

Italy's National Income

by

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1. — The Italian Central Institute of Statistics has recently published the results of an exhaustive investigation on the pattern and recent trends in Italy's national income (1). The book brings together valuable contributions on methodological problems (e.g., the interpretation to be given to the concept of «income», the theoretical systems used in calculating it, etc.) (2) and a detailed statistical material of special interest for an up-to-date analysis of national income in this country. The research has been carried out analytically for each separate branch of economic activity and is prefaced by a report in which the several component items of the income are defined and illustrated and the conclusive data are given in summarised form (3).

In this paper a synthetic exposition of these data will be made in an attempt to point out the essential features of Italy's national income, war disturbances and the recovery movement of the subsequent years. To start with, however, it seems necessary to submit a few explanatory remarks so as to clear up certain problems of method and definition.

2. — As is known, the national income of a given country may be estimated by the *personal* or by the *real* method, the choice depending on the statistical data available. The first method is adopted in countries possessing statistics on personal incomes returned for the purposes of the direct tax (the income-tax of

the English-speaking countries). The second method is based on the ascertainment of the *added value* and of the *net product*. It should be used when, in the absence of the fiscal statistics just referred to, the results of economic census returns and of annual statistics on production for the several branches and sub-branches of economic activity are available.

As the Italian fiscal legislation does not provide statistical data which would allow of using the first method, recourse must be had to the second. This is what the Central Institute of Statistics has done in the recently published volume, in which the net product, both of private and of the public sector is to be understood as the *internal* component of the national income, while the *external* component is provided by net incomes from abroad (capital investments and labour) and by foreign donations.

If, however, we bear in mind that the net product represents the value of the national production of goods and services in the given period of time, *net* of the value of the raw materials used in the processes of production and net of payments for upkeep, repairs and sinking funds, we cannot but admit that it can be identified with the internal component of income only when referred to «normal» periods. Thus, if during the period under consideration expenses incurred for rebuilding the efficiency of plants injured by lack of upkeep during the preceding periods are deducted from the gross product, the net product is found to be smaller than the internal component of the income. This, for instance, has occurred in Italy during the post-war years and in increasing extent from 1947 to 1949 in all branches of economy, and more especially in industry and agriculture. The reconversion of industrial plants, the reacquisition of farm live-stock

(1) CENTRAL INSTITUTE OF STATISTICS, *Studi sul reddito nazionale*, Annali di Statistica, Series VIII, Vol. III, Rome, 1950.

(2) C. GINI, *Contenuto ed impiego delle valutazioni del reddito nazionale*, *Op. cit.*, Part. I, Chapter 1, Prof. Gini's paper had been already published in this Review; see No. 5, April 1948, pag. 271 ff.

(3) B. BARBERI, *Il reddito nazionale dell'Italia negli anni 1938 e 1947-49*, *Op. cit.*, Part I, Chapter 3.

largely depleted during the war, the building up of soil fertility so largely impoverished owing to insufficiency of fertilisers, all contribute to swell in a marked degree the expenditures to be deducted so as to ascertain the net product, which does not therefore represent, for the post-war period, the internal component of the national income (4).

From this point of view, the calculations made by the Central Institute of Statistics, which take account of outlays incurred for upkeep, sinking-fund, etc., give results that should be considered as *approximative by defect* when used for measuring the internal component of the national income.

On the other hand, the aforesaid calculations do not take into account the reductions occurred in the value of capital goods (e. g. industrial plants and machinery in general) due to the competition of new and improved types of machines entered the post-war markets; for this reason the value of the net product should be considered as *exceeding* that of the income.

Now, we may suppose that, at least within the limits of approximation allowed by the nature of such calculations, there will be a compensating balance between the first and second category of factors referred to, and that therefore the net product calculated by the Central Institute of Statistics, though relating to periods of economic disruptions, will afford a reasonably approximate estimate of the internal national income.

3. — As already stated, grants and net incomes from abroad (foreign capital investments and labour) have been taken to represent the *external* component of the national income. These items, however, must be duly qualified.

