Industrialization or "Pre-Industrialization" of Southern Italy?

by FRIEDRICH VÖCHTING

1. Present State of the Southern Question.

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

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

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

When Italy became a unified nation the South had achieved a degree of industrialization which was fairly adequate, if we bear in mind the historical, social and economic circumstances of the time. In fact, as regards variety, the industries of the South could equal those of North Italy. But southern industry had until then enjoyed a substantial protection under the customs policy in operation; when it was faced with the competition of the northern industries (which had been touched by systems of free trade) it was seriously affected and, so far as it succeeded in surviving, it could only do so by severely cutting wages. On the other hand, shortage of working and permanent capital — which had been heightened by investments in mortmain property liquidated for the benefit of the Revenue — prevented the southern industrialists (especially in the case of small concerns and artisan industries) from re-organizing their equipment so as to reduce costs and put themselves in a position to compete with their rivals in the North.

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

The indifferent results of this experiment were not sufficient to re-establish the previous balance, and the first world war, by encouraging the greater development of some northern industrial centres already well-established, had the inevitable effect not only of ensuring but of increasing the industrial predominance.
of the North. An enquiry held in 1927 revealed that the southern mainland — whose share of the population was according to the 1911 census, 23.6% — provided only 7.4% of the labour employed in machine-operated industries (1).

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

The Government's hand was forced, indeed, by the fact that northern industry was already more highly mechanized and so could proceed more readily and at less cost along the path of still greater mechanization than the South, while in addition, re-armament necessarily depended on the heavy industries situated in the North. This in turn could not fail to give rise to an ever increasing lack of balance; the share contributed by Southern Italy to the horse-power of the whole country continued to decrease, from 19.7% (1927) to 13.1% (1932) (2).

The same tendency prevailed on a yet larger scale during the last world war, which therefore aggravated the geographical dislocation of Italian industry. Moreover, the difference between North and South became at least temporarily even more marked owing to the uneven incidence of war damage. The destruction suffered by industry in the South of Italy is reckoned to have been 35%, as compared with 12.5% representing the damage suffered by industries in the Valley of the Po (3).

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

But in our restless age it may seem unreasonable to demand accurate and detailed plans from Governments, who are forced to sail with the wind and are content to live from day to day, if they are as richly endowed as the situation expenditure and hardships will have to be incurred considerably greater than that which would have been called for not long ago.

2. The Alternative of the Ten Year Plan.

In August 1936, while the steps to be taken for the industrialization of the South were being discussed, the Government announced a ten year plan of public works intended to improve the Southern conditions in various ways. The execution of the plan was entrusted to the well-known «Cassa per il Mezzogiorno» (Southern Italy) (4).

The planned works — land reclamations, improvement of mountain land, irrigation plants, drains and aqueducts, highways, land reform (Heaven forbid that this should be omitted!) — had as their primary object, beside the general task of rehabilitation, the encouragement and intensification of agricultural production.

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(1) Giuseppe Conte and Francesco Giorni, Il problema industriale italiano, Zanichelli, Bologna, 1933, p. 86.
(2) SYMES, id., p. 11.
(3) SYMES, id., p. 11.
(4) SYMES, id., p. 11.
(5) SYMES, id., p. 11.
(6) SYMES, id., p. 11.
avoid spreading the expenditure over too long a period and so defeating the «battering ram» effect of the plan which is so essential to its effectiveness.

Nor can we expect — this is the conclusion arrived at by the Svinazz inquiry — any marked and lasting result in the process of smoothing down the differences between the «two ladies» and of reducing the unemployment which is a permanent feature of the South (10) from a mere programme of public works, however considerable it may be.

For the localization in the North of the main Italian industries will necessarily mean that the North retains a considerable part of the public money allocated for the benefit of the South, which could have been spent to develop southern industries if the South had possessed an even embryonic industrial organization.

