

The Italian Long-Term Program submitted to the O.E.E.C.

by
ROBERTO TREMELLONI

OBJECTIVES AND ASSUMPTIONS.

1. — The program submitted by the Italian Government to the O.E.E.C. in November 1948 consists of a general report and a number of monographs devoted to the several branches of production. It indicates, together with a series of careful forecasts, the main lines of the economic policy the Government intends to pursue during the next four years so as to reach in 1952-53 the target at which E.R.P. aims, *i.e.* "to achieve and maintain a satisfactory level of economic activity, without extraordinary outside assistance". The expression "main lines of economic policy" indicates the fundamental character of the program which is not so much a rigid plan as a complex of ways and means directed towards objectives of a general nature (1).

(1) The time available for drafting the program was very brief, as it had to reach the O.E.E.C. not later than October 30, 1948. The coordination of the plan was entrusted to a Central Committee working at the seat of the CIR, (Comitato Interministeriale per la Ricostruzione, Interministerial Committee on Reconstruction) while the plans for the separate branches were prepared by *ad hoc* committees appointed by the Departments concerned. The Central Committee met for the first time on August 30, 1948, and took as its guiding lines a special report prepared for CIR by the Economic Research Department of IRI (Institute for Industrial Reconstruction). It decided to distribute the draft text, asking the several Departments concerned to send their observations and criticisms on the sections dealing with matters within their special competence. In addition to the Government Departments, economic and trade union organisations, local and central professional organisations, Chambers of Commerce, Universities, etc., were consulted. Owing to the short time available for reply, very few of these bodies responded. Nevertheless, in a very short time the Central Committee and the *ad hoc* committees, in close collaboration with the Research Department of the Bank of Italy and of IRI and the Central Institute of Statistics, brought their work to a conclusion.

The long-term program has had to be drafted on the lines laid down by the O.E.E.C. for the national programs. It is well to remember that these were (a) the attainment of a viable

Some of these objectives—a normal equilibrium in the balance of payments, the development of natural resources and manpower, the ironing out of cyclical fluctuations, the elimination of depressed areas, etc.—are common to all modern countries. On the contrary, other objectives—for instance, those concerning emigration and the absorption of unemployed manpower—touch on problems that are peculiar to our country since they are determined by historical and structural features of our economy.

2. — To make matter clear to the foreign reader it may perhaps be well to give an outline of these structural features that place Italy in a relatively less favourable position than the other participating countries:

(a) *Scanty Natural Resources.* In the mountainous and hilly regions, the agricultural land is not, as a rule, very fertile, and rainfall is badly distributed over the year. Moreover, Italy is almost devoid of the three fundamental requirements of modern industry: coal, mineral oil and iron.

(b) *Large-scale Unemployment* that cannot be ascribed to cyclical causes, but to a fundamental disparity between the growth of population on the one hand, and the natural resources and accumulating of capital on the other. The modern productive system in which the rate of increase of capital is more than proportionate to the increase in manpower employed, tends to deepen this disparity.

economy in 1952-53; (b) the attainment, in the same year, of a balance in the current items of international payments, without recourse to external help of an exceptional nature; (c) the maintenance of the standard of living at a reasonable level.

(c) *Per capita Investment* on a much lower scale than in the other countries of Western Europe, as a result of low real per capita income which leaves only a small margin for savings. This has not only delayed and limited to modest proportions the capitalisation (in the technical sense) of Italian economy and, therefore, the labour yield and the growth of real income, but has also delayed and limited the development of "key services" (such as roads, housing, technical training of workers, etc.). Southern Italy has been particularly affected by these conditions, and from this standpoint may be considered as one huge "depressed area".

To sum up, the characteristic features of the Italian economic picture are an excess of manpower, a deficiency of new internal resources for development and a low average level of income for the mass of the population. This low income is responsible for rigid consumption and unduly slow accumulation of savings, leading to very low capital investment, which in its turn results in a low level of employment. The chief objective, therefore, of Italian economic policy must be to break through this vicious circle and correct the consequences of a long period in which the rate of population growth has greatly exceeded the rate of increase of current income.

INCOME, SAVINGS, INVESTMENT.

3. — Italy's national income in 1947 stood around 4,500 milliard lire (for purposes of comparison; the income for 1938 is also given in Table I). The general estimates for production drawn up for the period 1948-49/1951-52 lead us to believe that the national income in 1952 will approximate to 7,100 milliard present-day lire, being a 17% increase in total income and a 5% increase in per capita income over that registered for 1938. From 1947 to 1952 total income would however rise by 46 per cent, *i.e.* at an annual rate of 7.8%, considerably higher than the prewar figure (2.3 per cent from 1931 to 1938) and nearly the same as that obtained in 1947.

