

Industrialization or « Pre-Industrialization » of Southern Italy?

by

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I. *Present State of the « Southern Question ».*

No accurate study of the special and economic difficulties which afflict the South of Italy can omit to take into account the following two factors: the scarcity of a non-agricultural class of consumers and the almost total absence of sources of income not related to agriculture.

The South of Italy has remained somehow nailed down to that stage of economic development which has been defined by Friedrich List as « *Agrikulturstaat* », that is to say to a situation which may be bearable and even natural as long as a certain balance is maintained amongst the various sections of the social and economic structure. This was the main feature common to the majority of the European nations until the first half of last century.

But as soon as this relative balance is upset by the impact of a dynamic phenomenon such as an excessive increase of population, it becomes necessary to adopt a more advanced social and economic system which will increase total production and employment. Agricultural activity must in such a case be integrated with industrial activity if we wish to avoid an ever increasing lack of balance between the supply of and the demand for labour, with consequential social struggles and poverty.

When Italy became a unified nation the South had achieved a degree of industrialization which was fairly adequate, if we bear in mind the historical, social and economic circumstances of the time. In fact, as regards variety, the industries of the South could equal those of North Italy. But southern industry had until then enjoyed a substantial protection under the customs policy in operation; when

it was faced with the competition of the northern industries (which had been toughened under systems of free trade) it was seriously affected and, so far as it succeeded in surviving, it could only do so by severely cutting wages. On the other hand, shortage of working and permanent capital — which had been heightened by investments in mortmain property liquidated for the benefit of the Revenue — prevented the southern industrialists (especially in the case of small concerns and artisan industries) from re-organizing their equipment so as to reduce costs and put themselves in a position to compete with their rivals in the North.

In accordance with the well-known principles that govern the localization of industry, two forces began to operate, one of attraction and the other of repulsion; attraction towards the larger centres, whose social and industrial development was made evident by the prosperity of the local concerns; repulsion from the poorer centres, which were unproductive and socially undeveloped. The Liberal Government had neither the capacity nor the inclination to oppose such a movement; it deemed it sufficient to resort to the rather artificial expedient of creating a few industrial zones to which it tried to attract, by means of a preferential taxation and customs regime, new industries or branches of industries situated in other parts of Italy.

The indifferent results of this experiment were not sufficient to re-establish the previous balance, and the first world war, by encouraging the unrestrained expansion of some northern industrial centres already well-established, had the inevitable effect not only of ensuring but of increasing the industrial preponderance

of the North. An enquiry held in 1927 revealed that the southern mainland — whose share of the population was, according to the 1921 census, 23.6% — provided only 7.4% of the labour employed in machine-operated industries (1).

The Fascist regime, which had rural origins and inclinations, resentful of the calls for Government aid made by some large concerns in the iron and steel industry — which was proving very costly to the community —, did not seem to realise, at least in the first decade of its existence, the full gravity of the situation. Later, when it might have become aware of it, it was compelled, first by the world crisis and then by the economic sanctions imposed by the League of Nations, not only to abstain from any further attempt at re-organizing the existing system but to accept it fully, and even to strengthen it, in pursuance of its policy of autarky, intended to realize in the shortest time possible the highest possible degree of economic independence.

The Government's hand was forced, indeed, by the fact that northern industry was already more highly mechanized and so could proceed more readily and at less cost along the path of still greater mechanization than the South, while in addition, re-armament necessarily depended on the heavy industries situated in the North. This in turn could not fail to give rise to an ever increasing lack of balance; the share contributed by Southern Italy to the horse-power of the whole country continued to decrease, from 19.1% (1927) to 13.4% (1938) (2).

The same tendency prevailed on a yet larger scale during the last world war, which therefore aggravated the geographical dislocation of Italian industry. Moreover, the difference between North and South became at least temporarily even more marked owing to the uneven incidence of war damage. The destruction suffered by industry in the South of Italy is reckoned to have been 35%, as compared with 12.4% representing the damage

(1) GIUSEPPE CENZATO and SALVATORE GUIDOTTI, *Il problema industriale del Mezzogiorno*, Milan, 1946, p. 18.

