up its offices, the actual time during which the Cassa was able to use in the first nine financial years was about 55 per cent of the duration of the plan. With that rate we should compare the percentages in the last column of Table 3. It will be seen that while, for the total of contract awards, the delays are normal if related to the duration of the plan, the rate of progress in the various sectors diverges sharply from the average.

(4) In addition to being published every year in the reports on the budget of the Cassa, they can be found in the tables of part I of the *Report to Parliament* submitted by the Chairman of the Ministerial Committee for the South, published for that Committee by the Istituto Poligrafico dello Stato, Rome, March 1960, pp. 67 to 79.

This is due in the main, as has been explained above in setting out the stages in which the plan was implemented, to the different degrees of elaboration of the various types of works, depending on their respective complexity. The work concerning roads were carried out fairly rapidly owing to their relative simplicity, especially in the case of repairs. Railway works were helped by the fact that the railway administration had already prepared projects and had the organization to put them into effect, whereas aqueducts and land

TABLE 3

15-YEAR PLAN DRAWINGS ON FUND APPROPRIATED FOR INFRASTRUCTURES  
UP TO 30 JUNE 1959  
(in thousand million lire)

Sector	Appropriations for 15-year plan	Contract awards (a)	Percentage of appropriations
Roads . . . . .	166,000	114,219	68.8
Railways and ferries . . . . .	93,000	66,674	71.7
Aqueducts and sewers . . . . .	31,000	137,281	44.0
Mountain reclamation and flood control . . . . .	662,000	341,708	51.6
Land reform . . . . .	280,000	274,898 (b)	98.2
Tourist works . . . . .	51,000	20,801	40.8
Total for infrastructures . . . . .	1,564,000	955,581	61.1

(a) Net amounts, *i.e.* after deduction of rebate — excluding sums payable by third parties.

(b) Amount of works financed by the Cassa and completed or in hand (including expenses for supplies, social interventions and acquisition of land) by the Boards and special sections for land reform.

reclamation works, owing to the complexity of their schemes and the need for preliminary studies for the preparation of projects, were relatively behindhand. The funds allocated to "land reform", on the contrary, were almost completely used up in meeting a precise commitment on the part of the Cassa to make annual payments to the Reform Land Organizations of the instalments laid down in the plan. Moreover, the biggest increases in appropriations to the three sectors which appear behindhand (aqueducts, land reclamation, tourist works) were obtained only by virtue of the laws of 29 July 1957 and 24 July 1959, as is clear from Table 2, (38 per cent for land

reclamation, 76 per cent for aqueducts and 104 per cent for tourist works more than the figures in 1952). Accordingly, these achievements reflect the shortness of the time since the plan was changed.

Another comparison can be made between the works finally completed, with appropriations in the plan on the one hand, and the amount of contract awards on the other (see Table 4). However, this assessment is affected by two negative influences:

TABLE 4

WORKS FINISHED BY 30 June 1959, COMPARED WITH FUNDS APPROPRIATED IN THE 15-YEAR PLAN AND WITH CONTRACT AWARDS  
(in thousand million lire)

Sector	Works completed	Column 1 as a percentage of appropriations	Column 1 as a percentage of contract awards
Roads . . . . .	85,008	51.2	74.4
Railways and ferries . . . . .	25,070	26.9	37.6
Aqueducts and sewers . . . . .	66,978	21.5	48.8
Land reclamation and flood and erosion control . . . . .	177,295	26.8	51.9
Land reform . . . . .	(a) 252,313	90.1	91.8
Tourist works . . . . .	14,138	27.7	68.0
Total for infrastructures . . . . .	620,802	39.7	65.0

(a) Including expenditure for supplies, social interventions and acquisition of land.

The first of these factors is the resistance, on the part of the organizations for whom the works are destined, to taking them over once they are completed, since from that moment the expenditure on maintenance is charged to these organizations' budgets. Even after the works are passed as satisfactory, there is always a certain period, fairly long in some cases, before the works are handed over to those organizations who are responsible for administering them. These delays have hitherto obliged the Cassa to assume the burden of maintenance which it is not supposed to bear.