To attain this level, investments have been planned for the four years 1948-49/1951-52,

TABLE I
NATIONAL INCOME IN 1938 AND 1947
(milliards of lire and dollars)

	Years			
	1938		1947 (a)	
	lire	dollars	lire	dollars
1) Agriculture & Forest	37.43	1.68	1,737.45	3.92
2) Fisheries	0.34	0.02	14.98	0.03
3) Industry & Handicrafts	42.04	1.88	1,854.30	3.22
4) Transport & Communications	7.75	0.35	229.39	0.40
5) Commerce	9.26	0.42	462.59	0.80
6) Credit & Insurance	3.96	0.18	145.12	0.25
7) House property	10.—	0.45	—	—
8) Professions	2.90	0.13	60.—	0.11
9) Domestic service (paid)	2.30	0.10	90.—	0.16
Total	115.88	5.21	4,563.83	7.99
10) Duplications to be deducted (b)	0.73	0.03	62.03	0.11
11) Net national income	115.15	5.18	4,531.80	7.88

(a) In this article the conversion of Italian lire into dollars has been made at the current export rate of exchange \$ 1 = 575 lire.

(b) The duplications to be deducted from the total in calculating the national income consist in the net proceeds of credit and insurance and the amount of direct taxes included in the net proceeds of the other productive departments, calculated gross of such charges.

amounting in all to 3,842 milliard lire (6,682 million dollars), distributed as follows:

	(milliards of lire)
Agriculture:	
Subsidised investments	555
Private investments	110
Industry	920
Land Transport	335
Merchant Marine	340
Posts and Communications	55
Civil Aviation	50
Labour (specialised training courses)	8
Total of "productive" investments	2,273
Public Works, Buildings, etc.	1,569
Grand Total	3,842

Investments totalling 3,842 milliard lire represent a very considerable amount for the Italian economy when we consider that the disposable income will not exceed, on the most optimistic estimate, more than 26,000 milliards of lire (45.2 billion dollars) in the four year

period 1948-49/1951-52, and in the five year period 1948-49/1952-53 not more than 33,000 milliards of lire (57.7 billion dollars). This means that the portion saved would have to be about 15% of disposable income.

Such a percentage is in itself high, as shown by experience over many years and in many different countries, but it is especially high in the case of Italy, with her low average per capita income, scanty concentration of wealth, and with large bodies of people whose basic needs are not fully satisfied and who, therefore, have to spend all they earn (2).

4. — Anyhow, as the economic rehabilitation of Italy will depend on making the above investments, the Italian Government will take all the measures deemed necessary to ensure the "propensity to save". In this connection it has already shown that it will not hesitate to adopt plans for forced saving, notwithstanding the natural resistance by certain economic and social groups (3).

But the program of large-scale investment will not be crowned by success unless it can count on substantial contributions of foreign capital. All the investment projects are based on the supposition that Italy will receive during the four year period of E.R.P., help totaling some 2 milliard dollars, approximately equivalent to one third of the total investment planned.

The possibility that such a large body of savings will not be available has, however, been taken into consideration. For this reason the investment plan has been divided into two parts. Priority has been given to investment of an immediately productive character in agriculture, industry, transport, etc., over investment in public works and housing, which would have to be reduced should national savings not attain the figure estimated.

(2) We may note, however, that according to some estimates the ratio of investment to disposable income, which was 10% in 1938, rose to 18% in 1946—when conditions were quite exceptional—and stood at 14% in 1947. Moreover, part of the planned investment may perhaps be offset by a reduction in the cost of upkeep and in sinking funds in the case of some industrial obsolescent plant to be gradually eliminated.

(3) For instance, to finance a program for workers' housing, the Parliament has before it a Bill introduced by the Minister of Labour which provides for compulsory levies on wages and salaries for this specific purpose.

The expansion in industries producing capital goods will be considerably greater than that in industries producing consumer goods. Thus, while the output of consumer goods and services for the home market will exceed very slightly the index of population growth, a 50 per cent increase over the 1938 level is planned for capital goods.

In conformity with this program, the per capita level of consumption in 1953 would be only 7% above that of 1938, which was already low, the aim being to reach a level which will not endanger the physical health and productive capacity of the population (4).

THE CHIEF INVESTMENT PLANS.

5. — The target of the different production plans is an increase in the volume and a reduction in the costs of production, taking into special account the need to increase exports. These plans are concerned with those sectors of productions for which Italy is naturally best suited. Not self-sufficiency but the international division of labour is the objective.

The increase in industrial production should above all result from a fuller use of existing equipment. The aim is an increase by 40% over the volume of 1938. In the case of agriculture, production should exceed by 15% the level reached in the four-years immediately pre-war (the increase would only be 5% if measured against the production of a particularly favourable crop year such as 1938). As regards transport and communications, the increase should be 20%, in commerce, credit and insurance, 15%.

The estimated rate of increase in industrial activity is considerable, taking into account the present level which amounts to about nine-tenths of the prewar figure (5). Less rapid is the rate of increase for agriculture, as a result of natural conditions regulating that activity; it should, however, be borne in mind that 1938 was a year of bumper crops and that agricul-

(4) It is however realized that political and social considerations may make it necessary to modify, perhaps very seriously, the priorities laid down in the plan, making it essential to carry out certain public works to the detriment of the most directly productive investments.

(5) See, in this issue, Statistical Appendix, Table P. Q, pp. 77-78.

tural production now stands at nine-tenths of that level. When the proposed increases have been secured, Italy will still have a mixed agricultural-industrial economy with no great difference from the present complementary character of the two sectors.

(a) Agriculture and Food Production.

6. — The reconstruction plan for agriculture has the two following objectives: (a) a return to about the pre-war level of per capita food consumption; (b) the maximum increase of exports in those sectors in which Italian agriculture can meet competition on the international market.