(2) SVIMEZ (Association for the industrial development of Southern Italy), *Contributi allo studio del problema industriale del Mezzogiorno*, Rome, 1949, p. 52.

suffered by industries in the Valley of the Po (3). The difference in the damage to hydro-electric plants was even more marked; in the South of Italy less than one-half of them were left capable of operation, whilst in the North 90% were undamaged (4). The shortage of electric power in the South caused in its turn a serious drop in production and income (5); it had moreover the effect of preventing the South from reaping the advantages offered by the favourable commercial situation that developed in the years after the war, in which the industries in Northern Italy were able to participate to a larger extent. Nor was the compensation paid by the Government in proportion to the territorial importance of the damage (6).

Italy has thus reached a stage of acute tension between South and North, which became strikingly evident at the end of the war, when the period of economic quiescence ended, and added fresh energy to the forces engaged in upsetting even further a structure which was already dislocated. To remedy this situation expenditure and hardships will have to be incurred considerably greater than that which would have been called for not long ago.

2. *The Alternative of the Ten Year Plan.*

In August 1950, while the steps to be taken for the industrialization of the South were being discussed, the Government announced a ten year plan of public works intended to improve the Southern conditions in various ways. The execution of the plan was entrusted to the well-known «Cassa per il Mezzogiorno» («*Southern Fund*») (7).

The planned works — land reclamation, improvement of mountainous land, irrigation plants, drains and aqueducts, highways, land reform (Heaven forbid that this should be

(3) SVIMEZ, *l.c.*, p. 10.

(4) «*Neue Zuercher Zeitung*», 14th Dec., 1945.

(5) SVIMEZ, *l.c.*, p. 11.

(6) PASQUALE SARACENO, *Elementi per un piano quadriennale di sviluppo dell'economia italiana*, Milan, 1947, p. 172.

(7) Cf. Law No. 646 of the 10th August 1950 which instituted the «Cassa per opere straordinarie di pubblico interesse nell'Italia Meridionale» (C.O.S.P.I.M.) (Agency for special works of public interest in the South of Italy) and endowed it with 100 milliard lire a year for ten years (a total of 1,000 milliard lire).

omitted!) etc. — had as their primary object, beside the general task of rehabilitation, the extension and intensification of agricultural production.

In order to avoid the obvious suspicion that industrialization, as it was not mentioned at all, was in fact to be ignored in this programme, it was thought advisable to give it the impressive title of «Plan of pre-industrialization». Faced with this label we cannot help asking ourselves: «Will a future Government be able to demand of the taxpayer, already so severely tried by the effort to supply 1,000 milliard lire in ten years solely as a "preliminary", the further and greater cost of the complete plan»? Implicit in this question is the more immediate one: how to face the danger of financial strain when American aid comes to an end.

But in our restless age it may seem unreasonable to demand accurate and detailed plans from Governments, who are forced to sail with the wind and are content to live from day to day; it is the magic of big figures that counts! Without that the public might feel tempted to suggest that the programme of the «Cassa» is nothing more than an «alibi», a means of concealing the understandable state of perplexity in which the Government is placed in trying to give effect to the undertaking to develop industry in the South — burdened as that undertaking is with formidable uncertainties and incalculable risks. The «plan of pre-industrialization» provides that for ten whole years there will be no need to worry about real industrialization. But it is also true that instead of a complete cure we are falling back on a mere «palliative» treatment.

There are, of course, some substantial reasons that support the policy of the Italian Government. In order to placate, even temporarily, the spreading restlessness of the agricultural classes, it was necessary once more to resort to a «great gesture» calculated to hypnotize the human imagination and will power. It was once again necessary to flash the mirage of the ownership of a piece of land before the eyes of the rural masses, depressed and bitten with poverty; a vision which still persists in spite of the many failures and disappointments

with which the road of land reform is paved. A programme of industrialization could not, obviously, rely on such psychological effects, and moreover uncertainty as to the methods of implementation would have threatened to hinder prompt measures capable of rapidly reducing unemployment. No doubt it would also have been necessary to face the latent and powerful opposition of the industrialists of Northern Italy who would be called upon not only to tolerate but to finance a competition which might prove ruinous.