(a) Labour incomes, in so far as they coincide with emigrant *remittances*, are returned at a lower figure than that they really represent. The returns obtained by emigrants for their services consist of the wages they receive, of which the remittances represent only the *part saved*, unless we choose to assimilate their living expenses (cost of board, lodging, clothing,

(4) E. D'ELIA, *Aspetti della produzione lorda vendibile e del prodotto netto dell'agricoltura nel 1938 e negli anni dal 1947 al 1949*, in « Rivista Italiana di Scienze Commerciali », No. 4, Milan, 1950.

medical attendance, etc.) to expenses for the upkeep of human capital, and which should therefore be deducted when assessing income. But this interpretation would entail the inclusion of human capital among the forms of wealth, and therefore an increase or decline in the population would represent an increase or decline of wealth (5). Labour incomes, as calculated by the Central Institute of Statistics, are therefore to be understood as *incomes available within the country for labour investments made abroad* (6).

(b) We consider that « donations » from abroad offset the liabilities represented by the services that the importing country renders to the donating country. The value of such services may be held equivalent to that of the donations, which should therefore, in the last resort, be entered as « incomes for services rendered abroad ». Indeed, one of the methods followed in post-war years by the great victorious countries for winning the affections and the markets of other countries, has been that of generous help for relief purposes which has paved the way for peaceful penetration and the establishment of zones of economic influence. It would not therefore seem fair to deem that the exports they have made in the shape of donations have given them no returns. Such donations should be considered as one of the more important sources of the invisible items of income for they assure and raise the productive capacity of the countries that are in a position to make them, while on the other hand, they improve the economic well-being of the importing countries (7).

The principle that foreign donations should be looked upon as the economic equivalent of the services the poor countries perform in favour of the richer ones and so they should be included in the reckoning of income, justifies the procedure adopted by the Central Institute of Statistics, a procedure we have thought well to recall so as to avoid doubtful interpretations.

(5) Cf. C. GINI, *Sur les fondements des évaluations de la richesse nationale*, in « Revue de l'Institut International de Statistique », 1945.

(6) E. D'ELIA, *Considerazioni intorno al significato di reddito*, in « Proceedings of the XI Meeting of the Italian Society of Demography and Statistics », Milan, 1949.

(7) Cf. E. D'ELIA, *Considerazioni intorno all'equazione del reddito*, in « L'Industria », No. 2, Milan, 1949.

1. The net product of Agriculture and Forests.

4. — Table I, which has been drawn up on the basis of the data given in Prof. Barberi's paper above referred to (8), specifies — in current lire — saleable production, costs and net

rendered by forests (protection against landslides, soil erosion, avalanches, wind, etc.), that are beneficial to the underlying agricultural lands whose production is therefore inclusive of the economic equivalent of the services rendered by forests.

TABLE I
SALEABLE PRODUCTION, EXPENDITURES, AND NET PRODUCT OF AGRICULTURE AND FORESTS (a)

