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UNDERDEVELOPMENT WITHIN AFFLUENT SOCIETIES:
19) The case of Southern Italy - luglio 1985
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Panel A.II.1

World Development: Risks and opportunities

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Underdevelopment within Affluent Societies:
The Case of Southern Italy

1. Southern Italy as an underdeveloped area. - Economic dualism can be found in several countries, but in Italy it is especially pronounced. To be sure, Southern Italy, although underdeveloped with respect to the North, it is not an underdeveloped area in the usual sense of the word. If we accept the classification of the World Bank, Southern Italy, considered as an autonomous economy, is very near the lowest limit of the advanced economies, not below it. Moreover, the fact that the South of Italy belongs to a nation where the greatest part is advanced implies relatively favourable conditions for development policies. Yet, the study of the evolution of this area and of the policies adopted to promote its growth can be of interest for those who analyze the economies that are underdeveloped in the strict sense.

2. The trends of the economic distance between North and South. There are reasons to believe that the the behaviour of the gap between the North and the South of Italy is similar to the behaviour of the gap between advanced and a number of Third World countries belonging to the category usually defined "middle-income countries": that distance was relatively limited in the past century, increased until the Second World War and then, in recent decades, tended slowly to fall. In round figures (that for the past century are little more than guesses) at the times of the Unification of Italy the gap, measured in terms of per capita income, was around 20%, increased to something less than 50% at the times of the Second World War and fell to about 40% in recent years. It should be added

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that the gap had fallen to 35% ten years ago: recently it has increased again by 3 or 4 points. On the whole, the gap between North and South has decreased even more if, instead of considering per capita income, we consider a weighted average of several social indicators, such as child mortality, health conditions, literacy, housing conditions and the like. It is worth emphasizing that the diminution of gap between North and South has taken place in an upward trend - in the last thirty years the economic growth both of the North and of the South of Italy has been very remarkable - something like 4% per year, on the average. In spite of all, the economic picture of the South is not very brilliant: the North-South gap is still significant; the said development has taken place with a considerable net influx of resources from the North - a self-propelling process does not seem yet under way. Moreover, recently the dismantling of the "Cassa del Mezzogiorno" - the organization in charge of the co-ordination of public interventions in the South - has created a situation of serious uncertainty. All this, however, should not induce us to belittle the importance of the economic and social progress achieved in the South in the last thirty years.

3. Policies to promote the development of the South. - The diminution of the gap is to be attributed to a good extent to the policies adopted by the central government. These policies include: a) fiscal and credit incentives; b) infrastructure and public works (roads, aqueducts, irrigation, special facilities for industrial firms); investment by the State-controlled companies; d) organizations to promote professional formation of workers and technological assistance to small firms. It is not easy to say which of these policies has been particularly effective,

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also because indirect effects are often more important than direct ones. No doubt, wastes have been large and the dosage of the various policies can in many respects be criticized; in particular, the efforts made in the directions of professional formation and of technical assistance have been seriously defective. On the whole, however, the results seem to be positive: the gap has diminished. It is true that in the last ten years it has increased again; to a non-negligible extent this is to be attributed to the crisis of certain sectors, such as steel and basic chemical productions, sectors that have had serious troubles in all industrialized countries. Yet, industrial employment, that in the last years has declined considerably in the North, has remained approximately stable in the South - probably the consequence of the fact that in the South small industrial firms are much more important than in the North and such firms have suffered much less than large firms in the recent crisis.

The question of small firms is a very important one for all underdeveloped countries. It is worth emphasizing that, in Italy as well as in other advanced countries, employment in small firms was in decline, whereas at present it is on the increase. The reasons for this phenomenon are several; it seems clear that one of these reasons is technological - certain developments of informatics have created new economic space for the growth of small firms. It is a phenomenon to be studied with great care, by adopting the point of view of underdeveloped countries; indeed, in these countries the market is limited and - apart from the

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production of goods that can be exported - the growth of small firms does not meet with the obstacle given by the extent of the market.

4. Economic development and the study of economic history. -

On the average the gap between the North and the South of Italy has diminished in the last thirty years; but in certain regions it has diminished considerably, in others much less or not at all. The study of the reasons of such differences may show that they depend relatively little on the availability of natural resources: the geographical position and the structure of the society are much more important; in its turn, the structure of the society should be seen as the product of history.

In the analysis of underdeveloped countries, economists have devoted too much attention to purely quantitative aspects of economic development - such as saving, investment, capital-output ratio and the like - and too little attention to structural, organizational and institutional aspects, that can be understood only after a careful study of past history, especially economic history. As far as methodology is concerned, economists interested in economic development of underdeveloped countries would do well to go back to the founder of modern economic theory, Adam Smith, who made economic growth of nations the center of his fundamental inquiry and who showed how theory and history can be combined both for analytical and for practical purposes.

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