Very different, on the other hand, are the prospects from a «pre-industrialization» plan, a certain source of large profits — as is in fact proved by a SVIMEZ inquiry (8) which shows that, for every 100 lire of public money spent on a hypothetical improvement in the South, not less than 34 lire (in the form of wages, interest, profits, etc.), would eventually be absorbed by industries in the North. The «generous blood transfusion», so much talked about, would result therefore in a far more profitable business proposition for the suppliers in the North, for which it was well worth while to accept heavier fiscal burdens that could ultimately be transferred. Compared with any possible scheme for the real industrialization of the South, this was by far the lesser of two evils.

But from a technical standpoint — and ignoring considerations of necessary expediency — the ten years' plan of so-called «pre-industrialization» runs into a dual danger, not new in the economic history of the South and experienced in fact in the various attempts at giving effect, from 1904 onwards, to a series of laws passed specially for the South of Italy.

It will be necessary in the first place to avoid undue dispersal of the funds by simultaneously commencing a large number of public works not co-ordinated and perhaps not properly planned (9) and at the same time to

(8) SVIMEZ, *Effetti economici di un programma di investimenti nel Mezzogiorno*, Rome, 1951, p. 62.

(9) Mr. Rocco Gullo M.P. in a speech recently made at Palermo concluded his report on the first year of activity of the «Cassa» by pointing out that the main obstacle to its working was the lack of projects or at least of adequate projects (Cf. SVIMEZ, «*Bollettino Informazioni*», and January, 1952, p. 9).

avoid spreading the expenditure over too long a period and so defeating the «battering ram» effect of the plan which is so essential to its effectiveness.

Nor can we expect — this is the conclusion arrived at by the SVIMEZ inquiry — any marked and lasting result in the process of smoothing down the differences between the «two Italies» and of reducing the unemployment which is a permanent feature of the South (10) from a mere programme of public works, however considerable it may be. For the localization in the North of the main Italian industries will necessarily mean that the North retains a considerable part of the public money allocated for the benefit of the South, which could have been spent to develop southern industries if the South had possessed an even embryonic industrial organization.

By way of conclusion we repeat that no Government investment intended to increase the income of the South will succeed in its purpose unless it is supported by a new general economic policy... «Improvements of mountainous land, drainage system, etc., must, if they are to improve the standard of living of the South, be accompanied by a far-sighted customs policy based on a sound balance amongst the various regions of the country...» (11). It is the constant warning of Giustino Fortunato, who would have added, and quite rightly, a demand for a reduction in taxation.

3. «Pre-Industrialization» and Absorption of Unemployed Labour.

Even if we admit that the ten years' plan is preferable, for electioneering purposes, to an industrialization programme, we maintain that once the planned public works have been car-

(10) The number of the unemployed agricultural workers in the South increased from 47% of the total figure of unemployment in 1947 to 57.2% in 1950, reaching maximum figures in Sicily and in Calabria. These figures are even more disturbing in view of the permanent nature of this phenomenon (MANLIO ROSSI DORIA, *Problemi di lavoro in agricoltura*, Extract from the «Annuario dell'Agricoltura Italiana» issued by I.N.E.A., Rome, 1950, p. 393 et seq.).

(11) N. TRIDENTE, deputy Chairman of the «Cassa del Mezzogiorno», in «Mondo Agricolo», 16th September 1951.

ried out, the demand for labour will remain at very little above the original level; the number of unemployed that agriculture may be able to absorb is, in fact, limited to a few thousand.

True, the additional quantity of labour introduced into the production cycle during the course and for the realization of the plan will be much greater. According to the arguments put forward by SVIMEZ (12), to the effect that each milliard lire invested in public works represents an average of 909 workers of the South of Italy employed in these works, the sum of 100 milliard lire (annual amount contemplated by the plan) should provide occupation for 90,000 men at present unemployed. If we add the additional units of agricultural labour to be employed annually, which, according to Alessandro Molinari, are at the most 5-10 thousand (13), we arrive at a maximum total, for the South only, of 100,000 workers.

