The E.R.P. and the Problems of Italian Agriculture

by GIUSEPPE MEDICI

I

Agriculture in the Framework of Italian Economy.

1. The estimate of Italian national income made by Vinci for 1948, shows the relative prevalence of agriculture over other branches of economic activity. Table 1 shows that that percentage of the total national income. Agriculture accounted for the majority of the total national income.

Moreover, we can consider that agricultural production consists largely of foodstuffs, the importance of agriculture for a poor country like Italy, where food has always accounted for a large percentage of the total value of national consumption, is evident. In 1938 food represented 56.4% of total consumption as estimated by Vinci, and in 1947 the percentage had risen to 67%.

The 1936 census returns for the population present (Table II), show that persons engaged in agriculture, represented 48% of the country's working population, the figure rising for southern Italy to a peak of 59%.

The balancing factor—fundamental for our economic and political life—continued to be emigration, which assumed a massive scale in the 1950s, when more than 15 million Italians, of whom only one half repatriated.

Today, with an annual population increase of 400,000, the situation has grown dangerously worse; emigration is blocked; industry has to face the difficult problems of readjustment and its payrolls are burdened by large quotas of superfluous labour; agriculture is suffering from the over-stocking and destruction of the war years.

The recent figures for unemployment, even if estimated roughly, speak clearly (3.3 million persons).

The lack of balance between population and land is one of the features of the Italian situation that makes the problem of the development of our agriculture an acute one. We should certainly not exaggerate the relief that our already highly intensified farming can afford to the pressure of population. The fundamental means for re-establishing a balance can only be found in a reconstruction of migration and, within the country, by intensified industrialisation.

3. In Italy plain-lands account for only 21% of the productive area (Table V), whereas in other countries, such as the United Kingdom, France, and Germany, they account for more than half of the territory. Of the 28.5 million hectares of productive area, barely 15% can be considered as really suited to cultivation. This justifies the statement that the results

<table>
<thead>
<tr>
<th>Region</th>
<th>Total population (thousands)</th>
<th>% of total population</th>
<th>Working population (%)</th>
<th>Industry, services</th>
<th>Sundry commerce, banking, public administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Italy</td>
<td>19,877</td>
<td>47</td>
<td>42</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>Central Italy</td>
<td>3,510</td>
<td>44.9</td>
<td>42</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>Southern Italy</td>
<td>10,051</td>
<td>52</td>
<td>42</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>Islands</td>
<td>4,932</td>
<td>53</td>
<td>42</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>44,443</td>
<td>43</td>
<td>42</td>
<td>38</td>
<td>28</td>
</tr>
</tbody>
</table>

(a) Consisting of persons over 15 years of age returned for the census engaged in a profession, art, or trade, even if unemployed at the date of the census.

(b) Including fishing and hunting. In Italy, for all purposes, all persons who are engaged in fishing or hunting are included.

(c) According to the Central Institute of Statistics, 1947, 1/6.

The percentage of the male agricultural population to total population has therefore fallen from 26.9% to 11.7% (Table IV).

Terrestrial Area and Productive Area

<table>
<thead>
<tr>
<th>Terrestrial (in hectares)</th>
<th>% of total</th>
<th>% of productive area</th>
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</thead>
<tbody>
<tr>
<td>Mountains</td>
<td>12,940,381</td>
<td>39%</td>
</tr>
<tr>
<td>Hills</td>
<td>14,496,977</td>
<td>41%</td>
</tr>
<tr>
<td>Plains</td>
<td>6,457,700</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>33,895,058</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: L'agricoltura e la riforma agraria, op. cit.
obtained by Italian agriculture are largely due to the tenacity and skill of the rural population, which is one of the most expert, industrious, and frugal in Europe.

Nor have large capital investments been lacking; as witness the Valley of the Po, the Valley of the Arno, the Apulian Tableland, the Pontine area, etc. In some of these zones (the Valley of the Po, the Valley of the Arno) the land reclamation and improvement works which were started after the end of the 19th century have been continued in very recent times, have given good results. But taken as a whole and apart from special conditions in some more fortunate zones, capital investments have been scanty.

Agriculture and Industry.

