

## Emigration and Industrialization in Southern Italy : a Comment

1. As always, the recent study of Mrs. Lutz published in this Review (1) provides a number of valuable insights, for which students should be grateful, into the problems of development of the Italian Mezzogiorno. But, in our opinion, her analysis of the "structural" obstacles to Southern development and the policy conclusions deriving from it rest on some rather peculiar theoretical hypotheses and on some fundamental factual assumptions which she has not attempted to substantiate. A careful examination of the former and the consideration of the few available data suggest that Mrs. Lutz' argument may need considerable recasting, with serious damage to her conclusions.

2. The gist of Mrs. Lutz' analysis is that there are structural obstacles which prevent a growth of industry in the South sufficient to increase per capita income in that area from 50 percent to 75 percent of per capita income in the North; and that a "considerable" migration of the present Southern population (presumably at a rate equal to that of the past several years) is a necessary condition to overcome those obstacles within a reasonable period and without heavy subsidization.

Two main arguments are employed by Mrs. Lutz to support this doctrine:

(i) The imbalance argument, which can be divided into two subarguments: (a) an imbalance concerning the possibility of absorption of industrial goods that might be produced in the South, caused by the insufficient demand of the Southerners; (b) an

imbalance concerning the possibility of an adequate supply of food products — so that, if industrialization were forced in the South, demand for food would be in excess of the supposedly very inelastic supply.

(ii) The efficiency argument: forcing industrial development in the South with the present density of population would require a high social cost (owing to the insufficient local demand for industrial products, and to the presence of locational disadvantages not offset by wage advantages) which would make the national rate of growth lower than it would otherwise be.

The first argument, of which the second is to a very large extent the consequence, rests on a rather rigid conception of balanced growth, and is developed through a comparison between two growth processes, one with "forced" industrialization in the South and another (the "natural" solution) involving heavy migration to the North. This comparison is not easy to summarize, because its terms are not at all points made fully explicit; but we believe that the following account is reasonably accurate.

Take first the case in which there is only moderate migration to the North. At the present low level of incomes in the South, for any given increase in *per capita* incomes there would still be a rather large increase in the demand for food, whereas the increase in the demand for manufactured goods and services would still be relatively low. But agricultural production in the South will expand at a rate certainly not higher than in the past, and possibly lower, and will not respond to a growth in demand: hence if industrialization were attempted with the present density of population, a food shortage would ensue. On the other hand, since the expected growth of agricultural income, and hence of the surplus which the farmers can devote to purchasing manufactures and services, would be very slow, the demand of farmers for manufactures and services could expand only slowly; and those workers newly-employed in industry and services, wishing to devote a sizeable fraction of their income increment to food, would buy only part of their own increment of output: Hence an increased local production of non-agricultural commodities would find too narrow a market. This imbalance would be eliminated if manufactures could be exported (to the North or abroad) to pay for food imports; but the cost of exports is made too high

(1) VERA LUTZ, "Some Structural Aspects of the Southern Problem: The Complementarity of 'Emigration' and Industrialization", No. 59, December 1961.

by the poor location of the South. It follows that continuing and large subsidies would be necessary to support industrialization.

Now consider the case in which there is substantial migration to the North. This by itself might permit a more rapid expansion of food production, by making farm reorganization and mechanization easier; but the main increase in *per capita* agricultural output and income would be due to the increase in the land:labour ratio. This second process of increase in productivity can occur only to the extent to which labour is removed from land; but for a rapid rate of absorption of agricultural labour into other activities, the expansion of industries *in loco* cannot be relied upon, since it is itself dependent on the growth of agricultural incomes. Only migration can break this vicious circle and make agricultural productivity grow over and above the relatively slow rate of technical progress in agriculture. With a smaller population and higher agricultural incomes, industrialization would then become possible: "agricultural society in the South should be made rich enough to be able to support, alongside itself, a fair-sized industrial society of the modern kind... catering principally for a local market and doing so in response to a 'spontaneous development mechanism' not dependent on subsidization" (2).

3. It is not our intention to question the general validity of the proposition that the demand for industrial products and services on the part of people employed in agriculture must equal their output of agricultural products over and above their own requirements. And we agree that a consistent policy of industrial development must be tied to programs designed to raise incomes and productivity in agriculture. We do not think, however, that these very general premises are sufficient to support the rest of Mrs. Lutz' analysis or to justify her conclusions.

In what follows we shall argue that: (I) if the double imbalance does actually exist, more rapid industrialization will pose problems for the country as a whole, and not only for the South, and heavy migration from the South will not necessarily represent the best solution; (II) however, on the basis of the relevant data and of a few considerations, no imbalance seems to exist concerning either

(2) *Op. cit.*, p. 392.

the supply of food or the demand for industrial products in Southern markets, even without heavy migration; (III) finally, there does not seem to be any ground for believing that there might be a national imbalance on the side of food supply.