Once, however, the programme of public works has been completed (1960), this figure will, as we have said, be considerably reduced; it would appear in fact that the final number of additional units employed for the purpose of operating and maintaining the establishments created *ex-novo* and the hydro-electric and other plants contemplated by legislative projects (14) could not exceed 10,000-15,000. To this we might add about 5,000 additional workers who will be employed in agriculture if this continues to improve. This last figure, unlike the other, is cumulative from year to year.

4. Valuations of the Employment of Labour.

I know of no other series of valuations besides those of Alessandro Molinari and of the SVIMEZ relating to the opportunities for the employment of labour, except the two drafts of a «four year plan», illustrated respectively in 1947 and 1949 in a book by Pasquale Saraceno (15) and in an article by Roberto Tremel-

(12) «*Effetti economici...*», p. 64.

(13) ALESSANDRO MOLINARI, *Southern Italy*, in «Banca Nazionale del Lavoro Quarterly Review», No. 8, 1949.

(14) Art. 1. of Law No. 646 of the 10th August, 1950.

(15) *Op. cit.*, p. 144.

loni (16). According to those estimates the several branches of activity should expand in the four years from 1948-49 to 1952-53 to an extent which would require the following additional annual supply of labor. It should be noted that these two estimates were made considerably in advance of the establishment of the «Southern Fund» (*Cassa del Mezzogiorno*), and that the figures refer to the whole of Italy.

	Agriculture	Industry	Other Activities (a)	Public Works and Building
Saraceno . .	45,000	125,000	100,000	75,000
Tremelloni .	6,000	100,000	100,000	75,000

(a) Commerce, transportation, public administration, etc.

When account is taken of some differences in the manner of making the returns — according to Saraceno (17) the figure for workers employable in agriculture includes also those engaged on land-reclamation, irrigation, reforestation, etc., whom Tremelloni includes under the heading of public works and building — there is an obvious decline in the expectation of providing work for the unemployed. One cannot but note the scanty confidence placed by Tremelloni in the possibility that agriculture will absorb unemployed labour. His 6,000 workers per annum (24,000 in four years) for the whole of Italy are far below the estimate by Molinari for South Italy alone.

Apart from statistical divergencies and from the reliability of the data themselves, the estimates we have quoted agree in considering that industry can give work to a much larger number of people than can agriculture. The two estimates are based on the fact that it would be vain to wish to increase the density of the population above a certain well-defined level (reached in the richest parts of the province of Naples) in purely agricultural areas, even by recourse to more active and intensive systems of farming, without giving rise to or reviving pathological conditions. That level fluctuates around one worker per hectare of farm land, against an average of one for every three hectares for the Peninsula as a whole (18).

(16) *The Italian Long-Term Program submitted to the O.E.E.C.*, in «Banca Nazionale del Lavoro Quarterly Review», No. 8, 1949, p. 11.

(17) *Op. cit.*, p. 132.

(18) CENZATO and GUIDOTTI, *op. cit.*, p. 22.

On the other hand, densely industrialised areas can absorb a much higher number; theoretically their saturation point coincides with the possibility of providing in the neighborhood the necessary dwellings for the working population.

Nor does the risk inherent in the marketing of industrial products justify an objection in favor of agriculture. Tremelloni himself warns us that his estimate holds good only on the supposition that it be possible to double the exports of finished products in the four year period (19). But the same qualification holds good for agriculture, for if farming be intensified by the improvements introduced by the ten-year plan, the larger production of choice fruits and vegetables not consumed by the local market will accentuate the dependence of South Italy on foreign markets, *i.e.* it will accentuate the very source of the weakness of southern economy.

Nevertheless, on the assumption that the problem of markets is solved, and that the minor economic activities fulfil the part assigned them in providing employment, there would still be, at the end of the period, according to Tremelloni's estimates (20), 1,800,000 unemployed, a number which might perhaps be reduced, but certainly not in a decisive measure, by the normal current of emigration. It would therefore seem more than ever necessary to set going all the possible means that can be devised by brains and determination for reducing, if it be not possible to eliminate, the congenital disease of Italian economy, and in the first place to have recourse to industrialisation.