The second factor is the complex machinery of the relations between the contracting firms and the executive agencies giving the contracts, and between the latter and the Cassa. In these relations, the "human resistance" is evident which is typical of backward regions. We have already referred to the delays to which the actual execution of the works may be subject when the firms find a way of contest-

ing the terms agreed in the contract, but it should also be added that the duration of this stage is also affected by bad weather (since these works are carried out in the open), the shortage of skilled labour, the degree of mechanization of the work sites (which is linked with the size of the contractors' firms and the amount of works put out to contract, and so many other difficulties which are frequently discussed in the documents on relations between the organizations and contractors.

Table 4 shows that, at the end of the ninth financial year of the Cassa, works completed amounted to about 40 per cent of the plan and about 65 of contracts. An analysis of the sectors reveals that, if we exclude roads, which were 50 per cent completed, only a quarter of works in the other sectors were completed.

Clearly, since the plan for the infrastructures in the most important sectors is scarcely 25 per cent implemented, the structural changes which the Cassa's plan sets out to achieve, have not materialized. Hence, it is not yet possible for productive capacity to have extended (in the sectors and areas in which economic activity suffers most acutely from the inadequacy of the infrastructures) to a point at which one can speak of a "take-off". What may have and certainly has taken place is the expansion of money income, as a result of the additional expenditure by the Cassa in the South. But there has not yet been the expansion of productive capacity expected of the plan for the speedier creation of infrastructures.

Similarly, the policy of expenditure in the form of the construction of public works is subject to technical limits in time which, in the underdeveloped regions, are protracted by a resistance — on the part of the human factor — which is reflected in the organization of the local bodies and concerns, and in numerous other ways familiar to anyone with experience in the field.

#### 4.2. For the Use of Subsidies to Private Activity

So far, we have concentrated on the stages in time of the implementation of the infrastructure part of the plan. It remains to examine the extent of the use of the funds earmarked for incentives to private enterprise.

Table 5 sums up the relevant data, from which it will be seen that, at the end of the ninth financial year, only 28 per cent of such funds had been used. This figure does not, however, bring out suf-

ficiently clearly the differences in the degree to which the various subsidies were drawn on. These differences are clear from the last column of Table 5.

The main point to note (and this is indicated by Table 2 and by a comparison thereof with Table 5) that the funds earmarked for subsidies for improvements to the land (grants to farmers who undertake agrarian and land transformations) amounted to 129,500 million in the 12-year plan, and only after the law of 29 July 1957 were they raised to 188,000 million. Out of this appropriation, the actual grants in the first nine financial years of the Cassa were 54.6 per cent, but, out of the appropriations in the 12-year plan, they represent 79.2 per cent. This figure better represents the marked upward tendency of private investment in agriculture. The projects for land improvements, approved by the Cassa as eligible for state grants have doubled in the last five years both in number and value. The increase in the funds allotted under this heading has been determined by the very rapidity with which they have been used in recent years. There are good grounds for believing that, unless there are disturbing factors, so serious as to depress the level of private investment in agriculture, drawings from these funds will be in line with the estimates in the plan.

A study of the last column of Table 5 shows a delay in the employment of the grants to industry, fisheries and handicrafts.

TABLE 5  
15-YEAR PLAN DRAWINGS ON APPROPRIATIONS FOR INCENTIVES TO PRIVATE INITIATIVE UP TO 30 JUNE 1959  
(in thousand million lire)

Interventions	Appropriations for 15-year plan	Grants or finance approved	Grants or finance as a percentage of appropriations
Subsidies for land improvements . . .	188,000	102,617	54.6
Credit for land improvements . . .	20,000	18,851	94.3
Grants to industry (a) . . . . .	245,000	2,922	1.2
Grants to fisheries . . . . .	5,000	786	15.7
Grants to handicrafts . . . . .	5,000	585	11.7
Credit to hotels . . . . .	5,500	5,290	96.2
Total incentives . . . . .	468,500	131,057	28.0

(a) Grants to individual industries, to industrial zones, and to interest on debentures.