Branches of production and expenditures	1938		1947		1948		1949	
	Milli-ards of lire	%	Milli-ards of lire	%	Milli-ards of lire	%	Milli-ards of lire	%
AGRICULTURE								
1. Saleable production	42.94	100.0	2,159	100.0	2,426	100.0	2,380	100.0
1 - Cereals	12.61	29.4	321	14.9	625	25.8	586	24.6
2 - Legumes, potatoes and fresh vegetables	3.77	7.5	194	9.0	189	7.8	187	7.9
3 - Industrial and horticultural crops	1.58	3.7	73	3.4	80	3.5	83	3.5
4 - Annual bearing tree crops	4.19	9.7	205	9.5	199	8.2	220	9.2
5 - Processed plant products	5.48	12.7	284	13.1	297	12.2	307	12.9
6 - Animal products	14.76	34.4	1,029	47.7	979	40.4	951	40.0
7 - Other crops	1.10	2.6	53	2.4	51	2.1	46	1.9
2. Expenditures	6.81	15.9	275	12.7	337	13.9	380	16.1
1 - Fertilisers and antiparasitic preparations	1.41	3.3	54	2.5	57	2.3	65	2.8
2 - Selected seed	0.08	0.2	3	0.1	4	0.2	4	0.2
3 - Feeds and sundry expenditures for live-stock	1.79	4.2	64	3.0	86	3.5	95	4.0
4 - Amortization and upkeep	2.28	5.3	110	5.1	121	5.0	140	5.9
5 - Sundry expenditures	1.25	2.9	64	3.0	69	2.9	76	3.2
3. Net product of agriculture	36.13	84.1	1,884	87.3	2,089	86.1	2,000	84.0
FORESTS								
4. Forest production	1.83	100.0	82	100.0	80	100.0	68	100.0
1 - Woody	1.52	83.1	71	86.6	65	81.3	58	85.3
2 - Other than woody	0.31	16.9	11	13.4	15	18.7	10	14.7
5. Expenditures	0.05	2.7	1	1.2	2	2.5	2	2.9
6. Net product of forests	1.78	97.3	81	98.8	78	97.5	66	97.1
7. Net product of agriculture and forests	37.91	—	1,965	—	2,167	—	2,066	—

(a) Net product, as given in this table, includes interests paid to the banking system and damage-insurance premiums.

product of Italian agriculture and forests for 1938 (considered as a *normal* year), 1947, 1948 and 1949.

The first part of Table I deals with agricultural, the second with forestry production. The calculation of the net output of forests does not take into account the output of forage, acorns, chestnuts, etc., used as feed for livestock; these are included in the net product of agriculture which is inclusive of animal husbandry. This holds good also for the many protective services

(8) Cf. B. BARBERI, *Op. cit.*

On the other hand, any attempt to take into account certain factors, which particularly in exceptional times, undoubtedly disguise the real volume of the farm products of each agricultural season, would have given rise to difficult problems of methodology. It would have been difficult to ascertain the « rotations » for certain crops, the biological cycle of productivity of certain plants, the « re-employment » of given quantities of products in the process of production, the upkeep and amortization quotas required to assure the perpetuation of the capital stock and to build up again soil fertility. In

practice, the lack of statistical data is an other hindrance to the solution of these problems.

This is the justification of the system adopted in Table I, in which the net product is to be understood as the amounts that have become available for consumption during the year, net of certain essential and unavoidable outlays strictly connected with the process of production. The net product so understood will probably exceed net income in years of economic depression in which provision is not made for due maintenance of the capital. On the other hand it will be lower than the income in those abnormal periods in which the cultivated areas are reduced because e. g. of lack of labour, as happens in the case of war; at such times the increased potential output of the uncultivated lands is not taken into account.

5. — The data given in Table I show that the contribution made by agriculture to Italian economy as a whole is impressive. In 1949 agricultural net product is estimated around 2,000 milliard lire (29.8% of net national product) and agricultural gross saleable production at 2,380 million lire.

In that year no less than 47.1% of the total value of agricultural production was accounted for by raw vegetable products (9), 40% by animal products, 12.9% by processed vegetable products. The ratio of raw vegetable products to the whole agricultural output has declined from 52.9% in 1938 to 47.1% in 1949. This reduction is offset by the greater importance of processed animal products. The percentage accounted for by processed vegetable products remained practically unchanged.

However, in considering the variations occurred in these percentage values — expressed in current lire — from 1938 to 1949 two remarks are to be made:

(a) *their declining trend.* The divergences from 1938 position, noteworthy in 1947, were considerably reduced in 1948 and 1949. This would seem to confirm that such changes should be considered as war disturbances, now gradually disappearing;

(9) « Raw vegetable products » sum up the following items of Table I: cereals (24.6%); legumes, potatoes and fresh vegetables (7.9%), industrial and horticultural crops (3.5%), annual bearing tree crops (9.2%), other crops (1.9%).

b) *the impact of price dispersion.* The value of ratios above referred to is affected by the marked differences occurred in price increase for the several agricultural products. Thus, if the higher ratios (in 1949 as compared to 1938) returned for potatoes, green vegetables and oil are accounted for by an actual increase in quantities produced, the higher ratios returned for animal products and wine reflect mainly a price increase more marked than that occurred in the case of the other products.