5. The Premise for the Industrialization of South Italy.

To what extent would it be possible for an industrialised South to meet national and international competition with a reasonable hope of success? Here I can only roughly sketch the main lines of action in this matter (21).

(19) *Op. cit.*, p. 7.

(20) *Ibidem*, p. 11.

(21) Let me here refer to the works consulted and quoted in my book *Die italienische Südfrage. Entstehung und Problematik eines wirtschaftlichen Notstandsgebietes*, Duncker und Humboldt, Berlin, 1951, p. 625 et seq.

The North has a crushing superiority in the matter of the available supplies of electric power which is generated or could be generated. This disparity could be remedied, though only to a small extent, by the further utilisation of the geo-thermic power that South Italy, and to a smaller extent Central Italy, possesses. If imports of coal and mineral oils, that weigh heavily on the Italian balance of trade, are to be reduced to the strictly necessary amounts, the Southern mainland and Sicily will have to be connected up with the most important power stations of the North by electroducts. It will also be necessary to face the problem of the equalisation of the rates, one of the many burdens the community will have to shoulder if a serious effort is to be made to create an industrial civilisation in the South.

«One of the many», for the same principle of equalisation will have to be met in other directions, as in that of railway rates for those finished products that are to be exported by land and for the imports that enter by the Alps (indeed only a small part of the raw materials and essential capital goods needed. On the other hand, the South can boast a certain, even if only a slight superiority over the North for the cost of carriage for sea-borne imports).

In the matter of available supplies of labor, the South, at least in so far as numbers are concerned, is certainly not inferior to the North, and the poorer quality — in so far as it exists — is offset by the generally lower level of wages (22). In any case, any plan for introducing industries into the South should necessarily postpone the establishment of those requiring highly specialised workers.

The lower costs of industrial production in the North arising from the fact that much of the capital goods have already been amortised, could, in the general way, be offset in a relatively short time by the fact that the plants newly installed in the South would be more up-to-date, were it not that the industries of

(22) As is shown by ROSSI DORIA's study, above referred to, the rate of wages in the South for the ordinary work of day-labourers is, in extreme cases, only half and less than half that paid in the North. Moreover, the wages actually paid may even be 30-40% lower than the official rates. These figures give the measure of the intense competition for the few jobs available in the South, rich only in man-power.

the North, availing themselves of ERP credits, are renewing their equipment. The upshot of such rivalry, even under conditions of equality, may well seem doubtful for the South, which will always have to meet greater difficulties and to pay the banks higher rates for ordinary working credit.

If the absence of favourable environmental conditions is to be overcome — and its incidence on production costs has been reckoned at between 15 and 30 per cent (23) — the nation will have to make an immense effort, and this is, in part, the purpose of the ten year «pre-industrialization» plan. It will be necessary to provide and set going those «cumulative factors» that are essential for attracting private capital.

But this will not be sufficient; more direct help will be needed.

6. Legislation for the Industrialization of the South.

In the early post-war years, when the need of the geographical redistribution of industry came to the fore, it was realised that a purely negative action (exemption or reduction of duties, rates, taxes, etc.) could not suffice for the realisation of so immense a task. It needed something more than the establishment of the free zones above referred to (24); government action would have to take a positive and even a preventive form; it would not be enough to nourish, safeguard and promote the growth of existing organisms; it might be necessary to summon them into life by active intervention. In its turn, such intervention has been «over-simplified» in assisting the entrepreneurs with the necessary long-term capital at a low rate of interest in one or other form: either by the Government subscribing part of the share capital (a means so far excluded owing to shortage of funds); or by the grant of preferential loans through special banks formed for that purpose and assisted by government guarantees; or by State assistance through the payment of part of the interest due on such loans.

(23) Cfr. A. MOLINARI, *loc. cit.*

(24) In addition to that at Naples there are others at Palermo, Messina, Villa S. Giovanni, and Reggio Calabria.

Indeed, the so-called Togni and Porzio Acts, and that of 1950 which completed and to some extent amended them (25) were devised on those lines. Fiscal and customs facilities were coordinated with provisions for immediate financial assistance in the shape of credits granted by the Banks of Naples, Sicily and Sardinia in the South and the Islands. The loans, which in no case may exceed two thirds of the share capital (the borrower must himself supply the remaining third) were guaranteed by the Government to an extent originally fixed at 70%. The Government also undertook to contribute towards the interest payments on loans at the rate of 4% (26).