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

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

Even if we admit that the ten years' plan is preferable, for electioneering purposes, to an industrialization programme, we maintain that once the planned public works have been carried out, the demand for labour will remain at very little above the original level; the number of unemployed that agriculture may be able to absorb is, in fact, limited to a few thousand.

True, the additional quantity of labour introduced into the production cycle during the course and for the realization of the plan will be much greater. According to the arguments put forward by Svinazz (12), to the effect that each million lire invested in public works represents an average of 909 workers of the South of Italy employed in these works, the sum of 100 million lire (annual amount contemplated by the plan) should provide occupation for 90,000 men at present unemployed.

If we add the additional units of agricultural labour to be employed annually, which, according to Alessandro Molinari, are at the most 5,000 thousand (13), we arrive at a maximum total, for the South only, of 100,000 workers.

Once, however, the programme of public works has been completed (1909), this figure will, as we have said, be considerably reduced; it would appear in fact that the final number of additional units employed for the purposes of operating and maintaining the establishments created in 1909 and the hydro-electric and other plants contemplated by legislative projects (14) could not exceed 10,000-15,000.

To this we might add about 5,000 additional workers who will be employed in agriculture if this continues to improve. This last figure, unlike the other, is cumulative from year to year.


I know of no other series of valuations besides those of Alessandro Molinari and of the Svinazz relating to the opportunities for the employment of labour, except the two drafts of a «four year plan», illustrated respectively in 1947 and 1949 in a book by Pasquale Saraceno (15) and in an article by Roberto Tremel- loni (16). According to these estimates the several branches of activity should expand in the years from 1945 to 1952-53 to an extent which would require the following additional annual supply of labor. It should be noted that these two estimates were made considerably in advance of the establishment of the «Casa del Mezzogiorno» and that the figures refer to the whole of Italy.

5. The Promise for the Industrialization of Southern Italy.

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

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

Nevertheless, on the assumption that the problem of markets is solved, and that the minor economic activities fulfill the part assigned them in providing employment, there would still be, at the end of the period, according to Tremeloni's estimate (20), 8,000-10,000 unemployed, a number which might perhaps be reduced, but certainly not in a decisive measure, by the normal current of emigration. It would therefore seem more than ever necessary to set going all the people that can be devised by brains and determination for reducing, if it be not possible to eliminate, the congenital disease of Italian economy, and in the first place to have recourse to industrialization.
The North has a crushing superiority in the matter of the available supplies of electric power, to which everybody can be generally agreed. This disparity could be remedied, though only to a small extent, by the further utilisation of the geothermal power that South Italy has, and to a smaller extent Central Italy possesses. If imports of coal and mineral oils, that weigh heavily on the Italian balance of trade, are to be reduced to the strictly necessary amounts, the Southern mainland and Sicily will have to be connected up with the most important power stations of the North by electricity. It will also be necessary to face the problem of the equalisation of the rates, one of the many burdens the community will have to shoulder if a serious effort is to be made to create an industrial civilisation in the South.

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

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

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

(22) As is shown by Enea Donate's study, above referred to, the rate of wages in the South for the ordinary work of day-laborers is, in extreme cases, only half that of the same work in the North. Moreover, the wages actually paid may even be 30%-50% lower than the official rates. These figures give the measure of the immense competition for the few jobs available in the South, especially in manual work.

6. Legislation for the Industrialization of the South

In the early post-war years, when the need of geographical redistribution of industry came to the fore, it was realised that a purely negative action (exemption or reduction of duties, rates, etc.) could not suffice for the realisation of so important a task. It needed something more than the establishment of the free zones above referred to (24); government action would have to take a positive and even a preventive form: it would have to be not only a normalisation, safeguard, and promote the growth of existing organisms; it might be necessary to summon them into life by active intervention. In its turn, such intervention has been «over-simplified» in assisting the enterprises with the necessary long-term capital at a low rate of interest in one or other form: either by the Government subscribing part of the share capital (4 means so far excluded owing to shortage of funds); or by the grant of preferential loans through special banks formed for that purpose and assisted by government guarantees; or by State assistance through the payment of part of the interest due on such loans.

