

Southern Italy

by

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I. - The « Crosses », borne by the Italian Economy: Population and the South.

1. — It is impossible thoroughly to understand Italian economic problems in all their intricacy and to lay down rational directions for an economic policy, both domestic and international, without a clear perception of the decisive nature of the two crucial problems besetting the Italian economy: the general problem of over-population and the localised problem of the Southern areas. Both these problems are completely dominated by the social aspect so that the normal and theoretical terms of a strictly economic character are radically shifted.

Since foreign observers in particular, whose experience is restricted to economic conditions in which the demographic and social aspect is of only slight importance, seem to have difficulty in realising these fundamental truths, we feel it advisable to sum them up briefly, even though they are by now well-known commonplaces for many people.

(*) Southern Italy covers the regions of Southern peninsular Italy (Abruzzi, Molise, Campania, Puglia, Lucania, Calabria) and the Islands of Sicily and Sardinia. For the sake of brevity, Southern Italy is sometimes called only « the South », all the rest of Italy being « the North ».

Let us start with the demographic aspect which, after all, is the basic and determining factor. We will not stop to consider the ratio between territory and population, merely referring the reader to the figures given elsewhere (1), which prove that the "actual" density of population in Italy is the highest in Europe, even surpassing, rationally considered, that of Belgium and Holland. Even more serious is the increase in population as compared with the possibilities of economic development. The natural yearly increase (excess of births over deaths) fluctuates at present between 450 and 500 thousand. It is calculated that there will be an annual increase of about 400,000 units in the productive population (from 15 to 64 years of age) within the next decade. At least 60 per cent of this productive mass, namely about 250,000 persons, needs and will need to find gainful employment (in Italy or abroad) every year, assuming, optimistically, that the remaining 40 per cent may be placed in the so-called "inactive" categories of society (students, housewives, well-to-do persons, persons living on dividends, etc.).

Further, there are at present over two million persons of working age who are unemployed and looking for jobs. Even should it

(1) *Anatomia in cifre dell'Italia 1947*, in the *Review Ulisse*, Aug. 1947.

be possible to halve this figure, there would still be 100,000 persons a year needing employment during the next ten years.

2. — The first question to be considered in regard to these figures is how this increase in population was dealt with during the troubled years of Italy's life as a nation. Between 1861 and 1936, the natural average yearly increase in population (excess of births over deaths) amounted to 310,000 (as referred to Italy's pre-war boundaries) divided as follows (Table I).

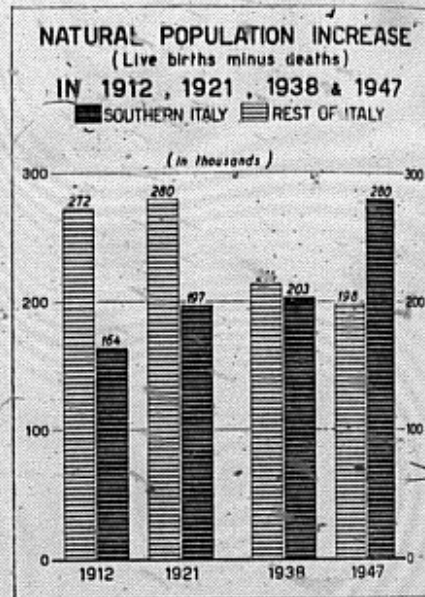
TABLE I

Population	Average yearly increase between 1861 and 1936	
	NO.	%
A) Over 10 years of age		
a) productive (active)	52,000	16.8
b) unproductive	123,000	39.7
Total	175,000	56.5
B) Under 10 years of age	45,000	14.5
Total (A+B)	220,000	71.0
C) Net emigration	90,000	29.0
Natural increase	310,000	100.0

Economic activity and gainful employment of all kinds (including the Civil Services) absorbed an average of just over 50,000 persons a year.

If, during the coming decade, the natural average yearly increase, estimated at a minimum of 400,000 units, is distributed in the same proportions as absorbed by—above, about 70,000 units will be absorbed by gainful activities and about 120,000 by emigration; the remaining 210,000 will increase the unproductive population (160,000 units over ten years of age and 50,000 under ten). In view of present international conditions and those to be expected during the next ten years, an annual net average of 120,000 emigrants is unattainable, thus leaving no doubt as to the gravity of Italy's future. What makes the outlook still blacker is the fact that even during the most prosperous years before the war, economic activities in Italy did not absorb more than 80-90,000 units, of which about one third were absorbed by non-productive activities

(trade, banking, insurance, civil service, liberal professions and miscellaneous services). In any case, in order at least to reduce the alarming increase of 210,000 unproductive persons by half (2), the economic activities would have to absorb, in addition to the 70,000 units considered above, a further 105,000 units, making a total of 175,000. In order to re-absorb a further



100,000 workers a year, who are at present unemployed, work would have to be found for an average of about 275,000 persons a year.

Agriculture, unfortunately, is already suffering from a surplus of manpower and the most optimistic forecasts for the coming decade only anticipate the absorption of from five to ten thousand new workers a year.

Industry (including the building sector) would therefore have to absorb at least 200,000 workers a year, that is to say, four times the pre-war average (50,000 units), leaving about 70,000 units to be accounted for by other activities. These targets, which would still leave

(2) The unproductive population over ten years of age formed 30% of the total population (belonging to the same age group) in 1861, 33% in 1881 and 45% in 1936.

a permanent residue of one million unemployed and a conspicuous yearly increase in the unproductive population, are disquieting; but when considered in connection with the problem of Southern Italy they cause serious anxiety.

3. — Indeed, were Italy's economic life to continue along the same lines as in the past, the tremendous effort outlined above would have to be borne entirely by Northern and Central Italy since, between 1861 and 1936, there was no increase worth mentioning in the number of persons employed in Southern Italy. In fact, if the figures given above for the destination of the average yearly natural increase in population are considered as referring to Southern Italy as compared with the rest of Italy we obtain the picture of Table II.

TABLE II

Population	Average Yearly Increase between 1861 and 1936		
	Italy	Southern Italy	Rest of Italy
A) Population over ten years of age			
a) productive	52,000	2,700	49,300
b) unproductive	123,000	55,300	67,700
Total	175,000	58,000	117,000
B) Population under ten years of age	45,000	17,000	28,000
Total	220,000	75,000	145,000
C) Net emigration	90,000 (a)	52,000 (b)	38,000 (b)
Natural increase	310,000	127,000	183,000

(a) Net emigration to foreign countries.

(b) The figure of 52,000 given for Southern Italy represents the amount of net emigration to Northern Italy plus emigration to foreign countries. The figure of 38,000 given for the rest of Italy is the difference between net emigration to foreign countries and immigration from Southern Italy. It is not possible to specify the net emigration to foreign countries—omitting migration between North and South—owing to the lack of reliable statistics. All that can be said is that the net average yearly emigration from Southern Italy to foreign countries was certainly less than 52,000, an unknown quantity *x* (representing net emigration from South to North) having to be deducted. Similarly there is no doubt that net emigration from the North to foreign countries exceeded 38,000 by the same quantity *x* (net immigration to the North from the South). Assuming therefore, for the sake of argument, that net emigration from the South to foreign countries amounted to 48,000 units a year (in which case an average of 4,000 units a year would have emigrated from South to North), emigration from the North to foreign countries would have amounted to 42,000 (38,000 plus 4,000). The total would remain 90,000 units (48,000 + 42,000) for net emigration from Italy to foreign countries.

The outlook is rendered still more alarming by the fact that the natural increase in the population of Southern Italy—during the period to which the figures refer it was about

TABLE III

DIVISION OF THE POPULATION IN MAIN CATEGORIES IN 1861 AND IN 1936

Main categories	1861		1936		
	Southern Italy	Rest of Italy (a)	Southern Italy	Rest of Italy	Italy (a)
A) NUMBER (in millions)					
1) Population over 10 years of age:					
a) Active:					
agriculture	3.2	5.1	8.3	3.3	5.8
industry and transport	1.7	2.3	4.0	1.6	6.2
other activities	0.7	1.5	2.2	0.9	3.3
Total active population	5.6	8.9	14.5	5.8	18.3
b) Unproductive	1.8	4.5	6.3	5.9	12.4
Total population over 10 years of age	7.4	13.4	20.8	11.7	32.5
2) Population under 10 years of age					
Grand Total	9.8	16.3	26.7	17.6	44.3
Burden of unproductive persons of all ages per productive unit	0.75	0.83	0.80	1.66	1.12
B) PERCENTAGE					
1) Population over 10 years of age:					
a) Active:					
agriculture	32.7	31.3	31.8	21.4	20.8
industry and transportation	17.3	14.1	15.3	10.4	14.6
other activities	7.1	9.2	8.5	5.9	7.8
Total active population	57.1	54.5	55.6	37.7	43.2
b) Unproductive	18.4	27.6	24.1	33.3	35.3
Total population over 10 years of age	75.5	82.2	79.7	76.0	78.5
2) Population under 10 years of age	24.5	17.8	20.3	24.0	20.5
Grand Total	100.0	100.0	100.0	100.0	100.0

(a) Referring to Italy's boundaries in 1936.