Funds for this purpose were introduced only in the 15-year plan. Nominally, they were available from the date of publication of the law of 29 July 1957, but in fact these funds were drawn on only in the ninth financial year. If it is remembered that in practice the figures refer to a single financial year, the percentages for fisheries (15.7 per cent) and for handicrafts (11.7 per cent) can be regarded as in line with the estimates of the plan. Indeed, from first hand information, it seems that these grants have been used up much quicker in the tenth financial year, especially for fishing, where it is clearly urgently necessary to renew the equipment. These are no problems therefore in the rate of employment of subsidies to private initiative under way in agriculture, handicrafts and fisheries.

The same can not be said of grants to industry. The grants seem to be something of a trickle, but that may be due in part to the short experience of the operators in applying the legislation and to the formalities connected with grants.

Drawings on these funds are, in any case, geared to the drive which the entrepreneurs of the South will display in the next few years. If past experience is any guide, industrial development in the South has not yet been such as to warrant the assumption that, in a few years, it can radically change the composition of the income produced in that area.

### 5. The Effects of the New Policy

What lesson can be drawn from the case of Italy as to the effectiveness of the extraordinary interventions which commit the budget to the diversion of resources to underdeveloped regions with the aim of speeding up development? We think that:

1) It has been abundantly demonstrated throughout the first fifty years of this century that spontaneous economic forces are not in themselves capable of eliminating the dualism in the Italian economy caused by unification. From this point of view, the case of Italy might prove that economic integration, in a country which puts its resources in common through political unification, cannot be carried out only by the abolition of customs barriers and the unification of its laws and practices.

2) Even sporadic assistance to the backward regions from public funds does not speed up integration that is not effected by spontaneous economic forces.

3) The new policy initiated in 1950 constitutes the first attempt to make the country "homogeneous", at least as regards endowment with the infrastructures and services on which economic expansion and progress are dependent.

#### 5.1. *On the Endowment with Infrastructures*

The experiment of the extraordinary measures on behalf of the South must first be evaluated from the point of view outlined in point 3 above.

From an examination of the Cassa's plan and the stages in which it was implemented, we may conclude:

(a) That the plan was designed to eliminate, if not all, at least the most serious deficiencies in the infrastructures of the South;

(b) That the plan is being implemented, but is not yet completed, and, since it is made up not of individual works but of "organic groups" of works, any judgment on it must, in reason, be suspended until it is completed.

It is, however, permitted to affirm — even if this cannot be proved — that, as far as the creation of homogeneous conditions is concerned, relative to the rest of the country, the South has achieved enormous progress in the matter of infrastructures in the last ten years. This is particularly obvious to southerners who are able to compare conditions before and after, but also to observers from other regions and to foreigners who, making their way through the South, are astonished to find none of the signs of backwardness described by the writings that raised "the case" and that were certainly not addicted to invention. This does not mean that farms in areas in the South where extensive agriculture is practised, and the life of the rural communes of the interior, have already sloughed off their backwardness. From this point of view, indeed, we must stress, the lack of synchronization between the preparation of the infrastructures and the other means of intervention designed to act on the human factors with a view to speeding up the acquisition of more efficient techniques of production. This lack of co-ordination greatly adds to the social cost of the infrastructures being created, and thus holds back the expansion of real income. This observation is based on a more comprehensive appreciation of the numerous factors affecting the development of backward regions in which

the economic use of the resources (*i.e.* sound practice) acquires decisive importance. But it must be added that nowadays there is a great number of areas in the South in which the general environment is not so different from that of the more advanced regions. This change strikes any one crossing the whole country from North to South.

We may therefore take the first point in this analysis as proved. Infrastructures in the South are increasing in line with the Cassa's plan, and the environment has already shown visible and substantial signs of a real change.

#### 5.2. *On the Move towards a Process of self sustaining Development.*

The case of Italy is interesting from another point of view. Have the means adopted been effective in setting in motion a process of self-sustained development for a vast underdeveloped region? This issue does not lend itself to generalization, but, for whatever this experiment may be worth, we consider that the question deserves an answer, and that the answer has to be sought in the analysis of the development process in the South as shown in the regional social accounting. This balance sheet has recently been published (5), and we do not feel obliged to go over the analysis, again, but only to note the data needed to give an overall indication of the process of development from 1951-59.