Indeed, the so-called Togno and Porzi Acts, and that of 1950 which completed and to which new ones (26) were devised on those lines. Fiscal and customs facilities were coordinated with provisions for immediate financial assistance in the shape of credits granted by the Banks of Naples, Sicily and Sardinia in the South and the Islands. The loans, which in no case may exceed two-thirds of the share capital (the borrower must supply the remaining third) were guaranteed by the Government to an extent originally fixed at 70%; the Government undertook to compensate towards the interest payments on loans at the rate of 4½ per cent.

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

In the first place it should be noted that the total amount of this help was limited to 10 billion lire: The new measure is sufficiently, according to reliable estimates for setting up productive concerns able to afford employment to another 5000 workers, a drop of water in the vast ocean of unemployment. The insufficiency of the credit provision has been shown in practice by the great number of applications that remained unsatisfied. For instance, by the end of 1946 the Bank of Naples had received applications for loans that exceeded 70 or 8 times the credits of 6.2 billion lire assigned to it (20). To limit the number of applications, the Act of 1950 (art. 10) reduced the Government guarantee from 70% to 50%; this however forced the Banks to ask that borrowers should give up their credit not only all their fixed assets but also their personal, moveable, and liquid ones (29). In this way, the undertakings were deprived of their working capital, and of the basis for obtaining it on loan, and often found themselves in the most dangerous difficulties just at the time when they most needed a breathing space.

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

It would therefore seem desirable that the existing laws be completed and further amended, so as to provide a more adequate credit on a scale proportionate to that granted for setting up new and not for restoring old ones; and that the financial relationship received from the Government in the shape of guarantees be not only more adequate, but also, and in particular, more certain. Satisfaction should also be given to the reasonable requirement that the many laws, which are not well coordinated, all dealing with the industrialisation of South Italy, should be compiled and condensed into a single codified text like that which was enacted in 1933 as the Serpieri Act, summarising the legislative efforts of more than a decade on


(24) This mediating was contemplated by requiring the Banks holding the basis to limit the full loan to the borrowers to 70% (as per art. 8 of the Act of May 9, 1949, No. 81).

(25) Art. of December 23, 1950, amended by another to 10 billion lire by the Act of May 9, 1950.

(26) Act of December 9, 1950, amended by another to 10 billion lire by the Act of May 9, 1950.

(27) Act of December 9, 1950, amended by another to 10 billion lire by the Act of May 9, 1950.

(28) Act of December 9, 1950, amended by another to 10 billion lire by the Act of May 9, 1950.


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

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

were to be persisted in, national economic unity — the holy of holies of XIXth century liberalism and of that yet nearer to us — would be broken. But those who accept the views of G. Mirabella (33) and believe that the second half of our century should set itself within the borders of each country that geographical redistribution which was carried out in the last century in the international field might even come to the heretical conclusion that the same means should be followed for the same ends, i.e. that customs barriers might be set up within a country behind which a series of selected industries, suited to the environment and intended above all to meet the needs of local consumption, might arise and expand (33). Such a policy, Intentionally daring, does not unduly exceed the precedent offered us by the Sicilian Regional Government which whilst it does not go so far as to set up a regional customs barrier, is nevertheless determined to dispossess the citadel of national customs duties. It might give rise in South Italy to an autonomous industrial system at a much lower cost to the tax-payer than that of a direct and complicated paternalistic intervention.

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

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

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

(32) Statuto della Regione Siciliana, with introductory notes by Cesarino Besana, Palermo, 1930 (see art. 30).


(34) The food industries excepted, which are by their nature exempting area. For other details see SYMMEZ, Contributo... etc., pp. 63 et sqq.