If the prices of farm products had remained unaltered, the value of gross saleable agricultural production would have fallen from 43 billion lire in 1938 to a little over 35 billion in 1947 (-18%); as from that year the value would have arisen to about 40 billion in 1948 (an increase of 13.9% on the previous year) and to over 43 billion in 1949 (+7.5% on 1948); so in that year it exceeded, if only by a little, the 1938 level.

6. — Owing to the difficulties above referred to, the figures given for expenses in Table I refer to those actually disbursed and not to those that would have been required to maintain unvaried the value of the capital.

What are the implications of this calculating system on the estimate of agricultural income? The percentage ratios of expenses to saleable products in the several years under consideration are as follows (10):

Year	%	Index Numbers (1938 = 100)
1938	15.9	100.0
1947	12.7	79.9
1948	13.9	87.4
1949	16.1	101.3

Now, it is generally recognised that in 1938 the expenses for upkeep, repairs, etc., were insufficient and that the value of agricultural capital deteriorated, if only by a little.

There is no doubt that in the war years the agricultural capital was heavily reduced, more especially owing to the failure to restore soil fertility, and to the defective maintenance of

(10) These percentage ratios are calculated taking as basis the value in current lire of saleable products and expenses; however they are not subject to relevant variations, either in the agricultural or the forestry branch, when calculated on the basis of 1938 market quotations.

surface soil and stocks. Consequently, in 1947 and 1948 the ratio of expenses to gross saleable production should have been higher than in 1938 if the impoverishment ratio of agricultural capital was to be maintained at the 1938 level. On the contrary, in 1947 and 1948 that ratio was lower than in 1938. We might therefore state that the net product of 1947 and 1948 has been obtained at the cost of capital disinvestments proportionally higher than those at which the net product was obtained in 1938. If in 1938, 1947 and 1948 we deduct from the net product as ascertained by Central Institute of Statistics the further expenses needed to re-integrate capital, the agricultural income of 1947 and 1948 would show more marked reductions as compared to 1938.

In 1949, the ratio of expenses to gross saleable production (16.1%) is returned at a higher figure than that for 1938 (15.9%). On this assumption, while the difference between the net product of 1949 and that of 1938 may be supposed to coincide with that of the agricultural incomes of those years, this cannot be said for the net products of 1947 and 1948 as compared to 1938, nor for the net product of 1949 as compared to the two previous years.

In 1938 lire, the expenditure on fertilisers and antiparasitic preparations amounted in 1947 to only 63.8% of those of 1938; the percentage rises to 70.9% in 1948 and to 85.1% in 1949 (11). But, although the 1949 outlays on those items are lower than in 1938, the output of raw vegetable products practically reached the pre-war level. This is to be ascribed to the greater importance given since the war to « renewal crops » (*coltivazioni da rinnovo*) which help to increase soil fertility, and also to the greater importance now given to arboriculture which, as a rule, requires less fertiliser than do the herbaceous crops.

The expenditure that weighs heaviest on the total is that for amortization and upkeep. In

(11) The low percentage of expenditure on fertilisers and antiparasitic preparations in 1947 is due to the scanty supplies available. The recovery in such expenditures in 1948 and 1949 may be considered remarkable. Nevertheless, the nature of the Italian cultivated soil would require that the ratio of expenditure on fertilisers to total expenditure should in future be considerably higher than it was in 1938, if soil fertility is to be suitably increased.

1949 this item accounts for a larger ratio of the total expenditures than in 1938. This is due on the one hand to the growing use of agricultural machines and on the other to the need of devoting larger amounts to the upkeep of the land capital, which, as already stated, had been neglected during the war years.

Since the war, the expenditures entered under the heading « sundry », attain or exceed the 1938 level. Indeed, in 1949 in particular a notable increase is shown by this item, due to the heavier consumption of motor-power and lubricants consequent on the growing mechanisation of agriculture.