While the general level of consumption in 1952 should be a little higher than in 1938, the level of food consumption planned would be slightly lower, at 2,620 calories per day per head as against 2,723 in 1938 (and 2,615 in the period 1934-38). In spite of the insufficient volume and quality of food consumption in Italy at that period (when it was definitely below not only the level in the other countries of Western Europe but also below the Italian level in 1920-30), it has not been thought advisable to aim at a higher figure so as to avoid over-burdening the trade balance with food imports.

Tough the food consumption level will thus remain practically unchanged, agricultural production should be raised in the course of the next four years, as stated above, by 15% over the 1935-38 average (25% above the present figure) so as to meet the needs of the larger population (estimated at about 12% between 1935 and 1952), and the expected revival of certain types of export. For this purpose, Italian agriculture will have to face fundamental problems, transforming its structure from one of self-sufficiency protected by customs tariffs into one open to world trade.

We cannot enter into details here (6) but

(6) For a detailed analysis of the separate production plans consult the technical reports annexed to the General Report forwarded to the O.E.E.C. Detailed and extensive information on the several branches of Italian economy, posted up to 1945, can be found in the volumes edited by the Ministry for the Constituent Assembly: *Report of the Economic Commission presented to the Constituent Assembly*. See more especially the volumes "Agriculture" and "Industry", Rome, 1946-47. On

will only note that tariff protection, intensified by autarkic policies, had greatly stimulated some sectors of agricultural production, more especially that of cereals, but at the same time had given rise to marginal forms of production which could only exist under a high protective system (7).

Table II shows for the leading farm products (a) average production in 1934-38, (b)

TABLE II
PRINCIPAL AGRICULTURAL PRODUCTS
(thousand of tons - annual average)

Products	1934-38	1947-48	1952-53	Index 1952-53	
				1934-38 = 100	1947-48 = 100
1. Wheat	7,246	5,430	7,500	104	138
2. Maize	3,016	2,200	3,000	99	136
3. Rice	753	600	900	120	150
4. Olive oil	256	210	270	105	129
5. Butter	50	43	52	104	121
6. Milk	1,590	1,500	2,100	133	141
7. Cheese	238	200	265	112	133
8. Meat	718	570	794	111	140
9. Eggs	301	230	335	111	145
10. Sugar	305	250	370	121	152
11. Dried Legumes	882	680	810	92	119
12. Potatoes	2,820	2,940	3,100	110	105
13. Fresh legumes and tomatoes	3,500	4,000	4,400	125	119
14. Green and citrus fruit	2,000	2,200	2,500	125	113
15. Wine	3,800	3,200	4,200	110	131
16. Fish	186	180	200	108	111

present production (crop year 1947-48), (c) targets for 1952-53. As those figures show, the increase over pre-war production planned for 1952-53 relates substantially to the products of

the problems of Italian agriculture related to ERP, see also n. 7 of this Review (October 1948), G. Mancini, *The ERP and the problems of Italian Agriculture*, p. 416 et seq.

(7) In 1939, for instance, the price of wheat in the United States was \$ 28.5 per ton, equal at the exchange rate of 18 lire to the dollar to about 510 lire. In Italy the price on the farm was 1150 lire per ton. Conditions now prevailing on the world markets for farm products make the choice of an economic policy in this field difficult, for the expediency of growing wheat will depend largely on the policies followed by the governments of the leading producer countries. Should a policy of price support be practically relinquished, then some degree of protection for our wheat growers would be inevitable. In this sector, Italian policy for its part aims at lowering costs by rationalising production, which should make it possible to secure in 1952-53 an output of 7.5 million tons of wheat (a figure equal to the highest average reached in the period 1936-40 and 3% above the average of the years 1934-38), grown on an area of a little less than 5 million hectares, which in the following years should be still further reduced without affecting production.

animal husbandry and to fruit and vegetable crops. Compared to present output, the increase for cereals and sugar is also high; it is not very marked in the case of fruit and vegetables, cultivation of which has already been greatly stimulated in these post-war years by the high level of prices.

The planned increases in agricultural production may be secured by following simultaneously two parallel lines of development: (a) increasing the normal farm output through a greater use of chemical fertilisers, the execution of a large-scale plan for mechanical equipment, the wide use of selected seed, the more active control of plant diseases and diseases of livestock, a more generalised and better training of farmers, etc.; (b) increasing the area available for cultivation by a vast land-reclamation, irrigation and land improvement program.

INVESTMENT PLAN FOR AGRICULTURE
(milliards of lire)

Period	Public works to improve & regulate mountain lands	Land Improvement Works			Public invest. in research work	Total State invest.	Total investments under Govt. Plan
		by the Owners		Land settlement organisations			
		by the State	Private				
1	2	3	4	5	6 = (1 + 2 + 3 + 4)	7	
1948-49	55	26	43	8	7	88	130
1949-50	47	30	46	8	14	91	136
1950-51	48	33	55	10	14	89	143
1951-52	35	36	62	11	14	85	146
Total	179	125	204	37	49	353	555

The total cost of the investment plan for agriculture during the next four years is estimated, as shown in Table III, at 555 milliard lire, of which 353 milliards will be met by the Treasury and the remainder by the land owners.

