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**PROBLEMS AND PROSPECTS IN SOUTHERN ITALY**

The rehabilitation of southern Italy has been a major objective of Italian governments for almost 20 years. By the end of 1965, public assistance and investment there since 1945 will have reached almost \$10 billion. As a result of this aid, the south's lag behind the rest of Italy is no longer increasing. Nevertheless the contrast in living conditions between north and south is still so sharp that continuing massive public assistance for at least the next 15 years will be essential to reduce it appreciably. The present reform government, in the face of strong resistance from conservative elements, is trying to enact a five-year National Economic Plan which would provide as one of its more important aspects the coordination long needed for development of the south. Until some real improvement in the situation there is achieved, Italy's Communists will continue to benefit from the protest votes of many depressed southerners.

Poverty in the Mezzogiorno

Although northern Italy also has underdeveloped areas and sharp social and economic disparities, the situation has long been far worse in the poverty-stricken south. Most of southern Italy and the islands of Sicily and Sardinia--the area called the Mezzogiorno--is infertile and barren, and illiteracy and low health standards afflict the people. (See inset top of page two).

The Mezzogiorno has about 40 percent of Italy's population but accounts for some 65 percent of the births each year. Per capita income is estimated to be about \$400, or less than half that in the north. However, the north-south gap in total regional income, after

widening annually for generations, appears to have been held more or less constant since 1961.

Public and Private  
Aid and Investment

Sporadic and limited government efforts to help overcome the south's problems were ineffectual before 1950, when the Fund for the South (Cassa per il Mezzogiorno) was set up. In 1953, a Minister Without Portfolio for the Economic Development of the South was appointed and an Interministerial Committee created to approve and coordinate all government projects for the development of the Mezzogiorno. Giulio Pastore --a vigorous proponent of the present collaboration in government between his Christian

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Democratic Party and the Socialists--has been minister for the south almost continuously since 1958.

The Cassa will have spent about \$3.3 billion when its mandate expires in 1965, and a law to extend it for another 15 years is pending. The new legislation is expected to provide for expenditures of about \$450 million a year. Three Cassa-controlled credit institutes are authorized to issue capital grants and interest rate subsidies to help finance privately owned industrial projects. The Common Market's European Investment Bank, which was set up to help raise living standards in the EEC countries, has made more than half--an estimated \$80-90 million--of its total loans to these institutes. The International Bank for Reconstruction and Development and private international banking groups have lent the Cassa almost \$450 million.

Since 1957, state-owned industrial corporations have been required to allot 40 percent of their total investments to the south. This amounted to about \$1.1 billion by 1962, and an additional \$1.4 billion is scheduled to be invested through 1966. Moreover, all new state-controlled industrial plants for the period 1962-65 are required to be located in the south.

Large investments by private Italian firms in the Mezzogiorno did not really get un-

#### Living Conditions In Sicily

Palma di Montechiaro, a township near Gela on the southern coast of Sicily, is considered typical of the more remote and depressed regions of the Mezzogiorno. Its population of 20,000 is made up mainly of agricultural day-laborers, almost all of whom live in serious want. A 1961 survey based on a sample of 600 families (3,404 persons) showed that 54.6 percent of the population over six years of age was illiterate, and that the following living conditions obtained:

- 90.2% of the houses were without running water.
- 71.3% of the rooms showed damp on walls and floors.
- 86.4% of the houses were without lavatories.
- 42% housed farm animals together with human occupants.
- 31.8% of the houses were without windows.
- The average number of rooms per family was 1.1.

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der way until about two years ago. The president of the National Confederation of Industry (CONFINDUSTRIA) envisages that about one quarter--\$3.3 billion--of the total investments made by its member companies during 1963-66 will be placed in the south. Gradual industrial saturation in the north, together with the rising labor and land costs there, has made southern investment increasingly attractive to some of the giants of private industry. In the initial stages of the investment boom most of the companies concerned were easily able to finance expansion out of past earnings, but these reserves now are considerably reduced, and the interest rate on borrowed money has become a much more important consideration. In this situation, it is estimated that an

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entrepreneur can reduce his initial capital costs by nearly a third by using all of the various tax exemptions and reductions and credit assistance which the Cassa makes available for investors in the south.

The amount of private foreign investment in the Mezzogiorno has been comparatively small. Between 1956 and 1962 it probably amounted to one fifth--\$50 million--of total foreign investment in Italy, and almost \$25 million of this went into the petroleum industry. A specially created government institute is making a strong effort to encourage more foreign investment in the Mezzogiorno.

Impact of Aid and Investment

The government placed its initial emphasis on agriculture, and three quarters of the Cassa's funds went into such related infrastructure projects as afforestation, dams, roads, and irrigation. Thus far, only a good beginning has been made in providing the south with an adequate infrastructural system. Moreover, the basic factor which underlies southern agrarian poverty is that much of the land is absolutely irreclaimable for agriculture purposes. Although large estates totaling about one and a half million acres have been broken up and redistributed to some 100,000 families, and emigration has provided an additional slight improvement of the agrarian problem, many of the 7-8 million persons living outside the land reclamation and newly industrial-

ized areas will eventually have to be relocated:

By 1957 it had become apparent that primary reliance would have to be placed on industrialization in order substantially to improve southern living standards and narrow the growing economic gap between north and south. It was nearly two years later, however, before even government-owned industries began to move south, and still another two years before more substantial amounts of private investment began to enter the area. In 1962, such industrial investments rose by 35 percent over 1961, compared with an 8-percent increase in the north. Both public and private investments planned for 1963-66, inclusive, far exceed those of any previous four-year period.