I. If the imbalance does exist, it seems to follow that migration is necessary to permit a balanced growth of agriculture and industry in the South. But what would happen in the North, and therefore in the country as a whole?

The North of Italy, like the South, is not a promising area for rapid expansion of food output (in part, because its agriculture is already more highly developed). To be sure, the income elasticity of demand for food by the population already in that region is relatively low, and the natural growth of Northern food supply might take care of its needs. But with heavy migration a large number of new food consumers appears in the North, bringing with them their high demand elasticity for food. How can this additional demand for food be satisfied?

It is obviously not an answer merely to argue that, when incomes (and food consumption) are already high, balanced growth is no longer necessary because further income increments are then largely uncommitted to particular lines of consumption, since we are concerned with the process of getting the immigrants into this high income condition. What Mrs. Lutz' analysis has not made clear is that *if there is to be a food problem as a result of a rapid further development of Italian per capita incomes, it will be a national, not a regional problem*. Migration does not solve the problem from a national standpoint; it merely means that it appears in the first instance in the North instead of the South.

If there is a food problem, could it be more easily solved with heavy migration than without? Mrs. Lutz would hold (we gather) that it could better be solved by further concentrating industrial production in the North, which is closer to the largest export markets, the earnings from which can pay for food imports; otherwise the export surplus of Southern, instead of Northern, industries would have to be shipped into Western and Northern European markets, with great disadvantages, she argues, in transportation costs.

But, before deciding that the cost of the solution to the national food problem is lower if additional industrialization is concentrated in the North, with heavy migration from the South, the following

points must be considered. First of all, there might be a cost which is independent of where further industrialization takes place: an expansion of exports at a pace more rapid than that already very high of the recent past might easily bring about a deterioration of the terms of trade of the country. Second, although it is undoubtedly true that the South is farther away than the North from the main export markets, it can be asked whether the differential in transportation costs is as high as Mrs. Lutz seems to think. Most of the further expansion of industry contemplated in the South concerns light rather than heavy industry, for the materials and products of which transportation costs are of minor importance; Southern location moreover is not necessarily disadvantageous for all those raw materials that come by water. Finally, is a small difference in transportation costs (even smaller if considered as a percentage of the final price) such as to more than compensate the costs involved in a massive migration from the South to the North? These costs would be both psychological (it is easier for a Southerner to work in the South, even though not in his own town, than in the North) and strictly economic (housing, schools, hospitals which are already to some extent being built in the South).

II. So far we have accepted the imbalance argument in its entirety, and we have only tried to show that a food problem, if any, is not regional but national and that the conclusion that additional industrialization would cost more, to the community, in the South than in the North cannot be accepted without further elements of knowledge. Now we intend to see if it is justified to think that there would be inadequate market for manufactures and services produced in the South and an inadequate supply of food if most of the excess labour force of the South were employed in non-agricultural activities *in loco*. In arguing that the South must develop as a self-sufficient economy, the total size of which is presumably scaled to the limited possibilities of agricultural development, Mrs. Lutz seems to have ignored the present situation of inter-regional trade; the existence of manufactured (and hence industrially-produced) food; the possibility of substituting local production for imports; and the possibility that Southern agricultural production may be quite responsive to increased local demand.

Mrs. Lutz holds that the South must find a balance between the compositions of its future increments of production and con-

sumption. But, if Southern production is presently not in balance with Southern consumption, with the South producing and exporting a surplus of food and other raw products and importing from the North or abroad some of its industrial requirements, expanded industrial production in the South could in part be import-substituting, and would find its market not only in expanded local incomes but in replacing present imports. And, in that case, the extra food to meet expanding Southern demands could come in part from a reduction or elimination of food exports to the North and abroad. No problem of imbalance would then appear in the South. Further, there might be a reduced burden of transportation costs — an improvement of locational efficiency.

Mrs. Lutz correctly noted that we do not really know the facts about present interregional exchange. But we have some indications. Data are available for 1956 on carload rail shipments, which show the following sectoral balances of trade for the South (in milliards of lire):

Category of products	Net export balance of South in trade with		
	Rest of Italy	Abroad	Total
Live animals . . . . .	- 9.8	- .9	- 10.8
Raw foodstuffs . . . . .	42.9	20.1	63.0
Semi-processed foodstuffs . . . . .	10.9	- .4	10.5
Total raw and semi-processed foodstuffs and live animals . . . . .	44.0	18.8	62.8
Manufactured food products . . . . .	- 43.4	- 1.7	- 45.1
Total food . . . . .	.6	17.1	17.7
Other raw and semi-processed products . . . . .	- 8.0	- .3	- 8.3
Other manufactured products . . . . .	- 70.7	- 12.9	- 83.6
Total non-food . . . . .	- 78.7	- 13.2	- 91.9
Total raw and semi-processed products . . . . .	36.0	18.5	54.5
Total manufactures . . . . .	- 114.1	- 14.6	- 128.7
Total all products . . . . .	- 78.1	3.9	- 74.2

Source: ISTITUTO CENTRALE DI STATISTICA, *Annali di Statistica*, Serie VIII, vol. 12. *Primi studi sui conti economici territoriali*, Roma, 1960.