4. - The problem of the relations between agriculture and industry in Italy is an old and sad one, as it has contributed to accentuate the contrast between the industrial North and the agricultural South. Elsewhere (2) I have had occasion to show why the: are no fundamental reasons for conflict between agriculture and industry, but only reasons for collaboration, as agricultural progress is strictly dependent on industrial development. Agricultural literature and our more recent experience alike confirm this truth. The improved standard of living, i.e. the increase of per capita income, is closely connected with the reduction of the population living on the farms and the increase in the numbers engaged in industry, trade, and the liberal professions; as has been the case in the United States and Great Britain, and, until 1939, in Germany, as compared to such prevalently agricultural countries as Poland, Bulgaria, and China.

If industry can complain of the protection granted to agriculture and of the direct government interventions in its favour (these however are of recent origin) agriculture has much more serious grounds for complaining of the protection granted to industry.

Recent enquiries have shown that notwithstanding the interventions in her favour from 1929 to 1940, the position of agriculture as compared to industry has grown worse (3).

Landed property and agrarian progress.

5. - The division of landed property is much greater in Italy than is generally believed. The areas in which small holdings formed by the owners predominate are very extensive. Even in the zones of large landed estates (latifundia) the progress made would surprise those who do not know the places, and whose ideas on the matter date back to the classic works of Sannino and Franchetti, or to the Parliamentary Enquiry into the conditions of the peasantry in Southern Italy and Sicily made in 1911.

At the present time the distribution of the land between small, medium-sized and large properties is made in the following ratios:

- small freehold holding 54% of the national income from landed property;
- medium freehold holding 32% of the national income from landed property;
- large estates holding 14% of the national income from landed property.

This is due not to hastily land reforms but to a gradual process of evolution which it is the duty of the Government to foster and promote.

This explains why miraculous results should not be expected from the agrarian reform in general and from that consisting in a land-owners reformation in the strict meaning of the term. They should not be expected, because of the characteristic features of our agrarian economy, and because land-ownership as a whole is already very much subdivided (4).


(2) See: L'agricoltura e la riforma agraria, op. cit., p. 41 et seq.

(3) See: L'agricoltura e la riforma agraria, op. cit., p. 41 et seq.

(4) See: L'agricoltura e la riforma agraria, op. cit., p. 41 et seq.

In a large part of Italy the agrarian reform has been under way for centuries. For centuries the slow but steady subdivision of landed property has been going on, closely connected as it is with the assiduous work carried on to drain marshes, level and irrigate sandy downs, and plant trees and bushes.

Summing up, we may say that an agrarian reform problem, understood as a revision of our agricultural systems and of farm leases, exists in all parts of the country; but the problem of a "land tenure reform" exists only in those zones where large estates enjoy privileged positions (a monopoly of the territory) and where they do not fulfill any economic and social function (5).

The need of securing the transfer and division of estates, is felt above all in some of the areas of Central and Southern Italy where large landed estates (latifundia) are the rule.

If these transfers and divisions are to be lasting, a whole series of public work (roads, drainage, etc.) are necessary so as to afford the necessary an environment favourable to the formation and permanent efficiency of the new farms. All this entails large-scale Government intervention, in the form of large investments followed by a steady action of technical and financial assistance to the new farm units. Only thus will it be possible to assure that increase of productivity without which the "agrarian reform" would be void of meaning and doomed to failure, even in its social aspects.

The special characteristics of Italian economy make it desirable to give some details on this problem of the formation of small holdings operated by their owners.

Statistics show that holdings of less than 50 hectares (small and medium sized) are those in receipt of the highest percentage of income from land, and they confirm and define the well ascertained fact that, generally speaking, the more intensive and active forms of farming are found in the areas in which land-ownership is subdivided (Table VI).

(5) See: L'agricoltura e la riforma agraria, op. cit., p. 41 et seq.

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6. - a) In 1943 Italian agricultural economy rested on solid foundations in regard also to international trade, and the balance of the budget of payments was assured by the credit balance for services which settled the trade debt. Although it is difficult to determine the "agricultural" trade balance (6), it is reckoned that it amounted in the year to 1,487 million lire for imports (7) and 232 million lire for exports (8), closing with a debit of 554 million lire.