40% of the total national increase (127,000 units out of 310,000)—has now risen to over 55% of the total (3).

The figures contained in Table III com-

(3) In 1947 and 1948 (provisional figures), the percentages for Southern Italy were 59% and 56% respectively.

plete the sad demographic and economic history of Italy and her Southern areas.

From 1861 on, agriculture and industry in Southern Italy have been incapable of absorbing new units of working-age (200,000 out of an increase of 4.3 millions have been absorbed by other economic activities): *this is an unmistakable sign of a stationary economy.* Emigra-

tion alone was able partially to lighten the burden; in fact, 3.8 million persons emigrated out of an increase in population amounting to 9.4 millions. The remaining 5.6 millions swelled the numbers of the unproductive categories.

Whereas in 1861 every active person had to bear the burden of 0.75 unproductive units, in 1936 this burden had been doubled (1.66). More or less the same number of active persons (an average of 5.7 millions) had to provide a livelihood for 4.2 millions in 1861 and for no less than 9.6 millions in 1936. Nor was this regrettable situation mitigated by an increase in the actual per capita income.

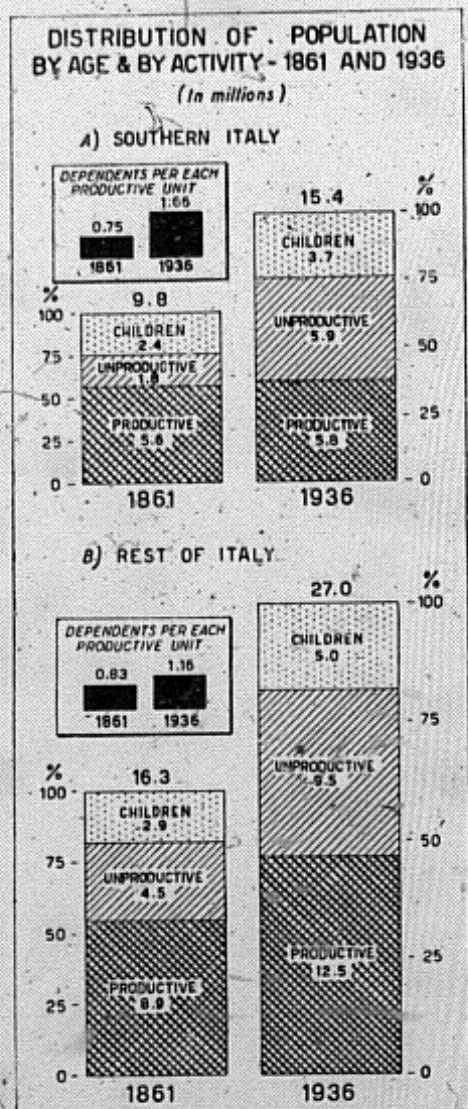
A comparison with conditions in Northern Italy—also suffering, though to a lesser degree, from an excess of population in relation to possibilities of employment—further stresses the extremely critical situation in Southern Italy. Whereas in the North the burden of unproductive units per active person (0.83) increased by 39.7% (rising to 1.16), in the South it increased by 121.3% (from 0.75 to 1.66) with the added circumstance that in 1936 the yearly income per *employed worker* was about Lire 6,900 in the North, while in the South it was only Lire 4,700.

In Southern Italy the working population formed 57.1% of the total population in 1861 and 37.7% in 1936; in Northern Italy the percentages were 54.6 and 46.3 respectively.

This state of economic and demographic saturation is reflected in unemployment; both in the "visible" or "registered" unemployment as shown in official statistics—incomplete and unreliable—and in the "hidden" unemployment that is typical of the agricultural

TABLE IV

Branches of economic activity	No. of Unemployed (in thousands)			% of Unemployed in relation to the Working Population		
	North	South	Italy	North	South	Italy
Agriculture	180	450	630	3.2	14.1	7.1
Industry	700	200	900	17.0	15.9	16.7
Other activities	470	400	870	15.8	34.7	21.1
Total	1,350	1,050	2,400	10.6	18.7	13.1



situation in the South. A recent estimate concerning global unemployment (visible and hidden) gave the approximate figures (in thousands) of Table IV.

Between 1936 and 1948 the situation has grown worse. Although exact figures are not available owing to the lack of a post-war census, emigration (to the North and abroad) has decreased in the post-war period, whereas the natural excess of population has increased, as we have seen, both in absolute figures and in percentage, rendering the demographic pressure on the means of livelihood daily more unbearable (4).

II. Southern Italy, a backward and depressed area.

4. — If, in keeping with current definitions, all areas (provinces, regions, States, continents) characterised *whatever may be the cause* by a long period of very low average income per capita (very much lower than that of the State to which they belong or than that of other more prosperous States or continents) are considered backward or depressed, Southern Italy has unfortunately every right to be counted as a member of this kingdom of economic and civil poverty.

As will be seen from Table V, the per capita income in Southern Italy is one of the lowest in the world and 60% below the average Italian income.

With reference to the constant decrease in income throughout this period, it should be noted that between 1914 and 1938—during a period of great technical and civil progress—there was a fall of about 20 per cent in the Italian income per inhabitant, calculated in lire having the same purchasing power.

It should be added that most economists and statisticians agree that backward economies are characterised not only by a low per capita income, but also by a high percentage of rural population, by surplus population, a low agri-

cultural and industrial productivity, a large proportion of craftsmen and persons working at home—which means a low capital investment per capita—and by a very limited availability of capital. These aspects also throw a sinister light on the situation in Southern Italy as may be seen from Table VI containing figures referring to Italy as a whole, Southern Italy

TABLE V
AVERAGE INCOME PER WORKING UNIT
(in international units as calculated by Colin Clark)

Countries	Average income	Index Number (Italian average income = 100)
United States	1,381	402.6
Canada	1,337	398.8
New Zealand	1,202	350.4
Great Britain	1,069	311.7
Switzerland	1,018	296.8
Australia	980	285.7
Holland	855	249.3
Ireland	707	206.1
France	681	199.4
Denmark	680	198.3
Sweden	653	190.4
Germany	646	188.3
Belgium	600	174.9
Norway	539	157.0
Austria	511	149.1
Czechoslovakia	455	132.7
Greece	397	115.7
Finland	380	110.8
Hungary	359	104.7
Japan	353	102.9
Poland	352	102.6
Latvia	345	100.6
ITALY	343	100.0
Estonia	341	99.4
Yugoslavia	330	96.2
U. S. S. R.	320	93.3
South Africa	276	80.5
Bulgaria	239	70.0
Rumania	243	70.8
Southern Italy	210	61.5
Lithuania	207	60.3

and a few other countries whose economic development is also backward and for which fairly reliable, or at least roughly comparable, statistics are available. (The figures for the United Kingdom and the U.S.A. are given for the sake of reference).

It should be noted that the proportion of handicraft work, which is practically nil in the United Kingdom, accounts for 20% of the total in Southern Italy, for 35% in Hungary and for 80% in Bulgaria.

(4) PASQUALE SARACENO: *Elementi per un piano economico* 1948, Rome 1948.

TABLE VI

Countries	Population dependent on agriculture (% of total pop.)	Surplus pop. as % of pop. dep. on agriculture	Index number (Europe=100) of agr. output per person dep. on agriculture	Per capita income of gainfully occupied population in 1930	Industrial output per worker (in prewar \$)	Capital invested per worker (in prewar \$)
		(a)	(a)	(b)		
Bulgaria	75	53	47	239	540	1,080
Italy	44	28	73	343	700	1,530
Southern Italy	50	41	60	240	675	1,370
Yugoslavia	76	62	38	330	(c)	
Rumania	72	51	48	243	750	1,540
Hungary	51	22	78	359	(c)	1,740
United Kingdom	5	—	319	2,069	1,100	(c)
U.S.A.	25	—	(c)	1,381	2,540	4,840

(a) See: W. S. MOORE: *Economic Demography of Eastern and Southern Europe* (League of Nations, 1945).
 (b) International units (in dollars with 1925-34 purchasing power) (Colin Clark).
 (c) No figures available.

5. — Having thus proved that Southern Italy is one of the poorest areas in the civilised world, we may note that of the many different cases included in the category of backward and depressed areas, the following main types may be distinguished:

(a) *Derelict areas where conditions are irremediably unpropitious* as regards soil, climate and life and where no profitable development is possible—even on a long-term basis and with the most up-to-date resources of modern technique.

(b) *Reclaimable areas.* Areas yielding nothing or very little—such areas exist even in prosperous countries with a highly developed economy—which are capable of great improvement as a result of land reclamation, land conversion and industrialisation.

(c) *Backward or underdeveloped areas* including regions, States and even whole continents which have still to pass through one or more of the stages of modern economic and civil development already surmounted by other regions or States which are economically more advanced, highly industrialised and have a high per capita income.

(d) *Depressed areas* which have in the past—even a generation ago, but naturally without going back centuries—enjoyed normal economic conditions and prosperity, but which as a result of unfavourable economic causes have been turned into permanently depressed areas, with

the resulting characteristics not only of the present low per capita income, but also of a drastic fall as compared with the previous level of income (5) and by a high level of unemployment.