The above facilities, and others connected thereto in a not very consistent way, are open to two criticisms which were rightly directed in the past against the special legislation for South Italy enacted by Zanardelli (before the first world war).

In the first place it should be noted that the total amount of this help was limited to 10 billion lire (27) barely sufficient, according to reliable estimates for setting up productive concerns able to afford employment to another 5,000 workers, a drop of water in the vast ocean of unemployment! The insufficiency of the appropriation has been shown in practice by the great number of applications that remained unsatisfied. For instance, by the end of 1948 the Bank of Naples had received applications for loans that exceeded 7 or 8 times the quota of 6.2 billion lire assigned it (28). To limit the number of applications, the Act of 1950 (art. 10) reduced the Government guarantee from 70% to 50%; this however drove the Banks to ask that borrowers should give as security not only all their fixed assets but also their personal, movable, and liquid ones (29). In this way, the undertakings were deprived of their working capital, and of the basis for obtaining it on loan, and often found

(25) Act n. 1598 of 14th Dec. 1947; n. 1482 of 20th Dec. 1948; n. 261 of 9th May 1950.

(26) This undertaking was completed by requiring the Banks making the loans to limit the full cost to the borrowers to 5% (art. 8 of the Act of May 9, 1950, No. 261).

(27) Act of December 15, 1947. Majoried by another 10 billion by the Act of May 9, 1950.

(28) SVIMEZ, *Contributi...*, p. 127, Note 1.

(29) SVIMEZ, «Bollettino Informazioni», June 6, 1951.

themselves in the most dangerous difficulties just at the time when they most needed a breathing space.

But apart from such contradictory results, which had probably not been foreseen, and which were a consequence of the amendment made in 1950, the legislation now in force has a grave defect. It does not complete the facilities offered to borrowers of capital funds by granting other correlative facilities which would assure them adequate working credit. The total appropriation made for supplying working credit, fixed in an amount of 3 billion lire, the individual loans being limited to 15 million lire each (30), was irrelevant. These insufficiencies of the legislation have induced the Banks to prefer to help concerns that are already in existence, to the disadvantage of others either planned or under consideration and which would be of greater importance for the desired purpose of industrialization.

It would therefore seem desirable that the existing laws be completed and further amended. The new undertakings should enjoy preferential treatment in the matter of financial facilities; they should be granted working credit on a scale proportionate to that granted for setting them up; it would be urgent to raise the now quite insufficient Government guarantee, even as high as 100% (31); and lastly — and this requirement is perhaps theoretical so long as the pre-industrialization stage lasts — the appropriations for loan concessions should be multiplied.

Satisfaction should also be given to the reasonable requirement that the many laws, which are not well coordinated, all dealing with the industrialization of South Italy, should be compiled and condensed into a single codified text like that which was enacted in 1933 as the Serpieri Act, summarising the legislative efforts of more than a decade on

(30) Art. 9 and 13, Act of December 15, 1947.

(31) This request was brought forward at the Second Meeting for the industrialization of the South and the Islands, held at Bari from 24th to 27th May, 1951, following a Report submitted by the SVIMEZ (See «Bollettino Informazioni», June 6, 1951). That Report had pointed out that it was likely that just those private enterprises that have need of adequate working credit would be those that would find themselves in difficulties as a result of a government guarantee that was only partial.

land-reclamation works. The example set by that Act is of more than formal significance. What is really important about it and what entitles it to be held up as a model, is the principle that inspired it, that of giving effect to and regulating a series of initiatives and of Government and private obligations, each clearly differentiated one from the other, but all aiming at increasing the productive capacity of the country. We cannot conceive of the growth of the industrialization of the South without placing industry and agriculture on a footing of equality in the legislative, financial, propaganda and I might almost say ethical plane.