(7) The "Agricultural trade balance" includes four groups:

Group I - Unprocessed agricultural foodstuffs and livestock (wheat, maize, rice, other cereals, fresh vegetables, fruit, legumes, cattle, sheep, etc.).

Group II - Agricultural foodstuffs processed entirely or mainly by "agricultural industries" (fresh and frozen meat, butter, cheese, wine, oil, etc.).

Group III - Agricultural foodstuffs processed wholly or mainly by industry in general (sugar, flour, semolina, canned and preserved fruit, vegetables, legumes, etc.).

Group IV - Agricultural raw materials for industry exclusive of foods (raw tobacco, hemp, flax, cotton, wool, lumber of various kind, hides and skins, flowers, various plants, molasses, etc.).

(8) Wheat 399.5 million lire; maize 54.5 million lire; meat, 23.6 million lire; wool 73.5 million lire.

(9) Citrus fruits 85 million lire; fresh & dried fruit 99.4 million; vegetables 20.8 million; cheese 72 million; wines 75 million.
It thus accounted for 41% of total imports, 40% of total exports, and for 23.5 of the total balance of trade.

In the case of food and non-food agricultural products, imports were valued at 1,482 million lire, exports at 599 million, showing a debit balance of 882 million, covered to a large extent by the credit balance of 286 million lire, goods from agricultural and other industries using farm products.

b) in 1938 the agricultural trade balance amounted to 13.6 million lire for imports (9) and 59 million lire for exports (10), leaving a debit balance of 6.7 million lire, and it accounted for 50% of total imports, 30% of total exports, and 25% of the global deficit of the Italian balance of trade.

In the case of food and non-food agricultural products, imports were valued at 1.2 million lire and exports at 4.3 million lire partly covered by the credit balance of goods from agricultural and other industries using farm products.

c) The grave situation arising from the disequilibrium of the agricultural trade balance has been one of the causes of systematic governmental intervention. By these means a balanced situation was secured in 1938, when imports stood at 3.2 million lire (11), exports at 3.3 million lire (12) with a credit balance of 100 million lire.

It thus accounted for 25% of total imports, 20% of total exports, and covered 32% of the global deficit of the Italian balance of trade.

But this adjustment was obtained at the cost of dislocating the development of our agriculture, in a direction which had serious consequences, more especially for animal husbandry (13). The average daily per capita consumption of calories remained nearly as the same in volume and composition as in 1913-15; in 1938-40 this consumption fell below the figures attained in 1929-35, and barely touched the minimum standard necessary for healthy living by the physiologists. The figures stood in fact at 2,579 calories in 1913-15, at 2,703 in 1929-35, and at 2,690 in 1938-40.

d) World War II has reacted very seriously on Italian agricultural production. The scarcity of fertilizers, indispensable when farming poor and exhausted lands, and the losses in lands investments and live-stock are three of the principal causes. Of the global loss caused by war destruction, estimated at 2,100 million lire of 1940, it accounts for 485 million lire; i.e., 18.4%.

It is however comforting to note that in spite of the severe blows received, agricultural production has almost everywhere revived, and though the pre-war levels have not been reached, the yields in the first post-war years have been exceeded. A considerable improvement can also be noted in the case of consumption.

Anyhow, in 1947 the "agricultural" balance (lire 202,45 million lire for imports (14) against 43.1 million lire for exports) closed with a deficit of 158.2 million lire.

It accounted for 40% of total imports, 20% of total exports, and 57% of the global trade deficit.

7. As these figures show, the second world war has thoroughly disorganised the structure of the Italian balance of payments. Not only has it cancelled or reduced the formerly important invisible items (shipping, tourism, expenditures, emigrant remittances), but above all it has greatly increased the deficit on the agricultural balance sheet. In 1947 the deficit on our agricultural trade balance was the most significant feature of our balance of payments. Evidently, therefore, its readjustment is a matter of the utmost importance for the permanent security of our state.