This volume of investment should provide work for approximately 200,000 persons and offset the growing agricultural unemployment caused by the mechanisation of agriculture.

(b) Industry.

7. — The long-term plan for industry should allow, as already mentioned, a general rise in production by 40%. The increase is planned chiefly for capital goods (50% above the 1938 output) while for consumer goods the

increase would not exceed approximately 14%. This plan should lead to a 100% increase in the manufactured goods for export (especially engineering, chemicals, textiles) and would raise per capita consumption of industrial goods by 5% above the 1938 level.

The investments required for carrying out this industrial development have been estimated at a total of 920 milliard lire, distributed as follows:

	(millions of lire)	(millions of dollars)
engineering industries	149,500	260
chemical industry	36,225	63
textile industry	167,304	310
iron and steel	143,750	250
electric power	394,000	685
other industries	28,221	49
Total	920,000	1,617

Table III

of petroleum products would be obtained: 5,316,000 for home consumption, and the remainder for export yielding a receipt of 144 million dollars.

The Italian output of coal should increase by 60%. It is, however, obvious that Italy's needs for coal will have to be almost all met from imports, since the yield of the domestic mines should amount in 1952 to about 2 million tons only as compared with a consumption which will have risen to 15-16 million tons, against the 13-14 million of 1938. Italian imports should then come from our former European markets (Germany, Great Britain, Poland) and not from the more costly American market.

The total power available in Italy would be as follows:

	in percent	
	1938	1952-53
Electric power	35	41
Mineral oils	16	21
Coal	49	38
	100%	100%

Mining. — A large increase in the output of iron ore is foreseen (800,000 tons, 350% of the 1947 production), zinc ore (170,000 tons, 80%); sulphur (250,000 tons, 40%); pyrites (1 million tons, 40%). The average increase over present production figures is estimated around 35-40%. The total estimated investment amounts to some 36 million dollars, of which 5.5 million would be spent abroad on the purchase of machinery and the remainder in Italy. The labour employed in the mining industry would rise from 137,000 to 140,000 in 1952.

Iron and Steel. — The problems relating to the iron and steel industry, which grew up in Italy behind a high protective barrier, have given rise to lively controversies dating back a long time, and relating more especially to the engineering trades which have to purchase their steel requirements from the domestic industry at much higher prices—sometimes 100 per cent higher—than those ruling on world markets. The question is now of greater importance than ever, as the national plan aims a large expansion in the export of engineering

products and for this purpose it is essential that steel should be available at internationally competitive prices (8).

The four-year plan looks more especially to securing the modernisation of the plant and rationalisation of the productive system, which should lead to a reduction of unit costs and a marked increase in output. In the case of pig-iron; output should rise from the 860,000 tons of 1938 to 1.4 million tons; crude steel from 2,320,000 to 3 million tons. The output should suffice to cover most of the demand on the home market and steel imports could then be reduced to 250,000 tons per annum.

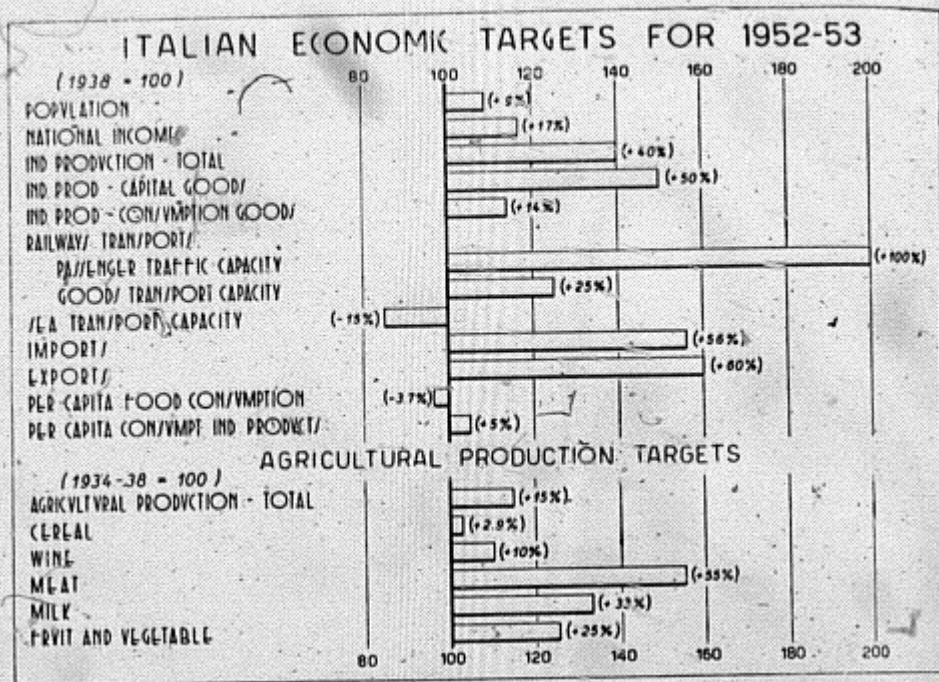
Engineering. — The engineering trades rank first among Italian industries both as regards capital investment (20.1 milliard lire in 1938) and manpower employed (651,329 persons in 1939). The problems relating to their reorganisation have been dealt with in a previous article published in this *Review* (9) and here we shall only quote some data expressed in dollars in relation to the E.R.P.