Excluding (though not completely) the "derelict" areas, all the other types and aspects listed above are to be found in Southern Italy. Areas capable of being improved by land reclamation account for 26% of the productive surface in Southern Italy (20% in the rest of Italy). About 60% of the economic activities from which this region draws its income are still at the agricultural and handicraft stage and technique is often quite primitive; there is lack of secondary or communal roads and, in many areas, living conditions are unfit for a civilised country. This economic depression dates back some decades prior to the unification of Italy and the difference in economy and civilisation between these regions and the rest of Italy has been accentuated with the passing of time.

6. — So much historical, economic and statistical material is available to prove the above statements, that it is no easy matter to make a representative and conclusive choice. For the sake of brevity we shall merely quote a few of the more significant statistical figures. But it should be borne in mind that figures very often

(5) Brief depressions depending on the fluctuations of the business cycles are excluded.

are merely a pale reflection of a reality that can only be brought to life by a detailed description, capable of arousing the indignation and touching the hearts of all civilised people.

The figures already given in the preceding tables regarding income are best suited to give some idea of the situation. The pitifully low consumption of food and other commodities, the overcrowding and the higher death rate, etc., though they illustrate the disastrous conditions, are of course merely the direct or indirect consequences of this low income per head of population.

Table VII shows the situation in 1938.

TABLE VII

INCOME PRODUCED IN 1938 (a)

	Total (in 1938 billion of lire)				Per-capita (lire)			
	Total	Agriculture	Industry	Building	Total	Agriculture	Industry	Building
a) Value								
North	86.9	33.9	48.2	4.8	3,143	1,226	1,743	174
South	27.2	15.6	9.8	1.8	1,732	994	624	115
Italy	114.1	49.5	58.0	6.6	2,632	1,142	1,338	152
b) Territorial Percentages								
North	72.2	68.5	81.1	72.7	—	—	—	—
South	23.8	31.5	16.9	27.3	—	—	—	—
Italy	100.0	100.0	100.0	100.0	—	—	—	—
c) Percentages for economic Categories								
North	100.0	39.0	55.5	5.5	100.0	39.0	55.5	5.5
South	100.0	57.4	36.0	6.6	100.0	57.4	36.0	6.6
Italy	100.0	43.4	50.8	5.8	100.0	43.4	50.8	5.8
d) North = 100								
North	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
South	31.3	46.0	20.3	37.5	55.1	81.1	35.8	66.1
Italy	131.3	146.0	120.3	137.5	83.8	93.1	76.8	87.4

(a) For a correct interpretation of these figures note that the division of the total income into three categories only (agriculture, industry and building) is the result of a simplification based on the concept of an income originating in the productive sources of agriculture and industry. Building has been considered apart from industry merely so as better to be able to follow its trend. The income derived from other activities (trade, professions, banking, etc.) — considered as dependent on and directly proportionate to the flow of goods produced — has been divided proportionally between the agricultural and industrial branches. A parallel trend has therefore been assumed between the income from the above activities and that from "production" proper (See P. SARACENO, op. cit.).

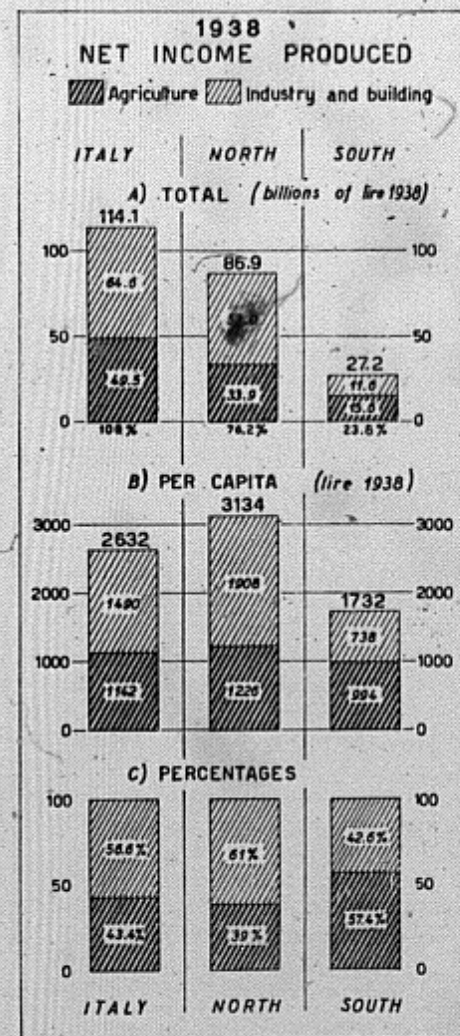
We note that:

(a) The total per capita income in Southern Italy was only just over half (55%) that of Northern Italy (3,143 lire in the North as against 1,732 lire in the South).

Even the per capita income from agriculture is lower in the South, although this region is mainly agricultural.

The per capita income from industry in the South is about one-third of that in the North (this shows clearly the low yield of Southern industries, mainly small, of the handicraft type and technically far behind those up North).

(b) Almost 60% (57.5%) of the income in the South comes from agriculture and only 36%



per cent from industry, whereas in the North the percentages are 39% and 55.5% respectively.

The fact that the average productivity ("added" value) per worker is in Italy 2.25 times as much for industry as it is for agriculture easily explains the low total income in the South and gives some idea of the advantages to be derived from industrialisation.

(c) The extent of the economic depression in the South of Italy is an indirect result of the low per capita income in all branches; 81% of the North for agriculture, 36% for industry and 66% for building.

If instead of referring the total income to the total population, we refer it only to the working population, we get the following figures for 1938:

Income produced by each worker (in lire)	North	South	Italy
	6,880	4,690	6,236
Index number (100 = the North)	100	68	91

This also shows that the individual yield of the workers is very low, a fact to be attributed to the backward technique and lack of organisation.

7. — We will now illustrate some aspects of the living conditions of the majority of the population in Southern Italy.

Housing conditions are significant evidence of the standard of living prevailing in Southern Italy. The figures concern towns having over 20,000 inhabitants which, for the sake of brevity, will be referred to as "urban centres".

The figures given date back to 1931, but events in the intervening period and the destruction and damage caused by the war (concerning which only summary statistics are available) have aggravated the situation both in an absolute and in a relative sense (that is to say, the situation in the South as compared with that in the North). (6)

The difference between conditions in Southern Italy and in the rest of the country varies considerably according as we consider all the

housing units (rooms) or only those of the working classes shown in the Table VIII.

TABLE VIII
NUMBER OF ROOMS FOR DWELLING PURPOSES

Districts	Italy		Town with 20,000 inhabitants and over			
	Mil-lions	%	total		working classes	
			Mil-lions	%	Mil-lions	%
Northern Italy	15.6	52.5	5.2	50.1	2.4	56.1
Central Italy	5.7	19.0	2.3	22.9	0.9	21.1
Southern Italy	5.5	18.3	1.6	15.7	0.6	12.9
Islands	3.0	10.2	1.1	11.3	0.4	8.8
North (a)	21.3	71.5	7.5	73.0	3.4	78.3
South (b)	8.5	28.5	2.7	27.0	0.9	21.7
Italy	29.8	100	10.2	100	4.3	100

(a) Including Northern and Central Italy.
(b) Including Southern Italy and the Islands.

For a population in Southern Italy which formed 35.6% of the total Italian population in 1931, 28.5% of the total number of rooms were available, 27% in the urban centres. In the latter, however, Southern Italy disposed of only 21.7% of the total number of rooms for workers in general (industrial workers and craftsmen, labourers and servants, public and private employees) and of 21.9% of the total for workmen only (industrial workers and craftsmen).

Table IX gives the average number of persons per room.

TABLE IX
AVERAGE NUMBER OF PERSONS PER ROOM

Districts	All population	In towns with 20,000 inhabitants and over		
		Total	Workers & employees	Industrial workers only
Northern Italy	1.2	1.2	1.3	1.5
Central Italy	1.2	1.2	1.3	1.4
Southern Italy	1.8	2.0	2.2	2.7
Islands	1.6	1.7	1.9	2.0
South	1.2	1.2	1.3	1.5
North	1.8	1.9	2.1	2.5
Italy	1.4	1.4	1.5	1.7

Assuming the figure of the North equal to 100, we obtain the following index numbers

(6) The housing problem has been amply dealt with in SALVATORE ALBERTI article: *The Housing Problem in Italy* published in n. 7 of this Review, October 1948, pag. 441.

for the South: aggregate population: 158; for workers and employees: 162; for the working classes: 167. The greatest difference between South and North is therefore in the working class dwellings. Further eloquent figures are those given in Table X. Of the people

TABLE X
PERSONS LIVING IN OVERCROWDED AND CONGESTED DWELLINGS

Districts	Percentage of persons living in houses:			
	overcrowded (a)		congested (b)	
	total	employees	workers	
Northern Italy	20.6	22.2	27.3	6.1
Central Italy	24.4	28.9	35.0	8.8
Southern Italy	58.9	64.0	73.7	39.3
Islands	51.6	55.6	63.6	32.2
North	21.8	24.1	29.8	6.9
South	56.1	60.9	69.8	36.3
Italy	34.5	35.3	42.2	19.2

(a) Houses where there is an average of over two persons per room are considered overcrowded; those in which there are more than 3 persons per room are congested.