Although these data are incomplete, they strongly suggest what many of us have always assumed to be the case, namely (a) that the

South is a net exporter of raw and semi-processed food products, and, on only a slightly smaller scale, of raw and semi-processed materials generally; and (b) that the South is a heavy importer of highly-processed products, food and non-food — that is, that the South is a net importer of “value-added”. What the proponents of Southern industrialization have long argued is that the South should import less value-added, and add more of the value *in loco* (3).

If these are the facts about present interregional and international exchange, then it is not clear that industrial development in the South, even without massive migration, must necessarily be handicapped by Mrs. Lutz' presumed double imbalance. Because its present composition of production is not in balance with its composition of consumption, its increment of production need not be so balanced either.

But, again, we should look at the North as well as the South. If the North presently finds part of its food supply and part of its market for industrial goods in the South, a more rapid Southern industrialization might create problems for the North of just the kind predicted by Mrs. Lutz for the South. Once again, the moral is: if there is to be a food problem, it will be a national problem rather than a regional one. Again, its solution, through increased industrial exports in exchange for food, might well involve some deterioration in the terms of trade. But migration, *per se*, neither avoids nor creates the problem.

There is one final aspect of Mrs. Lutz' argument which we have so far ignored, and which now requires brief comment. This is her argument that *per capita* incomes in Southern agriculture must rise and can rise only if a considerable movement of population out of agriculture occurs. This movement need not reduce total agricultural output and may even help it to increase. We agree. Obviously, however, this population movement could as well be from Southern farms to Southern industry as from Southern farms to Northern industry. The reason Mrs. Lutz believed that the occupational migration must also be a regional migration was connected

(3) The table shows that the South is an exporter of raw and semi-processed foodstuffs and an importer of manufactured food products. The possibilities for expansion of manufacturing industries tied to agricultural raw materials seem obvious. This not only provides a source of industrial employment, but by itself is likely to cause a rise in agricultural incomes, by offering part-time employment to agricultural workers, eliminating intermediaries, and reducing waste and spoilage.

with her imbalance argument — a sufficient number of non-agricultural jobs could not be created in the South because of the South's locational disadvantage. But if Southern industrialization can find part of its market in producing import substitutes, the “vicious circle” is broken and this argument falls.

In fact, there is some ground for arguing that the vicious circle can be broken faster and more effectively if industrialization is concentrated in the South. First, it can be argued that the growth of farm output and farm income, even in the best Southern agricultural areas, including those newly irrigated, needs the stimulus of an assured local market. A certain, nearby demand will do more to increase supply and accelerate transformation than an uncertain distant market. Second, the necessary migration of workers from subsistence agriculture to industry will occur more rapidly and surely if the new industrial jobs are near to the farms than far away. The “pull” of industrial employment on underemployed farmers is inversely related to distance. Thus the out-migration from agriculture in the 'fifties, although certainly not *confined* to the North, occurred there more intensively than in the South. This is despite the fact that the income differential between industrial employment in Milan and agricultural underemployment in, say, Basilicata was greater than the income differential between Milan and, say, a Tuscan mezzadria.

III. So far we have argued as if a food problem were really imminent. We are not convinced, however, that an imbalance on the side of food supply is likely to arise even if the pace of growth of Italian *per capita* incomes is speeded up. First, Italy now has a surplus problem in at least some agricultural products, as indicated by the existence of price supports. Second, there have been no signs of tension in farm prices in the past, in spite of the high rate of income increase. Further, the possibilities for introduction of agricultural improvements which do not require heavy capital expenditure — agricultural reorganizations, better techniques, improved varieties, improved marketing methods — and of investments with a high pay-off even in the short run may have been underrated by Mrs. Lutz.

In our view, the real problem of Italian agriculture is not so much the danger of potential shortage (or surplus) as the necessity of raising *per capita* agricultural productivity and incomes by the

means mentioned above, together with a substantial reduction of the total agricultural population, and its redistribution into the more promising agricultural areas. To accomplish this reduction, an essential element is a very rapid rate of creation of new industrial jobs, both in the South and in the North.

4. It has not been our purpose to argue that interregional migration should or should not occur in the 'sixties on a larger scale than in the 'fifties. Our concern has rather been with what seemed to us an inadequate and artificial argument that without such migration on a massive scale Southern industrialization cannot be brought about quickly. There are obviously many serious obstacles standing in the way of successful rapid industrialization in the South. But we doubt that food shortage has been in the past or will in the future be among them.

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