In 1938 the output of the engineering trades was valued at 1,565,000 dollars of 1948 purchasing power; 70/80% of plant capacity was in use, output capacity therefore stood around 2,000-2,200 million 1948-dollars. In spite of war damage the capacity of the industry at the close of the war was 50% higher than before the conflict. Summary calculations lead to the conclusion that the Italian engineering industry could, by using existing plant to maximum capacity, attain an output of 2,800 million dollars of 1948 purchasing power. But in 1947 production stood around 1,100 million dollars. This means that only 40% of plant potential was being utilised, which is one of the causes of the high per unit costs in this industry.

The fundamental problems the Italian engineering industry must solve are those of reorganisation, concentration, specialisation of plant. To carry out this work an investment of 260 million dollars is considered necessary.

(8) On the problems and growth of the steel industry in Italy, see n. 4 of this *Review* (January 1948), O. Sinigaglia, *The Future of the Italian Iron and Steel Industry*, p. 246 et seq.

(9) Banca Nazionale del Lavoro Quarterly Review, n. 3 (October 1947), R. Tremoloni, *Premises and Tasks of the Special Fund for Financing the Italian Engineering Industry*, p. 169 et seq.



The output estimated for 1952 would amount to a value of some 2,400 million dollars, of which 360-370 millions for export. The export estimates are based above all on the growth of trade with the countries of Eastern Europe, the Mediterranean Basin and Central and South America (10).

Textile Trades. — The other large sector of Italian industry is that of textiles, which in 1938 employed 592,000 persons with a capital investment of some 16 milliard lire and had the largest export trade. Here again the plan provides less for a substantial increase of productive ca-

(10) We may expect the distribution of engineering exports to be the following:

	(millions of dollars)
North America	8
South America	115
Sterling Area	15
Other non-participating countries	72
Participating countries	131
Participating countries of sterling area	35
Total	376

capacity than for modernisation and rationalisation of part of the existing plant not now fully utilised. It is expected that in 1952-53 the textile industry will achieve exports to a value of some 400 million dollars, as compared to 300 millions in 1937, allowing for a probable lowering of prices as a result of fierce foreign competition.

The Chemical Industry. — For this industry an important increase of output capacity is planned. The value of the Italian production of chemical goods was estimated in 1938 at 500 million dollars and output potential at some 800 millions. For 1952-53 production should show the following rates of increase:

	1938	1948-49	1952-53
Nitrogenous fertilisers	100	110	154
Phosphatic fertilisers	100	130	147
Copper sulphate	100	63	127
Sulphuric acid	100	95	140
Carbonate of soda	100	105	140
Caustic soda	100	110	126
Organic dye-stuffs	100	110	120
Synthetic resins	100	110	145
Manpower	100	110	132

(c) **Public Works and Public Utilities.**

8. — **Transport.** — An adequate development of the network of overland and sea communications is closely related to production programs, and investments amounting to 335 milliard lire for the former and to 340 for the latter have been planned.

The Ministry of Transport plan for the railways provides (a) for completion of the reconstruction of lines and services in operation before the war; (b) for improvement in plant and operating systems so as to lower working costs and speed up transport; (c) for an increase in the length of electrified lines by 780 kms., of which 365 with three-phase current. When the plan is carried out the goods carriage potential should be 20-25% higher than now and the facilities for carrying passengers should be double those of 1938.

The problem of sea transport is very difficult and is closely related to that of the shipbuilding industry (11).

On June 31, 1948, the tonnage of the Italian merchant marine amounted in all to 2 million 108,000 tons as against 3,323,000 on December 31, 1938. It is expected that by 1952 tonnage will have risen to some 2,658,000 tons, being approximately 20% below that of 1938. But as the result of technical improvements the carrying potential should amount to 85-90% of the pre-war figure. Even so the tonnage of the merchant marine will still be inferior to the needs of cargo and passengers, which are expected to exceed by 30-35% the pre-war figure, and the cost of ocean freight rates will still weigh on our balance of payments for some 97 million dollars.

The building trades. — The housing problem, which is much more severely felt in Italy

(11) During the period between the two wars Italian shipyards, like those of most other countries, suffered from the excess of productive potential as compared to market demand. From 1918 to 1939 only 25% of this potential was utilised. Today after the war damages, productive potential for medium-sized ships stands around 300,000 tons per annum. Italian plans for rebuilding the merchant marine should provide work for two-thirds of our shipyards. It is hoped to secure foreign orders—of which a good many have already been received—to provide work for the remainder. It is reckoned that during the five years 1948-49/1951-52 these orders should total 700,000 tons, bringing in receipts amounting to 240 milliard lire.

than in the other countries of Western Europe, ranks beside that of unemployment as one of the most delicate aspects of the Italian economic situation. The need to use E.R.P. help for productive purposes will make it necessary to rely mainly on the home market to finance building works. In the course of the next four years building operations financed wholly or partially by government grants should attain the following proportions:

	Number of rooms
1948-49	200,000
1949-50	300,000
1950-51	300,000
1951-52	300,000
Total	1,100,000

In this connection it should be remembered that merely in order to return to the housing situation as it existed in 1931 almost 4,000,000 living rooms would have to be built (12).