(b) No separate figures are available for employees and workers.

living in houses, 58.9% suffer from overcrowding in the South (as against 20.6% in the North), for the working classes the percentage is as high as 73.7%.

The average number of persons per room does not take into account the "quality" of the rooms (area, cubic space, windows, flooring, state of repair, etc.) or the "services"

TABLE XI

Item	North	South	Italy
Out of 100 dwellings there were:			
a) with kitchen facilities	84.9	66.4	78.4
— wherein the kitchen is a small room (out of the 100 of the census)	14.5	62.8	29.0
b) with drinking water	63.4	44.4	56.7
c) with privy	77.4	58.0	70.5
d) with water closet	43.6	16.7	34.1
e) with electric light	78.2	49.5	68.0
f) with gas	41.4	6.1	28.9
g) with bath	12.5	4.0	9.4

(water, privies, light, etc.) (7). The gravity of the situation in Southern Italy, also under these aspects, may be judged from the figures of Table XI.

8. — Other aspects of the standard of living in Southern Italy are shown by Table XII containing characteristic index figures referring to 1938 or 1939 (for illiteracy to 1931).

TABLE XII

Item	South	Rest of Italy	% for South
1. Consumption (per capita):			
Beef & veal	Kg. 3.76	11.93	31.5
Cotton	Kg. 1.7	2.9	58.6
Wool	Kg. 0.8	1.9	42.1
Soap	Kg. 2.2	5.8	37.9
Tobacco	(lire) 64.51	103.73	62.2
Electricity for lighting purposes	Kwh. 9.16	23.74	37.0
Gas for household use; cubic meters	3.59	14.19	17.9
Spent on cinemas	(lire) 6.67	17.14	39.5
Spent on other performances	(lire) 8.65	19.25	34.4
2. Standard of living (per 100 inhabitants)			
Telephone (subscribers in main provincial towns)	7	24.1	29.0
Wireless subscribers	1.5	3.2	46.6
Private cars in circulation	0.3	0.8	37.5
3. Education			
Pupils registered at the elementary schools (per 100 inhabitants from 6-13 years of age)	67	57	—
Illiterates per 100 inhabitants:			
Total	39	12	—
For certain age groups:			
(a) from 6 to 19	22	3	—
from 20 to 29	35	7	—
from 30 to 39	49	13	—
from 40 to 49	59	22	—
from 50 to 64	72	36	—
65 years and over	72	36	—

(a) Illiterates belonging to specified age groups per 100 inhabitants of same age group.

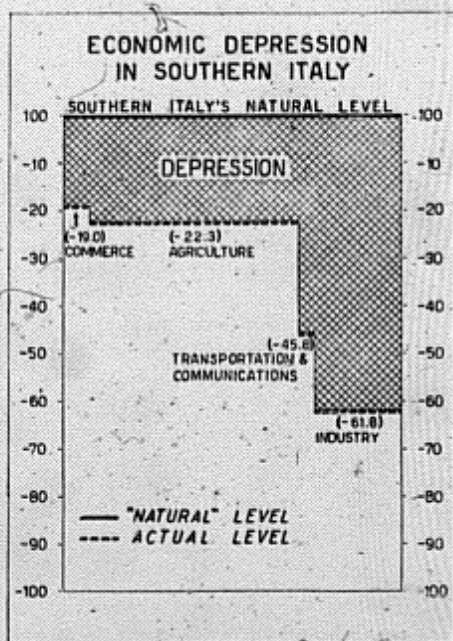
9. — Regarding this general economic depression to which hundreds of partial index numbers bear witness, an attempt has been made to measure its extent by means of a few synthetic figures, taking the "natural" level for Southern Italy as equal to 100, that is to

(7) An enquiry carried out in 1934 regarding rural houses showed that 3% of the houses in Southern Italy consisted of caves and abodes made out of mud, branches and the like, as against 0.4% in the rest of Italy. Rural houses in need of radical repair or requiring to be pulled down amounted to 25.6% in the South of Italy and to 14.9% in the North.

say, the level which economic activity should have reached if it had been divided throughout the country in the same proportion relative to territory and population (8).

The following figures were obtained:

	Depression (%)
Agriculture	22
Industry	62
Trade	19
Transport & communications	44
<i>Average</i>	<i>33</i>



Southern Italy's "natural" level indicates the position of that region, relative to the whole of Italy, as given by its natural factors (population and territory).

The actual level shows the depression in Southern Italy for the various branches of economic activity in percentage of the "natural" level.

(8) This is a method of measurement that may give rise to doubts concerning the accuracy of the figures obtained. Since we are dealing with a portion of territory equal to over 40 % of the total national area (containing 35 % of the total population), where natural conditions on the whole are not much worse than in the rest of the country, the results may be held to be realistic. In support of the above calculation, it is sufficient to compare the average inferiority of 33 % resulting from our figure with that referring to the average income per inhabitant which is Lire 1732 in Southern Italy, i. e. 34.8 % less

If instead of taking the "natural" level of the South as our term of reference, we were to take the level of the North, the depression would be much worse.

III. - Study of Causes.

(a) The Depressed Area as the Outcome of a Century of Private Economic Organisation.

10. — There are causes of a general nature for the depression in Southern Italy which reach beyond the specific situation in Italy and are closely connected with the economic organisation of our recent civilisation, based on self-interest and fluctuating between a more or less attenuated form of free trade and a protectionist system often exceeding all reasonable limits and paying more attention to individual than collective interests.

Self-interest is apt to exploit only such activities as offer the prospect of profits, directing capital and enterprise towards them. It fights shy of the poor and under-developed areas which do not offer an adequate return, at least until the State, by means of public works, puts them in a position to ensure profitable investment.

In such areas, where the population is obliged to live and work, the economic and social level, particularly if the demographic pressure is strong, amounts to little better than misery.

Depressed or under-developed areas, the outcome of our present economic organisation, do not entail any serious problems as long as they are limited to small enclaves in a rich and not over-populated country; but when, as in Italy, they involve large numbers of the population and huge areas, they become a problem of national importance.

(b) Over-population, Economic Policy and "Cumulative" Factors.

11. — The above-mentioned causes of a general nature have assumed a concrete form in

than for the rest of Italy (Lire 2632). For the industrial income we have 53 % as against the 62 % calculated above.

Naturally a similar method of reckoning would not be reliable if referred to smaller territorial divisions (regions or provinces), but in the case of so large and varied an area the indexes take on a concrete significance which is most expressive.

Southern Italy in combination with an intricate mass of local non-economic causes of a demographic, historical, political and environmental nature.

The effects of over-population have already been mentioned in the first paragraph. With regard to the mainly economic causes, we will limit ourselves to giving a brief summary of the conclusions reached—also recently—by those who have concentrated their attention on the problem of Southern Italy (9).

(a) About 1850, at the dawn of industrial civilisation, the equipment of all the main industrial branches (metallurgy, engineering, textiles, leather, hides and paper) and the degree of industrialisation in Southern Italy was in no way inferior to that of the rest of the country and of many other countries which later became the forerunners of industrial progress.

(b) Between 1861 and 1900 a serious blow was dealt to industry in the South by the unification of Italy; first as a result of the abolition of customs-barriers which, by opening the doors to foreign industry, demolished the industrial apparatus of the South which had previously been protected by tariffs and fostered by the local authorities. Then, between 1883 and 1888, a protectionist system was adopted to defend the industries in the North, which had sprung up during the 25 years of free trade; but this did not help the Southern industries already decimated by the period of free trade. Thus the great break between North and South occurred between 1850 and 1900.

(c) Between 1900 and 1938 not only was this disequilibrium not reduced, but it increased steadily. The ever more effective "cumulative" factors favouring the stronger industries in the North determined the depressed conditions in the South which prevented capital investment and the setting up of new enterprises.

(9) GIUSEPPE CENZATO & SALVATORE GIROTTI: *The Industrial Problem of Southern Italy*. Ministry of Industry and Trade, Rome 1946.

GIUSEPPE CENZATO: *Concerning the Industrial Problem in Southern Italy* - *Svimez* - Rome, November 6-7 1948 (Contributions to the Study of the Industrial Problem in the South of Italy, report to the Meeting of Italian Industrial Engineers, Milan, 6-7 Nov. 1948).

(d) Between 1938 and 1948, particularly during the post-war period, this industrial disequilibrium continually increased as the result of a series of particularly unfavourable circumstances in Southern Italy (10).

12. — When studying the most deep-rooted economic causes of the depression and, above all, of the backward industrial conditions in Southern Italy, one aspect deserves to be particularly stressed: once the initial break had occurred, the consequences of the so-called "cumulative" factors—which cause new capital and new enterprises to be concentrated more and more in the most advanced areas—were felt with ever greater intensity.

In Northern Italy, as time goes on, the advantages increase in geometric progression while in the South disadvantages accumulate in the same progression.

This, moreover, is a phenomenon of a general nature that modern scholars have been stressing for some time when dealing with depressed area (11).