8. Our agrarian policy is directed towards securing a general increase of production.

To obtain this increase we must (a) make changes in the crops raised; (b) introduce a more up-to-date technical and economic organisation of the farming industry; (c) secure a larger supply of instrumental goods and raw materials; (d) make extensive investments in land reclamation and improvement works; (e) develop the lands now under extensive agriculture (latifundia) by increasing the number of small holdings operated by their owners and by co-operative enterprises; (f) give steady and adequate help in the mountain areas.

The action planned calls for far-sighted government action and large long-term investments affecting the land itself and the systems of land tenure, and comparatively small investments which however could yield rapid and important economic results in the agricultural field. Agricultural recovery is therefore dependent on steady action by the Government, above all in the shape of financial help.

The agricultural classes are firmly convinced that the major part of the E.C.A. counterpart paid in lire should be assigned to agriculture, because:

1) the increase of agricultural production would reduce food imports and would make it easier to increase exports, thus making a great contribution to straightening out the balance of international payments;

2) land-reclamation and irrigation works are the public works most productive of wealth and which absorb large quantities of unskilled labour;

3) the execution of land-reclamation and irrigation works in the South where much of the effort would be centralised, is the sine qua non of a general improvement of Italian economic conditions;

4) the agrarian reform which has been promised, and from which noteworthy masses of country people expect more opportunities for work while many believe it will assure the longed-for social peace, cannot be carried out without large financial help from the Government;

5) the rational development of certain crops (fresh fruit and vegetables) and of animal husbandry will supply the basis for a similar development in important branches of industry using the products of the farm, such as the cheese, canning, and packaging industries (15);

6) the distribution of the Lira Fund cannot be considered separately from the ordinary budget in which the appropriations made for agriculture are increased.

Before expressing the amount of the help the Government should allocate for agriculture in the form of budget appropriations or by drawing on the Lira Fund of the ERP, I will outline the action to be followed.

Fresh Fruit and Vegetable Crops and Animal Husbandry.

9. Italian agricultural policy should aim above all at increasing the production of fruits and vegetables and at securing a marketed increase in all the products of animal husbandry which would allow of reducing imports and increasing exports in conformity with the needs of possible consumer markets.

If these objectives are to be attained the present use of farm lands will have to be modi-
The production of fruit and vegetables may become in time one of the pivotal points of our economy. There is a tendency the world over to consume more fruit and vegetables rather than cereals, but the consumption is still low in many countries on account of high prices. If incomes rise, it will lead to a marked increase in the consumption of fruit and vegetables even among the poorer classes, and in Italy, and above all in Southern Italy, conditions are ideal for making such exports to European countries.

With the increase of per capita income, the Italian home market will also offer large possibilities for increasing the consumption of such products as the present average Italian per capita annual consumption of fresh fruit is very low compared to that of other countries. Before the war it stood at 30 kg. per annum as against 80 in the United States, 65 in Switzerland, and 39 in the United Kingdom.

The central problem of Italian agriculture is that of animal husbandry.

It calls for absolute action both on the part of the Government and of the farmers, for apart from the Valley of the Po and a few limited areas in Central Italy, the livestock on the farms is quite insufficient. The herds and flocks of Italy are scanty, and little progress has been made in the last forty years. If we compare the number of livestock to the productive area, the situation does not look so bad, but if the comparison is made with the population it is very serious indeed.

We have already referred to the responsibility of the wheat self-sufficiency plans for the stationary conditions prevailing in dairy farming, which are due to the limited area assigned to forage crops.

Of course, in order to secure an increase in the number of livestock, steps must be taken to improve the whole agricultural situation. Apart from the special conditions brought about by the war, it will be necessary to carry out improvements on the farms (stables, water-supplies, haysheds, silos, etc.) and make changes in the crop system (permanent meadows, grasslands, etc.) placing a limit on wheat-farming, especially in hill and mountain areas.

Another side of the problem is the mechanisation of the farm, for this means saving forage to be used in raising stock, where it is now lacking, for the production of meat and milk. At bottom, it is a question of investing large amounts of capital.

The opportunities for marketing animal products in Italy are excellent, as the present annual per capita consumption of meat is very small and in the Southern provinces consists of only a few kilos; and even to meet this small demand large quantities of meat have to be imported.

In this field the Government should help all forms of enterprise, and especially animal genetics and prophylactics. Special help should be given to stock-breeding in Southern Italy, where the need of new forms of farming is most felt.