In this period, the resources available to the South increased at the annual rate of 7 per cent, but the "regional income" increased at the rate of 6.6 per cent. The difference between the two rates indicates that the "growth" of the Southern economy is due to the contribution of resources from outside that area.

The increased dependence on outside forces is confirmed by the breakdown of the resources into two main categories: (a) the income produced inside the region; and (b) imports. The latter, which formed 18.8 per cent of the resources in 1951, rose to 20.1 per cent in 1959 while, as a corollary, the income fell from 81.2 to 79.9 per cent.

(5) This was prepared by the Central Statistical Institute on the initiative and with the collaboration of the Cassa. It is given in the fifth part of the *Report for the Ninth Financial Year of the Cassa*. An edition brought up to date to 1959 is reproduced in the second chapter of the *Report to Parliament* (cited above) by the Chairman of the Committee of Ministers.

The important role of external resources is brought out by another comparison. From 1951 to 1959, regional income in real terms increased at the annual compound rate of 4 per cent whereas, still in real terms, the rate of increase of gross investment was 8.1 per cent, and that of consumption 4.5 per cent. From a comparison of these two rates, it follows that the increase in consumption was proportionately greater than that in the income produced, and moreover the rate of increase in investment was double the rate for income. All this indicates that the increase in income was eaten up by the rise in consumption, and, hence, if investments increased and the net rate of capital accumulation grew from 13.4 per cent in 1951 to 19.2 per cent in 1959, this is all due to external resources. It can be deduced from these data in the regional economic accounts that a process of expansion is certainly under way in the South, but that, as can be readily believed in any poor economy, the stimuli to growth (*i.e.* the measures on behalf of the South) have increased the dependence of the Southern economy on the rest of the country.

We are not therefore yet at the stage in which development becomes self-sustained, *i.e.* when it is supported by the more extensive and intensive use of local resources. However, it does not seem possible to contest the effectiveness of the measures which were undertaken from 1950 on in expanding money income and the consequent expansion of consumption by the Southern population. The Southern market has certainly expanded, as is attested by the rates of increase in consumption recorded in the reports of the Cassa and in the *Report to Parliament*. This expansion has certainly sustained the aggregate demand of the whole Italian economy, with all the natural repercussions on the production of the *national* income. The expansion of the Italian economy in the decade from 1950 to 1960 was effected *also* with the help of the extraordinary measures on behalf of the South.

### 5.3. *The Position of the South in relation to the more advanced Regions.*

This last consideration leads to another aspect of the question — the “case of Italy” as an experiment in regional development policy.

Usually, such policies fix a target which is generally defined as “catching up” with developed countries or regions, but which could

be more correctly expressed and quantified as a desired rate of development in a specific period. We have already recalled that the measures for the South were not assigned a precise target. This is particularly so for the plan entrusted to the Cassa, but it is also true for all the other measures which were intended to supplement the Cassa's action. We are not therefore justified in passing judgment on whether these measures, and the financial means with which they are carried out, are calculated to achieve an objective, unquantified either as to the rate of expansion of income or as to the period covered. However, development experts share the tendency to evaluate policies in terms of ability to catch up.

This way of assessing development policies, precisely because of the observation at the end of the previous paragraph, is subject to exceptions when, as is the case in Italy, we are not dealing with measures whose effect is confined to the geographical region for which they are intended. The hypothesis usually assumed for “national economies” is much less valid for “regional economies” which communicate freely with the whole national market of which they form an integral part. The fact that they belong to the same unitary economic system practically debar them from using, for regional purposes, certain economic controls which a country can adopt when it can, from behind its frontiers, protect its economy in its relations with the outside world.

At the same time, the free communications within the same national market, the adoption of the same monetary unit, and hence the same system of payments and credit, favour transfers of resources between the regional economies, since such transfers are not subject to the controls and restrictions which affect the same movements between national economies. The economy of the South, open as it is to economic movements to and from the more advanced regions of our country, in some ways profits from the freedom of communication, and in others suffers from the lack of autonomy; hence, it is not correct to establish a nexus of cause and effect between the provisions for the South and the rate of variation in regional income. Provided this is clearly understood, let us see how the position of the South has changed *vis-à-vis* the more advanced Centre and North. In 1951, the per capita income of the South was 47.7 per cent of that of the Centre-North. In 1959, this percentage had sunk to 46.6 per cent. In both of these regions, the per

capita income increased in absolute value, but the relative position of the South deteriorated slightly in relation to the base year.