These cumulative factors depend, in actual fact, on favourable surrounding conditions, consisting in better communications (roads, railways) and increased means of transport of a more modern quality, and also depend on the

(10) In a recent report (6-7 Nov. 1948) G. CENZATO attributes the phenomenon to:

1) the more serious destruction suffered by industries, railways and harbours, etc., in Southern Italy;

2) a much slower rate of reconstruction;

3) the loss of characteristic export markets (fruit and vegetables) further aggravated by the lack of special export facilities which have instead been granted to a number of economic sectors situated mainly in the North;

4) the post-war situation of the money market and the reduced flow of capital. In 1916 the capital invested in joint-stock companies in Southern Italy amounted to 13.9 % of the total for the whole country; in 1947 it amounted to 8.7 %; whereas bank deposits down South have increased 22 times as compared with prewar (between 1938 and 1947), investments have only increased 14 times. (In the North, however, investments have increased 21 times and deposits 18 times). The ratio between investment and bank deposits fell from 95 % in 1938 to 62 % in 1947, while in the North it rose from 60 % in 1938 to 72 % in 1947.

5) the lack (or negligible amount) of compensation for war damage, paid out far more generously to the industries up North.

(11) See K. MANDELBAUM: *The Industrialization of Backward Areas* - Institute of Statistics - Oxford - Basil Blackwell, 1945. P. 4.

general conditions of life, including the degree of education of the people, their habits in the factories and workshops, the presence of auxiliary and subsidiary services of industry, trade and transport, the presence of skilled workers and technicians, a more developed team spirit, etc. (12).

The accumulation in the North of ever more favourable incentives to economic and industrial development is justified from a rational economic standpoint as far as private enterprise is concerned, but there is no justification whatsoever in sectors belonging exclusively to the State. Both now and in the past the latter should have done its best to make up for the lack of private enterprise in one area by re-establishing a certain balance; it should improve conditions in general by building main-roads and efficient railways, by carrying out land reclamation and reforestation, by curbing water courses, converting the "latifondi", building aqueducts, drains, schools and hospitals, by fighting malaria, improving the telephone and telegraph services, improving harbour facilities, facilitating credit, loans etc.

Instead the State has merely followed in the tracks of private enterprise, a policy that is undoubtedly more profitable and less arduous but is anti-social as far as Southern Italy is concerned.

IV. - Study of Remedies.

(a) State Intervention.

13. — The situation being as we have described, it is absolutely out of the question for private forces alone to operate advantageously at the present moment. Large-scale, well planned and continuous State intervention is necessary in order to shift economic balance towards the South. Businessmen and economists who have studied the problem of backward areas both in Italy and abroad agree almost unanimously that a first powerful State drive is essential (13).

(12) See G. CENZATO: *Concerning the Industrial Problem in Southern Italy*, op. cit.

(13) See: K. MANDELBAUM: op. cit. - P. SARACENO: *Elements of an Economic Plan for 1949-1952* - op. cit. p. 14 and follow.

14. — Theoretically, State intervention should operate in all directions, simultaneously affecting the population, the environment and the productive factors (agriculture, fishing, mining, industries); bearing in mind that the fundamental problem is demographic.

Its effect on the population should take the form of favouring emigration. In fact no serious consideration can be given to a demographic policy that aims to reduce births. Apart from everything else, experience has shown that in Italy there is no hope of political intervention being successful in this matter. A demographic policy that was the reverse of the Fascist or Russian policy would be equally doomed to failure.

(b) Emigration.

15. — Regarding emigration, there are undoubtedly good possibilities, but it must not be expected to work miracles. Those who imagine 300-400,000 emigrants being shipped abroad every year show very little sense of reality. Emigration depends on the will and requirements of other States which, quite apart from the iron barriers set up by some of them, now ask for guarantees regarding the quality of the emigrants, fix quotas for immigrants and insist on the observance of severe conditions. Peasants and workmen trained and skilled are wanted, whom we are short of ourselves; emigrants from the North are preferred, whereas Italy needs to send a high quota of emigrants from the South. The period of emigration of the professionally untrained, illiterate and destitute masses is definitely over. However there is still a good margin in Southern Italy, although it will never, in the most favourable of cases, exceed 50-60,000 units (net of repatriations) on a ten-year average.

A comparison of these figures with the requirements mentioned at the beginning shows clearly that emigration cannot do more than give a helping hand in a action intended to have a decisive effect on productive factors. Moreover, although it may temporarily relieve the depression, emigration leaves unchanged the

wing. - G. CENZATO: *Concerning the Industrial Problem of Southern Italy*, op. cit.

causes at the basis of the present state of underdevelopment. In short, although it has a slight and irregular effect on the consequences, it does not prevent the demographic surplus from continually forming again.

This has been proved by history from the time of the unification of Italy up to the present. As has already been mentioned 3.8 million persons, equal to 40% of the natural surplus population, emigrated from Southern Italy between 1861 and 1936. Despite this large-scale exodus, the productive population (over 10 years of age) remained practically unvaried, while the unproductive population rose from 1.8 to 4.1 millions, showing an increase of 2.3 millions. Emigration, therefore, did not in any way stimulate economic activity; agricultural productivity remained unaltered, industrialisation extremely low. In 1937-39 about 60% of the industrial capacity still consisted of craftsmen and small industries and 16% of medium-size industries.

(c) Agriculture.

16. — Owing to overpopulation, we find in agriculture in Southern Italy the form of inactivity known as "hidden unemployment" which consists of a unduly high number of persons of working age compelled, for long periods of time, to depend almost completely on their families (except for short and irregular jobs), whose economy has gradually adapted itself to this decreasing per capita income.

Enquiries carried out by the League of Nations showed that in 1930 there was a surplus farm population in Southern Italy amounting to about 3 million, out of a total farm population numbering 7.3 millions (41%). (See Table VI).

The unfavourable effect of this overpopulation is all the more serious insofar as:

(a) 86% of the agricultural and forest area of the South consist of mountains and hills, as against 75% in the rest of Italy;

(b) the rainfall is usually insufficient in Southern Italy, particularly at those times of year when it is essential for crops. The lack of permanent glaciers affects the water system which is meagre, irregular and incapable of meeting the needs of agriculture in summer;

(c) irrigation possibilities are consequently limited. At present the irrigated area is 5.5% of the arable area (as against 26.5% up North) and with the completion of the official irrigation programs may be brought up to 8.8% (as against 29% up North). The irrigated surface in the South of Italy represents barely 7% of the total irrigated surface for the whole nation and that of the islands only 5%: total 12%;

(d) the water courses in Southern Italy, mostly of a torrential nature uncurbed by proper engineering works, cause erosion and considerable damage;

(e) foregoing disadvantageous natural conditions have a deep influence on agricultural production which as far as fundamental foodstuffs are concerned (cereals, potatoes, cheese) is lower in the South than in the North, both as regards total production and production per unit. The same difference in yield is, also, to be found, though to a lesser degree, in the production of industrial crops (sugar beet, hemp, tobacco);

(f) there are, of course, fertile areas in Southern Italy where vegetables are grown and both total output and yield per unit are very high, but they are limited in extent;

(g) as regards the timber output, owing to the degree of overcutting which occurred between 1937-38 and 1946-47, a reduced scale of cutting will be necessary during the next few years in order to re-form our forests;

(h) the quantity of livestock is lower in Southern Italy than in the North, as referred to both the agricultural area and the number of farm workers. The live weight of animals of all kinds per square kilometer is 8.8 tons in the South as against 21.6 tons in the rest of Italy; for each 100 farm workers the weight is 32.4 tons a year in the South as against 64.6 in the rest of Italy. Further, not only the quantity but also the quality of the livestock is inferior;

(i) the surplus of manpower stands in the way of mechanisation (14);

(14) In 1947, for instance, there were 1.1 agricultural tractors per 100 hectares of arable soil in Southern Italy as against 6.7 in the rest of Italy.

(l) cross-country communications (from one commune to another and from one farm to another) are most unsatisfactory;

(m) the agricultural technique adopted on the huge "latifondi" with their extensive crops is extremely backward; fertilizers are little used. Consequently the yield of farming down South is poor on the whole, as appears from the figure representing the average income per hectare of farm-land and forests (minus taxes) which is 36 lire (1938) in the South as against 60 lire in the rest of Italy.

This situation is reflected by the net agricultural output which is much lower than in the North of Italy and by the density which is much higher.

Owing to the difference in location and in types of crops existing between North and South, it is useless to attempt to make rational comparisons based on figures referring to the size of the territory or of the cultivation. In order to make these figures as homogeneous as possible, the League of Nations converted the agricultural areas into "arable" areas by means of special coefficients. The League of Nations then calculated the net agricultural output, expressing it in international crop units.

The following results were obtained from these elements (Table XIII).

TABLE XIII

NET AGRICULTURAL OUTPUT (average for 1931-35)

	Area (a) sq. km.	Net agricultural output (1931-35) (b)		Density (d) per sq. km.
		in thous- ands (b)	per person (c)	
South of Italy	114,952	184,249	25.2	63.5
Rest of Italy	221,174	377,477	34.7	49.2
Italy	336,126	561,726	30.9	53.4

(a) As equivalent of arable area - (b) International crop units - (c) Per person dependent on agriculture (persons employed and persons dependent on them) - (d) Ratio between the surface as equivalent of the arable area and the persons depending on agriculture.