Permanent results could be attained with less difficulty than is generally thought, provided sufficient energy were displayed. At the beginning of the XIXth century the non-irrigated sections of the Valley of the Po were farmed on much the same lines as the great estates of the South. There too wheat farming was accompanied by a great scarcity of forage, there were few permanent meadows and the quality of the livestock was poor. The introduction of alfalfa led to a renewal of the whole economic system, because it allowed of a great increase in animal husbandry.

Land-reclamation and irrigation.

10.- Land-reclamation and irrigation may be carried out as public works and paid for in full or mostly by the Government, or they may be carried out by private owners and paid for in full or in part by them. The guiding principles in selecting the works to be executed should be to concentrate sufficient means on a few large highly profitable reclamation works located in areas where unemployment is rife; and to allocate most of the available funds for completing reclamation works which are already well advanced. It is particularly important to help those land improvement works in which private enterprise is already to some extent engaged (improvement of mountain pastures, small irrigation works, the erection of silos for ensilage especially in Southern Italy and the Islands). It would be a very serious mistake if, in order to undertake another public work, private enterprise were discouraged by refusing financial help to those improvement works, which would soon be able to show returns on the capital invested in them, and whose completion requires the assiduous care of the owner who meets approximately two thirds of the cost. Above all it will be possible by a proper valuation of grants and prudent loans at low rates of interest to help those small and average-sized peasant holdings that are the most part of our agricultural structures.

In the lower Valley of the Po, in Central Italy and in the South, there are land-reclamation works that can be completed within four years. The case of the Piano del Sela, in the vicinity of Salerno, shows how productive the southern lands can be when the local resources are fully utilised and when public enterprise puts forth its full efforts. Southern Italy would benefit greatly if a large number of farm buildings were erected, small irrigation plants installed, and the lands levelled and drained.

Of course, before land-reclamation and irrigation works can be undertaken, an impartial estimate of the probable results to be obtained from them must be made, so as to avoid making bad use of precious capital (16).

The data in Table VII give an idea of how vast the problem of Italian land-reclamation is. An area of 97 million hectares of land (some 44 million acres) i.e., nearly one third of the whole Italian productive area, is involved, of which 3.6 million ha. in Northern Italy, 1.5 million in Central Italy, and 4.6 million in the South.

<table>
<thead>
<tr>
<th>Table VII</th>
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<tbody>
<tr>
<td>Estimate of the Situation of Land Reclamation Works in Italy (1947)</td>
</tr>
<tr>
<td>Land Reclamation Circumscriptions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hundreds of hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>of which:</td>
</tr>
<tr>
<td>a) with principal works in course of execution</td>
</tr>
<tr>
<td>b) with principal works completed</td>
</tr>
<tr>
<td>c) works of agricultural development all completed</td>
</tr>
<tr>
<td>(1) Circumscriptions in which land-reclamation works have been carried out</td>
</tr>
<tr>
<td>Grand total</td>
</tr>
</tbody>
</table>

Source: Quoted in the text.

In the case of irrigation, which is fundamental for the progress of our agriculture, a start was made with a five-year plan in 1947. The total estimated cost amounts to some 120 million lire, of which 96 for public works of irrigation, 46 for land improvement, 10 for irrigation works connected with the irrigation, the plan applies to half a million ha. of land, being 2% of the whole productive area (Table VIII).

<table>
<thead>
<tr>
<th>Table VIII</th>
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<tbody>
<tr>
<td>Total Irrigable Area in hectares - Plan for 1947-1951</td>
</tr>
</tbody>
</table>

- Irrigable Areas (new and supplemen- tary to existing irrigated areas) |
  - Northern Italy: 337,300
  - Central Italy: 45,930
  - Southern Italy: 66,700
  - Islands: 31,200
- Total: 505,530


Mountain lands:

11. - The problems connected with mountain lands, which, as we have seen, account

has visited the experimental-stations of many countries, cannot but be convinced that Italian agriculture, has great need of being provided with adequate means for taking up this work again and that it should be eminently practical in its character. Its purpose should be to facilitate the work of the farmers in applying new agricultural methods.