THE LABOUR MARKET.

9. — We have already referred to the chief causes that make the disparity between available manpower and possibilities of employment a particularly serious one in Italy (13). This

(12) In 1931—taken as the base year because it was the date of the last housing census—there were in Italy 9.7 million dwellings (of which 8.5 occupied) with a total of 31.7 million rooms (of which 29.8 occupied). The ratio between population (40.6 million) and existing rooms stood therefore at 1.31 (the ratio between population and occupied rooms was 1.4). From 1931 to 1947, 2,021,000 rooms were built in Italy but after deducting from this figure rooms demolished and those wrecked by the war, the number of rooms existing at the end of 1947 had been reduced to 31,473,000, with a net increase of 488,000 over the figure for 1931. In the meantime the population had risen to 46.10 million persons, an increase therefore of 5.5 million, and the ratio between population and existing rooms had risen to 1.48. (For a fully documented analysis of the housing situation in Italy, see n. 7 of this Review, October 1948, S. ALBERTI, *The Housing Problem in Italy*, p. 441 et seq.)

(13) A few data will help to define the situation. In Italy in 1938 the density of population amounted to 142 inhabitants per sq. km., inferior in Europe only to that of Great Britain, Belgium and Holland. The geographical configuration of our country accentuates the pressure of population, as mountains account for 38.7% of the national territory, hills for 40.6% while the plains occupy only 20.7% of the total. In the case of Germany plains occupy 56% of the territory, 54% in that of France, and 48% in that of Great Britain. In Italy the rural population, in spite of the geographical configuration above mentioned, accounts for 48% of the total population while in France it only accounts for 36%, in Germany for 29%, in Holland 21%, in Belgium 17%, in Great Britain 7%. The

disparity finds practical expression not only in the figure for unemployment but also in the low ratio between occupied and total population.

At present the number of unemployed is estimated around two millions (14). The normal growth of the population in the next four years will increase the number of workers by some 960,000. The Italian long-term program provides in the next four years for the employment of 1,150,000 to 1,250,000 persons in the following ratios as between the several sectors of production:

Agriculture	25,000
Industry & handicrafts	425,000
Building and public works	300,000
Civil service, trade & transport	400,000
	1,150,000

The employment of additional labour in industry alone, exclusive of handicrafts, may be estimated as follows:

TABLE IV

Sector	Present manpower (estimate)	Expectation for 1952	Increase
Engineering	750,000	810,000	+ 60,000
Textile industry	600,000	640,000	+ 40,000
Paper, wood	460,000	510,000	+ 70,000
Food industries	450,000	475,000	+ 25,000
Building materials	150,000	220,000	+ 70,000
Chemical industries	145,000	170,000	+ 25,000
Mining	100,000	140,000	+ 40,000
Steel and metallurgy	105,000	105,000	—
Water, gas, electricity	60,000	70,000	+ 10,000
Total	2,820,000	3,160,000	+ 340,000

Now, even taking for granted the success of these plans, there will still be in 1952 an estimated 1,800,000 unemployed. There is therefore nothing for it but to resort to large-scale emigration. But what dimensions can such emigration attain? Although all estimates in this field are extremely risky and uncertain, nevertheless, on the basis of the immigration plans of the several countries concerned, and also of

ratio between the agricultural population and the area fit for cultivation shows a density of 74 per person per sq. km., which is double that of France, three times that of Great Britain, and exceeds that of the prevalently agricultural countries of Eastern Europe.

(14) See, in this number of the Review, the Statistical Appendix, p. 78 Table S.

the overseas transport, that may be available in the next few years, it would seem safe to count on a total emigration of about 832,000 persons, 363,000 of whom to European and 468,000 to other countries. (Of these about 25% would consist of families of workers).

But, for such a policy to be successful, and quite apart from external difficulties, it will be necessary to undertake an active work of technical and vocational training, without which it will hardly be possible for this mass of people to find occupation at home or abroad.

Even should these assumptions be valid, the number of unemployed in Italy in 1952-53 would still amount to some 1,190,000, being 2.5% of the total, and 6.7% of the employed population. This figure is still too high for a weak economy like the Italian, and it can only be reduced by yet wider forms of international cooperation. We shall return to this matter towards the end of this article.

THE BALANCE OF PAYMENTS.

10. — The Italian trade balance has almost always closed with a deficit; since the beginning of the century a credit balance has been secured only in 1941 and 1942, and this was accounted for by the distortion and reduction of trade due to war and not by a real change of trend. The chronic nature of this deficit is essentially due to the lack of certain essential raw materials above all coal, petroleum and iron, and in the second place to the food requirements of a population forced to live on a relatively insufficient and infertile land.

Table V, which shows the value in 1947 of imports and exports, classified by the main groups of merchandise, and forecasts the situation for 1952-53, clearly shows these underlying facts. Italian foreign trade consists of bulk imports of raw materials and foodstuffs and of exports of finished and semi-finished products, 60% of which come from the engineering and textile trades.