7. — If we deduct from the gross agricultural saleable production the expenses for upkeep, amortization, etc. we obtain the net agricultural product.

The data for 1938, 1947 and 1948 are set forth — in current lire — in Table I. In real terms the trend of agricultural net product in the post-war period may be summarised by the following figures: in 1947 it amounted to 80% only of that of 1938; in 1948 to 93%; in 1949 it had practically attained once more the 1938 level. Moreover, the net product of 1949 would have shown a further increase over 1948 figure had the incidence of expenditure on saleable production been the same as in that year. This is a matter of importance as it clearly shows that while the net proceeds of productive activity tend in Italy to return to normal, a considerable effort is being made to rebuild the economic efficiency of the capital.

8. — The output obtained from forests — as Table I shows — was valued in 1938 at 1,830 million lire; in 1947 it amounted in real terms to 89.6% of that figure, and this percentage fell again in 1948 (82.5%) and in 1949 (80.3%). The ratio of expenses to production stood at 2.7% in 1938 and at only 1.2% in 1947. This shrinkage is to be attributed to reduced expenditure on the upkeep of the forests, an item of expenditure that fell from 1.9% in 1938 to 1.1% in 1947.

In 1948 the incidence of expenditures (2.5%) was much the same as in 1938 (2.7%) and in 1949 that percentage was exceeded, as it rose to 2.9%. This would show that attention is

again being paid to the reconstruction of the national forests which suffered much from excessive exploitation during the war years. The expenditures this entails are regarded as investments for the improvement of the capital fund. Viewed as such, they should not be entered as liabilities when assessing the net income, which should therefore be considered as slightly higher.

The item represented by *wood* accounts for 80% of the total forest output in the years under consideration; but to conclude from this that products other than wood are of little importance to our forestry economy would be misleading, for it must be remembered that in calculating the net forest product the Central Institute of Statistics has, as we noted before, excluded all non-woody products generally used for feeding live-stock, as they have been taken into account in the calculations made for animal husbandry.

This being the case, the net product yielded by Italian forests when calculated independently of the other branches of economic activity, differs considerably from that which figures in Table I, the value being higher than is there shown. This is partly due also to the important contribution made by the forests to other forms of economic activity, such as agriculture, the tourist trade, etc., a contribution taken into account when calculating the net product pertaining to those branches.

II - The net product of the Industry and other branches of economic activity. The amount of the national income.

9. — The net product of industrial activities amounted in 1938 to 40,640 million lire, exceeding by 7.2% that obtained in the same year from agriculture and forests. Had the market quotations existing in 1938 remained unchanged in the post-war years, the net product of industrial activities would have amounted in 1947 to 35,760 million lire (—12% of 1938 figure), in 1948 to 39,420 million (—3.5%), and in 1949 to 44,100 million (+8.5%). When compared with those for the net product of agriculture and forestry, these figures show an excess of 16.1% in 1947, of 12.0% in 1948, and of 18.0% in 1949 (7.2% in 1938). This

means that the Italian recovery in the post-war years has been much more marked in industry than in agriculture and forestry.

If the above comparison is made on the basis of the current market prices we find, however, that the value of the net product of industrial activities represents only 90.0% of that of agriculture and forests in 1947, 94.1% in 1948 and 105.1% in 1949. Thus, although actual industrial product has exceeded in all the post-war years under consideration that of agriculture and forestry in a much more marked degree than in 1938, this fact, owing to the higher rise in the price of agricultural products, is lost sight of if the trend of the two sectors be measured in current lire (12).

This must be taken into account when comparing the net product of the several economic branches in post-war years with that of 1938, if we wish to give to the respective data the meaning of « actual productive capacity ».

10. — The data set forth in Table II show that in 1938 manufacturing industries accounted for 82.9% of the net industrial product; electric power, gas and water supply accounted for 8.5%, the building trades for 6.7% and lastly the mining and quarrying industries for 1.9%. The above percentages reveal a strong disparity between the different branches; the share belonging to mining and quarrying is insignificant, and this is reflected in a marked deficiency of raw materials; the share of the industries engaged in the supply of electric power, gas and water is low; and the net product of the building trades is a very modest one, especially in the case of dwelling houses.