These conditions account for the fact that agriculture in Southern Italy, suffering as it does from an excess of manpower and exploited to the very limit of economic practicability, was unable to absorb new workers between 1861 and 1936.

Changes must be made in the type of crops and in the land and farming organisation; advantage must be taken of the discoveries of modern technique; irrigation and land reclamation must be carried out and the water system must be improved. All this can be done, but even then the boldest programs for agricultural development in Southern Italy do not anticipate the absorption of more than 5-10,000 units yearly. In view of the excessive number of persons now dependent on each hectare of productive area, agricultural improvement and development could at the outside lighten this burden by reducing the hidden unemployment, without however absorbing new units of the population.

Very little is therefore to be expected from agriculture.

(d) Public Works.

17. — In theory at least a large sphere of action is reserved for the State in connection with radical changes to environmental conditions, to be achieved by means of an organic program of public works creating the initial impulse that is essential to recovery (15).

This initial impulse must not take the form of sporadic and disconnected State action aiming to find work for the unemployed under the spur of urgent political and social requirements. It must be far-reaching and must get to the bottom of the structural conditions which are at the basis of the depression. A long-term plan of public works must be drawn up and executed as the first stage in the process of clearing up, its foremost task being to set capital and enterprise in motion so as to create the surroundings and the background required for the development of agricultural activities and for industrialization (16).

This, in turn, should act as "psychological encouragement" to entrepreneurs in the more

(15) P. SARACENO, op. cit., p. 15.

(16) Public works on a large scale could immediately give rise to the development of a number of industrial processes, such as: a) the manufacture of cement, mortar, plaster and bricks (the excess productive capacity in the North could not be used, as the building materials would become too expensive if heavy transport costs were added); b) the manufacture of wood for fittings and building carpentry.

advanced industrial areas and should succeed in overcoming any reticence or distrust.

Public works on a large scale are urgently needed in Southern Italy and could employ large quantities of man-power for a whole generation. It is sufficient to mention the present condition of secondary roads (17), of land reclamation (18), of drains and aqueducts (19), of telecommunications, of schools (20) and hospitals.

(e) Industry.

18. — Industrialisation, combined and coordinated with a plan regulating public works, might well play an outstanding role in promoting recovery since it implies a considerable increase in the per capita income.

Industrial development does not merely absorb workers in the specific industrial sector developed, it also leads to a considerable amount of employment in the subordinate and accessory activities (multiplying effect). The latter include agriculture insofar as industrialisation can supply new means and possibilities of development, thus stimulating the advance of agriculture which, in its turn, affords greater opportunities to industry.

In countries having a high degree of agricultural density and, consequently, a tendency to occupy more and more unproductive land, the more overpopulated are the agricultural areas, the greater are the advantages of industrialisation (21).

(17) In Southern Italy there are 10 km. of secondary roads for every 100 sq. km. of area, as against 50 km. in the rest of Italy. To reach the nearest road it is necessary to cover an average of 1.3 km. in Northern Italy and 2.50 km. in Southern Italy.

(18) In the South over 3 million hectares need reclaiming (not counting the reclaimed land where public works have already been completed, but where the subsequent work of land conversion is still under way).

(19) Enquiries carried out in Calabria in December 1948 showed that: a) over 40% of the Communes have no drains, while the drainage of a further 30% is insufficient; b) 25% have no water system, while a further 55% are insufficiently supplied.

(20) See the figures concerning illiteracy on Table XII. In the province of Cosenza (Calabria), 90% of the Communes have no school building.

(21) COLIN CLARK (« Economics of 1960 »), as the result of studies and enquiries carried out in 20 countries, has shown that the per capita income tends to vary in inverse ratio to the square root of the density of workers per hectare of cultivated soil.

In Italy the net output per employed person (1938) for industry was more than double (2.25 times) that for agriculture (2.8 times in Germany, 4.4 times in the U.S.A.). Every farm hand who becomes an industrial worker represents an average benefit (expressed in "additional value") of about 6,800 1938-lire (340,000 1948-lire).

Three important factors make it advisable as a rule, other economic and social conditions being equal, to direct the main effort of economic conversion to industry rather than to agriculture: (a) the amount of capital to be invested; (b) the income obtainable; (c) the factor of time (this latter being considered with regard to both the period over which capital will be immobilised and the speed with which income will accrue and the planned conversion will produce effect).

Naturally industrialisation must not entail neglect of agricultural development and improvements. "Intensive ruralisation", as it has been called, is not only quite compatible with industrialisation, it is also, particularly in Southern Italy, its necessary premise and complement. An increase in forage crops, for instance, opens the way to new industrial opportunities in connection with all livestock produce (meat, dairy products, poultry, food preserving, etc.). In the same way the expansion of specialised cultures (fruit trees, olive trees, mulberry trees, etc., or vegetables) paves the way for the development of important accessory industries and exports.

Industrial development must not attempt to suppress the existing handicrafts, which often have important traditions behind them as well as the advantage of low production costs; it must merely re-organise, modernise and rationalise them.

V. - Can Southern Italy be industrialised? Conditions, limits and direction.

19. — The theoretical possibilities of industrialising Southern Italy are of three kinds:

(a) modernisation, rationalisation, enlargement of already existing factories (industrial recovery);

(b) establishment of new factories for industries and manufacturing processes already existing in the South, but located in other regions or provinces of Southern Italy;

(c) establishment of new factories for industries or manufacturing processes new to Southern Italy.

There are great possibilities in the sector covered by item (a), as industry in Southern Italy consists mainly of small scale handicrafts or of very small industries (22) of the family type, whose equipment and technical processes are out-dated and consequently costly (23).

The difficult is, however, that even if all these improvements are carried out, they will not lead to that process of industrialisation which is necessary in order to convert the economic structure in Southern Italy and absorb large yearly quotas of manpower. They might even lead to a fall in the number of workers employed as a result of the greater use made of highly perfected processes and machinery.

In theory no obstacles prevent the further development of already existing industries mentioned in item (b), provided there is not already an excess of productive capacity. It is on the latter and on the new industries mentioned in item (c) that action must be concentrated in order to reach the desired results.

(22) According to the industrial census in 1938 industry in Southern Italy was characterised by the following traits:

TABLE XIV

Description	Number (thousands)		%		% of all Italy for the South	
	Establishments	Workers	Establishments	Workers	Establishments	Workers
Handicraft Industry:	268.5	361.3	81.0	43.7	43.4	32.3
— small and very small (a)	57.9	138.3	17.5	16.7	31.5	32.1
— medium (b)	4.6	131.8	1.3	16.0	16.1	14.8
— large (c)	0.6	195.2	0.2	23.6	7.1	10.7
Total	333.6	826.6	100.0	100.0	32.4	19.3

(a) Up to 10 workers - (b) From 11 to 100 workers - (c) Over 100 workers.

(23) The workers employed by « industrial » establishments which did not use motive power accounted altogether for 26% of the industrial workers (including handicraftsmen) in the North and for 59% in the South.

The question is of outstanding importance and entails firstly a comparative analysis (between North and South) of production costs; this is no easy task but serious attention has already been given to it (24). On the basis of a series of enquiries regarding the production costs of important food-processing, textile, chemical, paper, metallurgical and engineering industries, the conclusion was reached that the vast majority of industries in Southern Italy have no cause to remain in a position of permanent inferiority with regard to the other regions of Italy. The reasons for this assertion may be summed up as follows:

(a) *Raw Materials.* Concerning domestic raw materials the situation is certainly no less favourable than up North in the sector of the industrial processing of agricultural foodstuffs and, barring silk, also of textiles (wool, hemp), although it is less favourable for livestock products (dairy products, hides and skins). The use of annual plants and by-products for manufacturing cellulose and xyloid types of wood makes up, at least in part, for the lack of wood pulp. With regard to mineral products, sulphur, iron, lead, zinc, bauxite, kaolin, clays and rock salt, Southern Italy is, on the whole, in a better position than Northern Italy.

With regard to power sources, the situation in the South is at present the more favourable as regards solid fuel. In the sector of hydro-electric power, on the other hand, the North has considerable advantages. It has been stated, however, that if the industries consuming large quantities of power (electro-metallurgical, electrochemical etc.)—unsuitable for the South in any case—are excluded, sufficient power could be produced in the South to meet the needs of local industrial consumption, even anticipating considerable industrial development.

Bearing in mind the fact that domestic raw materials usually only form a very low proportion of home requirements, it may be asserted that no clearly and permanently unfavourable situation exists in Southern Italy.

Regarding imported raw materials, Northern Italy enjoys no special advantages. Before

(24) Particularly by G. CENZATO and S. GUIDOTTI, op. cit.

the war about half Italy's imports came from non-European countries—that is to say, mainly by sea; this proportion has now risen to about 70%. Imports by sea of many basic raw materials, not including scrap iron and timber, reach percentages varying between 70 and 100.

(b) *Manpower.* The advantage of lower wages in Southern Italy (from 10 to 25% less than in the North) cannot rightly be considered as offset by a lower average yield per worker except insofar as the latter may be caused by lack of experience and a lower standard of living, both of which industrialisation will gradually remove.