The organisation of agricultural producers was a matter that claimed attention towards the end of last century, when some serious pests imported from abroad attacked our cultivated plants. There then arose the first associations of producers and the first cooperative societies; voluntary organisations formed to control the ravages caused by insect pests and plant diseases, to encourage the improvement of seeds and livestock, to select the varieties best suited to each condition of climate and soil, to organise marketing more especially of products for export, etc. All these tasks that experience has taught the agriculturists, they deal with themselves through their own organisations, rather than leave it to the government. After a parenthesis during which these services were forcibly bureaucratised, there is a revival of the desire to fight them with them through new means which will rely on the voluntary efforts of the parties concerned.

But the formation of this new organisation cannot be left exclusively to private enterprises; it must be assisted and guided by the Government. Therefore measures should be taken to establish, and foster a close collaboration between: 1) itinerant advisory experts; 2) agrarian associations; and 3) producers’ associations. To the first should be assigned the specific tasks of training and giving advice on farm practice and economics; to the second, commercial tasks such as purchasing fertilisers, seed, machinery, etc., and to the third, the technical and marketing operations relating to production.

The problem of agricultural credit

12. - Given the lay of the lands—largely hill and mountain—and the prevalence of small peasant holdings, the use of farm machinery is much less advantageous than in other countries and therefore many difficulties stand in the way of the mechanisation of agriculture in Italy. Moreover, we do not find in Southern Italy those small engineering shops which would make it possible for motor-ploughing, for instance, to find the help it needs for successful operation. Nevertheless, it is necessary for one third of the whole productive area, vary from zone to zone, from the Alps to the Apennines, and taken as a whole, they may well arouse dismay. In some parts of the Apennines the situation is extremely grave, as the growing pressure of population on the land makes the hydro-geological conditions progressively worse. Lands continue to be used for arable crops which should be reserved for grazing and for woods; while the population is engaged in a heroic struggle to obtain a bare living from an ungrateful clay soil.

What is required is generously financed action to check the causes that are leading to the physical destruction and consequent depopulation of the mountain areas. This should be done even if, viewed from the strictly economic point of view, such work cannot be considered immediately profitable; the cost of such an undertaking is quite great; the contributions made by government will always be small as compared to the urgent need.

There can be no doubt, however, that the revival of the poorest of these zones depends on securing a better balance between available land and population; only emigration can lead to a return to normal economic conditions. In Italy, for instance, 1936 on a productive mountain area of 77 million hectares more than 9 million people were living, the density exceeding 75 per sq. kilometer. Of these 77 million ha., only 3.7 million were under arable crops, specialised tree and bush plantations, permanent grass; the remaining 77 million hectares were productive only of poor crops.

Mechanisation.

13. - The vocational training of the peasants, experimental stations, organisation of agricultural producers.

14. - The references made to the financial means required for the solution of the principal problems dealt with (intensifying the cultivation of the more valuable crops, the increase of farm equipment, the formation of small holdings operated by their owners, land improvements, etc.), have already called attention to the serious nature of the present situation of agricultural credit in Italy.

Many farmers, now find it impossible to finance their ordinary cycle of operations, to provide themselves with the necessary live and dead stock, and to carry out useful work even on a small scale, because the agricultural credit institutions are unable to provide them with the necessary credit on reasonable terms. The problem is not a new one (18), and undoubtedly many difficulties stand in the way of its solution on a national scale; but the present situation is the consequence of Government policies which, to meet emergency needs which can be readily understood, absorb too large a share of national savings directed towards uses of doubtful economic value, leaving whole sectors of vital importance uncovered and unprovided for.

15. - The purpose of the figures 1 give for the amount of the financial help needed by Italian agriculture is that of affording a guiding idea which will allow of appreciating the comparative position of agriculture in relation to the Italian economy as a whole with a view to assessing a fair distribution of Government help.

First of all, it would be necessary in the course of the next four years, to raise the estimates of the Ministry of Agriculture and Forestry, which—taking as basis the pre-war figures amounting as a general rule to a sum considerably above one million lire per annum—should now stand at a yearly sum of 50 million lire to be allocated in favour of a systematic action of the Ministry’s services which should be brought up to a high level of efficiency (19).
When the national budget has thus provided for placing on a normal basis the ordinary services for agriculture, the special program for agricultural reconstruction to meet present emergency needs will have to be financed.