This is the really interesting aspect of the case of Italy. If there had been a more than proportionate increase in the per capita income of the South, this would only have confirmed the theoretical reasoning which bases the development process on the formation of real capital.

On the contrary, we are confronted with a palpable deviation from the theoretical pattern, and, for anyone concerned with research and not out to justify or contest at all costs the data of experience, this case constitutes a valuable addition to the discussion of the problems of development and should stimulate more thorough analyses.

In the first place, we must improve the statistical data and the estimates used for the economic balance sheet of the South. Everyone knows how difficult it is to get close to the truth in determining the magnitude of the national accounts, and how much more difficult it is to break down these magnitudes into their regional components. For the first time, the data (cited above) come from a responsible source, and we can only pay tribute to this undertaking. At the same time, it must be realized that, in a field so resistant to the quantification of its components, the first attempt may not be entirely successful. When the experiment is repeated, all possible steps must be taken to make it less open to question. Let us take it, however, as it is, and let us see what conclusions it permits. We may sum up our findings as follows:

1) Measures designed to encourage regional development themselves give an impetus to the further development of the advanced regions when, as is the case with the Italian South, the economy of the underdeveloped region shows a very high propensity to consumption (80 per cent of the total resources and about 100 per cent of the net internal product for private consumption alone), and when its productive equipment lacks the capacity to cope with the expansion of the market.

These circumstances explain the more rapid advance in the income of the developed areas, which are in a better position to take advantage of the new opportunities to invest (and to benefit from the combined effect of the multiplier and the accelerator) and to localize them in their own territory in spite of the incentives given to private enterprise by the other area.

2) The development of the backward regions cannot be carried out by an undifferentiated process of capital formation, but depends on the *structure* of the new capital formation. We have drawn attention elsewhere to this state of affairs by making a distinction between investments with an immediate yield and those with a delayed yield (6). In the investments in the South, not only public investments but some of the private ones too are of the second type, precisely because of the measures which have given substance to the new policy (75 per cent of the resources assigned to the Cassa were, as we saw, allotted to infrastructures) and because of the need to form the right environmental basis for industrialization. It appears that the "take-off" in development cannot be brought about in a short period.

3) The structure of new capital formation is linked to local resources and to the rapidity with which the human factor can adapt itself. If we look at the breakdown of income produced in the South, it will be seen that the relative share of agricultural income, although reduced from 45.6 per cent in 1951 to 36.3 in 1959, is still the biggest item in regional income. It will also be observed that, in the same period, the increase in agricultural income was 28.7 per cent, while that of manufacture industry (whose share of the total fell from 21.2 per cent to 19 per cent) was 53.9 per cent, and that of transport (which contributes only 10 per cent to total product) was 100 per cent. Agriculture, then, to which the major part of expenditure on infrastructures is allotted, had the lowest rate of increase. This disproportion suggests the traditional slowness of agricultural circles in assimilating new techniques of production and the lack of local resources capable of rapidly attracting new industries. The structure of the new capital formation in the South reflects these basic facts the modification of which demands not only a period but also the greatest possible political commitment possible within the limits of parliamentary democracy.

4) A complex experiment like the one carried out so far in developing the South, viewed from angle of the economic results achieved, brings out the need for much closer co-ordination between the programming decisions of all public authorities — a need

(6) In the essay "Le politiche di impiego dei mezzi per lo sviluppo economico", in *Rivista di Politica Economica*, October 1956.