A frequent criticism of the government's programs for southern redevelopment has been that the many agencies and ministries concerned have often operated at cross-purposes, with the result that considerable money and effort was wasted and the effectiveness of the various projects reduced. Concurrent with the increased flow of industrial investments by 1961-62, the government moved to counteract some of this criticism by setting up 12 large development zones and 24 industrial "nuclei" throughout the south. The government believes that by channeling the bulk of investment and public work projects into such specific areas--thus concentrating its efforts--the centers will



*For purposes of receiving special aid, the Italian parliament defined the Mezzogiorno (literally "midday" and a standard term for the South) as all of Italy south of but not including Rome. It has a total area of 49,625 square miles, or 41 percent of Italy's 116,301 square miles. The Mezzogiorno's population in the 1961 census was 19,329,335 or 38.3 percent of the 50,463,762 for all of Italy.*

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eventually service a wide area and attract redundant farm labor. This effort thus far seems to be fairly successful but the Mezzogiorno's industrial base is still very small and greatly distorted in the direction of heavy industry. The centers have not yet succeeded in encouraging the growth of an adequate structure of supporting small and medium-sized businesses.

The Role of State Planning

While the designation of specific redevelopment areas was an encouraging step forward, of much greater long-run importance would be the proposed incorporation of all measures affecting the development of the south into a national economic development plan. Minister for the South Pastore admits "deficiencies" in the government's efforts and attributes them to a lack of national planning and of "coordinated total public spending" in the south. It is generally recognized that long-term national economic planning, such as has been adopted in other West European countries, is necessary in order to correct Italian social and regional imbalances. The National Commission for Economic Programming now is studying the draft proposals--under preparation since early 1962--of the five-

year National Economic Plan which the Moro cabinet is committed to enact. Budget Minister Giolitti, under whose auspices the Commission was established, expects Parliament to pass the necessary legislation by the end of this year.

However, conservative political and economic forces have consistently opposed the establishment of a national plan, and their attitudes regarding the content of the final proposal could be critical not only for its enactment but for the stability of Premier Moro's center-left coalition. The key element is the extent to which the plan would modify the free market mechanism; conservative elements can be expected to try to prevent any sizable extension of "public initiative." An attempt was made to allay conservative fears on long-range planning by stating in the coalition's economic program that government policy should aim at ensuring a basic framework of development within which "both the free choice of private enterprise and the policies of public initiative" may operate. Despite this clause, conservatives fear that the over-all plan will determine such matters as the pattern and location of investment, and that this would conflict with industry's own profit and market criteria.

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The Emigration Problem

At least one million southerners went to northern Italy or to other European countries between 1951 and 1961, and the flow has greatly accelerated in the past few years. The majority of these are men who, while often illiterate or semi-literate, are among the most energetic and adventurous southerners, and their departure further hampers efforts to revivify the south. The reservoir of southern manpower has been a vital factor in northern Italy's economic boom.

Present plans would encourage another half million southerners to leave by 1970. This, together with the creation of 1.5 million new jobs, would, it is hoped, bring about full employment. Training is already a serious problem, however. Qualified workers cannot be found for many openings, and technical training facilities are greatly insufficient. Although more than 3,000 primary schools have been established in recent years, it will be many years before their impact will be apparent in the labor market.

The April 1963 national parliamentary elections showed that the massive emigration from the Mezzogiorno has had a strong effect on regional voting patterns since the 1958 elections. A large part of the considerable Communist gains in the northern industrial centers was attributable to the emi-

grant vote. The emigrant voted for the Communists partly because of the role the party and their labor confederation played in helping him adjust to the new environment. He was also demonstrating a new awareness of his extremely low living conditions, however, and expressing his protest by backing the party which he felt identified itself most closely with his problems.

Even in the south the Communist Party made gains, in contrast with its losses there in the 1960 municipal elections and scattered local by-elections in 1962. The bulk of the emigrants who returned home from abroad to vote appear to have deserted the Christian Democrats for the Communists. Working abroad seems to have brought into sharp focus the disparity between conditions in other European countries and those in southern Italy, and the vote represented a protest. There are also indications that the Communists gained substantial votes from those who moved from the farm into the new industrial centers in the south.

Outlook

Whether the government can narrow the north-south economic gap and enable the south to become self-sustaining will depend in large measure on the adoption of the long-term National Economic Plan. The large injections of public assistance since 1950 have improved the long-range prospects



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for the south, but a substantial rise in investments will be necessary to ensure an upswing. With a concerted use of public and private funds the necessary improvements in southern socio-economic conditions is possible, but it may take longer than will be politically desirable.

Even with a high degree of coordinated effort, it is not likely that the gap in living standards between north and south will be closed within a generation. In view of the strong opposition of conservative elements to national planning and the disruptive tactics the Communists can be expected to follow, the task will be

particularly difficult. The problem will be complicated, furthermore, by the growing impatience of the population in areas where rising expectations outpace modernization.

Italy's national strength and value to NATO are closely dependent upon the success the Moro government has in undercutting the sources of Communist appeal. Until the standard of living in the Mezzogiorno is greatly improved, many southerners--whether living in the south or the north--will express their deep dissatisfaction by supporting the Communist Party, which has sought strenuously to be their spokesman. [redacted]

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