The Italian plan to reduce the present deficit provides for a substantial increase of exports, which should rise from the 672 million dollars of 1947 to 846.6 million in 1948-49 and then jump to 1,489 million in 1952-53. In

this period exports should cover 86% of imports amounting to 1,773.7 million. These figures are higher by 120% and 32% respectively than those for 1947: We note that the imports are rigid; they could not be reduced without endangering the whole reconstruction plan, as they consist almost exclusively of raw materials and essential foodstuffs.

TABLE V

IMPORTS AND EXPORTS CLASSIFIED BY MAIN GROUPS OF MERCHANDISE

	1947		1952-53	
	millions of \$	%	millions of \$	%
a) Imports				
Raw materials & semi-finished products	844.0	63.0	1,170.64	66.0
Foodstuffs	415.0	31.0	416.82	23.5
Finished products & Sundry	80.3	6.0	186.24	10.5
Total	1,339.3	100.0	1,773.7	100.0
b) Exports				
Textile products	284.3	42.3	400.56	26.9
Engineering products	118.7	17.7	355.90	23.9
Chemical products	23.5	3.5	40.20	2.7
Foodstuffs	121.0	18.0	308.25	20.7
Minerals and metals	47.0	7.0	22.33	1.3
Other products	77.5	11.5	217.41	14.6
Petroleum products	—	—	144.45	9.7
Total	672.0	100.0	1,489.1	100.0
Deficit	667.3		284.6	

The basic assumptions for this export increase are: (a) a steadily high level of business activity everywhere, especially in the Western Hemisphere; (b) a revival of trade with the countries of Eastern Europe; (c) a substantial advance in European co-operation based on stable currencies, and a reasonable freedom in the European foreign exchange market. In spite of the efforts to reduce controls over the movement of goods, it seems unlikely that the policy of bilateral agreements between States can be abandoned. We may expect that in the next few years commercial agreements will continue to be based on a system in which bilateral and plurilateral policies will cross one another; but a relaxation of exchange controls, in conformity with the principles of the Havana Charter, and a multilateral system of payments on the lines laid down in Paris between the

countries participating in the O.E.E.C., are preliminary conditions for the success of Italy's policy to increase exports and direct her international trade along more natural lines.

Under the above programs, the Italian balance of trade should close in 1952-53 with a deficit of 284.6 million dollars (see tables V and VI), to be covered by invisible items, and

TABLE VI

IMPORTS AND EXPORTS CLASSIFIED BY GEOGRAPHICAL AREAS

	1938		1947		1952-53	
	millions of \$	%	millions of \$	%	millions of \$	%
a) Imports from:						
North & Central America	75.0	13.8	591.9	44.3	274.7	15.5
South America	25.7	4.7	142.2	10.6	316.0	18.4
Non-participating sterling area	32.9	6.1	110.2	8.2	179.8	10.1
Other non-participating countries	94.2	17.4	244.1	10.7	244.3	13.8
Participating countries	274.2	50.5	—	—	556.4	31.4
Participating countries of the sterling area	40.8	7.5	350.9	26.3	192.5	10.8
Total	542.8	100.0	1,339.3	100.0	1,773.7	100.0
b) Exports to:						
North & Central America	47.4	11.1	43.6	6.5	149.5	10.0
South America	39.4	9.2	95.0	14.1	240.6	16.2
Non-participating sterling area	12.1	2.8	45.3	6.7	116.7	7.8
Other non-participating countries	72.7	17.0	119.6	17.8	251.9	16.9
Participating countries	218.8	51.3	—	—	498.6	33.5
Participating countries of the sterling area	36.5	8.6	368.0	54.8	231.8	15.6
Total	426.9	100.0	672.0	100.0	1,489.1	100.0
Deficit	115.9		667.3		284.6	

above all by emigrant remittances and tourist expenditures. The former item, which in 1938 yielded receipts amounting to 75 million dollars, should rise to no less than 205 million (this objective is obviously conditioned by the possibility of increasing emigration to the ex-

tent that has been planned); the latter should yield from 130 to 200 million dollars.

The balance of current items in 1952-53 would therefore be as below:

	Million of dollars	
Net trade balance	— 284.6	
balance invisible items	+ 295	
of which: Transport	— 95	
Tourist expenditures	+ 200	
Emigrant remittances	+ 205	
Foreign investments	— 15	
Net balance on current items	+ 10.4	

As these figures show, it is expected that the current items will close with a net surplus of 10.4 million dollars. On the other hand it is estimated that transactions on capital account will close with a net deficit of 25.4 million dollars, thus leaving a final debit balance of 15 million dollars.

The geographical distribution of the net balance of international payments will be the following:

	Million of dollars	
North & Central America	— 50.7	
South America	+ 3.8	
Non-participating sterling area	— 44.3	
Other non-participating countries	+ 19.1	
Participating countries	+ 23.2	
Participating countries of the sterling area	+ 33.9	
Total	— 95.0	+ 80.0
Net balance	— 15.0	

The deficit of 15 million dollars should be covered by normal commercial credits.

CO-ORDINATION OF THE VARIOUS PROGRAMS.

11. — Difficult problems arise in the effort to harmonise the programs of the 19 countries participating in the O.E.E.C., whose different targets must be examined in the light of general European interests.