The new economic conditions determined by the war and the post-war period have reacted on the distribution of the net industrial product as between the several branches of activity. Thus, while in 1949 there has been a 8.5% increase (compared to 1938) in net industrial product as a whole, the increase has been much more marked in some branches; on the contrary in the others there have been some shrink-

(12) While the general price-index number for industrial products (1938=1) stands at 49.4, 52.0 and 46.4 respectively in the years 1947, 1948, and 1949, the price index number for agricultural and forestry products for those same years stand at 63.8, 61.6 and 55.4.

ages (13). In the case of the electric power, water and gas, there has been a 40% increase, followed by 18% for the engineering and rubber industries; 12.6% for the food and related trades; 9.4% for the printing and publishing.

There has been practically no change for the industries processing non-metallic ores, chemical and related trades, building trade and sundry manufactures. In the case of the wood, hides

sectors in which a decline, as compared to the situation in 1938, has taken place. The explanation is to be found in the fact that while Italian industries were working mainly on an autarchic basis in 1938, they are closely linked up with international markets in 1949.

11. — Setting aside for the moment the public sector and the indirect taxes, the net

NET PRODUCT OF INDUSTRIAL ACTIVITIES (a)

TABLE II

(current lire)

Branch and class of activity	1938		1947		1948		1949	
	Milli-ards of lire	%	Milli-ards of lire	%	Milli-ards of lire	%	Milli-ards of lire	%
1. Mining & Quarrying	0.79	1.9	36	2.1	32	1.6	36	1.7
2. Manufacturing industries	33.68	82.9	1,514	85.6	1,707	83.7	1,882	83.9
1 - Food and related	7.50	18.5	250	14.1	369	18.1	422	19.4
2 - Hides & leather	0.42	1.0	18	1.0	14	0.7	13	0.6
3 - Textiles	5.36	13.2	317	17.9	277	13.6	290	13.4
4 - Clothing & fittings	1.42	3.5	84	4.8	73	3.6	77	3.5
5 - Wood	1.12	2.8	49	2.8	35	1.7	36	1.7
6 - Paper	0.67	1.6	38	2.1	29	1.4	29	1.3
7 - Printing & publishing	0.75	1.9	38	2.1	47	2.3	58	2.7
8 - Metallurgy	2.29	5.6	99	5.6	129	6.3	114	5.2
9 - Engineering	8.83	21.7	371	21.0	436	21.4	466	21.5
10 - Processing non-metallic ores	1.03	2.5	48	2.7	54	2.7	58	2.7
11 - Chemical and related industries	3.29	8.1	153	8.7	182	8.9	194	8.9
12 - Rubber	0.52	1.3	22	1.3	31	1.5	32	1.5
13 - Sundry manufacturing industries	0.48	1.2	27	1.5	31	1.5	33	1.5
3. Building Trades	2.73	6.7	135	7.4	153	7.5	172	7.9
4. Electric Power, Gas & Water	3.44	8.5	87	4.9	147	7.2	143	6.5
Total	40.64	100.0	1,763	100.0	2,039	100.0	2,172	100.0

(a) Inclusive of interests paid to banking system and damage-insurance premiums.

and leather there have been reductions of more than 40%. Metallurgy trades have undergone a shrinkage of 16%; mining and quarrying, 14.6%; textiles, 10%; clothing, 9%; paper, 8.5%.