(c) *General and Indirect Expenses* in Southern Italy (not including rates and taxes) weigh far more heavily only because of the backward conditions there and the lack of those cumulative factors mentioned in paragraph 11 favouring industry in Northern Italy, which the State must endeavour to reduce.

Regarding amortisation expenses, the inferior situation of Southern Italy as compared with the North, where the plant is already amortised to a great extent (or can be amortised at pre-war costs), has been considerably reduced by the necessity in which Northern industries find themselves of having radically to renew their plant, most of which is old technologically and physically.

Southern Italy however enjoys the advantage of all latecomers in the process of industrialisation—she starts off with the most up-to-date discoveries of technique and benefits from the experience acquired by other industries both at home and abroad.

The conclusion may therefore be drawn that the higher costs of industry in Southern Italy, where they occur, are broadly speaking, due in the main to the environmental conditions.

Until this situation of inferiority is overcome, it is obvious that—except, of course, for the frequent cases where initial costs in the South are equal to or lower than those in the North—laws, subsidies and help of all kinds will be necessary in order that, from the very beginning, the industries in the South may be

placed on the same footing as those in the North regarding production costs or, rather, regarding that part of the higher cost of production resulting from less favourable environmental conditions.

20. — The considerations made hitherto are of a theoretical nature since the establishment of new industries in the South of Italy or the enlargement of those already existing must be decided within the framework of already existing industries, bearing in mind the possible outlets, the absorption of products being, in fact, the first consideration on which industry is based. From this aspect, as regards number of industrial products which do not benefit from locally produced raw materials or, at any rate, from lower costs, Southern Italy for some time to come can count on a far more restricted and poorer home market than can the North.

For supplies of certain raw materials (e.g. phosphates and mineral ores from Tunisia) and for exports (e.g. fertilisers, engineering products, cement, bricks, etc.) there may be opportunities of development in the countries of the Mediterranean and of the Middle East now entering into a stage of economic and industrial development. This problem, however, needs to be re-examined case by case, in relation to the present situation and the changeable prospects for the future.

With regard to the already existing equipment and productive capacity of Italian industry, there are obvious situations forbidding or rendering unadvisable the establishment of certain new industries in Southern Italy; for instance: (a) industries whose main outlet would be in the North; (b) industries having an excess productive capacity; (c) the sound Northern industries now just being modernised, rationalised and reconverted, which are preferred by investors.

There are, nevertheless, exceptions to these principles of a general nature when, in anticipation of a considerable further development of present productive capacity, it may be found expedient to dislocate the new plant required to absorb the greater capacity anticipated in

the future in the South. Exceptions are also justified in cases where the present location up North of industries whose products are to be sold down South leads to higher costs owing to the heavy burden of transport.

In this case, even if there is an excess productive capacity in Northern Italy, factories of the same kind may be opened in the South, provided this does not seriously affect the costs of the industry up North. A typical case is that of cement and bricks.

21. — The actual *directions* in which industrialisation is likely to move under present conditions represent a technical problem that is outside the scope of the present article; much has already been written and is constantly being written on this subject.

No general or priority principles can be laid down regarding this matter since, taken in isolation or together, they might easily be open to a number of exception. Factual conditions—including those of a social and psychological nature—may indeed render expedient choices, solutions and adjustments to reality not at all in keeping with the aforesaid principles.

In any case the industrialisation programs should be coordinated with the changes and advances to be expected, often simultaneously, in the sectors of agriculture and public works. Moreover a *one-sided development of industry* is to be avoided; as far as possible development should be promoted in a wide variety of production sectors. A *variety of different industries* is a remarkable coefficient for the creation of industrial conditions and for the development of those "cumulative" factors which, as has been seen, play so important a part in industrial progress.

VI. - Economic Development: Obstacles and Facilities.

(a) Two "bottlenecks": Capital and Credit.

22. — The shortage of capital, always considerable in Italy and serious in the South, has been aggravated by the long process of inflation. The situation may be improved: (a) by

means of foreign loans; (b) by directing the capital locally available for investment towards industry rather than towards speculation, and turning its flow towards the South; (c) by investing in the South not only all the savings collected in that area—which must be encouraged to reach the maximum—but also a portion of those from other regions. It would be necessary to invert the situation which occurred between 1938 and 1947, during which period, although bank deposits in Southern Italy increased (20 times the pre-war figure), considerably more than in the North (16 times pre-war), loans and advances in the South increased to a lesser extent (13 times as against 20 times). In Southern peninsular Italy the differences are even more marked. Furthermore, whereas in the North the percentage of loans and advances compared with deposits is 73% in the South it is only 61%, and 55% (49 per cent in 1946) in Southern peninsular Italy.

These percentages allow us to deduce indirectly that the banking system in the South is more attracted by non-risk investments that have no connection with activities in the South.

The effort made by the banking system in Southern Italy to collect savings through many ramifications is less marked than in the North. In Southern Italy the number of Communes served by a bank amounts to a mere 28% of the total number of Communes as against 68% in Central Italy, 45% in Northern Italy and 40% in the Islands.

On December 31, 1947 bank branches per 100,000 inhabitants were 8 as against 19 in the North. Between 1939 and 1947 bank branches increased in all other regions of Italy, but decreased in the South. Post-office savings banks, however, are to be found in practically every Commune. This accounts for the great prevalence of post office savings in the Southern Italy, despite the fact that, during the period of inflation, the latter decreased considerably expressed in lire having the same purchasing power.

There is still much to be done, therefore, to influence the banking system in the South and to alter the habits of savers in the South who are always in search of non-risk invest-

ments (or so they think) which do not flow either directly or indirectly towards industry: State securities, post office bonds, and post office deposits.

The percentages contained in Table XV (based on the average figures *per inhabitant*) show the characteristic tendencies of Southern savers: post office deposits (over 80% of which are in post office bonds) amount to 80% (91% in Southern peninsular Italy) of the bank

inflow of foreign capital, but the benefits deriving to Southern Italy have been very limited so far. If, for instance, for each year of the European Recovery Program, 100 billion lire, had been allotted out of the 1948-49 quota for the industrialisation and agricultural development of Southern Italy—and similar proportion had been established for the following three years—granted at a low rate of interest and repayable over twenty or thirty years, we should

TABLE XV
CHARACTERISTIC RATIOS BETWEEN THE VARIOUS FORMS OF BANK AND POSTAL BANK DEPOSITS FOR THE MAJOR TERRITORIAL DIVISION BASED ON PER CAPITA VALUES (LIRE PER INHABITANT) ON DECEMBER 31, 1947.

Percentages	Italy	North (a)	South (b)	Northern Italy	Central Italy	Southern Italy	Islands
1. Percentage for bank saving deposits of total bank deposits	51.6	49.9	61.9	55.9	34.0	60.1	64.8
2. Percentage of postal bank deposits as compared with bank saving deposits	36.9	27.7	80.0	25.1	39.3	98.6	60.3
3. Percentage of postal bank deposits as compared with savings proper (c)	27.0	21.7	44.4	20.1	28.2	47.5	37.6
4. Percentage of savings proper (c) as compared with aggregate deposits (bank and postal bank deposits)	59.4	55.9	74.6	61.3	41.8	74.5	74.7

(a) Northern and Central Italy; (b) Southern Italy and the Islands; (c) Bank saving deposits plus postal bank deposits.

savings and deposits as against 28% in the North.

In other words, almost 50% (44.4%) of the savings proper (bank savings and deposits plus post office deposits) consists of post office savings in the South as against 22% in the North. As is known, these post office savings flow to the government "Bank of Deposits and Loans" (*Cassa Depositi e Prestiti*) which invests them as directed by the Government, without paying any attention to the regions from which they come.

Calculated pro-capite, the bank deposits are in the South 20% of those in the North; while post office savings are over 100%.

23. — *As far as foreign capital is concerned, the truth must first penetrate abroad that there can be no recovery of Italian economy except accompanied by the economic recovery of Southern Italy.* Fortunately there has been in the past (UNRRA, post-UNRRA, etc.) and will be up to 1952 (European Recovery Program) a large

now undoubtedly be witnessing a rush of capital to the South always, of course, provided the State did its part in simultaneously spending the largest amount possible on improvements such as public works, roads, railways, harbours, etc.).

24. — But, apart from foreign loans, it should be borne in mind that in the past, in areas undergoing a process of industrialisation, in addition to the capital of entrepreneurs, normal bank loans and the re-investment of profits (self-financing), medium term credit (both at home and abroad) has always been counted on, the latter being expected to take the same risks as private entrepreneurs either by purchasing shares or by financing industries.

The Italian banking system now lacks this capacity; for this reason a special financial organisation for the granting of intermediate industrial loans to Southern Italy (25) should be

(25) See PASQUALE SARACENO: *The Financial Aspect of the Industrial Problem in Southern Italy*, Svimez, Rome 1949.

created which, as a result of its organic structure, would be in a position to divide its activity—with simple and flexible methods—among many hundreds of small and medium-size concerns. According to its supporters, this Organisation should be in a position: (a) to place at the disposal of the new industrial enterprises in the South capital exceeding that which would normally flow to Southern industry with the present structure of our banking and financial systems; (b) to take upon itself greater risks concerning these investments than is permissible for the banking system, or the existing medium and long-term financial institutions: to take, in fact, the same risks as the shareholders; (c) to direct towards new enterprises of an industrial nature experience, technical skill and patents and licences purchased in Italy and abroad from the most advanced industrial centres.