The objection raised against the Togni-Porzio Acts deals however, as we have already said, with a yet more fundamental defect. Those Acts are nothing but one of the innumerable attempts made to cure by palliatives an old and running sore that demands the surgeon's knife. A severe critic would be inclined to condemn them along with those which have preceded and will follow them, inspired by like tendencies — and with them also the ten year plan — as superficial makeshifts to which Governments incapable of taking decisive action, have had recourse. This does not mean that such remedies are in themselves useless, but if they are to attain the desired results they must — let us repeat it — form part of a coherent economic policy, very different from that so far followed. And if it should be impossible to make such a change of direction on a national scale, then it should be carried out regionally. The example set by the Regional Government of Sicily is, in this matter, a telling example. By declaring all agricultural machinery and implements and all machinery required for processing the agricultural products of the Region exempt from all customs duties (32) it has opened a breach in the Italian customs barrier. Moreover Sicily has asked for the unconditional exemption of no less than 19 items and the conditional exemption of 29 others, provided the imported implements are intended exclusively for agricultural use. It is true that if this method

(32) *Statuto della Regione siciliana*, with introductory notes by CALOGERO BONAVIDA, Palermo, 1950 (see art. 39).

were to be persisted in, national economic unity — the holy of holies of XIXth century liberalism and of that yet nearer to us — would be broken. But those who accept the views of G. Mirabella (33) and believe that the second half of our century should «repeat within the borders of each country that geographical redistribution which was carried out in the last century in the international field» might even come to the 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 (34). Such a policy, intentionally daring, does not unduly exceed the precedent offered us by the Sicilian Regional Government which while it does not go so far as to set up a regional customs barrier, is nevertheless determined to demolish the citadel of national customs duties. It might give rise in South Italy to an autonomous industrial system at a much lower cost to the tax-payer than that of a direct and complicated paternalistic intervention.

To sum up, unless the special legislation is accompanied and completed by a courageous change in general policy, it will be a mere soap-bubble, however much energy and means are spent on it.

7. *The Results that may be expected from the Reciprocal Development of Industry and Agriculture.*

Should an industrial movement of some importance be set going in South Italy, it will at last lead to the growth of that non-agricultural purchasing power, the lack of which has not only paralysed economic progress but has been the primary cause of the sensitiveness of the South to all cyclical changes. A shift, if only partial, towards their own local mark-

(33) GIUSEPPE MIRABELLA, *Caratteri positivi e negativi della partizione territoriale delle industrie nell'unità dell'economia nazionale*, Palermo, 1951, pp. 30 et seq., 51.

(34) The food industries excepted, which are by their nature exporting ones. For other details see SVIMEZ, *Contributi...* etc., pp. 63 et seq.

ets of the commercial currents, until now directed almost exclusively towards foreign markets or those of North Italy, would help to make the South more independent of the ups and downs of international trade and of the arbitrary trade restrictions enacted by others.

Little by little, as the demand for industrial labor would make itself felt in the agricultural districts, bringing about a desirable reduction of surplus rural man-power, the relative power of the agricultural classes to purchase the commodities offered by the new industries would rise. The reduction of the mass of unemployed and under-employed would help, almost automatically, to rationalise farming methods, and the reduction of the number of people dependent on the land would lead to the enlargement of the livestock on the farms, heretofore cut down as the result of an unequal competition between animals and men who, driven by needs arising from the growing density of the population, have contended for whatever food the land could provide.

Nor is this all. The farmers whose individual incomes would increase would call for

larger quantities of the instrumental goods supplied by industry, which, on its side, would increase and diversify its demand for farm products of better quality. Hence a further increase in the purchasing power of the rural population with a consequent concatenation of effects. The whole economy of the South would thus be dragged into a spiral no longer gravitating downward as in the past, but ascending towards a higher economic level; and the notorious vicious circle, to which it seemed inexorably condemned, would be broken once for all. The purchasing power which would be formed in the agricultural and in the industrial sections through this process of reciprocal exchange, unlike that produced by the «pre-industrialization» program, would remain to serve the economy of South Italy providing a strategic reserve-fund in the interests of southern economy, whose steady development would assure employment for labor, reduce unemployment to a less pathological level and raise the living standards of the population. And we should have, at the same time, a development of potential wealth-producing assets, that have been so far neglected.