These variations, however, do not reflect an effort for adjusting industrial activity to the changed national needs. In fact, there has been a heavier demand for the products of just those

(13) These comparisons, that obviously suppose that market quotations are the same as in 1938, have no connection with the variations identified by the index numbers for industrial production. These latter relate to the flow of finished products of each class of economic activity while the variations referred to consider the said flow, net of the raw and auxiliary materials employed and of upkeep and sinking fund quotas.

product at factor cost of the several economic branches is shown in Table III. As can be seen, no substantial variations are noted in the percentage participation to the net income between 1938 and 1949. Some changes emerging in 1947 were reduced in 1948 and still more so in 1949. The economic sectors which play the leading part in all the years under consideration, are agriculture and forests, manufacturing industries and commerce. Taken all together they accounted for 72% of the total in 1938, 83% in 1947, 81% in 1948 and 79 in 1949%.

The net product of private activities reckoned on the supposition that the market quotations

of 1938 had remained unaltered, — and *inclusive* of the value of instrumental goods and services supplied by the public to private sector — amounts in 1947 to 76.5% of the 1938 figure, in 1948 to 86.1%, and in 1949 to 88.6%. The

country, and which is therefore determined by the net national product at market prices. It may be useful to classify this part of the national income under the three following headings: (a) private activities, (b) public administration,

NET PRODUCT OF PRIVATE SECTOR PER BRANCH OF ECONOMIC ACTIVITY (a) TABLE III
(current lire)

Branch of economic activity	1938		1947		1948		1949	
	Milli. ards of lire	%	Milli. ards of lire	%	Milli. ards of lire	%	Milli. ards of lire	%
1 - Agriculture & Forests	16.76	31.7	1,930	19.8	2,110	38.8	2,004	35.9
2 - Fisheries	0.29	0.2	14	0.3	13	0.2	15	0.2
3 - Mining & quarrying	0.77	0.7	35	0.7	31	0.6	35	0.6
4 - Manufacturing	32.70	48.2	1,486	30.7	1,668	30.5	1,770	31.7
5 - Building	2.66	2.3	129	2.7	159	2.8	162	3.0
6 - Power, gas, water	3.35	2.9	85	1.7	144	2.6	138	2.5
7 - Transports & communications	6.93	6.0	216	4.5	294	5.4	349	6.3
8 - Trade	13.63	11.8	597	12.3	616	11.3	613	11.0
9 - Banking & insurance	3.80	3.1	100	2.1	148	2.7	196	3.5
10 - Services	6.89	5.9	236	4.9	261	4.8	276	4.9
11 - House property	8.07	7.0	15	0.3	17	0.3	23	0.4
12 - Total net product	115.85	100.0	4,846	100.0	5,461	100.0	5,586	100.0

(a) The figures given in this Table are *exclusive* of interests paid to banking system and damage-insurance premiums; consequently they differ slightly from the figures contained in Tables I and II.

net product of economic activities when compared to 1938 had therefore been reduced by about 20% in 1947; from 1947 to 1948 it increased 12.5%, and from 1948 to 1949 by 2.9%. We thus see that since 1948 Italy's net product, in real terms, has risen at a declining rate.

The branch of activity which in 1949 had a higher level than in 1938 was, in addition to the manufacturing industries to which attention has already been drawn, banking and insurance. On the other hand, there were some reductions in the case of trade and services and a very marked reduction (from 7.0 to 0.4%) in the case of house property owing to legal restrictions placed on rents.

12. — If, in addition to the net product of the several branches of economic activity, we consider that of the Public Administration and the yield of indirect taxation, we are able to identify, following the criteria adopted by the Central Institute of Statistics, the part of the national income that is obtained *within* the

(c) indirect taxes, as shown by the data given in Table IV.

In real terms, Italy's net national product amounted to 75.8% of 1938 figure in 1947, 87.5% in 1948 and 94.4% in 1949.

In 1947 the net product of private activities — *exclusive* of the value of instrumental goods and services supplied by the public to private sector — amounted 85.2% of the 1938 figure; this percentage rose in 1948 to 94.5% and in 1949 to 99.8%. In the case of the Public Administration the percentages are respectively, 43.8%, 61.2%, and 64.9%. As can be seen, the productive capacity of the Public Administration, though it has progressively increased in the post-war years, is still markedly below that of 1938. The yield of indirect taxation, on the other hand, is seen to be respectively equal to 51.9% in 1947, 71.7% in 1948 and 83.9% in 1949. We are led therefore to the conclusion that in post-war years fiscal pressure in Italy affects productive activity to a definitely less degree than in pre-war period.