stressed in the law of 10 August 1950 No. 646, but put into effect only after 30 July 1959, as stated in the *Report to Parliament* of the Chairman of the Ministerial Committee (p. 169). The obstacles in the way of this co-ordination which have dogged the Ministerial Committee for the South right from the start bring out another point which is obvious to anyone who considers development policies in the light of their inner logic, but which has so far proved difficult to put into effect. This point may be expressed as follows: the co-ordination of the programmes of expenditure calls for the prior co-ordination of the policies of public authorities. This need made itself felt in practice (according to p. 170 of the *Report to Parliament*), thus confirming the findings reached by deduction — from the logic of development policies. The justification, as a matter of experience, lies in the following words of the Chairman of the Ministerial Committee for the South: "On the basis of the legislative approaches illustrated, of experience completed and of the results obtained by the policy for the South, it is clear that development action must be pursued on two planes. Direct action by the state must be paralleled by corresponding action aiming at the insertion in the economic policy of the country of a factor designed to ensure that this policy is in line with the interests of the underdeveloped area. In actual fact, the exigencies of the economically stronger zones are often decisive when it comes to determining general policies" (p. 168).

This affirmation reveals the dramatic aspect of the policies of regional development. They are designed with a view to eliminating clashes of regional interests, yet they run the risk of exacerbating such clashes when they follow a course that may be interpreted as creating obstacles to the economic expansion of the more dynamic regions. The political choices imposed by these clashes may be of many kinds, depending on the varying interests of parliamentary majorities. The economist must stand above the necessities of the day, but yet not misunderstand the forces which determine these choices in reality. He is naturally inclined to give preference to increasing the size of the cake over increasing the slices (*i.e.* to increasing the national income over improving regional distribution). However, in coming out in favour of this solution, he too is making a political choice, or he is presupposing that whoever is responsible for political choices has already assumed, as the main objective of the policy of regional development, the highest rate of expansion of

the national income that can be obtained from the resources of the country. If it can be expressed in these terms, the problem can no longer be that of deciding between a development policy for the whole country and a development policy for one or several regions. It may be added that these clashes are always possible when the means designed for the development of backward regions are supplied from the accumulated savings of other regions, but would weigh lightly if the choices for the use of the funds were really co-ordinated in such a way as to ensure maximum effectiveness — which is patently not the case.

5) The Italian economic accounts contain some interesting facts relevant to this discussion. The Central Statistical Institute recently published "The Regional Economic Accounts" (7) in which the country is divided into three large areas: Northwest Italy, Northeast and Central Italy, Southern and Insular Italy. Table 1 of the book shows the series from 1951 to 1959 for resources and the use thereof. The first area uses a substantial part of its resources (19 per cent in 1959) for exports; the second and third areas are dependent on the first, since they maintain their level of consumption and investment only by means of net imports; the third zone — the South — absorbed, in 1959, 70 per cent of the net exports of the first area. In 1959, too, the net imports of the second area were low; (they fell from 401,400 million lire in 1951 to 85,700 million in 1959), while, for the first time, the net exports of resources from Italy as a whole to foreign countries were of a certain magnitude.

There is therefore a large region — Northwest Italy — which could clearly support, with its resources, its own development and that of the other two regions, but above all that of the Southern economy, since in the last two years there has been an actual export of resources from Italy to foreign countries. One may well ask what would happen to the development of the South if (through the cessation or deterioration of the autonomous development of Northwest Italy) it could no longer rely on resources from that area, and one might equally well ask what would happen to the rate of development to North Italy if it could no longer rely on the expanded absorptive capacity of the Southern market.

(7) In an extract from *Annali di Statistica*, series III, Vol. 11, Rome, 1960.

The facts suggest that policies of regional development must generally be regarded as support policies within the national development policy, conceived of as a unity; that is, as a way of bringing back into the economic circuit latent or incompletely utilized resources of the underdeveloped regions, and of identifying the opportunities for investment to be found in the country as a whole, and thus of swelling the flow of investments until they reach the necessary level at which a given annual rate of development of the national income can be attained.

6) This finding, which seems to us to emerge from the "Italian case", brings out once again the need for the planning of development, either in order to regulate, through suitable policies, the movement in time of the real process of growth of national economy, or to put into effect the balanced development of the regional economies. From this angle, the case of Italy is instructive, but it does not constitute a complete experience, since the planning of investments has hitherto been confined to those carried out by the Cassa (infrastructures) and recently to the industrial investments of those firms belonging to the two large state holding companies (I.R.I. and E.N.I.) which have worked out a four-year plan (1959-62) for their investments in Southern Italy.

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