(b) *The European Recovery Program.*

25. — Two aspects of the European Recovery Program in particular had caused hopes to soar in Southern Italy: one concerning the grant of loans for the importation of machinery at extremely tempting conditions and the other concerning the utilisation of the « Lira Fund ».

It was felt that here at last was a large-scale and generous contribution capable of effectively breaking through the vicious circle of the economy of Southern Italy.

But, in actual practice, the importation of machinery on a loan basis does not work in Southern Italy, despite all the goodwill shown and the warm support personally accorded by the Minister for Industry. The truth is that the thousands of small and medium-sized concerns in the South, which need to be brought up-to-date and equipped with modern machinery, are not even given the possibility of knowing what the United States has to offer them and, are not in a position to get into direct contact with the American manufacturers. Further, the size of the American plant is usually quite unsuited for the small capacity required by Southern Italian industries.

It is also true, that as long as there is no special organisation to attend to the technical and financial assistance of Southern Italy, the credit finance institutions will always prefer to grant, say, 1 million dollars in a single transaction for the importation of plant and modern industrial equipment for some big firm in the North—offering reliable guarantees—than to break up this sum into a thousands \$ 1,000 transactions—that would have to be followed up meticulously—granted to Southern firms.

The result is that, whereas the big firms thus enjoy exceptional credit advantages, the small and medium-size concerns in the South have to apply to the domestic market which supplies them at a high cost for payment in cash or granting only short-term credit.

Concerning the lira fund, there are two negative aspects. The part earmarked for loans to industry will mainly benefit the big concerns for the reasons set forth above concerning the cost and the difficulty of helping a huge mass of small producers with loans.

As regard the larger sums available for long-term investments in public works and land reclamation, the lira fund is bound in the long run—despite all the artifices of accountancy—to become a substitute for State expenditure, which means that it will not represent that supplementary contribution which is essential for the economic recovery of Southern Italy.

The ultimate objects of the European Recovery Program, which aims at re-establishing the country's economy *in as short a time as possible*, encourage investments in already existing concerns—capable of yielding immediate advantages and profits both from a national and international standpoint—rather than long or very long-term investments such as are mainly required in Southern Italy.

A large part of the central-financing problem of Southern Italy thus remains unsolved; it could only be solved by entrusting an adequate portion of the lira fund to the financial organisation already discussed (26).

(26) Concerning the subject dealt with in this paragraph, see the article of Dr. P. FRANCA POLARA, a writer on the economy of Southern Italy, in the « *Giornale di Sicilia* » of December 7, 1948.

(c) *Simultaneous and Coordinate Action.*

26. — Opinions concerning the problems which we have discussed are fairly unanimous, but some persons who are over-inclined to simplify everything maintain that the actual process of industrialisation should be postponed until the work of renewing environmental conditions have been completed or almost. This tendency is dangerous: it would end by perpetuating the present conditions, encouraging the present inertia of the entrepreneurs and discouraging all enterprise.

Further it is absolutely unrealistic since environmental and industrial development are closely connected; the mere planning of industrial improvements stimulates and calls for the immediate carrying out of works of an environmental nature, while, on the other hand, the building of roads, railways, harbour facilities, etc., makes it possible for new industries to grow up.

In any case the problem cannot be considered on general lines as there already exist, scattered here and there in practically every region, comparatively restricted areas where industrial centres are already located and where "environmental" works even on a small scale would be sufficient to speed up the industrial drive considerably.

Every effort should therefore be made to see that public works, agricultural development and industrialisation proceed at the same rate wherever this is possible and expedient, carefully estimating the size of the works and the time required for their completion.

(d) *Zoning: Development Areas; Industrial Areas; Tourism Areas.*

27. — As has already been mentioned the difficulties of an economic and financial nature which occur when works have to be carried out simultaneously in all sectors over a whole region have made it seem advisable to concentrate this simultaneous and coordinate action in limited territorial areas generically termed development, industrial, tourism, etc. areas.

In the United States, regional programs for

economic development are generally based territorially on the valleys of the big rivers. In the United Kingdom, territorial boundaries usually regard depressed industrial areas identified by means of far-reaching enquiries concerning persistent unemployment.

The system of "industrial areas" is not new to Italian legislation (the industrial areas of Naples, Palermo, Reggio Calabria, Mestre, Apuania, etc.); the only trouble is that the legislative and economic principles adopted and the lack of suitable organisations and executive offices have resulted in its being improperly carried out. This does not mean that the principle is not good, for it has proved to be so in other countries and should most certainly be applied also in connection with the South of Italy.

VII. - *Premises and Instruments of Action.*

28. — Although opinions may vary with regard to the diagnosis made and to the remedies suggested in this article, there is unanimous agreement concerning the need of applying suitable remedies and solutions methodically, efficiently and without loss of time.

It is essential therefore to concentrate on the practical aspect of the solution of these problems which has brought so many attractive programs to a halt in the past and shattered the rosiest hopes of improving economic conditions in Southern Italy.

No action can possibly achieve the objects aimed at without the following indispensable premises: *thorough all-round knowledge of the nature and scope of the problems to be solved; drawing up of a clearly outlined program; coherent laws; efficient executive organs.*

Every program must be preceded by studies and inventories affording a *thorough* knowledge of all the essential requirements of Southern Italy. At present this knowledge is lacking.

What people do not know is now far more than what they know or think they know. The information available is often fragment-

ary or out of date. There are laws and plans of work dating back to ten, twenty and even thirty years ago, which have never been followed up despite their substantial merits. The various departments of the State Administration are only acquainted with the progress of their own plans and ignore those of the others, although they are often closely connected (for instance, roads and land reclamation). The central offices generally ignore or pay no attention to works the expense of which is borne by the townships or provinces.

Necessities of a public or social order sometimes accentuate this lack of coordination, favouring the spotadic and fragmentary completion of works that are not always necessary.

In order to overcome this detrimental state of affairs, some important Organisations (27) have undertaken an organic and coordinate study of the so-called "regional plans", whose initial preparatory stage consists in making complete inventories of requirements on the spot. When this has been done, the next step is to work out the cost of the works held to be essential. These are the premises for any proper and serious planning aiming, above all, at selecting and grading the works according to their urgency and to their utility, also in connection with the subsequent stages of development, so that the first works completed may be of benefit in carrying out other works connected with it to be undertaken at a later date.

Taken as a whole the regional plans for Southern Italy should make it possible to determine what is to be the size and the rate of private and public investments and the burden to be borne by savings.

Needless to say programs of this kind can only be carried out if there is the closest co-operation between central and local offices. The programs must not be binding and inflexible, but should serve to point out the direction to be followed.

Experience has proved that satisfactory re-

(27) Deserving of mention is the SVIMEZ (Organisation for the Industrial Development of Southern Italy) founded in 1946 with the participation of some of the biggest national and financial organisations.

sults cannot be obtained if scores of central and local organisations and hundreds of offices are allowed to proceed independently. This system invariably means a squandering of funds, scattered throughout a number of sectors all over the place without any coordination towards a common end.

Magnificent examples of the utility of creating a single organisation, having full power and authority to supervise everything connected with the economic conversion of depressed areas, are afforded us by America and by the United Kingdom and they should be carefully studied by the organisations charged with the recovery of Southern Italy.

Experience has also taught us that juridical measures are necessary and those at present in Italy have unanimously been judged to be insufficient and incomplete.

In particular, owing to having been issued at a various times mainly with a view to alleviating local situation, they lack that all round vision of the problem of Southern Italy which is essential (28).

Although the most recent juridical measures show a certain improvement as compared with those of the past, they are not immune from the foregoing criticisms. The financial effort made by the State appears quite out of keeping with the objects aimed at and the fiscal and customs facilitations granted to the Southern Italy, in view also of the terms laid down for their execution, are intrinsically of very limited efficiency. It will only be possible to carry out programs without risking failure if the measures provided for the benefit of entrepreneurs are concrete and if a permanent flow of funds is assured.

Conclusions.

29. — In this article I have endeavoured to examine the most important theoretical and practical aspects—even if some of them have only been fleetingly touched upon—of the old and complex, though ever topical, problem of the South of Italy, so as to bring out, on the

(28) See M. ANNESI: *La recente legislazione economica per il Mezzogiorno*, Rome, 1947; and G. CENZATO op. cit. p. 24.

one hand, its economic and social importance and, on the other, the fact that any improvement in Italy's economy is closely connected with the solution of this problem of Southern Italy.

The matter is thus shifted from the strictly regional plane to the national and, consequently, to the international plane whereupon the importance of finding an answer to the unsolved problems of the many depressed areas in Europe and the world is felt more and

more. One of the first places among these depressed areas is held by Southern Italy.

It may take several generations to complete this work, but things will proceed more rapidly and efficiently if there is a thorough knowledge of the problems and if the premises are rationally set down, the programs clearly outlined, the efforts to be made properly coordinated and the lines laid down to be followed by a systematic and organic action supported by suitable and efficient instruments.