All the European countries are planning to reduce their imports of finished products while increasing their imports of raw materials. On the other hand, exports should be guided by the opposite policy of greatly increasing ex-

ports of finished products while reducing those of raw materials. An economic policy thus devised is obviously mistaken; the long term plans of the countries participating in E.R.P. have sounded the alarm and have clearly shown with the help of available statistics that the economic policies proposed were not only un-coordinated but quite impracticable. Getting down to a study of the different sectors, the discrepancies in the various programs become apparent. In the engineering sector, for instance, the exports that the participating countries are planning to make to the same group of states in 1952-53 exceed by 1.6 million dollars the imports planned by the group.

Other discrepancies have been brought to light in regard to the supply markets. In their efforts to reduce their dollar deficits, all the participating countries are planning to import large quantities of raw materials from South America, Africa and Asia. Enquiries not yet completed have made it evident that the imports planned from Latin America and, in a lesser degree, from the other Continents, would not be physically possible (15).

The same remark holds good for exports: thus, for instance, exports for the South American markets are considerably in excess of what are believed to be the import possibilities.

Moreover, anxious as they are to reduce their respective dollar deficits, all the countries are planning to limit very considerably their imports from North America. But such a policy might accentuate deflationary forces in the American economy and therefore, as it has frequently been pointed out, the United States should try to enable the European countries to earn the largest possible quantity of dollars, in order to allow Europe to relate the controls on imports from United States.

These are some of the more general problems that emerge from an examination of the long-term programs of the participating countries, but it is clear that super-national planning must go further than this. We need only mention the problems of production costs, sales

(15) In the case of cotton, for instance, the quantities to be imported from South America are largely in excess of available supplies in that market.

markets, the coordination of efforts in the commercial field, etc., all problems that heretofore have been discussed only in a very summary manner and which will probably have to be dealt with at the next session of O.E.E.C. We may mention that some countries favour a division of export markets or at least would urge an understanding between the great producing industries, a policy to which others object, as they would like exports to be based, at least for the present, on production costs.

THE "VIABILITY" OF THE ITALIAN ECONOMY IN 1952-53.

12. — The plans for production and trade which we have summarised may make it possible for Italy to achieve a balance in her international payments in 1952-53.

This result, however, could only be secured if the cooperation of the other participating countries and of the United States make it possible to rely on certain preliminary conditions which it may be well to emphasise.

To sum up, the Italian plans are based on the following suppositions:

(a) That in the next 4 years American help will not fall below 2 billion dollars. Italy would be unable to rehabilitate her productive equipment and increase her output as she plans to do, if she were unable to secure this fundamental contribution. Not only has Italy very limited natural resources on her national territory but, unlike the other participating countries, she is unable to count on the economic contribution made by colonies and possessions;

(b) That the help be timely distributed over the whole period. More than the other participating countries Italy needs to make, in the first E.R.P. period, investments whose beneficial results will only be felt after a comparatively long lapse of time. The "help curve" cannot be the same for all the participating countries and in this matter Italy is a special case;

(c) As to the nature of the help, that Italy can count not only on raw materials and capital goods but also on heavy imports of ce-

reals, fats, etc., which are necessary, *inter alia*, for the price stabilisation on the home market;

(d) That the other participating countries will also achieve a state of economic equilibrium and will consequently be able to increase the volume of their imports of goods and services from Italy in the measure planned;

(e) That American help and cooperation between the participating countries will allow not only the absorption of the Italian products intended for export, but also a marked development of the tourist trade and the removal of the barriers against emigration.

These suppositions clearly show that the Italian economy will only be able to recover its equilibrium under a stable and active system of international exchange of goods and services.

13. — The meaning of the expression "viability" in the specific case of Italy should also be clearly defined.

Should the conditions mentioned above be realised, Italy may hope, by carrying out the plans outlined, to balance her international payments, at the cost, may be, of serious sacrifices on the part of her people, but she will not have fully solved—as we have shown—the problem of unemployment.

"Viability" understood in the narrow sense of a balance of payments does not correspond, in Italy's case, to "viability" in the broader sense of the term, implying a well-balanced economy.

In 1952-53, even under the most favourable circumstances there will still be 1,200,000 unemployed workers in Italy.

If the Italian economy is to become really "viable", and Italy is to play her part in full in a rehabilitated Europe, she must be in a position to solve the problem of unemployment. But this will be possible only if cooperation with America and with the other participating countries allows to achieve new and daring enterprises. We must turn our attention to the execution of vast programs for the reconstruction of the depressed areas in Europe, the development of overseas territories, more especially African territories, the raising of the

standard of living in the "new" countries in all the Continents. Plans of this description would help to raise everywhere the level of economic activity; they would enable the overseas countries to advance more rapidly along the paths of progress and prosperity; they would enable the United States to apply to purposes of production that part of their economic-potential available for other countries; they would enable Europe and Italy to find a position of equilibrium in a dynamic and pro-

gressive situation. In such a picture, Italy's labour potential, instead of representing, as it now does, a grievous liability, would become a factor of the prime importance for production. If, on the contrary, it were found to be impossible to carry out such programs, then Italy's effort to secure a stable and lasting economic equilibrium, limited exclusively to the domestic scale, would inevitably be condemned to failure, with unforeseeable consequences in the social and political fields.