To carry out this program it should be possible during the next four years to draw on the E.C.A. counterpart fund in lire for amounts not less than 160 milliard lire per annum. We have made this estimate in consideration of the great number of projects that have to be settled, especially in Southern Italy, and of the need of planning an efficient agrarian policy, bearing in mind that the American help is given to assure full economic development. At home this development is to be promoted by the reconstruction of instrumental goods and by reorganization to allow of lower costs by removing limitations. An efficient plan of vocational training would require at least 3 milliard lire per annum; the experiment stations services should be provided with at least 3 milliards; and from 7 to 10 milliard lire would be required for encouraging animal husbandry and the mechanization of the farm; etc.

Concerns specialising in those lines of production suited to the conditions prevailing in the country; in external relations development will be assured by coordinating our national economy with those of other countries, so as to assure through more active international trade relations, a marked and lasting increase of national income.

And here it is well to remember that the recovery of agriculture will require the recovery of the balance between agricultural and industrial activities in the allocation of the E.R.P. help and in other fields. As Italian agriculture must once more follow the traditional policies which lead it to endeavour to intensify international trade exchanges so as to free itself from the yoke of autarky, so also industry must give up those high protection policies based on the desire to safeguard special interests, which have often induced it to absorb all the financial assistance the Government can give, using it for its own exclusive advantage.

The Depreciation of the Peso and Trade between Italy and Argentina

by GINO LUZZATTO

1. — Since the beginning of the year the results of the new economic policy adopted by President Peron and his chief economic advisor, Miranda, have been attracting the attention of the business world everywhere as affecting the rapid fall of the dollar-peso exchange rate, and of those with the currencies of all other countries trading with Argentina.

The progressive depreciation of the Argentine peso, as of all the other Latin American currencies, dates back fifty years ago: the peso was a silver coin of 25.12 gr. 900/1000 fine, of a rather higher value than the U.S. dollar. Today, although the dollar has been officially devalued by 40%, and although its purchasing power has fallen to less than half the pre-war figure, one can buy on the open market 8 paper pesos with one dollar. Therefore, in half a century, the Argentine currency has lost approximately 95% of its value.

The most striking and rapid depreciation occurred during June and July of this year, followed by no sign of recovery in the ensuing months. At the end of May the peso could still buy on the open market a quarter of a dollar, or 125 Italian lire; today it will only buy one eighth of a dollar or 78-80 lire.

The increased speed of this fall may be partly due to a degree of issuing early in June, in the hopes of checking bear speculation and of restoring confidence in the stability of the currency. This decree ordered that quotations on the free market (known elsewhere as the “black” market, but in Argentina it operates publicly and its rates are notified in bold type on all the daily papers) may not exceed by more than one tenth those of the so-called free

official market. The results of this repressive measure were, of course, the same as those always noted in similar cases. The free market went underground, dollars became scarce, and their price has risen steadily although officially it has been stabilised at 530 pesos for 160 dollars.

2. — Unfortunately, our old Europe has had many such experiences, and this special case would be of little interest did it not offer some special features of its own; for in Argentina the situation of the currency would seem to be in sharp contrast with that of the budget and the trade balance.

If we are to accept the official figures— and there is no reason for rejecting them—the financial year closed on December 31, 1947, with a surplus, unprecedented in the last thirty years, of 590 million pesos, arising from an increase of real over estimated receipts amounting to 600 million pesos. Moreover, this satisfactory financial situation was accompanied by the favorable trend of the balance of trade. While it is true that there was a striking increase in the volume of imports, whose value rose from 2,532 million pesos in 1946 to 5,331 million in 1947, yet exports also rose from 2,973 to 5,311 million, so that the trade deficit only amounted to 20 million pesos on total exchanges valued at 10,684 million.

To judge by these figures only, it would seem that at the beginning of 1948 the state of national finances and the trade balance was such as to assure complete monetary stability. Nor was that all; Argentina took no part, not even indirectly, in the world war. Unfortunately that war had for her some unfavourable