Obviously, these developments react on the percentage participation of the private sector,

public sector and indirect taxes on the composition of national product.

In 1938 the net product obtained from private activity represented approximately 75% of

which, taken together, form the national income. These data are set forth in Table V.

The contribution made to Italy's national income by foreign items consisting of net in-

NET NATIONAL PRODUCT AT MARKET PRICES
(current lire)

TABLE IV

Component Parts	1938		1947		1948		1949	
	Milli. ards of lire	%	Milli. ards of lire	%	Milli. ards of lire	%	Milli. ards of lire	%
Private activities (a)	101.39	74.7	4,616	85.2	5,142	81.4	5,400	80.4
Public administration	15.84	11.7	338	6.2	497	7.9	527	7.8
Indirect taxes	18.40	13.6	466	8.6	627	10.7	792	11.8
Net national product	135.63	100.0	5,420	100.0	6,316	100.0	6,719	100.0

(a) The figures for net product of private activities given in this table are *exclusive* of the value of instrumental goods and services supplied by the public to private sector; consequently they differ from the figures contained in Table III.

the total; the remaining was accounted for by the public administration (11.7%) and by the yield of indirect taxation (13.6%). In 1947 the ratio of the net product of the public administration to the total fell by about 47% and that of indirect taxation by about 37%; on the other hand the contribution to net national product made by private activities increased by 14%.

Thus the reactions of World War II were felt in 1947 in the form of a reduction of fiscal pressure and in the stagnation of the activities of the public administration. In 1948, and still more so in 1949, these phenomena were however greatly reduced.

13. — If, as above stated, we take into consideration, besides the net national product at market prices, the net incomes obtained from abroad we then have the two component parts

comes from abroad and donations is small (2.4% in 1949). Indeed, Italian capital invested abroad is of negligible amount, unless we choose to consider the human capital represented by the emigrants. In their case, as already stated, only their remittances, *i. e.* their savings that have actually entered the national territory, have been taken into consideration in assessing the national income.

As compared to the figures for 1938, donations have acquired in the post-war years a quite special importance. It is to them that we must ascribe in those years the marked increase in the external component of the national income, whose ratio to the total passes from 0.2% in 1938 to 3.2% in 1947, 3.6% in 1948 and 2.4% in 1949. As has already been stated, imports consisting of « donations » should be interpreted as the economic equivalent of special

NATIONAL INCOME
(current lire)

TABLE V

Component Parts	1938		1947		1948		1949	
	Milli. ards of lire	%	Milli. ards of lire	%	Milli. ards of lire	%	Milli. ards of lire	%
Net national product at market prices	135.63	99.8	5,420	96.8	6,316	96.4	6,719	97.6
Net income from abroad and donations	0.31	0.2	180	3.2	237	3.6	166	2.4
National income	135.94	100.0	5,600	100.0	6,553	100.0	6,885	100.0

services exported in favor of those who have made the grants. Looked at as such, they acquire the significance of « remunerations », and this justifies their inclusion among the items of the national income.

The facts above set forth, lead us to the conclusion that Italy's national income arises to a very large extent, if not exclusively, from the productive activities (goods and services) exercised on the national territory. After the parenthesis of the war years (from 1940 to 1945) it marks a clear upward trend, rising (1938 = 100) from 78.4 in 1947 to 90.7 in 1948 and 96.5 in 1949. If we take into account the

growth of the Italian population from 1938 to 1949 (14) and of the greater needs that accompany the advance of social organisation, we must agree that the national dividend of Italy in 1949, though closely approaching (in real terms) the pre-war one, cannot however be given an optimistic interpretation, and it is therefore to be hoped that in the near future it may secure further marked increases, so as to assure a more adequate standard of living.

(14) From December 1938 to December 1949 Italian population rose by 2,364 thousand unities passing from 43,776 to 46,140 thousand unities (+5.4%).